



# 2020

## Annual financial statements

31 March 2019 - 28 March 2020

 **mr price group limited**

# CONTENTS

## Primary statements

The primary statements are included in the beginning of the annual financial statements and include note references to specific underlying detailed notes.

## Notes to the financial statements

The notes to the financial statements have been re-ordered on the basis set out in note 1.

## Accounting policies

The principle accounting policies applied in the preparation of these annual financial statements are included in the specified notes to which they relate and are indicated with a red line on the left.

## Significant accounting estimates

The key assumptions concerning the future and other key sources of information uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out in the relevant notes.

## 1: Statutory information

- 150 Approval of the annual financial statements
- 150 Company secretary statement
- 151 Report of the directors
- 153 Audit and Compliance committee report
- 159 Independent auditors report
- 163 Shareholder information

## 3: Notes to the financial statements

- 168 1. Basis of preparation
- 169 2. Adoption of new standards and changes in accounting policies

### Results of operations

- 171 3. Revenue
- 172 4. Profit from operating activities
- 173 5. Segmental report
- 174 6. Dividends to shareholders
- 174 7. Earnings per ordinary and B ordinary share

### Working capital

- 175 8. Inventories
- 175 9. Trade and other receivables
- 179 10. Trade and other payables
- 179 11. Reinsurance assets and liabilities
- 181 12. Bank balances and other cash
- 181 13. Notes to the statements of cash flows

### Operating assets

- 183 14. Property, plant and equipment
- 185 15. Intangible assets
- 186 16. Non-current assets held for sale and discontinued operations
- 187 17. Right-of-use assets
- 187 18. Long-term receivables

### Financial risk

- 188 19. Financial risk management

## 2: Primary statements

- 164 Consolidated income statements
- 164 Consolidated statements of comprehensive income
- 165 Consolidated statements of financial position
- 165 Consolidated statements of cash flows
- 166 Consolidated statements of changes in equity

### Liabilities and commitments

- 196 20. Lease obligations and lease liabilities
- 197 21. Provisions
- 197 22. Long-term liabilities
- 197 23. Retirement benefits
- 200 24. Capital expenditure
- 200 25. Contingencies and commitments

### Taxation

- 201 26. Taxation
- 202 27. Deferred taxation

### Equity structure

- 203 28. Share capital
- 206 29. Capital reserves
- 206 30. Treasury share transactions
- 207 31. Foreign currency translation reserve

### Group composition

- 208 32. Consolidated entities
- 209 33. Operating subsidiaries
- 210 34. Business combinations

### Other notes

- 210 35. Related parties
- 211 36. Directors' emoluments
- 211 37. Subsequent events



# APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The preparation and presentation of the annual financial statements and all information included in this report are the responsibility of the directors. The annual financial statements were prepared in accordance with the provisions of the Companies Act and comply with International Financial Reporting Standards, as issued by the Accounting Practices Board and its successors, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the JSE Listings Requirements. In discharging their responsibilities, both for the integrity and fairness of these statements, the directors rely on the internal controls and risk management procedures applied by management.

Based on the information and explanations provided by management and the internal auditors and on comment by the independent auditor on the results of their statutory audit, the directors are of the opinion that:

- the internal controls are adequate
- the financial records may be relied upon in the preparation of the annual financial statements
- appropriate accounting policies, supported by reasonable and prudent judgements and estimates, have been applied
- the annual financial statements fairly present the results and the financial position of the company and the group.

The annual financial statements are prepared on the going concern basis and nothing has come to the attention of the directors to indicate that the company and the group will not remain a going concern.

These annual financial statements as at 28 March 2020 have been prepared under the supervision of the chief financial officer, Mr MJ Stirton CA (SA).

The annual financial statements of the company and the group were approved by the board on 10 July 2020 and are signed on its behalf by:

NG Payne  
Chairman

MM Blair  
Chief executive officer

## Company secretary statement

I hereby certify that the company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

J Cheadle  
Company secretary  
10 July 2020

# REPORT OF THE DIRECTORS

## Nature of business

The main business of the group is omni-channel retail distribution through 1 378 corporate-owned, 9 franchised stores in Africa and its online channels. The retail chains focus on clothing, footwear, sportswear, sporting goods, accessories and homewares, while its financial services division provides credit, insurance and cellular products and services.

## Corporate governance

The directors subscribe to the values of good corporate governance report as set out in the King IV report on Corporate Governance for South Africa 2016 (King IV). By supporting King IV the directors have recognised the need to conduct the business with integrity and to account to stakeholders in accordance with International Financial Reporting Standards. Refer to the Board report in the annual integrated report on pages 64 to 73.

## Retail calendar

The group reports on the retail calendar of trading weeks incorporating trade from Sunday to Saturday each week. Accordingly the results for the financial year under review are for a 52 week period from 31 March 2019 to 28 March 2020 (2019: 1 April 2018 to 30 March 2019).

## Financial results

The financial results of the company and the group are set out in the statements of comprehensive income on page 164.

## Dividends

Ordinary and B ordinary dividends

It is the group's policy to make two dividend payments each year, an interim in December and a final in June.

Interim: A cash dividend of 311.4 cents per share (2019: 311.4 cents per share) was made payable on 17 December 2019 to shareholders registered on 13 December 2019.

Final: No final dividend has been declared in order to preserve cash in the business due to the economic uncertainty as a result of the COVID-19 pandemic (2019: 424.8 cents per share).

## Consolidated entities

The aggregate amount of group profits and losses after taxation attributable to consolidated entities was:

R'm	2020	2019
Profits	87	91
Losses	(50)	(87)
	37	4

## Net shareholders' equity

### Authorised and issued share capital

There were no changes to authorised share capital. During the year 100 000 B ordinary shares were converted to ordinary shares.

### Subsequent events

Refer to note 37.

On 23 March 2020, the President of South Africa announced a nation-wide lockdown that placed the country into level 5 restrictions for an initial 21 days, which was extended until 30 April 2020. The group's South African stores, e-commerce, head office, distribution centre and call centres were closed from 27 March 2020. During this period, the group did not generate retail sales in its major market. The rest of our Africa operations were similarly affected as governments in those regions imposed restrictions. Refer to the COVID-19 update SENS release on 26 March for further details on the group's response to COVID-19.

On 25 April 2020, the President of South Africa announced the risk adjusted strategy to resume economic activity resulting in the relaxation of some lockdown rules, which would come into effect on 1 May 2020. This included a change in the status of the lockdown from level 5 to level 4. Based on the lifting of some of the lockdown restrictions, the group's stores, distribution centres and head offices resumed operations from 1 May 2020, with a limited assortment. With effect from 1 June 2020, the lockdown level was changed to level 3, which permitted all our stores to sell their full assortment.

On 20 May 2020, the company issued a SENS notice in which it notified shareholders of a general meeting requiring shareholders to grant specific authority to issue shares for cash up to 10% of its ordinary issued shares. This authority was passed at a general meeting held on 29 June. The group aims to utilise the proceeds to pursue organic and acquisitive growth opportunities.

The group has decided it will be exiting Nigeria in the first half of FY2021 which will be presented as a discontinued operation from that point. The necessary impairments have been taken into consideration.

## Directorate

Mark Bowman was appointed as Lead Independent Director in Bobby Johnston's stead, effective 30 May 2019.

Particulars of the present directors and company secretary are provided on pages 66 and 73 of the annual integrated report. None of the directors have long-term service contracts with the company or any of its consolidated entities.

## Emoluments

Details of emoluments paid to executive and non-executive directors are set out in the Remuneration report in the annual integrated report pages 88 to 109 and note 28 and note 36.

### Interest in shares of the company

At the financial year end, the directors were interested in the company's issued shares as follows:

#### Ordinary shares

	2020					2019				
	Direct beneficial	Indirect beneficial	Held by associate	Total	%	Direct beneficial	Indirect beneficial	Held by associate	Total	%
Mark Blair	237 348	-	-	237 348	0.09%	220 636	-	-	220 636	0.09%
Mark Stirton	64 839	-	-	64 839	0.03%	55 185	-	-	55 185	0.02%
Stewart Cohen	15 875	-	44 588	60 463	0.02%	15 875	-	44 588	60 463	0.02%
Steve Ellis	132 224	-	-	132 224	0.05%	131 482	-	-	131 482	0.05%
Keith Getz	-	-	20 000	20 000	0.01%	-	-	20 000	20 000	0.01%
Bobby Johnston	-	-	91 250	91 250	0.04%	-	-	91 250	91 250	0.04%
Stuart Bird	-	-	-	-	-	114 114	-	-	114 114	0.04%
<b>Total</b>				<b>606 124</b>	<b>0.24%</b>				<b>693 130</b>	<b>0.27%</b>
<b>Total issued share capital</b>				<b>257 045 727</b>					<b>256 945 727</b>	

#### B Ordinary shares

	2020					2019				
	Direct beneficial	Indirect beneficial	Held by associate	Total	%	Direct beneficial	Indirect beneficial	Held by associate	Total	%
Stewart Cohen	-	3 250 000	-	3 250 000	41.16%	-	3 350 000	-	3 350 000	41.90%
Bobby Johnston	-	-	46 504	46 504	0.59%	-	-	46 504	46 504	0.58%
<b>Total</b>				<b>3 296 504</b>	<b>41.75%</b>				<b>3 396 504</b>	<b>42.48%</b>
<b>Total B ordinary issued share capital</b>				<b>7 895 234</b>					<b>7 995 234</b>	

Notes:

1 The following FSP shares were forfeited during the F2020 reporting period due to performance hurdles not being reached:

1.1 M Blair 5121 shares

2.2 S Ellis 1 817 shares

2 Catregav Investment Trust converted 100 000 B Ordinary Shares to Ordinary shares on 8 July 2019

Consequently, the issued B ordinary share capital has reduced by 100 000 to 7 895 234 B Ordinary shares and the issued Ordinary share capital has increased by 100 000 to 257 045 727

3 The 4 598 730 B ordinary shares not detailed above are held by:

3.1 trusts (1 397 618 shares) of which Bobby Johnston's major children are beneficiaries. Bobby Johnston has no direct or indirect beneficial ownership in these shares and has relinquished all voting rights thereto

3.2 Laurie Chiappini (3 200 912 shares)

3.3 Allister McArthur (200 shares)

4 The nature of 66 shares held by Mark Stirton were previously incorrectly listed as "indirect beneficial" and have now been correctly disclosed as "direct beneficial"

5 Mark Stirton sold 66.34 shares on 25 June 2020. There have been no other changes in the above interests between the year end and the date of approval of these financial statements

6 Stuart Bird retired on 31 March 2019

7 Indirect beneficial holdings by Stewart Cohen includes 1 044 148 B ordinary shares which are used as security.

# AUDIT AND COMPLIANCE COMMITTEE REPORT





## Role

The committee is constituted as a statutory committee in respect of its duties in terms of section 94(7) of the Companies Act (71 of 2008), and has been delegated the responsibility to provide meaningful oversight of the internal and external audit, and finance and compliance functions. The committee mandate is published on the group's website [www.mrpricegroup.com](http://www.mrpricegroup.com). The committee members, their qualifications and experience, the number of meetings held and attendance at meetings is detailed in the Board report on pages 66 and 72 in the annual integrated report.

The committee provides independent oversight of the effectiveness of the group's assurance and compliance functions, with particular focus on combined assurance arrangements (including external assurance service providers, internal audit and the finance function) and the integrity of the annual financial statements and, to the extent delegated by the board, other external reports issued by the group. In doing so, it assists the board to discharge its responsibility to:

- Safeguard the group's assets
- Operate adequate and effective systems of internal controls, financial risk management and governance
- Prepare materially accurate financial reporting information and statements in compliance with applicable legal/regulatory requirements and accounting standards
- Monitor compliance with laws, regulations and adopted non-binding rules, codes and standards
- Provide oversight of the external and internal audit functions

### The key areas of focus for the reporting period were:

- Conducting the suitability assessment of the external auditor and new audit partner
- Ongoing assessment of the group's approach to mandatory audit firm rotation
- Monitoring the interpretation and impact of IFRS 16
- Overseeing ongoing regulatory, tax and credit matters
- Monitoring legal and regulatory compliance, and providing guidance on the suspected Madagascar supplier non-compliance and remedial actions
- Considering the impact of the 2019 JSE Listings Requirements (LR) amendments on financial reporting and compliance

The committee is satisfied that it has fulfilled its responsibilities in accordance with its mandate for the 2020 financial year, including duties in terms of the Companies Act, JSE LR and King IV.

## Compliance assurance

The committee oversees the assurance arrangements in place are effective. The combined assurance model comprises management, the compliance function, the internal audit function and external audit services. The committee is satisfied that these arrangements are effective in providing a robust control environment which enables the provision of reliable information for decision making purposes and support the integrity of external reports. After an extensive review and consultation process, the business has made a strategic decision to outsource the internal audit function to KPMG from 1 July 2020 (refer page 156).

## Management and reporting

Having given due consideration, the committee believes and confirms that Mark Stirton, who is the financial director and carries the title chief financial officer (CFO), possesses the appropriate expertise and experience to meet his responsibilities. The committee is also of the view that the group's financial function incorporates the necessary expertise, resources and experience to adequately and effectively carry out its responsibilities.

Further, the committee believes that the group has appropriate financial reporting procedures and is satisfied that these procedures are operating adequately. This is supported by the effectiveness of internal controls being maintained at a high standard which translates into accurate financial and related information presented to stakeholders in this annual integrated report. There are no known significant internal financial control weaknesses. Significant matters considered in relation to the annual financial statements were the approach to determining both inventory and trade receivables provisioning, impairment assessments and assumptions used, going concern evaluation, quality of earnings, adoption of new IFRS standards and disclosures. The impact of COVID-19 on the group's financial reporting has been reviewed in conjunction with Ernst and Young Inc (EY). Additional disclosure relating to management judgment has been added where appropriate. The committee also considered the impact of the JSE report on proactive monitoring of annual financial statements 2019, the activities of the Financial

Reporting Investigation Panel in 2019 and the JSE thematic review of IFRS 9 and IFRS 15. Based on supporting information presented by the external auditors including financial analysis, prior history and best practice, the committee is satisfied that these matters were adequately addressed.

The impact of the amendments to the JSE LR were considered to ensure compliance with requirements as they become effective.

The basis for determining materiality was approved by the committee and the committee is satisfied with the level of reporting by management on qualifying significant items over the period.

#### External audit

EY were the group's appointed external auditor for the reporting period. Although EY has been the group's auditors since October 1989, the committee is satisfied that EY is independent of the group. In reaching this conclusion, the committee considered:

- The fact that the designated partner for the reporting period, Vinodhan Pillay, was assigned to the group audit in FY2016 (and will rotate off the group's audit from the FY2021 reporting period)
- The group has a clearly defined non-audit services policy which is strictly followed
- The extent of non-audit services is minimal and is continuously monitored, with no excessive, unusual or unnecessary engagements noted

The committee is of the view that the group received a high quality external audit taking into account the standard of audit planning and scope of activities performed. The audit team assigned to the audit, EY's independence, its relationship with stakeholders, understanding of the business, and the extent of non-audit services provided, were further points taken into consideration during the assessment of the audit quality. The committee chair met with EY prior to the approval of this report to discuss key audit matters, the group's annual financial statements, commentary thereon and general matters.

Vinodhan Pillay will rotate off the group audit as designated partner after FY2020 and EY proposed that Merisha Kassie take over as the designated audit partner for FY2021. The committee has considered the documents submitted by EY as part of the committee's suitability assessment and Merisha Kassie in terms of the JSE LR. On the basis of this assessment the committee recommended to the board and

recommends to shareholders that EY be re-appointed as the external auditors and Merisha Kassie be appointed as the designated auditor for the current financial year (FY2021). The resolution for the re-appointment of EY as the group's external auditors is in the notice of AGM.

The group has considered the requirements of mandatory audit firm rotation as prescribed by IRBA effective 1 April 2023. In the 2019 integrated report, the committee communicated its commitment to rotate external auditors from FY2021 provided such decision served the best interests of the business. Selection of the group's new external auditors was on track to be completed by the third quarter of FY2021, however, management requested that the rotation be delayed to FY2023. Audit failure is high when new external auditors who are unfamiliar with the business are introduced. Mandatory audit firm rotation timelines have been delayed in order to reduce the change risk of new external auditors, bringing more stability during a period where the economy and business is navigating extreme and unprecedented uncertainty. Further to this, it would be too disruptive to have both new internal and external auditors in the same year. Next financial year (FY2022) will be used to assess the capabilities and suitability of qualifying audit firms to enable a smooth transition at the appropriate time.







# ANNUAL INTERNAL AUDIT ASSURANCE STATEMENT

For the reporting period, internal audit provides reasonable assurance that key risks were managed at acceptable levels to support the achievement of the group's strategy.



## Internal Audit

### Independence

- Independence and objectivity is maintained through internal audit's appropriate organisational positioning, reporting functionally to the committee and administratively to the CFO
- Internal audit is independent of all group operational activities and has unrestricted access to all areas within the group
- Internal auditors maintain an unbiased mental attitude that allows them to perform engagements objectively
- The committee approves the appointment (and removal), and contract of the chief audit executive (CAE). The committee approves the remuneration of the CAE in conjunction with committee
- The CAE ensures Internal Audit remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner
- Executive management support and encourage the independence of the function and the opinions provided
- The CAE has a standing invitation to attend any divisional board meeting but is not a member of these boards to maintain independence

### Approach

- Assurance is provided through a risk-based approach that is aligned to the strategic risks facing the group
- Internal audit remains agile to respond to the rapid shifts in the internal and external environment. Internal audit plans are re-calibrated on a quarterly basis to align efforts to risks on an ongoing basis. The approved audit plan for FY2020 was achieved
- Internal audit's fit for purpose, cost effective approach to providing assurance to a value driven business ensures that key risks are appropriately managed to acceptable levels, in line with the group's defined risk tolerances
- Internal audit's integrated approach to all audit disciplines provides a holistic view on risk
- Internal audit provides real-time assurance through digital auditing resulting in greater coverage, depth and efficiencies
- Duplication of assurance efforts are reduced through a coordinated combined assurance approach to risk management
- Internal audit is aligned to professional standards, Code of Ethics of the Institute of Internal Auditors and King IV principles

### People

- Experienced, qualified and passionate associates have been upskilled in retail acumen to provide assurance in key strategic areas and drive value creation for stakeholders

### Value Creation

- Internal audit identified cost saving opportunities to the group through improvements and innovative approaches to providing assurance such as process efficiencies
- Collaborated with the project management office to strengthen the first and second line of defence through stage gate reviews that ensured key requirements were met during each IT project
- Improved ethics and fraud detection within the group through quick and effective response to fraud and ethics related matters
- Implementation of dashboards to monitor key risks on an ongoing basis within the store operations environment

### Transforming Internal Audit

- Internal audit's ever evolving, innovative and agile approach to assurance has provided real-time, insightful and foresight driven assurance
- Transitioning internal audit from providing assurance that is insightful to foresight driven, through the development of predictive analytics to forecast risk/ control breakdowns within the store operations environment
- The Southern African Institute of Internal Audit recognised the CAE in 2019 for his excellence in internal audit leadership, internal audit transformation and contributions to the profession
- An outsource agreement with KPMG was facilitated through a section 197 arrangement, whereby all internal audit associates were transferred to KPMG from 1 July 2020
- Key criteria considered in the decision to outsource internal audit include
  - increased diversity of assurance skills required to respond to the changing needs of the group
  - improved career path for the internal audit associates not available within the group
  - introduction of new technologies to aid in the prevention and detection of control breaches and
  - leverage of global best practices and methodologies



Continued

# ANNUAL INTERNAL AUDIT ASSURANCE STATEMENT

For the reporting period, internal audit provides reasonable assurance that key risks were managed at acceptable levels to support the achievement of the group's strategy.



## FY2020 Strategic focus

### Retail modernisation IT Project

- Contributed towards optimising the fundamental retail capabilities across the group by providing relevant and timely assurance on IT project delivery.

### Revenue assurance (Mr Price Money)

- Provided assurance on the revenue streams within Mr Price Money, focusing on the credit, cellular and insurance processes and systems contributing to accurate, valid and complete billing and financial reporting.

### Information security

- Assurance was crafted around the everchanging security risk landscape faced by the group to ensure constant monitoring and improvements in the group's response to security threats.

### Store operations

- Positively influenced the store operational risk environment by providing assurance on key risks associated with the management of cash and stock at stores. The approach to provide digital assurance was successfully pioneered allowing operational risks and control breakdowns to be monitored daily through visual dashboards.

### Supplier compliance

- Assessed supplier compliance with import regulations.

### Supply chain (Plan, Buy, Move and Sell)

- Provided assurance on key processes that enable the achievement of the strategic imperative to deliver the right product, to the right store, at the right time.

## FY2020 Outcomes

### Tone at the top

- The Executive team is always supportive and committed to ensuring good governance and risk management across the group. Adherence to the group code of conduct is promoted through consistent application in all matters relating to employee and supplier conduct.

### Governance

- Governance, risk and controls evaluated were adequate and appropriate to assure that the group operated in a responsibly governed manner.

### Risk management

- Risk management structures, systems and processes continuously improve to identify, assess and mitigate key emerging internal and external risks and to support the achievement of the group's strategic goals.

### Internal control

- Internal processes and associated controls remained appropriate and reliable across the group, ensuring the achievement of strategic/operational imperatives, safeguarding of assets and compliance with relevant laws and regulations. Responsiveness to reported control weaknesses and recommended improvements remained positive.

### Process efficiencies

- Processes are reengineered on an ongoing basis through continued focus on identifying efficiencies within every process that was audited.

### Internal audit training intervention outcomes

- Internal Audit have built the appropriate level of skill and optimised approaches to support the group as a key governance pillar.



## Compliance

The board governs compliance with applicable laws, regulations and adopted non-binding rules, codes and standards. It has delegated this responsibility to the committee which is accountable for setting the direction on how compliance is managed by approving the group's compliance policy and exercising ongoing oversight of compliance governance. The committee delegates the implementation and execution of effective compliance management to the group's management, as first line of defence.

Compliance is embedded within the group through the group compliance function which acts as part of the second line of defence. It assists the board, management and associates in fulfilling their responsibility to comply with applicable compliance obligations through the provision of compliance risk management services. The constantly changing regulatory landscape is monitored to ensure that key regulatory changes are identified across all jurisdictions in which the group operates, the business impact determined, and appropriate controls implemented to achieve compliance. The group's credit and insurance business are highly regulated. There is a dedicated compliance function within the group's Mr Price Money division, which has a dotted reporting line to the group compliance function. Implementation of compliance measures and controls is managed within other trading and support divisions as part of existing roles as appropriate.

Annually, the group's regulatory universe is reviewed, and approved by the committee, and responsibility for legislation is delegated to management. Material group and divisional compliance risks, trends and mitigation measures are monitored by the group compliance function and formally reported to management at quarterly governance divisional board meetings as well as to the board through both the Social, Ethics, Transformation and Sustainability Committee (SETS), regarding compliance matters relevant to SETS area of oversight, and this committee. On an annual basis, management and the group compliance officer provide assurance to the committee in respect of their delegated areas of responsibility through the legal assurance process.

### Tax and labour compliance

Regarding the previously disclosed SARS assessment objections and appeal, the group has reached a settlement with SARS on one

matter without incurring penalties. The other matter is proceeding to court (these matters are covered in the CFO's report on page 50 of the annual integrated report). The previously disclosed department of labour (DoL) compliance notices issued regarding alleged non-compliance with the sectorial determination for "store associate" rates of pay remain under dispute. The DoL has misinterpreted the retail "store associate" role as defined in the context of the group's self-service model and has not taken staff benefits into account when calculating store associate rate of pay. These matters are ongoing.

### Occupational health and safety compliance

In March 2020 the group closed the Durban head office voluntarily and as a precautionary measure for two days after two associates who had traveled internationally and met with a supplier who was diagnosed with COVID-19, showed flu-like symptoms. During this closure the offices were deep cleaned, sanitisers installed and hygiene protocols and awareness escalated. Although the associates tested negative, the measures taken during the closure resulted in the group early-implementing the Government directed social distancing and hygiene measures which were enforced during March 2020. The closure also enabled the group to test its work from home capacity which assisted in a smooth transition to full lock down in late March. Ongoing compliance with the Disaster Management Act regulations and implementation of COVID-19 health and safety requirements is a key focus for the current (FY2021) reporting period. Further detail on the group's response to and management of the COVID-19 pandemic is on page 84 of the annual integrated report.

### Customs and excise compliance

During this reporting period an investigation by internal audit identified suspected non-compliance with customs and excise requirements by a supplier of the group. As a consequence, the relationship with the supplier was terminated and disciplinary action was taken against accountable senior associates. As a precaution and to address any potential reporting obligations, the CAE met with senior SARS officials in late 2019 to discuss the matter.

No material or repeated penalties, sanctions or fines for contraventions of or non-compliance with statutory obligations (including environmental obligations) were imposed on the group or its directors or management during the reporting period.

### The key areas of focus for the reporting period were:

- Achieving payment card industry (PCI) compliance
- Implementing National Credit Act (NCA) amendments
- Favourably resolving the NCA matter before the National Credit Tribunal relating to the Miladys club product fee (this was resolved in May 2019 during the reporting period but was fully disclosed in the 2019 annual integrated report)
- Improved data protection compliance including Protection of Personal Information Act (POPIA) readiness
- Resolving the suspected supplier non-compliance matter
- Implementing measures to comply with the Disaster Management Act regulations and COVID-19 health and safety requirements

### Future areas of focus are:

- Entrenching and monitoring of Disaster Management Act regulations and COVID-19 related compliance
- Materially progressing POPIA compliance through a focused data protection project to ensure compliance by the 1 July 2021 implementation date
- Increased monitoring of financial services legislation following recent legislative amendments



# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Mr Price Group Limited

## Report on the Audit of the Consolidated and Separate Annual Financial Statements

### Opinion

We have audited the consolidated and separate annual financial statements of Mr Price Group Limited and its subsidiaries ('the group') set out on pages 164 to 212, which comprise of the consolidated and separate statements of financial position as at 28 March 2020, and the consolidated and separate income statements and consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate annual financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate annual financial statements present fairly, in all material respects, the consolidated and separate financial position of the group and company as at 28 March 2020, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated and separate annual financial statements section of our report. We are independent of the group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing

audits of financial statements of the group and in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits of the group and in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA code) and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate annual financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how the audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the Audit of the consolidated and separate annual financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate annual financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate annual financial statements.

The Key Audit Matters applies equally to the audit of the consolidated and separate annual financial statements.



Key audit matter	How our audit addressed the key audit matter	Key audit matter	How our audit addressed the key audit matter
<p><b>Inventory write-down provision</b></p> <p>The write-down of inventories considers management's expectations of inventory on hand that will be sold below cost, or not sold at all.</p> <p>We considered the inventory write-down provision, of R282m (group) and R270m (company), to be an area of most significance as the provision includes significant management assumptions and estimates. The future saleability and effect of fashion trends and seasonal changes considers the current and prior year's operating environment and the time to go to market and is included in managements assumptions.</p> <p>In addition, the national lockdown in South Africa due to the COVID-19 pandemic, led to temporary store closures resulting in lost sales and inventory build-up. Higher markdowns are anticipated due to a highly promotional environment expected post lockdown to stimulate sales and reduce excess inventory balances, and this was considered in the management overlay applied to the inventory write-down provision model.</p> <p>We considered the assessment of the inventory write-down provision to require additional judgement in the current year, with the increased risk due to recent trading conditions resulting from the South African lockdown procedures, together with the quantum of gross inventory on hand at year end. As a result of the aforementioned, this was regarded as a key audit matter.</p> <p>We refer to note 8 (Inventories) to the annual financial statements for the related disclosure.</p>	<p><b>Our procedures included, amongst others, the following:</b></p> <ul style="list-style-type: none"> <li>• We assessed the design and implementation of key controls in respect of inventory management and the review and approval of the inventory write-down provision.</li> <li>• We considered the methodology applied by management to determine the write-down provision and evaluated the reasonableness thereof by comparing it to prior year methodology and our understanding of the business.</li> <li>• We assessed the accuracy and logic of the model used to calculate the provision, by testing the mathematical accuracy and assessing the assumptions, used against the industry for reasonability.</li> <li>• We tested management's assumptions relating to fashion trends and seasonal changes applied in the inventory write-down provision by assessing the accuracy of the data, together with the write off rates used in the calculation, which uses historical information and trends applied against the current inventory ageing profile.</li> <li>• We considered the current macro-economic trading conditions, including the adjustments applied by management in respect of the COVID-19 pandemic on the inventory write-down provision.</li> <li>• We assessed the key assumptions applied by management in estimating the provision overlay by considering the current purchasing strategy and engaging in discussions with management.</li> <li>• We reperformed management's calculation of the inventory write-down provision and vouched the data used in the calculation to supporting documentation.</li> <li>• We assessed the disclosures in the annual financial statements relating to the inventory write-down provision in terms of the disclosure requirements of IAS 2: Inventories.</li> </ul>	<p><b>Expected credit losses on trade receivables</b></p> <p>We considered the expected credit losses (ECL) on trade receivables, of R239m (group) and R225m (company), to be an area of most significance as the judgements required, incorporated forward-looking information into the ECL model prepared by management and additional assumptions with respect to the COVID-19 pandemic. As a result, economic and quantitative specialists were required to assess the appropriateness of these judgements and assumptions.</p> <p>The Estimation of Exposure at Default (EAD), Probability of Default (PD) and Loss Given Default (LGD) within the ECL calculation including macro-economic inputs and forward-looking information, which is considered in determining the ECL stage allocation, requires significant management assumptions and judgements.</p> <p>The impact of the COVID-19 pandemic has resulted in large scale business disruption that potentially gives rise to challenges for consumers that may result in the non-payment of their accounts, impacting the ECL. The heightened estimation uncertainty in both the determination of significant increase in credit risk (SICR) and the valuation of the final ECL is a key area of judgement by management in the current year.</p> <p>In addition, the valuation of the ECL for the current year, included a model calculated result with specific parameters, as well as an executive overlay which included additional considerations of forecasted recoveries and risk within the trade receivables portfolio.</p> <p>We refer to note 9 (Allowance for impairment of trade receivables), note 19 (Financial risk management) and note 37 (Subsequent events) to the annual financial statements for the related disclosure.</p>	<p><b>Our procedures included, amongst others, the following:</b></p> <ul style="list-style-type: none"> <li>• We updated our understanding of the allowance for impairment of trade receivables process, including controls over the data and assumptions used in the calculation. We assessed the design and the operating effectiveness of these controls.</li> <li>• We vouched all data inputs used in the ECL model to supporting documentation.</li> <li>• We involved our quantitative specialists to test assumptions and calculations used in the ECL. This included performing the following: <ul style="list-style-type: none"> <li>◦ An assessment of the model's design and documentation, including the ECL model results for EAD, PD and LGD;</li> <li>◦ An assessment of the appropriateness of the methodology considering alternative techniques; and</li> <li>◦ Testing the sensitivity analysis of significant assumptions.</li> </ul> </li> <li>• We involved our economic specialists in evaluating the reasonableness of the base case and alternative scenarios generated in assessing the economic assumptions applied within the model.</li> <li>• The audit team and quantitative specialists considered the approach taken by management in terms of the restrictions on the customers' ability to pay in store during the period of the level 5 lockdown.</li> <li>• We involved quantitative and economic specialist's to reassess the impact of the macro-economic factors applied to the model amongst others, the inflationary pressure or relief and the household debt service costs, by comparing them to the current outlook of the economic environment, as well as the weightings that management applied on the macroeconomic scenarios.</li> <li>• We assessed the disclosures in the annual financial statements relating to the expected credit losses on trade receivables in terms of the disclosure requirements of IFRS 9: Financial Instruments and IFRS 7: Financial Instruments disclosures.</li> </ul>

Key audit matter	How our audit addressed the key audit matter
<p><b>Adoption of IFRS 16 – Leases</b></p> <p>IFRS 16, the accounting standard on leases became effective during the 2020 financial year. The group adopted IFRS 16 on a modified retrospective basis.</p> <p>The implementation of IFRS 16 resulted in the recognition of right-of-use assets (ROU) of R4.1bn (group) and R3.7bn (company) and lease liabilities of R4.6bn (group) and R4.2bn (company), at adoption date.</p> <p>A number of judgements were applied, and estimates made in determining the impact of the standard on both the group and company as the group has a large volume of property, equipment and vehicle leases. In order to compute the transition impact of IFRS 16, a significant data extraction exercise was undertaken by management to summarise all property, equipment and vehicle lease contract data such that the respective inputs could be uploaded into management's model.</p> <p>These significant judgements include the following:</p> <ul style="list-style-type: none"> <li>• Contractual terms and whether or not the contract contains a lease</li> <li>• Impact of lease modifications</li> <li>• Determination of the discount rate applicable to the lease</li> </ul> <p>Due to the material effect that the new standard had on the financial information of the group and company, the number of property, equipment and vehicle leases, the values associated with the rentals, as well as the judgements applied in measuring the lease liabilities and related ROU assets, this has been identified as a key audit matter in the current year.</p> <p>We refer to note 2.1 (Adoption of new standards and changes in accounting policies), note 17 (Right-of-use assets) and note 20.2 (Lease liabilities) to the annual financial statements for the related disclosure.</p>	<p><b>Our procedures included, amongst others, the following:</b></p> <ul style="list-style-type: none"> <li>• We evaluated management's policies, processes and controls that were implemented to facilitate compliance with IFRS 16.</li> <li>• We assessed the design and implementation of key controls pertaining to the determination of the IFRS 16 leases by testing the controls over the input data into the lease management system.</li> <li>• We compared the population of leases in the IFRS 16 model to the extract from the lease management system to confirm whether the population of leases was complete within the model.</li> <li>• For a sample of leases included in management's model, we performed the following procedures, amongst others: <ul style="list-style-type: none"> <li>◦ Assessed the reasonability of the incremental borrowing rates used based on the rate management would obtain for financing by reviewing correspondence from banking institutions;</li> <li>◦ Assessed whether correct contractual terms were applied in the calculations including evaluating management's judgements applied to termination and renewal options;</li> <li>◦ Assessed how variable lease payments were accounted for in determining the ROU asset and lease liability at transition date and at year end and agreed these to the lease agreement;</li> <li>◦ Recalculated the model for mathematical accuracy; and</li> <li>◦ Agreed the amounts calculated by management to the respective general ledger accounts.</li> </ul> </li> <li>• We involved our tax specialist in assessing the appropriateness of the tax treatment of the deferred tax arising from the ROU assets and lease liabilities.</li> <li>• We evaluated the assumptions used in the impairment assessment of the ROU assets with consideration to the COVID-19 pandemic by recalculating the recoverable amount based on the value in use assessment performed by management.</li> <li>• We assessed the disclosures in the annual financial statements relating to managements election to adopt the modified retrospective basis in respect to the implementation of IFRS 16 in terms of the disclosure requirements of IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and in line with the requirements of IFRS 16: Leases.</li> </ul>

### Other information

The directors are responsible for the other information. The other information comprises the information included in the 142 page document titled "2020 Integrated Report 31 March 2019 - 28 March 2020 Mr Price Group Limited", 65 page document titled "2020 Annual Financial Statements 31 March 2019 - 28 March 2020 Mr Price Group Limited", and the 76 page document titled "Notice of the Annual General Meeting" which includes the Approval of the Annual Financial Statements, Report of the Directors, the Audit and Compliance committee report and the Company Secretary's Certificate that are required by the Companies Act of South Africa, that are included in the relevant documents. The other information does not include the consolidated or the separate annual financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate annual financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors for the consolidated and separate annual financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements in accordance with the International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate annual financial statements, the directors are responsible for assessing the group and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and company or to cease operations, or has no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the consolidated and separate annual financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated and separate annual financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate annual financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate annual financial statements, including the disclosures, and whether the consolidated and separate annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate annual financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on other legal and regulatory requirements**

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst and Young Inc. and its predecessor firm, has been the auditor of Mr Price Group Limited for thirty-eight years. Ernst and Young Inc. was appointed as auditor of ORRCO Retail Limited in 1982. ORRCO Retail Limited was later renamed Speciality Stores in 1989, and in 2000 to Mr Price Group Limited.

*Ernst & Young Inc.*

#### **Ernst and Young Inc.**

Director – Vinodhan Pillay  
Registered Auditor  
Chartered Accountant (SA)

10 July 2020  
Durban

# SHAREHOLDER INFORMATION

For the year ended 28 March 2020

## Shareholder's diary

May/June	Announcement of annual results and declaration of final dividend to shareholders
July	Publication of 2020 annual integrated report
August	Annual general meeting of shareholders
November	Publication of interim report covering the 26 weeks ended 26 September 2020 Announcement of interim dividend to shareholders
December	Settlement of interim dividend to shareholders, if announced

Holdings	Ordinary shares				B Ordinary shares			
	Number of share-holders	%	Number of shares	%	Number of share-holders	%	Number of shares	%
1 – 1 000	16 151	78.10	4 509 765	1.76	1	20.00	200	0.00
1 001 - 10 000	3 443	16.65	10 265 210	3.99				
10 001 - 100 000	830	4.02	26 260 988	10.22				
100 001 - 1 000 000	209	1.01	61 441 711	23.90	1	20.00	694 148	8.79
1 000 001 and over	46	0.22	154 568 053	60.13	3	60.00	7 200 886	91.21
	20 679	100.00	257 045 727	100.00	5	100.00	7 895 234	100.00

Category	Ordinary shares				B Ordinary shares			
	Number of share-holders	%	Number of shares	%	Number of share-holders	%	Number of shares	%
Pension funds	25	0.12	71 202 368	27.70				
Unit Trusts/ Mutual Funds	278	1.34	90 709 500	35.29				
Nominee companies and corporate bodies	20 338	98.35	73 890 184	28.75	2	40.0	3 999 974	50.7
Individuals and trusts	29	0.14	15 611 980	6.07	3	60.0	3 895 260	49.3
Staff share schemes	9	0.04	5 631 695	2.19				
	20 679	100.00	257 045 727	100.0	5	100.0	7 895 234	100.0

## Public and non-public shareholders

At 28 March 2020 the percentage direct or indirect shareholdings of public and non-public shareholders in the listed ordinary shares of the company was as follows:

	Number of shareholders	%
Public shareholders	20 635	99.91
Non-public shareholders	44	0.09
Holders holding more than 10%	-	-
Directors of the company or its subsidiaries	13	0.04
Other associates restricted from trading shares in closed periods	22	0.01
Trustees of employees' share schemes or retirement benefit schemes*	9	0.04

## Major shareholders

To the company's best knowledge and belief, the following shareholders or fund managers held discretionary beneficial interest and / or administered client portfolios amounting to 5% or more of the issued ordinary shares of the company at 28 March 2020:

	Beneficial holding		Portfolio administration Discretionary	
	%	Shares	%	Shares
Ordinary shares				
Public Investment Corporation Limited	13.03	33 494 899	13.79	35 446 498
J.P. Morgan Asset Management	8.09	20 785 136		
B ordinary shares				
Emarjay Nominees Pty Ltd	17.70	1 397 618		
Gretrac Investment Trust	40.54	3 200 912		

Details of the beneficial interest in B ordinary shares are reflected in the report of the directors, page 152.



## Consolidated Income Statements

for the year ended 28 March 2020

R'm	Notes	Group		Company	
		2020	2019 <sup>^</sup>	2020	2019
<b>Continuing operations</b>					
<b>Revenue</b>	3	<b>23 030</b>	22 558	<b>22 385</b>	22 023
Retail sales and other revenue		<b>22 773</b>	22 334	<b>22 125</b>	21 797
Retail sales		<b>21 165</b>	20 850	<b>20 572</b>	20 338
Interest on trade receivables		<b>373</b>	373	<b>371</b>	371
Income from consolidated entities				<b>155</b>	185
Premium income		<b>247</b>	261	<b>244</b>	257
Club fees		<b>27</b>	23	<b>27</b>	23
Airtime and related mobile revenue		<b>780</b>	677	<b>599</b>	499
Other revenue		<b>181</b>	150	<b>157</b>	124
Finance interest income		<b>257</b>	224	<b>260</b>	226
<b>Costs and expenses</b>		<b>18 807</b>	18 369	<b>18 364</b>	17 929
Cost of sales	8	<b>12 890</b>	12 284	<b>12 747</b>	12 207
Selling expenses		<b>4 519</b>	4 675	<b>4 119</b>	4 271
Administrative and other operating expenses		<b>1 398</b>	1 410	<b>1 498</b>	1 451
<b>Profit from operating activities</b>	4	<b>3 966</b>	3 965	<b>3 761</b>	3 868
Finance costs		<b>(457)</b>	(4)	<b>(418)</b>	(3)
Finance interest income		<b>257</b>	224	<b>260</b>	226
<b>Profit before taxation</b>		<b>3 766</b>	4 185	<b>3 603</b>	4 091
Taxation	26	<b>1 053</b>	1 176	<b>1 035</b>	1 145
Net profit from continuing operations		<b>2 713</b>	3 009	<b>2 568</b>	2 946
<b>Discontinued operations</b>					
Net loss from discontinued operations for the period	16	<b>(9)</b>	(27)		
<b>Net profit for the period</b>		<b>2 704</b>	2 982	<b>2 568</b>	2 946
Attributable to:					
Equity holders of the parent		<b>2 704</b>	2 982		
- From continuing operations		<b>2 713</b>	3 009		
- From discontinued operations		<b>(9)</b>	(27)		
<b>Profit attributable to shareholders</b>		<b>2 704</b>	2 982	<b>2 568</b>	2 946
<b>Earnings per share</b>		cents per share	cents per share	% change	
Basic	7	<b>1 042.4</b>	1 151.6	<b>(9.5)</b>	
Headline	7	<b>1 047.0</b>	1 168.6	<b>(10.4)</b>	
Diluted basic	7	<b>1 024.8</b>	1 125.7	<b>(9.0)</b>	
Diluted headline	7	<b>1 029.4</b>	1 142.3	<b>(9.9)</b>	
<b>Earnings per share from continuing operations</b>					
Basic	7	<b>1 045.7</b>	1 161.9	<b>(10.0)</b>	
Headline	7	<b>1 049.9</b>	1 179.4	<b>(11.0)</b>	
Diluted basic	7	<b>1 028.1</b>	1 135.7	<b>(9.5)</b>	
Diluted headline	7	<b>1 032.2</b>	1 152.8	<b>(10.5)</b>	

\* less than R1 million

<sup>^</sup> Re-presented for discontinued operations

## Consolidated Statements of Comprehensive Income

for the year ended 28 March 2020

R'm	Notes	Group		Company	
		2020	2019	2020	2019
<b>Profit attributable to shareholders</b>		<b>2 704</b>	2 982	<b>2 568</b>	2 946
<b>Other comprehensive income</b>					
Items that will be reclassified subsequently to profit or loss:					
Currency translation adjustments	31	<b>(10)</b>	21		
Gain on hedge accounting		<b>315</b>	160	<b>315</b>	160
Deferred taxation thereon	27	<b>(88)</b>	(45)	<b>(88)</b>	(45)
Items that will not be reclassified subsequently to profit or loss:					
Defined benefit fund actuarial losses	23	<b>(2)</b>	(7)	<b>(2)</b>	(7)
Deferred taxation thereon		<b>1</b>	2	<b>1</b>	2
<b>Total comprehensive income for the year attributable to shareholders, net of taxation</b>		<b>2 920</b>	3 113	<b>2 794</b>	3 056
Attributable to:					
Equity holders of the parent		<b>2 920</b>	3 113	<b>2 794</b>	3 056
<b>Total comprehensive income for the year attributable to shareholders, net of taxation</b>		<b>2 920</b>	3 113	<b>2 794</b>	3 056

## Consolidated Statements of Financial Position

as at 28 March 2020

R'm	Notes	Group		Company	
		2020	2019	2020	2019
<b>Assets</b>					
Non-current assets		7 110	2 655	6 687	2 629
Property, plant and equipment	14	2 137	2 117	2 051	2 027
Right-of-use asset	17	4 362	-	3 971	-
Intangible assets	15	490	423	462	391
Consolidated entities	32			143	143
Long-term receivables and other investments	18	25	40	4	4
Defined benefit fund asset	23	55	64	55	64
Deferred taxation assets	27	41	11	1	-
Current assets		10 244	8 481	9 618	8 109
Inventories	8	2 719	2 692	2 524	2 470
Trade and other receivables	9	2 268	2 179	2 182	2 096
Derivative financial instruments	19	342	27	342	27
Reinsurance assets	11	182	304	182	304
Current amounts owing by consolidated entities	32			356	643 <sup>^</sup>
Taxation	13.3	7	4	-	-
Cash and cash equivalents	12	4 726	3 275	4 032	2 569
Non-current asset held for sale	16	-	9	-	-
<b>Total assets</b>		<b>17 354</b>	<b>11 145</b>	<b>16 305</b>	<b>10 738</b>
<b>Equity and liabilities</b>					
Equity attributable to equity holders of the parent		9 428	8 682	8 852	8 177
Issued capital <sup>*</sup>	28	-*	-*	-*	-*
Capital reserves	29	316	369	270	323
Treasury share transactions	30	(1 534)	(1 474)	(2 222)	(2 204)
Retained income		10 545	9 902	10 561	10 041
Foreign currency translation reserve	31	(142)	(132)		
Defined benefit fund actuarial gains and losses	23	(4)	(3)	(4)	(3)
Cash flow hedge reserve	19	247	20	247	20
<b>Total equity</b>		<b>9 428</b>	<b>8 682</b>	<b>8 852</b>	<b>8 177</b>
Non-current liabilities		4 032	289	3 684	271
Lease obligations	20	-	190	-	177
Lease liabilities	20	4 014	-	3 666	-
Deferred taxation liabilities	27	-	46	-	52
Long-term provisions	21	-	11	-	-
Long-term liabilities	22	-	11	-	11
Post retirement medical benefits	23	18	31	18	31
Current liabilities		3 894	2 174	3 768	2 290
Trade and other payables	10	2 296	1 920	2 225	1 850
Derivative financial instruments	19	-	-*	-	-*
Reinsurance liabilities	11	46	46	46	46
Current amounts owing to consolidated entities	32			68	207 <sup>^</sup>
Current provisions	21	-	13	-	-
Current portion of lease obligations	20	-	33	-	29
Current portion of lease liabilities	20	1 027	-	917	-
Taxation	13.3	525	37	513	33
Bank overdraft	12	-	125	-	125
<b>Total liabilities</b>		<b>7 926</b>	<b>2 463</b>	<b>7 452</b>	<b>2 561</b>
<b>Total equity and liabilities</b>		<b>17 354</b>	<b>11 145</b>	<b>16 305</b>	<b>10 738</b>

\*less than R1 million

<sup>^</sup> Re-presented for reclassifications

## Consolidated Statements of Cash Flows

for the year ended 28 March 2020

R'm	Notes	Group		Company	
		2020	2019	2020	2019 <sup>*</sup>
<b>Cash flows from operating activities</b>					
Operating profit before working capital changes	13.1	5 166	4 009	5 004	4 017
Working capital changes	13.2	465	(490)	434	(604)
Cash generated from operations		5 631	3 519	5 438	3 413
Interest on trade receivables		373	373	371	371
Finance costs		(5)	(4)	(4)	(3)
Finance income received		272	222	266	224
Taxation paid	13.3	(610)	(1 253)	(585)	(1 228)
Net cash inflows from operating activities		5 661	2 857	5 486	2 777
<b>Cash flows from investing activities</b>					
(Outflows)/inflows in respect of long-term receivables	13.4	15	(9)	-	(2)
Acquisition of Kenyan franchise	34	-	(19)	-	-
Replacement of intangible assets	15	(33)	(24)	(33)	(24)
Additions to intangible assets	15	(123)	(94)	(120)	(90)
Replacement of property, plant and equipment	14	(119)	(129)	(116)	(127)
Additions to property, plant and equipment	14	(240)	(177)	(218)	(156)
Proceeds on disposal of property, plant and equipment and non-current asset held for sale		28	1	17	1
Net cash outflows from investing activities		(472)	(451)	(470)	(398)
<b>Cash flows from financing activities</b>					
Proceeds from issue of shares	28	-*	-*	-*	-*
Payment of financial liability	13.6	(4)	(4)	(4)	(4)
Dividends to shareholders	13.5	(1 944)	(1 916)	(1 950)	(1 922)
Grants to staff share trusts	30	-	-	(20)	(48)
Sale of shares by staff share trusts	30	19	340	-	-
Purchase of shares by staff share trusts	30	(65)	(239)	-	-
Deficit on treasury share transactions	30	(16)	(183)	-	-
Share hedging cost	29.3	(56)	-	(56)	-
Repayment of lease liability	20	(1 589)	-	(1 432)	-
Net cash outflows from financing activities		(3 655)	(2 002)	(3 462)	(1 974)
Net increase in cash and cash equivalents		1 534	404	1 554	405
Cash and cash equivalents at beginning of the year		3 150	2 720	2 444	2 026
Exchange gains		42	26	34	13
<b>Cash and cash equivalents at end of the year</b>	12	<b>4 726</b>	<b>3 150</b>	<b>4 032</b>	<b>2 444</b>

\* less than R1 million

<sup>^</sup> Re-presented for comparative disclosure purposes and reclassifications

## Statement of Changes in Equity for the year ended 28 March 2020

R'm	Notes	Attributable to the Equity Holders of the Parent											Total	Non-controlling interests	Total Equity					
		Capital Reserves				Treasury Share Transactions			Foreign currency translation reserve	Defined benefit fund actuarial gains and losses	Cash flow hedge reserve	Retained income								
		Share capital*	Share premium	Participants in staff share investment trust	Share-based payments reserve	Treasury shares at cost	Deficit on treasury share transactions	Taxation relating to grants to share trusts												
<b>Group</b>																				
		-*	12	32	264	(334)	(1 401)	337	(153)	2	(95)	8 791	7 455	-	7 455					
												(8)	(8)		(8)					
												3	3		3					
		-*	12	32	264	(334)	(1 401)	337	(153)	2	(95)	8 786	7 450	-	7 450					
		<b>Total comprehensive income</b>											21	(5)	115	2 982	3 113	-	3 113	
		Profit for the year														2 982	2 982	-	2 982	
		Other comprehensive income:																		
	31	Currency translation adjustments											21	(5)	115	-	131	-	132	
	11	Net gain on hedge accounting											21				21		21	
		Deferred taxation thereon													160		160		160	
	23	Defined benefit fund actuarial gains													(45)		(45)		(45)	
	23	Deferred taxation thereon													(7)		(7)		(7)	
													2				2		2	
	28	-*	-*																	
	30					(239)														
	30							8												
	29			2		(2)														
	30						(183)													
					109															
					(50)							50								
	30																			
						340														
	6											(1 094)	(1 094)		(1 094)					
	6											(822)	(822)		(822)					
		-*	12	34	323	(235)	(1 584)	345	(132)	(3)	20	9 902	8 682	-	8 682					
	2.1											(232)	(232)		(232)					
		-*	12	34	323	(235)	(1 584)	345	(132)	(3)	20	9 670	8 450	-	8 450					
		<b>Total comprehensive income</b>											(10)	(1)	227	2 704	2 920	-	2 920	
		Profit for the year														2 704	2 704	-	2 704	
		Other comprehensive income:																		
	31	Currency translation adjustments											(10)	(1)	227	-	216	-	216	
		Net loss on hedge accounting											(10)				(10)		(10)	
		Deferred taxation thereon													315		315		315	
	23	Defined benefit fund actuarial losses													(88)		(88)		(88)	
	23	Deferred taxation thereon													(2)		(2)		(2)	
													1				1		1	
	28	-*	-																	
	30					(65)														
	30							2												
	29			-																
	30						(16)													
	29				118															
	29				(56)															
	29																			
	29					(115)						115								
	30						19													
	6											(1 123)	(1 123)		(1 123)					
	6											(821)	(821)		(821)					
		-*	12	34	270	(281)	(1 600)	347	(142)	(4)	247	10 545	9 428	-	9 428					

\*less than R1 million

## Statement of Changes in Equity for the year ended 28 March 2020

R'm	Notes	Attributable to the Equity Holders of the Parent											Total	
		Capital Reserves				Treasury Share Transactions			Foreign currency translation reserve	Defined benefit fund actuarial gains and losses	Cash flow hedge reserve	Retained income		
	Share capital*	Share premium	Participants in staff share investment trust	Share-based payments reserve	Treasury shares at cost	Deficit on treasury share transactions	Taxation relating to grants to share trusts							
<b>Company</b>														
<b>Balance at 1 April 2018</b>		-*	-*		264	(2 229)	(272)	337			2	(95)	9 262	7 269
<b>IFRS 9 adjustment, net of tax</b>		-	-	-	-	-	-	-	-	-	-	-	(295)	(295)
<b>IFRS 15 adjustment, net of tax</b>		-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Adjusted opening balances</b>		-	-	-	264	(2 229)	(272)	337	-	-	2	(95)	8 967	6 974
<b>Total comprehensive income</b>											(5)	115	2 946	3 056
Profit for the year													2 946	2 946
Other comprehensive income		-	-	-	-	-	-	-	-	-	(5)	115	-	110
Defined benefit fund actuarial gains	23										(7)			(7)
Deferred taxation thereon	23										2			2
Net gain on hedge accounting												160		160
Deferred taxation thereon												(45)		(45)
Conversion of B ordinary to ordinary share capital														-
Grants to staff share trusts	30					(48)								(48)
Deficit on treasury share transactions	30													-
Taxation relating to grants to share trusts	30							8						8
Recognition of share-based payments					109									109
Share-based payments reserve released to retained income for vested options					(50)								50	-
Treasury shares sold														-
2018 final dividend to shareholders	6												(1 097)	(1 097)
2019 interim dividend to shareholders	6												(825)	(825)
<b>Balance at 30 March 2019</b>		-*	-*	-	323	(2 277)	(272)	345	-	-	(3)	20	10 041	8 177
<b>IFRS 16 adjustment, net of tax</b>	2.1												(213)	(213)
<b>Adjusted opening balances</b>		-*	-*	-	323	(2 277)	(272)	345	-	-	(3)	20	9 828	7 964
<b>Total comprehensive income</b>											(1)	227	2 568	2 794
Profit for the year													2 568	2 568
Other comprehensive income											(1)	227		226
Defined benefit fund actuarial losses	23										(2)			(2)
Deferred taxation thereon	23										1			1
Net loss on hedge accounting												315		315
Deferred taxation thereon												(88)		(88)
Conversion of B ordinary to ordinary share capital	28	-*	-*											-
Grants to staff share trusts	30					(20)								(20)
Deficit on treasury share transactions	30													-
Taxation relating to grants to share trusts	30							2						2
Recognition of share-based payments	29				118									118
Share-based equity reserve hedge cost	29				(56)									(56)
Share-based payments reserve released to retained income for vested options	29				(115)								115	-
2019 final dividend to shareholders	6												(1 125)	(1 125)
2020 interim dividend to shareholders	6												(825)	(825)
<b>Balance as at 28 March 2020</b>		-*	-*	-	270	(2 297)	(272)	347	-	-	(4)	247	10 561	8 852

\*less than R1 million



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 28 March 2020

## 1.1 Basis of preparation

The annual financial statements have been prepared on the historic cost and going concern basis, except where indicated otherwise in a policy. The annual financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS'), Interpretations issued by the International Accounting Standards Board, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act, 71 of 2008 of South Africa. The consolidated financial statements are presented in Rands and all values are rounded to the nearest million (R million), except when otherwise indicated.

The consolidated financial statements comprise the financial statements of the group and its consolidated entities as at 28 March 2020. The group reports on the retail calendar of trading weeks incorporating trade from Sunday to Saturday each week. Accordingly the results for the financial year under review are for a 52 week period from 31 March 2019 to 28 March 2020 (2019: 52 week period from 1 April 2018 to 30 March 2019).

The group and company discloses its significant accounting policies, including its measurement basis, as part of its disclosures in each note in order to assist the users of these statements in understanding how transactions, events and conditions are reflected in the primary financial statements. The group presents its notes on the following basis:

- Incorporate all related disclosures, significant accounting policies and other information relating to a particular statement of financial positions/income statement item together to provide a complete overall picture of the item.
- The notes, as far as possible, ordered in terms of materiality and significance to the business (refer to navigation on the contents page).

The consolidated financial statements provide comparative information in respect of the previous period. Unless otherwise indicated, any references to the group include the company.

## 1.2 Company re-presentation and reclassifications to the statement of financial position and statement of cash flows

The impairment of intercompany balances was previously presented within current amounts owing to consolidated entities and has been reclassified to current amounts owing by consolidated entities.

The impact on the company statement of financial position is as follows:

	Company	
	2019 as reported for the year ended 30 March 2019	2019 as reported for the year ended 28 March 2020
R'm		
Current assets	8 468	8 109
Current amounts owing by consolidated entities	1 002	643
<b>Total assets</b>	<b>11 097</b>	<b>10 738</b>
Current liabilities	2 649	2 290
Current amounts owing to consolidated entities	566	207
<b>Total liabilities</b>	<b>2 920</b>	<b>2 561</b>
<b>Total equity and liabilities</b>	<b>11 097</b>	<b>10 738</b>

Movements in current amounts owing to / by consolidated entities were previously presented incorrectly within financing activities. It is more appropriate for these cash flows to be presented under operating activities considering the transactions making up these balances are operational in nature and have short payment terms. These have been reclassified to changes in working capital under cash generated from operations.

The impact on the cash flow statement is as follows:

	Company	
	2019 as reported for the year ended 30 March 2019	2019 as reported for the year ended 28 March 2020
R'm		
Operating profit before working capital changes	3 945	4 017
Working capital changes	(405)	(604)
Cash generated from operations	3 540	3 413
<b>Net cash inflows from operating activities</b>	<b>2 904</b>	<b>2 777</b>
Increase in current amounts owing to consolidated entities	522	-
(Increase) in amounts owing by consolidated entities	(649)	-
<b>Net cash outflows from financing activities</b>	<b>(2 101)</b>	<b>(1 974)</b>

## 2.1 Adoption of new standards and changes in accounting policies

The following new standards and interpretations that were applicable were adopted during the year. Except for IFRS 16 Leases these new standards and interpretations did not lead to any changes in the group's accounting policies. There were other amendments issued by the IASB which came into effect for the current financial period which were not applicable to the group.

Statement, Interpretation or Standard	Effective for annual periods beginning
IFRS 16 Leases	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
IAS 19 Plan amendment, Curtailment or Settlement - amendments	1 January 2019
Annual improvements to IFRS Standards 2015-2017 Cycle	1 January 2019

IFRS 16 requires that a lessee recognise a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Depreciation is recognised on the right-of-use asset and interest is recognised on the lease liability, replacing the straight-line operating lease expense under IAS 17 'Leases'.

The group applied IFRS 16 using the modified retrospective approach, by recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity at 31 March 2019. Therefore, the comparative information has not been restated and continues to be reported under IAS 17 'Leases'. The group elected to recognise the right-of-use asset at the date of initial application at its carrying amount as if the standard had been applied since commencement date, but discounted using the group's incremental borrowing rate at the date of transition. The weighted average incremental borrowing rate was 9.25% for the group and company.

The group elected not to reassess the definition of a lease as all the leases identified as a lease in terms of IAS 17 will still be leases under IFRS 16. The group also elected to apply the short-term lease and low value lease expedients.

At transition date, the adoption of IFRS 16 for the group resulted in the recognition of right-of-use assets to the value of R4 059m and lease liabilities of R4 604m. This, together with the derecognition of operating lease liabilities of R223m and adjustments of R90m for deferred tax, resulted in a R232m decrease in retained income on transition date. For the company, right-of-use assets were R3 664m and lease liabilities were R4 166m. The derecognition of operating lease liabilities was R206m and adjustment for deferred tax was R83m. This resulted in a R213m decrease in retained earnings on transition date.



## 2.2 Standards and amendments issued but not yet effective

At the date of authorisation of these financial statements, the following statements, interpretations and standards were in issue but not yet effective.

Statement, Interpretation or Standard	Effective for annual periods beginning
IFRS 16 Leases - amendment	1 June 2020
Conceptual Framework for Financial Reporting	1 January 2020
IFRS 3 Definition of a Business - amendments	1 January 2020
IAS 1 and IAS 8 Definition of Material - amendments	1 January 2020
IFRS 17 Insurance Contracts	1 January 2021 <sup>^</sup>
Classification of Liabilities as Current or Non-current - amendments	1 January 2022

<sup>^</sup> The IASB has decided to defer the effective date of IFRS 17 to 1 January 2023. This new effective date will be included in the amendments to IFRS 17 that the IASB plans to issue by mid-2020.

The directors anticipate that the adoption of the above mentioned standards in future periods will have no material financial impact on the financial statements of the group and will only result in additional disclosure requirements with the exception of IFRS 16 - amendments and IFRS 17 as discussed below. These statements, interpretations and standards will be adopted at the respective effective dates except as detailed below.

### IFRS 16 Leases - amendment

An amendment to IFRS 16 Leases was issued on 28 May 2020 which exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19 related rent concessions that reduce lease payments due on or before 30 June 2021.

The amendment is effective 1 June 2020, with lessees able to apply the amendment immediately in any financial statements not yet authorised for issue. The group will apply this amendment to rent concessions taken in April 2020 during the lockdown in South Africa as a result of COVID-19. The impact of the application of this amendment will be that rent concessions as a result of COVID-19 are not treated as lease modifications and there will be a credit to the income statement in FY2021 of <2% of overheads.

### IFRS 17 Insurance Contracts

IFRS 17 established the principles for the recognition, measurement, presentation and disclosure of insurance contracts. The standard outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach.

In June 2019, the IASB issued an exposure draft on proposed amendments to IFRS 17, and in November 2019, agreed to re-deliberate certain topics. In March 2020, the IASB completed its re-deliberations on the exposure draft and aims to issue the amendments to IFRS 17 by mid-2020.

The group will commence impact assessments after the amendments to IFRS 17 have been issued, with an expectation that the standard will be effective in FY2024.

## Results of Operations

### 3. Revenue

R'm	Group		Company	
	2020	2019 <sup>^</sup>	2020	2019
The disaggregated revenue is as follows:				
Revenue from contracts with customers	22 192	21 788	21 415	21 094
Retail sales	21 165	20 850	20 572	20 338
Premium income	247	261	244	257
Cellular and mobile income	780	677	599	499
Interest and charges on debtors	527	499	526	498
Other sundry income	54	47	184	205
Finance interest income	257	224	260	226
Revenue	23 030	22 558	22 385	22 023

<sup>^</sup> Re-presented for discontinued operations

#### Accounting policy

Revenue is recognised when (or as) a performance obligation is satisfied by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service).

Revenue is measured based on the standalone selling price of the merchandise. If the consideration in a contract includes a variable amount, the group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Contracts for the sale of merchandise provide customers with a right of return. The rights of return give rise to variable consideration.

Customer purchases of gift vouchers, to be used in our stores or on our online platforms, are not recognised as revenue until the voucher is redeemed and the customer purchases merchandise using the gift voucher subject to breakage. Gift vouchers, in line with the 3-year prescription period, are deemed to only expire after 3 years. A certain number of vouchers will not be fully redeemed. Management estimates unredeemed gift vouchers and recognises breakage in proportion to the pattern of rights exercised by the customer where it is determined the likelihood of redemption is remote. Management periodically reviews and updates its estimates for breakage.

The main categories of revenue and the basis of recognition are as follows:

#### Retail sales

Retail sales comprise net income from the sale of merchandise and are recognised when control of the

merchandise is transferred to the customer. It is the group's policy to sell its products to the retail customer with a right to return within a specified period. Accumulated experience is used to estimate and provide for such returns. Under IFRS 15, a right to recover product asset has been recognised by the group. Refer to note 9 for this disclosure. The group will record a refund liability (refer to note 10) for the amount of revenue not expected to be recognised and a new defined asset, being the right to recover product asset, for its right to the returned goods.

#### Premium income

Premiums are recognised on a straight-line basis over the period of the contract and are shown before the deduction of commission and claims, which are recognised in administrative and other operating expenses.

#### Service fee revenue

Service fee revenue is derived from the provision of debtor management services.

The group identifies the performance obligations in their contracts with customers and then recognises service revenue in a manner appropriate with the completion of the performance obligations.

#### Club fees

Club fees are recognised in the month immediately preceding the satisfaction of the performance obligation (ie. When the customer charge accrues).

#### Interest

The group calculates interest income by applying the effective interest rate to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired, and is therefore regarded as Stage 3, the group calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the group reverts to calculating interest income on a gross basis.

#### Dividend income

Dividend income includes the value of cash dividends received and surpluses distributed by a staff share trust. Dividends are recognised when the right to receive payment has been established.

#### Fees

Fees represent fee income from consolidated entities in respect of various administrative and operating functions performed on their behalf. Fees are recognised when the charge accrues.

#### Prepaid airtime sales

Revenue is recognised once the performance obligation to deliver airtime to the customer has been satisfied and the customer has obtained control of the product.

#### Contracts

Contract products are defined as arrangements with multiple deliverables.

Each deliverable under a contract is identified as a separate performance obligation and revenue is recognised once the performance obligation is satisfied. As a result, handset revenue is recognised when the control of the handset is transferred to the customer. Monthly service and airtime revenue will be recognised as each performance obligation under the contract with the customer is fulfilled. Unused airtime is deferred in full and recognised in the month of usage or on expiry of the airtime.

#### Retail voice and data

Subscription fees and revenue relating to local, long distance, network-to-network, roaming and international call connection services are recognised when the performance obligation is met and the service is transferred to the customer.





#### 4. Profit from operating activities

R'm	Group		Company	
	2020	2019	2020	2019
Arrived at after (crediting)/charging the following:				
Income from consolidated entities			(155)	(186)
Dividend income			(26)	(66)
Fees			(129)	(120)
Amortisation of intangible assets (note 15)	75	67	72	64
Associate costs	2 444	2 421	2 321	2 284
Salaries, wages and other benefits	2 160	2 153	2 044	2 023
Share-based payments (note 28.5)	118	109	118	109
Defined contribution pension funds expense	171	164	164	157
Defined benefit pension fund net expense	(5)	(5)	(5)	(5)
Current service cost	2	2	2	2
Interest cost	6	6	6	6
Expected return on fund assets	(13)	(13)	(13)	(13)
Auditors' remuneration	9	9	9	8
Audit fees	9	9	9	8
Other services	-*	-*	-	-*
Consulting fees	29	24	23	18
Technical services	26	21	23	18
Administrative and other services	3	3	-	-
Depreciation of property, plant and equipment (note 14)	315	297	293	279
Depreciation of right-of-use asset (note 17)	1 253		1 133	
Impairment of intangible assets (note 15)	10	60	10	60
Reversal of impairment of property, plant and equipment	(4)	-	(2)	-
Movement in provisions	(13)	(16)	-	(4)
Net loss on disposal and scrapping of property, plant and equipment	11	1	3	2
Net loss on foreign exchange	43	81	26	81
Impairment of amounts owing by consolidated entities	-	-	124	72
Other rental costs	68	1 573	57	1 417
Land and buildings	48	1 543	37	1 387
Equipment	20	21	20	21
Motor vehicles	-	9	-	9

\* less than R1 million

#### Accounting policy

Cost of sales comprise the direct cost of merchandise sold and incorporates the cost of distribution, inventory losses and provisions for markdowns less discounts received from suppliers. Selling expenses comprise the costs incurred in the marketing and advertising of merchandise, store operations and the provision of credit, airtime and mobile facilities. Administrative and other expenses comprise costs related to the operation of the support functions within the group other than those included in selling expenses.

## 5. Segmental reporting

### Business segments

IFRS 8 requires operating segments to be identified on the basis of internal reporting about components of the group that are regularly reviewed by the chief operating decision makers (CODM) to allocate resources to the segments and to assess their performance. The CODM has been identified as the group's executives.

For management purposes, the group is organised into business units based on their products and services, and has 4 reportable segments as follows:

- The Apparel segment retails clothing, sportswear, footwear, sporting equipment and accessories;
- The Home segment retails homewares and furniture;
- The Financial Services and Cellular segment provides financial products and services as well as cellular services; and
- The Central Services segment provides services to the trading segments including information technology, internal audit, governance & legal, human resources, group real estate and finance.

Segment performance is evaluated based on operating profit or loss. Net finance income and income taxes are managed on a group basis and are not allocated to operating segments.

R'm	Apparel		Home		Financial Services and Cellular		Central services		Eliminations		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Retail sales and other income <sup>^</sup> #	15 788	15 596	5 405	5 280	1 553	1 437	73	68	(46)	(47)	22 773	22 334
External	15 788	15 596	5 405	5 280	1 553	1 437	27	21	-	-	22 773	22 334
Internal	-	-	-	-	-	-	46	47	(46)	(47)	-	-
Profit from operating activities <sup>#</sup>	2 679	2 809	999	904	443	420	(155)	(168)	-	-	3 966	3 965
Finance income received											257	224
Finance cost											(457)	(4)
Profit before taxation											3 766	4 185
Taxation											(1 053)	(1 176)
Profit attributable to shareholders <sup>#</sup>											2 713	3 009
Segment assets	6 235	2 910	2 036	825	2 477	2 450	6 606	4 960	-	-	17 354	11 145
Segment liabilities	5 082	1 326	1 907	551	228	182	716	411	(7)	(7)	7 926	2 463
Capital expenditure	258	156	51	81	18	23	188	164	-	-	515	424
Depreciation and amortisation	1 056	152	409	59	17	13	161	140	-	-	1 643	364

<sup>^</sup> Revenue consists of retail sales and other income and finance income received.  
<sup>#</sup> 2019 re-presented for discontinued operations.

### Geographical segments

R'm	South Africa		International		Total	
	2020	2019	2020	2019	2020	2019
Retail sales and other income <sup>#</sup>	21 308	20 871	1 465	1 463	22 773	22 334
Assets	16 630	10 788	724	357	17 354	11 145
Capital expenditure	490	402	25	22	515	424

### Accounting policy

The group's retailing operations are reported within three operating segments, namely the Apparel, Home and Financial Services and Cellular segments. Group service divisions are reported in the Central Services segment. The group presents information about geographical areas based on retail sales and other income. The information reported is similar to the information provided to management to enable them to assess performance and allocate resources.

## 6. Dividends to shareholders

R'm	Group		Company	
	2020	2019	2020	2019
Ordinary and B ordinary shares	1 123	1 094	1 125	1 097
Prior year final dividend: 424.8 cents per share (2019: 414.1 cents per share)	1 125	1 097	1 125	1 097
Dividend paid by Partners Share Trust	14	13	-	-
Less: dividend received on shares held by staff share trusts	(16)	(16)	-	-
	821	822	825	825
Current year interim dividend: 311.4 cents per share (2019: 311.4 cents per share)	825	825	825	825
Dividend paid by Partners Share Trust	9	9	-	-
Less: dividend received on shares held by staff share trusts	(13)	(12)	-	-
Total net dividend to shareholders	1 944	1 916	1 950	1 922

No final dividend for the current year has been declared in order to preserve cash in the business due to the economic uncertainty as a result of the COVID-19 pandemic.

Dividends in respect of equity instruments are recorded in the period in which the dividend is paid and are charged directly to equity.



## 7. Earnings per ordinary and B ordinary share

### 7.1 Reconciliation of earnings

The calculation of basic and headline earnings per share is based on:

R'm	Group and Company	
	2020	2019
Basic earnings - profit attributable to shareholders	2 704	2 982
Loss on disposal, scrapping and write off of property, plant and equipment and intangible assets	17	61
Taxation thereon	(5)	(17)
Headline earnings	2 716	3 026
Basic earnings - profit attributable to shareholders from continuing operations	2 713	3 009
Loss on disposal, scrapping and impairment of property, plant and equipment and intangible assets	15	63
Taxation	(4)	(18)
Headline earnings from continuing operations	2 724	3 054
Basic earnings - profit attributable to shareholders from discontinued operations	(9)	(27)
Loss/(gain) on disposal, scrapping and impairment of property, plant and equipment and intangible assets	2	(2)
Taxation	-	-
Headline earnings from discontinued operations	(7)	(29)

### 7.2 Number of shares

The weighted average number of shares in issue amount to 259 419 290 (2019: 258 921 744).

### 7.3 Weighted dilution impact

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potential dilutive shares, which currently comprise share options and shares. A calculation is made in order to determine the number of shares that could have been issued at fair value (determined as the average annual market price of the shares) based on the monetary value of the subscription rights attached to outstanding options.

Shares	Group and Company	
	2020	2019
Number of shares per basic earnings per share calculation	259 419 290	258 921 744
Weighted average number of ordinary shares under option deemed to have been issued for no consideration	4 446 352	5 961 359
Number of shares for calculation of diluted earnings per share	263 865 642	264 883 103

## Working Capital

### 8. Inventories

R'm	Group		Company	
	2020	2019	2020	2019
Merchandise purchased for resale	2 704	2 663	2 512	2 454
Consumable stores	15	29	12	16
	2 719	2 692	2 524	2 470
The inventory write-down provision included in the valuation of merchandise purchased for resale was:	282	189	270	178
Cost of sales	12 890	12 284 <sup>#</sup>	12 747	12 207

<sup>#</sup> Re-presented for discontinued operations

#### COVID-19 considerations

Government lockdowns, social distancing in store, supply chain disruptions, restrictions on travel and school holidays have materially impacted trade in the last two weeks of the financial year and post year end. The retail environment is expected to be very promotional. This will impact on the group's ability to sell stock at planned levels and margins. Additional likelihood of selling below cost is anticipated and these considerations have been taken into account in determining the inventory provision.

#### Accounting policy

Inventories are valued at the lower of cost or net realisable value. Cost is determined on the following basis:

- The cost of merchandise purchased for resale is determined using the weighted average method;
- Consumables are valued at invoice cost on a first-in, first-out basis.

Costs include the charges incurred in bringing inventories to their present location and condition and are net of trade discounts from suppliers. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision is made for slow-moving, redundant and obsolete inventory.

#### Significant accounting estimates

##### Provision for net realisable value of inventory

The provision for net realisable value of inventory represents management's estimate of the extent to which merchandise on hand at the reporting date will be sold below cost. This estimate takes into consideration past trends, evidence of impairment at year end and an assessment of future saleability, which takes into account fashionability, seasonal changes and the current economic environment.

### 9. Trade and other receivables

#### 9.1 Trade and other receivables

R'm	Group		Company	
	2020	2019	2020	2019
Gross trade receivables	2 287	2 171	2 238	2 124
Less allowance for impairment of trade receivables	(239)	(197)	(225)	(188)
Net trade receivables	2 048	1 974	2 013	1 936
Right to recover product asset	5	5	5	5
Contract asset	18	5		
Prepayments	64	61	57	50
Other receivables	133	134	107	105
	2 268	2 179	2 182	2 096

The ageing of the gross trade receivables is as follows:

R'm	Days from transaction	2020		2019	
		2020	2019	2020	2019
Current	30	1 838	1 676	1 808	1 636
Status 1	60	237	262	231	259
Status 2	90	85	92	81	90
Status 3	120	55	59	53	58
Status 4	150	39	51	36	50
Status 5	180	33	31	29	31
		2 287	2 171	2 238	2 124

Trade receivables are amounts due from customers for merchandise sold or services rendered in the ordinary course of business and are accounted for at amortised cost in accordance with the accounting policy disclosed in note 19. The group has provided for receivables in all ageing status levels in accordance with the accounting policy disclosed further below.

Before accepting any new credit customer, the group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer, while ensuring compliance with the requirements of the National Credit Act (NCA). Limits and scoring are reviewed at least annually in

accordance with the requirements of the NCA and upon request by a customer. Due to the nature of the business, there are no customers that represent more than 5% of the total balance of trade receivables.

Right to recover product asset represents the group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

The contract asset represents the short-term portion of MRP Mobile's right to consideration in exchange for goods or services that MRP Mobile has transferred to the customer. Contract assets are measured at amortised cost and in accordance with the accounting policy for expected credit losses (ECL's) disclosed below.

Prepayments and other receivables are stated at their nominal values.

Interest is charged on outstanding accounts in accordance with the NCA and is calculated using the effective interest rate method.

## 9.2. Movement in the impairment provision

	Group		Company	
	2020	2019	2020	2019
R'm				
Balance at beginning of the year	(197)	(170)	(188)	(164)
Impairment losses net of reversals	(42)	(27)	(37)	(24)
Balance at end of the year	(239)	(197)	(225)	(188)

Under IFRS 9, the group has elected the general approach for measuring the loss allowance for trade receivables due to there being a significant financing component on trade receivables, with calculation on a collective basis. For contract assets and mobile receivables, the group has elected to apply the simplified method.

The group has established a policy to perform an assessment at the end of each reporting period of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The group follows the rebuttable presumption that default occurs when the account is 90 days past due. Trade receivables are grouped into Stage 1, Stage 2 and Stage 3 as described below:

Stage 1: When trade receivable is first recognised, the group recognises an allowance based on 12 month ECLs.

Stage 2: When the trade receivable has shown a significant increase in credit risk since origination, the group records an allowance for the lifetime ECLs. An indicator of an increase in credit risk includes an actual or expected internal credit rating downgrade for the borrower or decrease in behavioural scoring used to assess credit risk internally.

Stage 3: Trade receivables considered credit-impaired. Financial assets are considered to be credit-impaired when one of more events that have an unfavourable impact on its estimated future cash flows have occurred. The group records an allowance for the lifetime ECLs.

The group follows an age-driven write off policy whereby all accounts, once it advances through the various delinquency status, are written off. Accounts are written off when they roll from status 5 to status 6.

The groups ECL model is based on a statistical process called Markov modelling which focuses on modelling client's behaviour on a portfolio level to predict the amount of receivable that will fall into future write offs. The model incorporates historic and forward looking economic data such as the current and future unemployment rate and future changes to debt service cost to income and consumer price index. For balances and each cash flow components the model creates risk state transition matrices to forecast the balance movements within a portfolio and between successive risk states. In addition, the model has a build in, internal leading Indicator to make the model more responsive to business/market changes.

### COVID-19 considerations

The national lockdown in South Africa and its effect on the groups store base, where the majority of receipts occur, has impacted collections for FY2020. Since lockdown, the group has aided many of its customers with payment assistance. The consequence is artificially lower bad debts write-offs versus the prior year. Increased impairment risk needs to be modelled in to account for customer risk profile changes. South Africa's economic slowdown and resultant job losses will impact debt repayment. The economic risk factors element of the provision calculation has therefore been adjusted to reflect the increased risk associated with the deteriorating financial health of the customer within the next 12 months.

### Significant accounting estimates

#### *Provision for impairment of trade receivables*

The provision for impairment of trade receivables represents management's estimate of the extent to which trade receivables at the reporting date will not be subsequently recovered. This estimate takes historic and forward looking economic data such as the current and future unemployment rate and future changes to debt service cost to income and consumer price index and current market factors.

The loss allowance provision as at year end is determined as follows:

Group R'm	Stage 1	Stage 1	Stage 2	Stage 2	Stage 3	Stage 3	Total
28 March 2020	Not past due	<30	31-60	61-90	91-120	>120	Total
Expected credit loss rate	4.5%	13.5%	48.2%	58.2%	71.8%	72.7%	<b>10.5%</b>
Estimated total gross carrying amount at default	1 838	237	85	55	39	33	<b>2 287</b>
12 month ECL	(82)	(32)	(1)	(3)	(2)	(3)	<b>(123)</b>
Lifetime ECL	-	-	(40)	(29)	(26)	(21)	<b>(116)</b>
Total ECL	(82)	(32)	(41)	(32)	(28)	(24)	<b>(239)</b>
<b>Net trade receivables</b>	<b>1 756</b>	<b>205</b>	<b>44</b>	<b>23</b>	<b>11</b>	<b>9</b>	<b>2 048</b>

Company R'm	Stage 1	Stage 1	Stage 2	Stage 2	Stage 3	Stage 3	Total
28 March 2020	Not past due	<30	31-60	61-90	91-120	>120	Total
Expected credit loss rate (ECL)	4.3%	13.0%	50.6%	54.7%	72.2%	72.4%	<b>10.1%</b>
Estimated total gross carrying amount at default	1 808	231	81	53	36	29	<b>2 238</b>
12 month ECL	(78)	(30)	-	-	-	-	<b>(108)</b>
Lifetime ECL	-	-	(41)	(29)	(26)	(21)	<b>(117)</b>
Total ECL	(78)	(30)	(41)	(29)	(26)	(21)	<b>(225)</b>
<b>Net trade receivables</b>	<b>1 730</b>	<b>201</b>	<b>40</b>	<b>24</b>	<b>10</b>	<b>8</b>	<b>2 013</b>

Group R'm	Stage 1	Stage 1	Stage 2	Stage 2	Stage 3	Stage 3	Total
30 March 2019	Not past due	<30	31-60	61-90	91-120	>120	Total
Expected credit loss rate	3.7%	12.4%	31.1%	48.3%	61.9%	51.3%	<b>8.9%</b>
Estimated total gross carrying amount at default	1 683	259	90	58	42	39	<b>2 171</b>
12 month ECL	(55)	(31)	-	-	-	-	<b>(86)</b>
Lifetime ECL	(8)	(1)	(28)	(28)	(26)	(20)	<b>(111)</b>
Total ECL	(63)	(32)	(28)	(28)	(26)	(20)	<b>(197)</b>
<b>Net trade receivables</b>	<b>1 620</b>	<b>227</b>	<b>62</b>	<b>30</b>	<b>16</b>	<b>19</b>	<b>1 974</b>

Company R'm	Stage 1	Stage 1	Stage 2	Stage 2	Stage 3	Stage 3	Total
30 March 2019	Not past due	<30	31-60	61-90	91-120	>120	Total
Expected credit loss rate (ECL)	3.1%	10.9%	35.6%	50.0%	64.3%	53.8%	<b>8.9%</b>
Estimated total gross carrying amount at default	1 636	259	90	58	42	39	<b>2 124</b>
12 month ECL	(51)	(28)	-	-	-	-	<b>(79)</b>
Lifetime ECL	-	-	(32)	(29)	(27)	(21)	<b>(109)</b>
Total ECL	(51)	(28)	(32)	(29)	(27)	(21)	<b>(188)</b>
<b>Net trade receivables</b>	<b>1 585</b>	<b>231</b>	<b>58</b>	<b>29</b>	<b>15</b>	<b>18</b>	<b>1 936</b>



The allowance for impairment of trade receivables as at 28 March 2020 reconciles to the opening loss allowance for that allowance as follows:

Group R'm	Stage 1	Stage 2	Stage 3	Total
<b>Closing loss allowance as at 31 March 2019</b>	79	61	57	<b>197</b>
(calculated under IFRS 9)	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-
Amounts written off	-	-	(195)	<b>(195)</b>
Amounts recovered	(8)	(1)	(6)	<b>(16)</b>
Change in loss allowance due to new trade and other receivables originated net of those derecognised due to settlement	22	(1)	(9)	<b>12</b>
Change in credit risk parameters	21	14	205	<b>241</b>
<b>Total balance as at 28 March 2020</b>	<b>114</b>	<b>73</b>	<b>52</b>	<b>239</b>

Company R'm	Stage 1	Stage 2	Stage 3	Total
<b>Closing loss allowance as at 31 March 2019</b>	78	55	55	<b>188</b>
(calculated under IFRS 9)	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-
Amounts written off	-	-	(184)	<b>(184)</b>
Amounts recovered	(8)	(1)	(6)	<b>(15)</b>
Change in loss allowance due to new trade and other receivables originated net of those derecognised due to settlement	23	(6)	(20)	<b>(3)</b>
Change in credit risk parameters	15	22	202	<b>239</b>
<b>Balance as at 28 March 2020</b>	<b>108</b>	<b>70</b>	<b>47</b>	<b>225</b>

### 9.3 Other receivables

R'm	Group		Company	
	2020	2019	2020	2019
The expected maturity for other receivables is as follows:				
On demand	<b>46</b>	60	<b>41</b>	58
Less than three months	<b>24</b>	34	<b>18</b>	18
Three months to one year	<b>63</b>	40	<b>48</b>	29
	<b>133</b>	134	<b>107</b>	105

## 10. Trade and other payables

R'm	Group		Company	
	2020	2019	2020	2019
Trade payables	1 360	922	1 377	944
Other payables	927	988	839	896
Refund liability	9	10	9	10
	<b>2 296</b>	1 920	<b>2 225</b>	1 850

Included in other payables is R16m being the current portion of the purchase price payable on the acquisition of the minority shareholding in MRP Mobile (Pty) Ltd in January 2018.

Terms and conditions of the above financial liabilities:

Trade payables are non-interest bearing and are settled on terms that vary between date of ownership plus 10 days and 30 days from statement, depending on the procurement source.

Other payables are non-interest bearing and are settled on average 30 days from statement.

### Accounting policy

Trade payables, which are primarily settled on 30 day terms, are initially measured at cost, being the fair value of the consideration to be paid in the future for goods and services rendered. These are subsequently measured at amortised cost using the effective interest rate method.

Other payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the group ultimately expects it will have to return to the customer. The group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration (refer note 3).

### Value-Added Tax (VAT)

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Expenses and assets are recognised net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

Revenue and income are recognised net of the amount of VAT, except:

- When the VAT due on the sale or income is not payable to the taxation authority, in which case the full amount is recognised as revenue or income as applicable.

### Dividend Withholding Tax (DWT)

DWT is a tax levied on the beneficial owner of the shares instead of the company. The tax is withheld by the company and is paid over to the relevant country's tax authority on the beneficiaries' behalf. The resultant tax expense and liability has been transferred to the shareholder and is no longer accounted for as part of the tax charge for the company. Amounts not yet paid over to the relevant country's tax authority are included in trade and other payables and the measurement of the dividend amount is not impacted by the withholding tax.

## 11. Reinsurance assets and liabilities

The group retails insurance products to customers. The principal risk that the insurance cells face is that the actual claims and benefit payments, or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long term claims. Therefore the objective of the cells is to ensure that sufficient reserves are available to cover these potential liabilities.

A reinsurance contract is a contract issued by one insurer (the reinsurer) to compensate another insurer (the cedant) for losses on one or more contracts issued by the cedant. For third party cells, the company, being the cell owner, is acting as a reinsurer since significant insurance risk is transferred. The relationship and contract with Guardrisk is that of a reinsurance contract, giving rise to a reinsurance asset and liability. The company accounts for this reinsurance contract issued in terms of IFRS 4: Insurance contracts. If there are excess profits in the cell, the company will account for an insurance asset. If the company has to recapitalise the cell, it will account for an insurance liability.

The main risks that the insurance cells are exposed to are as follows:

- Mortality risk: the risk of loss arising due to policyholder death experience differing from that expected
- Morbidity risk: the risk of loss arising due to policyholder health experience differing from that expected
- Expense risk: the risk of loss arising from expense experience differing from that expected
- Policyholder decision risk: risk of loss arising due to policyholder experiences (lapses and surrenders) differing from that expected.

The risk structure per product is as follows:

### Guardrisk Insurance Company Limited (Cell number 136)

Mr Price Group Limited bears 100% of the risk for all products, which consists of: Lost Card Protection, Identity Theft and the group's motor vehicle cell.

### Guardrisk Life Limited (Cell number 048)

Mr Price Group Limited bears 100% of the risk for all products which consists of: Customer Protection, 360 Degrees Protection, Medinet Critical Illness, A2B Commuter Personal Accident, Her Health, Group Funeral.

### Guardrisk Insurance Company Limited (Cell number 316)

MRP Mobile (Pty) Ltd bears 100% of the risk for all insurance products which consist of: Customer Protection and Mobile Device Protection.



The reinsurance assets and liability are made up of the following components:

	Group and Company	
R'm	2020	2019
<b>Reinsurance assets</b>		
Cash and cash equivalents	182	304

Receivables are measured at amortised cost and the carrying amounts approximate their fair value. All balances are considered current.

	Group and Company	
R'm	2020	2019
<b>Reinsurance liability</b>		
Unearned premium provision	3	2
Outstanding claims	3	4
IBNR reserve	26	22
Taxation liability	13	18
Other liabilities	1	-
	46	46
<b>Movement in reinsurance liabilities</b>		
Balance at beginning of the year	44	37
Outstanding claims	4	3
IBNR reserve	22	20
Taxation liability	18	14
Increase/(decrease) in the year	(1)	6
<b>Balance at end of the year</b>	43	44
Outstanding claims	3	4
IBNR reserve	26	22
Taxation liability	13	18
Other liabilities	1	-
<b>Unearned premium provision</b>		
Balance at beginning of the year	2	1
Premium recognised	248	261
Premium received	(247)	(260)
Balance at end of the year	3	2

### Sensitivity analysis

Reinsurance liabilities are subject to changes in variables that could affect the value of the liability due. The effect of any sensitivity is considered immaterial. Outstanding claims, unearned premium provision and the taxation liability are measured at amortised cost and are based on actual amounts due to third parties. The Incurred But Not Reported (IBNR) reserve is maintained in accordance with legislation governing financial service providers. The long-term cell maintains an IBNR reserve equal to a claim factor (minimum 33%) applied to 3 months of net premiums (i.e. gross premiums less commissions and administration fees). The short-term cell maintains an IBNR reserve equal to an FSB prescribed risk-based interim measure applied to 6 years rolling premium. As these reserves are governed by legislation, only changes in such legislation would lead to the changes in the reserve. At year end no such changes were proposed by the financial services board, however the following sensitivity has been performed on the IBNR reserve.

Long-term cell reserve adjusted to be a claims factor (minimum 32%) applied to 2 months of net premiums. Short-term cell solvency reserve adjusted to decrease the IBNR factor by 1%.

	Group and Company	
R'm	2020	2019
Impact on IBNR	(6)	(6)

Long-term cell reserve adjusted to be a claims factor (minimum 34%) applied to 4 months of net premiums. Short-term cell solvency reserve adjusted to increase the IBNR factor by 1%.

	Group and Company	
R'm	2020	2019
Impact on IBNR	6	6

During the year a dividend of R113 million (2019: R150 million) was paid by the cells to the company.

Premium income and claims history:

Premium income (R'm)	247	265
Number of claims	4 825	3 463
Claim costs (R'm)	30	24
Claim costs as a percentage of premium income	12.0%	9.1%

### Accounting policy

The group assumes insurance risk in the normal course of business. Reinsurance assets represents balances due from registered insurance companies. Amounts receivable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting

year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that as a result of which the group may or may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the group will receive from the insurer.

Any related impairment loss is recorded in the income statement. Reinsurance liabilities represent balances due to registered insurance companies. Amounts payable are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the insurer's policies and are in accordance with the related reinsurance contract.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered a direct business/activity of the group, taking into account the product classification of the reinsurance business. Premiums and claims, assets and liabilities, are presented on a gross basis for the assumed reinsurance. Reinsurance assets and liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

## 12. Cash and cash equivalents and bank overdraft

R'm	Group		Company	
	2020	2019	2020	2019
Bank balances and other cash	4 726	3 275	4 032	2 569
Bank overdrafts	-	(125)	-	(125)
Cash and cash equivalents	4 726	3 150	4 032	2 444

### Accounting policy

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, net of bank overdrafts. Cash and cash equivalents are classified as financial asset measured at amortised cost.

## 13. Notes to the statements of cash flows

### 13.1 Operating profit before working capital changes

R'm	Group		Company	
	2020	2019	2020	2019 <sup>#</sup>
Profit before taxation	3 766	4 185*	3 603	4 090
Discontinued operations	(9)	(27)*	-	-
Adjustments for:				
Depreciation of property, plant and equipment	315	297	293	279
Depreciation on right-of-use asset	1 253	-	1 133	-
Amortisation of intangible assets	75	67	72	64
Loss on disposal and scrapping of property, plant and equipment	11	1	3	2
Reversal of impairment of property, plant and equipment	(4)	-	(2)	-
Impairment of intangible assets	10	60	10	60
Impairment of amounts owing by consolidated entities	-	-	124	72
Interest on lease liability	453	-	414	-
Finance costs	5	4	4	3
Finance interest income	(257)	(222)	(260)	(225)
Interest on trade receivables	(373)	(373)	(371)	(371)
Other non-cash items	(79)	17	(19)	43
Straight line operating lease liability movement	-	13	-	9
Share option expenses	118	109	118	109
Other <sup>^</sup>	(197)	(105)	(137)	(75)
	5 166	4 009	5 004	4 017

\* Re-presented for discontinued operations.

<sup>^</sup> Other relates to other non-cash items, mainly provisions

<sup>#</sup> Re-presented for reclassifications

### 13.2 Working capital changes

R'm	Group		Company	
	2020	2019	2020	2019 <sup>#</sup>
(Increase)/decrease in trade and other receivables	(241)	188	(265)	193
Decrease/(increase) in inventories	66	(474)	38	(410)
Increase/(decrease) in trade and other payables	518	(54)	515	(38)
Decrease/(increase) in reinsurance asset	122	(158)	122	(158)
(Decrease)/increase in reinsurance liability	-	8	-	8
Increase in current amounts owing to consolidated entities			(139)	162
Increase in current amounts owing by consolidated entities			163	(361)
	465	(490)	434	(604)

### 13.3 Taxation paid

R'm	Group		Company	
	2020	2019	2020	2019
Amounts unpaid at beginning of the year	39	157	56	179
Taxation	33	178	33	180
Deferred	35	(21)	52	(1)
Prior year	(29)	-	(29)	-
Amounts charged to the income statements	1 053	1 176	1 035	1 145
Taxation	1 127	1 171	1 095	1 143
Deferred	(74)	5	(60)	2
Amounts charged to equity	(5)	(12)	6	(11)
Taxation	(2)	(8)	(2)	(8)
Deferred taxation	(3)	(4)	8	(3)
Amounts unpaid at end of the year	(477)	(68)	(512)	(85)
Taxation	(518)	(33)	(513)	(33)
Deferred taxation	41	(35)	1	(52)
<b>Amounts paid</b>	<b>610</b>	<b>1 253</b>	<b>585</b>	<b>1 228</b>

### 13.4 Inflows/(outflows) in respect of long-term receivables

R'm	Group		Company	
	2020	2019	2020	2019
Loan to accredited supplier	-	1	-	1
Increase in mobile debtors	5	(7)	-	-
Other long-term receivables	10	(3)	-	(3)
	15	(9)	-	(2)

### 13.5 Dividends to shareholders

R'm	Group		Company	
	2020	2019	2020	2019
Dividends to ordinary and B ordinary shareholders	1 950	1 922	1 950	1 922
Less: dividends on shares held by staff share trusts	(29)	(29)		
Add: dividends paid by Partners Share Trust	23	23		
	1 944	1 916	1 950	1 922

### 13.6 Reconciliation of liabilities (long-term liability and financial liability) arising from financing activities

R'm	Group		Company	
	2020	2019	2020	2019
Opening balance	(11)	(13)	(11)	(13)
Non-cash: purchase price	(2)	(2)	(2)	(2)
Non-cash: transfer to short-term	9	-	9	-
Closing balance	-	11	-	11
	(4)	(4)	(4)	(4)

## Operating Assets

### 14. Property, plant and equipment

R'm	Furniture, fittings, equipment and vehicles		Computer equipment		Improvements to leasehold premises		Land		Buildings		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Group</b>												
Net carrying amount at beginning of the year	1 285	1 286	114	117	113	65	185	183	420	441	2 117	2 092
Cost or carrying amount	2 611	1 893	300	242	158	90	185	183	440	456	3 694	2 864
Accumulated depreciation and impairment	(1 326)	(607)	(186)	(125)	(45)	(25)	-	-	(20)	(15)	(1 577)	(772)
Current year movements												
Additions	261	201	24	39	73	64	1	2	-	-	359	306
- external development/acquisition	249	184	24	39	73	64	1	2	-	-	347	289
- items capitalised to work in progress**	12	17	-	-	-	-	-	-	-	-	12	17
Acquisition of Kenya	-	18	-	1	-	-	-	-	-	-	-	19
Disposals and scrapping	(29)	(1)	-	(1)	-	(1)	-	-	-	-	(29)	(3)
Transfer of assets held for sale	-	-	-	-	-	-	-	-	-	(9)	-	(9)
Impairments and write downs	4	-	-	-	-	-	-	-	-	-	4	-
Exchange differences	1	7	-	2	-	-	-	-	-	-	1	9
Depreciation	(234)	(226)	(45)	(44)	(25)	(15)	-	-	(11)	(12)	(315)	(297)
<b>Net carrying amount at end of the year</b>	<b>1 288</b>	<b>1 285</b>	<b>93</b>	<b>114</b>	<b>161</b>	<b>113</b>	<b>186</b>	<b>185</b>	<b>409</b>	<b>420</b>	<b>2 137</b>	<b>2 117</b>
Made up as follows:												
Net carrying amount	1 288	1 285	93	114	161	113	186	185	409	420	2 137	2 117
Cost or carrying amount	2 788	2 611	311	300	231	158	186	185	440	440	3 956	3 694
Accumulated depreciation and impairment	(1 500)	(1 326)	(218)	(186)	(70)	(45)	-	-	(31)	(20)	(1 819)	(1 577)
<b>Company</b>												
Net carrying amount at beginning of the year	1 198	1 223	111	120	112	65	185	183	421	432	2 027	2 023
Cost or carrying amount	2 456	1 783	289	237	146	80	185	183	441	441	3 517	2 724
Accumulated depreciation and impairment	(1 258)	(560)	(178)	(117)	(34)	(15)	-	-	(20)	(9)	(1 490)	(701)
Current year movements												
Additions	236	185	24	34	73	62	1	2	-	-	334	283
- external development/acquisition	224	167	24	34	73	62	1	2	-	-	322	265
- items capitalised to work in progress*	12	18	-	-	-	-	-	-	-	-	12	18
Disposals and scrapping	(19)	-	-*	-*	-*	-	-	-	-	-	(19)	-*
Impairments and write downs	2	-	-	-	-	-	-	-	-	-	2	-
Depreciation	(214)	(210)	(43)	(43)	(25)	(15)	-	-	(11)	(11)	(293)	(279)
<b>Net carrying amount at end of the year</b>	<b>1 203</b>	<b>1 198</b>	<b>92</b>	<b>111</b>	<b>160</b>	<b>112</b>	<b>186</b>	<b>185</b>	<b>410</b>	<b>421</b>	<b>2 051</b>	<b>2 027</b>
Made up as follows:												
Net carrying amount	1 203	1 198	92	111	160	112	186	185	410	421	2 051	2 027
Cost or carrying amount	2 617	2 456	301	289	219	146	186	185	441	441	3 764	3 517
Accumulated depreciation and impairment	(1 414)	(1 258)	(209)	(178)	(59)	(34)	-	-	(31)	(20)	(1 713)	(1 490)

\* Less than R1 million

\*\*The cumulative balance of work in progress that is not subject to depreciation at year end amounts to R66 million (2019: R23 million).

Details of buildings: Remaining extent of Erf 249 Cliffdale District, KwaZulu Natal Province, in extent of 19.5 ha.

### Accounting policy

Buildings occupied in the normal course of the business are recognised at cost less accumulated depreciation and impairment losses. Furniture, fittings, equipment, vehicles, computer equipment and improvements to leasehold premises are stated at historic cost less accumulated depreciation and any accumulated impairment and are depreciated, on the straight-line basis to their expected residual values, over the estimated useful lives of the assets concerned which are as follows:

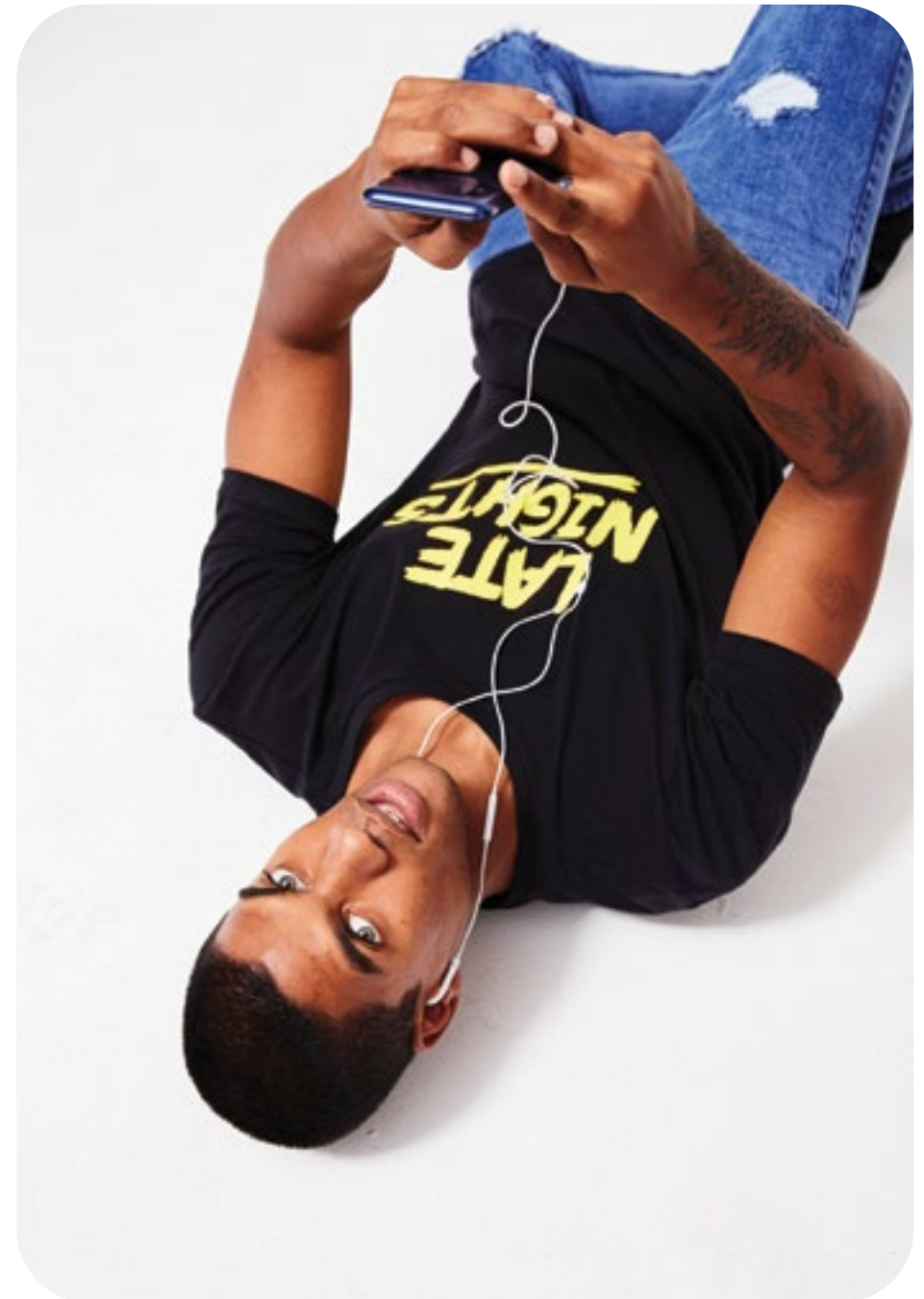
#### *Furniture, fittings, equipment and vehicles*

- Furniture and fittings 6 to 8 years
- Vehicles 5 to 6 years
- Other equipment 6 to 14 years
- Computer equipment 3 to 5 years
- Improvements to leasehold premises Over period of lease premises subject to a maximum of 10 years
- Buildings 40 years

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, and only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The assets' expected residual values, estimated useful lives, and depreciation policy are reviewed, and adjusted if appropriate, on an annual basis. Changes in the estimated useful life or expected pattern of consumption of future benefits embodied in the asset are accounted for by changing the depreciation period or method, as appropriate, and are treated as changes in accounting estimates.

In the prior year, capitalised leased office buildings were recognised at the fair value of the buildings at date of commencement of the lease agreement, or if lower, the present value of the minimum lease payments. The buildings are depreciated over the shorter of the period of the finance lease and the useful life of the buildings.



## 15. Intangible assets

	Computer software		Customer lists		Goodwill		Trademarks		Total	
R'm	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Group</b>										
Net carrying amount at beginning of the year	399	408	-*	-	24	25	-	-*	423	433
Cost or carrying amount	572	524	26	26	24	25	18	18	640	593
Accumulated amortisation and impairment	(173)	(116)	(26)	(26)	-	-	(18)	(18)	(217)	(160)
Current year movements										
Additions arising from	156	118	-	-	-	-	-	-	156	118
external development/acquisition	90	90	-	-	-	-	-	-	90	90
internal development	25	20	-	-	-	-	-	-	25	20
items capitalised to work in progress <sup>^</sup>	41	8	-	-	-	-	-	-	41	8
Disposals and scrapping	-	-	-	-	-	-	-	-	-	-
Impairments and write downs	(10)	(60)	-	-	-	-	-	-	(10)	(60)
Exchange differences	-	-	-	-	(4)	(1)	-	-	(4)	(1)
Amortisation	(75)	(67)	-*	-	-	-	-*	-*	(75)	(67)
<b>Net carrying amount at end of the year</b>	<b>470</b>	<b>399</b>	<b>-*</b>	<b>-</b>	<b>20</b>	<b>24</b>	<b>-*</b>	<b>-*</b>	<b>490</b>	<b>423</b>
Made up as follows:										
Net carrying amount	470	399	-*	-	20	24	-	-*	490	423
Cost or carrying amount	686	572	26	26	20	24	18	18	750	640
Accumulated amortisation and impairment	(216)	(173)	(26)	(26)	-	-	(18)	(18)	(260)	(217)
<b>Company</b>										
Net carrying amount at beginning of the year	390	401	-	-	1	1	-	-*	391	402
Cost or carrying amount	554	512	26	26	1	1	18	18	599	557
Accumulated amortisation and impairment	(164)	(111)	(26)	(26)	-	-	(18)	(18)	(208)	(155)
Current year movements										
Additions arising from	153	114	-	-	-	-	-	-	153	114
external development/acquisition	82	86	-	-	-	-	-	-	82	86
internal developments	25	20	-	-	-	-	-	-	25	20
items capitalised to work in progress	46	8	-	-	-	-	-	-	46	8
Disposals and scrapping	-	(1)	-	-	-	-	-	-	-	(1)
Impairments and write downs	(10)	(60)	-	-	-	-	-	-*	(10)	(60)
Amortisation	(72)	(64)	-*	-	-	-	-*	-*	(72)	(64)
<b>Net carrying amount at end of the year</b>	<b>461</b>	<b>390</b>	<b>-*</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>-*</b>	<b>-*</b>	<b>462</b>	<b>391</b>
Made up as follows:										
Net carrying amount	461	390	-	-	1	1	-	-*	462	391
Cost or carrying amount	665	554	26	26	1	1	18	18	710	599
Accumulated amortisation and impairment	(204)	(164)	(26)	(26)	-	-	(18)	(18)	(248)	(208)

\* Less than R1 million

<sup>^</sup> The cumulative balance of work in progress that is not subject to amortisation at year end amounts to R198 million (2019: R205 million)

Included in impairment, is R10 million (2019: R60 million) relating to impairment of ERP system development and Planning Solutions system development as a result of project changes.

## Goodwill in the group relates to the Zambian business.

### Impairment testing of goodwill

Goodwill acquired through business combinations is tested annually for impairment, which was performed in March 2020. The company considers the relationship between the value in use of the cash generating unit (CGU), among other factors, when reviewing for indicators of impairment. At year end, there were no indications of impairment. The calculation of value in use is most sensitive to the following assumptions:

### Margins

Margins are based on values to be achieved over the 5 year strategy period. These are increased over the budget period for anticipated efficiency improvements.

### Discount rates

Discount rates represent the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates.

The discount rate calculation is based on the specific circumstances of the company and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the company's investors. The cost of debt is based on the interest-bearing borrowings the company is obliged to service. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

### Accounting policy

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit and loss in the period in which the expenditure is incurred.

### Computer software

Acquired software not regarded as an integral part of hardware is capitalised at historic cost and is amortised on the straight-line basis over its estimated useful life (2 to 10 years), from the date of its being commissioned into the group. All other costs that are directly associated with the production of identifiable software controlled by the group, and that are expected to generate economic benefits exceeding 1 year, are recognised as part of the cost of the intangible assets. Direct costs include the software development employee costs. Costs associated with developing software are recognised as an expense as incurred if it is not expected that they will provide future economic benefits to the group.

### Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the net identifiable assets of the acquired consolidated entity or operation at date of acquisition, and is carried at cost less accumulated impairment losses.

## 16. Non-current assets held for sale and discontinued operations

R'm	Group	
	2020	2019
Property, plant and equipment	-	9

In the prior year, the board of directors of Millews Fashions Johannesburg Proprietary Limited ("Millews"), a wholly owned subsidiary of the group, resolved to sell the Millews property, remaining extent of Erf 4749 Bethlehem District, Bethlehem Province, Free State, in extent of 3538 square metres. This sale was completed in June 2019.

As a result of MRP Retail Australia (Pty) Ltd being put in voluntary administration on 2 May 2019 and the closure of the Mr Price Retail Poland Sp. z o.o operations in December 2019, the group's prior years consolidated income statement and segment analysis have been re-presented to take into account the effects of the application of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

R'm	Group		
	2020	2019	% change
<b>Revenue</b>	<b>5</b>	26	
Retail sales	5	26	
Retail sales and other income	5	26	
Costs and expenses	14	53	
Cost of sales	8	33	
Selling expenses	4	16	
Administrative and other operating expenses	2	4	
Net loss from discontinued operations for the period	(9)	(27)	
<b>Reconciliation of headline earnings from discontinued operations (R'm)</b>			
Attributable loss	(9)	(27)	
Loss on disposal and impairment of property, plant, equipment and intangible assets	2	(2)	
Taxation adjustment	-	-	
Headline earnings	(7)	(29)	
<b>Earnings per share from discontinued operations (cents)</b>			
- basic	(3.4)	(10.3)	67.0%
- headline	(2.7)	(11.1)	75.7%
- diluted basic	(3.3)	(10.3)	68.0%
- diluted headline	(2.6)	(11.1)	76.6%

The group's consolidated statement of other comprehensive income, consolidated statement of financial position and consolidated statement of changes in equity are not required to be re-presented.

### Accounting policy

The group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

### 17. Right-of-use assets

R'm	Group		Company	
	2020	2019	2020	2019
Vehicles and equipment	19	-	19	-
Cost	28	-	28	-
Accumulated depreciation	(9)	-	(9)	-
Leasehold premises	4 343	-	3 952	-
Cost	5 618	-	5 102	-
Accumulated depreciation	(1 275)	-	(1 150)	-
Movement in right-of-use asset				
Transition adjustment for IFRS 16	4 059	-	3 664	-
Additions to leases and lease renewals	1 573	-	1 451	-
Lease modifications and remeasurements	(17)	-	(11)	-
Amortisation	(1 253)	-	(1 133)	-
	4 362	-	3 971	-

### Accounting policy

Right-of-use assets are recognised at the commencement date of the lease and are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs and lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis from commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Right-of-use assets are subject to impairment.

### Significant accounting estimates

Determination of the right-of-use asset involves judgement on and estimate of key inputs being interest rates, future cashflow and the duration of the lease contract including take up of lease options.

### 18. Long-term receivables

R'm	Group		Company	
	2020	2019	2020	2019
Enterprise development loan	-	-	-	-
Total loan to accredited supplier	-	1	-	1
Less: amount to be received in the next financial year transferred to trade and other receivables	-	(1)	-	(1)
MRP Mobile long-term receivables	18	23	-	-
Total receivables	62	64	-	-
Less: amount to be received in the next financial year transferred to trade and other receivables	(44)	(41)	-	-
Contract asset	3	13	-	-
Other long-term receivables	4	4	4	4
	25	40	4	4

The company loaned R10 million to a long-standing supplier as part of an enterprise development initiative to assist in the construction of a new footwear factory with enhanced capacity. The loan bears no interest and is repayable in monthly instalments of R150 073. The monthly instalment commenced in January 2013 and increased annually by 7.0%. Repayment of this loan was completed in October 2019.

The MRP Mobile long-term receivable refers to the portion of the handset debtor that is due beyond the next 12 months. The debtor is recognised when the handset is delivered to the customer and is amortised over the expected contract term.

The contract asset represents the long-term portion of MRP Mobile's right to consideration in exchange for goods or services that MRP Mobile has transferred to the customer.

### Accounting policy

Long-term receivables are classified as financial assets measured at amortised cost and are recorded at fair value at inception using the effective interest rate implicit in the cash flows of the receivable. This effective interest rate is established by considering the market rate of interest for a similar investment on the date of each contribution. The simplified approach is used to measure the ECL on the contract asset. Refer to note 9 for further details.



## 19. Financial risk management

### 19.1 Financial risk management and financial instruments

#### Accounting for financial instruments

Financial instruments comprise investments in equity and debt securities, loans receivable, trade and other receivables (excluding prepayments), investments in self-insurance cell captives, cash and cash equivalents, other non-current liabilities (excluding provisions), bank overdrafts, derivatives and trade and other payables.

#### Recognition

Financial assets and liabilities are recognised in the group's statement of financial position when the group becomes a party to the contractual provisions of the instruments. Financial assets are recognised on the date the group commits to purchase the instruments (trade date accounting); if not, they are classified as non-current. Financial assets are classified as current if expected to be realised or settled within 12 months from the reporting date. Financial liabilities are classified as non-current if the group has an unconditional right to defer payment for more than 12 months from the reporting date.

#### Classification

All recognised financial assets that are within the scope of IFRS 9 are initially classified at amortised cost, fair value through other comprehensive income or fair value through profit or loss. These financial assets are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial liabilities are classified as measured at amortised cost except for those derivative liabilities that are measured at fair value through profit or loss (FVTPL).

#### Measurement on initial recognition

All financial assets (unless it is a trade receivable without a significant financing component) and liabilities are initially measured at fair value, including transaction costs, except for those classified as at FVTPL which are initially measured at fair value excluding transaction costs. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss. A trade receivable without a significant financing component is initially recognised at the transaction price.

#### Subsequent measurement: Financial assets

Subsequent to initial recognition, financial assets are measured as described below.

Category	Subsequent measurement
FVTPL	These financial assets are subsequently measured at fair value and changes therein (including any interest or dividend income) are recognised in profit or loss.
Amortised cost	These financial assets are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses and impairments are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Derivative assets	Derivative assets are subsequently measured at fair value with changes therein recognised in profit or loss.

#### Subsequent measurement: Financial liabilities

All financial liabilities, excluding derivative liabilities, are subsequently measured at amortised cost using the effective interest method. Derivative liabilities are subsequently measured at fair value with changes therein recognised in profit or loss.

#### Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligations specified in the contracts are discharged, cancelled or expire. On derecognition of a financial asset/liability, any difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

#### Impairment

Under IFRS 9 the group calculates its allowance for credit losses as expected credit losses (ECLs) for financial assets measured at amortised cost and contract assets.

#### Expected credit losses

The group has the following financial assets subject to the ECL model:

- Trade receivables;
- Contract assets;
- Long-term receivables; and
- Other receivables

The table below shows a reconciliation of the loss allowance for the year under the IFRS 9 ECL model:

R'm	2020			2019			Total	
	12 month expected credit losses	Collectively assessed	Credit-impaired financial assets	12 month expected credit losses	Collectively assessed and credit-impaired financial assets	Credit-impaired financial assets		
<b>Group</b>								
Loss allowance at beginning of year	86	48	63	197	77	100	177	
Changes from updating the expected credit losses	-	-	-	-	2	8	10	
Loans that have been derecognised during the period	(8)	(2)	(6)	(16)	(174)	(56)	(230)	
Newly originated / purchased loans	22	(1)	(9)	12	194	34	228	
Write offs	-	-	(195)	(195)	-	(128)	(128)	
Changes in models/risk parameters	14	24	203	241	(13)	153	140	
Loss allowance at end of year	114	69	56	239	86	111	197	
<b>Company</b>								
Loss allowance at beginning of year	79	52	57	188	71	100	171	
Changes from updating the expected credit losses	-	-	-	-	2	8	10	
Loans that have been derecognised during the period	(8)	(1)	(6)	(15)	(174)	(56)	(230)	
Newly originated / purchased loans	23	(6)	(20)	(3)	194	34	228	
Write offs	-	-	(184)	(184)	-	(128)	(128)	
Changes in models/risk parameters	14	25	200	239	(14)	151	137	
Loss allowance at end of year	108	70	47	225	79	109	188	

Where “changes in the expected credit losses” represents changes in roll forward rates and how much the group expects to roll to write off over the lifetime of the asset and “changes in models/risk parameters” denotes the combination of changes in risk classifications (risk classifications within the model segmentation such as delinquency stage and behaviour scores etc.), recovery, discount rate and economic adjustments.

<b>Group</b>								
Gross carrying amount at beginning of year	1 879	171	121	2 171	1 875	309	2 184	
Newly originated/purchased loans	6 307	95	20	6 422	1 002	122	1 124	
Write offs	-	-	(254)	(254)	-	(369)	(369)	
Loans that have been derecognised during the period	(5 758)	(102)	(38)	(5 898)	(913)	(263)	(1 176)	
Other changes	(410)	(3)	259	(154)	(77)	485	408	
Gross carrying amount at end of year	2 018	161	108	2 287	1 887	284	2 171	
<b>Company</b>								
Gross carrying amount at beginning of year	1 874	134	116	2 124	1 878	259	2 137	
Newly originated/purchased loans	6 304	58	17	6 379	997	103	1 100	
Write offs	-	-	(232)	(232)	-	(314)	(314)	
Loans that have been derecognised during the period	(5 756)	(70)	(54)	(5 880)	(915)	(224)	(1 139)	
Other changes	(410)	5	252	(153)	(77)	417	340	
Gross carrying amount at end of year	2 012	127	99	2 238	1 883	241	2 124	

Where “other changes” include changes in risk classifications. At year end, there are no financial assets for which the credit risk has increased significantly since initial recognition but that are not credit-impaired.



### General hedge accounting

The group uses derivative financial instruments such as forward exchange contracts to hedge its risks associated with foreign currency fluctuations. Derivative financial instruments are initially recognised at fair value on the date the contract is entered into and are subsequently measured at fair value, which is calculated with reference to current forward exchange contracts with equivalent maturity periods. Gains or losses arising from fair value adjustments are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in OCI.

At the inception of a hedge relationship, the group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in the cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the group's risk management activities have also been introduced.

Consistent with prior periods, the group has continued to designate the change in fair value of the entire forward contract, i.e. including the forward element, as the hedging instrument in the group's cash flow hedge and fair value hedge relationships.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement.

The group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions.

When the hedged item results in the recognition of a non-financial asset or non-financial liability, the amounts recognised in OCI are transferred to the initial cost or other carrying amount of the non-financial asset or liability. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs.

### 19.2 Financial risk management

The group is exposed, directly and indirectly, to market risk, including, primarily, changes in interest rates and currency exchange rates and uses derivatives and other financial instruments in connection with its risk management activities. The Board of Directors carries the ultimate responsibility for the overseeing of the group's risk management framework and is accountable for designing, implementing and monitoring the process of risk management and integrating it into the daily activities of the group.

### 19.3 Capital and treasury risk management

The group which is a cash-based business, monitors capital through a process of analysing the underlying cash flows, which in turn drives the residual capital structure, consisting of share capital, share premium, reserves and retained income as quantified in the statement of changes in equity. The group manages its capital to ensure that it will be able to maintain healthy capital ratios in order to sustain its business and maximise shareholder value. Any adjustments are made in light of economic conditions and may include adjusting dividend cover or returning capital to shareholders. No final dividend has been declared for FY2020 in order to preserve cash in the business due to the economic uncertainty as a result of the COVID-19 pandemic.

Due to its level of net cash resources, the group has no material borrowings. Cash reserves are available to meet current working capital and capital investment requirements. Costs and cash are actively managed. Refer to note 19.8 Liquidity management for borrowing facilities. Post year end, in consideration of the COVID-19 pandemic, the group has sought approval for a capital raise of up to 10% of the company's ordinary issued shares at an appropriate point in time as market conditions permit to be well positioned to pursue growth opportunities. Approval was granted at a general meeting on 29 June 2020. Refer note 37 Subsequent events.

The treasury function is administered at group level where strategies for the funding of working capital requirements and capital expenditure projects are implemented, taking into account cash flow projections and expected movements in interest rates. The group has a policy of remaining highly liquid in order to have the available cash flow to fund expansion of existing businesses and any possible new ventures.

### 19.4 Interest rate risk management

The group is exposed to interest rate risk from the variable rate applicable to its cash and cash equivalents. Interest rate risk is managed through the investment of cash and cash equivalents in the appropriate mix of short-term instruments with counterparties who possess a high quality credit standing.

An interest sensitivity analysis detailing a 50bps adjustment to the effective interest for cash and cash equivalents has been set out below:

		Group		Company	
		2020	2019	2020	2019
R'm					
Rate variance	+0.5%	19	15	20	12
	-0.5%	(19)	(15)	(20)	(12)

The prime interest rate decreased 150bps during the FY2020 financial year. The prime interest rate also decreased 150bps post year end to 7.25% at 22 May 2020. The interest sensitivity relating to 150bps for FY2020 is set out below:

		Group	Company
Rate variance	+1.5%	56	60
	-1.5%	(56)	(60)

The applicable interest rates during the period were as follows:

	Group and Company	
	2020	2019
R'm		
Average		
Repo interest rate	6.50%	6.59%
Prime interest rate	10.00%	10.09%
Closing		
Repo interest rate	5.25%	6.75%
Prime interest rate	8.75%	10.25%

### 19.5 Investment in foreign operations

The group is directly exposed to exchange rate fluctuations through its investments in operations outside South Africa. All amounts lent to consolidated entities are rand denominated. The group's investment exposure to currency fluctuations is limited to subsidiaries in Australia, Botswana, Nigeria, Ghana, Zambia, Kenya and Poland as the other countries in which the group is invested have currencies that are pegged to the rand. The group's sensitivity to a 10% increase and decrease in the Rand against the Pula, Naira, Cedi, Kenyan shilling, Kwacha and Polish zloty respectively does not have a significant impact.

## 19.6 Foreign exchange risk management

The treasury function, administered centrally, is responsible for the overall review and management of the group's foreign exchange risk. Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The group's exposure to the risk of changes in foreign exchange rates relates primarily to the group's operating activities and the group's net investments in foreign subsidiaries. Foreign exchange risk is managed through the adoption of a framework which governs the current exposure, the decision to hedge an exposure, identification of the hedged item, checking effectiveness of hedge and the applicable hedge ratio.

### 19.6.1 Transactions in foreign currencies

The group manages its foreign currency risk by hedging transactions that are expected to occur within a maximum 12-month period for hedges of forecasted purchases.

When a derivative is entered into for the purpose of being a hedge, the group negotiates the terms of the derivative to match the terms of the hedged exposure. For hedges of forecast transactions, the derivative covers the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting payable that is denominated in the foreign currency.

Foreign exchange forward contracts are measured at fair value through OCI. These are designated as hedging instruments in cash flow hedges of forecast purchases in USD. These forecast transactions are highly probable. The terms of the foreign currency forward contracts approximate the terms of the expected highly probable forecast transactions.

The tables below present information relating to the group's commitment to purchase foreign currency at year end:

Forward exchange contracts accounted for as hedges (Group and Company)	Current commitment US\$m	Exchange rate R/US\$ - average contract rate	Rand equivalent at contract rate R'm	Exchange rate R/US\$ - year end revaluation rate	Fair value adjustment R'm
<b>2020</b>					
- Asset	117	14.88	1 738	17.81	(342)
- Liability	-	-	-	-	-
	117	14.88	1 738	17.81	(342)
<b>2019</b>					
- Asset	70	14.12	986	14.51	(27)
- Liability	12	14.57	175	14.54	-*
	82	28.69	1 161	14.52	(27)

\* less than R1 million

At year end outstanding foreign creditors were:

Foreign trade creditors at year end (Group and Company)	Current commitment US\$m	Exchange rate R/US\$ - average contract rate	Rand equivalent at contract rate R'm	Exchange rate R/US\$ - year end revaluation rate	Fair value adjustment R'm
<b>2020</b>					
- Asset	4	17.51	66	17.36	1
- Liability	20	15.92	311	17.36	(28)
	24	16.18	377	17.36	(27)
<b>2019</b>					
- Asset	2	14.64	25	14.60	-
- Liability	26	14.25	374	14.60	(9)
	28	14.27	399	14.60	(9)

The applicable spot rates of exchange during the period were as follows:

	Group and Company	
R'm	2020	2019
USD - Average	14.74	13.75
USD - Closing	17.36	14.60

Presented below is the reconciliation of the amounts added to/(subtracted from) the hedging reserve loss as disclosed under other comprehensive income:

	Group and Company	
R'm	2020	2019
Opening balance	(20)	95
Mark-to-market adjustments	(372)	(145)
Amounts reclassified to the cost of the non-financial asset recognised	57	(15)
Deferred tax	88	45
Closing balance	(247)	(20)

There is an economic relationship between the hedged item and the hedging instrument as the terms of the foreign exchange contracts match the terms of the expected highly probable forecast transactions (i.e. notional amount and expected payment date). The group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange contracts are identical to the hedged risk components.

To test the hedge effectiveness, the group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks. Accordingly, all hedges were assessed to be effective for the year.

All cash flow hedges of the expected future purchases in FY2020 were assessed to be highly effective. At the reporting date no hedge or portion thereof were considered to be ineffective. As a result as at 28 March 2020, a net unrealised gain of R315 million (2019: R160 million), with a related deferred tax liability of R88 million (2019: R45 million) was included in OCI in respect of these contracts.

The amounts retained in OCI at 28 March 2020 are expected to mature and affect the statement of profit or loss in FY2021. The expected maturity of the group's foreign currency commitments are as follows:

Group and Company US\$m	On demand	Less than three months	Three months to one year	One to five years	Total
<b>2020</b>					
Forward exchange contracts accounted for as hedges	-	56	61	-	117
Foreign trade creditors at year end	24	-	-	-	24
	24	56	61	-	141
<b>2019</b>					
Forward exchange contracts accounted for as hedges	-	63	19	-	82
Foreign trade creditors at year end	3	25	-	-	28
	3	88	19	-	110

The group's sensitivity to a movement in exchange rates related to the forward exchange contracts held, as well as the outstanding foreign creditor over the financial year and its related impact on profit and equity is presented in the table below:

(Decrease)/increase	Group and Company		Group and Company		
	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income	
R'm	2020	2020	2019	2019	
Rate variance - US\$					
Forward exchange contracts accounted for as hedges	+10%	-	(174)	-	(116)
	-10%	-	174	-	116
Foreign trade creditors at year end	+10%	38	-	40	
	-10%	(38)	-	(40)	
<b>Total</b>	+10%	38	(174)	40	(116)
	-10%	(38)	174	(40)	116

## 19.7 Credit risk management

Credit risk is concentrated principally in periodic short-term cash investments, in trade receivables, long-term receivables and loans to consolidated entities. The group deposits short-term cash surpluses only with major banks of high quality credit standing. The granting of credit to trade debtors is controlled with statistical scoring models and performance parameters which are reviewed on a regular basis. The maximum exposure in respect of trade receivables and the group's risk management policies regarding trade receivables are disclosed in note 9.2.

The credit risk assessment of financial assets that are neither past due nor impaired are performed regularly with reference to external credit ratings (where available) or based on the historical default rates related to the specific counterparty. The table below summarises the group's internal rating of financial assets as well as the key inputs into the rating selection.

Financial assets	Credit risk assessment	Key considerations
Long-term receivables and other investments	Low	The LTR has been assessed as low as the group has a well established credit policy under which each individual is assessed for creditworthiness based on information provided (both by the applicant and credit bureau data), statistical scoring models, performance data and an assessment of affordability. Credit exposure per individual is reviewed regularly and adjusted accordingly if required.
Trade and other receivables	Low	Refer to Note 9.2
Derivative financial instruments	Low	The group limits its exposure to credit risk through dealing with well-established financial institutions with high credit standings, and thus management does not expect any counterparty to fail to meet its obligations.
Cash and cash equivalents	Low	

The analysis below details the group's sensitivity to a 1% increase and decrease in the interest rate charged to debtors and its effect on income for the year.

R'm		Group		Company	
		2020	2019	2020	2019
Rate variance	+1%	21	21	21	21
	-1%	(21)	(21)	(21)	(21)

Further analysis below details the group's sensitivity to a 2% increase and decrease in the interest rate charged to debtors and its effect on income for FY2020.

Rate variance		Group		Company	
		2020	2019	2020	2019
	+2%	42	42	42	42
	-2%	(42)	(42)	(42)	(42)

### 19.7 Credit risk management (continued)

At 28 March 2020 the group did not consider there to be any significant concentration of credit risk for which it had not adequately provided.

The group has considered the impact of COVID-19 on credit risk and the recoverability of receivables in an uncertain economic environment. The impairment of receivables has been increased to take into consideration potential financial difficulty that will be faced by the customer and the likely increase of bad debts in the next financial year. Refer note 9.2.

### 19.8 Liquidity management

The group manages liquidity risk by maintaining adequate reserves, banking facilities and by continuously monitoring forecast and actual cash flows. The group has significant cash reserves and minimal borrowings which enables it to borrow funds externally should it require to do so to meet any working capital or possible expansion requirements. As a consequence banking legislation which requires fees to be paid relative to the size of the facility, the group has only entered into limited loan facility arrangements to the extent that fees are not payable. The year end position was as follows:

R'm	Group		Company	
	2020	2019	2020	2019
Total facilities	450	457	450	457
Less: drawn down portion	(8)	-	(8)	-
Total undrawn banking facilities	442	457	442	457

Based on the group's existing cash resources and expected future cash flows, there is no foreseeable need to enter into borrowings. Furthermore, due to the group's strong financial position, should further borrowings be required, the group should be able to obtain any necessary funding within a short period, subject to bank approval.

Post year end, as a result of the economic uncertainty due to the COVID-19 pandemic, the group will be securing an additional R500m in short-term facilities.

R'm	Group		Company	
	2020	2019	2020	2019
Actual borrowings outside the group at year end were	-	-	-	-
At year end bank balances were	4 726	3 150	4 032	2 444
<b>Net cash resources were</b>	<b>4 726</b>	<b>3 150</b>	<b>4 032</b>	<b>2 444</b>

The table below details the group's expected maturity for its non-derivative financial liabilities:

Group R'm	On demand	Less than three months	Three months to one year	One to five years	Total
<b>2020</b>					
Trade and other payables	657	1 310	313	-	2 280
Purchase price payable	-	2	14	-	16
	<b>657</b>	<b>1 312</b>	<b>327</b>	<b>-</b>	<b>2 296</b>
<b>2019</b>					
Trade and other payables	186	1 389	337	-	1 912
Purchase price payable	-	2	5	11	18
	186	1 391	342	11	1 930
<b>Company R'm</b>					
<b>2020</b>					
Trade and other payables	601	1 306	302	-	2 209
Purchase price payable	-	2	14	-	16
	<b>601</b>	<b>1 308</b>	<b>316</b>	<b>-</b>	<b>2 225</b>
<b>2019</b>					
Trade and other payables	170	1 381	291	-	1 842
Purchase price payable	-	2	5	11	18
	170	1 383	296	11	1 860

The group expects to meet its obligations from existing cash reserves and from operating cash flows.

### 19.9 Category and fair value of financial instruments

Financial instruments as disclosed on the statement of financial position are accounted for using the policies applicable and are categorised below. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities  
 Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable  
 Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Group (under IFRS 9) 2020 R'm	Fair value measurement using	Financial assets at amortised cost	Derivatives accounted for as hedges	Financial liabilities at amortised cost	Total
<b>Financial Assets</b>		<b>25</b>	<b>342</b>	<b>-</b>	<b>367</b>
Long-term receivables and other investments	Level 2	25	-	-	25
Derivative financial instruments	Level 2	-	342	-	342
<b>Financial Liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Long-term liabilities	Level 2	-	-	-	-
Derivative financial instruments	Level 2	-	-	-	-
<b>Total</b>		<b>25</b>	<b>342</b>	<b>-</b>	<b>367</b>

Company (under IFRS 9) 2020 R'm	Fair value measurement using	Financial assets at amortised cost	Derivatives accounted for as hedges	Financial liabilities at amortised cost	Total
<b>Financial Assets</b>		<b>4</b>	<b>342</b>	<b>-</b>	<b>346</b>
Long-term receivables and other investments	Level 2	4	-	-	4
Derivative financial instruments	Level 2	-	342	-	342
<b>Financial Liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Long-term liabilities	Level 2	-	-	-	-
Derivative financial instruments	Level 2	-	-	-	-
<b>Total</b>		<b>4</b>	<b>342</b>	<b>-</b>	<b>346</b>

The fair value of long-term receivables is measured using level 2 techniques. Fair values have been estimated using a discounted cash flow model. The discounted cash flow model requires management to make assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility.

The fair value of forward exchange contracts is measured using level 2 techniques. The significant inputs into the Level 2 fair value of forward exchange contracts are yield curves, market interest rates and market foreign exchange rates. There have been no transfers between the levels during the year.

Group 2019 R'm	Fair value measurement using	Loans and receivables	Derivatives accounted for as hedges	Amortised cost	Total
<b>Financial Assets</b>		<b>40</b>	<b>27</b>	<b>-</b>	<b>67</b>
Long-term receivables and other investments	Level 2	40	-	-	40
Derivative financial instruments	Level 2	-	27	-	27
<b>Financial Liabilities</b>		<b>-</b>	<b>-</b>	<b>(11)</b>	<b>(11)</b>
Long-term liabilities	Level 2	-	-	(11)	(11)
Derivative financial instruments	Level 2	-	-	-	-
<b>Total</b>		<b>40</b>	<b>27</b>	<b>(11)</b>	<b>56</b>

Company 2019 R'm	Fair value measurement using	Loans and receivables	Derivatives accounted for as hedges	Amortised cost	Total
<b>Financial Assets</b>		<b>4</b>	<b>27</b>	<b>-</b>	<b>31</b>
Long-term receivables and other investments	Level 2	4	-	-	4
Derivative financial instruments	Level 2	-	27	-	27
<b>Financial Liabilities</b>		<b>-</b>	<b>-</b>	<b>(11)</b>	<b>(11)</b>
Long-term liabilities	Level 2	-	-	(11)	(11)
Derivative financial instruments	Level 2	-	-	-	-
<b>Total</b>		<b>4</b>	<b>27</b>	<b>(11)</b>	<b>20</b>



## Financing Structure and Commitments

### 20. Lease obligations and lease liabilities

#### 20.1 Lease obligations

	Group		Company	
	2020	2019	2020	2019
R'm				
Straight line operating lease liability	-	223	-	206
Less: amounts due for settlement within 12 months	-	(33)	-	(29)
Total long-term portion of lease obligations	-	190	-	177

#### 20.2 Lease liabilities

	Group		Company	
	2020	2019	2020	2019
R'm				
Measurement of lease liabilities				
Operating lease commitments disclosed as at 30 March 2019	3 349	-	2 976	-
Discounted using the incremental borrowing rate at transition date	(75)	-	(75)	-
Low value leases excluded from lease liability	(24)	-	(24)	-
Adjustment as a result of assessment of lease term	1 354	-	1 289	-
Lease liability recognised as at 31 March 2019	4 604	-	4 166	-
Movement in lease liabilities				
Transition adjustment for IFRS 16	4 604	-	4 166	-
Additions for new leases and lease renewals	1 628	-	1 507	-
Impact of lease modifications and remeasurements	(55)	-	(72)	-
Interest on lease liabilities	453	-	414	-
Lease payments	(1 589)	-	(1 432)	-
	5 041	-	4 583	-
Less: short-term portion repayable within one year	1 027	-	917	-
Long-term portion of lease liabilities	4 014	-	3 666	-
Contractual undiscounted cashflows				
Within one year	1 497	-	1 359	-
After one year but less than five years	3 316	-	3 042	-
More than five years	1 007	-	952	-
	5 820	-	5 353	-
Less: Unearned interest	(779)	-	(770)	-
	5 041	-	4 583	-

The group has lease contracts for property, vehicles and equipment. Property lease terms are generally between 1 - 15 years, with store leases generally for 5 years. There are no material restrictions out of the ordinary course of business for a retailer. There are lease contracts which include extension options and variable lease payments. Vehicle lease terms are generally between 4 - 5 years and equipment lease terms are generally 5 years.

	Group		Company	
	2020	2019	2020	2019
R'm				
Expense related to short-term leases	2	-	2	-
Expense related to leases of low-value assets	20	-	20	-
Variable lease payments	8	-	7	-
Total cash outflow for leases	1 619	-	1 461	-

#### Accounting policy

In the prior year, provision for onerous lease contracts represented the present value of the future lease payments that the group was presently obligated to make under non-cancellable onerous operating lease contracts, less profits expected to be earned on the lease, including estimated revenue (including revenue from sub-leases). The estimate varied as a result of changes in the utilisation of the leased premises and sub-lease arrangements where applicable. The unexpired terms of the leases ranged from one to five years.

Lease liabilities mostly relate to store leases, representing the financial obligation of the group to make lease payments to landlords to use the underlying leased premises during the lease term. The majority of leases are for 5 years, and some include an option to renew on expiry. The lease term includes a renewal period based on historical store performance. Where there are 2 options periods, only the first option has been taken into account in the lease term. The discount rate applied to leases during the year varied between 7.75% - 9.25%.

Variable lease payments that do not depend on an index or rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs. Some leases include rental based on turnover, and these are expensed as part of variable lease payments when incurred.

The group applies the short-term lease recognition exemption to its short-term leases. It also applies the lease of low-value assets recognition exemption to leases of assets that are considered low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

The group remeasures a lease liability when a lease contract is modified. The lease modification is not accounted for as a separate lease but rather the existing lease liability is remeasured by discounting the revised lease payments using the revised discount rate. A corresponding adjustment is made to the related right-of-use asset.

In the prior year, operating lease payments were recognised as an expense on a straight-line basis over the term of the lease. Contingent rentals (including turnover clause rentals) arising under

operating leases were recognised as an expense in the period in which liability is accrued. The resulting difference arising from the straight-line basis and contractual cash flows is recognised as an operating lease obligation or asset.

### Significant accounting estimates

Determination of the lease liabilities involves judgement on and estimate of key inputs being interest rates, future cashflow and the duration of the lease contract including take up of lease options.

## 21. Provisions

R'm	Group		Company	
	2020	2019	2020	2019
Onerous lease contracts				
Balance at beginning of the year	24	40	-	4
Provision raised/(utilised) during the period	(24)	(16)	-	(4)
Balance at end of the year	-	24	-	-
Long-term	-	11	-	-
Current	-	13	-	-
	-	24	-	-

### Accounting policy

In the prior year, provision for onerous lease contracts represented the present value of the future lease payments that the group was presently obligated to make under non-cancellable onerous operating lease contracts, less profits expected to be earned on the lease, including estimated revenue (including revenue from sub-leases). The estimate varied as a result of changes in the utilisation of the leased premises and sub-lease arrangements where applicable. The unexpired terms of the leases ranged from one to five years. This was considered in the right-of-use asset assessment at transition date.

## 22. Long-term liabilities

R'm	Group		Company	
	2020	2019	2020	2019
Other long-term payables	-	11	-	11
	-	11	-	11

Other long-term payables is the long-term portion of the purchase price payable on the acquisition of the minority shareholding in MRP Mobile (Pty) Ltd which was acquired in January 2018. The remaining balance payable is included in trade and other payables (refer note 10).

### Accounting policy

The above is classified as a financial liability and measured at amortised cost and is recorded at fair value at inception using the effective interest rate implicit in the cash flows of the payable.

## 23. Retirement benefits

### 23.1 Pension schemes

#### 23.1.1 Membership

The funds are registered in terms of the Pension Funds Act and provide for pensions and related benefits for all permanent employees. Membership is compulsory after the first year of service. Membership details are disclosed in the Remuneration Report in the annual integrated report on page 93.

#### 23.1.2 Contributions

##### Group defined benefit fund

Pensions are based on length of service and highest average annual salary earned over two years during the last 10 years of employment. The members are required to contribute to the funds mainly at the rate of 7.0% of their pensionable remuneration while the employer is required to contribute mainly at the rate of 7.0%.

##### Group defined contribution fund

The members are required to contribute to the funds mainly at the rate of 7.5% of pensionable remuneration and the employer is required to contribute mainly at the rate of 11.0%.

#### 23.1.3 Valuations

##### Defined benefit pension fund

R'm	Group and Company	
	2020	2019
The funded status of the defined benefit retirement fund, actuarially calculated annually at reporting date in terms of IAS 19, is as follows:		
Benefit obligation	(51)	(54)
Plan assets	106	118
<b>Net benefit plan asset</b>	<b>55</b>	<b>64</b>

The amounts recognised in the income statement are detailed in note 4.

The following main assumptions were used in performing the calculation:

- Discount rate - 11.80% per annum (2019: 10.90% per annum)
- Inflation - 7.00% per annum (2019: 7.10% per annum)
- Future salary increases - 8.00% per annum (2019: 8.10% per annum)

The fund's assets are primarily invested in equities and bonds (with the majority in equities). This exposes the fund to a slight concentration of market risks. If the assets are not adequate or suitable to fund the liabilities of the fund, the group will be required to fund the balance, hence exposing the entity to risks on the investment return.

Movements in the present value of the defined benefit obligation in the current period were as follows:

R'm	Group and Company	
	2020	2019
Defined benefit obligation at beginning of the year	54	58
Current service cost	2	2
Member contributions	1	1
Interest cost	6	6
Actuarial loss	(6)	(6)
Benefits paid	(4)	(7)
Risk premiums	(2)	-
<b>Defined benefit obligation at end of the year</b>	<b>51</b>	<b>54</b>

Movements in the present value of the plan assets in the current period were as follows:

Fair value of plan assets at beginning of the year	118	121
Expected return on assets	13	13
Contributions	-*	2
Risk premiums	-*	-*
Benefits paid	(4)	(7)
Actuarial loss	(21)	(11)
<b>Fair value of plan assets at end of the year</b>	<b>106</b>	<b>118</b>

\* less than R1 million

The estimated asset composition of the fair value of total plan assets is as follows:

%		
Cash	5.5	7.7
South African equities	38.6	40.0
South African bonds	16.6	18.8
South African property and other	10.2	5.3
International assets	29.1	28.2
	<b>100.0</b>	<b>100.0</b>

Sensitivity analysis on the assumed discount rate and inflation rate as follows:

	Group and Company	
	2020	
	+1%	-1%
The effect of an increase or decrease of 1% in the assumed discount rate as follows:	-15.5%	19.7%
	+1%	-1%
The effect of an increase or decrease of 1% in the assumed inflation rate as follows:	17.9%	-14.6%

Due to the valuation above being based on a number of assumptions, the defined benefit obligation could vary from the amounts disclosed, depending on the extent to which actual experience differs from the assumptions adopted.

The estimated defined benefit cost for FY2021 financial year is as follows; a current service cost of R175.5 million (2020: R168.4 million), an expected return on plan assets of R12.5 million (2020: R12.9 million) and an interest cost of R6.3 million (2020: R6.1 million). The estimated contributions are R173.8 million.

#### Defined contribution funds

The defined contribution funds are valuation exempt. The actuarial function remains present through an Enhanced Financial Assessment (EFA) process, which is a quarterly actuarial assessment that looks at the financial soundness of the Fund; and sets out the allocations of contributions to the Fund. The report includes a comparison of the total assets to the total liabilities of the Fund in order to determine the funding level. The most recent EFA reports as at 31 December 2019 concluded that the funding level of the Funds was within the tolerance levels set by the administrators.

#### 23.2 Post retirement medical benefits

The obligation of the group to pay medical aid contributions for members who have retired is no longer part of the conditions of employment for new associates. A limited number of pensioners and current associates who remain members of the defined benefit pension fund are entitled to this benefit. The entitlement to the benefit for current associates is dependent upon the associate remaining in service until retirement age. Actuarial valuations of the group's liability, in terms of IAS 19, are undertaken every three years with the last valuation performed on 28 March 2020. The main assumptions used in performing these valuations are reviewed annually. Any detection of a material variation in a main assumption would give rise to a new valuation. The obligation for post retirement medical aid benefits is unfunded. The following main assumptions were used in performing the valuation at 28 March 2020:

#### Liability was based on current membership

Health care cost inflation - 9.5% per annum (2019: 9.2% per annum)

Discount rate - 13.5% per annum (2019: 9.8% per annum)

Average retirement age - 62 years (2019: 62 years)

Continuation at retirement - 100% (2019: 100%)

Activity during the year was as follows:

R'm	Group and Company	
	2020	2019
Benefit obligation at beginning of the year	31	29
Net (decrease)/increase in provision during the year	(13)	2
<b>Benefit obligation at end of the year</b>	<b>18</b>	<b>31</b>

The effect of an increase or decrease of 1% in the assumed healthcare cost inflation is as follows:

	+1%	-1%
Aggregate of the current service cost and interest cost	+14.0%	-11.6%
Accrued liability at year end	+13.0%	-10.9%

The effect of an increase or decrease of 1% in the assumed discount rate is as follows:

	+12.9%	-10.6%
Accrued liability at year end	+12.9%	-10.6%

The effect of an increase or decrease of 1 year in the assumed expected retirement age is as follows:

	1 year older	1 year younger
Accrued liability at year end	-4.3%	+4.0%



### 23.3 Defined benefit fund actuarial gains and losses

#### Reconciliation of defined benefit fund actuarial gains and losses reserve

R'm	Group and Company	
	2020	2019
Beginning of the year	(3)	2
Current year actuarial loss	(2)	(7)
Deferred taxation thereon	1	2
<b>End of the year</b>	<b>(4)</b>	<b>(3)</b>

#### Short-term employee benefits

Short-term employee benefits are recognised in the period of service. Short-term employee benefits paid in advance are treated as prepayments and are expensed over the period of the benefit.

#### Accounting policy

##### *Defined benefit retirement fund and post-retirement medical aid fund*

The costs of providing benefits under the defined retirement benefit fund and the obligation for post-retirement medical aid benefits (which is limited to members of the defined benefit retirement fund) is determined using the projected unit credit actuarial valuation method. Actuarial gains or losses, which can arise from differences between expected and actual outcomes, or changes in actuarial assumptions, are recognised immediately in other comprehensive income. Any increase in the present value of plan liabilities expected to arise from employee service during the period is charged to operating profit.

The defined benefit fund asset reflected in the statement of financial position represents the present value of the defined benefit asset as adjusted for unrecognised past service costs and as reduced by the fair value of scheme assets. The asset resulting from this calculation is limited to past service costs, plus the present value of available refunds and reductions in future contributions to the plan. Past service costs are recognised immediately to the extent that benefits have already vested, and are otherwise amortised on a straight-line basis over the average period until the benefits become vested.

##### *Defined contribution retirement fund*

Payments to defined contribution retirement funds are expensed as they accrue in terms of services provided by employees.

#### Significant accounting estimates

##### *Employee benefits actuarially determined*

The costs of the defined benefit pension fund plan and the post-retirement medical benefit fund are determined actuarially. The actuarial valuations involve making assumptions regarding various factors (as detailed in this note). Due to the long-term nature of these liabilities such estimates are subject to uncertainty.

## 24. Capital expenditure

R'm	Group		Company	
	2020	2019	2020	2019
The capital expenditure authorised by the directors of the company or its consolidated entities but not provided for in the financial statements amounts to	401	524	390	518
of which contracts have been placed for*	79	103	78	103

\*The above capital expenditure is expected to be financed from future cash flows.

## 25. Contingencies and commitments

### 25.1

During the 2009 financial year, the company was advised by South African Revenue Service (SARS) that it intended holding the company accountable as the deemed importer in relation to the underpayment of import duties in 2005 and 2006 by one of its previous suppliers to the value of R43.6m. The company submitted a formal response to SARS's letter on 18 September 2009. SARS responded to the company's denial of liability on 24 April 2015, more than five years later, and demanded that the company settle the alleged liability, the value of which had been revised to R74.4m. A formal appeal against SARS was filed in October 2015. The matter has been stayed pending further action from SARS. No further correspondence has been received to date.

### 25.2

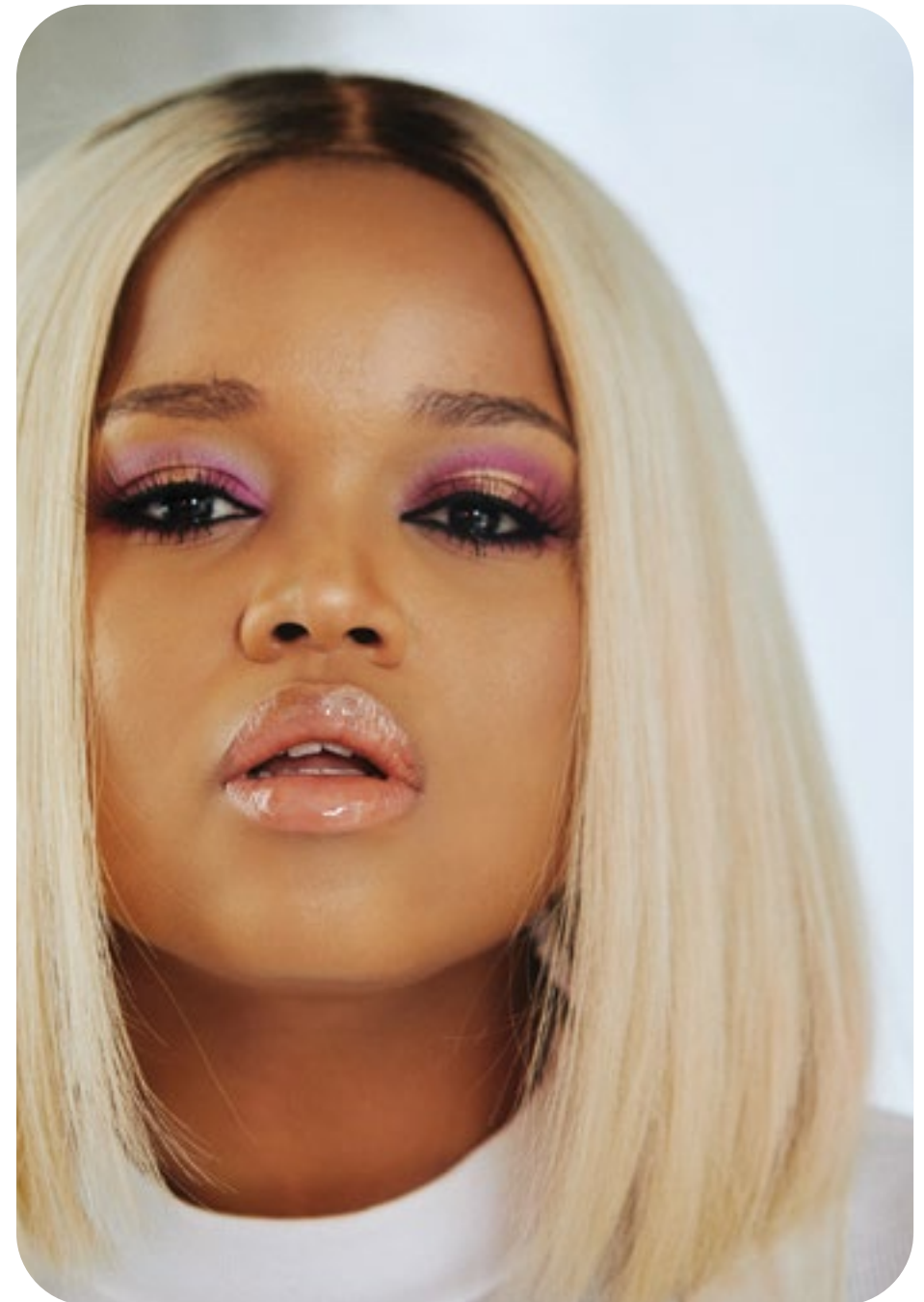
In May 2017 litigation was instituted by the National Credit Regulator (NCR) in the National Credit Tribunal (NCT) to declare the group to have acted in contravention of the National Credit Act in relation to Miladys Club fee charges. The group opposed the referral and the matter was heard at the National Consumer Tribunal, with judgement handed down on 14 January 2019 in favour of the group. The NCR delivered an appeal to the judgement handed down in our favour on 11 February 2019 but subsequently provided notice on 29 May 2019 that they will no longer pursue the matter against the group.

### 25.3

During the 2018 financial year, the company received an assessment from SARS relating to the disallowance of certain deductions claimed in the 2014 year of assessment. The company, supported by senior counsel's opinion, appealed the decision of the Commissioner to disallow the company's objection to the assessment.

During the 2020 financial year, the company entered into a settlement with SARS in respect of one of the issues under dispute. The settlement had no impact on the income statement. The matter that remains under dispute amounts to R10.9m, including interest and penalties charged to March 2020 of R5.3m. The overall potential impact on the income statement amounts to R10.9m (March 2019: R10.2m).

No adjustments have been made to the financial statements as the directors are of the opinion that the likelihood of a liability is remote.



## Taxation

### 26. Taxation

#### 26.1 South African and foreign taxation

##### 26.1.1 South African taxation

R'm	Group		Company	
	2020	2019	2020	2019
This year	<b>1 028</b>	1 142	<b>1 019</b>	1 131
Current				
Normal taxation	<b>1 062</b>	1 140	<b>1 051</b>	1 129
Deferred				
Current year temporary differences	<b>(34)</b>	2	<b>(32)</b>	2
Prior years				
Current	<b>28</b>	(2)	<b>28</b>	(2)
Deferred	<b>(29)</b>	-	<b>(29)</b>	-
<b>26.1.2 Foreign taxation</b>				
This year	<b>26</b>	36	<b>15</b>	16
Current	<b>37</b>	33	<b>15</b>	16
Deferred	<b>(11)</b>	3	-	-
Total taxation	<b>1 053</b>	1 176	<b>1 035</b>	1 145

In addition to the above, current normal taxation and deferred taxation amounting to R5.8 million (2019: R17.4 million charged) and R3.5 million (2019: R9.6 million credited) respectively have been charged and credited to equity relating to the grants to staff share trusts (refer Note 30). Deferred income taxation of R87.5 million (2019: R42.6 million charged) has been credited to the statement of comprehensive income.

#### 26.2 Reconciliation of taxation rate

%	Group		Company	
	2020	2019	2020	2019
Standard rate	<b>28.0</b>	28.0	<b>28.0</b>	28.0
Adjusted for:				
Expenses not allowed	<b>0.1</b>	0.5	<b>0.1</b>	0.4
Exempt income	<b>(0.7)</b>	(0.5)	<b>(0.9)</b>	(1.1)
Prior year under provision	<b>(0.0)</b>	(0.1)	<b>(0.0)</b>	-
Unrecognised deferred tax assets	<b>0.3</b>	0.3	-	-
Other	<b>0.3</b>	0.1	<b>1.5</b>	0.6
Effective tax rate	<b>28.0</b>	28.3	<b>28.7</b>	27.9
The estimated taxation losses of consolidated entities available for set-off against future taxable income are (R'm):	<b>112.7</b>	338.2		

The taxation expense represents the sum of current taxation and deferred taxation. Taxation rates that have been enacted or substantively enacted by the reporting date are used to determine the taxation balances.

#### Accounting policy

Current income taxation assets and liabilities for the period are measured at the amount expected to be recovered from or paid to the taxation authorities. The taxation currently payable is based on the taxable profit for the year, which differs from the profit for the year in the income statement as it excludes both items of income or expense that are taxable or deductible in other years and those items that are never taxable or deductible. Current income taxation relating to items recognised directly in equity is also recognised in other comprehensive income or equity and not in profit or loss.

## 27. Deferred taxation

R'm	Group		Company	
	2020	2019	2020	2019
Attributable to:				
Post retirement medical aid	(1)	(4)	(1)	(4)
Fair value adjustments on financial instruments	96	8	96	8
Prepayments	7	5	7	4
Provisions	(154)	(145)	(146)	(138)
Property, plant and equipment	198	170	193	164
Other temporary differences	-	21	8	30
Share based payments	(264)	(232)	(264)	(232)
Defined benefit fund asset	11	15	11	15
Grants to staff share trusts	266	263	266	263
Straight line operating lease liability	-	(60)	-	(58)
Assessed loss	(13)	(6) <sup>^</sup>	-	-
Lease liability and right-of-use assets	(187)	-	(171)	-
	(41)	35	(1)	52
Beginning of the year	35	(21)	52	(1)
Movements during the year	(76)	56	(53)	53
Prepayments	2	(43)	3	(43)
Provisions	(9)	46	(8)	48
Property, plant and equipment	28	35	29	34
Other temporary differences	(21)	(1)	(22)	(5)
Share based payments	(32)	(31)	(32)	(31)
Defined benefit fund actuarial gains	(4)	(1)	(4)	(1)
Grants to staff share trusts	3	9	3	9
Straight line operating lease liability	60	(3)	58	(3)
Assessed losses	(7)	-	-	-
Lease liability and right-of-use assets	(187)	-	(171)	-
Fair value adjustments on financial instruments	88	45	88	45
Post retirement medical aid	3	-	3	-
<b>End of the year</b>	<b>(41)</b>	<b>35</b>	<b>(1)</b>	<b>52</b>
Deferred taxation liabilities	-	46	-	52
Deferred taxation assets	(41)	(11)	(1)	-
	(41)	35	(1)	52

<sup>^</sup> Re-presented separately compared to the prior year



### Accounting policy

Deferred taxation is provided for all temporary differences (other than temporary differences created on initial recognition which are not part of a business combination and at the time of the transaction no taxation or accounting effect has been recognised and goodwill for which amortisation is not deductible for accounting purposes) arising between the tax bases of assets and liabilities and their carrying amounts on the statement of financial position. Deferred taxation relating to items recognised outside profit and loss is recognised outside profit and loss. Deferred taxation items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred taxation assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred taxation assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and that future taxable profit will be available to allow all or part of the deferred taxation asset to be utilised. Deferred taxation is provided on temporary differences arising on investments in consolidated entities and associates, except for deferred tax liabilities where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred taxation assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxation assets and deferred taxation liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

## Share Capital

### 28. Share capital

#### 28.1 Authorised

	Group		Company	
	2020	2019	2020	2019
R'000				
323 300 000 ordinary shares of 0.025 cent each	81	81	81	81
19 700 000 B ordinary shares of 0.300 cent each	59	59	59	59
Total authorised share capital	140	140	140	140

#### 28.2 Issued

	Group		Company	
	2020	2019	2020	2019
R'000				
Ordinary				
257 045 727 (2019: 256 945 727) ordinary shares of 0.025 cent each	64	64	64	64
B ordinary				
7 895 234 (2019: 7 995 234) B ordinary shares of 0.300 cent each	24	24	24	24
Total issued share capital	88	88	88	88

#### 28.3 B ordinary shares

The B ordinary shares are unlisted and are convertible into ordinary shares on a one-for-one basis at the instance of the B ordinary shareholders. The voting rights attached to the ordinary and B ordinary shares are in the same ratio as the par value of the respective shares. In the event of a poll, ordinary shareholders are entitled to one vote per share and B ordinary shareholders to 12 votes per share.

#### 28.4 Share trusts and share purchase schemes

The company operates five share trusts and two forfeitable share plans for the benefit of associates, including executive directors, employed by the company and its consolidated entities. In terms of the deeds of trust, ordinary shares in Mr Price Group Limited may be acquired by the trust or awarded under the schemes for the benefit of associates in the group, including directors.





### 28.4.1 Share trusts and share purchase schemes

Five share trusts were established in November 2006 to replace The Mr Price Group Share Option Scheme and two Forfeitable Share Plans (FSP) were introduced during 2014. Details of these plans are as follows:

	Mr Price Executive Director Share Trust	Mr Price Executive Share Trust	Mr Price Senior Management Share Trust	Mr Price General Staff Share Trust	Mr Price Partners Share Trust	Mr Price Group Forfeitable Share Plan	Mr Price Executive Forfeitable Share Plan	Group total
<b>Award type</b>	Options	Options	Options	Options	Shares	Shares	Shares	
Options/shares at 31 March 2018	1 426 099	1 821 710	3 029 747	3 221 843	4 146 033	472 012	453 724	<b>14 571 168</b>
New options/shares granted	536 134	376 501	693 572	1 075 749	584 827	42 121	171 538	<b>3 480 442</b>
Surrendered by participants	-	(64 905)	(289 029)	(502 833)	(587 625)	-	(46 299)	<b>(1 490 691)</b>
Options/shares exercised	(205 283)	(235 484)	(491 970)	(224 619)	(23 336)	(402 156)	(38 891)	<b>(1 621 739)</b>
Options/shares at 30 March 2019	1 756 950	1 897 822	2 942 320	3 570 140	4 119 899	111 977	540 072	<b>14 939 180</b>
New options/shares granted*	273 513	489 826	1 179 042	2 035 843	851 131	-	140 248	<b>4 969 603</b>
Surrendered by participants	(46 959)	(280 390)	(906 611)	(484 246)	(721 961)	(18 479)	(81 088)	<b>(2 539 734)</b>
Options/shares exercised	-	-	(6 779)	(6 887)	(32 278)	(51 377)	(31 936)	<b>(129 257)</b>
Options/shares at 28 March 2020	1 983 504	2 107 258	3 207 972	5 114 850	4 216 791	42 121	567 296	<b>17 239 792</b>
* New options/shares were granted during the current year at a strike price of (per share):	R164.83	R164.83 - R197.75	R164.83 - R199.01	R103.75 - R196.29	-	-	-	
The strike price was determined by the lower of the 30 day volume-weighted average price and the closing share price on the business day prior to the award.								
The earliest opportunity at which share options are exercisable falls within financial years ending:								
<b>Number of options/shares by financial year:</b>								
2021	356 518	443 019	331 237	527 681	N/A	-	71 116	<b>1 729 571</b>
2022	637 166	579 981	694 414	976 582	N/A	-	114 058	<b>3 002 201</b>
2023	227 132	261 626	543 718	917 929	N/A	-	90 034	<b>2 040 439</b>
2024	489 175	332 806	550 302	776 428	N/A	42 121	151 840	<b>2 342 672</b>
2025	273 513	489 826	1 088 301	1 916 230	N/A	-	140 248	<b>3 908 118</b>
	1 983 504	2 107 258	3 207 972	5 114 850	N/A	42 121	567 296	<b>13 023 001</b>
<b>Weighted average price by financial year:</b>								
2021	210.52	197.65	198.92	193.74	N/A	N/A	N/A	
2022	138.00	138.94	138.74	151.46	N/A	N/A	N/A	
2023	188.37	186.80	188.22	192.67	N/A	N/A	N/A	
2024	218.62	224.06	232.39	232.95	N/A	N/A	N/A	
2025	164.83	165.88	165.09	154.55	N/A	N/A	N/A	

Shares are expected to vest unconditionally in the Mr Price Partners Share Trust in 39 years.

## 28.5 Share-based payments

Executive director	Total Executive Directors' Share Options and Shares					Total Executive Directors' Forfeitable Share Plans				Fair value of options and shares (Rm)
	Options / shares held at beginning of year	Options / shares awarded and accepted during year	Options exercised during the year	Gain on options exercised during the year (Rm)	Options/ shares held at end of year	Shares granted	Shares vested during year	Shares lapsed during year	Shares held at end of the year	
MM Blair	766 602	173 287	(5 121)	-	934 768	127 590	(5 121)	(5 121)	117 348	9
MJ Stirton <sup>^</sup>	97 207	61 636	-	-	158 843	60 277	-	-	60 277	7
SA Ellis	108 945	28 138	(1 817)	-	135 266	21 604	(1 817)	(1 817)	17 970	1
<b>Total</b>	<b>972 754</b>	<b>263 061</b>	<b>(6 938)</b>	<b>-</b>	<b>1 228 877</b>	<b>209 471</b>	<b>(6 938)</b>	<b>(6 938)</b>	<b>195 595</b>	<b>17</b>

<sup>^</sup> Share incentives for executive director position.

R'm	Group		Company	
	2020	2019	2020	2019
Share-based payments relating to equity-settled share-based payment transactions in terms of the long-term incentive (refer note 4)	<b>118</b>	109	<b>118</b>	109

Share-based payments are measured at fair value (excluding the impact of any non-market vesting conditions) at the date of the grant, which is expensed over the period of vesting. The fair value of each option grant is estimated at the date of the grant using an actuarial binomial option pricing model.

The assumptions supporting inputs into the model for options granted during the year are as follows:

	Mr Price Executive Director Share Trust	Mr Price Executive Share Trust	Mr Price Senior Management Share Trust	Mr Price General Staff Share Trust	Mr Price Partners Share Trust
Weighted average strike price	R164.83	R164.83 - R197.75	R164.83 - R168.49	R157.25 - R196.29	R0.00
Expected volatility (%)	34.70	34.00-34.70	34.70	33.88-34.82	N/A
Expected option life	7 years	7 years	7 years	7 years	39 years
Risk free interest rate (%)	7.42	6.98-7.66	7.42-7.50	7.23-7.63	N/A
Expected dividend yield (%)	4.06	3.67-4.62	4.06-4.24	3.98-5.5	N/A

The expected volatility was determined, based on the historical volatility of the company's share price over the expected lifetime of each grant. The expected life of the options has been determined taking into account the restrictions on non-transferability and exercise and management's best estimate of probable exercise behaviour.

The risk-free rate used is the yield on zero-coupon South African government bonds which have a term consistent with the expected option life.

In the calculation of the fair value of the options, allowance is not made for non-market conditions (such as forfeitures and leavers) during the vesting period. Adjustment for these conditions is made in the annual expense charge, with an allowance for forfeitures being made in the vesting period at rates varying between 0% and 15% compounded per annum.

The assumptions supporting inputs into the model for the Forfeitable Share Plan's which have an expected option life of 5 years are as follows:

	Probability	% shares retained
Participants still employed after 1 years	100%	10%
Participants still employed after 2 years	95%	20%
Participants still employed after 3 years	90%	30%
Participants still employed after 4 years	85%	40%
Participants still employed after 5 years	80%	100%

### 28.6 The Mr Price Group Employees Share Investment Trust

The company administers a staff share purchase scheme which facilitates the purchase of shares in the company for the benefit of employees, including executive directors, employed by the company and its consolidated entities. The acquisition of shares is funded by contributions from participants (employees) while the company is authorised to provide additional funding of up to 15% of the contributions made, which is expensed as an associate cost in the year incurred. In terms of guidance issued by the JSE Limited, the company has consolidated the trust as it was created to incentivise and reward the employees of the group. In the trust's annual financial statements it has Mr Price Group Limited shares to be delivered to the participants in the future. These shares are registered in the name of the trust and not the employees. In addition, the financial statements show a liability for the shares to be transferred to employees upon their request. In the group financial statements the Mr Price Group Limited shares are reflected as treasury shares as they have not yet been transferred to the employees, while the amounts received for the shares to be transferred to employees are treated as equity transactions.

### 28.7 Unissued share capital

The unissued share capital required for the purposes of carrying out the terms of the various share trusts and schemes is under the control of the directors until the conclusion of the forthcoming annual general meeting.

## 29. Capital reserves

### 29.1 Share premium account

R'm	Group		Company	
	2020	2019	2020	2019
Share premium account	12	12	-*	-*

\* less than R1 million

### 29.2 Participants in staff share investment trust (note 28.6)

Participants in staff share investment trust (note 28.6)	34	34
Beginning of the year	34	32
Net movement for the year	-*	2

\* less than R1 million

### 29.3 Share-based payments reserve

	Group		Company	
	2020	2019	2020	2019
Share-based payments reserve	270	323	270	323
Beginning of the year	323	264	323	264
Recognition of share-based payments for the year	3	59	3	59
Share-based payments for options/shares granted in current year	118	109	118	109
Share-based payments reserve transferred to retained income for options that have vested from inception date	(115)	(50)	(115)	(50)
Share-based equity reserve hedge cost	(56)	-	(56)	-
<b>Total capital reserves</b>	<b>316</b>	<b>369</b>	<b>270</b>	<b>323</b>

The above equity account represents cumulative share based payment charges that have been credited to equity net of transfers to retained income for options that have vested.

#### Accounting policy

##### Share-based payments

The group operates share incentive schemes for the granting of non-transferable options or shares to associates (employees). Equity-settled share-based payments in terms of the schemes are measured at fair value (excluding the impact of any non-market vesting conditions) at the date of the grant, which is expensed over the period of vesting of the grant, with a corresponding adjustment to equity. Fair value is actuarially determined using a binomial valuation model. At each reporting date the estimate of the number of options that are expected to vest is revised, and the impact of this

revision is recognised on a cumulative catch-up basis in the income statement, with a corresponding adjustment to equity. Assumptions used in the respective valuations are detailed in note 28.5. Upon vesting, the amount remaining in the share-based payment reserve relating to any such vested tranche is transferred within equity to retained earnings.

#### Derivatives over own equity

The group has derivative contracts over its own equity which are settled by delivering or receiving a fixed number of its own equity instruments and receiving or delivering a fixed amount of cash. Any consideration paid for a purchased option relating to own equity instruments is deducted from equity. Changes in fair value of the equity instrument are not recognised in financial statements.

#### Performance incentives

The group recognises a liability and expense for performance incentives which include a component based on formulae which take into consideration the profit for the year and other operational targets.

## 30. Treasury share transactions

R'm	Group		Company	
	2020	2019	2020	2019
5 631 695 (2019: 5 352 748) ordinary shares in Mr Price Group Limited held by staff share trusts	(281)	(235)		
- Balance at beginning of the year	(235)	(334)		
- Treasury shares acquired	(65)	(239)		
- Treasury shares sold	19	340		
- Mr Price Group Employees Share Investment Trust (note 28.6)	-*	(2)		
Deficit on treasury share transactions	(1 600)	(1 584)	(272)	(272)
- Balance at beginning of the year	(1 584)	(1 401)	(272)	(272)
- Current year movement arising from the take-up of vested options	(16)	(183)	-	-
Taxation relating to grants to share trusts	347	345	347	345
- Balance at beginning of the year	345	337	345	337
- Current year movement	2	8	2	8
Grants by company to staff share trusts			(2 297)	(2 277)
- Balance at beginning of the year			(2 277)	(2 229)
- Grants made during the year			(20)	(48)
	(1 534)	(1 474)	(2 222)	(2 204)

\* less than R1 million

### 30. Treasury share transactions (continued)

Shares in Mr Price Group Limited held by the staff share trusts are classified as treasury shares and are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised as equity. Voting rights related to these shares are restricted for the company only on resolutions applicable to the share trusts. Share options exercised during the reporting period are settled with treasury shares.

401 398 treasury shares were acquired by the staff share trusts at an average of R160.23.  
128 956 treasury shares were sold by the staff share trusts at an average of R145.02.

### 31. Foreign currency translation reserve

R'm	Group	
	2020	2019
Beginning of the year	(132)	(153)
Currency translation adjustments for the year	(10)	21
<b>End of the year</b>	<b>(142)</b>	<b>(132)</b>

The foreign currency translation reserve comprises the cumulative translation adjustments arising on the consolidation of the foreign subsidiaries in Botswana, Nigeria, Ghana, Zambia, Australia, Kenya and Poland.



### Accounting policy

Functional and presentation currency

Items included in the financial statements of the group's foreign consolidated entities are measured using the currency of the primary economic environment in which the entity operates ('functional currency'). The consolidated financial statements are presented in Rands, which is the group's functional and presentation currency.

#### Transactions and balances

Transactions in foreign currencies are initially recorded by the group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

#### Group companies

The results and position of consolidated entities that have a functional currency that differs from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income statement items are translated at the average rate for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of other comprehensive income. Financial assets are reviewed annually for any evidence of impairment and any impairment loss is recognised immediately in the income statement.

## 32. Consolidated entities

### 32.1 Consolidated entities

	Company	
	2020	2019
R'm		
Carrying value of shares	25	25
Ordinary shares at cost	25	25
Carrying value of long-term loans	118	118
Long-term loans at cost	118	118
Impairment provisions	-	-
The loans are granted to consolidated entities to fund fixed capital, capital requirements and stock purchases. The loans are unsecured, bear interest at rates of up to 15% per annum and have no fixed dates of repayment.		
	143	143
Net current amounts owing by consolidated entities	288	436
Current amounts owing by consolidated entities	839	1 002
Impairment of current amounts owing by consolidated entities	(483)	(359)
	356	643
Current amounts owing to consolidated entities	(68)	(207)
Current accounts are interest free and are settled within 12 months, with the exception of loans to MRP Retail Kenya Limited (7.18%pa) and MRP Retail Poland Sp. z o.o (7.18%pa).		
	431	579

An analysis of the financial interest in consolidated entities is shown in note 33.

### Accounting policy

Consolidated entity balances are initially recognised at the fair value of the consideration received, and are subsequently measured at amortised cost using the effective interest rate method. Current amounts owing are settled on 30 day terms.

Consolidated entities (which include special purpose entities such as staff share trusts) are defined as entities over which the group has the power to govern the financial and operating policies of the entity so as to gain benefit from its activities. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the group controls an investee if, and only if, the group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the group has less than a majority of the voting or similar rights of an investee, the group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The group's voting rights and potential voting rights.

The group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired during the year are included in the consolidated financial statements from the date the group gains control until the date the group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

## Group Composition

### 33. Operating subsidiaries

	Notes	Issued capital		Carrying value of shares		Net indebtedness	
		2020 Shares	2019 Shares	2020 R'm	2019 R'm	2020 R'm	2019 R'm
MRP Botswana (Pty) Limited	1	100	100	-	-	86	54
Mr Price (Lesotho) (Pty) Limited	2	1 000	1 000	-	-	14	17
Mr Price Group (Namibia) (Pty) Limited	3	100	100	-	-	35	29
Mr Price Chain Stores International Limited (Nigeria)	4	500 000	500 000	2	2	2	129
Mr Price Chain Stores International Limited (Ghana)	5	480 000	480 000	2	2	12	69
MRP Zambia Limited	6	5 000	5 000	-	-	35	48
Millews Fashions (Johannesburg) (Pty) Limited	7	28 000	28 000	-	-	-	1
Associated Credit Specialists (Pty) Limited	8	100	100	-	-	1	5
MRP Mobile (Pty) Limited	9	100	100	-	-	105	90
MRP Retail Australia (Pty) Limited	10	100	100	-	-	-	2
MRP Retail Kenya Limited	11	100 000	100 000	-	-	87	84
MRP Retail Poland Sp. z o.o	12	100	100	-	-	-	1
MRP Foundation NPC		-	-	-	-	-	-
<b>Share Trusts</b>							
Mr Price Group Staff Share Trust and Share Purchase Scheme						-	-
Mr Price Group Employees Share Investment Trust						-	-
Mr Price Executive Director Share Trust						3	3
Mr Price Executive Share Trust						2	1
Mr Price Senior Management Share Trust						6	3
Mr Price General Staff Share Trust						18	18
Mr Price Partners Share Trust						-	-
<b>Dormant subsidiaries</b>							
Hughes Extension 17 Township (Pty) Limited		100	100	-	-	-	-
<b>Total</b>				<b>4</b>	<b>4</b>	<b>406</b>	<b>554</b>

1. Operates Mr Price, Mr Price Home, Miladys, Sheet Street and Sport stores in Botswana.  
 2. Operates Mr Price, Mr Price Home, Miladys and Sheet Street stores in Lesotho.  
 3. Operates Mr Price, Mr Price Home, Miladys, Sheet Street and Mr Price Sport stores in Namibia.  
 4. Operates Mr Price stores in Nigeria.  
 5. Operates Mr Price stores in Ghana.

6. Operates Mr Price, Mr Price Home and Sheet Street stores in Zambia.  
 7. Develops and leases premises to group operations.  
 8. Recovers overdue debts from credit customers.  
 9. Operates as a cellular MVNO (mobile virtual network operator) only in South Africa  
 10. Operated Mr Price and Mr Price Home stores in Australia. Company is in liquidation.

11. Operates Mr Price and Mr Price Home stores in Kenya.  
 12. Operated Mr Price Home store in Poland. The store ceased trading in December 2019. The company will remain dormant.  
 The Company owns 100% of the equity and preference share capital (where applicable) of all other subsidiaries and cell captives.

### 34. Business combinations

There were no business combinations in the current year.

In the prior year, the group acquired 12 Kenyan franchise stores from Deacons East Africa PLC for a consideration of R19 million.

The amounts for assets and liabilities assumed at the date of acquisition, measured as follows:

R'm	Fair value	Fair value
	2020	2019
Plant and equipment	-	19
Inventory	-	-*
<b>Net identifiable asset acquired</b>	<b>-</b>	<b>19</b>

\* less than R1 million

In the prior year, from the date of acquisition, revenue contributed was R146 million and net loss contributed was R12 million, affected by once-off startup costs.

#### Accounting policy

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. In the company financial statements investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes directly attributable costs of investment.

### 35. Related parties

#### 35.1 Related party transactions

Related party transactions constitute the transfer of resources, services or obligations between the group and a party related to the group, regardless of whether a price is charged. For the purposes of defining related party transactions with key management, key management has been defined as directors and the group's executive committee and includes close members of their families and entities controlled or jointly controlled by these individuals.

#### 35.2 Directors

Refer to note 36 for directors' emoluments.

#### 35.3 Compensation of key management personnel

R'm	Group		Company	
	2020	2019	2020	2019
Short-term employee benefits	100	79	100	79
Post employment pension benefits	13	10	13	10
Share-based payments	23	24	23	24
	<b>136</b>	113	<b>136</b>	113

The above compensation includes amounts paid to executive senior management personnel and excludes amounts paid to directors as disclosed in the Remuneration Report.

#### 35.4 Transactions with related parties

The following transactions were entered into with individuals, who meet the definition of close family members to key management personnel, or entities over which such individuals are deemed to have a controlling influence:

Related Party - BVPG, firm of attorneys of which Mr K Getz, a non-executive Director, is a partner. Legal fees of R0.006m (2019: R0.1m)

#### 35.5 Participants in staff share trusts

Refer to notes 28 and 29 in respect of transactions with participants in the staff share trusts.

#### 35.6 Transactions with related parties

Refer to note 23 in respect of transactions with post retirement benefit funds.

During the year the group enters into various transactions, in the ordinary course of business, with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial and operating decisions. These transactions occurred under terms that are no more or less favourable than those arranged with third parties.

### 35. Related parties (continued)

#### 35.6 Transactions with related parties

R'm	Company	
	2020	2019
<b>Sales</b>	<b>869</b>	948
<b>Administration fees received from:</b>	<b>129</b>	119
Mr Price Group (Namibia) (Pty) Ltd	<b>23</b>	29
MRP Botswana (Pty) Ltd	<b>86</b>	72
Mr Price (Lesotho) (Pty) Ltd	<b>9</b>	9
MRP Zambia Limited	-	7
MRP Retail Kenya Limited	<b>11</b>	2
<b>Dividends received by:</b>	<b>26</b>	65
Mr Price Executive Director Share Trust	<b>1</b>	-*
Mr Price Executive Share Trust	<b>1</b>	1
Mr Price Senior Management Share Trust	-*	1
Mr Price General Staff Share Trust	-*	-*
Mr Price Partners Share Trust	<b>4</b>	3
Millews Fashions (Johannesburg) (Pty) Ltd	-	-
Associated Credit Specialists (Pty) Ltd	<b>20</b>	60

Refer to note 32 for the amounts owing to and by consolidated entities.

\* less than R1 million

### 36. Directors' emoluments

The emoluments received by the Directors from the company were:

R'm	Basic salary	Retirement fund contribution	Other benefits	TGP	Short-term incentives	Dividends (FSP plans)	Long-term incentives	Total 2020	Total 2019
SI Bird								-	23
MM Blair	6	1	2	<b>9</b>	-	-	5	<b>14</b>	20
SA Ellis	2	-	1	<b>3</b>	-	-	1	<b>4</b>	6
MJ Stirton	3	-	1	<b>4</b>	-	-	2	<b>6</b>	11
<b>Total</b>	<b>11</b>	<b>1</b>	<b>4</b>	<b>16</b>	-	-	<b>8</b>	<b>24</b>	<b>60</b>

\* less than R1 million

The emoluments received by the non-executive directors from the company were:

Rand	Company	
	2020	2019
SB Cohen	<b>786 819</b>	745 800
NG Payne	<b>1 573 638</b>	1 491 600
MR Johnston	<b>650 953</b>	676 725
M Bowman	<b>796 402</b>	642 427
M Chauke	<b>534 463</b>	184 436
K Getz	<b>652 755</b>	618 725
M Motanyane-Welch	<b>490 997</b>	465 400
D Naidoo	<b>887 209</b>	815 050
B Niehaus	<b>774 409</b>	639 250
MJD Ruck		289 656
<b>Total</b>	<b>7 147 645</b>	<b>6 569 069</b>

### 37. Subsequent events

#### COVID-19 considerations

At the outbreak of the COVID-19 virus, the group's immediate concerns centred around its supply side risks associated with flow of inventory out of China where it sources majority of its imported assortment. The group acted swiftly, which enabled it to replace its at-risk merchandise through alternate supply destinations. The supply side risks quickly swung into demand side risks.

On 23 March 2020, the President of South Africa announced a nation-wide lockdown that placed the country on level 5 restrictions for an initial 21 days. This required South Africans to stay at home and the closure of all non-essential retail outlets as defined. The group's South African stores, e-commerce, head



office, distribution centre and call centres were closed from 27 March 2020, until the end of 30 April, following the extension of the initial lockdown. During this period, the group did not generate retail sales in its major market.

On 25 April 2020, the President of South Africa announced the risk adjusted strategy to resume economic activity resulting in the relaxation of some lockdown rules to come into effect on 01 May 2020. This included a change in the status of the lockdown from level 5 to level 4. Level 4 regulations permitted the sale of “children’s clothing and winter essentials (winter clothing, bedding and heaters)”. Based on the lifting of some of the lockdown restrictions, the group’s stores, distribution centres and head offices resumed operations from 01 May 2020, with a limited assortment. From 14 April 2020, all products were made available for sale through e-commerce but were only subsequently distributed in May. With effect from 01 June 2020, the lockdown level was changed to level 3, which permitted all our stores to sell their full assortment.

The COVID-19 impact on the South African economy and the retail sector will be far reaching and its effects are expected to extend for a minimum of 12 months. Management has evaluated the assets and liabilities of the group at year end to consider the impact of COVID-19. Subsequently, management made additional adjustments to the provision for net realisable value of inventory (refer note 8), IBNR reserve and provision for impairment of trade receivables (refer note 9). No other adjustments were required.

#### Going concern

In light of the uncertainty and significant economic impact presented by COVID-19, the directors and management anticipate a difficult trading environment for the remainder of FY2021 and beyond. Due to the uncertainty and the rapid pace at which events are unfolding, the impact of COVID-19 cannot be fully estimated, however the directors and management have considered a wide range of factors to satisfy themselves that the going concern basis of preparation of financial statements is appropriate. The considerations are further discussed below.

#### Current trade

- South African stores resumed operations on 01 May 2020. The group has instituted the recommended COVID-19 operating protocols at all its stores, its distribution centre and head office to ensure the safety of customers and associates.
- No material human capital disruptions have been experienced. During the initial lockdown phases, human capital was curtailed in line with sales forecasts with available government support utilised to minimise permanent employment cutbacks.
- The group’s inventory order book has been closely managed in line with its forecasted sales calls. Executive director oversight across all the divisions to ensure inventory and sales metrics were in line. These forecasts are updated on an ongoing basis in response to current trade performance. The seasonal risk of winter merchandise has been monitored particularly closely to ensure terminal inventory is minimised into spring.
- The group worked closely with its suppliers in the spirit of its core value of partnership. Inventory commitments were reflowed to avoid cancellations. The group’s approach has been applauded. Our supplier base is an integral part of our business model. We continue to work closely with them to ensure the sustainability of their businesses both over the short, medium and long-term.
- Inventory flow was disrupted from the 28 March due to the staging of non-essential containers and resultant backlog at Durban port. The group obtained special dispensation from authorities to stage

containers. This assisted in planning our recommencement activities. Naturally this caused congestion through the group’s distribution centre on reopening, creating up to two weeks delay of fresh inputs into stores.

- Following the relaxation of lockdown restrictions, the group experienced higher than expected levels of consumer demand in May and June, with positive sales growths on last year in all retail trading divisions with the exception of Miladys whose older customer base has responded more cautiously.

#### Liquidity

- The directors and management have assessed the group’s ability to meet its short, medium and long-term financial obligations. The group had a strong cash position at its financial year end of R4.7 billion rand which has allowed it to withstand the low operating cash generation over March/April 2020. It has always maintained a high level of liquidity with no long-term borrowings on the statement of financial position (IFRS16 Lease liability excluded).
- The group was able to make full payroll payments in April, May and June 2020. Annual salary increases for head office associates have been delayed until further notice to manage costs and minimise job losses. Executive management and the board of directors have committed to reductions in remuneration for a period of at least 6 months.
- Better than anticipated customer collections were achieved once stores were open for trade.
- No final dividend was declared in FY2020 in order to preserve cash and only critical capital investments will be made in FY2021.
- The group’s liquidity outlook is continuously assessed to maximise cash reserves.

#### Financing

- Management has assessed the group’s ability to secure alternative funding to sustain the operations should the need arise. The group had access to R450m in facilities at 28 March 2020, with R442m unutilised. An additional R500m overdraft facility will be in place from July 2020 to bolster short-term liquidity requirements should the circumstances demand it.
- Working capital management solution have been explored with a strategic project commencing in the second quarter of FY2021 which is anticipated to unlock additional working capital.
- On 20 May 2020, the company proposed a capital raise through a specific issue for cash of up to 10% of the company’s ordinary issued shares will also result in additional funding for growth opportunities. Approval was granted at a general meeting on 29 June 2020.

Whilst significant volatility exists ahead, the directors and management are of the view that the group’s pre-COVID-19 capital structure, unencumbered assets in its debtors and distribution facilities and its access to short to medium-term credit lines, all provide sufficient headroom in the event of a prolonged contraction in retail sales and other income, and that the group and the company are in a sound financial position to meet its foreseeable obligations.

The group has decided it will be exiting Nigeria in the first half of FY2021 which will be presented as a discontinued operation from that point. The necessary impairments have been taken into consideration.



 **mr price group limited**