2019

Annual Financial Statements

1 April 2018 - 30 March 2019

The Numbers

Contents

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

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

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

1: Statutory information

2: Primary statements

3: Notes to the financial statements

mr price group limited

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 30 March 2019 have been prepared under the supervision of the chief financial officer, Mr MJ Stirton CA (SA).

The annual financial statements of the company and the group were approved by the Board on 30 May 2019 and are signed on its behalf by:

NG Payne
Chairman

MM Blair
Chief executive officer

Company secretary statement

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

J Cheadle
Company secretary
30 May 2019

Report of the Directors

Nature of business

The main business of the group is omni-channel retail distribution through 1 323 corporate-owned, 36 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 report as set out in the King IV report on Corporate Governance for South Africa 2016 (King IV). By supporting King IV the directors have recognised the need to conduct the business with integrity and to account to stakeholders in accordance with International Financial Reporting Standards. Refer to the board report on pages 48 to 55.

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 1 April 2018 to 30 March 2019 (2018: 2 April 2017 to 31 March 2018).

Financial results

The financial results of the company and the group are set out in the statements of comprehensive income on page 106.

Dividends

Ordinary and B ordinary dividends

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

Interim: A cash dividend of 311.4 cents per share (2018: 279.0 cents per share) was made payable on 18 December 2018 to shareholders registered on 14 December 2018.

Final: A cash dividend of 424.8 cents per share (2018: 414.1 cents per share) has been declared payable on 24 June 2019 to shareholders registered on 21 June 2019.

Consolidated entities

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

R'm	**2019**	2018
Profits	**91**	142
Losses	**(87)**	(134)
	4	8

Net shareholders' equity

Authorised and issued share capital

There were no changes to authorised share capital. During the year 150 000 B ordinary shares were converted to ordinary shares.

Subsequent events

On 3 April 2019, the Mr Price Group Limited board approved the withdrawal of financial support to the Australia operations and as a result, the MRP Retail Australia (Pty) Ltd directors put the company into Part 5.3A administration on 2 May 2019. The Australian stores ceased trading on 30 April 2019. The closure of the Australia operations is a non-adjusting subsequent event and will be disclosed as discontinued operations in the 2020 financial year. No material financial impact is expected at this stage.

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

Directorate

Myles Ruck, independent non-executive director, retired by rotation on 30 August 2018.

Mmaboshadi Chauke was appointed as independent non-executive director on 21 November 2018.

Stuart Bird retired as chief executive officer on 31 December 2018 and as executive director on 31 March 2019.

Mark Blair, previous chief financial officer, was appointed as chief executive officer on 1 January 2019.

Mark Stirton was appointed as chief financial officer on 1 January 2019.

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

Particulars of the present directors and company secretary are provided on pages 49 and 55 of the annual integrated report. None of the directors have long-term service contracts with the company or any of its consolidated entities.

Emoluments

Details of emoluments paid to executive and non-executive directors are set out in the remuneration report on pages 64 to 81 and note 28 and note 36.

Interest in shares of the company

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

Ordinary shares

	2019					2018				
	Direct beneficial	Indirect beneficial	Held by associate	**Total**	%	Direct beneficial	Indirect beneficial	Held by associate	**Total**	%
Stuart Bird	114 114	-	-	**114 114**	0.04%	480 794	-	-	**480 794**	0.19%
Mark Blair	220 636	-	-	**220 636**	0.09%	254 635	-	400	**255 035**	0.10%
Stewart Cohen	15 875	-	44 588	**60 463**	0.02%	65 875	-	44 588	**110 463**	0.04%
Steve Ellis	131 482	-	-	**131 482**	0.05%	162 992	-	-	**162 992**	0.06%
Keith Getz	-	-	20 000	**20 000**	0.01%	-	-	20 000	**20 000**	0.01%
Bobby Johnston	-	-	91 250	**91 250**	0.04%	-	-	91 250	**91 250**	0.04%
Mark Stirton	55 185	-	-	**55 185**	0.02%	-	-	-	**-**	-
Total				**693 130**	0.27%				**1 120 534**	0.44%
Total issued share capital				**256 945 727**					**256 795 727**	

B Ordinary shares

	2019					2018				
	Direct beneficial	Indirect beneficial	Held by associate	**Total**	%	Direct beneficial	Indirect beneficial	Held by associate	**Total**	%
Stewart Cohen	-	3 350 000	-	**3 350 000**	41.90%	-	3 500 000	-	**3 500 000**	42.97%
Bobby Johnston	-	-	46 504	**46 504**	0.58%	-	-	46 504	**46 504**	0.57%
Total				**3 396 504**	42.48%				**3 546 504**	43.54%
Total B ordinary issued share capital				**7 995 234**					**8 145 234**	

Notes:
1. Stuart Bird retired on 31 March 2019.
2. Mark Blair's associate reached majority during the FY2018 reporting period and therefore disclosure is no longer required.
3. The following FSP shares were forfieted during the FY2019 reporting period due to performance hurdles not being reached:
   3.1 Stuart Bird 10 341 shares.
   3.2 Mark Blair 6 334 shares.
   3.3 Steve Ellis 2 233 shares.
4. Mark Stirton was appointed as a director on 1 January 2019.
5. Catregav Investment Trust converted 150 000 B Ordinary Shares to Ordinary shares on 28 November 2018.
   Consequently, the issued B ordinary share capital has reduced by 150 000 to 7 995 234 B Ordinary shares and the issued Ordinary share capital has increased by 150 000 to 256 945 727.
6. The 4 598 730 B ordinary shares not detailed above are held by:
   6.1 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.
   6.2 Laurie Chiappini (3 200 912 shares).
   6.3 Allister McArthur (200 shares).
7. There have been no changes in the above interests between the year end and the date of approval of these financial statements.

Final Cash Dividend Declaration

Notice is hereby given that a final gross cash dividend of 424.80 cents per share has been declared for the 52 weeks ended 30 March 2019. 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 339.84 cents per share. The dividend withholding tax rate is 20%.

Annual dividends per share increased by 6.2% to 736.20 cents and the final dividend per share of 424.80 cents is 2.6% higher than the comparable period. Dividends have been based on a dividend payout ratio of 63% of headline earnings per share.

The issued share capital at the declaration date is 256 945 727 listed ordinary and 7 995 234 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**	**18 June 2019**
Date trading commences 'ex' the dividend	**Wednesday**	**19 June 2019**
Record date	**Friday**	**21 June 2019**
Payment date	**Monday**	**24 June 2019**

Shareholders may not dematerialise or rematerialise their share certificates between Wednesday, 19 June 2019 and Friday, 21 June 2019, both dates inclusive.

The dividend was approved on behalf of the board on 29 May 2019 in Durban by:

NG Payne
Chairman

MM Blair
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") set out on pages 106 to 152, which comprise the consolidated and separate statements of financial position as at 30 March 2019, 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 the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 30 March 2019, and its consolidated and separate financial performance and 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 and Separate Financial Statements section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing the audit of the financial statements of the group. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IRBA Code, IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of the group. 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. For each matter below, our description of how the audit addressed the matter is provided in that context.

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

The Key Audit Matters applies equally to the audit of the Consolidated and Separate Financial Statements.

Key audit matter	How our audit addressed the key audit matter
Write-down of inventories	
The write-down of inventories considers management's expectations of inventory on hand that will be sold below cost, or not sold at all. We considered the write-down of inventories to be an area of most significance as write-down of inventories includes assumptions and estimates which requires the application of management judgement. The future saleability and effect of fashion trends and seasonal changes considers the current and prior year's operating environment and time to market, which are the areas that require the most judgement in the determination of the write-down of inventories. We considered the relevance of historic data with respect to prior year inventories sold below cost or not sold at all in the current year. We refer to note 3 (Significant accounting estimates) and note 9 (Inventories) to 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 write-down of inventories by assessing the accuracy of the data, which uses historical information and trends applied against the current inventory ageing profile. • We assessed the future saleability of inventories by obtaining an understanding of management's process and its effect on the write-down of inventories. In addition, the write-down has been compared to other retailers within the South African retail environment for reasonableness. • We assessed the future saleability of inventories by evaluating the write-down of inventories against write-off rates by comparing these to historical data trends and the ageing profile of the inventory. We also considered the current macro-economic trading conditions and its effect on the write-down of inventories. • We reperformed management's calculation of the write-down of inventories and tested the data used in the calculation. • We assessed the disclosures relating to the write-down in terms of the disclosure requirements of IAS 2: *Inventories*.

Key audit matter	How our audit addressed the key audit matter
Allowance for Impairment of trade receivables	
The allowance for impairment of trade receivables represents management's estimate of trade receivables that may not be recovered post the reporting period. We considered the allowance for impairment of trade receivables to be an area of most significance as there is significant judgement applied in determining the allowance for impairment of trade receivables, particularly regarding the implementation of the expected credit loss model in terms of *IFRS 9: Financial Instruments* compared to the incurred loss model previously accounted for under *IAS 39: Financial Instruments: Recognition and measurement*. The assumptions which impact the future cash collections include; • the effect of expected recoveries, • debt reviews, and • macro-economic risk factors. We considered the impact of the macro-economic factors applied to the new model, amongst others, in management's assessment of 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 3 (Significant accounting estimates) note 10 (Trade and other receivables) and note 19 (Financial risk management) to the annual financial statements for the related disclosure.	**Our procedures included, amongst others, the following:** • We updated our understanding of the allowance for impairment of trade receivables process, including controls over the data and assumptions used in the calculation, and we assessed the design and the operating effectiveness of these controls. • We evaluated all data inputs used in the expected credit loss model which was vouched to supporting documentation. • Our economic and quantitative specialists assessed the assumptions applied in the expected credit loss model by reperforming an independent calculation of the impairment provision. In addition, a reasonability assessment of the macro-economic forecasts, used in the model, was performed by our specialists for the various scenarios applied in the expected credit loss model. • We assessed the disclosures relating to the allowance for impairment of trade receivables in terms of the disclosure requirements of IFRS 9: *Financial instruments*.

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. We considered taxation as an area of most significance as management's assessment of these exposures requires significant estimation and judgement, which considers the advice of external taxation professionals and senior counsel. We refer to note 3 (Significant accounting estimates) and notes 25 (Contingencies and commitments), 26 (Taxation) and 27 (Deferred taxation) to the annual 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 and evaluated 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. • We evaluated the group's judgements in respect of estimates of tax exposures, recoverable amounts and contingencies. • We assessed the disclosures regarding tax positions and recognised deferred taxation in terms of IAS 12: *Income Taxes*.

Other information

The 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, and the integrated annual report which we 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.

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

In connection with our audit of the consolidated and separate 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.

Responsibilities of the Directors and those charged with governance for the Consolidated and Separate Financial Statements

The directors are 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 the directors determine 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, the directors are 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 the directors either intend 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 Consolidated and Separate 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 consolidated and separate 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 consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group'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.

We 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.

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

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

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, and subsequent guidance, we report that Ernst & Young Inc., and its predecessor firm, has been the auditor of Mr Price Group Limited for thirty-seven 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.

Ernst & Young Inc.

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

1 Pencarrow Crescent, La Lucia Ridge Office Estate, Durban, 4000
30 May 2019

Shareholder Information

For the year ended 30 March 2019

Shareholder's diary

May/June	Announcement of annual results and declaration of final dividend to shareholders
June	Publication of 2019 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 28 September 2019
	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 – 1 000	16 985	78.96	4 543 786	1.77	1	20.00	200	0.00
1 001 - 10 000	3 453	16.05	10 286 720	4.00				
10 001 - 100 000	828	3.85	26 062 753	10.14				
100 001 - 1 000 000	196	0.91	57 294 116	22.30	1	20.00	794 148	9.93
1 000 001 and over	50	0.23	158 758 352	61.79	3	60.00	7 200 886	90.07
	21 512	100.00	**256 945 727**	100.00	**5**	100.00	**7 995 234**	100.00

Category	Number of share-holders	%	Number of shares	%	Number of share-holders	%	Number of shares	%
Pension funds	299	1.39	70 530 955	27.45				
Unit Trusts/ Mutual Funds	462	2.15	83 933 371	32.67				
Nominee companies and corporate bodies	20 477	95.19	80 264 590	31.24	2	40.00	3 999 974	50.03
Individuals and trusts	265	1.23	16 864 063	6.56	3	60.00	3 995 260	49.97
Staff share schemes	9	0.04	5 352 748	2.08				
	21 512	100.00	**256 945 727**	100.00	**5**	100.00	**7 995 234**	100.00

Public and non-public shareholders

At 30 March 2019 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	21 493	99.91
Non-public shareholders	19	0.09
Holders holding more than 10%	-	-
Directors of the company or its subsidiaries	7	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 30 March 2019:

	Beneficial holding		Portfolio administration Discretionary	
	%	Shares	%	Shares
Public Investment Corporation Limited	12.58	32 333 060	13.26	34 066 034
J.P. Morgan Asset Management	5.34	13 730 901		
BlackRock Inc.	5.21	13 368 296		

Details of the beneficial interest in B ordinary shares are reflected in the report of the directors, pages 48 to 55.

Consolidated Income Statements

for the year ended 30 March 2019

R'm	Notes	Group 2019	Group 2018	Company 2019	Company 2018
Revenue	4	**22 585**	21 347	**22 023**	20 780
Retail sales and other revenue		**22 361**	21 185	**21 797**	20 623
Retail sales		**20 877**	19 994	**20 338**	19 483
Interest on trade receivables		**373**	365	**371**	364
Income from consolidated entities				**185**	137
Premium income		**261**	257	**257**	253
Club fees		**23**	23	**23**	22
Airtime and related mobile revenue		**677**	418	**499**	256
Other revenue		**150**	128	**124**	108
Finance interest received		**224**	162	**226**	157
Costs and expenses		**18 423**	17 453	**17 929**	16 878
Cost of sales		**12 317**	11 582	**12 207**	11 462
Selling expenses		**4 691**	4 492	**4 271**	4 054
Administrative and other operating expenses		**1 415**	1 379	**1 451**	1 362
Profit from operating activities	5	**3 938**	3 732	**3 868**	3 745
Finance costs		**(4)**	(2)	**(3)**	(2)
Finance interest received		**224**	162	**226**	157
Profit before taxation		**4 158**	3 892	**4 091**	3 900
Taxation	26	**1 176**	1 111	**1 145**	1 083
Profit after taxation		**2 982**	2 781	**2 946**	2 817
Attributable to:					
Non-controlling interests*			-*		
Equity holders of the parent		**2 982**	2 781		
Profit attributable to shareholders		**2 982**	2 781	**2 946**	2 817

*less than R1 million

	Notes	Group 2019	Group 2018	
Earnings per share	8	cents per share	cents per share	% change
Basic		**1 151.6**	1 076.4	**7.0**
Headline		**1 168.6**	1 100.1	**6.2**
Diluted basic		**1 125.7**	1 052.2	**7.0**
Diluted headline		**1 142.3**	1 075.4	**6.2**

Consolidated Statements of Comprehensive Income

for the year ended 30 March 2019

R'm	Notes	Group 2019	Group 2018	Company 2019	Company 2018
Profit attributable to shareholders		**2 982**	2 781	**2 946**	2 817
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss:					
Currency translation adjustments	31	**21**	(58)		
Net gain/(loss) on hedge accounting		**160**	(115)	**160**	(115)
Deferred taxation thereon		**(45)**	37	**(45)**	37
Items that will not be reclassified subsequently to profit or loss:					
Defined benefit fund actuarial (loss)/gain	23	**(7)**	7	**(7)**	7
Deferred taxation thereon	23	**2**	(2)	**2**	(2)
Total comprehensive income for the year attributable to shareholders, net of taxation		**3 113**	2 650	**3 056**	2 744
Attributable to:					
Non-controlling interests*			-*		
Equity holders of the parent		**3 113**	2 650	**3 056**	2 744
Total comprehensive income for the year attributable to shareholders, net of taxation		**3 113**	2 650	**3 056**	2 744

* less than R1 million

Consolidated Statements of Financial Position

as at 30 March 2019

		Group		Company	
R'm	Notes	**2019**	2018	**2019**	2018
Assets					
Non-current assets		**2 655**	2 628	**2 629**	2 634
Property, plant and equipment	15	**2 117**	2 092	**2 027**	2 023
Intangible assets	16	**423**	433	**391**	402
Consolidated entities	32			**143**	143
Long-term receivables and other investments	18	**40**	18	**4**	2
Defined benefit fund asset	23	**64**	63	**64**	63
Deferred taxation assets	27	**11**	22	**-**	1
Current assets		**8 481**	7 491	**8 468**	7 206
Inventories	9	**2 692**	2 215	**2 470**	2 061
Trade and other receivables	10	**2 179**	2 369	**2 096**	2 295
Derivative financial instruments	19	**27**	1	**27**	1
Reinsurance assets	12	**304**	146	**304**	146
Current amounts owing by consolidated entities	32			**1 002**	641
Taxation		**4**	4		
Cash and cash equivalents	13	**3 275**	2 756	**2 569**	2 062
Non-current asset held for sale	17	**9**	-		
Total assets		**11 145**	10 119	**11 097**	9 840
Equity and liabilities					
Equity attributable to equity holders of the parent		**8 682**	7 455	**8 177**	7 269
Issued capital*	28	**-***	-*	**-***	-*
Capital reserves	29	**369**	308	**323**	264
Treasury share transactions	30	**(1 474)**	(1 398)	**(2 204)**	(2 164)
Retained income		**9 902**	8 791	**10 041**	9 262
Foreign currency translation reserve	31	**(132)**	(153)		
Defined benefit fund actuarial gains and losses	23	**(3)**	2	**(3)**	2
Cash flow hedge reserve	19	**20**	(95)	**20**	(95)
Total equity		**8 682**	7 455	**8 177**	7 269
Non-current liabilities		**289**	257	**271**	218
Lease obligations	20	**190**	185	**177**	174
Deferred taxation liabilities	27	**46**	1	**52**	-
Long-term provisions	21	**11**	29	**-**	2
Long-term liabilities	22	**11**	13	**11**	13
Post retirement medical benefits	23	**31**	29	**31**	29
Current liabilities		**2 174**	2 407	**2 649**	2 353
Trade and other payables	11	**1 920**	1 982	**1 850**	1 896
Derivative financial instruments	19	**-***	133	**-***	133
Reinsurance liabilities	12	**46**	38	**46**	38
Current amounts owing to consolidated entities	32			**566**	45
Current provisions	21	**13**	11	**-**	2
Current portion of lease obligations	20	**33**	25	**29**	23
Taxation		**37**	182	**33**	180
Bank overdraft	13	**125**	36	**125**	36
Total liabilities		**2 463**	2 664	**2 920**	2 571
Total equity and liabilities		**11 145**	10 119	**11 097**	9 840

*less than R1 million

Consolidated Statements of Cash Flows

for the year ended 30 March 2019

		Group		Company	
R'm	Notes	**2019**	2018^	**2019**	2018^
Cash flows from operating activities					
Operating profit before working capital changes	14.1	**4 009**	3 881	**3 945**	3 752
Working capital changes	14.2	**(490)**	(13)	**(405)**	(36)
Cash generated from operations		**3 519**	3 868	**3 540**	3 716
Interest on trade receivables		**373**	365	**371**	364
Finance costs		**(4)**	(2)	**(3)**	(2)
Finance income received		**222**	162	**224**	157
Taxation paid	14.3	**(1 253)**	(891)	**(1 228)**	(862)
Net cash inflows from operating activities		**2 857**	3 502	**2 904**	3 373
Cash flows from investing activities					
(Outflows)/inflows in respect of long-term receivables	14.4	**(9)**	5	**(2)**	2
Acquisition of Kenyan franchise	34	**(19)**	-	**-**	-
Replacement of intangible assets	16	**(24)**	(23)	**(24)**	(23)
Additions to intangible assets	16	**(94)**	(106)	**(90)**	(103)
Replacement of property, plant and equipment	15	**(129)**	(111)	**(127)**	(108)
Additions to property, plant and equipment	15	**(177)**	(221)	**(156)**	(201)
Proceeds on disposal of property, plant and equipment		**1**	1	**1**	1
Net cash outflows from investing activities		**(451)**	(455)	**(398)**	(432)
Cash flows from financing activities					
Proceeds from issue of shares	28	**-***	-	**-***	-
Payment of financial liability	14.7	**(4)**	-	**(4)**	-
Increase in current amounts owing to consolidated entities	14.5	**-**	-	**522**	22
Increase in current amounts owing by consolidated entities	14.5	**-**	-	**(649)**	(49)
Outflow in respect of long-term liability		**-**	(51)	**-**	-
Dividends to shareholders	14.6	**(1 916)**	(1 893)	**(1 922)**	(1 902)
Grants to staff share trusts		**-**	-	**(48)**	(40)
Acquisition of non-controlling interest		**-**	(1)		
Sale of shares by staff share trusts		**340**	316		
Purchase of shares by staff share trusts		**(239)**	(285)		
Deficit on treasury share transactions		**(183)**	(139)		
Net cash outflows from financing activities		**(2 002)**	(2 053)	**(2 101)**	(1 969)
Net increase in cash and cash equivalents		**404**	994	**405**	972
Cash and cash equivalents at beginning of the year		**2 720**	1 784	**2 026**	1 063
Exchange gains/(losses)		**26**	(58)	**13**	(9)
Cash and cash equivalents at end of the year	13	**3 150**	2 720	**2 444**	2 026

^ Re-presented for comparative disclosure purposes and reclassifications (refer note 1.2)
* less than R1 million

Statement of Changes in Equity

for the year ended 30 March 2019

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	Non-controlling interests	Total Equity
		Attributable to the Equity Holders of the Parent: Capital Reserves				Treasury Share Transactions									
Group															
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	31								(58)				**(58)**		**(58)**
Net gain on hedge accounting	31										(115)		**(115)**		**(115)**
Deferred taxation thereon											37		**37**		**37**
Defined benefit fund actuarial gains	23									7			**7**		**7**
Deferred taxation thereon	23									(2)			**(2)**		**(2)**
Conversion of B ordinary to ordinary share capital	28	-*	-*										**-***		**-***
Treasury shares acquired	30					(285)							**(285)**		**(285)**
Taxation relating to grants to share trusts	30							10					**10**		**10**
Effect of consolidation of staff share trusts	29			(6)		6							**-**		**-**
Deficit on treasury share transactions	30						(139)						**(139)**		**(139)**
Recognition of share-based payments					87								**87**		**87**
Share-based payments reserve released to retained income for vested options					(90)							90	**-**		**-**
Treasury shares sold	30					316							**316**		**316**
Non-controlling interest acquired												(32)	**(32)**	12	**(20)**
2017 final dividend to shareholders	7											(1 157)	**(1 157)**		**(1 157)**
2018 interim dividend to shareholders	7											(736)	**(736)**		**(736)**
Balance at 31 March 2018		**-***	**12**	**32**	**264**	**(334)**	**(1 401)**	**337**	**(153)**	**2**	**(95)**	**8 791**	**7 455**	**-**	**7 455**
IFRS 9 adjustment, net of tax	2											(8)	**(8)**		**(8)**
IFRS 15 adjustment, net of tax	2											3	**3**		**3**
Adjusted opening retained earnings		**-***	**12**	**32**	**264**	**(334)**	**(1 401)**	**337**	**(153)**	**2**	**(95)**	**8 786**	**7 450**	**-**	**7 450**
Total comprehensive income									21	(5)	115	2 982	**3 113**	-	**3 113**
Profit for the year												2 982	**2 982**	-	**2 982**
Other comprehensive income									21	(5)	115	-	**131**	-	**131**
Currency translation adjustments	31								21				**21**		**21**
Net loss on hedge accounting											160		**160**		**160**
Deferred taxation thereon											(45)		**(45)**		**(45)**
Defined benefit fund actuarial losses	23									(7)			**(7)**		**(7)**
Deferred taxation thereon	23									2			**2**		**2**
Conversion of B ordinary to ordinary share capital	28	-*	-*										**-***		**-***
Treasury shares acquired	30					(239)							**(239)**		**(239)**
Taxation relating to grants to share trusts	30							8					**8**		**8**
Effect of consolidation of staff share trusts	29			2		(2)							**-**		**-**
Deficit on treasury share transactions	30						(183)						**(183)**		**(183)**
Recognition of share-based payments	28				109								**109**		**109**
Share-based payments reserve released to retained income for vested options					(50)							50	**-**		**-**
Treasury shares sold	30					340							**340**		**340**
2018 final dividend to shareholders	7											(1 094)	**(1 094)**		**(1 094)**
2019 interim dividend to shareholders	7											(822)	**(822)**		**(823)**
Balance at 30 March 2019		**-***	**12**	**34**	**323**	**(235)**	**(1 584)**	**345**	**(132)**	**(3)**	**20**	**9 902**	**8 682**	**-**	**8 682**

*less than R1 million

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Statement of Changes in Equity (continued)

for the year ended 30 March 2019

		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 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 gains	23									7			**7**
Deferred taxation thereon	23									(2)			**(2)**
Net gain on hedge accounting											(115)		**(115)**
Deferred taxation thereon											37		**37**
Conversion of B ordinary to ordinary share capital	28												**-**
Grants to staff share trusts	30					(40)							**(40)**
Taxation relating to grants to share trusts	30							10					**10**
Recognition of share-based payments	28				87								**87**
Share-based payments reserve released to retained income for vested options					(90)							90	**-**
2017 final dividend to shareholders	7											(1 163)	**(1 163)**
2018 interim dividend to shareholders	7											(739)	**(739)**
Balance at 31 March 2018		**-***	**-***		**264**	**(2 229)**	**(272)**	**337**		**2**	**(95)**	**9 262**	**7 269**
IFRS 9 adjustment, net of tax	2											(295)	**(295)**
IFRS 15 adjustment, net of tax	2											-*	**-***
Adjusted opening retained earnings		**-***	**-***	**-**	**264**	**(2 229)**	**(272)**	**337**	**-**	**2**	**(95)**	**8 967**	**6 974**
Total comprehensive income										(5)	115	2 946	**3 056**
Profit for the year												2 946	**2 946**
Other comprehensive income										(5)	115		**110**
Defined benefit fund actuarial losses	23									(7)			**(7)**
Deferred taxation thereon	23									2			**2**
Net loss on hedge accounting											160		**160**
Deferred taxation thereon											(45)		**(45)**
Conversion of B ordinary to ordinary share capital	28	-*	-*										**-***
Grants to staff share trusts	30					(48)							**(48)**
Deficit on treasury share transactions	30												**-**
Taxation relating to grants to share trusts	30							8					**8**
Recognition of share-based payments	28				109								**109**
Share-based payments reserve released to retained income for vested options					(50)							50	**-**
													-
2018 final dividend to shareholders	7											(1 097)	**(1 097)**
2019 interim dividend to shareholders	7											(825)	**(825)**
Balance at 30 March 2019		**-***	**-***	**-**	**323**	**(2 277)**	**(272)**	**345**	**-**	**(3)**	**20**	**10 041**	**8 177**

*less than R1 million

Notes to the Financial Statements

For the year ended 30 March 2019

1.1 Basis of preparation

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

The consolidated financial statements comprise the financial statements of the group and its consolidated entities as at 30 March 2019. 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 1 April 2018 to 30 March 2019 (2018: 52 week period from 2 April 2017 to 31 March 2018).

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

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

The consolidated financial statements provide comparative information in respect of the previous period. Please refer to the prior year accounting policies for the comparative numbers, specifically relating to Revenue and Financial Instruments. Unless otherwise indicated, any references to the group include the company.

1.2 Re-presentation and reclassifications to the cash flow statement

The following items were previously presented on a net basis and have been re-presented on a gross basis:
- Finance costs/finance income received (group and company)
- Sale/purchase of shares by staff share trusts (group)
- Current amounts owing to/by consolidated entities (company)
- Deficit on treasury share transactions

The impact on net cash inflows from operating activities and net cash outflows from financing activities is Rnil.

	Group		Company	
R'm	2018 as reported for the year ended 31 Mar 2018	2018 as reported for the year ended 30 Mar 2019	2018 as reported for the year ended 31 Mar 2018	2018 as reported for the year ended 30 Mar 2019
Net cash inflows from operating activities				
Net finance income received	160		155	
Finance income received		162		157
Finance costs		(2)		(2)
Net cash outflows from financing activities				
Treasury share transactions	(108)			
Sale of shares by staff share trusts		316		
Purchase of shares by staff share trusts		(285)		
Deficit on treasury share transactions		(139)		
Decrease in net current amounts owing to/by consolidated entities			(27)	
Increase in current amounts owing to consolidated entities				22
Decrease in current amounts owing to consolidated entities				(49)

Movements in reinsurance assets and liabilities were incorrectly included in operating profit before working capital changes in the statement of cash flows. These have been reclassified to changes in working capital under cash generated from operations.

The impact of the reclassifications is as follows:

	Group and Company
R'm	2018
Operating profit before working capital changes	20
Working capital changes	(20)
Cash generated from operations	-

2.1 Adoption of new standards and changes in accounting policies

The following new standards and interpretations that were applicable were adopted during the year. Except for IFRS 9 and 15 these new standards and interpretations did not lead to any changes in the group's accounting policies. There were other amendments issued by the IASB which came into effect for the current financial period which were not applicable to the group.

Statement, Interpretation or Standard	Effective for annual periods beginning
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
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 group applied both IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' using the modified retrospective approach, by recognising the cumulative effect of initially applying IFRS 9 and IFRS 15 as an adjustment to the opening balance of equity at 1 April 2018. Therefore the comparative information has not been restated and continues to be reported under IAS 18 'Revenue' and IAS 39 'Financial Instruments'.

IFRS 9 Financial Instruments

The key impact of IFRS 9 is the new impairment model for financial assets, impacting the group's debtors book. The new impairment model reflects expected credit losses based on forward-looking information as opposed to incurred credit losses under IAS 39. The group has adopted the general impairment approach for retail debtors (R7m increase on opening balance of provision) and the simplified approach for mobile debtors (R4m increase on opening balance of provision). The combined deferred tax impact is an increase in deferred tax (R3m increase in deferred tax asset).

The group has reviewed and assessed existing financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the group's financial assets as regards their classification and measurement:

Instrument	Classification under IAS 39	Classification under IFRS 9
Derivative financial instruments	Derivatives accounted for as hedges	Derivatives accounted for as hedges
Long term loans	Loans and receivables	Amortised cost
Trade and other receivables	Loans and receivables	Amortised cost

Financial liabilities are classified as amortised cost except for those derivative liabilities that are measured at FVTPL.

Carrying amounts have not changed as a result of the transition to IFRS 9 except for the ECL adjustment.

The company adopted the general impairment approach for retail debtors (R7m increase on opening balance of provision) and the general impairment approach for intercompany debtors (R289m increase on opening balance of provision). The combined deferred tax impact is an increase in deferred tax (R1m increase in deferred tax asset).

Refer to the statement of changes in equity for the impact on opening retained income. IFRS 9 has been applied prospectively for hedge accounting and has no impact on the comparative figures.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 key areas of impact for the group are changes in timing and amount of recognition of MRP Mobile contract revenue and recognition of a refund liability and related right of return asset.

The contract asset which is included in trade and other receivables (R5m increase in opening balance of contract asset) arises when the incremental costs of obtaining a contract is recognised if recovery is expected. Costs are amortised as revenue on the contract is recognised. The recognition of the refund liability which is included in trade and other payables (R12m increase in opening balance) and related right of return asset which is included in trade and other receivables (R7m increase in opening balance) are now recognised on a gross basis as a result of variable consideration due to the customer's right to return goods. The credit note provision, previously included in trade and other payables, of R4m was derecognised. The combined deferred tax impact is a decrease in deferred tax (R1m decrease in deferred tax asset). IFRS 15 compared to IAS 18 impact on revenue was less than R1m and cost of sales decreased R17m.

The company is impacted by the recognition of the refund liability and related right of return asset and derecognition of the credit note provision (impact was less than R1m).

Refer to the statement of changes in equity for the impact on opening retained income.

2.2 Standards and amendments issued but not yet effective
At the date of authorisation of these financial statements, the following statements, interpretations and standards were in issue but not yet effective:

Statement, Interpretation or Standard	**Effective for annual periods beginning**
IFRS 16 Leases	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
IAS 19 Plan amendment, Curtailment or Settlement – amendments	1 January 2019
IFRS 9 Prepayments Features with Negative compensation - amendments	1 January 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	1 January 2019
Conceptual Framework for Financial Reporting	1 January 2020
IFRS 3 Definition of a Business - amendments	1 January 2020
IAS 1 and IAS 8 Definition of Material - amendments	1 January 2020
IFRS 17 Insurance Contracts	1 January 2021

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

IFRS 16 Leases
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 impact will be significant for the group as at the end of FY2019 there are 1 323 stores and the group's future minimum rentals payable under non-cancellable leases amounted to R4 billion, on an undiscounted basis (refer note 20). These amounts do not include the impact of renewal options. 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). Assets are expected to increase between 40% - 50% as a result of the right of use asset. The lease liability, including a renewal period where applicable, is expected to be between 90% - 100% greater than the current periods total liabilities. Total overheads (including lease liability interest) is expected to be impacted by between 1% - 2%. The group will use the modified retrospective approach.

IFRS 17 Insurance Contracts
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 recognise 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 FY2020 in preparation for the standard being effective in FY2021.

3. 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 23.1.3, 23.2 and 28.5). Due to the long-term nature of these liabilities such estimates are subject to uncertainty.

Provision for net realisable value of inventory

The provision for net realisable value of inventory represents management's estimate of the extent to which merchandise on hand at the reporting date will be sold below cost. This estimate takes into consideration past trends, evidence of impairment at year end and an assessment of future saleability, which takes into account fashionability 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 historic and forward looking economic data such as the current and future unemployment rate and future changes to debt service cost to income and consumer price index.

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.

Results of Operations

4. Revenue

R'm	Group 2019	Group 2018	Company 2019	Company 2018
The disaggregated revenue is as follows:				
Revenue from contracts with customers	**21 815**	20 669	**21 094**	19 992
Retail sales	**20 877**	19 994	**20 338**	19 483
Premium income	**261**	257	**257**	253
*Cellular and mobile income	**677**	418	**499**	256
Interest and charges on debtors	**499**	467	**498**	466
Other sundry income	**47**	49	**212**	165
Finance income	**224**	162	**219**	157
Revenue	**22 585**	21 347	**22 023**	20 780

*The application of IFRS 15 in the current year resulted in a R5 million increase in the opening balance of the contract asset. Refer to the statement of changes in equity for the IFRS 15 adjustment to retained income.

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

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

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

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

Retail sales
Retail sales comprise net income from the sale of merchandise and are recognised when control of the merchandise is transferred to the customer. It is the group's policy to sell its products to the retail customer with a right to return within a specified period. Accumulated experience is used to estimate and provide for such returns. Under IFRS 15, a right to return asset has been recognised by the group in FY2019. Refer to note 10 for this disclosure. In turn the group will record a refund liability (refer to note 11) for the amount of revenue not expected to be recognised.

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

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

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

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

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

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

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

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

Prior to 1 April 2018, revenue was recognised and measured in accordance with IAS 18 "Revenue". 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. The group recognised revenue when there was evidence of an arrangement, collectibility was 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.

5. Profit from operating activities

	Group		Company	
R'm	**2019**	2018	**2019**	2018
Arrived at after (crediting)/charging the following:				
Income from consolidated entities			**(186)**	(137)
Dividend income			**(66)**	(21)
Fees			**(120)**	(116)
Amortisation of intangible assets (page 127)	**67**	55	**64**	53
Associate costs	**2 421**	2 355	**2 284**	2 223
Salaries, wages and other benefits	**2 153**	2 117	**2 023**	1 992
Share-based payments (note 28.5)	**109**	87	**109**	87
Defined contribution pension funds expense	**164**	154	**157**	147
Defined benefit pension fund net expense	**(5)**	(3)	**(5)**	(3)
Current service cost	**2**	3	**2**	3
Interest cost	**6**	7	**6**	7
Expected return on fund assets	**(13)**	(13)	**(13)**	(13)
Auditors' remuneration	**9**	9	**8**	8
Audit fees	**9**	9	**8**	8
Other services	**-***	-	**-***	-
Consulting fees	**24**	23	**18**	19
Technical services	**21**	19	**18**	19
Administrative and other services	**3**	4	**-**	-
Depreciation of property, plant and equipment (pages 123 and 125)	**297**	273	**279**	253
Impairment/write off of intangible assets (page 127)	**60**	14	**60**	14
Impairment/write off of property, plant and equipment	**-**	-*	**-**	1
Movement in provisions (note 21)	**(16)**	23	**(4)**	(2)
Net loss on disposal and scrapping of property, plant and equipment	**1**	71	**2**	52
Net loss on foreign exchange	**81**	50	**81**	50
Transactions	**81**	50	**81**	50
Operating lease rentals	**1 573**	1 536	**1 417**	1 390
Land and buildings	**1 543**	1 506	**1 387**	1 360
Equipment	**21**	21	**21**	21
Motor vehicles	**9**	9	**9**	9

* less than R1 million

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

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

6. Segmental reporting

Business segments

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

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

The Apparel segment retails clothing, sportswear, footwear, sporting equipment and accessories;
The Home segment retails homewares;
The Financial Services and Cellular segment provides Financial products and services as well as Cellular services; and
The Central Services segment provides services to the trading segments including information technology, internal audit, 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 Cellular		Central services		Eliminations		Total	
R'm	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Retail sales and other income^	**15 605**	15 027	**5 298**	5 002	**1 437**	1 141	**68**	80	**(47)**	(65)	**22 361**	21 185
External	**15 605**	15 027	**5 298**	5 002	**1 437**	1 141	**21**	15	**-**	-	**22 361**	21 185
Internal	**-**	-	**-**	-	**-**	-	**47**	65	**(47)**	(65)	**-**	-
Profit from operating activities	**2 804**	2 713	**882**	785	**420**	425	**(168)**	(191)	**-**	-	**3 938**	3 732
Finance income received^											**224**	162
Finance cost											**(4)**	(2)
Profit before taxation											**4 158**	3 892
Taxation											**(1 176)**	(1 111)
Profit attributable to shareholders											**2 982**	2 781
Divisional assets	**2 910**	2 465	**825**	787	**2 450**	2 281	**4 960**	4 586	**-**	-	**11 145**	10 119
Divisional liabilities	**1 326**	1 511	**551**	546	**182**	150	**411**	463	**(7)**	(6)	**2 463**	2 664
Capital expenditure	**156**	198	**81**	69	**23**	20	**164**	174	**-**	-	**424**	461
Depreciation and amortisation	**152**	144	**59**	52	**13**	8	**140**	124	**-**	-	**364**	328

^ Revenue (refer note 4) consists of retail sales and other income and finance income received.

Geographical segments

	South Africa		International		Total	
R'm	**2019**	2018	**2019**	2018	**2019**	2018
Retail sales and other income	**20 871**	19 850	**1 490**	1 335	**22 361**	21 185
Assets	**10 788**	9 860	**357**	259	**11 145**	10 119
Capital expenditure	**402**	439	**22**	22	**424**	461

Accounting policy

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

7. Dividends to shareholders

	Group		Company	
R'm	**2019**	2018	**2019**	2018
Ordinary and B ordinary shares	**1 094**	1 157	**1 097**	1 163
Prior year final dividend: 414.1 cents per share (2018: 438.8 cents per share)	**1 097**	1 163	**1 097**	1 163
Dividend paid by Partners Share Trust	**13**	14	**-**	-
Less: dividend received on shares held by staff share trusts	**(16)**	(20)	**-**	-
	822	736	**825**	739
Current year interim dividend: 311.4 cents per share (2018: 279.0 cents per share)	**825**	739	**825**	739
Dividend paid by Partners Share Trust	**9**	9	**-**	-
Less: dividend received on shares held by staff share trusts	**(12)**	(12)	**-**	-
Total net dividend to shareholders	**1 916**	1 893	**1 922**	1 902

In respect of the current year, the board of directors propose that on the 24 June 2019, a cash dividend of 424.8 cents per share be paid to shareholders who are registered on the "Record date" of 21 June 2019. 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.

Accounting policy

Dividends in respect of equity instruments are recorded in the period in which they are declared and are charged directly to equity.

8. Earnings per ordinary and B ordinary share

8.1 Reconciliation of earnings

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

	Group and Company	
R'm	**2019**	2018
Basic earnings - profit attributable to shareholders	**2 982**	2 781
Loss on disposal, scrapping and write off of property, plant and equipment and intangible assets	**61**	85
Taxation thereon	**(17)**	(24)
Headline earnings	**3 026**	2 842

8.2 Number of shares

The weigted average number of shares in issue amount to 258 921 744 (2018: 258 375 442).

8.3 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	**2019**	2018
Number of shares per basic earnings per share calculation	**258 921 744**	258 375 442
Weighted average number of ordinary shares under option deemed to have been issued for no consideration	**5 961 359**	5 930 423
Number of shares for calculation of diluted earnings per share	**264 883 103**	264 305 865

Working Capital

9. Inventories

	Group		Company	
R'm	**2019**	2018	**2019**	2018
Merchandise purchased for resale	**2 663**	2 186	**2 454**	2 041
Consumable stores	**29**	29	**16**	20
	2 692	2 215	**2 470**	2 061
The inventory write-down provision included in the valuation of merchandise purchased for resale was:	**189**	186	**178**	179
Cost of sales	**12 317**	11 582	**12 207**	11 462

Accounting policy

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

- The cost of merchandise purchased for resale is determined using the weighted average method; 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. Provision is made for slow-moving, redundent and obsolete inventory.

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.

10. Trade and other receivables

10.1 Trade and other receivables

	Group		Company	
R'm	**2019**	2018	**2019**	2018
Gross trade receivables	**2 171**	2 184	**2 124**	2 137
Less allowance for impairment of trade receivables	**(197)**	(170)	**(188)**	(164)
Net trade receivables	**1 974**	2 014	**1 936**	1 973
Right of return asset	**5**	-	**5**	-
Contract asset	**5**	-	**-**	-
Prepayments	**61**	218	**50**	206
Other receivables	**134**	137	**105**	116
	2 179	2 369	**2 096**	2 295

The ageing of the gross trade receivables is as follows:

R'm	Days from transaction	**2019**	2018	**2019**	2018
Current	30	**1 676**	1 665	**1 636**	1 625
Status 1	60	**262**	289	**259**	287
Status 2	90	**92**	100	**90**	98
Status 3	120	**59**	61	**58**	60
Status 4	150	**51**	40	**50**	39
Status 5	180	**31**	29	**31**	28
		2 171	2 184	**2 124**	2 137

Trade receivables are amounts due from customers for merchandise sold or services rendered in the ordinary course of business and are accounted for at amortised cost in accordance with the accounting policy disclosed in note 19.

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

The contract asset represents the short-term portion of MRP Mobile's right to consideration in exchange for good and services that MRP Mobile has transferred to the customer. Contract assets are measured at amortised cost. Refer below for the accounting policy on expected credit losses.

Prepayments and other receivables are stated at their nominal values.

Interest is charged on outstanding accounts in accordance with the National Credit Act (NCA) and is calculated using the effective interest rate method.

The group has provided for receivables in all ageing status levels in accordance with the accounting policy disclosed below.

Before accepting any new credit customer, the group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer, while ensuring compliance with the requirements of the 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.

10.2. Movement in the impairment provision

	Group		Company	
R'm	**2019**	2018	**2019**	2018
Balance at beginning of the year	**(170)**	(161)	**(164)**	(148)
Impairment losses net of reversals	**(27)**	(9)	**(24)**	(16)
Balance at end of the year	**(197)**	(170)	**(188)**	(164)

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

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

Stage 1: When trade receivable is first recognised, the group recognises an allowance based on 12 months expected credit losses (ECLs).

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

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

The group follows an age-driven write off policy whereby all accounts, once it advances through the various delinquency status, are written off. Accounts are written off at status 6 (>150 days).

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

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

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

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

The allowance for impairment of trade receivables as at 30 March 2019 reconciles to the opening loss allowance for that provision as follows:

Group	Stage 1	Stage 2	Stage 3	Total
Closing loss allowance as at 31 March 2018				**170**
(calculated under IAS 39)	-	-	-	**-**
Amounts restated through opening retained earnings	3	2	2	**7**
Opening loss allowance as at 1 April 2018	71	56	50	**177**
(calculated under IFRS 9)	-	-	-	**-**
Net remeasurement of loss allowance	-	-	-	**-**
Amounts written off	-	-	(98)	**(98)**
Amounts recovered	4	7	2	**13**
Change in loss allowance due to new trade and other receivables originated net of those derecognised due to settlement	17	(14)	(11)	**(8)**
Change in credit risk parameters	(13)	12	114	**113**
Balance as at 30 March 2019	79	61	57	**197**

Company	Stage 1	Stage 2	Stage 3	Total
Closing loss allowance as at 31 March 2018				**164**
(calculated under IAS 39)	-	-	-	**-**
Amounts restated through opening retained earnings	3	2	2	**7**
Opening loss allowance as at 1 April 2018	71	50	50	**171**
(calculated under IFRS 9)	-	-	-	**-**
Net remeasurement of loss allowance	-	-	-	**-**
Amounts written off	-	-	(100)	**(100)**
Amounts recovered	4	7	2	**13**
Change in loss allowance due to new trade and other receivables originated net of those derecognised due to settlement	16	(14)	(11)	**(9)**
Change in credit risk parameters	(13)	12	114	**113**
Balance as at 30 March 2019	78	55	55	**188**

10.3 Other receivables

	Group		Company	
R'm	**2019**	2018	**2019**	2018
The expected maturity for other receivables is as follows:				
On demand	**60**	31	**58**	24
Less than three months	**34**	52	**18**	45
Three months to one year	**40**	54	**29**	47
	134	137	**105**	116

11. Trade and other payables

	Group		Company	
R'm	**2019**	2018	**2019**	2018
Trade payables	**922**	819	**944**	835
Other payables	**988**	1 163	**896**	1 061
Refund liability	**10**	-	**10**	-
	1 920	1 982	**1 850**	1 896

Included in other payables is R5m being the current portion of the purchase price payable on the acquisition of the minority shareholding in MRP Mobile (Pty) Ltd in the prior period (refer note 22).

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

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

Accounting policy
Trade payables are initially measured at cost, being the fair value of the consideration to be paid in the future for goods and services rendered. These are subsequently measured at amortised cost using the effective interest rate method.

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

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the group ultimately expects it will have to return to the customer. The group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to note 4 for accounting policy.

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.

12. Reinsurance assets and liabilities

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

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

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

The risk structure per product is as follows:

Guardrisk Insurance Company Limited (Cell number 136)
Mr Price Group Limited bears 100% of the risk for all products, which consists of: Lost card protection, identity theft and the group's motor vehicle cell.

Guardrisk Life Limited (Cell number 048)
Mr Price Group Limited bears 100% of the risk for all products which consists of: Customer Protection, 360 Degrees Protection, Medinet Critical Illness, A2B Commuter Personal Accident, Her Health, Group Funeral.

Guardrisk Insurance Company Limited (Cell number 316)
MRP Mobile (Pty) Ltd bears 100% of the risk for all insurance products which consist of: Customer Protection and Mobile Device Protection.

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

	Group and Company	
R'm	**2019**	2018
Cash and cash equivalents	**304**	146

	Group and Company	
R'm	**2019**	2018
Reinsurance liability		
Unearned premium provision	**2**	1
Outstanding claims	**4**	3
IBNR reserve	**22**	20
Taxation liability	**18**	14
	46	38
Movement in reinsurance liabilities		
Balance at beginning of the year	**37**	40
Outstanding claims	**3**	3
IBNR reserve	**20**	16
Taxation liability	**14**	21
Increase/(decrease) in the year	**6**	(3)
Balance at end of the year	**44**	37
Outstanding claims	**4**	3
IBNR reserve	**22**	20
Taxation liability	**18**	14
Unearned premium provision		
Balance at beginning of the year	**1**	1
Premium recognised	**261**	257
Premuim received	**(260)**	(257)
Balance at end of the year	**2**	1

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

Long-term cell reserve adjusted to be a claims factor (minimum 34%) applied to 4 months of net premiums.

	Group and Company	
R'm	**2019**	2018
Impact on IBNR	**(6)**	(6)

Short term cell solvency reserve adjusted to increase the IBNR Factor by 1%.

R'm		
Impact on IBNR	**6**	6

During the year a dividend of R150 million (2018: R122 million) was paid by the cells to the company.

Premium income and claims history:

Premium income (R'm)	**265**	261
Number of claims	**3 463**	3 509
Claim costs (R'm)	**24**	20
Claim costs as a percentage of premium income	**9.1%**	7.7%

Accounting policy

The group assumes insurance risk in the normal course of business. Reinsurance assets represents balances due from registered insurance companies. Amounts receivable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that as a result of which the group may or may not receive all outstanding amounts due under the terms of the 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.

13. Bank balances and other cash

	Group		Company	
R'm	**2019**	2018	**2019**	2018
Bank balances and other cash	**3 275**	2 756	**2 569**	2 062
Bank overdrafts	**(125)**	(36)	**(125)**	(36)
Cash and cash equivalents	**3 150**	2 720	**2 444**	2 026

Accounting policy

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

14. Notes to the statements of cash flows

14.1 Operating profit before working capital changes

	Group		Company	
R'm	**2019**	2018	**2019**	2018
Operating profit before working capital changes				
Profit before taxation	**4 158**	3 892	**4 090**	3 900
Adjustments for:				
Depreciation of property, plant and equipment	**297**	273	**279**	253
Amortisation of intangible assets	**67**	55	**64**	53
Loss on disposal and scrapping of property, plant and equipment	**1**	71	**2**	52
Impairment of property, plant and equipment	**-**	-*	**-**	1
Write-down/impairment of intangible assets	**60**	14	**60**	14
Finance costs	**4**	2	**3**	2
Finance income received	**(222)**	(162)	**(225)**	(157)
Interest on trade receivables	**(373)**	(365)	**(371)**	(364)
Other non-cash items	**17**	101	**43**	(2)
Straight line operating lease liability movement	**13**	7	**9**	1
Share option expenses	**109**	87	**109**	87
Other	**(105)**	7	**(75)**	(90)
	4 009	3 881	**3 945**	3 752

14.2 Working capital changes

	Group		Company	
R'm	**2019**	2018	**2019**	2018
Decrease/(increase) in trade and other receivables	**188**	(152)	**193**	(180)
(Increase) in inventories	**(474)**	(134)	**(410)**	(131)
(Decrease)/increase in trade and other payables	**(54)**	293	**(38)**	295
(Increase) in reinsurance asset	**(158)**	(17)	**(158)**	(17)
Increase/(decrease) in reinsurance liability	**8**	(3)	**8**	(3)
	(490)	(13)	**(405)**	(36)

14.3 Taxation paid

	Group		Company	
R'm	**2019**	2018	**2019**	2018
Amounts unpaid at beginning of the year	**157**	(18)	**179**	3
Taxation	**178**	(57)	**180**	(55)
Deferred	**(21)**	39	**(1)**	58
Amounts charged to the income statements	**1 176**	1 111	**1 145**	1 083
Taxation	**1 171**	1 149	**1 143**	1 119
Deferred	**5**	(38)	**2**	(36)
Amounts charged to equity	**(12)**	(45)	**(11)**	(45)
Taxation	**(8)**	(10)	**(8)**	(10)
Deferred taxation	**(4)**	(35)	**(3)**	(35)
Amounts unpaid at end of the year	**(68)**	(157)	**(85)**	(179)
Taxation	**(33)**	(178)	**(33)**	(180)
Deferred taxation	**(35)**	21	**(52)**	1
Amounts paid	**1 253**	891	**1 228**	862

14.4 Movement in respect of long-term receivables

	Group		Company	
R'm	**2019**	2018	**2019**	2018
Loan to accredited supplier	**1**	2	**1**	2
Increase in mobile debtors	**(7)**	3		
Other long-term receivables	**(3)**	-	**(3)**	-
Amounts paid/received	**(9)**	5	**(2)**	2

14.5 Amounts owing to/(by) consolidated entities

	Company	
R'm	**2019**	2018
Current amounts owing to consolidated entities advanced	**522**	22
Current amounts owing by consolidated entities repayment	**(649)**	(49)
	(127)	(27)

14.6 Dividends to shareholders

	Group		Company	
R'm	**2019**	2018	**2019**	2018
Dividends to ordinary and B ordinary shareholders	**1 922**	1 902	**1 922**	1 902
Less: dividends on shares held by staff share trusts	**(29)**	(32)		
Add: dividends paid by Partners Share Trust	**23**	23		
	1 916	1 893	**1 922**	1 902

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

	Group		Company	
R'm	**2019**	2018	**2019**	2018
Opening balance	**(13)**	(51)	**(13)**	-
Non-cash: purchase price	**(2)**	(13)	**(2)**	(13)
Closing balance	**11**	13	**11**	13
	(4)	(51)	**(4)**	-

Operating Assets

15. Property, plant and equipment

	Furniture, fittings, equipment and vehicles		Computer equipment		Improvements to leasehold premises		Land		Buildings		Leased buildings		Total	
R'm	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Group														
Net carrying amount at beginning of the year	**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)
Current year movements														
Additions	**201**	248	**39**	32	**64**	50	**2**	-	**-**	2	**-**	-	**306**	332
- external development/acquistion	**184**	248	**39**	32	**64**	50	**2**	-	**-**	2	**-**	-	**289**	332
- items capitalised to work in progress*	**17**	-						-		-			**17**	-
Acquisition of Kenya	**18**	-	**1**	-									**19**	-
Disposals and scrapping	**(1)**	(30)	**(1)**	(6)	**(1)**	(1)	**-**	-	**-**	-	**-**	-	**(3)**	(37)
Reclassification		(135)		15				11		54				(55)
Transfer of assets held for sale									**(9)**				**(9)**	-
Impairments and write downs	**-**	1	**-**	(1)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Exchange differences	**7**	(5)	**2**	(0)	**-**	-	**-**	-	**-**	-	**-**	-	**9**	(5)
Depreciation	**(226)**	(214)	**(44)**	(43)	**(15)**	(6)	**-**	-	**(12)**	(10)	**-**	-	**(297)**	(273)
Net carrying amount at end of the year	**1 285**	1 286	**114**	117	**113**	65	**185**	183	**420**	441	**-**	-	**2 117**	2 092
Made up as follows:														
Net carrying amount	**1 285**	1 286	**114**	117	**113**	65	**185**	183	**420**	441	**-**	-	**2 117**	2 092
Cost or carrying amount	**2 611**	1 893	**300**	242	**158**	90	**185**	183	**440**	456	**-**	-	**3 694**	2 864
Accumulated depreciation and impairment	**(1 326)**	(607)	**(186)**	(125)	**(45)**	(25)	**-**	-	**(20)**	(15)	**-**	-	**(1 577)**	(772)
Company														
Net carrying amount at beginning of the year	**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)
Current year movements														
Additions	**185**	225	**34**	32	**62**	50	**2**	-	**-**	2	**-**	-	**283**	309
- external development/acquistion	**167**	225	**34**	32	**62**	50	**2**	-	**-**	2	**-**	-	**265**	309
- items capitalised to work in progress*	**18**	-											**18**	-
Disposals and scrapping	**-**	(12)	**-**	(6)	**-**	(1)	**-**	-	**-**	-	**-**	-	**-**	(19)
Reclassification		(135)		15				11		54			**-**	(55)
Impairments and write downs	**-**	(1)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	(1)
Depreciation	**(210)**	(197)	**(43)**	(41)	**(15)**	(6)	**-**	-	**(11)**	(9)	**-**	-	**(279)**	(253)
Net carrying amount at end of the year	**1 198**	1 223	**111**	120	**112**	65	**185**	183	**421**	432	**-**	-	**2 027**	2 023
Made up as follows:														
Net carrying amount	**1 198**	1 223	**111**	120	**112**	65	**185**	183	**421**	432	**-**	-	**2 027**	2 023
Cost or carrying amount	**2 456**	1 783	**289**	237	**146**	80	**185**	183	**441**	441	**-**	-	**3 517**	2 724
Accumulated depreciation and impairment	**(1 258)**	(560)	**(178)**	(117)	**(34)**	(15)	**-**	-	**(20)**	(9)	**-**	-	**(1 490)**	(701)

*The cumulative balance of work in progress that is not subject to depreciation at year end amounts to R23 million (2018: R46 million).
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.

Accounting policy

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.

16. Intangible assets

R'm	Computer software 2019	Computer software 2018	Customer lists 2019	Customer lists 2018	Goodwill 2019	Goodwill 2018	Trademarks 2019	Trademarks 2018	Total 2019	Total 2018
Group										
Net carrying amount at beginning of the year	**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)
Current year movements										
Additions arising from	**118**	129	**-**	-	**-**	-	**-**	-	**118**	129
external development/acquisition	**90**	20	**-**	-	**-**	-	**-**	-	**90**	20
internal development	**20**	16	**-**	-	**-**	-	**-**	-	**20**	16
items capitalised to work in progress^	**8**	93							**8**	93
Disposals and scrapping	**-**	(35)	**-**	-	**-**	-	**-**	-	**(0)**	(35)
Reclassifications	**-**	55							**-**	55
Impairments and write downs	**(60)**	(14)	**-**	-	**-**	-	**-**	-	**(60)**	(14)
Exchange differences	**-**	-	**-**	-	**(1)**	(3)	**-**	-	**(1)**	(3)
Amortisation	**(67)**	(55)	**-***	-*	**-**	-	**-***	-*	**(67)**	(55)
Net carrying amount at end of the year	**399**	408	**-***	-*	**24**	25	**-***	-*	**423**	433
Made up as follows:										
Net carrying amount	**399**	408	**-***	-*	**24**	25	**-***	-*	**423**	433
Cost or carrying amount	**572**	524	**26**	26	**24**	25	**18**	18	**640**	593
Accumulated amortisation and impairment	**(173)**	(116)	**(26)**	(26)	**-**	-	**(18)**	(18)	**(217)**	(160)
Company										
Net carrying amount at beginning of the year	**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)
Current year movements										
Additions arising from	**114**	126	**-**	-	**-**	-	**-**	-	**114**	126
external development/acquisition	**86**	17	**-**	-	**-**	-	**-**	-	**86**	17
internal development	**20**	16	**-**	-	**-**	-	**-**	-	**20**	16
items capitalised to work in progress	**8**	93							**8**	93
Disposals and scrapping	**(1)**	(35)	**-**	-	**-**	-	**-**	-	**(1)**	(35)
Reclassification	**-**	55							**-**	55
Impairments and write downs	**(60)**	(14)	**-**	-	**-**	-	**-**	-	**(60)**	(14)
Amortisation	**(64)**	(53)	**-***	-*	**-**	-	**-***	-*	**(64)**	(53)
Net carrying amount at end of the year	**390**	401	**-***	-*	**1**	1	**-***	-*	**391**	402
Made up as follows:										
Net carrying amount	**390**	401	**-***	-*	**1**	1	**-***	-*	**391**	402
Cost or carrying amount	**554**	512	**26**	26	**1**	1	**18**	18	**599**	557
Accumulated amortisation and impairment	**(164)**	(111)	**(26)**	(26)	**-**	-	**(18)**	(18)	**(208)**	(155)

* Less than R1 million
^ The cumulative balance of work in progress that is not subject to amortisation at year end amounts to R205 million (2018: R187 million).
Goodwill in the group relates to the Zambian business.

Accounting policy

Impairment testing of goodwill

Goodwill acquired through business combinations is tested annually for impairment, which was performed in April 2018. The company considers the relationship between the value in use of the cash generating unit (CGU), among other factors, when reviewing for indicators of impairment. At year end, there were no indications of impairment. The calculation of value in use is most sensitive to the following assumptions:

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

Discount rates

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

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

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.

17. Non-current assets held for sale

On the 29 January 2019, the Board of Directors of Millews Fashions Johannesburg Proprietary Limited ("Millews"), a wholly owned subsidiary of the group, resolved to sell the Millews property, remaining extent of Erf 4749 Bethlehem District, Bethlehem Province, Free State, in extent of 3538 square metres. The sale is expected to be completed in the first half of the 2020 financial year.

The group classified the property as a non-current asset held for sale and measured it as follows:

	Group	
R'm	**2019**	2018
Property, plant and equipment	**9**	-

Accounting policy

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

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

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

18. Long-term receivables

18.1 Long-term receivables

	Group		Company	
R'm	**2019**	2018	**2019**	2018
Enterprise development loan	**-**	1	**-**	1
Total loan to accredited supplier	**1**	3	**1**	3
Less: amount to be received in the next financial year transferred to trade and other receivables	**(1)**	(2)	**(1)**	(2)
MRP Mobile long-term receivables	**23**	16	**-**	-
Total receivables	**64**	56	**-**	-
Less: amount to be received in the next financial year transferred to trade and other receivables	**(41)**	(40)	**-**	-
Contract asset	**13**	-		
Other long-term receivables	**4**	1	**4**	1
Total long-term receivables	**40**	18	**4**	2

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

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

Accounting policy

Long-term receivables are classified as amortised cost and are recorded at fair value at inception using the effective interest rate implicit in the cash flows of the receivable. This effective interest rate is established by considering the market rate of interest for a similar investment on the date of each contribution. Under IFRS 9, the simplified approach has been adopted to measure the ECL on the contract asset. Refer to note 10 for further details.

19. Financial risk management

19.1 Financial risk management and financial instruments

Accounting for financial instruments

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

Recognition

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

Classification

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

Measurement on initial recognition

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

Subsequent measurement: Financial assets

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

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

*Subsequent measurement: Financial liabilitie*s

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

Derecognition

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

Impairment

Under IFRS 9 the group calculates its allowance for credit losses as expected credit losses (ECLs) for financial assets measured at amortised cost and contract assets.
Refer to the transition to IFRS 9 in note 2.1 for further details around the impairment model.

Expected credit losses

The group has the following financial assets subject to the ECL model:
- Trade receivables;
- Contract assets; and
- Long-term receivables

Application of the ECL model had an immaterial impact on all financial assets except for trade receivables. Refer to the trade and other receivables note 10 for further details.

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

		Lifetime expected credit loss		
R'm	12 month expected credit losses	Collectively assessed	Credit-impaired financial assets	Total
Group				
Loss allowance at 1 April 2018	77	100	-	**177**
Changes from updating the expected credit losses	2	8	-	**10**
Loans that have been derecognised during the period	(174)	(56)	-	**(230)**
Newly originated / purchased loans	194	34	-	**228**
Write offs	-	(128)	-	**(128)**
Changes in models/risk parameters	(13)	153	-	**140**
Loss allowance at 30 March 2019	86	111	-	**197**
Company				
Loss allowance at 1 April 2018	71	100	-	**171**
Changes from updating the expected credit losses	2	8	-	**10**
Loans that have been derecognised during the period	(174)	(56)	-	**(230)**
Newly originated / purchased loans	194	34	-	**228**
Write offs	-	(128)	-	**(128)**
Changes in models/risk parameters	(14)	151	-	**137**
Loss allowance at 30 March 2019	79	109	-	**188**

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

The following table is a reconciliation of the opening balance and closing balance of the gross carrying amount of the financial assets giving rise to the provision:

		Lifetime expected credit loss		
R'm	12 month expected credit losses	Collectively assessed	Credit-impaired financial assets	Total
Group				
Gross carrying amount at 1 April 2018	1 875	309	-	**2 184**
Newly originated/purchased loans	1 002	122	-	**1 124**
Write offs	-	(369)	-	**(369)**
Loans that have been derecognised during the period	(913)	(263)	-	**(1 176)**
Other changes	(77)	485	-	**408**
Gross carrying amount at 30 March 2019	1 887	284	-	**2 171**
Company				
Gross carrying amount at 1 April 2018	1 878	259	-	**2 137**
Newly originated/purchased loans	997	103	-	**1 100**
Write offs	-	(314)	-	**(314)**
Loans that have been derecognised during the period	(915)	(224)	-	**(1 139)**
Other changes	(77)	417	-	**340**
Gross carrying amount at 30 March 2019	1 883	241	-	**2 124**

"Other changes" include movements in closed accounts and insurance on the storecard amongst others.

At year end, there are no financial instruments which are credit impaired or financial assets for which the credit risk has increased significantly since initial recognition but that are not credit-impaired.

Prior to 1 April 2018, the impairment provision was made when there was objective evidence that the group would have difficulty collecting the debts. Various economic factors and changes in the delinquency of payments were considered indicators that the trade receivables were impaired. The carrying amount of the asset was reduced through the use of an allowance account and the amount of the loss was recognised in the income statement within selling expenses.

General hedge accounting

In the prior year, the group applied the hedging requirements of IAS 39 to hedge accounting. In the current year, the group has elected to apply the hedge accounting requirements under IFRS 9. The major change between the two standards is the 'assessment of effectiveness" test which is further disclosed below and in note 19.5.2. 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 other comprehensive income (OCI).

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

Under IFRS 9, the hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the group's risk management activities have also been introduced.

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

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

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

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

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

19.2 Financial risk management

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

19.3 Capital and treasury risk management

The group which is a cash-based business, monitors capital through a process of analysing the underlying cash flows, which in turn drives the residual capital structure, consisting of share capital, share premium, reserves and retained income as quantified in the statement of changes in equity. The group manages its capital to ensure that it will be able to maintain healthy capital ratios in order to sustain its business and maximise shareholder value. Any adjustments are made in light of economic conditions and may include adjusting dividend cover or returning capital to shareholders.

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.

19.4 Interest rate risk management

The group is exposed to interest rate risk from the variable rate applicable to its cash and cash equivalents. Interest rate risk is managed through the investment of cash and cash equivalents in the 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		**2019**	2018	**2019**	2018
Rate variance	+0.5%	**15**	12	**12**	10
	-0.5%	**(15)**	(12)	**(12)**	(10)

The applicable interest rates during the period were as follows:

%		
Average		
Repo interest rate	**6.59%**	6.82%
Prime interest rate	**10.09%**	10.32%
Closing		
Repo interest rate	**6.75%**	6.50%
Prime interest rate	**10.25%**	10.00%

mrpgrouplimited

19.5 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 the hedge and the applicable hedge ratio.

19.5.1 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 subsidiries in Australia, Botswana, Nigeria, Ghana, Kenya, Zambia and Poland as the the other countries in which the group is invested have currencies that are pegged to the rand. The group's sensitivity to a 10 percent increase and decrease in the rand against the pula, naira, cedi, kenyan shilling, kwacha and polish zloty respectively does not have a significant impact.

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

Forward exchange contracts accounted for as hedges (Group and Company)	Current commitment US$'m	Exchange rate R/US$ - average contract rate	Rand equivalent at contract rate R'm	Exchange rate R/US$ - year end revaluation rate	Fair value adjustment R'm
2019					
- Asset	**70**	**14.12**	**986**	**14.51**	**(27)**
- Liability	**12**	**14.57**	**175**	**14.54**	**-***
	82	**14.19**	**1 161**	**14.52**	**(27)**
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

* less than R1 million

At year end outstanding foreign creditors were:

Foreign trade creditors at year end (Group and Company)	Current commitment US$'m	Exchange rate R/US$ - average contract rate	Rand equivalent at contract rate R'm	Exchange rate R/US$ - year end revaluation rate	Fair value adjustment R'm
2019					
- Asset	**2**	**14.64**	**25**	**14.60**	**0**
- Liability	**26**	**14.25**	**374**	**14.60**	**(9)**
	28	**14.27**	**399**	**14.60**	**(9)**
2018					
- Asset	15	11.99	176	11.84	2
- Liability	7	11.73	79	11.84	(1)
	22	11.90	255	11.84	1

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

	Group and Company	
R'm	**2019**	2018
USD - Average	**13.75**	13.01
USD - Closing	**14.60**	11.84

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	**2019**	2018
Opening balance	**95**	17
Mark-to-market adjustments	**(145)**	275
Amounts reclassified to the cost of the non-financial asset recognised	**(15)**	(160)
Deferred tax	**45**	(37)
Closing balance	**(20)**	95

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange contracts match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). The group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange contracts are identical to the hedged risk components. To test the hedge effectiveness, the group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks. Accordingly, all hedges were assessed to be effective for the year.

At the reporting date no hedge or portion thereof were considered to be ineffective and as a result as at 30 March 2019, a net unrealised gain of R160 million (2018: R115 million), with a related deferred tax liability of R45 million (2018: R37 million) was included in OCI in respect of these contracts.

The amounts retained in OCI at 30 March 2019 are expected to mature and affect the statement of profit or loss in 2020. The expected maturity of the groups 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
2019					
Forward exchange contracts accounted for as hedges	**-**	**63**	**19**	**-**	**82**
Foreign trade creditors at year-end	**3**	**25**	**-**	**-**	**28**
	3	**88**	**19**	**-**	**110**
2018					
Forward exchange contracts accounted for as hedges	-	71	20	-	91
Foreign trade creditors at year-end	2	20	-	-	22
	2	91	20	-	113

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		**2019**	**2019**	2018	2018
Rate variance - US$					
Forward exchange contracts accounted for as hedges	+10%	**-**	**(116)**	-	(122)
	-10%	**-**	**116**	-	122
Foreign trade creditors at year end	+10%	**40**	**-**	26	-
	-10%	**(40)**	**-**	(26)	-
Total	+10%	**40**	**(116)**	26	(122)
	-10%	**(40)**	**116**	(26)	122

19.6 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 10.2.

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

Financial assets	**Credit risk assessment**	**Key considerations**
Long-term receivables and other investments	Low	Long-term receivables consist of an enterprise development loan (EDL) and long-term trade receivables (LTR). The EDL is assessed has 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 10.2
Derivative financial instruments	Low	The group limits its exposure to credit risk through dealing with well-established financial institutions with high credit standings, and thus management does not expect any counterparty to fail to meet its obligations.
Cash and cash equivalents	Low	

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

		Group		**Company**	
R'm		**2019**	2018	**2019**	2018
Rate variance	+1%	**21**	21	**21**	21
	-1%	**(21)**	(21)	**(21)**	(21)

At 30 March 2019 the group did not consider there to be any significant concentration of credit risk for which it had not adequately provided.

19.7 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 a follows:

	Group		Company	
R'm	**2019**	2018	**2019**	2018
Total facilities	**457**	425	**457**	425
Less: drawn down portion	**-**	(36)	**-**	(36)
Total undrawn banking facilities	**457**	389	**457**	389

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	**2019**	2018	**2019**	2018
Actual borrowings outside the group at year end were	**-**	(36)		(36)
At year end bank balances were	**3 150**	2 756	**2 445**	2 062
Net cash resources were	**3 150**	2 720	**2 445**	2 026

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

Group R'm	On demand	Less than three months	Three months to one year	One to five years	Total
2019					
Trade and other payables	**186**	**1 389**	**337**	**-**	**1 912**
Purchase price payable		**2**	**5**	**11**	**18**
	186	**1 391**	**342**	**11**	**1 930**
2018					
Trade and other payables	301	1 398	277	-	1 976
Purchase price payable		3	6	14	23
	301	1 401	283	14	1 999

Company R'm					
2019					
Trade and other payables	**170**	**1 381**	**291**	**-**	**1 842**
Purchase price payable		**2**	**5**	**11**	**18**
	170	**1 383**	**296**	**11**	**1 860**
2018					
Trade and other payables	254	1 370	266	-	1 890
Purchase price payable		3	6	14	23
	254	1 373	272	14	1 913

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

19.8 Catergory 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.

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

The fair value of forward exchange contracts is measured using level 2 techniques. The significant inputs into the Level 2 fair value of forward exchange contracts are yield curves, market interest rates and market foreign exchange rates. There have been no transfers between the levels during the year (refer note 19.2.2).

Group (under IFRS 9) **2019** R'm	Fair value measurement using	Financial assets at amortised cost	Derivatives accounted for as hedges	Financial liabilities at amortised cost	Total
Financial Assets		**40**	**27**	**-**	**67**
Long-term receivables and other investments	Level 2	**40**	**-**	**-**	**40**
Derivative financial instruments	Level 2	**-**	**27**	**-**	**27**
Financial Liabilities		**-**	**-**	**(11)**	**(11)**
Long-term liabilities	Level 2	**-**	**-**	**(11)**	**(11)**
Derivative financial instruments	Level 2	**-**	**-**	**-**	**-**
Total		**40**	**27**	**(11)**	**56**

Group (under IAS 39) **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 2	-	-	(13)	(13)
Derivative financial instruments	Level 2	-	(133)	-	(133)
Total		18	(132)	(13)	(127)

Company (under IFRS 9) **2019** R'm	Fair value measurement using	Financial assets at amortised cost	Derivatives accounted for as hedges	Financial liabilities at amortised cost	Total
Financial Assets		**4**	**27**	**-**	**31**
Long-term receivables and other investments	Level 2	**4**	**-**	**-**	**4**
Derivative financial instruments	Level 2	**-**	**27**	**-**	**27**
Financial Liabilities		**-**	**-**	**(11)**	**(11)**
Long-term liabilties	Level 2	**-**	**-**	**(11)**	**(11)**
Derivative financial instruments	Level 2	**-**	**-**	**-**	**-**
Total		**4**	**27**	**(11)**	**20**

Company (under IAS 39) **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 liabilties	Level 2	-	-	(13)	(13)
Derivative financial instruments	Level 2	-	(133)	-	(133)
Total		2	(132)	(13)	(143)

Financing Structure and Commitments

20. Lease obligations

	Group		Company	
R'm	**2019**	2018	**2019**	2018
Straight line operating lease liability	**222**	210	**206**	197
Less: amounts due for settlement within 12 months	**(32)**	(25)	**(29)**	(23)
Total long-term portion of lease obligations	**190**	185	**177**	174

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	**2019**	2018	**2019**	2018
Within one year	**1 153**	1 335	**1 017**	1 229
After one year but less than five years	**2 077**	2 557	**1 853**	2 367
More than five years	**119**	111	**106**	109
	3 349	4 003	**2 976**	3 705

Accounting policy

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.

21. Provisions

	Group		Company	
R'm	**2019**	2018	**2019**	2018
Onerous lease contracts				
Balance at beginning of the year	**40**	17	**4**	6
Provision raised/(utilised) during the period	**(16)**	23	**(4)**	(2)
Balance at end of the year	**24**	40	**-**	4
Long-term	**11**	29	**-**	2
Current	**13**	11	**-**	2
	24	40	**-**	4

Accounting policy
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.

22. Long-term liabilities

	Group		Company	
R'm	**2019**	2018	**2019**	2018
Other long-term payables	**11**	13	**11**	13
	11	13	**11**	13

Other long-term payables is the long-term portion of the purchase price payable on the acquisition of the minority shareholding in MRP Mobile (Pty) Ltd which was acquired in January 2018.

23. Retirement benefits

23.1 Pension schemes

23.1.1 Membership

The funds are registered in terms of the Pension Funds Act and provide for pensions and related benefits for all permanent employees. Membership is compulsory after the first year of service. Membership details are disclosed in the Remuneration Report on page 68.

23.1.2 Contributions

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

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

23.1.3 Valuations

Defined benefit pension fund

	Group and Company	
R'm	**2019**	2018
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	**(54)**	(58)
Plan assets	**118**	121
Net benefit plan asset	**64**	63

The amounts recognised in the income statement are detailed in note 5.

The following main assumptions were used in performing the calculation:

- Discount rate - 10.90% per annum (2018: 11.30% per annum)
- Inflation - 7.10% per annum (2018: 8.00% per annum)
- Future salary increases - 8.10% per annum (2018: 9.00% per annum)

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

	Group and Company	
R'm	**2019**	2018
Defined benefit obligation at beginning of the year	**58**	67
Current service cost	**2**	3
Member contributions	**1**	1
Interest cost	**6**	7
Actuarial loss	**(6)**	(11)
Benefits paid	**(7)**	(8)
Risk premiums	**-**	(1)
Defined benefit obligation at end of the year	**54**	58

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	**121**	115
Expected return on assets	**13**	13
Contributions	**2**	3
Risk premiums	**-***	(1)
Benefits paid	**(7)**	(8)
Actuarial loss	**(11)**	(1)
Fair value of plan assets at end of the year	**118**	121

* Less than R1 million

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

%		
Cash	**7.7**	10.2
South African equities	**40.0**	40.4
South African bonds	**18.8**	15.5
South African property and other	**5.3**	10.4
International assets	**28.2**	23.5
	100.0	100.0

	Group and Company	
	2019	
	+1%	-1%
The effect of an increase or decrease of 1% in the assumed discount rate as follows:	-16.8%	21.6%
	+1%	-1%
The effect of an increase or decrease of 1% in the assumed inflation rate as follows:	19.5%	-15.7%

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 2020 financial year is as follows; a current service cost of R168.4 million (2019: R159.4 million), an expected return on plan assets of R12.9 million (2019: R13.8 million) and an interest cost of R6.1 million (2019: R6.9 million). The estimated contributions are R166.5 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 2018 concluded that the funding level of the Funds was within the tolerance levels set by the administrators.

23.2 Post retirement medical benefits

The obligation of the group to pay medical aid contributions for members who have retired is no longer part of the conditions of employment for new associates. A limited number of pensioners and current associates who remain members of the defined benefit pension fund are entitled to this benefit. The entitlement to the benefit for current associates is dependent upon the associate remaining in service until retirement age. Actuarial valuations of the group's liability, in terms of IAS 19, are undertaken every three years with the last valuation performed on 31 March 2017. 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 30 March 2019:

Liability was based on current membership

Health care cost inflation - 9.2% per annum (2018: 9.2% per annum)
Discount rate - 9.8% per annum (2018: 9.8% per annum)
Average retirement age - 62 years (2018: 62 years)
Continuation at retirement - 100% (2018:100%)

Activity during the year was as follows:

R'm	Group and Company 2019	2018
Benefit obligation at beginning of the year	**29**	26
Net increase in provision during the year	**2**	3
Benefit obligation at end of the year	**31**	29

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 or 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 or decrease of 1 year in the assumed expected retirement age is as follows:	1 year older	1 year younger
Accrued liability at year end	(3.8%)	(3.8%)

23.3 Defined benefit fund actuarial gains and losses

Reconciliation of defined benefit fund actuarial gains and losses reserve

	Group		Company	
R'm	**2019**	2018	**2019**	2018
Beginning of the year	**2**	(3)	**2**	(3)
Current year actuarial (loss)/gain	**(7)**	7	**(7)**	7
Deferred taxation thereon	**2**	(2)	**2**	(2)
End of the year	**(3)**	2	**(3)**	2

Short-term employee benefits

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

Accounting policy

Defined benefit retirement fund and post-retirement medical aid fund

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

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

Defined contribution retirement fund

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

24. Capital expenditure

	Group		Company	
R'm	**2019**	2018	**2019**	2018
The capital expenditure authorised by the directors of the company or its consolidated entities but not provided for in the financial statements amounts to	**524**	557	**518**	532
of which contracts have been placed for	**103**	93	**103**	93

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

25. Contingencies and commitments

25.1
During the 2009 financial year, the company was advised by South African Revenue Service (SARS) that it intended holding the company accountable as the deemed importer in relation to the underpayment of import duties in 2005 and 2006 by one of its previous suppliers to the value of R43.6m. The company submitted a formal response to SARS's letter on 18 September 2009. SARS responded to the company's denial of liability on 24 April 2015, more than five years later, and demanded that the company settle the alleged liability, the value of which had been revised to R74.4m. A formal appeal against SARS was filed in October 2015. The matter has been stayed pending further action from SARS. No correspondence has been received to date.

25.2
In May 2017 litigation was instituted by the National Credit Regulator (NCR) in the National Credit Tribunal (NCT) to declare the group to have acted in contravention of the National Credit Act in relation to Miladys Club fee charges. The 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 was optimistic that the Miladys matter will ultimately have a positive outcome. The matter was heard at the National Consumer Tribunal on 22 November 2018. The judgement was handed down on 14 January 2019 in our favour with the court finding that the club fee does not form part of the cost of credit. The court concurred that the club fee is an optional product, therefore the group was not in contravention of the NCA. The NCR has delivered an appeal to the judgement handed down in our favour. We are currently awaiting a date for the appeal, thereafter both parties will file their heads of argument. The directors are of the opinion that the likelihood of the liability is remote.

25.3
During the 2018 financial year, the company received an assessment from SARS relating to the disallowance of certain deductions claimed in the 2014 year of assessment. The assessment amounted to additional income tax of R65.1m. This includes interest and penalties charged to 30 March 2019 amounting to R40.4m (2018: R33.1m). The assessed tax may result in a reallocation of deferred tax to current tax of R59.5m and additional current tax charge of R5.6m. The overall potential impact on the income statement (including interest and penalties) amounts to R46.0m (2018: R38.7m).

The company, supported by senior counsel's opinion, 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.

Taxation

26. Taxation

26.1 South African and foreign taxation

26.1.1 South African taxation

	Group		Company	
R'm	**2019**	2018	**2019**	2018
This year	**1 142**	1 084	**1 131**	1 074
Current				
Normal taxation	**1 140**	1 098	**1 129**	1 088
Deferred				
Current year temporary differences	**2**	(14)	**2**	(14)
Prior years	**(2)**	(5)	**(2)**	(5)
Current	**(2)**	17	**(2)**	17
Deferred	**-**	(22)	**-**	(22)
26.1.2 Foreign taxation				
This year	**36**	32	**16**	14
Current	**33**	34	**16**	14
Deferred	**3**	(2)	**-**	-
Total taxation	**1 176**	1 111	**1 145**	1 083

In addition to the above, current normal taxation and deferred taxation amounting to R17.4 million (2018: R16.2 million charged) and R9.6 million (2018: R6.7 million credited) respectively have been charged and credited to equity relating to the grants to staff share trusts (refer Note 30). Deferred income taxation of R42.6 million (2018: R30.0 million charged) has been credited to the statement of comprehensive income.

26.2 Reconciliation of taxation rate

	Group		Company	
%	**2019**	2018	**2019**	2018
Standard rate	**28.0**	28.0	**28.0**	28.0
Adjusted for:				
Expenses not allowed	**0.5**	0.4	**0.4**	0.1
Exempt income	**(0.5)**	(0.6)	**(1.1)**	(0.7)
Prior year underprovision	**(0.1)**	(0.1)	**-**	(0.1)
Unrecognised deferred tax assets	**0.3**	1.1	**-**	-
Other	**0.1**	(0.3)	**0.6**	0.5
Effective tax rate	**28.3**	28.5	**27.9**	27.8
The estimated taxation losses of consolidated entities available for set-off against future taxable income are	**338.2**	253.3		

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

Accounting policy

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

27. Deferred taxation

	Group		Company	
R'm	**2019**	2018	**2019**	2018
Attributable to:				
Post retirement medical aid	**(4)**	(4)	**(4)**	(4)
Fair value adjustments on financial instruments	**8**	(37)	**8**	(37)
Prepayments	**5**	48	**4**	47
Provisions	**(145)**	(191)	**(138)**	(186)
Property, plant and equipment	**170**	135	**164**	130
Other temporary differences	**15**	16	**30**	35
Share based payments	**(232)**	(201)	**(232)**	(201)
Defined benefit fund asset	**15**	16	**15**	16
Grants to staff share trusts	**263**	254	**263**	254
Straight line operating lease liability	**(60)**	(57)	**(58)**	(55)
	35	(21)	**52**	(1)
Beginning of the year	**(21)**	39	**(1)**	58
Movements during the year	**56**	(60)	**53**	(59)
Prepayments	**(43)**	3	**(43)**	2
Provisions	**46**	(58)	**48**	(53)
Property, plant and equipment	**35**	58	**34**	53
Other temporary differences	**(1)**	(15)	**(5)**	(13)
Share based payments	**(31)**	(25)	**(31)**	(25)
Defined benefit fund actuarial gains	**(1)**	2	**(1)**	2
Grants to staff share trusts	**9**	8	**9**	8
Straight line operating lease liability	**(3)**	-	**(3)**	-
Fair value adjustments on financial instruments	**45**	(32)	**45**	(32)
Post retirement medical aid	**-**	(1)	**-**	(1)
End of the year	**35**	(21)	**52**	(1)
Deferred taxation liabilities	**46**	1	**52**	-
Deferred taxation assets	**(11)**	(22)	**-**	(1)
	35	(21)	**52**	(1)

Accounting policy

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

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

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

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

Share Capital

28. Share capital

28.1 Authorised

	Group		Company	
R'000	**2019**	2018	**2019**	2018
323 300 000 ordinary shares of 0.025 cent each	**81**	81	**81**	81
19 700 000 B ordinary shares of 0.300 cent each	**59**	59	**59**	59
Total authorised share capital	**140**	140	**140**	140

28.2 Issued

	Group		Company	
R'000	**2019**	2018	**2019**	2018
Ordinary				
256 945 727 (2018: 256 795 727) ordinary shares of 0.025 cent each	**64**	64	**64**	64
B ordinary				
7 995 234 (2018: 8 145 234) B ordinary shares of 0.300 cent each	**24**	24	**24**	24
Total issued share capital	**88**	88	**88**	88

28.3 B ordinary shares

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

28.4 Share trusts and share purchase schemes

The company operates five share trusts and two forfeitable share plans for the benefit of associates, including executive directors, employed by the company and its consolidated entities. In terms of the deeds of trust, ordinary shares in Mr Price Group Limited may be acquired by the trust or awarded under the schemes for the benefit of associates in the group, including directors. These share schemes are more fully detailed in the remuneration report on pages 64 to 81.

28.4.1 Share trusts and share purchase schemes

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

	Mr Price Executive Director Share Trust	Mr Price Executive Share Trust	Mr Price Senior Management Share Trust	Mr Price General Staff Share Trust	Mr Price Partners Share Trust	Mr Price Group Forfeitable Share Plan	Mr Price Executive Forfeitable Share Plan	Group total
Award type	Options	Options	Options	Options	Shares	Shares	Shares	
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 granted*	536 134	376 501	693 572	1 075 749	584 827	42 121	171 538	**3 480 442**
Surrendered by participants	-	(64 905)	(289 029)	(502 833)	(587 625)	-	(46 299)	**(1 490 691)**
Options/shares exercised	(205 283)	(235 484)	(491 970)	(224 619)	(23 336)	(402 156)	(38 891)	**(1 621 739)**
Options/shares at 30 March 2019	1 756 950	1 897 822	2 942 320	3 570 140	4 119 899	111 977	540 072	**14 939 180**
* New options/shares were granted during the current year at a strike price of (per share):	R209.83 - R231.79	R192.70 - R231.79	R231.24 - R283.41	R226.62 - R282.68	-	-	-	
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 70.
The earliest opportunity at which share options are exercisable falls within financial years ending:

Number of options/shares by financial year:	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
2020	165 827	277 552	341 503	6 430	N/A	23 657	65 872	**880 841**
2021	190 691	228 535	398 023	574 401	N/A	46 199	76 762	**1 514 611**
2022	637 166	703 663	855 100	1 073 543	N/A	N/A	126 666	**3 396 138**
2023	227 132	311 571	675 608	1 028 164	N/A	N/A	99 234	**2 341 709**
2024	536 134	376 501	672 086	887 602	N/A	42 121	171 538	**2 685 982**
	1 756 950	1 897 822	2 942 320	3 570 140	N/A	111 977	540 072	**10 819 281**

Weighted average price by financial year:	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
2020	222.60	198.34	220.69	104.76	N/A	N/A	N/A
2021	200.01	200.01	199.10	193.61	N/A	N/A	N/A
2022	138.00	138.77	139.10	151.73	N/A	N/A	N/A
2023	188.37	187.05	188.62	192.68	N/A	N/A	N/A
2024	217.85	224.96	232.28	233.09	N/A	N/A	N/A

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

28.5 Share-based payments

Executive director	Total Executive Directors' Share Options And Shares: Options / shares held at beginning of year	Options / shares awarded and accepted during year	Options exercised during the year	Gain on options exercised during the year (Rm)	Options/ shares held at end of year	Total Executive Directors' Forfeitable Share Plans: Shares granted	Shares vested during year	Shares lapsed during year	Shares held at end of the year	Fair value of options and shares (Rm)
MM Blair	618 512	295 630	142 419	7	766 602	174 285	73 649	5 121	95 515	63
SI Bird	1 034 232	134 566	219 158	11	941 306	221 001	106 887	8 334	105 780	74
MJ Stirton	-	97 207	-	-	97 207	50 689	-	-	50 689	13
SA Ellis	118 230	19 007	26 475	2	108 945	19 461	2 233	1 817	15 411	10
Total	**1 770 974**	**546 410**	**388 052**	**20**	**1 914 060**	**465 436**	**182 769**	**15 272**	**267 395**	**160**

	Group		Company	
R'm	**2019**	2018	**2019**	2018
Share-based payments relating to equity-settled share-based payment transactions in terms of the long-term incentive	**109**	87	**109**	87

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	R217.85	R224.96	R232.27	R233.32	R0.00
Expected volatility (%)	32.49-34.60	32.49-33.75	32.49-34.67	32.49-34.72	N/A
Expected option life	7 years	7 years	5-7 years	5-7 years	39 years
Risk free interest rate (%)	7.83-8.06	7.72-8.06	7.15-8.06	7.49-8.06	N/A
Expected dividend yield (%)	2.98-3.64	2.98-3.98	2.91-3.29	2.88-3.97	N/A

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

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

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

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

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

28.6 The Mr Price Group Employees Share Investment Trust

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

28.7 Unissued share capital

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

29. Capital reserves

29.1 Share premium account

	Group		Company	
R'm	**2019**	2018	**2019**	2018
Share premium account	**12**	12	**-***	-*

* less than R1 million

29.2 Participants in staff share investment trust (note 28.6)

Participants in staff share investment trust (note 28.6)	**34**	32
Beginning of the year	**32**	38
Net movement for the year	**2**	(6)

29.3 Share-based payments reserve

Share-based payments reserve	**323**	264	**323**	264
Beginning of the year	**264**	267	**264**	267
Recognition of share-based payments for the year	**59**	(3)	**59**	(3)
Share-based payments for options/shares granted in prior years	**96**	103	**96**	103
Share-based payments for options/shares granted in current year	**13**	11	**13**	11
Adjustment for forfeitures	**0**	(27)	**0**	(27)
Share-based payments reserve transferred to retained income for options that have vested from inception to date	**(50)**	(90)	**(50)**	(90)
Total capital reserves	**369**	308	**323**	264

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

Accounting policy

Share-based payments

The group operates share incentive schemes for the granting of non-transferable options or shares to associates (employees). Equity-settled share-based payments in terms of the schemes are measured at fair value (excluding the impact of any non-market vesting conditions) at the date of the grant, which is expensed over the period of vesting of the grant, with a corresponding adjustment to equity. Fair value is actuarially determined using a binomial valuation model. At each reporting date the estimate of the number of options that are expected to vest is revised, and the impact of this revision is recognised on a cumulative catch-up basis in the income statement, with a corresponding adjustment to equity. Assumptions used in the respective valuations are detailed in note 28.5. Upon vesting, the amount remaining in the share-based payment reserve relating to any such vested tranche is transferred within equity to retained earnings.

Performance incentives

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

30. Treasury share transactions

	Group		Company	
R'm	**2019**	2018	**2019**	2018
5 352 748 (2018: 5 959 116) ordinary shares in Mr Price Group Limited held by staff share trusts	**(235)**	(334)		
- Balance at beginning of the year	**(334)**	(371)		
- Treasury shares acquired	**(239)**	(285)		
- Treasury shares sold	**340**	316		
- Mr Price Group Employees Share Investment Trust (note 28.6)	**(2)**	6		
Deficit on treasury share transactions	**(1 584)**	(1 401)	**(272)**	(272)
- Balance at beginning of the year	**(1 401)**	(1 262)	**(272)**	(272)
- Current year movement arising from the take-up of vested options	**(183)**	(139)	**-**	-
Taxation relating to grants to share trusts	**345**	337	**345**	337
- Balance at beginning of the year	**337**	327	**337**	327
- Current year movement	**8**	10	**8**	10
Grants by company to staff share trusts			**(2 277)**	(2 229)
- Balance at beginning of the year			**(2 229)**	(2 189)
- Grants made during the year			**(48)**	(40)
	(1 474)	(1 398)	**(2 204)**	(2 164)

30. Treasury share transactions (continued)

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

1 068 813 treasury shares were acquired by the staff share trusts at an average of R224.27.
1 656 894 treasury shares were sold by the staff share trusts at an average of R205.45

31. Foreign currency translation reserve

	Group	
R'm	**2019**	2018
Beginning of the year	**(153)**	(95)
Currency translation adjustments for the year	**21**	(58)
End of the year	**(132)**	(153)

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

Accounting policy

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

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

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

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

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

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

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

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

32. Consolidated entities

32.1 Consolidated entities

	Company	
R'm	**2019**	2018
Carrying value of shares	**25**	25
Ordinary shares at cost	**25**	25
Carrying value of long-term loans	**118**	118
Long-term loans at cost	**118**	119
Impairment provisions	**-**	(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	143
Net current amounts owing by consolidated entities	**436**	596
Current amounts owing by consolidated entities	**1 002**	641
Impairment of intercompany loans ^	**(359)**	-
Current amounts owing to consolidated entities	**(207)**	(45)
Current accounts are interest free and are settled within 12 months.		
	579	739

^ Impairment of intercompany loans includes an IFRS 9 opening balance adjustment of R289m (refer note 2).

An analysis of the financial interest in consolidated entities is shown on page 150.

Accounting policy

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

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

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

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

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

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

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

Group Composition

33. Operating subsidiaries

	Notes	Issued capital		Carrying value of shares		Indebtedness less impairment provisions	
		2019 Shares	2018 Shares	**2019 R'm**	2018 R'm	**2019 R'm**	2018 R'm
Specialty Stores (Botswana) (Pty) Limited	1	**100**	100	**-**	-	**54**	61
Mr Price (Lesotho) (Pty) Limited	2	**1 000**	1 000	**-**	-	**17**	10
Mr Price Group (Namibia) (Pty) Limited	3	**100**	100	**-**	-	**29**	28
Mr Price Chain Stores International Limited (Nigeria)	4	**500 000**	500 000	**2**	2	**146**	108
Mr Price Chain Stores International Limited (Ghana)	5	**480 000**	480 000	**2**	2	**91**	78
MRP Zambia Limited	6	**5 000**	5 000	**-**	-	**56**	64
Millews Fashions (Johannesburg) (Pty) Limited	7	**28 000**	28 000	**-**	-	**4**	3
Associated Credit Specialists (Pty) Limited	8	**100**	100	**-**	-	**6**	4
MRP Mobile (Pty) Limited	9	**100**	100	**-**	-	**149**	113
MRP Retail Australia (Pty) Limited	10	**100**	100	**-**	-	**257**	223
MRP Retail Kenya Limited	11	**100 000**	100 000	**-**	-	**98**	10
MRP Poland (Pty) Ltd	12	**100**	-	**-**	-	**16**	-
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						**3**	4
Mr Price Executive Share Trust						**1**	3
Mr Price Senior Management Share Trust						**3**	2
Mr Price General Staff Share Trust						**18**	17
Mr Price Partners Share Trust						**-**	-
Dormant subsidiaries							
RAAVA Jewellers (Namibia) (Pty) Ltd	13	**-**	100	**-**	1	**-**	-
Hughes Extension 17 Township (Pty) Limited		**100**	100	**-**	-	**-**	-
Total				**4**	**5**	**948**	**728**

1. Operates mrp, mrpHome, 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, mrpHome and Sheet Street stores in Zambia.
7. Develops and leases premises to group operations.
8. Recovers overdue debts from credit customers.
9. Operates as a celluar MVNO (mobile virtual network operator) only in South Africa and is a 100% held subsidiary of the Company.
10. Operates mrp stores in Australia.
11. Started in FY2018 to operate mrp, mrpHome stores in Kenya.

The Company owns 100% of the equity and preference share capital (where applicable) of all other subsidiaries and cell captives.

12. Started in FY2019 to operate mrpHome stores in Poland.
13. De-registered.

34. Business combinations

On 18 May 2018, the group completed the acquisition of 12 Kenyan franchise stores from Deacons East Africa PLC for a consideration of R19 million.

The stores were rebranded and merchandised and re-opened for trade as corporate owned stores. This is accounted for as a business combination in line with IFRS 3: Business Combinations.

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

R'm	**Fair value**
Plant and equipment	19
Inventory	-*
Net identifiable asset acquired	**19**

* less than R1 million

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

Accounting policy

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

35. Related parties

35.1 Related party transactions

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

35.2 Directors

Refer to the report of the directors on page 54 in respect of transactions with directors.

35.3 Compensation of key management personnel

	Group		**Company**	
R'm	**2019**	2018	**2019**	2018
Short-term employee benefits	**79**	63	**79**	63
Post employment pension benefits	**10**	10	**10**	10
Share-based payments	**24**	28	**24**	28
	113	101	**113**	101

The above compensation includes amounts paid to executive senior management personnel and excludes amounts paid to directors as disclosed in note 36.

35.4 Participants in staff share trusts

Refer to notes 28 and 30 in respect of transactions with participants in the staff share trusts.

35.5 Post retirement benefit funds

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

35.6 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 R 0.1 million for the year (2018: R 0.7 million)

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

35.6 Transactions with related parties (continued)

	Company	
R'm	**2019**	2018
Sales	**948**	823
Administration fees received from:	**119**	116
Mr Price Group (Namibia) (Pty) Ltd	**29**	47
Speciality Stores (Botswana) (Pty) Ltd	**72**	59
Mr Price (Lesotho) (Pty) Ltd	**9**	8
MRP Zambia Limited	**7**	3
MRP Retail Kenya Limited	**2**	-
Dividends received by:	**65**	21
Mr Price Executive Director Share Trust	**-***	1
Mr Price Executive Share Trust	**1**	1
Mr Price Senior Management Share Trust	**1**	1
Mr Price General Staff Share Trust	**-***	2
Mr Price Partners Share Trust	**3**	4
Millews Fashions (Johannesburg) (Pty) Ltd	**-**	12
Associated Credit Specialists (Pty) Ltd	**60**	-
The following table provides the amount of material transactions that have been entered into with related parties for the year:		
Amounts due by:	**592**	441
Mr Price Chain Stores International Limited (Nigeria)	**146**	108
Mr Price Chain Stores International Limited (Ghana)	**91**	78
MRP Retail Australia (Pty) Ltd	**257**	223
MRP Retail Kenya Limited	**98**	10

* less than R1 million

36. Directors' emoluments

The emoluments received by the Directors from the company were:

R'm	Basic salary	Retirement fund contribution	Other benefits	TGP	Short-term incentives	Dividends (FSP plans)	Long-term incentives	Total 2019	Total 2018
SI Bird	7	1	1	**9**	4	1	9	**23**	31
MM Blair	5	1	1	**7**	4	-*	9	**20**	19
SA Ellis	2	-*	1	**3**	1	-	2	**6**	7
MJ Stirton	1	-*	-*	**1**	1	-	9	**11**	
Total	15	2	3	**20**	10	1	29	**60**	57

* less than R1 million

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

	Company	
Rand	**2019**	2018
SB Cohen	**745 800**	703 600
NG Payne	**1 491 600**	1 407 150
MR Johnston	**676 725**	638 400
M Bowman	**642 427**	402 708
M Chauke	**184 436**	
K Getz	**618 725**	583 700
M Motanyane-Welch	**465 400**	439 050
D Naidoo	**815 050**	656 350
B Niehaus	**639 250**	50 896
MJD Ruck	**289 656**	237 833
WJ Swain		655 800
Total	**6 569 069**	5 775 487

37. Subsequent events

On 3 April 2019, the Mr Price Group Limited board approved the withdrawal of financial support to the Australia operations and as a result, the MRP Retail Australia (Pty) Ltd directors put the company into Part 5.3A administration on 2 May 2019. The Australian stores ceased trading on 30 April 2019. The winding down of the Australia operations is a non-adjusting subsequent event and will be disclosed as discontinued operations in the 2020 financial year. At this stage no material impact is expected.

Administration & Contact Details

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Domicile and Country of Incorporation
Republic of South Africa

Sponsor
Rand Merchant Bank

Registration Number
1933/004418/06

Independent Auditor
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	Address	Phone	Fax	Websites
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