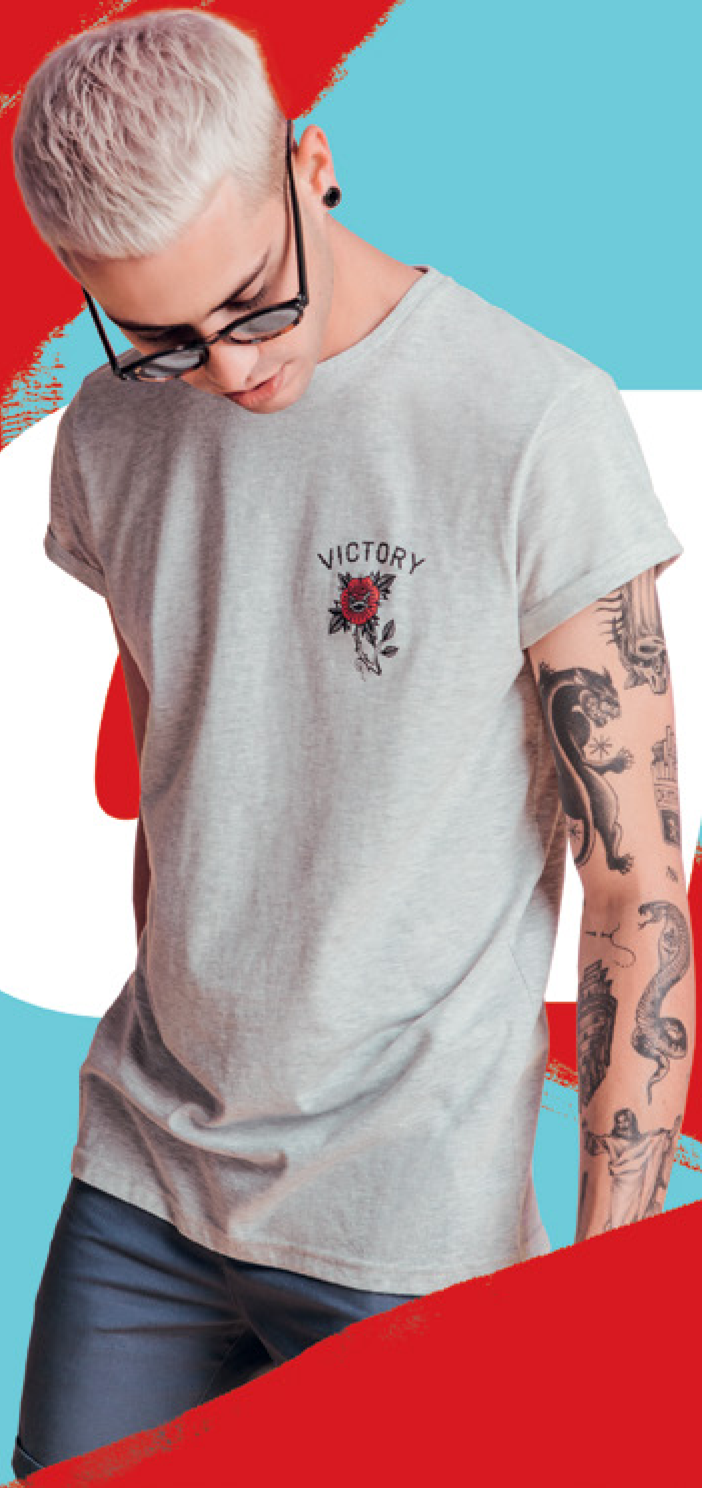
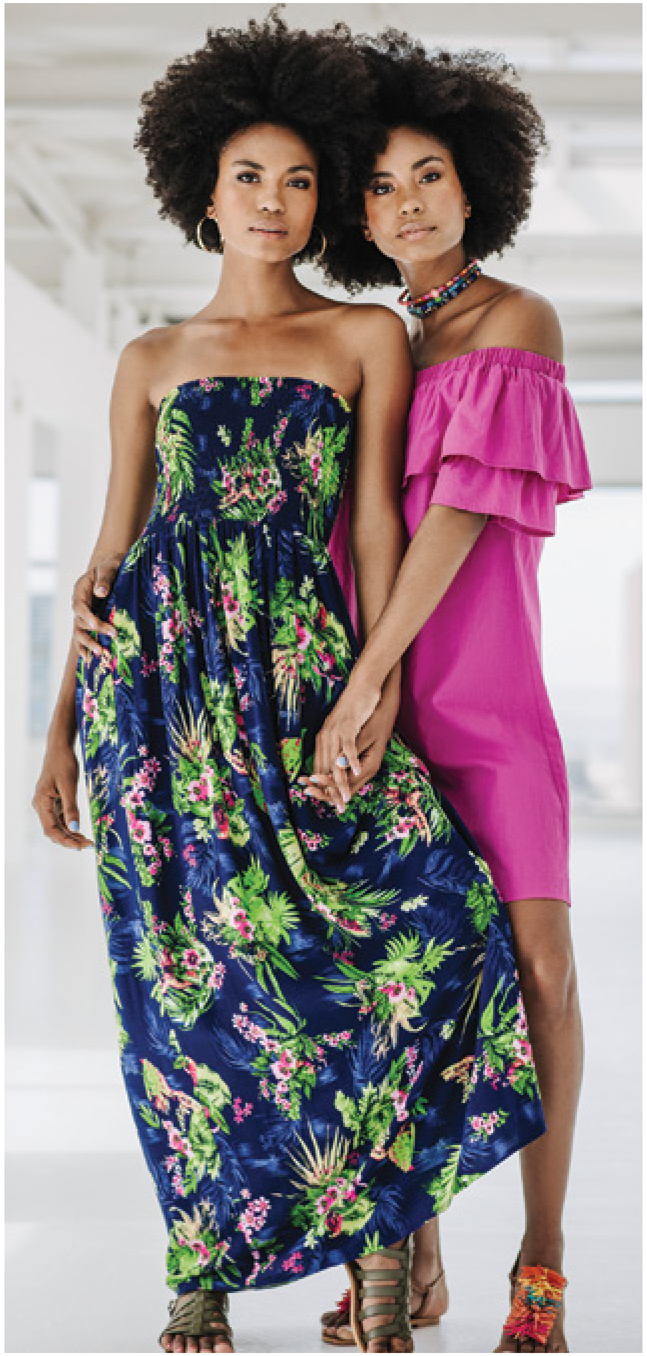
mr price group limited

2018



ANNUAL FINANCIAL STATEMENTS

2 April 2017 - 31 March 2018



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. 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; and
- 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 31 March 2018 have been prepared under the supervision of the chief financial officer, Mr MM Blair CA (SA).

The annual financial statements of the company and the group were approved by the Board on 31 May 2018 and are signed on its behalf by:

NG Payne
Chairman

SI Bird
CEO

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
31 May 2018

REPORT OF THE DIRECTORS

NATURE OF BUSINESS
The main business of the group is omni-channel retail distribution through 1 258 corporate-owned, 23 franchised stores in Africa and its online channels. The retail chains focus on clothing, footwear, sportswear, sporting goods, accessories and homewares.

CORPORATE GOVERNANCE
The directors subscribe to the values of good corporate governance 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 board report on pages 38 to 45 and King IV on a page on page 7.

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 2 April 2017 to 31 March 2018 (2017: 52 week period from 3 April 2016 to 1 April 2017).

FINANCIAL RESULTS
The financial results of the company and the group are set out in the statements of comprehensive income on page 101.

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 279.0 cents per share (2017: 228.2 cents per share) was made payable on 11 December 2017 to shareholders registered on 8 December 2017.

Final: A cash dividend of 414.1 cents per share (2017: 438.8 cents per share) has been declared payable on 25 June 2018 to shareholders registered on 22 June 2018.

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

R'm	2018	2017
Profits	**142**	115
Losses	**(134)**	(97)
	8	18

NET SHAREHOLDERS' EQUITY
Authorised and issued share capital
There were no changes to authorised share capital. During the year, 1 599 847 B ordinary shares were converted to ordinary shares.

SUBSEQUENT EVENTS
The acquisition of 12 Kenyan franchise stores from Deacons East Africa Plc was completed on 18 May 2018 for a consideration of R16 million. The stores are being rebranded and merchandised and will re-open for trade as corporate owned stores.

Other than this, no events, material to the understanding of this report, have occurred between the financial year end and the date of this report.

DIRECTORATE
John Swain retired as an independent non-executive director and as a member of both the audit and compliance and remuneration and nomination committees on 31 August 2017.

Brenda Niehaus was appointed as an independent non-executive director on 8 February 2018.

Particulars of the present directors and company secretary are provided on pages 39 and 44 of the integrated report. None of the directors have long-term service contracts with the company or any of its consolidated entities.

Myles Ruck, non-executive director, chair of the remuneration and nominations committee (remnonco) and member of the audit and compliance committee, has advised the board of directors that he will not offer himself for re-election at the August 2018 AGM and will accordingly retire by rotation.

Mark Bowman was appointed as a member of remnomco on 29 May 2018.

EMOLUMENTS
Details of emoluments paid to executive and non-executive directors are set out in the remuneration report on pages 52 to 71 and note 9 and note 23.

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

	2018					2017				
	Direct Beneficial	Indirect Beneficial	Held By Associate	**Total**	%	Direct Beneficial	Indirect Beneficial	Held By Associate	**Total**	%
Stuart Bird	480 794	-	-	480 794	0.19%	397 460	119 000	-	516 460	0.20%
Mark Blair	254 635	-	400	255 035	0.10%	198 771	71 770	400	270 941	0.11%
Stewart Cohen	65 875	-	44 588	110 463	0.04%	15 875	-	44 588	60 463	0.02%
Steve Ellis	162 992	-	-	162 992	0.06%	72 179	87 401	-	159 580	0.06%
Keith Getz	-	-	20 000	20 000	0.01%	-	-	20 000	20 000	0.01%
Bobby Johnston	-	-	91 250	91 250	0.03%	-	-	91 250	91 250	0.04%
John Swain						-	611 670	-	611 670	0.24%
TOTAL				**1 120 534**	0.44%				**1 730 364**	0.68%
Total issued share capital				**256 795 727**					**255 195 880**	

B ORDINARY SHARES

	2018					2017				
	Direct Beneficial	Indirect Beneficial	Held By Associate	**Total**	%	Direct Beneficial	Indirect Beneficial	Held By Associate	**Total**	%
Stewart Cohen	-	3 500 000	-	3 500 000	42.97%	500 000	3 500 000	500 000	4 500 000	46.18%
Bobby Johnston	-	-	46 504	46 504	0.57%	-	-	46 504	46 504	0.48%
TOTAL				**3 546 504**	43.54%				**4 546 504**	46.65%
Total B ordinary issued share capital				**8 145 234**					**9 745 081**	

Notes:

1 The following shares which were reflected as "indirect beneficial" and have now been reclassified as "direct beneficial": (i) Stuart Bird 119 000 shares (ii) Mark Blair 71 770 shares and (iii) Steve Ellis 87 401 shares

2 The following B Ordinary Shares were converted to Ordinary shares during the 2018 financial period:

2.1 Tracey Chiapinni-Young converted: (i) 69 000 on 24 April 2017, (ii) 200 000 on 16 May 2017 and (iii) 330 847 on 7 July 2017

2.2 Cynthia Cohen converted 500 000 on 17 November 2017

2.3 Stewart Cohen converted (i) 250 000 on 2 February 2018 and (ii) 250 000 on 6 March 2018

Consequently, the issued B ordinary share capital has reduced by 1 599 847 to 8 145 234 B Ordinary shares and the issued Ordinary share capital has increased by 1 599 847 to 256 795 727

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 Alastair McArthur (200 shares)

4 John Swain retired as a director on 31 August 2017

5 There have been no changes in the above interests between the year end and the date of approval of these annual financial statements.

FINAL CASH DIVIDEND DECLARATION

Notice is hereby given that a final gross cash dividend of 414.10 cents per share has been declared for the 52 weeks ended 31 March 2018. As the dividend has been declared from income reserves, shareholders, unless exempt or who qualify for a reduced withholding tax rate, will receive a net dividend of 331.28 cents per share. The dividend withholding tax rate is 20%.

Annual dividends per share increased by 3.9% to 693.10 cents and the final dividend per share of 414.10 cents is 5.6% lower than the comparable period. In the current year dividends have been based on a dividend payout ratio of 63% of HEPS, consistent with the 2016 financial year. However, the treatment in 2017 (annual dividends were maintained at the prior year's level of 667.00 cents per share despite an earnings decline) has impacted the current year's dividend growth rates.

The issued share capital at the declaration date is 256 795 727 listed ordinary and 8 145 234 unlisted B ordinary shares. The tax reference number is 9285/130/20/0.

The salient dates for the dividend will be as follows:

Last date to trade 'cum' the dividend	**Tuesday**	**19 June 2018**
Date trading commences 'ex' the dividend	**Wednesday**	**20 June 2018**
Record date	**Friday**	**22 June 2018**
Payment date	**Monday**	**25 June 2018**

Shareholders may not dematerialise or rematerialise their share certificates between Wednesday, 20 June 2018 and Friday, 22 June 2018, both dates inclusive.

The dividend was approved on behalf of the board on 30 May 2018 in Durban by:

NG Payne
Chairman

SI Bird
Chief executive officer

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Mr Price Group Limited

OPINION

We have audited the consolidated and separate annual financial statements of Mr Price Group Limited ("the group"), which comprise the consolidated and separate statements of financial position as at 31 March 2018, and the consolidated and separate statements of comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate cash flows for the 52 weeks then ended and a summary of significant accounting policies and other explanatory notes, as set out on pages 94 to 133.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 31 March 2018, the consolidated and separate financial performance and its consolidated and separate cash flows for the 52 weeks then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2008.

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 Financial Statements section of our report. We are independent of the group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in South Africa, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the 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 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 financial statements.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Inventory provisioning: The inventory provision considers management's expectations of inventory on hand that will be sold below cost, or not sold at all. We focused in this area as the inventory provision includes assumptions and estimates which requires the application of management judgement. The future saleability and effect of fashion trends and seasonal changes takes into account the prior year's operating environment and time to market, which are the areas that requires the most significant assumptions in the determination of the inventory provision. We have considered the relevance of historic data with respect to prior year inventory sold below cost or not sold at all, given that the timing of the delivery into stores of certain seasonal goods had changed in the current year. We refer to note 2 (critical account estimates and judgements) and note 7 (Inventories) in the annual financial statements for the related disclosure.	**Our procedures included, amongst others, the following:** • We tested management's assumptions relating to fashion trends and seasonal changes applied in the inventory provision by assessing the accuracy of the data, which uses historical information and trends applied against the current inventory ageing profile. • In assessing the future saleability of inventories, we understood management's process and its effect on the provisioning. This has further been compared to other retailers within the South African retail environment for reasonableness. • In assessing the future saleability of inventories, we evaluated the provision against write off rates by comparing these to historical data trends. We also considered the current macro-economic trading conditions and its effect on the inventory provisioning. • We reperformed the calculation to assess the mathematical accuracy and the accuracy of the data used in the calculation. • We assessed the completeness and accuracy of the disclosures relating to the provision to assess compliance with IFRS disclosure requirements in note 7.
Trade receivables provisioning: The impairment provision represents management's estimate of trade receivables that may not be recovered post the reporting period. There is significant judgement applied in determining the trade receivables provision, particularly regarding the estimation of the future cash collections included in the provision model. The variables which impact the future cash collections include the impact of expected recoveries, debt reviews and macro-economic risk factors. We have considered the impact of the macro-economic factors applied to the model, amongst others, in management's assessment are the inflationary pressure or relief and the household debt service costs, to determine if they are reflective of the current outlook of the economic environment. We refer to note 2 (critical account estimates and judgements) and note 8 (trade and other receivable) of the financial statements for the related disclosure.	**Our procedures included, amongst others, the following:** • We involved our actuarial experts, who assessed the assumptions applied within the provisioning model. Our experts performed an independent recalculation of the impairment provision. • We performed an assessment of the changes in the ageing profile of the trade receivables and the write off of debts within 18 months of initiation to determine the impact on the credit quality of customers and the impact on the level of provisioning. In addition we assessed the impact of the credit granting process on the provision of the current debtors. • We assessed the completeness and accuracy of the disclosures relating to the provision to assess compliance with IFRS disclosure requirements in note 8.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Taxation Mr Price Group Limited is exposed to direct and indirect taxation from taxation authorities in various countries in which it operates. Management's assessment of these exposures require significant estimation and judgement, which considers the advice of external taxation professionals and senior counsel. We refer to note 2 (critical account estimates and judgements) and notes 16, 20 and 26 of the financial statements for the related disclosure.	**Our procedures included, amongst others, the following:** • We involved our internal tax specialists to evaluate the recognition and measurement of the current tax liabilities and assets. This included analysing the current tax calculations for compliance with the relevant tax legislation and principles at a statutory level, as well as assessing the consolidated tax computations. • We assessed tax risks, legislative developments and the status of ongoing local tax authority audits. • We inspected relevant communication from the respective tax authorities and the advice from external taxation professionals and senior counsel. • We assessed the assumptions made regarding uncertain tax positions to assess whether the basis used to recognise appropriate provisions is based on the most probable outcome and is appropriate. • We evaluated the group's judgements in respect of estimates of tax exposures, recoverable amounts and contingencies. • We considered the adequacy of the group's disclosures in notes 16, 20 and 26 regarding tax positions and recognised deferred tax assets.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the IFRS and the requirements of the Companies Act, 2008, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated and separate financial statements, management is responsible for assessing the group'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 management either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 ISA's 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 management;
- Conclude on the appropriateness of management'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'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 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion;
- Communicate with those charged with governance 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;
- Provide those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate 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.

OTHER INFORMATION

The group's directors are responsible for the other information. The other information comprises the chief financial officer's report, the audit and compliance committee report, approval of the annual financial statements, company secretary statement, report of the directors and final cash dividend declaration as required by the Companies Act of South Africa, which we obtained prior to the date of this report. The other sections of the integrated annual report, were obtained prior to the date of this report. Other information does not include the consolidated and separate annual financial statements and our auditor's opinion thereon.

In connection with our audit of the consolidated and separate 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 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, and subsequent guidance, we report that Ernst & Young Inc., and its predecessor firm, has been the auditor of Mr Price Group Limited for thirty six years. Ernst & 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. We confirm that we are independent in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors and other independence requirements applicable to the independent audit of Mr Price Group Limited.

The engagement partner on the audit resulting in this independent auditor's report is Vinodhan Pillay.

Ernst & Young Inc.
Director – Vinodhan Pillay
Registered Auditor
Chartered Accountant (SA)

1 Pencarrow Crescent, La Lucia Ridge Office Estate, Durban, 4000
31 May 2018

SHAREHOLDER INFORMATION

For the year ended 31 March 2018

SHAREHOLDER'S DIARY

May/June	Announcement of annual results and declaration of final dividend to shareholders
June	Publication of 2018 annual integrated report
	Settlement of final dividend to shareholders
August	Annual general meeting of shareholders
November	Publication of interim report covering the 26 weeks ended 29 September 2018
	Announcement of interim dividend to shareholders
December	Settlement of interim dividend to shareholders

	ORDINARY SHARES				B ORDINARY SHARES			
HOLDINGS	Number of share-holders	%	Number of shares	%	Number of share-holders	%	Number of shares	%
1 – 1000	17 192	78.23	4 665 525	1.82	1	20.00	200	0.00
1001 - 10 000	3 669	16.70	10 985 474	4.28				
10 001 - 100 000	859	3.91	25 889 412	10.08				
100 001 - 1 000 000	216	0.98	66 652 771	25.95	1	20.00	944 148	11.59
1 000 001 and over	39	0.18	148 602 545	57.87	3	60.00	7 200 886	88.41
	21 975	100.00	**256 795 727**	100.00	**5**	100.00	**8 145 234**	100.00

CATEGORY	Number of share-holders	%	Number of shares	%	Number of share-holders	%	Number of shares	%
Pension funds	333	1.52	67 352 924	26.23				
Unit Trusts/ Mutual Funds	510	2.32	90 672 812	35.31				
Nominee companies and corporate bodies	20 834	94.81	76 834 930	29.92	2	40.00	3 999 974	49.11
Individuals and trusts	289	1.31	15 975 945	6.22	3	60.00	4 145 260	50.89
Staff share schemes	9	0.04	5 959 116	2.32				
	21 975	100.00	**256 795 727**	100.00	**5**	100.00	**8 145 234**	100.00

PUBLIC AND NON-PUBLIC SHAREHOLDERS

At 31 March 2018 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	21 955	99.91
Non-public shareholders	20	0.09
Holders holding more than 10%	-	-
Directors of the company or its subsidiaries	8	0.04
Other associates restricted from trading shares in closed periods	3	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 31 March 2018:

	BENEFICIAL HOLDING		PORTFOLIO ADMINISTRATION DISCRETIONARY	
	%	Shares	%	Shares
Public Investment Corporation Limited	12.33	31 654 224	13.39	34 397 698
BlackRock Inc.	5.16	13 246 829		

Details of the beneficial interest in B ordinary shares are reflected in the report of the directors, pages 88 to 89.

STATEMENT OF ACCOUNTING POLICIES

For the year ended 31 March 2018

The annual financial statements have been prepared on the historic cost and going concern basis, except where indicated otherwise in a policy below. 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 31 March 2018. 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 2 April 2017 to 31 March 2018 (2017: 52 week period from 3 April 2016 to 1 April 2017).

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. CONSOLIDATION

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. 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.

In the group financial statements the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill.

Intercompany transactions, balances and unrealised gains/losses on transactions between group companies are eliminated.

Changes in the group's ownership interests in subsidiaries that do not result in the group losing control over the subsidiaries are accounted for as equity transactions. The carrying amount of the group's interests and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

2. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. Fair values of financial instruments measured at amortised cost are disclosed in note 27.

3. PROPERTY, PLANT AND EQUIPMENT

Capitalised leased office buildings are 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.

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.

4. INTANGIBLE ASSETS

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.

5. IMPAIRMENT AND DERECOGNITION OF NON-FINANCIAL ASSETS

Assets, other than financial assets, goodwill and intangible assets not yet brought into use, are tested for indicators of impairment on an annual basis. Should such an indicator exist, the asset is then tested for impairment.

Separately recognised goodwill and intangible assets not yet brought into use are tested for impairment annually or more frequently if changes in circumstances indicate that the carrying amount may be impaired.

The amount of the impairment is determined by assessing the recoverable amount of the asset or cash generating unit to which the asset relates. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other fair value indicators. Where the recoverable amount of the asset or cash generating unit or group of cash generating units is less than the carrying amount, an impairment loss is recognised in the income statement.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognised previously. Impairments are reversed in the income statement in the period that the indicator of such reversal is in existence, unless the relevant asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. Impairments to goodwill are never reversed. The derecognition of a non-financial asset takes place upon disposal or when it is no longer expected to generate any further economic benefits. Any derecognition gain/loss is recorded in the income statement in the period of derecognition.

6. INVENTORIES

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; and
- 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 discounts from suppliers. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

7. TAXATION

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.

Current taxation

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.

Deferred taxation

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.

Value-Added Tax (VAT)

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.

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.

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 South African 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 South African Tax Authority are included in trade and other payables and the measurement of the dividend amount is not impacted by the withholding tax.

8. PROVISIONS

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Where the effect of discounting to present value is material, provisions raised are adjusted to reflect the time value of money. Provisions are reviewed at each reporting date and adjusted to reflect current best estimates.

9. REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable, and is recognised when it is probable that the economic benefits associated with the transaction will flow to the group and the amount of revenue can be reliably measured. Revenue is shown net of estimated customer returns, discounts and VAT and after eliminating sales within the group. Revenue is measured at the fair value of the consideration received or receivable, and is recognised when it is probable that the economic benefits associated with the transaction will flow to the group and the amount of revenue can be reliably measured. Revenue is shown net of estimated customer returns, discounts and VAT and after eliminating sales within the group.

Revenue is recognised when there is evidence of an arrangement, collectability is probable, and the delivery of the product or service has occurred. In certain circumstances revenue is split into separately identifiable components and recognised when the related components are delivered in order to reflect the substance of the transaction. The consideration of each component is allocated on a relative fair value basis.

Retail sales

Retail sales comprise net income from the sale of merchandise and are recognised when the significant risks and rewards of ownership pass 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.

Premium income

Premiums are recognised when due in terms of the relevant contract and are shown before the deduction of commission and claims, which are recognised in administrative and other operating expenses.

Service fee revenue

Revenue from a contract to provide services is recognised in the month in which the service charge accrues. Service fee revenue is derived from the provision of information technology and debtor management services.

Club fees

Club fees are recognised in the month in which the customer charge accrues.

Interest

Interest received is recognised on a time proportion basis at the effective interest rate as imputed in the contract.

Rental income

Rental income in respect of operating leases is recognised on a straight-line basis over the lease period.

Dividend income

Dividend income includes the value of cash dividends received and surpluses distributed by a staff share trust and cumulative preference dividends distributed by a consolidated entity. 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

Prepaid airtime sales are recognised once the significant risks and rewards of ownership pass to the customer.

Contracts

Contract products are defined as arrangements with multiple deliverables. Revenue from the handset is recognised when the handset is delivered. Monthly service revenue received from the customer is recognised in the period which the service is delivered. Airtime revenue is recognised on the usage basis commencing on activation date. Unused airtime is deferred in full and recognised in the month of usage or on expiry of the airtime.

Retail Voice and Data
Service arrangements include subscription fees, typically monthly revenue, which are recognised over the subscription period. Revenue related to local, long distance, network-to-network, roaming and international call connection services is recognised when the call is placed or the connection provided.

10. LEASES

Operating lease payments are 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 are 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.

11. BORROWING COSTS

Borrowing costs are capitalised where they are directly attributable to the acquisition, construction or production of a qualifying asset. All other borrowing costs are expensed in the period in which they occur.

12. DIVIDENDS TO SHAREHOLDERS

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

13. FOREIGN CURRENCIES

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.

On disposal of the consolidated entity, the accumulated exchange differences in other comprehensive income are recognised in the income statement.

14. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the statement of financial position when the group becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Subsequent measurement is made in accordance with the specific instrument provisions of IAS 39 Financial Instruments: Recognition and Measurement. Where a legally enforceable right of offset exists for recognised financial assets and liabilities, and the group intends to settle on a net basis, or to realise the asset and settle the liability simultaneously, the related asset and liability are offset.

Long-term receivables
Long-term receivables are classified as a 'loan or receivable' 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 long-term receivables are carried at amortised cost.

Trade and other receivables
Trade receivables, which generally have 6 to 12 month terms are recognised and are initially recognised at fair value subsequently measured at amortised cost, namely the original invoice amount plus associated costs and interest charges to date, less any impairment allowance for uncollectible amounts, and are classified as 'loans and receivables'. Provision is made when there is objective evidence that the group will have difficulty collecting the debts. Various economic factors and changes in the delinquency of payments are considered indicators that the trade receivables are impaired. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within selling expenses.

Bad debts are written off in the income statement when it is considered that the group will be unable to recover the debt and it has been handed over for collection. Subsequent recoveries of amounts previously written off are credited against selling expenses in the income statement.

Other receivables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method and are carried net of any accumulated impairment.

Cash and cash equivalents
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 receivables originated by the enterprise and are measured at amortised cost.

Derivative financial instruments
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.

Hedging
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.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

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. Refer to note 27.3 for more details.

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.

Trade and other payables

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.

Loans and borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received plus directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest rate method.

Financial guarantees

Financial guarantees are initially recognised at their fair value and are subsequently measured at the higher of:

- The amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- The amount initially recognised less, where appropriate, cumulative amortisation recognised.

Amounts owing by/to consolidated entities

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.

Impairments and derecognition

Financial assets are reviewed annually for any evidence of impairment. Provision is made for impairment if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably measured.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The carrying amount is reduced and the amount of the loss is recognised in the income statement. If the loan has a variable rate, the discount rate for measuring any impairment loss is the current effective interest rate under the contract. If considered practical, the impairment may be measured on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed in the income statement.

15. REINSURANCE

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 contact 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.

16. EMPLOYEE BENEFITS

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.

Post-retirement benefits

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.

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 9.5. Upon vesting, the amount remaining in the share-based payment reserve relating to any such vested tranche is transferred within equity to retained earnings.

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.

17. TREASURY SHARES

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.

18. SEGMENTAL REPORTING

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 the management to enable them to assess performance and allocate resources.

19. COST OF SALES

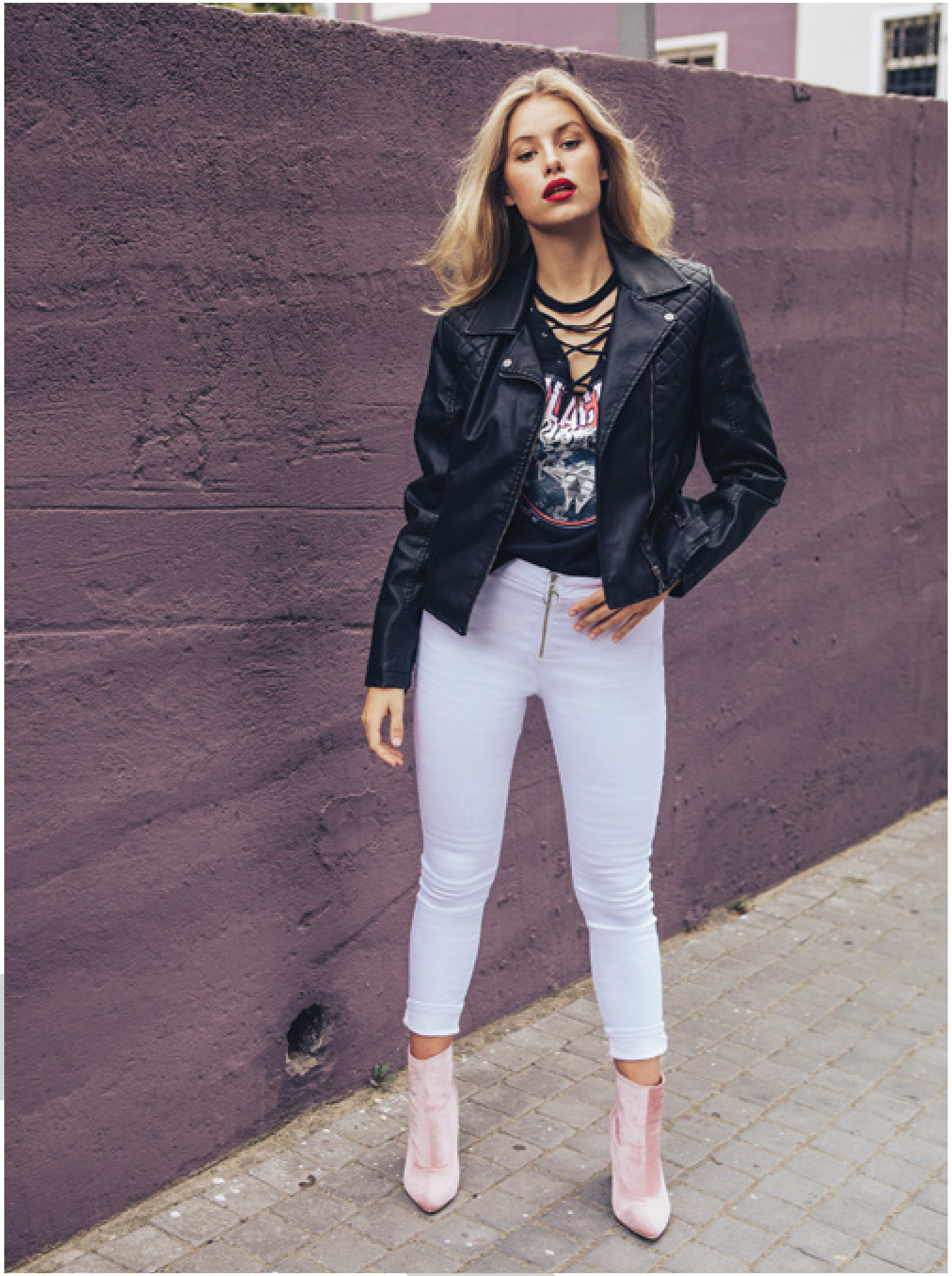
Cost of sales comprise the direct cost of merchandise sold and incorporates the cost of distribution, inventory losses and provisions for markdowns less discounts received from suppliers.

20. SELLING EXPENSES

Selling expenses comprise the costs incurred in the marketing and advertising of merchandise, store operations and the provision of credit, airtime and mobile facilities.

21. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

These expenses comprise costs related to the operation of the support functions within the group other than those included in selling expenses.



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

as at 31 March 2018

R'm	Notes	GROUP 2018 31 March	GROUP 2017 1 April	COMPANY 2018 31 March	COMPANY 2017 1 April
Assets					
Non-current assets		**2 628**	2 577	**2 634**	2 490
Property, plant and equipment	3	**2 092**	2 130	**2 023**	2 042
Intangible assets	4	**433**	356	**402**	323
Consolidated entities	5			**143**	73
Long-term receivables and other investments	6	**18**	23	**2**	4
Defined benefit fund asset	28	**63**	48	**63**	48
Deferred taxation assets	16	**22**	20	**1**	-
Current assets		**7 491**	6 338	**7 206**	5 935
Inventories	7	**2 215**	2 102	**2 061**	1 945
Trade and other receivables	8	**2 369**	2 207	**2 295**	2 098
Derivative financial instruments	27	**1**	14	**1**	14
Re-insurance assets	14	**146**	129	**146**	129
Current amounts owing by consolidated entities	5			**641**	592
Taxation		**4**	63	**-**	55
Cash and cash equivalents	24.8	**2 756**	1 823	**2 062**	1 102
Total assets		**10 119**	8 915	**9 840**	8 425
Equity and liabilities					
Equity attributable to equity holders of the parent		**7 455**	6 741	**7 269**	6 370
Issued capital*	9	**-***	-	**-***	-
Capital reserves	10	**308**	317	**264**	267
Treasury share transactions	11	**(1 398)**	(1 306)	**(2 164)**	(2 134)
Retained income		**8 791**	7 845	**9 262**	8 257
Foreign currency translation reserve	12	**(153)**	(95)		
Defined benefit fund actuarial gains and losses	13	**2**	(3)	**2**	(3)
Cash flow hedge reserve	27	**(95)**	(17)	**(95)**	(17)
Non-controlling interests	5	**-**	(12)		
Total Equity		**7 455**	6 729	**7 269**	6 370
Non-current liabilities		**257**	335	**218**	273
Lease obligations	15	**185**	192	**174**	187
Deferred taxation liabilities	16	**1**	59	**-**	58
Long-term provisions	17	**29**	7	**2**	2
Long-term liabilities	30	**13**	51	**13**	-
Post retirement medical benefits	28	**29**	26	**29**	26
Current liabilities		**2 407**	1 851	**2 353**	1 782
Trade and other payables	18	**1 982**	1 713	**1 896**	1 635
Derivative financial instruments	27	**133**	31	**133**	31
Re-insurance liabilities	14	**38**	41	**38**	41
Current amounts owing to consolidated entities	5			**45**	23
Current provisions	17	**11**	10	**2**	4
Current portion of lease obligations	15	**25**	11	**23**	9
Taxation	24.3	**182**	6	**180**	-
Bank overdraft	24.8	**36**	39	**36**	39
Total liabilities		**2 664**	2 186	**2 571**	2 055
Total equity and liabilities		**10 119**	8 915	**9 840**	8 425

*less than R1 million

CONSOLIDATED INCOME STATEMENTS

for the year ended 31 March 2018

R'm	Notes	GROUP 2018 31 March	GROUP 2017 1 April	COMPANY 2018 31 March	COMPANY 2017 1 April
Revenue		**21 347**	19 763	**20 780**	19 754
Retail sales and other revenue		**21 185**	19 679	**20 623**	19 676
Retail sales		**19 994**	18 575	**19 483**	18 088
Interest on trade receivables		**365**	351	**364**	350
Income from consolidated entities				**137**	725
Premium income		**257**	225	**253**	221
Club fees		**23**	22	**22**	22
Airtime and related mobile revenue		**418**	401	**256**	187
Other revenue		**128**	105	**108**	83
Finance interest received		**162**	84	**157**	78
Costs and expenses		**17 453**	16 631	**16 878**	16 030
Cost of sales		**11 582**	11 365	**11 462**	11 197
Selling expenses		**4 492**	3 995	**4 054**	3 593
Administrative and other operating expenses		**1 379**	1 271	**1 362**	1 240
Profit from operating activities	19	**3 732**	3 048	**3 745**	3 646
Finance costs		**2**	2	**2**	2
Finance interest received		**162**	84	**157**	78
Profit before taxation		**3 892**	3 130	**3 900**	3 722
Taxation	20	**1 111**	867	**1 083**	837
Profit after taxation		**2 781**	2 263	**2 817**	2 885
Attributable to:					
Non-controlling interests*	5	**-**	-		
Equity holders of the parent		**2 781**	2 263		
Profit attributable to shareholders		**2 781**	2 263	**2 817**	2 885
Earnings per share	21	cents per share	cents per share	% change	
Basic		**1 076.4**	884.6	**21.7**	
Headline		**1 100.1**	911.4	**20.7**	
Diluted basic		**1 052.2**	861.8	**22.1**	
Diluted headline		**1 075.4**	887.9	**21.1**	

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 March 2018

		GROUP		COMPANY	
R'm	Notes	**2018 31 March**	2017 1 April	**2018 31 March**	2017 1 April
Profit attributable to shareholders		**2 781**	2 263	**2 817**	2 885
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss:					
Currency translation adjustments	12	**(58)**	(83)		
Net (loss)/gain on hedge accounting		**(115)**	96	**(115)**	96
Deferred taxation thereon		**37**	(28)	**37**	(28)
Items that will not be reclassified subsequently to profit or loss:					
Defined benefit fund actuarial gains	13	**7**	3	**7**	3
Deferred taxation thereon		**(2)**	(1)	**(2)**	(1)
Total comprehensive income for the year attributable to shareholders, net of taxation		**2 650**	2 250	**2 744**	2 955
Attributable to:					
Non-controlling interests*		**-**	-		
Equity holders of the parent		**2 650**	2 250	**2 744**	2 955
Total comprehensive income for the year attributable to shareholders, net of taxation		**2 650**	2 250	**2 744**	2 955

* less than R1 million

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the year ended 31 March 2018

		GROUP		COMPANY	
R'm	Notes	**2018 31 March**	2017 1 April	**2018 31 March**	2017 1 April
Cash flows from operating activities					
Operating profit before working capital changes	24.1	**3 861**	3 081	**3 732**	3 644
Working capital changes	24.2	**7**	(251)	**(16)**	(248)
Cash generated from operations		**3 868**	2 830	**3 716**	3 396
Interest on trade receivables		**365**	351	**364**	351
Net finance income received		**160**	82	**155**	76
Taxation paid	24.3	**(891)**	(689)	**(862)**	(654)
Net cash inflows from operating activities		**3 502**	2 574	**3 373**	3 169
Cash flows from investing activities					
Net inflows/(outflows) in respect of long-term receivables	24.4	**5**	(4)	**2**	2
Acquisition of other investment		**-**	(1)	**-**	(1)
Replacement of intangible assets		**(23)**	(25)	**(23)**	(25)
Additions to intangible assets		**(106)**	(71)	**(103)**	(68)
Replacement of property, plant and equipment		**(111)**	(121)	**(108)**	(118)
Additions to property, plant and equipment		**(221)**	(588)	**(201)**	(572)
Proceeds on disposal of property, plant and equipment		**1**	1	**1**	1
Net cash outflows from investing activities		**(455)**	(809)	**(432)**	(781)
Cash flows from financing activities					
Proceeds from issue of shares	11	**-**	-	**-**	403
Repurchase of shares	11	**-**	-	**-**	(454)
Decrease in net current amounts owing to/by consolidated entities	24.5	**-**	-	**(27)**	(78)
Net (outflow)/inflow in respect of long-term liability	24.7	**(51)**	15	**-**	-
Dividends to shareholders	24.6	**(1 893)**	(1 688)	**(1 902)**	(1 723)
Grants to staff share trusts		**-**	-	**(40)**	(422)
Acquisition of non-controlling interest		**(1)**	-	**-**	-
Treasury share transactions		**(108)**	335	**-**	-
Net cash outflows from financing activities		**(2 053)**	(1 338)	**(1 969)**	(2 274)
Net increase in cash and cash equivalents		**994**	427	**972**	114
Cash and cash equivalents at beginning of the year		**1 784**	1 419	**1 063**	940
Exchange losses		**(58)**	(62)	**(9)**	9
Cash and cash equivalents at end of the year	24.8	**2 720**	1 784	**2 026**	1 063

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2018

R'm	ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT														
		CAPITAL RESERVES				TREASURY SHARE TRANSACTIONS									
	Notes	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	Foreign currency translation reserve	Defined benefit fund actuarial gains and losses	Cash flow hedge reserve	Retained income	**Total**	Non-controlling interests	**Total Equity**
GROUP															
Balance at 2 April 2016		**-**	**12**	**45**	**241**	**(1 017)**	**(958)**	**227**	**(12)**	**(5)**	**(85)**	**7 184**	**5 632**	**(12)**	**5 620**
Total comprehensive income									(83)	2	68	2 263	**2 250**	-	**2 250**
Profit for the year												2 263	**2 263**	-	**2 263**
Other comprehensive income:									(83)	2	68	-	**(13)**	-	**(13)**
Currency translation adjustments	12								(83)				**(83)**		**(83)**
Net gain on hedge accounting	14										96		**96**		**96**
Deferred taxation thereon											(28)		**(28)**		**(28)**
Defined benefit fund actuarial gains	13									3			**3**		**3**
Deferred taxation thereon	13									(1)			**(1)**		**(1)**
Conversion of B ordinary to ordinary share capital	9.4	-*	-*										**-**		**-**
Treasury shares acquired	11					(422)							**(422)**		**(422)**
Taxation relating to grants to share trusts	11							100					**100**		**100**
Effect of consolidation of staff share trusts	11			(7)		7							**-**		**-**
Deficit on treasury share transactions	11						(304)						**(304)**		**(304)**
Recognition of share-based payments					112								**112**		**112**
Share-based payments reserve released to retained income for vested options					(86)							86	**-**		**-**
Treasury shares sold	11					1 061							**1 061**		**1 061**
2016 final dividend to shareholders	22											(1 089)	**(1 089)**		**(1 089)**
2017 interim dividend to shareholders	22											(599)	**(599)**		**(599)**
Balance at 1 April 2017		**-***	**12**	**38**	**267**	**(371)**	**(1 262)**	**327**	**(95)**	**(3)**	**(17)**	**7 845**	**6 741**	**(12)**	**6 729**
Total comprehensive income									(58)	5	(78)	2 781	**2 650**	-*	**2 650**
Profit for the year												2 781	**2 781**	-*	**2 781**
Other comprehensive income									(58)	5	(78)	-	**(131)**	-*	**(131)**
Currency translation adjustments	12								(58)				**(58)**		**(58)**
Net loss on hedge accounting											(115)	-	**(115)**		**(115)**
Deferred taxation thereon											37		**37**		**37**
Defined benefit fund actuarial losses	13									7			**7**		**7**
Deferred taxation thereon	13									(2)			**(2)**		**(2)**
Conversion of B ordinary to ordinary share capital	11	-*	-*										**-**		**-**
Treasury shares acquired	11					(285)							**(285)**		**(285)**
Taxation relating to grants to share trusts	11							10					**10**		**10**
Effect of consolidation of staff share trusts	11			(6)		6							**-**		**-**
Deficit on treasury share transactions	11						(139)						**(139)**		**(139)**
Recognition of share-based payments					87								**87**		**87**
Share-based payments reserve released to retained income for vested options	9				(90)							90	**-**		**-**
Treasury shares sold	11					316							**316**		**316**
Non-controlling interest acquired												(32)	**(32)**	12	**(20)**
2017 final dividend to shareholders	22											(1 157)	**(1 157)**		**(1 157)**
2018 interim dividend to shareholders	22											(736)	**(736)**		**(736)**
Balance at 31 March 2018		**-***	**12**	**32**	**264**	**(334)**	**(1 401)**	**337**	**(153)**	**2**	**(95)**	**8 791**	**7 455**	**-**	**7 455**

*less than R1 million

		ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT											
		CAPITAL RESERVES				TREASURY SHARE TRANSACTIONS							
R'm	Notes	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	Foreign currency translation reserve	Defined benefit fund actuarial gains and losses	Cash flow hedge reserve	Retained income	**Total**
COMPANY													
Balance at 2 April 2016		**-**	**-**	**-**	**241**	**(1 767)**	**(221)**	**227**	-	**(5)**	**(85)**	**7 009**	**5 399**
Total comprehensive income										2	68	2 885	**2 955**
Profit for the year												2 885	**2 885**
Other comprehensive income										2	68	-	**70**
Defined benefit fund actuarial gains	13									3			**3**
Deferred taxation thereon	13									(1)			**(1)**
Net gain on hedge accounting											96		**96**
Deferred taxation thereon											(28)		**(28)**
Conversion of B ordinary to ordinary share capital	9.4												**-**
Grants to staff share trusts	11					(422)							**(422)**
Repurchase and cancellation of shares	10						(51)						**(51)**
Taxation relating to grants to share trusts	11							100					**100**
Recognition of share-based payments					112								**112**
Share-based payments reserve released to retained income for vested options					(86)							86	**-**
2016 final dividend to shareholders	22											(1 118)	**(1 118)**
2017 interim dividend to shareholders	22											(605)	**(605)**
Balance at 1 April 2017		**-***	**-**	**-**	**267**	**(2 189)**	**(272)**	**327**	**-**	**(3)**	**(17)**	**8 257**	**6 370**
Total comprehensive income										5	(78)	2 817	**2 744**
Profit for the year												2 817	**2 817**
Other comprehensive income										5	(78)		**(73)**
Defined benefit fund actuarial losses	13									7			**7**
Deferred taxation thereon	13									(2)			**(2)**
Net loss on hedge accounting											(115)		**(115)**
Deferred taxation thereon											37		**37**
Conversion of B ordinary to ordinary share capital	11	-*	-*										**-**
Grants to staff share trusts	11					(40)							**(40)**
Taxation relating to grants to share trusts	11							10					**10**
Recognition of share-based payments	9				87								**87**
Share-based payments reserve released to retained income for vested options					(90)							90	**-**
2017 final dividend to shareholders	22											(1 163)	**(1 163)**
2018 interim dividend to shareholders	22											(739)	**(739)**
Balance at 31 March 2018		**-***	**-**	**-**	**264**	**(2 229)**	**(272)**	**337**	**-**	**2**	**(95)**	**9 262**	**7 269**

*less than R1 million

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

1. ADOPTION OF NEW STANDARDS AND CHANGES IN ACCOUNTING POLICIES

The following new standards and interpretations that were applicable were adopted during the year and 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
IAS 7 Disclosure Initiative – amendments	1 January 2017
IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses - amendments	1 January 2017

1.2 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
• IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
• IFRS 2 Classification and Measurement of Share-based Payment Transactions - amendments	1 January 2018
• IAS 40 Transfers of Investment Property - amendments	1 January 2018
• Annual Improvements to IFRS Standards 2014-2016 Cycle	1 January 2018

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. These statements, interpretations and standards will be adopted at the respective effective dates. IFRS 9, 15, 16 and 17 are discussed below

IFRS 9 Financial Instruments (effective for annual periods beginning 1 January 2018)

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets which will mainly impact the MRP Money division.

The new impairment models reflects expected credit losses (ECL) based on forward-looking information, as opposed to incurred credit losses under IAS 39. The group engaged with independent consultants in building the new IFRS 9 impairment models. The new impairment models are not expected to have a material financial impact on the existing impairment provision previously recognised in terms of IAS 39.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures in respect of its financial instruments, particularly in the year of initial adoption (F2019).

The impact of IFRS 9 based on F2018 data on opening retained earnings for F2019 is less than 0.25% of current retained earnings. The group will use the modified retrospective approach.

IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning 1 January 2018)

IFRS 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The fundamental principle of the standard is that revenue recognised reflects the consideration to which the company expects to be entitled in exchange for the transfer of promised goods or services to the customer. The new five-step approach requires revenue to be recognised based on the satisfaction of performance obligations.

Retail trading business

Due to the nature of the business, the timing of recognition is not expected to materially impact the revenue of the retail trading businesses (mrp, mrpHome, mrpSport, Sheet Street and Miladys).
Management has assessed the key areas of impact being rights of returns and gift voucher breakage on the group's financial statements, both of which are considered immaterial. It is anticipated that there will be changes to the disclosures in the financial statements in the year of implementation.

Mobile business

MRP Mobile revenue is only 1% of group retail sales and other income for F2018 and the change in standard is not expected to materially impact the group.
Management has assessed revenue from mobile contracts that will be allocated to separate components of the contract based on separate performance obligations and standalone selling prices and the resulting changes in timing and amount of revenue recognised.

The impact of IFRS 15 based on F2018 data on opening retained earnings for F2019 is less than 0.25% of current retained earnings. The impact on current assets and current liabilities has also been assessed as less than 0.5% of those balances. The group will use the modified retrospective approach.

IFRS 16 Leases (effective for annual periods beginning 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. Assets and liabilities arising from a lease are initially measured on a present value basis. There are recognition exemptions for short-term leases and leases of low-value items.

The group has completed initial assessments of the potential impact on its consolidated financial statements. Additional fields have been added to the current lease management system for information required to calculate the present value of the lease liability and the right-of-use asset. A report of the lease liability per store is in development. The actual impact of applying IFRS 16 on the financial statements in the period of initial application (F2020) will depend on future economic conditions, the composition of the group's lease portfolio at that date, the group's latest assessment of whether it will exercise any lease renewal options and the extent to which the group chooses to use practical expedients and recognition exemptions.

The impact will be significant for the group as at the end of F2018 there are 1 258 stores and the group's future minimum rentals payable under non-cancellable leases amounted to R4 billion, on an undiscounted basis (refer note 15). The changes will impact the statement of financial position and statement of comprehensive income line items, including but not limited to, property, plant and equipment, lease obligations, operating lease expense, depreciation and finance costs, as well as key metrics such as return on assets and earnings before interest, taxation, depreciation and amortisation (EBITDA).

IFRS 17 Insurance Contracts (effective for annual periods beginning 1 January 2021)
IFRS 17 prescribes a single accounting model under which insurance contracts are measured using current estimates. The main features of the new accounting model for insurance contracts are:

- Combining current measurement of future cash flows with the recognition of profit over the period that services are provided under the contract
- Presenting insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses
- Requiring an entity to make an accounting policy choice of whether to recognised all insurance finance income or expenses in profit or loss or to recognise some of that income or expenses in other comprehensive income.

The group will commence impact assessments on this standard in F2019 in preparation for the standard being effective in F2022.

2. SIGNIFICANT ACCOUNTING ESTIMATES

Estimation uncertainty
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 as follows:

Employee benefits actuarially determined
The costs of the defined benefit pension fund plan, the post-retirement medical benefit fund and share-based payments are determined actuarially. The actuarial valuations involve making assumptions regarding various factors (as detailed in notes 9.4, 9.5 and 29.5). Due to the long-term nature of these liabilities such estimates are subject to uncertainty.

Provision for net realisable value of inventories
The provision for net realisable value of inventories 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 and seasonal changes.

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 into consideration past trends and makes an assessment of additional risk factors, which are likely to impact recoverability.

Income taxes
The group is subject to income tax in more than one jurisdiction. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

3. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fittings, equipment and vehicles		Computer equipment		Improvements to leasehold premises		Land		Buildings		Leased buildings		Total	
R'm	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
GROUP														
Net carrying amount at beginning of the year	**1 421**	1 084	**120**	122	**22**	24	**172**	166	**395**	278	**-**	-	**2 130**	1 672
Cost or carrying amount	**2 482**	2 075	**258**	318	**51**	60	**172**	166	**400**	282	**27**	27	**3 390**	2 928
Accumulated depreciation and impairment	**(1 061)**	(991)	**(138)**	(198)	**(29)**	(36)	**-**	-	**(5)**	(4)	**(27)**	(27)	**(1 260)**	(1 256)
Current year movements														
Additions	**248**	547	**32**	36	**50**	2	**-**	6	**2**	118	**-**	-	**332**	709
- external development/acquistion	**248**	267	**32**	36	**50**	2	**-**	-	**2**	-	**-**	-	**332**	305
- items capitalised to work in progress*		280					**-**	6	**-**	118			**-**	404
Disposals and scrapping	**(30)**	(11)	**(6)**	(1)	**(1)**	-	**-**	-	**-**	-	**-**	-	**(37)**	(12)
Reclassification	**(135)**	-	**15**	-	**-**	-	**11**	-	**54**	-	**-**	-	**(55)**	-
Impairments and write downs	**1**	(11)	**(1)**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	(11)
Exchange differences	**(5)**	(13)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(5)**	(13)
Depreciation	**(214)**	(175)	**(43)**	(35)	**(6)**	(4)	**-**	-	**(10)**	(1)	**-**	-	**(273)**	(215)
Net carrying amount at end of the year	**1 286**	1 421	**117**	120	**65**	22	**183**	172	**441**	395	**-**	-	**2 092**	2 130
Made up as follows:														
Net carrying amount	**1 286**	1 421	**117**	120	**65**	22	**183**	172	**441**	395	**-**	-	**2 092**	2 130
Cost or carrying amount	**1 893**	2 482	**242**	258	**90**	51	**183**	172	**456**	400	**-**	27	**2 864**	3 390
Accumulated depreciation and impairment	**(607)**	(1 061)	**(125)**	(138)	**(25)**	(29)	**-**	-	**(15)**	(5)	**-**	(27)	**(772)**	(1 260)
COMPANY														
Net carrying amount at beginning of the year	**1 343**	985	**120**	118	**22**	24	**172**	166	**385**	267	**-**	-	**2 042**	1 560
Cost or carrying amount	**2 356**	1 938	**252**	311	**39**	49	**172**	166	**385**	267	**27**	27	**3 231**	2 758
Accumulated depreciation and impairment	**(1 013)**	(953)	**(132)**	(193)	**(17)**	(25)	**-**	-	**-**	-	**(27)**	(27)	**(1 189)**	(1 198)
Current year movements														
Additions	**225**	528	**32**	36	**50**	2	**-**	6	**2**	118	**-**	-	**309**	690
- external development/acquistion	**225**	248	**32**	36	**50**	2	**-**	-	**2**	-	**-**	-	**309**	286
- items capitalised to work in progress*		280						6		118				404
Disposals and scrapping	**(12)**	(11)	**(6)**	(1)	**(1)**	-	**-**	-	**-**	-	**-**	-	**(19)**	(12)
Reclassification	**(135)**	-	**15**	-	**-**	-	**11**	-	**54**	-	**-**	-	**(55)**	-
Impairments and write downs	**(1)**	(2)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(1)**	(2)
Depreciation	**(197)**	(157)	**(41)**	(33)	**(6)**	(4)	**-**	-	**(9)**	-	**-**	-	**(253)**	(194)
Net carrying amount at end of the year	**1 223**	1 343	**120**	120	**65**	22	**183**	172	**432**	385	**-**	-	**2 023**	2 042
													-	
Made up as follows:														
Net carrying amount	**1 223**	1 343	**120**	120	**65**	22	**183**	172	**432**	385	**-**	-	**2 023**	2 042
Cost or carrying amount	**1 783**	2 356	**237**	252	**80**	39	**183**	172	**441**	385	**-**	27	**2 724**	3 231
Accumulated depreciation and impairment	**(560)**	(1 013)	**(117)**	(132)	**(15)**	(17)	**-**	-	**(9)**	-	**-**	(27)	**(701)**	(1 189)

* The cumulative balance of work in progress that is not subject to depreciation at year end amounts to R46 million (2017: R1.2 bn).
Details of buildings: Remaining extent of Erf 4749 Bethlehem District, Bethlehem Province, Free State, in extent of 3538 square metres.Remaining extent of Erf 249 Cliffdale District, KwaZulu Natal Province, in extent of 19.5 ha.
Impairments and reversal of impairment relate to Australia store fixtures.

4. INTANGIBLE ASSETS

	Computer software		Customer lists		Goodwill		Trademarks		Total	
R'm	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
GROUP										
Net carrying amount at beginning of the year	**328**	347	**-**	-	**28**	26	**-**	-	**356**	373
Cost or carrying amount	**440**	444	**26**	26	**28**	26	**18**	18	**512**	514
Accumulated amortisation and impairment	**(112)**	(97)	**(26)**	(26)	**-**	-	**(18)**	(18)	**(156)**	(141)
Current year movements										
Additions arising from	**129**	96	**-**	-	**-**	-	**-**	-	**129**	96
- external development/acquisition	**20**	18	**-**	-	**-**	-	**-**	-	**20**	18
- internal development	**16**	20	**-**	-	**-**	-	**-**	-	**16**	20
- items capitalised to work in progress^	**93**	58							**93**	58
Disposals and scrapping	**(35)**	2	**-**	-	**-**	-	**-**	-	**(35)**	2
Reclassification	**55**	-	**-**	-	**-**	-	**-**	-	**55**	-
Impairment	**(14)**	(74)	**-**	-	**-**	-	**-**	-	**(14)**	(74)
Exchange differences	**-**	-	**-**	-	**(3)**	2	**-**	-	**(3)**	2
Amortisation	**(55)**	(43)	**-**	-	**-**	-	**-**	-	**(55)**	(43)
Net carrying amount at end of the year	**408**	328	**-***	-*	**25**	28	**-***	-*	**433**	356
Made up as follows:										
Net carrying amount	**408**	328	**-***	-*	**25**	28	**-***	-*	**433**	356
Cost or carrying amount	**524**	440	**26**	26	**25**	28	**18**	18	**593**	512
Accumulated amortisation and impairment	**(116)**	(112)	**(26)**	(26)	**-**	-	**(18)**	(18)	**(160)**	(156)
COMPANY										
Net carrying amount at beginning of the year	**322**	342	**-**	-	**1**	1	**-**	-	**323**	343
Cost or carrying amount	**431**	438	**26**	26	**1**	1	**18**	18	**476**	483
Accumulated amortisation and impairment	**(109)**	(96)	**(26)**	(26)	**-**	-	**(18)**	(18)	**(153)**	(140)
Current year movements										
Additions arising from	**126**	93	**-**	-	**-**	-	**-**	-	**126**	93
- external development/acquisition	**17**	15	**-**	-	**-**	-	**-**	-	**17**	15
- internal development	**16**	20	**-**	-	**-**	-	**-**	-	**16**	20
- items capitalised to work in progress	**93**	58							**93**	58
Disposals and scrapping	**(35)**	2	**-**	-	**-**	-	**-**	-	**(35)**	2
Reclassification	**55**	-	**-**	-	**-**	-	**-**	-	**55**	-
Impairment	**(14)**	(73)	**-**	-	**-**	-	**-**	-	**(14)**	(73)
Amortisation	**(53)**	(42)	**-**	-	**-**	-	**-**	-	**(53)**	(42)
Net carrying amount at end of the year	**401**	322	**-***	-*	**1**	1	**-***	-*	**402**	323
Made up as follows:										
Net carrying amount	**401**	322	**-***	-*	**1**	1	**-***	-*	**402**	323
Cost or carrying amount	**512**	431	**26**	26	**1**	1	**18**	18	**557**	476
Accumulated amortisation and impairment	**(111)**	(109)	**(26)**	(26)	**-**	-	**(18)**	(18)	**(155)**	(153)

* Less than R1 million

^ The cumulative balance of work in progress that is not subject to amortisation at year end amounts to R187 million (R2017: 217 million)
The impairment was as a result of the change in approach in ERP implementation in the central services segment. This was based on the value in use determined on a discounted cash flow basis.

5. CONSOLIDATED ENTITIES AND MATERIAL PARTLY-OWNED SUBSIDIARIES

5.1 CONSOLIDATED ENTITIES

	COMPANY	
R'm	**2018**	2017
Carrying value of shares	**25**	5
Ordinary shares at cost	**25**	5
Carrying value of long-term loans	**118**	68
Long-term loans at cost	**119**	69
Impairment provisions	**(1)**	(1)
The loans are unsecured, bear interest at rates of up to South African prime per annum and have no fixed dates of repayment.		
	143	73
Net current amounts owing by consolidated entities	**596**	569
Current amounts owing by consolidated entities	**641**	592
Current amounts owing to consolidated entities	**(45)**	(23)
Current accounts are interest free and are settled within 12 months or on demand.		
	739	642

5.2 MATERIAL PARTLY-OWNED SUBSIDIARY

Financial information of subsidiary that had an external non-controlling interests is provided below:
The group acquired the 45% non-controlling interest on 2 January 2018.

	MRP MOBILE (PTY) LTD	
%	**2018**	2017
Proportion of equity interest held by non-controlling interests	-	45

On 2 January 2018, the group acquired the remaining 45% of the issued share capital from the non-controlling shareholder in MRP Mobile (Pty) Ltd, together with the outstanding loans owed, increasing the group's shareholding from 55% to 100%.

The purchase price payable is as follows:

R'm	
Long-term portion (note 30)	13
Current portion (note 18)	6
	19

6. LONG-TERM RECEIVABLES AND OTHER INVESTMENTS

6.1 LONG-TERM RECEIVABLES

	GROUP		COMPANY	
R'm	**2018**	2017	**2018**	2017
Enterprise development loan	**1**	3	**1**	3
Total loan to accredited supplier	**3**	5	**3**	5
Less: amount to be received in the next financial year transferred to trade and other receivables	**(2)**	(2)	**(2)**	(2)
MRP Mobile long-term receivables	**16**	19	**-**	-
Total receivables	**56**	89	**-**	-
Less: amount to be received in the next financial year transferred to trade and other receivables	**(40)**	(70)	**-**	-
Total long-term receivables	**17**	22	**1**	3

6.1 LONG-TERM RECEIVABLES (CONTINUED)

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 R131 080. The monthly instalment commenced in January 2013 and increases annually by 7.0%.

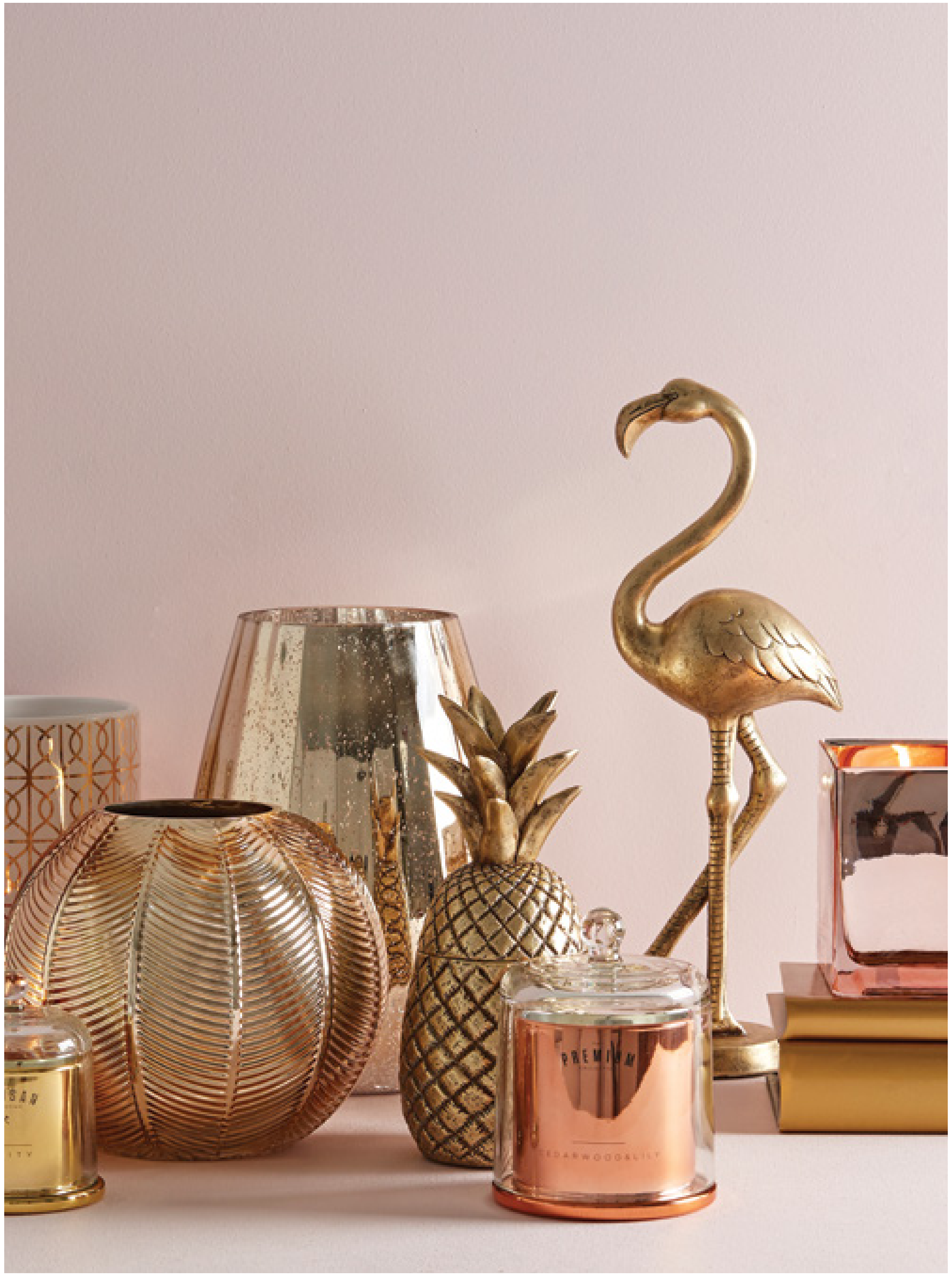
The MRP Mobile long-term receivable refers to the portion of the handset debtor that is due beyond the next 12 months. The debtor is recognised when the handset is delivered to the customer and is amortised over the expected contract term.

6.2 OTHER INVESTMENT

R'm	2018	2017	2018	2017
Unlisted equity investment	**1**	1	**1**	1
Total long-term receivables and other investments	**18**	23	**2**	4

7. INVENTORIES

	GROUP		COMPANY	
R'm	**2018**	2017	**2018**	2017
Merchandise purchased for resale	**2 186**	2 077	**2 041**	1 926
Consumable stores	**29**	25	**20**	19
	2 215	2 102	**2 061**	1 945
The write-down of inventories provided for in the valuation of merchandise purchased for resale was:	**186**	185	**179**	173



8. TRADE AND OTHER RECEIVABLES

8.1 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
R'm	**2018**	2017	**2018**	2017
Gross trade receivables	**2 184**	2 083	**2 137**	2 008
Impairment provision	**(170)**	(161)	**(164)**	(148)
Trade receivables (net)	**2 014**	1 922	**1 973**	1 860
Prepayments	**218**	186	**206**	173
Other receivables	**137**	99	**116**	65
	2 369	2 207	**2 295**	2 098

The ageing of the gross trade receivables is as follows:

R'm	**Days from transaction**				
Current	30	**1 665**	1 587	**1 625**	1 528
Status 1	60	**289**	283	**287**	277
Status 2	90	**100**	93	**98**	90
Status 3	120	**61**	56	**60**	53
Status 4	150	**40**	39	**39**	35
Status 5	180	**29**	25	**28**	25
		2 184	2 083	**2 137**	2 008

Interest is charged on outstanding accounts in accordance with the National Credit Act (NCA).

The group has provided for receivables in all ageing status levels based on estimated irrecoverable amounts from the sale of merchandise, determined by reference to past default experience.

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 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. The group does not have any balances which are past due date and have not been provided for, as the provisioning methodology applied takes the entire debtor population into consideration.

8.2 MOVEMENT IN THE IMPAIRMENT PROVISION

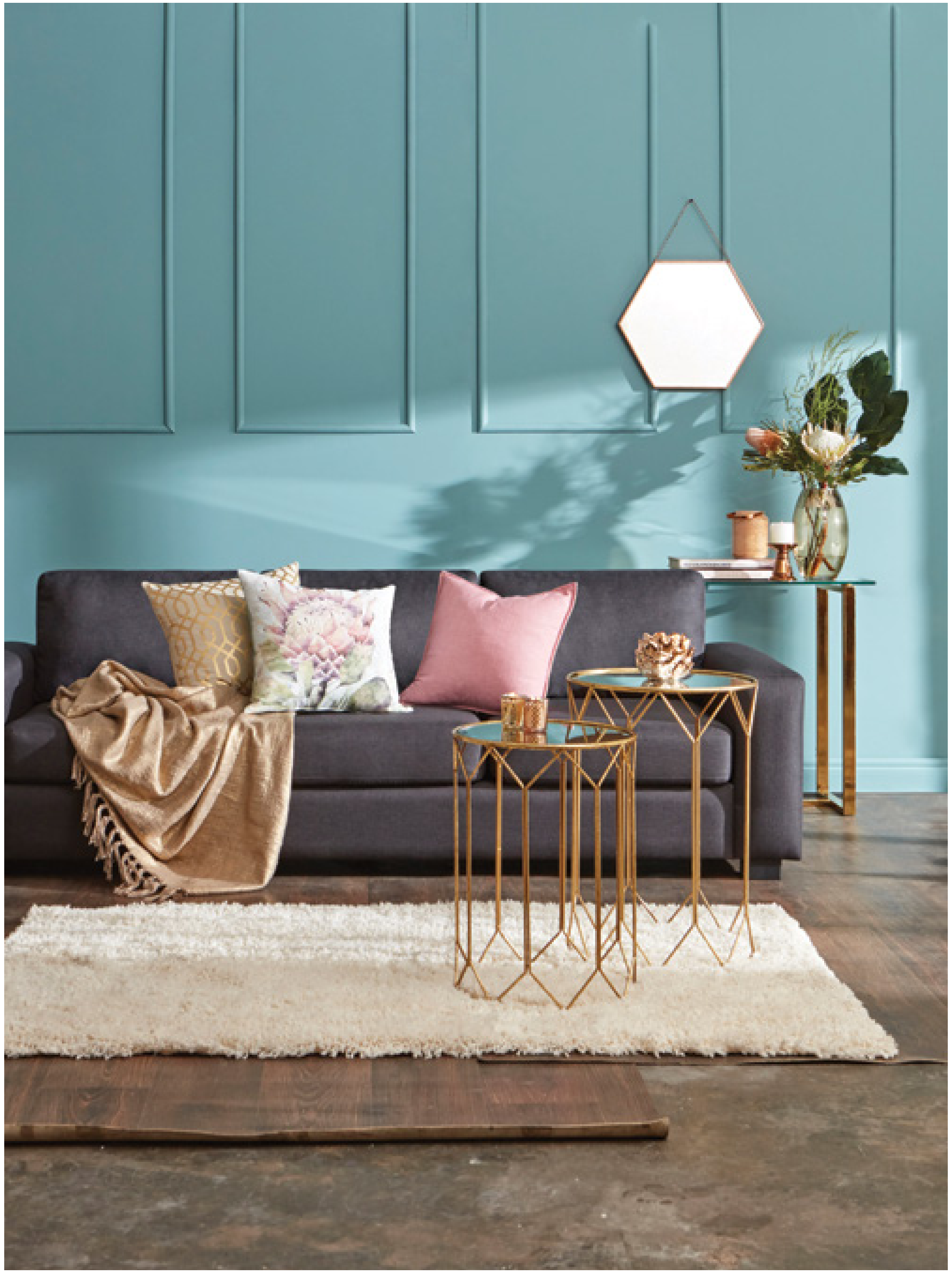
	GROUP		COMPANY	
R'm	**2018**	2017	**2018**	2017
Balance at beginning of the year	**(161)**	(147)	**(148)**	(142)
Impairment losses net of reversals	**(9)**	(14)	**(16)**	(6)
Balance at end of the year	**(170)**	(161)	**(164)**	(148)

In determining the recoverability of trade receivables, the group considers any changes in credit quality of the receivables up to reporting date. The concentration of credit risk is limited, as the customer base is large and unrelated. As a result of the external credit scoring system applied, and the individual credit limits assigned, trade receivables that are neither past due nor impaired are considered to be fully recoverable. The ageing profiles of the impairment provision are as follows:

R'm	**Days from transaction**	**2018**	2017	**2018**	2017
Current and impaired	0 - 30	**11**	12	**11**	10
Past due and impaired					
Status 1	31 - 60	**26**	27	**25**	25
Status 2	61 - 90	**28**	28	**26**	25
Status 3	91 - 120	**35**	34	**34**	31
Status 4	121 - 150	**37**	35	**35**	32
Status 5	151 - 180+	**33**	25	**33**	25
		170	161	**164**	148

8.3 OTHER RECEIVABLES

	GROUP		COMPANY	
R'm	**2018**	2017	**2018**	2017
The expected maturity for other receivables is as follows:				
On demand	**31**	42	**24**	7
Less than three months	**52**	37	**45**	51
Three months to one year	**54**	20	**47**	7
	137	99	**116**	65



9. SHARE CAPITAL

9.1 AUTHORISED

	GROUP		COMPANY	
R'000	**2018**	2017	**2018**	2017
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

9.2 ISSUED

	GROUP		COMPANY	
R'000	**2018**	2017	**2018**	2017
Ordinary				
256 795 727 (2017: 255 195 880) ordinary shares of 0.025 cent each	**64**	64	**64**	64
B ordinary				
8 145 234 (2017: 9 745 081) B ordinary shares of 0.300 cent each	**24**	29	**24**	29
Total issued share capital	**88**	93	**88**	93

9.3 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.

9.4 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. These share schemes are more fully detailed in the remuneration report on pages 52 to 71.

9.4.1 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
AWARD TYPE	Options	Options	Options	Options	Shares	Shares	Shares	
Options/shares at 2 April 2016	1 973 139	1 908 180	3 095 127	5 267 661	4 303 182	503 430	245 841	17 296 560
New options/shares granted	637 166	814 497	1 080 659	1 277 413	670 249	-	138 490	4 618 474
Surrendered by participants	-	(224 173)	(317 025)	(504 789)	(722 460)	(11 849)	(18 304)	(1 798 600)
Options/shares exercised	(1 162 100)	(581 750)	(870 190)	(2 496 795)	(22 804)	(5 078)	-	(5 138 717)
Options/shares at 1 April 2017	1 448 205	1 916 754	2 988 571	3 543 490	4 228 167	486 503	366 027	14 977 717
New options/shares granted*	227 132	325 717	762 166	1 307 904	618 333	-	101 838	3 343 090
Surrendered by participants	-	(74 581)	(206 746)	(944 293)	(606 162)	(8 695)	(14 141)	(1 854 618)
Options/shares exercised	(249 238)	(346 180)	(514 244)	(685 258)	(94 305)	(5 796)	-	(1 895 021)
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	14 571 168
* New options/shares were granted during the current year at a strike price of (R per share):	R188.37	R155.04 - R188.37	R172.82 - R275.12	R149.75 - R188.37	-	-	-	
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 vesting periods of the options/shares are detailed on page 113.
The earliest opportunity at which share options are exercisable falls within financial years ending:

NUMBER OF OPTIONS/SHARES BY FINANCIAL YEAR:								
2019	205 283	316 299	515 484	334 248	N/A	402 156	76 724	1 850 194
2020	165 827	202 969	376 897	4 530	N/A	23 657	67 020	840 900
2021	190 691	235 933	446 037	633 784	N/A	46 199	78 124	1 630 768
2022	637 166	740 792	946 576	1 211 377	N/A	-	130 018	3 665 929
2023	227 132	325 717	744 753	1 037 904	N/A	-	101 838	2 437 344
	1 426 099	1 821 710	3 029 747	3 221 843	N/A	472 012	453 724	10 425 135

WEIGHTED AVERAGE PRICE BY FINANCIAL YEAR:								
2019	R152.94	R137.91	R147.19	R124.45	N/A	N/A	N/A	
2020	R222.60	R222.78	R220.87	R118.38	N/A	N/A	N/A	
2021	R200.01	R200.01	R199.20	R193.62	N/A	N/A	N/A	
2022	R138.00	R138.74	R139.00	R151.98	N/A	N/A	N/A	
2023	R188.37	R187.11	R188.43	R181.73	N/A	N/A	N/A	

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

9.4.1 SHARE TRUSTS AND SHARE PURCHASE SCHEMES (CONTINUED)

The table below details the executive directors share incentives:

	TOTAL EXECUTIVE DIRECTORS' SHARE OPTIONS AND SHARES					TOTAL EXECUTIVE DIRECTORS' FORFEITABLE SHARE PLANS			
Executive director	Options/shares held at beginning of year	Options/shares awarded and accepted during year	Options exercised during year	Gain on options exercised during year (R'm)	Options/shares held at end of year	Shares granted	Shares lapsed during year	Shares held at end of the year	Fair value of options and shares (R'm)
SI Bird	1 017 914	156 436	129 777	11	1 034 232	210 410	10 341	200 069	107
MM Blair	621 112	90 604	86 870	7	618 512	134 635	6 334	128 301	66
SA Ellis	131 122	21 932	32 591	2	118 230	18 738	2 233	16 505	11
Total	1 770 148	268 972	249 238	20	1 770 974	363 783	18 908	344 875	184

9.5 SHARE-BASED PAYMENTS

	GROUP		COMPANY	
R'm	**2018**	2017	**2018**	2017
Share-based payments relating to equity-settled share-based payment transactions in terms of the long-term incentive	**87**	112	**87**	112

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	R188.37	R187.11	R187.80	R180.29	R0.00
Expected volatility (%)	30.28	31.31-31.37	30.99-31.55	30.88-31.55	N/A
Expected option life	5 years	5 years	5 years	5 years	39 years
Risk free interest rate (%)	8.75	7.95-8.34	7.59-8.34	7.68-8.34	6.00-10.74
Expected dividend yield (%)	4.00	4.00	4.00	4.00	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 initial 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 plans 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	92%	20%
Participants still employed after 3 years	85%	30%
Participants still employed after 4 years	85%	40%
Participants still employed after 5 years	85%	100%

9.6 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.

9. SHARE CAPITAL (CONTINUED)

9.7 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.

10. CAPITAL RESERVES

	GROUP		COMPANY	
R'm	**2018**	2017	**2018**	2017
10.1 SHARE PREMIUM ACCOUNT	**12**	12	**-***	-*
10.2 PARTICIPANTS IN STAFF SHARE INVESTMENT TRUST (NOTE 9.6)	**32**	38		
Beginning of the year	**38**	45		
Net movement for the year	**(6)**	(7)		
10.3 SHARE-BASED PAYMENTS RESERVE	**264**	267	**264**	267
Beginning of the year	**267**	241	**267**	241
Recognition of share-based payments for the year	**(3)**	26	**(3)**	26
Share-based payments for options/shares granted in prior years	**103**	99	**103**	99
Share-based payments for options/shares granted in current year	**11**	12	**11**	12
Adjustment for forfeitures	**(27)**	1	**(27)**	1
Share-based payments reserve transferred to retained income for options that have vested from inception to date	**(90)**	(86)	**(90)**	(86)
TOTAL CAPITAL RESERVES	**308**	317	**264**	267

*less than R1 million

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.

11. TREASURY SHARE TRANSACTIONS

	GROUP		COMPANY	
R'm	**2018**	2017	**2018**	2017
5 959 116 (2017: 6 351 679) ordinary shares in Mr Price Group Limited held by staff share trusts	**(334)**	(371)		
- Balance at beginning of the year	**(371)**	(1 017)		
- Treasury shares acquired	**(285)**	(422)		
- Treasury shares sold	**316**	1 061		
- Mr Price Group Employees Share Investment Trust (note 9.6)	**6**	7		
Deficit on treasury share transactions	**(1 401)**	(1 262)	**(272)**	(272)
- Balance at beginning of the year	**(1 262)**	(958)	**(272)**	(221)
- Current year movement arising from the take-up of vested options	**(139)**	(304)	**-**	(51)
Taxation relating to grants to share trusts	**337**	327	**337**	327
- Balance at beginning of the year	**327**	227	**327**	227
- Current year movement	**10**	100	**10**	100
Grants by company to staff share trusts			**(2 229)**	(2 189)
- Balance at beginning of the year			**(2 189)**	(1 767)
- Grants made during the year			**(40)**	(422)
	(1 398)	(1 306)	**(2 164)**	(2 134)

1 583 019 treasury shares were acquired by the staff share trusts at an average of R180.55.
1 905 028 treasury shares were sold by the staff share trusts at an average of R166.13.

12. FOREIGN CURRENCY TRANSLATION RESERVE

	GROUP	
R'm	**2018**	2017
Beginning of the year	**(95)**	(12)
Currency translation adjustments for the year	**(58)**	(83)
Balance at end of the year	**(153)**	(95)

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

13. DEFINED BENEFIT FUND ACTUARIAL GAINS AND LOSSES

	GROUP		COMPANY	
R'm	**2018**	2017	**2018**	2017
Beginning of the year	**(3)**	(5)	**(3)**	(5)
Current year actuarial gains	**7**	3	**7**	3
Deferred taxation thereon	**(2)**	(1)	**(2)**	(1)
End of the year	**2**	(3)	**2**	(3)

Refer to note 28 for details of the recognition of defined benefit fund actuarial gains and losses.

14. REINSURANCE ASSETS AND LIABILITIES

The company retails insurance products to custmers. 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.

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

14. REINSURANCE ASSETS AND LIABILITIES (CONTINUED)

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 consists of: Customer Protection and Mobile Device Protection.

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

	GROUP AND COMPANY	
R'm	**2018**	2017
Reinsurance asset		
Cash and cash equivalents	**146**	129
	146	129

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

	GROUP AND COMPANY	
R'm	**2018**	2017
Reinsurance liability		
Unearned premium provision	**1**	1
Outstanding claims	**3**	3
IBNR reserve	**20**	16
Taxation liability	**14**	21
	38	41
Movement in reinsurance liabilities		
Balance at beginning of the year	**40**	29
Outstanding claims	**3**	2
IBNR reserve	**16**	13
Taxation liability	**21**	14
(Decrease)/increase in the year	**(3)**	11
Balance at end of the year	**37**	40
Outstanding claims	**3**	3
IBNR reserve	**20**	16
Taxation liability	**14**	21
Unearned premium provision		
Balance at beginning of the year	**1**	1
Premuim received	**257**	222
Premuim recognised	**(257)**	(222)
Balance at end of the year	**1**	1

14. REINSURANCE ASSETS AND LIABILITIES (CONTINUED)

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 premuim 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 premuims (i.e. gross premuims less commissions and administration fees). The short-terms cells are required to maintain a solvency ratio equal to 25% of net premiums as a solvency reserve and an IBNR reserve equal to 7% of the annual risk 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 equal 24% of net premuims and an IBNR equal to 6% of the annual risk premuim.

	GROUP AND COMPANY	
R'm	**2018**	2017
Impact on IBNR	**(6)**	(5)

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 equal 26% of net premiums and an IBNR equal to 8% of the annual risk premium.

	GROUP AND COMPANY	
R'm	**2018**	2017
Impact on IBNR	**6**	5

During the year a dividend of R122 million (2017: R106 million) was paid by the cells to the company.

Premium income and claims history:

	2018	2017	**2016**	2015
Premium income (R'm)	**261**	225	199	177
Number of claims	**3 509**	2 775	3 535	3 709
Claim costs (R'm)	**20**	17	15	15
Claim costs as a percentage of premium income	**7.7%**	7.6%	7.5%	8.3%

15. LEASE OBLIGATIONS

	GROUP		COMPANY	
R'm	**2018**	2017	**2018**	2017
Straight line operating lease liability	**210**	203	**197**	196
Less: amounts due for settlement within 12 months	**(25)**	(11)	**(23)**	(9)
Total long-term portion of lease obligations	**185**	192	**174**	187

Operating lease commitments

The group has entered into operating leases on store premises, with lease terms between one and ten years. The group has the option, under some of its leases, to lease the premises for an additional term of one to ten years.

Future minimum rentals payable under non-cancellable leases, which predominantly relate to land and buildings, are as follows:

	GROUP		COMPANY	
R'm	**2018**	2017	**2018**	2017
Within one year	**1 335**	1 373	**1 229**	1 158
After one year but less than five years	**2 557**	2 326	**2 367**	2 142
More than five years	**111**	111	**109**	99
	4 003	3 810	**3 705**	3 399

16. DEFERRED TAXATION

R'm	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Attributable to:				
Post retirement medical aid	**(4)**	(3)	**(4)**	(3)
Fair value adjustments on financial instruments	**(37)**	(5)	**(37)**	(5)
Prepayments	**48**	45	**47**	45
Provisions	**(191)**	(133)	**(186)**	(133)
Property, plant and equipment	**135**	77	**130**	77
Other temporary differences	**16**	31	**35**	48
Share based payments	**(201)**	(176)	**(201)**	(176)
Defined benefit fund asset	**16**	14	**16**	14
Grants to staff share trusts	**254**	246	**254**	246
Straight line operating lease liability	**(57)**	(57)	**(55)**	(55)
	(21)	39	**(1)**	58
Beginning of the year	**39**	(129)	**58**	(115)
Movements during the year	**(60)**	168	**(59)**	173
Prepayments	**3**	4	**2**	4
Provisions	**(58)**	12	**(53)**	12
Property, plant and equipment	**58**	77	**53**	77
Other temporary differences	**(15)**	16	**(13)**	22
Share based payments	**(25)**	(31)	**(25)**	(31)
Defined benefit fund actuarial gains	**2**	2	**2**	2
Grants to staff share trusts	**8**	57	**8**	57
Straight line operating lease liability	**-**	3	**-**	2
Fair value adjustments on financial instruments	**(32)**	28	**(32)**	28
Post retirement medical aid	**(1)**	-	**(1)**	-
End of the year	**(21)**	39	**(1)**	58
Deferred taxation liabilities	**1**	59	**-**	58
Deferred taxation assets	**(22)**	(20)	**(1)**	-
	(21)	39	**(1)**	58

17. PROVISIONS

R'm	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Onerous lease contracts				
Balance at beginning of the year	**17**	17	**6**	2
Provision raised/(utilised) during the period	**23**	-	**(2)**	4
Balance at end of the year	**40**	17	**4**	6
Long-term	**29**	7	**2**	2
Current	**11**	10	**2**	4
	40	17	**4**	6

The provision for onerous lease contracts represents the present value of the future lease payments that the group is 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 may vary as a result of changes in the utilisation of the leased premises and sub-lease arrangements where applicable. The unexpired terms of the leases range from one to five years.

18. TRADE AND OTHER PAYABLES

R'm	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Trade payables	**819**	760	**835**	784
Other payables	**1 163**	953	**1 061**	851
	1 982	1 713	**1 896**	1 635

Included in other payables is R6 million being the current portion of the purchase price payable on the acquisition of the non-controlling interest in MRP Mobile (Pty) Ltd (refer note 5.2 and 30). Other payables also includes provisions for incentives, leave pay and turnover rentals.

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.

19. PROFIT FROM OPERATING ACTIVITIES

	GROUP		COMPANY	
R'm	2018	2017	2018	2017
Arrived at after (crediting)/charging the following:				
Income from consolidated entities			(137)	(725)
Dividend income			(21)	(632)
Fees			(116)	(93)
Amortisation of intangible assets (page 107)	55	43	53	42
Associate costs	2 355	1 996	2 223	1 884
Salaries, wages and other benefits	2 117	1 747	1 992	1 641
Share-based payments (note 9.5)	87	112	87	112
Defined contribution pension funds expense	154	138	147	132
Defined benefit pension fund net expense	(3)	(1)	(3)	(1)
Current service cost	3	3	3	3
Interest cost	7	7	7	7
Expected return on fund assets	(13)	(11)	(13)	(11)
Auditors' remuneration	9	8	8	6
Audit fees	9	7	8	6
Other services	-	1	-	-
Consulting fees	23	27	19	21
Technical services	19	23	19	21
Administrative and other services	4	4	-	-
Depreciation of property, plant and equipment (page 106)	273	215	253	194
Impairment/write off of intangible assets (page 107)	14	74	14	73
Impairment/write off of property, plant and equipment	-*	11	1	2
Movement in provisions (note 17)	23	-	(2)	4
Net loss on disposal and scrapping of property, plant and equipment	71	10	52	10
Net loss on foreign exchange	50	50	50	50
Transactions	50	50	50	50
Operating lease rentals	1 536	1 424	1 390	1 266
Land and buildings	1 506	1 391	1 360	1 233
Equipment	21	23	21	23
Motor vehicles	9	10	9	10

* Less than R1 million

20. TAXATION

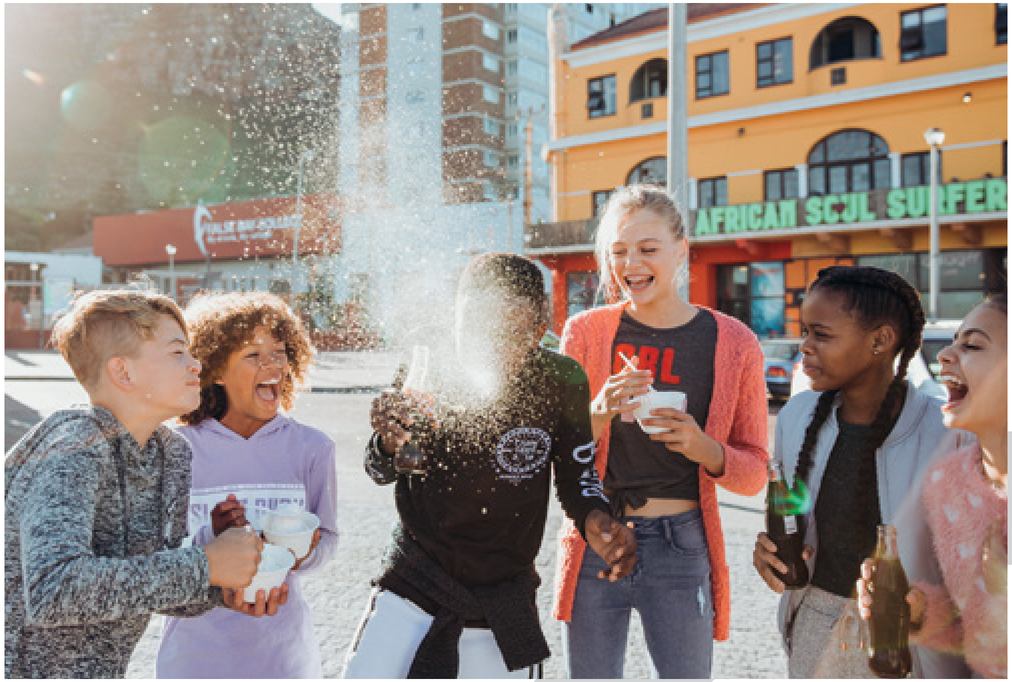
20.1 SOUTH AFRICAN AND FOREIGN TAXATION
20.1.1 SOUTH AFRICAN TAXATION

	GROUP		COMPANY	
R'm	2018	2017	2018	2017
This year	1 084	841	1 074	830
Current				
Normal taxation	1 098	907	1 088	898
Securities transfer tax	-	1	-	1
Deferred				
Current year temporary differences	(14)	(67)	(14)	(69)
Prior years	(5)	(15)	(5)	(15)
Current	17	(93)	17	(93)
Deferred	(22)	78	(22)	78
20.1.2 FOREIGN TAXATION				
This year	32	41	14	22
Current	34	47	14	22
Deferred	(2)	(6)	-	-
Total taxation	1 111	867	1 083	837

In addition to the above, current normal taxation and deferred taxation amounting to R16.2 million (2017: R157.4 million charged) and R6.7 million (2017: R56.9 million credited) respectively have been charged and credited to equity relating to the grants to staff share trusts (refer note 11). Deferred income taxation of R30.0 million (2017: R29.0 million charged) has been credited to the statement of comprehensive income. Refer to note 26 for contingencies.

20.2 RECONCILIATION OF TAXATION RATE

	GROUP		COMPANY	
%	**2018**	2017	**2018**	2017
Standard rate	**28.0**	28.0	**28.0**	28.0
Adjusted for:				
Expenses not allowed	**0.4**	-	**0.1**	-
Exempt income	**(0.6)**	(0.7)	**(0.7)**	(5.4)
Prior year underprovision	**(0.1)**	(0.5)	**(0.1)**	-
Unrecognised deferred tax assets	**1.1**	0.8	**-**	-
Other	**(0.3)**	0.1	**0.5**	(0.1)
Effective tax rate	**28.5**	27.7	**27.8**	22.5
The estimated taxation losses of consolidated entities available for set-off against future taxable income are:	**253.3**	160.8		



21. EARNINGS PER ORDINARY AND B ORDINARY SHARE

21.1 RECONCILIATION OF EARNINGS

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

	GROUP AND COMPANY	
R'm	**2018**	2017
Basic earnings - profit attributable to shareholders	**2 781**	2 263
Loss on disposal, scrapping and impairment of property, plant and equipment and intangible assets	**85**	95
Taxation thereon	**(24)**	(27)
Headline earnings	**2 842**	2 331

21.2 NUMBER OF SHARES

The weighted average number of shares in issue amount to 258 375 442 (2017: 255 792 780).

21.3 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.

	GROUP AND COMPANY	
SHARES	**2018**	2017
Number of shares per basic earnings per share calculation	**258 375 442**	255 792 780
Weighted average number of ordinary shares under option deemed to have been issued for no consideration	**5 930 423**	6 751 138
Number of shares for calculation of diluted earnings per share	**264 305 865**	262 543 918

22. DIVIDENDS TO SHAREHOLDERS

	GROUP		COMPANY	
R'm	**2018**	2017	**2018**	2017
Ordinary and B ordinary shares	**1 157**	1 089	**1 163**	1 118
Prior year final dividend: 438.8 cents per share (2017: 419.0 cents per share)	**1 163**	1 118	**1 163**	1 118
Dividend paid by Mr Price Partners Share Trust	**14**	15	**-**	-
Less: dividend received on shares held by staff share trusts	**(20)**	(44)	**-**	-
	736	599	**739**	605
Current year interim dividend: 279.0 cents per share (2017: 228.2 cents per share)	**739**	605	**739**	605
Dividend paid by Mr Price Partners Share Trust	**9**	7	**-**	-
Less: dividend received on shares held by staff share trusts	**(12)**	(13)	**-**	-
Total net dividend to shareholders	**1 893**	1 688	**1 902**	1 723

In respect of the current year, the board of directors propose that on the 25 June 2018, a cash dividend of 414.10 cents per share be paid to shareholders who are registered on the "Record date" of 22 June 2018. This dividend has not been reflected as a liability in these financial statements. The total estimated dividend to be paid by the company is R1.1 billion.

23. DIRECTORS' EMOLUMENTS

The emoluments received by the directors from the company were:

R'm	Basic salary	Motor vehicle benefits	Pension contributions	Other benefits	TGP^	Short-term incentives	Dividends (FSP plans)	Long-term incentives	**Total 2018**	Total 2017
SI Bird	6	-*	1	1	8	11	1	10	**31**	18
MM Blair	4	-*	1	-*	6	7	1	6	**19**	12
SA Ellis	2	-*	-*	-*	3	2	-*	2	**7**	5
Total	**12**	-*	**2**	**1**	**17**	**20**	**2**	**18**	**57**	34

* Less than R1 million

^ Total guaranteed package

Refer to remuneration report on page 64.

23. DIRECTORS' EMOLUMENTS (CONTINUED)

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

Rand	**2018**	2017
SB Cohen	703 600	663 750
K Getz	583 700	550 700
M Motanyane	439 050	414 200
D Naidoo	656 350	534 250
MR Johnston	638 400	682 400
NG Payne	1 407 150	1 327 500
MJD Ruck	655 800	538 500
M Bowman	402 708	27 438
B Niehaus	50 896	-
WJ Swain	237 833	538 500
	5 775 487	**5 277 238**

24. NOTES TO THE STATEMENTS OF CASH FLOWS

24.1 OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES

	GROUP		COMPANY	
R'm	**2018**	2017	**2018**	2017
Profit before taxation	**3 892**	3 130	**3 900**	3 722
Adjustments for:				
Depreciation of property, plant and equipment	**273**	215	**253**	194
Amortisation of intangible assets	**55**	43	**53**	42
Loss on disposal and scrapping of property, plant and equipment	**71**	10	**52**	10
Impairment of property, plant and equipment	**-***	11	**1**	2
Impairment of intangible assets	**14**	74	**14**	73
Movement in re-insurance asset	**(17)**	(30)	**(17)**	(29)
Movement in re-insurance liability	**(3)**	11	**(3)**	11
Net finance income	**(160)**	(82)	**(155)**	(76)
Interest on trade receivables	**(365)**	(351)	**(364)**	(351)
Other non-cash items	**101**	50	**(2)**	46
Straight line operating lease liability movement	**7**	(14)	**1**	(9)
Share option expenses	**87**	112	**87**	112
Other	**7**	(48)	**(90)**	(57)
	3 861	3 081	**3 732**	3 644

*less than R1 million

24.2 WORKING CAPITAL CHANGES

	GROUP		COMPANY	
R'm	**2018**	2017	**2018**	2017
Increase in trade and other receivables	**(152)**	(54)	**(180)**	(49)
(Increase)/decrease in inventories	**(134)**	103	**(131)**	96
Increase/(decrease) in trade and other payables	**293**	(300)	**295**	(295)
	7	(251)	**(16)**	(248)

24.3 TAXATION PAID

	GROUP		COMPANY	
R'm	**2018**	2017	**2018**	2017
Amounts unpaid at beginning of the year	**(18)**	(125)	**3**	(109)
Taxation	**(57)**	4	**(55)**	6
Deferred	**39**	(129)	**58**	(115)
Amounts charged to the income statements	**1 111**	867	**1 083**	837
Taxation	**1 149**	862	**1 119**	828
Deferred	**(38)**	5	**(36)**	9
Amounts charged to equity	**(45)**	(71)	**(45)**	(71)
Taxation	**(10)**	(100)	**(10)**	(100)
Deferred taxation	**(35)**	29	**(35)**	29
Amounts unpaid at end of the year	**(157)**	18	**(179)**	(3)
Taxation	**(178)**	57	**(180)**	55
Deferred taxation	**21**	(39)	**1**	(58)
Amounts paid	**891**	689	**862**	654

24.4 NET INFLOWS IN RESPECT OF LONG-TERM RECEIVABLES

	GROUP		COMPANY	
R'm	**2018**	2017	**2018**	2017
Loan to accredited supplier	**2**	2	**2**	2
Increase in MRP Mobile long-term receivables	**3**	(6)		
Net amounts paid	**5**	(4)	**2**	2

24.5 AMOUNTS OWING TO/(BY) CONSOLIDATED ENTITIES

	COMPANY	
R'm	**2018**	2017
Current amounts owing to consolidated entities advanced	**22**	11
Current amounts owing by consolidated entities repayment	**(49)**	(89)
	(27)	(78)

24.6 DIVIDENDS TO SHAREHOLDERS

	GROUP		COMPANY	
R'm	**2018**	2017	**2018**	2017
Dividends to ordinary and B ordinary shareholders	**1 902**	1 723	**1 902**	1 723
Less: dividends on shares held by staff share trusts	**(32)**	(57)		
Add: dividends paid by Partners Share Trust	**23**	22		
	1 893	1 688	**1 902**	1 723

24.7 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

R'm	2017	Cash flows	Non-cash - purchase price payable	2018
Long-term loan	51	(51)		-
Financial liability	-	-	13	13
Total liabilities from financing activities	**51**	**(51)**	**13**	**13**

24.8 BANK BALANCES AND OTHER CASH

	GROUP		COMPANY	
R'm	**2018**	2017	**2018**	2017
Bank balances and other cash	**2 756**	1 823	**2 062**	1 102
Bank overdrafts	**(36)**	(39)	**(36)**	(39)
Cash and cash equivalents	**2 720**	1 784	**2 026**	1 063

25. CAPITAL EXPENDITURE

	GROUP		COMPANY	
R'm	**2018**	2017	**2018**	2017
The capital expenditure authorised by the directors of the company or its consolidated entities but not provided for in the financial statements amounts to	**557**	526	**532**	501
of which contracts have been placed for	**93**	170	**93**	170

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

26. CONTINGENCIES AND COMMITMENTS

26.1

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 correspondence has been received to date.

26.2

In May 2017 the 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 NCR requested that the NCT order the group to refund all club fees to customers from 2007 to date and pay a fine of 10% of the group's annual turnover. The group opposed the referral and applied to stay the proceedings pending the outcome of a similar matter between Edcon and the NCT. The high court recently ruled in favour of Edcon and the group is optimistic that the Miladys matter will have a similar outcome.

26.3

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 assessment amounted to additional income tax of R65.1m, including interest and penalties charged to 31 March 2018 amounting to R33.1m. The assessed tax may result in a reallocation of deferred tax to current tax of R59.5m and additional current tax of R5.6m. The overall potential impact on the income statement (including interest and penalties) therefore amounts to R38.7m.

The company, supported by senior counsel's opinion, has appealed the decision of the Commissioner to disallow the company's objection to the assessment. No adjustments have been made to the financial statements as the directors are of the opinion that the likelihood of the liability is remote.

27. 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.

27.1 CAPITAL AND TREASURY RISK MANAGEMENT

The group which is a primarily 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.

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.

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.

27.2 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 appropiate 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	
R'm		**2018**	2017	**2018**	2017
	+0.5%	**12**	6	**10**	5
	-0.5%	**(12)**	(6)	**(10)**	(5)

The applicable interest rates during the period were as follows:

	COMPANY	
%	**2018**	2017
Average		
Repo interest rate	**6.82**	7.00
Prime interest rate	**10.32**	10.50
Closing		
Repo interest rate	**6.50**	7.00
Prime interest rate	**10.00**	10.50

27.3 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, amongst other things; the current exposure, the decision to hedge an exposure, identification of the hedged item, checking effectiveness of hedge and the applicable hedge ratio.

27.3.1 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, Kenya and Zambia as the other countries in which the group is invested have currencies that are pegged to the South African rand. The group's sensitivity to a 10% increase and decrease in the rand against the pula, naira, cedi, kenyan shilling and kwacha respectively does not have a significant impact.

27.3.2 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 below tables presents information relating the to group's commitment to purchase foreign currency at year end.

At year end forward exchange contract commitments were:

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
2018					
- Asset	**9**	**11.88**	**104**	**12.03**	**(1)**
- Liability	**82**	**13.58**	**1 111**	**11.95**	**133**
	91	**13.42**	**1 215**	**11.96**	**132**
2017					
- Asset	30	13.10	393	13.58	14
- Liability	43	14.26	613	13.53	(31)
	73	13.78	1 006	13.55	(17)

27.3.2 TRANSACTIONS IN FOREIGN CURRENCIES

At year-end outstanding foreign creditors were:

GROUP AND COMPANY	Current commitment US$'m	Exchange rate R/US$ - average transaction rate	Rand Equivalent at contract rate R'm	Exchange rate R/US$ - year end closing rate	Fair value adjustment R'm
2018					
- Asset	**15**	**11.99**	**176**	**11.84**	**2**
- Liability	**7**	**11.73**	**79**	**11.84**	**(1)**
	22	**11.90**	**255**	**11.84**	**1**
2017					
- Asset	17	12.90	227	13.58	12
- Liability	1	14.32	5	13.58	-*
	18	12.93	232	13.58	12

*less than R1 million

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

	GROUP AND COMPANY	
	2018	2017
USD - Average	**13.01**	14.05
USD - Closing	**11.84**	13.58

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	**2018**	2017
Opening balance	**17**	85
Mark-to-market adjustments	**275**	225
Amounts reclassified to the income statement on the ineffective portion of open hedges	**-**	(14)
Amounts reclassified to the cost of the non-financial asset recognised	**(160)**	(307)
Deferred tax	**(37)**	28
Closing balance	**95**	17

All cash flow hedges of the expected future purchases in 2019 were assessed to be highly effective. During the prior year an amount of R14 million was reclassifed from OCI to the income statement relating to the portion of hedging instruments that was considered ineffective. At the reporting date no hedge or portion thereof were considered to be ineffective and as a result as at 31 March 2018, a net unrealised loss of R115 million (2017: R96 million), with a related deferred tax asset of R37 million (2017: R28 million) was included in OCI in respect of these contracts.

The amounts retained in OCI at 31 March 2018 are expected to mature and affect the statement of profit or loss in 2019. 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
2018					
Forward exchange contracts accounted for as hedges under IAS 39	**-**	**71**	**20**	**-**	**91**
Foreign trade creditors at year-end	**2**	**20**	**-**	**-**	**22**
	2	**91**	**20**	**-**	**113**
2017					
Forward exchange contracts accounted for as hedges under IAS 39	-	58	15	-	73
Foreign trade creditors at year-end	1	17	-	-	18
	1	75	15	-	91

27.3.2 TRANSACTIONS IN FOREIGN CURRENCIES

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:

		GROUP AND COMPANY		GROUP AND COMPANY	
(Decrease)/increase		Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income
R'm		**2018**	**2018**	2017	2017
Rate variance - US$					
Forward exchange contracts accounted for as hedges under IAS 39	+10%	-	(122)	-	(101)
	-10%	-	122	-	101
Foreign trade creditors at year end	+10%	26	-	(23)	-
	-10%	(26)	-	23	-
Total	+10%	**26**	**(122)**	(23)	(101)
	-10%	**(26)**	**122**	23	101

27.4 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 8.

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	Long-term receivables consist of an enterprise development loan (EDL) and long-term trade receivables (LTR). The EDL is assessed as a low credit risk based on the group's history with the counterparty who is also a trusted trade partner and has not defaulted/delayed any payment since inception of the loan. 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 8.1
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	

27.4 CREDIT RISK MANAGEMENT

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.

		GROUP		COMPANY	
R'm		**2018**	2017	**2018**	2017
Rate variance	+1%	**21**	20	**21**	20
	-1%	**(21)**	(20)	**(21)**	(20)

At 31 March 2018 the group did not consider there to be any significant concentration of credit risk for which it had not adequately provided.

27.5 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:

	GROUP		COMPANY	
R'm	**2018**	2017	**2018**	2017
Total facilities	**425**	445	**425**	445
Less: drawn down portion	**(36)**	(39)	**(36)**	(39)
Total undrawn banking facilities	**389**	406	**389**	406

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.

	GROUP		COMPANY	
R'm	**2018**	2017	**2018**	2017
Actual borrowings outside the group at year end were	**(36)**	(90)	**(36)**	(39)
At year end bank balances were	**2 756**	1 823	**2 062**	1 102
Net cash resources were	**2 720**	1 733	**2 026**	1 063

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

GROUP R'm	On demand	Less than three months	Three months to one year	One to five years	Total
2018					
Trade and other payables	**301**	**1 398**	**277**	**-**	**1 976**
Purchase price payable (note 5.2)	**-**	**3**	**6**	**14**	**23**
	301	**1 401**	**283**	**14**	**1 999**
2017					
Trade and other payables	394	1 094	224	-	1 712
	394	1 094	224	-	1 712
COMPANY R'm					
2018					
Trade and other payables	**254**	**1 370**	**266**	**-**	**1 890**
Purchase price payable (note 5.2)	**-**	**3**	**6**	**14**	**23**
	254	**1 373**	**272**	**14**	**1 913**
2017					
Trade and other payables	331	1 094	210	-	1 635
	331	1 094	210	-	1 635

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

27.6 CATEGORY AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments as disclosed on the statement of financial postion are accounted for using the policies applicable and are catergorised 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; and
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

27.6 CATEGORY AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

GROUP 2018 R'm	Fair value measurement using	Loans and receivables	Derivatives accounted for as hedges	Amortised cost	Total
Financial Assets		18	1	-	19
Long-term receivables and other investments	Level 2	18	-	-	18
Derivative financial instruments	Level 2	-	1	-	1
Financial Liabilities		-	(133)	(13)	(146)
Long-term liabilities	Level 3	-	-	(13)	(13)
Derivative financial instruments	Level 2	-	(133)	-	(133)
Total		**18**	**(132)**	**(13)**	**(127)**

GROUP 2017 R'm	Fair value measurement using	Loans and receivables	Derivatives accounted for as hedges	Amortised cost	Total
Financial Assets		23	14	-	37
Long-term receivables and other investments	Level 2	23	-	-	23
Derivative financial instruments	Level 2	-	14	-	14
Financial Liabilities		-	(31)	(51)	(82)
Long-term liabilities	Level 2	-	-	(51)	(51)
Derivative financial instruments	Level 2	-	(31)	-	(31)
Total		23	(17)	(51)	(45)

COMPANY 2018 R'm	Fair value measurement using	Loans and receivables	Derivatives accounted for as hedges	Amortised cost	Total
Financial Assets		2	1	-	3
Long-term receivables and other investments	Level 2	2	-	-	2
Derivative financial instruments	Level 2	-	1	-	1
Financial Liabilities		-	(133)	(13)	(146)
Long-term liabilities	Level 3	-	-	(13)	(13)
Derivative financial instruments	Level 2	-	(133)	-	-
Total		**2**	**(132)**	**(13)**	**(143)**

COMPANY 2017 R'm	Fair value measurement using	Loans and receivables	Derivatives accounted for as hedges	Amortised cost	Total
Financial Assets		4	14	-	18
Long-term receivables and other investments	Level 2	4	-	-	4
Derivative financial instruments	Level 2	-	14	-	14
Financial Liabilities		-	(31)	-	(31)
Long-term liabilities		-	-	-	-
Derivative financial instruments	Level 2	-	(31)	-	(31)
Total		4	(17)	-	(13)

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. Long-term liabilities relate to the purchase price payable on the acquisition of MRP Mobile which is measured at the present value of purchase price payable discounted at 12.9%p.a. The prior year long-term liability related to an outstanding loan which was settled in the current year (refer note 5.2).

28. RETIREMENT BENEFITS

28.1 PENSION SCHEMES

28.1.1 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 on pages 52 to 71.

28.1.2 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%.

28.1.3 VALUATIONS

Defined benefit pension fund

	GROUP AND COMPANY	
R'm	**2018**	2017
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	**(58)**	(67)
Plan assets	**121**	115
Net benefit plan asset	**63**	48

The amounts recognised in the income statement are detailed in note 19.

The following main assumptions were used in performing the calculation:

- Discount rate - 11.30% per annum (2017: 11.10% per annum)
- Inflation - 8.00% per annum (2017: 8.60% per annum)
- Future salary increases - 9.00% per annum (2017: 9.60% per annum)

28.1.3 VALUATIONS (CONTINUED)

	GROUP AND COMPANY	
R'm	**2018**	2017
Movements in the present value of the defined benefit obligation in the current period were as follows:		
Defined benefit obligation at beginning of the year	**67**	68
Current service cost	**3**	3
Member contributions	**1**	1
Interest cost	**7**	7
Actuarial gain	**(11)**	(6)
Benefits paid	**(8)**	(5)
Risk premiums	**(1)**	(1)
Defined benefit obligation at end of the year	**58**	67
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	**115**	109
Expected return on assets	**13**	11
Contributions	**3**	3
Risk premiums	**(1)**	(1)
Benefits paid	**(8)**	(5)
Actuarial gain	**(1)**	(2)
Fair value of plan assets at end of the year	**121**	115
%		
The estimated asset composition of the fair value of total plan assets is as follows:		
Cash	**10.2**	8.3
South African equities	**40.4**	42.0
South African bonds	**15.5**	14.4
South African property and other	**10.4**	9.0
International assets	**23.5**	26.3
	100.0	100

28.1.3 VALUATIONS (CONTINUED)

The following sensitivities relate to the impact on the defined benefit obligation for 2018:

	GROUP AND COMPANY	
	2018	2017
	+1%	+1%
The effect of an increase or decrease of 1% in the assumed discount rate as follows:	**(17.3%)**	(19.4%)
	+1%	+1%
The effect of an increase or decrease of 1% in the assumed inflation rate as follows:	**19.5%**	20.5%

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 2019 financial year is as follows: a current service cost of R159.4 million (2018: R146.9 million), an expected return on plan assets of R13.8 million (2018: R13.0 million) and an interest cost of R6.9 million (2018: R7.7 million). The estimated contributions are R160.7 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 2017 concluded that the funding level of the Funds was within the tolerance levels set by the administrators.

28.2 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. An actuarial valuation, in terms of IAS 19, of the group's liability at 31 March 2018 for this future benefit was undertaken. Valuations are undertaken every three years. 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 31 March 2018:

28.2 POST RETIREMENT MEDICAL BENEFITS (CONTINUED)

Liability was based on current membership
Health care cost inflation - 9.2% per annum (2017: 9.2% per annum)
Discount rate - 9.8% per annum (2017: 9.8% per annum)
Average retirement age - 62 years (2017: 62 years)
Continuation at retirement - 100% (2017:100%)

Activity during the year was as follows:

	GROUP AND COMPANY	
R'm	**2018**	2017
Benefit obligation at beginning of the year	**26**	26
Net increase in provision during the year	**3**	-
Benefit obligation at end of the year	**29**	26

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	**19.5%**	19.5%
Accrued liability at year end	**18.0%**	18.0%

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

Accrued liability at year end	**(14.3%)**	(14.3%)

The effect of an increase of decrease of 1 year in the assumed expected retirement age is as follows:	1 year older	1 year younger
Accrued liability at year end	**(3.8%)**	(3.6%)

29. RELATED PARTY TRANSACTIONS

29.1 COMPENSATION OF KEY MANAGEMENT PERSONNEL

	GROUP		COMPANY	
R'm	**2018**	2017	**2018**	2017
Short-term employee benefits	**63**	79	**63**	79
Post employment pension benefits	**10**	10	**10**	10
Share-based payments	**28**	27	**28**	27
	101	116	**101**	116

29. RELATED PARTY TRANSACTIONS

29.2 DIRECTORS

Refer to note 9 and note 23 in respect of transactions with directors.

The above compensation includes amounts paid to executive senior management personnel and excludes amounts paid to directors as disclosed in the remuneration report and note 9.4.1 and note 23.

29.3 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 R0.7m (2017: R1.1m).

29.4 PARTICIPANTS IN STAFF SHARE TRUSTS

Refer to notes 9 and 11 in respect of transactions with participants in the staff share trusts.

29.5 POST RETIREMENT BENEFIT FUNDS

Refer to notes 28.1 and 28.2 in respect of transactions with post retirement benefit funds.

29.6 INTER-GROUP TRANSACTIONS

The following transactions occurred between the company and its consolidated entities:

	COMPANY	
R'm	**2018**	2017
Sales	**823**	810
Administration fees received	**116**	93
Mr Price Group (Namibia) (Pty) Ltd	**47**	25
Specialty Stores (Botswana) (Pty) Limited	**59**	56
Mr Price (Lesotho) (Pty) Ltd	**8**	4
MRP Zambia Limited	**3**	8
Dividends received	**21**	632
Mr Price Executive Director Share Trust	**1**	3
Mr Price Executive Share Trust	**1**	3
Mr Price Senior Management Share Trust	**1**	4
Mr Price General Staff Share Trust	**2**	14
Mr Price Partners Share Trust	**4**	466
Millews Fashions (Johannesburg) (Pty) Ltd	**12**	-
Mr Price Group (Namibia) (Pty) Ltd	**-**	63
Specialty Stores (Botswana) (Pty) Limited	**-**	69
Mr Price (Lesotho) (Pty) Ltd	**-**	10

30. LONG-TERM LIABILITIES

	GROUP		COMPANY	
R'm	**2018**	2017	**2018**	2017
Long-term loan (note 5.2)	**-**	51	**-**	-
Other long-term payables (note 5.2)	**13**	-	**13**	-
	13	51	**13**	-

The long-term loan was acquired by the group as part of the acquisition of the minority shareholding in MRP Mobile (Pty) Ltd (refer note 5.2). The loan has no set date of repayment and bears interest at a rate determined at the discretion of the directors and is currently interest free.

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 (refer note 5.2).

31. SUBSEQUENT EVENTS

The acquisition of 12 Kenyan franchise stores from Deacons East Africa Plc was completed on 18 May 2018 for a consideration of R16 million. The stores have been rebranded and merchandised and re-opened for trade as corporate owned stores.

The amounts for assets and liabilities assumed at the date of acquisition:

R'm	**Fair value**
Plant and equipment	19
Inventory	-*
Trade payables	(3)
Net identifiable assets acquired	16

*less than R1 million

Legal fees relating to the acquisition that will be recognised is R0.1m.
The above fair values have been measured on a provisional basis.

Other than this, no events, material to the understanding of this report, have occurred between the financial year end and the date of this report.

32. 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 four reportable segments as follows:

- The Apparel segment retails clothing, sportswear, footwear, sporting equipment and accessories;
- The Home segment retails homewares;
- The Financial Services and Mobile segment provides Financial products and services as well as Mobile services; and
- The Central Services segment provides services to the trading segments including information technology, internal audit, 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.

	APPAREL		HOME		FINANCIAL SERVICES AND MOBILE		CENTRAL SERVICES		ELIMINATIONS		TOTAL	
R'm	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Revenue	**15 027**	13 685	**5 002**	4 914	**1 141**	1 064	**80**	571	**(65)**	(555)	**21 185**	19 679
External	**15 027**	13 685	**5 002**	4 914	**1 141**	1 064	**15**	16	**-**	-	**21 185**	19 679
Internal	**-**	-	**-**	-	**-**	-	**65**	555	**(65)**	(555)	**-**	-
Profit from operating activities	**2 713**	1 994	**785**	822	**425**	387	**(191)**	(155)	**-**	-	**3 732**	3 048
Net finance income											**160**	82
Profit before taxation											**3 892**	3 130
Taxation											**1 111**	867
Profit after taxation											**2 781**	2 263
Divisional assets	**2 465**	2 371	**787**	771	**2 281**	2 120	**4 586**	3 653	**-**	-	**10 119**	8 915
Divisional liabilities	**1 511**	1 244	**546**	518	**150**	159	**463**	271	**(6)**	(7)	**2 664**	2 185
Capital expenditure	**198**	190	**69**	82	**20**	11	**174**	523	**-**	-	**461**	806
Depreciation and amortisation	**144**	127	**52**	44	**8**	7	**124**	79	**-**	-	**328**	257

33. GEOGRAPHICAL SEGMENTS

	SOUTH AFRICA		INTERNATIONAL		TOTAL	
R'm	**2018**	2017	**2018**	2017	**2018**	2017
Revenue	**19 850**	18 381	**1 335**	1 298	**21 185**	19 679
Assets	**9 860**	8 228	**259**	687	**10 119**	8 915
Capital expenditure	**439**	787	**22**	19	**461**	806

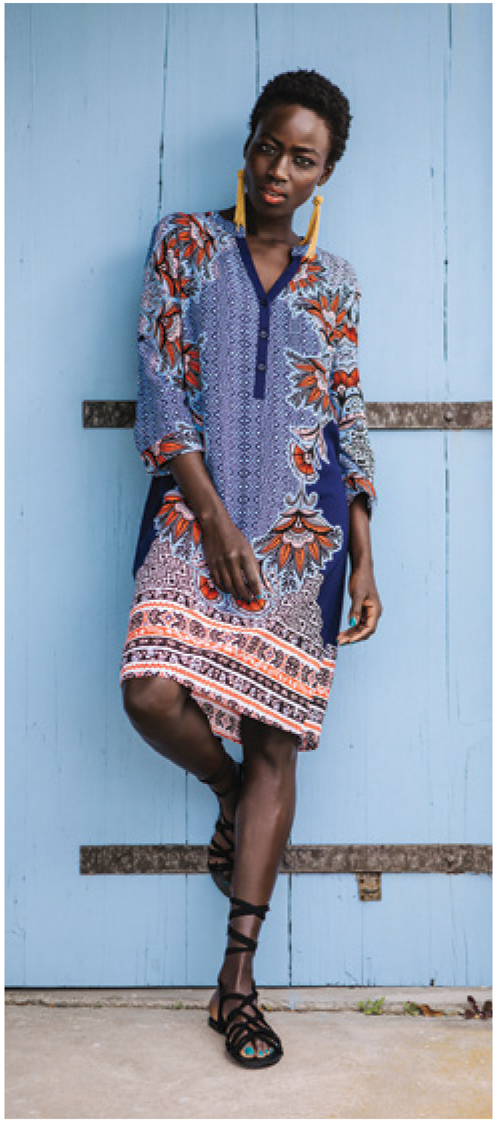
		ISSUED CAPITAL		CARRYING VALUE OF SHARES		INDEBTEDNESS LESS IMPAIRMENT PROVISIONS	
	NOTES	2018 SHARES	2017 SHARES	2018 R'm	2017 R'm	2018 R'm	2017 R'm
Operating subsidiaries							
Specialty Stores (Botswana) (Pty) Limited	1	100	100	-*	-*	61	47
Mr Price (Lesotho) (Pty) Limited	2	1 000	1 000	-*	-*	10	10
Mr Price Group (Namibia) (Pty) Limited	3	100	100	-*	-*	28	33
Mr Price Chain Stores International Limited (Nigeria)	4	500 000	500 000	2	2	108	132
Mr Price Chain Stores International Limited (Ghana)	5	480 000	480 000	2	2	78	71
MRP Zambia Limited	6	5 000	5 000	-*	-*	64	67
Millews Fashions (Johannesburg) (Pty) Limited	7	28 000	28 000	-*	-*	3	4
Associated Credit Specialists (Pty) Limited	8	100	100	-*	-*	4	3
MRP Mobile (Pty) Limited	9	100	100	-*	-*	113	79
MRP Retail Australia (Pty) Limited	10	100	100	-*	-*	223	178
MRP Retail Kenya Limited	11	100 000	-	-*	-*	10	-
MRP Foundation NPC		-	-	-	-	-	-
Share Trusts							
Mr Price Group Staff Share Trust and Share Purchase Scheme						-	-
Mr Price Group Employees Share Investment Trust						-*	-*
Mr Price Executive Director Share Trust						4	2
Mr Price Executive Share Trust						3	2
Mr Price Senior Management Share Trust						2	1
Mr Price General Staff Share Trust						17	6
Mr Price Partners Share Trust						-*	-*
Dormant subsidiaries							
Raava Jewellers (Namibia) (Pty) Limited		100	100	1	1	-	-
Hughes Extension 17 Township (Pty) Limited		100	100	-*	-*	-	-
TOTAL				5	5	728	635

*less than R1 million

Notes:
1. Operates mrp, mrpHome, mrpSport, Miladys and Sheet Street stores in Botswana.
2. Operates mrp, mrpHome, Miladys and Sheet Street stores in Lesotho.
3. Operates mrp, mrpHome, Miladys, Sheet Street and mrpSport stores in Namibia.
4. Operates mrp stores in Nigeria.
5. Operates mrp stores in Ghana.
6. Operates mrp and mrpHome stores in Zambia.
7. Develops and leases premises to group operations.
8. Recovers overdue debts from credit customers.
9. Operates as a celluar MVNO (mobile virtual network operator) only in South Africa.
10. Operates mrp and mrpHome stores in Australia.
11. Operates mrp and mrpHome stores in Kenya.

At 31 March 2018, the company owns 100% of the equity and preference share capital (where applicable) of all subsidiaries and cell captives, having acquired the remaining 45% of MRP Mobile (Pty) Ltd on 2 January 2018.

ADMINISTRATION AND CONTACT DETAILS



COMPANY SECRETARY AND REGISTERED OFFICE
Janis Cheadle
Upper level, North Concourse, 65 Masabalala
Yengwa Avenue, Durban, 4001.
PO Box 912, Durban, 4000.
Tel: 031 310 8000

INVESTOR RELATIONS
Matthew Warriner
Upper level, North Concourse, 65 Masabalala
Yengwa Avenue, Durban, 4001.
PO Box 912, Durban, 4000.
Tel: 031 310 8000

TRANSFER SECRETARIES
Computershare Investor Services (Pty) Ltd,
Rosebank Towers, 15 Biermann Avenue,
Rosebank, 2196
PO Box 61051, Marshalltown, 2107.
Tel: 011 370 5000

DOMICILE AND COUNTRY OF INCORPORATION
Republic of South Africa

SPONSOR
Rand Merchant Bank

REGISTRATION NUMBER
1933/004418/06

INDEPENDENT AUDITOR
Ernst & Young Inc.

	ADDRESS	PHONE	FAX	WEBSITES
mrp	Upper level, North Concourse, 65 Masabalala	031 310 8638	031 304 3358	mrp.com mrp.com/ng mrp.com/au
mrpHome	Yengwa Avenue,	031 310 8809	031 328 4138	mrphome.com
mrpSport	Durban, 4001	031 310 8545	031 306 9347	mrpricesport.com
Sheet Street	Private Bag X04,	031 310 8300	031 310 8317	sheetstreet.co.za
mrpFoundation	Snell Parade,	031 310 8242	031 328 4609	mrpfoundation.org
Corporate	Durban, 4074	031 310 8000	031 304 3725	mrpricegroup.com
Miladys	30 Station Drive, Durban, 4001 PO Box 3562, Durban, 4000	031 313 5500	031 313 5620	miladys.co.za
mrpMoney mrpMobile	380 Dr Pixley KaSeme Street, Durban, 4001 PO Box 4996, Durban, 4000	031 367 3311 0800 000 430	031 306 0164	mrpmoney.co.za mrpmobile.com
Whistle Blowers	PO Box 51006, Musgrave, 4062	0860 005 111		whistleblowing.co.za
Customer Care		0800 212 535		
Account Services		0861 066 639		