



Unaudited results for the 26 weeks to 27 December 2020



SHOPRITE

HOLDINGS LTD

(Reg. No. 1936/007721/06)
(ISIN: ZAE000012084)
(JSE Share code: SHP)
(NSX Share code: SRH)
(LuSE Share code: SHOPRITE)
("the Group")

Unaudited results for the 26 weeks to 27 December 2020

Key information – continuing operations

- Sale of merchandise increased by 4.7% to R83.4 billion
- Trading profit increased by 18.3% to R4.7 billion
- Diluted headline earnings per share (DHEPS) increased by 10.4% to 418.0 cents (Dec 2019: 378.6 cents)
- Adjusted DHEPS* increased by 17.1% to 416.2 cents (Dec 2019: 355.3 cents)
- The interim dividend per share declared increased by 22.4% to 191 cents (Dec 2019: 156 cents)
- Opened a net total of 60 new stores comprising 25 corporate and 35 franchise stores during the 12 months

* The adjusted DHEPS constitutes pro forma financial information in terms of JSE Listing Requirements.

Pieter Engelbrecht, Chief Executive Officer

We are proud to report the Group's sales increasing by 4.7% for the six months. Within that, our core Supermarkets RSA segment, representing 78.0% of Group sales, increased sales by 5.6%. Adjusting for the closure of our RSA LiquorShop business as a result of nationwide COVID-19 lockdown regulations, our Supermarkets RSA business grew sales by 7.8%. This is an incredible result given that our customer base spans the entire South African food retail spectrum. Our South African supermarkets' internal selling price inflation of 4.3% for the six months reflects our unwavering commitment to our customers on price. In true Shoprite style it was a collective effort across our Shoprite, Usave, Checkers and Checkers Hyper banners and the team is to be commended. The Supermarkets RSA business has achieved 22 months of uninterrupted market share gains and in the six months to 27 December 2020 the Group created a total of 4 305 new jobs.

In significantly more adverse conditions, our Supermarkets Non-RSA continuing operations achieved constant currency sales growth of 0.9%. The business remained vigilant, combating the challenges faced across Africa, however, currency devaluations again eroded much of our efforts. We closed the last of our Kenyan stores in February 2021 and are at the approval stage in terms of the sale of our Nigeria supermarket operation. From here, our capital allocated to the region remains at a minimum and we continue to manage costs as best as we can.

The successful launch of our Xtra Savings Rewards Programme in our South African based Shoprite supermarket chain following the success in Checkers, gave rise to another strategic milestone for the Group. Our Checkers and Shoprite Xtra Savings Rewards Programme now has the largest membership base in South Africa, with 17 million rewards members. The opportunities that this programme affords the Group and its valued customers are significant and to say we are optimistic with regard to the future for our business as a result, would be an understatement.

It is noteworthy that the Group increased trading profit by 18.3%, whilst making significant strides in other areas: borrowings declined by R5.9 billion to R5.5 billion, inventories reduced by R3.0 billion and we lived well within our means in terms of capital expenditure of R1.6 billion.

None of this was achieved in isolation. It was due to the collective effort of the more than 140 000 employees across the Group, represented in areas not limited to our aforementioned supermarket operations, who came together daily to serve our customers and sustain the growth of this great company. It remained a difficult period in the context of COVID-19 which continued to weigh on our customers, our people and our operations and my acknowledgement and sincere thanks go out to all.



December 2020 results commentary

Comparative considerations

Nigeria – discontinued operations

The Group confirms that the terms of sale have been concluded for the disposal of a 100% equity stake in its Retail Supermarkets Nigeria Ltd subsidiary. The transaction has been lodged with the Nigerian Federal Competition and Consumer Protection Commission (FCCPC) for approval. Management expects the transaction to be approved by the end of the 2021 financial year. Management is in the process of concluding a franchise agreement for the Shoprite brand to remain in Nigeria as well as an administration and services agreement to provide support to the new shareholders with operating the outlets.

Following the classification of the Group's Nigerian subsidiary as discontinued operations in accordance with IFRS 5, the comparative statement of comprehensive income figures have been restated for the change in accounting policy.

Statement of comprehensive income

The period under review was defined by the COVID-19 pandemic and its second wave impact across South Africa and our Non-RSA operations. The Group continued to operate within the confines of differing lockdown regulations across our various regions on the African continent. Of these, the most significant was the South African nationwide lockdown regulation banning liquor sales, the impact of which is outlined below. In South Africa it remained a period of high unemployment, countered to some extent by significant Government COVID-19 relief grant support.

In our Non-RSA business, currency devaluations in certain of our key markets weighed on the Supermarkets Non-RSA segment and its reported growth.

Sale of merchandise

The Group's sale of merchandise for the six months to 27 December 2020 increased by 4.7% to R83.4 billion. Like-for-like sales increased by 4.1%.

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

	Change %	26 weeks 27 Dec '20 Rm	26 weeks 29 Dec '19 Rm
Supermarkets RSA	5.6	65 074	61 635
Supermarkets Non-RSA	(8.4)	8 551	9 335
Furniture	15.7	3 849	3 328
Other operating segments	10.0	5 956	5 413
Total continuing consolidated operations	4.7	83 430	79 711
Discontinued operations	(1.0)	1 424	1 439
Total operating segments including discontinued operations	4.6	84 854	81 150

Supermarkets RSA

The Group's core business, Supermarkets RSA, making up 78.0% of Group sales, is represented by 1 685 stores across our major trading banners Shoprite, Usave, Checkers, Checkers Hyper and LiquorShop. As a segment, Supermarkets RSA achieved 5.6% sales growth (like-for-like 4.8%). Internal selling price inflation of 4.3% for the period is a function of 4.4% internal inflation for the quarter ending September 2020 and 4.2% internal inflation for the second quarter ending December 2020.

The Checkers supermarket chain, inclusive of 38 larger format Checkers Hypers, increased sale of merchandise by 11.1%. The gains in Checkers' market share continue, evidenced across the board, not just in the upper segment. The number of stores in the Checkers FreshX and Checkers Hyper FreshX format has increased from 28 (Dec 2019) to 38 and of the total, six are refurbished new format Checkers Hyper FreshX stores. Checkers, inclusive of Checkers Hyper, now operates from 265 stores in South Africa and collectively they represent 40.0% of the Group's core Supermarkets RSA segment's sales.

Checkers Sixty60, the Group's response to fulfil the need in the market for a fast and reliable grocery delivery application, was recognised during the period by winning various prestigious awards for best-in-class customer experience and innovation. Checkers Sixty60 is South Africa's No. 1 grocery delivery application and has been rolled out to 157 stores by the end of December 2020 (Jun 2020: 87 stores).

Shoprite and Usave remained focused on their respective customers, executing on their price leadership positions over the period. In a challenging market both brands traded well, collectively reporting sales growth for the period of 5.6%. Shoprite increased sales by 4.9%, adding a net of 14 new stores since June 2020, to end December 2020 with 517 stores in South Africa. Usave increased sales by 9.1%, adding a net of 11 new stores since June 2020, to end December 2020 with 385 stores.

The Group's Xtra Savings Rewards Programme launch in the Shoprite supermarket chain during October 2020 was met with an exceptional response from its loyal customer base. Despite the challenges stemming from a launch of this scale during COVID-19 lockdown, the programme was rolled out to 825 Shoprite and Shoprite LiquorShop stores in record time. Together with the Checkers Xtra Savings Rewards Programme launched 12 months prior, the Group's Xtra Savings Rewards Programme now has a combined base of over 17 million members, making it South Africa's largest supermarket rewards programme. We are very encouraged by the Xtra Savings Rewards Programme, the value and savings it will bring to our valued customers via personalised offers and promotions as well as the opportunities and alternative revenue streams it will afford the Group in the future.



First half sales growth of the Group's South African liquor business, represented by Shoprite LiquorShop and Checkers LiquorShop, was negatively impacted by the COVID-19 lockdown regulations which required the complete closure of our liquor business for 79 out of 182 trading days. Sales in the liquor business declined by 21.8% for the period under review representing 5.5% (Dec 2019: 7.5%) of Supermarkets RSA's sales.

The changes to shopping patterns ushered in as a result of COVID-19 lockdown regulations have remained largely in place. Customer visits for the six months declined by 16.3%, however, average basket spend increased by 26.2%.

Market share figures reflect ongoing market share gains for the 22 months to December 2020.

Ongoing execution and innovation with respect to the Group's private label strategy across all three supermarket chains continued to result in these lines increasing their contribution to sales. By offering better value, choice and range to all our customers, the sales participation from the Group's private label products grew to 17.7% of Supermarkets RSA's sales, an increase of 1.6 percentage points compared to the previous year.

Supermarkets Non-RSA

Supermarkets Non-RSA continuing operations reported constant currency sales growth of 0.9% on the back of 25.3% lower sales volumes and 9.1% internal inflation. Reported sales for the six months declined by 8.4% in rand terms.

The segment experienced ongoing currency devaluations in certain key regions during the six months and was further impacted by lockdown regulations pertaining to store closures and limitations in trade and transport in different regions at different times.

Angolan sales declined by 15.5% in constant currency and by 39.5% in rand terms. The Angola kwanza has devalued significantly against the US dollar since the beginning of January 2018 when the currency started to show first signs of weakness against the backdrop of a lower oil price. The impact of currency devaluation on our sales is twofold as it increases the prices of our imported products, whilst continuing to erode customer affordability given purchasing power is not keeping pace with inflation.

Zambia, a key region in our Supermarkets Non-RSA segment, traded well. Sales in constant currency increased by 15.8% (Dec 2019: 14.7%).

The Group took a decision to exit the Kenya market and the two remaining stores trading post December 2020, were closed at the end of February 2021.

Furniture

The Group's Furniture segment is made up of OK Furniture and House & Home. Sales for the period of R3.8 billion reflect growth of 15.7% (like-for-like 17.3%) and represent 4.6% of Group sales. We are of the view that both brands' sales growth benefited from a combination of work-from-home spending shifts and pent-up demand created as a result of lockdown regulations during the fourth quarter of the 2020 financial year, when the business was required to close for 52 days in South Africa and 31 days in Non-RSA. Credit participation declined to 11.8% (Dec 2019: 13.7%).

Over the 12 months, the division closed 23 stores in South Africa (19 OK Furniture and four House & Home) and two OK Furniture stores outside South Africa. At the end of the reporting period the segment's operations included 346 stores in RSA (307 OK Furniture and 39 House & Home) and 86 stores (82 OK Furniture and four House & Home) outside South Africa.

Other operating segments

The Group's other operating segments, representing 7.1% of Group sales and comprising OK Franchise, Transpharm, MediRite Pharmacies, Checkers Food Services (CFS) and Computicket, achieved sales growth of 10.0% for the year.

This was an excellent achievement notwithstanding the impact of lockdown limitations on CFS's primary customer, the restaurant and hospitality industry.

Notwithstanding the lockdown regulations pertaining to liquor, the Group's food and liquor franchise business, OK Franchise, continued to report resilient growth evidenced by sales growth of 8.1% (Dec 2019: 7.5%) for the period under review.

Expenses

Total expense growth for the period measured 4.2%. Expenses are attributed to the following:

- COVID-19 related costs of R81.9 million, net of an additional R98.2 million employment tax incentive allowance from Government, was spent on health and safety, security, mobile clinics, personal protective equipment, temperature scanners, store and distribution centre sanitation, communication costs and remote network access for staff.
- Depreciation and amortisation increased by 3.7%. Depreciation on right-of-use assets increased by 24.8% to R1.5 billion, whilst depreciation on property, plant and equipment decreased by 9.8% to R1.1 billion. Included in depreciation is a R35 million charge relating to the hyperinflation adjustments to assets recognised in prior years.
- Employee benefits increased by 5.8%. This is the net result of a 7.6% increase in employee benefits expense in South Africa (after taking into account support from Government sectoral incentives) and a 9.2% decrease in employee benefits outside South Africa (after taking into account currency devaluations experienced in certain key regions the Group operates).
- Other operating expenses increased by 3.4%. This includes expenses such as electricity and water, repairs and maintenance, security and credit card commissions paid. The growth in water and electricity of 2.2% was well controlled during the period and assisted by benefits from a more stable Eskom power supply. Various energy-saving initiatives also delivered cost-saving benefits.



December 2020 results commentary (continued)

Statement of comprehensive income (continued)

Trading profit

Trading profit growth of 18.3% resulted in a trading margin of 5.6% (Dec 2019: 5.0%). This was due to a combination of the Group's increased gross margin of 24.0% (Dec 2019: 23.4%) and the aforementioned total expense growth of 4.2%. The higher gross margin is due to a number of factors but mostly a result of ongoing benefits realised from our SAP ERP system implementation undertaken in 2019.

Noteworthy, we believe, is the R138 million in trading profit reported by our Supermarkets Non-RSA segment due to a stronger performance in certain key markets and aided by a R59 million reversal of an expected credit loss provision relating to the AOA, USD Index Linked, Angola Government Bonds which matured during the reporting period. Conversely, the segment was negatively impacted by a loss incurred in our Kenyan business (exacerbated by the negative impact of COVID-19 restrictions and store closures) and a R26 million reduction in interest income earned on government bonds and bills. Interest earned on these instruments included in trading profit amounted to R84 million for the six months (Dec 2019: R110 million).

From a materiality perspective, however, the performance of the Group's core Supermarkets RSA business remains the most significant. The segment generated R4.2 billion in trading profit, an increase of 12.6% on the prior year to report a 6.5% trading margin (Dec 2019: 6.1%).

The following table gives the relevant trading profit, per segment, for continuing operations:

	Change %	26 weeks 27 Dec '20 Rm	Trading margin 27 Dec '20 %	26 weeks 29 Dec '19 Rm	Trading margin 29 Dec '19 %
Supermarkets RSA	12.6	4 206	6.5	3 736	6.1
Supermarkets Non-RSA	>100	138	1.6	3	—
Furniture	56.8	265	6.9	169	5.1
Other operating segments	11.9	132	2.2	118	2.2
Total continuing operating segments	17.8	4 741	5.7	4 026	5.1
Hyperinflation effect	(27.1)	(35)	—	(48)	—
Consolidated continuing operations	18.3	4 706	5.6	3 978	5.0

Foreign exchange differences

The Group recorded exchange rate losses of R20 million for the period. In essence, most of the foreign exchange differences are due to gains on AOA, USD Index Linked, Angola Government Bonds offset by losses on US dollar denominated short-term loans of operations outside South Africa.

The Group continued to designate its US dollar denominated lease liabilities as a hedge of a proportion of the net investment in the Group's US dollar subsidiary and applied hedge accounting during the period under review.

Net finance costs

Net finance costs increased by 13.5% to R1.4 billion during the period after taking into account a once-off R178 million breakage cost for early settlement of US dollar debt. Excluding this impact, net finance costs remained in-line with the previous year.

The Group's lease liabilities increased by 11.6% to R26.6 billion (Dec 2019: R23.8 billion). The average incremental borrowing rate measured 9.0%. The interest charge on lease liabilities amounted to R1.1 billion (Dec 2019: R0.9 billion) for the period under review.

Income tax expense

The Group recorded an effective income tax rate of 29.2%, 1.9 percentage points lower than the prior year (Dec 2019: 31.1%).

The lower tax rate for this period is due to the tax rollover relief relating to the asset-for-share transaction where the Group sold two of its DCs in exchange for a 49.9% share in Retail Logistics Fund (Pty) Ltd, coupled with benefits arising from the South African Government's employment tax incentive (ETI) programme.

The Group's effective tax rate remains higher than the South African income tax rate (28%), mainly due to the derecognition of previously recognised deferred income tax assets in certain Non-RSA regions where the current economic environment's deterioration during the period was such that it is no longer certain that accumulated assessed tax losses can be utilised in the future.



Headline earnings per share (HEPS)

Due to the classification of our Nigeria business as a discontinued operation, we present total operations including Nigeria as an alternative. For ease of comparison we have included an adjusted DHEPS which excludes the after tax effect of exchange rate differences and the impact of hyperinflation.

	26 weeks 27 Dec '20 cents	Restated* 26 weeks 29 Dec '19 cents	Change %
Headline earnings from continuing operations:			
Basic HEPS	419.6	379.0	10.7
DHEPS	418.0	378.6	10.4
Adjusted DHEPS**	416.2	355.3	17.1
Headline earnings including discontinued operations:			
Basic HEPS	429.3	381.9	12.4
DHEPS	427.7	381.5	12.1
Adjusted DHEPS**	428.6	360.2	19.0

* Restated for discontinued operations in accordance with IFRS 5 and the change in guidance contained in SAICA Circular 1/2019: Headline Earnings relating to the IFRS 16: Leases rule.

**The adjusted DHEPS and continuing operations information provided, constitutes pro forma financial information in terms of the JSE Listing Requirements.

Statement of financial position

Non-current assets

Property, plant and equipment, right-of-use and intangible assets

The Group's R1.6 billion capital spend on property, plant, equipment and software represented a decline of 16.7% year-on-year. This spend was allocated as follows: R833 million on store maintenance and refurbishments; R434 million on IT and supply chain projects and R213 million on new stores (excluding land and buildings). This latter amount was R156 million lower than the prior year as a result of a slowdown in the opening of new stores as the lockdown environment delayed various projects. The remaining R160 million was allocated to land, buildings and leasehold improvements. This is a 60.5% reduction on the prior year and mostly as a result of the Group's strategy to reduce capital allocated to property developments outside South Africa.

The sale and leaseback transaction on three of the Group's distribution centres was finalised during November 2020. The transaction resulted in a reduction in property, plant and equipment of R2.0 billion and the recognition of right-of-use assets and lease liabilities for the lease contracts. The Group acquired a 49.9% stake in Retail Logistics Fund (Pty) Ltd through this transaction.

Property, plant and equipment and right-of-use assets still include a cumulative hyperinflation adjustment of R860 million at the reporting date, resulting from the application of IAS 29: Financial Reporting in Hyperinflationary Economies up to 30 June 2019.

At the end of the reporting period, the Group's right-of-use assets measured R19.5 billion (Dec 2019: R17.9 billion).

The Group performs a review of loss-making stores and considers the need for impairment of assets. For the six months ending December 2020, impairments accounted for measured R687 million. It was mainly recorded in the Supermarkets Non-RSA segment as a result of the deterioration in the current and future economic outlook. Impairments of non-financial assets form part of items of a capital nature and the after tax effect of such impairments impacts EPS but not HEPS.

Government bonds and bills

Government bonds and bills held in Angola reduced by R894 million to R1.6 billion (Dec 2019: R2.5 billion) at the reporting date. The Angolan operations were able to repatriate US\$37.6 million during the six months and US\$58.8 million over the past 12 months.

Government bonds and bills to the value of R1.4 billion will mature during the next 12 months and our objective is to re-invest the proceeds in local high-yielding financial instruments.



December 2020 results commentary (continued)

Statement of financial position (continued)

Current assets

Inventories

Inventories amounted to R19.6 billion, a decrease of 13.2% on the corresponding period (Dec 2019: R22.5 billion). Inventories as a percentage of the last 12 months' sales reduced from 14.7% to 12.2%, unlocking working capital and contributing to an improvement in the Group's cash flow position.

Trade and other receivables

Trade and other receivables remained in line with the previous year at R4.3 billion. With respect to our furniture business' debtors book, collections from contracts with customers improved since the hard lockdown period in South Africa as well as the other territories where credit is granted. Based on the assessment of expected credit losses for the period in terms of IFRS 9: Financial Instruments, the provision against the debtors book reduced to 47.2% at the reporting date, compared to 50.5% at the end of the June 2020 financial year.

Cash and cash equivalents and bank overdrafts

Net cash and cash equivalents improved by R4.0 billion as a result of improved working capital, a reduction in capital spend and asset disposals. Net proceeds from government bonds and bills in Angola in the amount of R518 million were realised during the six months under review and also contributed to the Group's improved net cash position.

Liabilities

Borrowings and lease liabilities

Borrowings decreased by R5.9 billion to R5.5 billion as a result of the reduction of US dollar debt from US\$482 million (Dec 2019) to US\$78 million at the end of the reporting period.

Lease liabilities increased to R26.6 billion (Dec 2019: R23.8 billion) due to the combined impact of existing lease renewals and 74 new lease agreements. The majority of the increase was a result of the three new DC leases as a result of the aforementioned sale and leaseback transactions.

The net impact of the change in borrowings and lease liabilities resulted in total borrowings and lease liabilities decreasing by R3.1 billion to R32.1 billion (Dec 2019: R35.2 billion).

Dividend policy

With the adoption of IFRS 16 and the financial restatement that followed, the Group's restated dividend cover equated to 1.7 times, however the two times dividend cover based on DHEPS from continuing operations was maintained up to June 2020.

As a result of the Group achieving its US dollar debt reduction target, together with significantly reduced capital expenditure and working capital, the Board has resolved to change the dividend policy for the full financial year to a 1.75 times dividend cover based on DHEPS from continuing operations and declared an interim dividend of 191 cents per share.

Group outlook

We began our second half of 2021 with RSA lockdown regulations resulting in the complete closure of our South African LiquorShop business, followed by updated regulations in early February, permitting trade from Monday to Thursday. The recent March easing of regulations, permitting our LiquorShop business to trade unrestricted (but according to licence terms) is a welcomed change for our operations.

Notwithstanding the impact on our significant back-to-school category as a result of lockdown regulations delaying the return of South African schools and universities, we can confirm that for the first eight weeks of our second half (28 December 2020 to 21 February 2021) our Supermarkets RSA (excluding LiquorShop) sales were in line with that reported for the first half of 2021. Internal selling price inflation for the eight weeks measured 3.8%.

Whilst we are cognisant of the sales base created last year as a result of the COVID-19 spending support and pre-lockdown pantry loading that took place in March 2020, our overall view as we look ahead to the end of our financial year and beyond, is one of cautious optimism given we are encouraged by the roll-out of the South African COVID-19 vaccine programme and the impact it is expected to have in terms of restoring South Africa to the path of economic recovery.

In terms of the future and our focus, the Group continues to be guided by its purpose to be Africa's most affordable, accessible and innovative retailer. This is evidenced by our relentless pursuit of organic growth underscored by our low price leadership promise, whilst focusing on growing Checkers' position in the mid-to-upper segment of the market, rolling out smaller, lower capex Shoprite supermarkets, leveraging the significant opportunities that exist as a result of our Xtra Savings Rewards Programme, continuing to optimise our data led business and creating value for both our customers and the Group via digital offerings, partnerships and products.

16 March 2021

Enquiries

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Pro forma financial information

Certain financial information presented in these condensed consolidated interim results for the 26 weeks to 27 December 2020 constitutes pro forma financial information. The pro forma financial information is the responsibility of the board of directors of the Company and is presented for illustrative purposes only. Because of its nature, the pro forma financial information may not fairly present the Group's financial position, changes in equity, results of operations or cash flows. The pro forma financial information has neither been reviewed nor been reported on by the Group's external auditors.

Like-for-like comparisons

Like-for-like sales is a measure of the growth in the Group's year-on-year sales, removing the impact of new store openings and closures in the current or previous reporting periods.

References were made to the following subtotals of sale of merchandise	Like-for-like change %	Reported unaudited 26 weeks 27 Dec '20 Rm	Like-for-like 26 weeks 27 Dec '20 Rm	Reported unaudited 26 weeks 29 Dec '19 Rm	Like-for-like 26 weeks 29 Dec '19 Rm
Total continuing operations	4.1	83 430	80 727	79 711	77 518
Supermarkets RSA	4.8	65 074	63 036	61 635	60 168
Supermarkets Non-RSA continuing operations	(8.9)	8 551	8 267	9 335	9 072
Furniture	17.3	3 849	3 828	3 328	3 262

Impact of the Group's pro forma constant currency disclosure

The Group discloses unaudited constant currency information to indicate the Supermarkets Non-RSA operating segment performance in terms of sales growth, excluding the effect of foreign currency fluctuations. To present this information, current period sales for entities reporting in currencies other than ZAR are converted from local currency actuals into ZAR at the prior year's actual average exchange rates on a country-by-country basis.

The table below sets out the percentage change in sales, based on the actual results for the period, in reported currency and constant currency for the following major currencies. The total impact on Supermarkets Non-RSA is also reflected after consolidating all currencies in this segment.

% Change in sales on prior period 26 weeks	Reported currency	Constant currency
Angola kwanza	(39.5)	(15.5)
Mozambique metical	(6.1)	(2.9)
Nigeria naira	(1.0)	(4.8)
Zambia kwacha	(12.7)	15.8
Supermarkets Non-RSA including discontinued operations	(7.4)	0.1
Supermarkets Non-RSA continuing operations	(8.4)	0.9

Impact of Angola hyperinflation adjustment

The Angolan economy had been considered to be hyperinflationary up to 30 June 2019. As a result, the Group accounted for the results of its Angolan operations on a hyperinflationary basis in accordance with IAS 29: Financial Reporting in Hyperinflationary Economies (IAS 29) up to 30 June 2019. The Angolan economy was assessed not to be hyperinflationary for the current and comparative reporting periods. Although no further hyperinflationary adjustments were required for the current and comparative reporting periods, the statement of financial position at the respective reporting dates still includes cumulative hyperinflation adjustments as a result of the application of IAS 29 up to 30 June 2019. These cumulative hyperinflation adjustments, included in property, plant and equipment, right-of-use assets and inventories, are written off to the statement of comprehensive income, together with the related deferred income tax effect, in accordance with the Group's accounting policies for the respective items.

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

The pro forma information was calculated through applying all the accounting policies adopted by the Group in the latest audited annual financial statements. In calculating the pro forma basic headline earnings per share, the impact of the pro forma adjustments to items of a capital nature, net of income tax, was excluded from the basic pro forma earnings per share.

The financial impact of hyperinflation on the current period's results is shown in the format of a pro forma statement of comprehensive income and a pro forma statement of financial position.



Pro forma statement of comprehensive income

	Reported including hyperinflation 26 weeks 27 Dec '20 Rm	Hyperinflation adjustment 26 weeks 27 Dec '20 Rm	Excluding hyperinflation pro forma 26 weeks 27 Dec '20 Rm	Restated* excluding hyperinflation pro forma 26 weeks 29 Dec '19 Rm	Pro forma change %
Sale of merchandise	83 430	—	83 430	79 711	4.7
Cost of sales	(63 389)	—	(63 389)	(61 039)	3.8
Gross profit	20 041	—	20 041	18 672	7.3
Other operating income	1 283	—	1 283	1 228	4.5
Interest revenue	279	—	279	295	(5.4)
Depreciation and amortisation	(2 580)	(35)	(2 545)	(2 439)	4.3
Employee benefits	(6 763)	—	(6 763)	(6 391)	5.8
Credit impairment reversals/(losses)	2	—	2	(32)	
Other operating expenses	(7 556)	—	(7 556)	(7 307)	3.4
Trading profit	4 706	(35)	4 741	4 026	17.8
Exchange rate (losses)/gains	(20)	—	(20)	243	
Profit on lease modifications	131	—	131	72	
Items of a capital nature	(327)	(404)	77	(13)	
Operating profit	4 490	(439)	4 929	4 328	13.9
Interest received from bank account balances	148	—	148	187	(20.9)
Finance costs	(1 568)	—	(1 568)	(1 438)	9.0
Share of profit of equity accounted investments	11	—	11	—	
Profit before income tax	3 081	(439)	3 520	3 077	14.4
Income tax expense	(901)	178	(1 079)	(955)	13.0
Profit from continuing operations	2 180	(261)	2 441	2 122	15.0
Profit/(loss) from discontinued operations (attributable to owners of the parent)	52	—	52	(17)	
Profit for the period	2 232	(261)	2 493	2 105	18.4
Other comprehensive loss, net of income tax	(1 270)	115	(1 385)	(1 692)	
Items that may subsequently be reclassified to profit or loss					
Foreign currency translation differences from continuing operations	(1 184)	115	(1 299)	(1 580)	
Foreign currency translation differences from discontinued operations	40	—	40	(14)	
Loss on effective net investment hedge, net of income tax	(126)	—	(126)	(98)	
Total comprehensive income for the period	962	(146)	1 108	413	
Profit attributable to:	2 232	(261)	2 493	2 105	
Owners of the parent	2 221	(261)	2 482	2 096	
Non-controlling interest	11	—	11	9	
Total comprehensive income attributable to:	962	(146)	1 108	413	
Owners of the parent	951	(146)	1 097	404	
Non-controlling interest	11	—	11	9	
Total comprehensive income/(loss) attributable to owners of the parent arises from:	951	(146)	1 097	404	
Continuing operations	859	(146)	1 005	435	
Discontinued operations	92	—	92	(31)	
Earnings per share for profit from continuing operations attributable to owners of the parent:					
Basic earnings per share from continuing operations (cents)	392.9	(47.2)	440.1	381.9	15.2
Diluted earnings per share from continuing operations (cents)	391.3	(47.0)	438.3	381.5	14.9
Basic headline earnings per share from continuing operations (cents)	419.6	4.3	415.3	385.8	7.6
Diluted headline earnings per share from continuing operations (cents)	418.0	4.4	413.6	385.4	7.3
Earnings per share for profit attributable to owners of the parent:					
Basic earnings per share (cents)	402.3	(47.2)	449.5	378.8	18.7
Diluted earnings per share (cents)	400.7	(47.0)	447.7	378.4	18.3
Basic headline earnings per share (cents)	429.3	4.3	425.0	388.7	9.3
Diluted headline earnings per share (cents)	427.7	4.4	423.3	388.3	9.0

* Restated for discontinued operations in accordance with IFRS 5 as well as the reclassification of interest revenue previously included in other operating income and profit on lease modifications previously included under items of a capital nature. Refer to notes 2 and 3 of the condensed consolidated interim financial statements for details of the change in accounting policy and reclassifications.



Pro forma statement of financial position

	Reported including hyperinflation 27 Dec '20 Rm	Hyperinflation adjustment 27 Dec '20 Rm	Excluding hyperinflation pro forma 27 Dec '20 Rm	Excluding hyperinflation pro forma 29 Dec '19 Rm
Assets				
Non-current assets	43 571	661	42 910	42 256
Property, plant and equipment	14 918	694	14 224	17 751
Right-of-use assets	19 479	166	19 313	17 445
Intangible assets	3 000	—	3 000	3 053
Equity accounted investments	1 908	—	1 908	—
Investment in insurance cell captive arrangements	124	—	124	—
Government bonds and bills	241	—	241	204
Loans receivable	1 774	—	1 774	1 663
Deferred income tax assets	1 979	(199)	2 178	1 963
Trade and other receivables	148	—	148	177
Current assets	40 510	—	40 510	41 474
Inventories	19 575	—	19 575	22 515
Trade and other receivables	4 281	—	4 281	4 907
Current income tax assets	91	—	91	144
Government bonds and bills	1 377	—	1 377	2 308
Loans receivable	206	—	206	318
Cash and cash equivalents	13 334	—	13 334	10 800
Assets classified as held for sale	38 864	—	38 864	40 992
	1 646	—	1 646	482
Total assets	84 081	661	83 420	83 730
Equity				
Capital and reserves attributable to owners of the parent				
Stated capital	7 516	—	7 516	7 516
Treasury shares	(955)	—	(955)	(817)
Reserves	12 847	600	12 247	12 799
	19 408	600	18 808	19 498
Non-controlling interest	147	—	147	104
Total equity	19 555	600	18 955	19 602
Liabilities				
Non-current liabilities	27 715	61	27 654	29 450
Lease liabilities	24 002	—	24 002	21 286
Borrowings	3 287	—	3 287	7 885
Deferred income tax liabilities	61	61	—	58
Provisions	365	—	365	221
Current liabilities	36 811	—	36 811	34 678
Trade and other payables	27 592	—	27 592	24 094
Contract liabilities	731	—	731	699
Lease liabilities	2 609	—	2 609	2 555
Borrowings	2 176	—	2 176	3 478
Current income tax liabilities	776	—	776	909
Provisions	103	—	103	171
Bank overdrafts	1 258	—	1 258	2 772
Liabilities directly associated with assets classified as held for sale	35 245	—	35 245	34 678
	1 566	—	1 566	—
Total liabilities	64 526	61	64 465	64 128
Total equity and liabilities	84 081	661	83 420	83 730



Pro forma financial information (continued)

Adjusted headline earnings per share (HEPS)

The Group's reported results include exchange rate differences which fluctuate from year to year. Although the Group manages its exposure to foreign currency fluctuations, economic factors outside of the Group's control have a significant impact on currency devaluations in countries where the Group operates. Furthermore, the reported results up to 30 June 2019 included a net monetary gain and cumulative hyperinflation adjustments, included in property, plant and equipment, right-of-use assets and inventories, resulting from the application of IAS 29. As already stated, it was assessed that the Angolan economy was no longer hyperinflationary for the current and comparative reporting periods. Although the current and comparative reporting periods' results consequently no longer include a similar net monetary gain, these results still include the impact of unwinding aforementioned cumulative hyperinflation adjustments.

Adjusted basic and diluted HEPS is calculated by adjusting HEPS with the impact of exchange rate differences and hyperinflation adjustments resulting from the application of IAS 29, and related tax effects. The tax effect of exchange rate differences was calculated by applying the average effective tax rate from continuing operations to exchange rate differences and the tax effect of hyperinflation adjustments was based on the actual tax adjustments as disclosed in the pro forma information. Management believes adjusted diluted HEPS as noted below, are more useful measures of the Group's underlying performance. However, this is not a defined term under IFRS and may not be comparable with similarly titled measures reported by other companies. The Group has therefore presented its diluted HEPS for the current and comparative period on a similar basis, excluding the impact of foreign exchange rate differences and hyperinflation accounting as well as related income tax, to facilitate comparisons against the prior period's results.

The table below presents the adjustments to the items reported.

		26 weeks 27 Dec '20 Rm	26 weeks 29 Dec '19 Rm
Headline earnings including discontinued operations as reported		2 370	2 113
Impact of exchange rate differences*		37	(232)
Impact of Angola hyperinflation adjustment**		35	48
Related income tax effect		(67)	66
Adjusted headline earnings including discontinued operations pro forma		2 375	1 995
Headline earnings from continuing operations as reported		2 317	2 097
Impact of exchange rate differences as reported		20	(243)
Impact of Angola hyperinflation adjustment**		35	48
Related income tax effect		(65)	66
Adjusted headline earnings from continuing operations pro forma		2 307	1 968
	Change %	Cents	Cents
Diluted headline earnings per share including discontinued operations	12.1	427.7	381.5
Adjusted basic headline earnings per share including discontinued operations pro forma	19.4	430.3	360.5
Adjusted diluted headline earnings per share including discontinued operations pro forma	19.0	428.6	360.2
Diluted headline earnings per share from continuing operations	10.4	418.0	378.6
Adjusted diluted headline earnings per share from continuing operations pro forma	17.1	416.2	355.3

* The impact of exchange rate differences including discontinued operations consists of R20 million exchange rate losses (Dec '19: R243 million exchange rate gains) as reported and R17 million (Dec '19: R11 million) exchange rate losses from discontinued operations (refer to note 7 of the condensed consolidated interim financial statements).

** The impact of the Angola hyperinflation adjustment is based on the pro forma information provided on page 8. The increase of R35 million (Dec '19: R48 million) in headline earnings is calculated by excluding the items of a capital nature hyperinflation adjustment of R404 million (Dec '19: R5 million) from the profit before income tax hyperinflation adjustment of R439 million (Dec '19: R53 million).



Number of outlets as at 27 December 2020

	12 Months				Confirmed new stores Jun 2021
	Dec 2019	Opened	Closed	Dec 2020	
Supermarkets	1 393	55	34	1 414	39
Shoprite	691	18	10	699	16
Checkers	232	7	3	236	5
Checkers Hyper	37	1	—	38	—
Usave	422	29	17	434	14
K'nect	11	—	4	7	4
LiquorShop	518	26	3	541	19
Furniture	452	5	25	432	—
OK Furniture	405	5	21	389	—
House & Home	47	—	4	43	—
OK Franchise	470	67	32	505	24
Total stores – including discontinued operations	2 833	153	94	2 892	82
Total stores – continuing operations	2 808	153	93	2 868	82
Countries outside RSA – including discontinued operations	14	—	—	14	—
Countries outside RSA – continuing operations	13	—	—	13	—
Total stores outside RSA – including discontinued operations	421	12	16	417	14
Total stores outside RSA – continuing operations	396	12	15	393	14

Dividend no 144

The board has declared an interim dividend of 191 cents (Dec 2019: 156 cents) per ordinary share, payable to shareholders on Monday, 12 April 2021. The dividend has been declared out of income reserves. The last day to trade cum dividend will be Tuesday, 6 April 2021. As from Wednesday, 7 April 2021, all trading of Shoprite Holdings Ltd shares will take place ex dividend. The record date is Friday, 9 April 2021. Share certificates may not be dematerialised or rematerialised between Wednesday, 7 April 2021, and Friday, 9 April 2021, both days inclusive.

In terms of the Dividends Tax, the following additional information is disclosed:

1. The local dividend tax rate is 20%.
2. The net local dividend amount is 152.8 cents per share for shareholders liable to pay Dividends Tax and 191 cents per share for shareholders exempt from paying Dividends Tax.
3. The issued ordinary share capital of Shoprite Holdings Ltd as at the date of this declaration is 591 338 502 ordinary shares.
4. Shoprite Holdings Ltd's tax reference number is 9775/112/71/8.



Condensed consolidated statement of comprehensive income

	Notes	Change %	Unaudited 26 weeks 27 Dec '20 Rm	Restated* unaudited 26 weeks 29 Dec '19 Rm	Audited 52 weeks 28 Jun '20 Rm
Sale of merchandise	5	4.7	83 430	79 711	156 855
Cost of sales		3.8	(63 389)	(61 039)	(119 323)
Gross profit		7.3	20 041	18 672	37 532
Other operating income	5	4.5	1 283	1 228	2 326
Interest revenue	5	(5.4)	279	295	598
Depreciation and amortisation		3.7	(2 580)	(2 487)	(5 031)
Employee benefits		5.8	(6 763)	(6 391)	(12 585)
Credit impairment reversals/(losses)			2	(32)	(480)
Other operating expenses		3.4	(7 556)	(7 307)	(14 189)
Trading profit		18.3	4 706	3 978	8 171
Exchange rate (losses)/gains			(20)	243	566
Profit on lease modifications			131	72	69
Items of a capital nature			(327)	(18)	(1 055)
Operating profit		5.0	4 490	4 275	7 751
Interest received from bank account balances	5	(20.9)	148	187	443
Finance costs	6	9.0	(1 568)	(1 438)	(2 910)
Share of profit/(loss) of equity accounted investments	12		11	—	(38)
Profit before income tax		1.9	3 081	3 024	5 246
Income tax expense		(4.0)	(901)	(939)	(1 783)
Profit from continuing operations		4.6	2 180	2 085	3 463
Profit/(loss) from discontinued operations (attributable to owners of the parent)	7		52	(17)	(87)
Profit for the period		7.9	2 232	2 068	3 376
Other comprehensive loss, net of income tax			(1 270)	(1 692)	(3 683)
Items that will not be reclassified to profit or loss					
Re-measurements of post-employment medical benefit obligations			—	—	2
Items that may subsequently be reclassified to profit or loss					
Foreign currency translation differences from continuing operations			(1 184)	(1 580)	(3 373)
Foreign currency translation differences from discontinued operations			40	(14)	(40)
Share of foreign currency translation differences of equity accounted investments			—	—	38
Loss on effective net investment hedge, net of income tax			(126)	(98)	(310)
Total comprehensive income/(loss) for the period			962	376	(307)
Profit attributable to:			2 232	2 068	3 376
Owners of the parent			2 221	2 059	3 356
Non-controlling interest			11	9	20
Total comprehensive income/(loss) attributable to:			962	376	(307)
Owners of the parent			951	367	(327)
Non-controlling interest			11	9	20
Total comprehensive income/(loss) attributable to owners of the parent arises from:			951	367	(327)
Continuing operations			859	398	(200)
Discontinued operations			92	(31)	(127)
Earnings per share for profit from continuing operations attributable to owners of the parent:					
Basic earnings per share from continuing operations (cents)	8	4.7	392.9	375.2	622.6
Diluted earnings per share from continuing operations (cents)	8	4.4	391.3	374.8	621.6
Basic headline earnings per share from continuing operations (cents)	8	10.7	419.6	379.0	767.0
Diluted headline earnings per share from continuing operations (cents)	8	10.4	418.0	378.6	765.8
Earnings per share for profit attributable to owners of the parent:					
Basic earnings per share (cents)	8	8.1	402.3	372.1	606.9
Diluted earnings per share (cents)	8	7.8	400.7	371.7	606.0
Basic headline earnings per share (cents)	8	12.4	429.3	381.9	756.9
Diluted headline earnings per share (cents)	8	12.1	427.7	381.5	755.7

* Restated for discontinued operations in accordance with IFRS 5 as well as the reclassification of interest revenue previously included in other operating income and profit on lease modifications previously included under items of a capital nature. Refer to note 2 for details of this change in accounting policy and note 3 for the reclassifications.



Condensed consolidated statement of financial position

	Notes	Unaudited 27 Dec '20 Rm	Unaudited 29 Dec '19 Rm	Audited 28 Jun '20 Rm
Assets				
Non-current assets				
Property, plant and equipment	9	43 571	44 712	42 789
Right-of-use assets	11	14 918	19 950	18 265
Intangible assets		19 479	17 917	17 156
Equity accounted investments	12	3 000	3 053	2 955
Investment in insurance cell captive arrangements		1 908	—	—
Government bonds and bills	13	124	—	—
Loans receivable		241	204	62
Deferred income tax assets		1 774	1 663	1 953
Trade and other receivables		1 979	1 748	2 184
		148	177	214
Current assets				
Inventories		40 510	41 507	39 937
Trade and other receivables		19 575	22 548	18 845
Current income tax assets		4 281	4 907	4 106
Government bonds and bills	13	91	144	147
Loans receivable		1 377	2 308	2 440
Cash and cash equivalents		206	318	229
		13 334	10 800	12 114
Assets classified as held for sale	10	38 864	41 025	37 881
		1 646	482	2 056
Total assets		84 081	86 219	82 726
Equity				
Capital and reserves attributable to owners of the parent				
Stated capital	14	7 516	7 516	7 516
Treasury shares	14	(955)	(817)	(806)
Reserves		12 847	14 661	13 141
		19 408	21 360	19 851
Non-controlling interest		147	104	143
Total equity		19 555	21 464	19 994
Liabilities				
Non-current liabilities				
Lease liabilities	15	27 715	30 077	30 159
Borrowings	16	24 002	21 286	20 168
Deferred income tax liabilities		3 287	7 885	8 826
Provisions		61	685	824
		365	221	341
Current liabilities				
Trade and other payables		36 811	34 678	32 573
Contract liabilities		27 592	24 094	20 157
Lease liabilities	15	731	699	864
Borrowings	16	2 609	2 555	3 103
Current income tax liabilities		2 176	3 478	3 183
Provisions		776	909	1 148
Bank overdrafts		103	171	112
		1 258	2 772	2 095
Liabilities directly associated with assets classified as held for sale	7	35 245	34 678	30 662
		1 566	—	1 911
Total liabilities		64 526	64 755	62 732
Total equity and liabilities		84 081	86 219	82 726



Condensed consolidated statement of changes in equity

Rm	Total equity	Non-controlling interest	Attributable to owners of the parent				
			Total	Stated capital	Treasury shares	Other reserves	Retained earnings
Unaudited 26 weeks to 29 December 2019							
Balance at 30 June 2019	22 207	106	22 101	7 516	(605)	(4 276)	19 466
Total comprehensive income	376	9	367	—	—	(1 692)	2 059
Profit for the period	2 068	9	2 059				2 059
Recognised in other comprehensive loss							
Foreign currency translation differences	(1 594)		(1 594)			(1 594)	
Loss on effective net investment hedge	(135)		(135)			(135)	
Income tax effect of loss on effective net investment hedge	37		37			37	
Share-based payments – value of employee services	51		51			51	
Modification of cash bonus arrangement transferred from provisions	16		16			16	
Purchase of treasury shares	(273)		(273)		(272)		(1)
Treasury shares disposed	3		3		3		
Realisation of share-based payment reserve	—		—		57	(57)	
Dividends distributed to shareholders	(916)	(11)	(905)				(905)
Balance at 29 December 2019	21 464	104	21 360	7 516	(817)	(5 958)	20 619
Audited 52 weeks to 28 June 2020							
Balance at 30 June 2019	22 207	106	22 101	7 516	(605)	(4 276)	19 466
Total comprehensive loss	(307)	20	(327)	—	—	(3 685)	3 358
Profit for the year	3 376	20	3 356				3 356
Recognised in other comprehensive loss							
Re-measurements of post-employment medical benefit obligations	2		2				2
Foreign currency translation differences	(3 375)		(3 375)			(3 375)	
Loss on effective net investment hedge	(406)		(406)			(406)	
Income tax effect of loss on effective net investment hedge	96		96			96	
Share-based payments – value of employee services	101		101			101	
Modification of cash bonus arrangement transferred from provisions	16		16			16	
Purchase of treasury shares	(272)		(272)		(272)		
Treasury shares disposed	5		5		8		(3)
Realisation of share-based payment reserve	—		—		63	(63)	
Non-controlling interest on acquisition of subsidiary	28	28	—				
Dividends distributed to shareholders	(1 784)	(11)	(1 773)				(1 773)
Balance at 28 June 2020	19 994	143	19 851	7 516	(806)	(7 907)	21 048
Unaudited 26 weeks to 27 December 2020							
Balance at 28 June 2020	19 994	143	19 851	7 516	(806)	(7 907)	21 048
Total comprehensive income	962	11	951	—	—	(1 270)	2 221
Profit for the period	2 232	11	2 221				2 221
Recognised in other comprehensive loss							
Foreign currency translation differences	(1 144)		(1 144)			(1 144)	
Loss on effective net investment hedge	(172)		(172)			(172)	
Income tax effect of loss on effective net investment hedge	46		46			46	
Share-based payments – value of employee services	62		62			62	
Modification of cash bonus arrangement transferred from provisions	17		17			17	
Purchase of treasury shares	(218)		(218)		(218)		
Treasury shares disposed	4		4		5		(1)
Realisation of share-based payment reserve	—		—		64	(64)	
Non-controlling interest on acquisition of subsidiary	6	6	—				
Dividends distributed to shareholders	(1 272)	(13)	(1 259)				(1 259)
Balance at 27 December 2020	19 555	147	19 408	7 516	(955)	(9 162)	22 009



Condensed consolidated statement of cash flows

Notes	Unaudited 26 weeks 27 Dec '20 Rm	Unaudited 26 weeks 29 Dec '19 Rm	Audited 52 weeks 28 Jun '20 Rm
Cash flows from operating activities	10 003	6 497	10 989
Operating profit	4 581	4 287	7 728
Less: investment income and finance income earned	(279)	(295)	(599)
Non-cash items	3 153	2 547	6 161
Changes in working capital	18.2 6 354	1 973	2 565
Cash generated from operations	13 809	8 512	15 855
Interest received	445	504	1 073
Interest paid	(1 601)	(1 457)	(3 006)
Dividends received	—	—	1
Dividends paid	(1 272)	(912)	(1 786)
Income tax paid	(1 378)	(150)	(1 148)
Cash flows from/(utilised by) investing activities	381	174	(389)
Investment in property, plant and equipment and intangible assets to expand operations	(952)	(1 391)	(2 140)
Investment in property, plant and equipment and intangible assets to maintain operations	(682)	(566)	(1 077)
Payment for investment in insurance cell captive arrangements	(73)	—	—
Investment in assets classified as held for sale	(6)	(12)	(13)
Prepayments for right-of-use assets	—	—	(14)
Proceeds on disposal of property, plant and equipment and intangible assets*	1 293	1 164	1 233
Proceeds on disposal of assets classified as held for sale	264	656	793
Payments for government bonds and bills	(1 790)	—	—
Proceeds from government bonds and bills	2 308	459	924
Loans advanced to Resilient Africa (Pty) Ltd	—	—	(165)
Other loans receivable advanced	(60)	(223)	(208)
Other loans receivable repaid	93	101	257
Cash inflow on disposal of investment in subsidiary	—	—	36
Acquisition of operations	(14)	(14)	(15)
Cash flows utilised by financing activities	(7 732)	(1 918)	(3 992)
Repayment of lease liability obligations	(1 487)	(1 297)	(2 585)
Purchase of treasury shares	(218)	(273)	(272)
Proceeds from treasury shares disposed	4	2	6
Repayment of borrowings	(6 343)	(3 070)	(5 995)
Borrowings raised	312	2 720	4 854
Net movement in cash and cash equivalents	2 652	4 753	6 608
Cash and cash equivalents at the beginning of the period	10 019	3 583	3 583
Effect of exchange rate movements on cash and cash equivalents	(595)	(308)	(172)
Cash and cash equivalents at the end of the period	12 076	8 028	10 019
Consisting of:			
Cash and cash equivalents	13 334	10 800	12 114
Bank overdrafts	(1 258)	(2 772)	(2 095)
	12 076	8 028	10 019

* Proceeds on disposal of property, plant and equipment and intangible assets includes R1.2 billion (Dec '19 and Jun '20: R1.1 billion) relating to a sale and leaseback arrangement of distribution centres during the period under review (Dec '19 and Jun '20: commercial vehicle fleet). Refer to note 15.



Selected explanatory notes to the condensed consolidated interim results

1 Basis of preparation

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard, IAS 34: Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

The accounting policies applied in the preparation of these condensed consolidated interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous consolidated annual financial statements, except where the Group has applied new accounting policies or adopted new standards effective for year-ends starting on or after 1 January 2020.

The Group entered into a sale and leaseback transaction on three of its distribution centres. This transaction resulted in a 49.9% shareholding in a company called Retail Logistics Fund (Pty) Ltd (Retail Logistics). Refer to note 1.1 regarding the significant judgement applied to determine whether the Group controls Retail Logistics.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The preparation of these results has been supervised by the Chief Financial Officer, Mr A de Bruyn, CA(SA). There have been no material changes in the affairs or financial position of the Group and its subsidiaries from 27 December 2020 to the date of this report. The information contained in the interim report has neither been audited nor reviewed by the Group's external auditors.

1.1 Significant judgement

Significant judgement is required in determining whether or not the Group controls Retail Logistics. Management determined that control of Retail Logistics vests in its board of directors. Equites Property Fund Ltd has a 50.1% shareholding in Retail Logistics and may appoint the majority of directors to the board of Retail Logistics. Management concluded that Equites Property Fund Ltd controls Retail Logistics and that the Group exercises significant influence over Retail Logistics.



2 Change in accounting policy

Discontinued operations

Following the classification of the Group's Nigeria subsidiary as discontinued operations in accordance with IFRS 5 (refer to note 7), comparative statement of comprehensive income figures have been restated for the change in accounting policy. The adjustments recognised for each individual line item affected in the Group's condensed consolidated statement of comprehensive income for the 26 weeks ended 29 December 2019 is detailed below.

	Previously reported 26 weeks 29 Dec '19 Rm	Discontinued operations 26 weeks 29 Dec '19 Rm	Profit on lease modifications reclassified* 26 weeks 29 Dec '19 Rm	Restated unaudited 26 weeks 29 Dec '19 Rm
Sale of merchandise	81 150	(1 439)	—	79 711
Cost of sales	(62 099)	1 060	—	(61 039)
Gross profit	19 051	(379)	—	18 672
Other operating income	1 232	(4)	—	1 228
Interest revenue	295	—	—	295
Depreciation and amortisation	(2 555)	68	—	(2 487)
Employee benefits	(6 485)	94	—	(6 391)
Credit impairment losses	(32)	—	—	(32)
Other operating expenses	(7 473)	166	—	(7 307)
Trading profit	4 033	(55)	—	3 978
Exchange rate gains	232	11	—	243
Profit on lease modifications	—	—	72	72
Items of a capital nature	22	32	(72)	(18)
Operating profit	4 287	(12)	—	4 275
Interest received from bank account balances	187	—	—	187
Finance costs	(1 467)	29	—	(1 438)
Profit before income tax	3 007	17	—	3 024
Income tax expense	(939)	—	—	(939)
Profit from continuing operations	2 068	17	—	2 085
Loss from discontinued operations (attributable to owners of the parent)	—	(17)	—	(17)
Profit for the period	2 068	—	—	2 068
Other comprehensive loss, net of income tax	(1 692)	—	—	(1 692)
Items that may subsequently be reclassified to profit or loss				
Foreign currency translation differences from continuing operations	(1 594)	14	—	(1 580)
Foreign currency translation differences from discontinued operations	—	(14)	—	(14)
Loss on effective net investment hedge, net of income tax	(98)	—	—	(98)
Total comprehensive income for the period	376	—	—	376
Profit attributable to:	2 068	—	—	2 068
Owners of the parent	2 059	—	—	2 059
Non-controlling interest	9	—	—	9
Total comprehensive income attributable to:	376	—	—	376
Owners of the parent	367	—	—	367
Non-controlling interest	9	—	—	9
Total comprehensive income attributable to owners of the parent arises from:	367	—	—	367
Continuing operations	367	31	—	398
Discontinued operations	—	(31)	—	(31)
Earnings per share for profit attributable to owners of the parent:				
Basic earnings per share (cents)	372.1	—	—	372.1
Diluted earnings per share (cents)	371.7	—	—	371.7
Basic headline earnings per share (cents)	372.8	—	9.1	381.9
Diluted headline earnings per share (cents)	372.4	—	9.1	381.5

* Refer to note 3 for an explanation of the reclassification of profit on lease modifications.



Selected explanatory notes to the condensed consolidated interim results (continued)

3 Reclassification of disclosure items

Certain reclassifications of statement of comprehensive income items in the current period resulted in changes to the relevant comparative information to ensure accurate comparability with the current period information. The affected line items are detailed below.

3.1 Reclassification of all interest revenue included in trading profit from other operating income

This reclassification ensures that all interest revenue, calculated using the effective interest rate method, is presented separately from other revenue on the face of the statement of comprehensive income as required by IAS 1: Presentation of Financial Statements.

	Unaudited 26 weeks 29 Dec '19 Rm
Statement of comprehensive income	
Decrease in other operating income	295
Increase in interest revenue	295
Trading profit	—

3.2 Reclassification of profit on lease modifications previously included in items of a capital nature

This reclassification ensures that profit on lease modifications is included in headline earnings in accordance with the change in the guidance contained in SAICA Circular 1/2019: Headline Earnings relating to the IFRS 16: Leases rule.

	Unaudited 26 weeks 29 Dec '19 Rm
Statement of comprehensive income	
Increase in profit on lease modifications	72
Decrease in items of a capital nature	72
Operating profit	—
Basic headline earnings per share	
Previously reported	372.8
Impact of reclassification of profit on lease modifications	9.1
Restated	381.9



4 Condensed operating segment information
4.1 Analysis per reportable segment

Continuing operations	Supermarkets RSA Rm	Supermarkets Non-RSA Rm	Furniture Rm	Other operating segments Rm	Total operating segments Rm	Hyper- inflation effect Rm	Consolidated Rm
Unaudited 27 December 2020							
Sale of merchandise	67 970	8 551	3 849	5 956	86 326	—	86 326
External	65 074	8 551	3 849	5 956	83 430	—	83 430
Inter-segment	2 896	—	—	—	2 896	—	2 896
Trading profit	4 206	138	265	132	4 741	(35)	4 706
Interest revenue included in trading profit	27	94	135	23	279	—	279
Depreciation and amortisation ¹	2 263	352	143	23	2 781	35	2 816
Impairments/ (impairment reversals)	8	306	(31)	—	283	404	687
Property, plant and equipment	2	269	2	—	273	337	610
Right-of-use assets	—	37	(33)	—	4	67	71
Intangible assets	6	—	—	—	6	—	6
Total assets ²	61 420	12 236	4 118	4 214	81 988	661	82 649
Restated* unaudited 29 December 2019							
Sale of merchandise	64 147	9 347	3 328	5 413	82 235	—	82 235
External	61 635	9 335	3 328	5 413	79 711	—	79 711
Inter-segment	2 512	12	—	—	2 524	—	2 524
Trading profit	3 736	3	169	118	4 026	(48)	3 978
Interest revenue included in trading profit	21	121	133	20	295	—	295
Depreciation and amortisation ¹	2 049	364	148	31	2 592	48	2 640
Impairments	10	170	33	—	213	5	218
Property, plant and equipment	10	45	1	—	56	5	61
Right-of-use assets	—	125	32	—	157	—	157
Total assets ²	57 364	15 966	4 783	4 129	82 242	2 489	84 731
Audited 28 June 2020							
Sale of merchandise	126 970	18 177	5 470	10 879	161 496	—	161 496
External	122 412	18 153	5 470	10 820	156 855	—	156 855
Inter-segment	4 558	24	—	59	4 641	—	4 641
Trading profit	8 024	(28)	(15)	316	8 297	(126)	8 171
Interest revenue included in trading profit	54	238	255	51	598	—	598
Depreciation and amortisation ¹	4 189	741	342	58	5 330	93	5 423
Impairments	121	705	247	14	1 087	176	1 263
Property, plant and equipment	—	505	12	1	518	176	694
Right-of-use assets	35	200	235	—	470	—	470
Intangible assets	86	—	—	13	99	—	99
Total assets ²	56 866	14 586	4 378	3 687	79 517	1 508	81 025

Refer to note 7 for operating segment disclosures of discontinued operations.

* Restated for discontinued operations in accordance with IFRS 5. Refer to note 2 for details of this change in accounting policy.

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

² Total assets of consolidated continuing operations, together with discontinued operations' total assets, equal total assets as presented in the statement of financial position. Discontinued operations' total assets amounted to R1.5 billion at 29 December 2019.



Selected explanatory notes to the condensed consolidated interim results (continued)

4 Condensed operating segment information (continued) 4.2 Geographical analysis

Continuing operations	South Africa Rm	Outside South Africa Rm	Total operating segments Rm	Hyper-inflation effect Rm	Consolidated Rm
Unaudited 27 December 2020					
Sale of merchandise – external	73 208	10 222	83 430	—	83 430
Non-current assets ^{3 and 4}	32 164	4 521	36 685	860	37 545
Restated* unaudited 29 December 2019					
Sale of merchandise – external	68 804	10 907	79 711	—	79 711
Non-current assets ^{3 and 4}	31 438	5 992	37 430	2 671	40 101
Audited 28 June 2020					
Sale of merchandise – external	135 882	20 973	156 855	—	156 855
Non-current assets ^{3 and 4}	31 367	5 508	36 875	1 715	38 590

Refer to note 7 for operating segment disclosures of discontinued operations.

* Restated for discontinued operations in accordance with IFRS 5. Refer to note 2 for details of this change in accounting policy.

³ Non-current assets consist of property, plant and equipment, right-of-use assets, intangible assets and non-financial trade and other receivables.

⁴ Non-current assets of consolidated continuing operations, together with discontinued operations' non-current assets, equal non-current assets as presented in the statement of financial position. Discontinued operations' non-current assets amounted to R996 million at 29 December 2019.

5 Revenue and other income

	Unaudited 26 weeks 27 Dec '20 Rm	Restated* unaudited 26 weeks 29 Dec '19 Rm	Audited 52 weeks 28 Jun '20 Rm
Revenue from contracts with customers	84 327	80 549	158 419
Sale of merchandise (note 5.1)	83 430	79 711	156 855
Commissions received	437	473	845
Franchise fees received	56	52	108
Other revenue	404	313	611
Finance income	427	482	1 041
Instalment sale receivables	135	133	255
Bank balances and investments	148	187	443
Government bonds and bills	84	110	210
Other loans receivable	60	52	133
Operating lease income	249	257	507
Premiums and other insurance income earned	123	124	235
Other income	14	9	19
Dividends received	—	—	1
	85 140	81 421	160 222
Consisting of:			
Sale of merchandise	83 430	79 711	156 855
Other operating income	1 283	1 228	2 326
Interest revenue	279	295	598
Interest received from bank account balances	148	187	443
	85 140	81 421	160 222

* Restated for discontinued operations in accordance with IFRS 5. Refer to note 2 for details of this change in accounting policy.



	Unaudited 26 weeks 27 Dec '20 Rm	Restated* unaudited 26 weeks 29 Dec '19 Rm	Audited 52 weeks 28 Jun '20 Rm
5.1 Sale of merchandise has been disaggregated as follows:			
Supermarkets RSA	65 074	61 635	122 412
Shoprite and Usave	35 427	33 562	66 783
Checkers and Checkers Hyper	26 034	23 442	48 520
LiquorShop and other	3 613	4 631	7 109
Supermarkets Non-RSA	8 551	9 335	18 153
Shoprite and Usave	7 973	8 692	17 001
Checkers and Checkers Hyper	481	544	947
LiquorShop and other	97	99	205
Supermarkets RSA and Non-RSA	73 625	70 970	140 565
Furniture	3 849	3 328	5 470
RSA	3 033	2 590	4 211
Non-RSA	816	738	1 259
Other operating segments	5 956	5 413	10 820
Drop-shipment sales to franchisees	3 283	3 132	5 965
Other sales	2 673	2 281	4 855
Consolidated sale of merchandise	83 430	79 711	156 855
6 Finance costs			
Lease liability finance charges	1 082	939	1 920
Borrowings and other finance charges	487	508	1 001
Borrowing costs capitalised	1 569	1 447	2 921
	(1)	(9)	(11)
	1 568	1 438	2 910

* Restated for discontinued operations in accordance with IFRS 5. Refer to note 2 for details of this change in accounting policy.



Selected explanatory notes to the condensed consolidated interim results (continued)

7 Discontinued operations

Since the Board approved the Group's decision to dispose of a majority stake in its Nigeria subsidiary, Retail Supermarkets Nigeria Ltd, in April 2020, the associated assets and liabilities have been consequently presented as held for sale in the statement of financial position. The Group has since signed an agreement for the sale of the entire shareholding in the subsidiary. The transaction has been lodged with the Nigerian Federal Competition and Consumer Protection Commission (FCCPC) for approval. Management expects the transaction to be approved by the end of the 2021 financial year.

	Unaudited 26 weeks 27 Dec '20 Rm	Unaudited 26 weeks 29 Dec '19 Rm	Audited 52 weeks 28 Jun '20 Rm
7.1 Financial performance and cash flow information			
7.1.1 Profit/(loss) from discontinued operations			
Sale of merchandise	1 424	1 439	2 734
Gross profit	379	379	739
Depreciation and amortisation	—	(68)	(176)
Employee benefits	(92)	(94)	(175)
Other operating expenses	(198)	(162)	(358)
Trading profit	89	55	30
Exchange rate losses	(17)	(11)	(22)
Profit on lease modifications	20	—	—
Items of a capital nature	(1)	(32)	(31)
Operating profit/(loss)	91	12	(23)
Net finance costs	(34)	(29)	(64)
Profit/(loss) before income tax	57	(17)	(87)
Income tax expense	(5)	—	—
Profit/(loss) after income tax	52	(17)	(87)
7.1.2 Other comprehensive income/(loss) from discontinued operations			
Foreign currency translation differences from discontinued operations	40	(14)	(40)
7.1.3 Net cash inflows/(outflows) attributable to discontinued operations			
Operating activities	147	158	154
Investing activities	(30)	46	(22)
Financing activities	(126)	(125)	(261)
Net (decrease)/increase in cash generated by the subsidiary	(9)	79	(129)
7.2 Assets and liabilities of disposal group classified as held for sale			
The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation:			
Assets classified as held for sale			
Property, plant and equipment	292	—	337
Right-of-use assets	629	—	764
Intangible assets	3	—	—
Inventories	377	—	549
Trade and other receivables	120	—	47
Current income tax assets	11	—	4
Total assets of disposal group held for sale	1 432	—	1 701
Liabilities directly associated with assets classified as held for sale			
Lease liabilities	1 109	—	1 481
Trade and other payables	434	—	423
Contract liabilities	20	—	4
Provisions	3	—	3
Total liabilities of disposal group held for sale	1 566	—	1 911

The cumulative foreign currency translation losses recognised in other comprehensive loss in relation to the discontinued operations at 27 December 2020 were R448 million (Dec '19: R462 million; Jun '20: R488 million).



8

Earnings/(loss) per share

	Unaudited 26 weeks 27 Dec '20 Rm	Restated* unaudited 26 weeks 29 Dec '19 Rm	Audited 52 weeks 28 Jun '20 Rm
Net profit attributable to owners of the parent	2 221	2 059	3 356
(Profit)/loss from discontinued operations	(52)	17	87
Earnings from continuing operations	2 169	2 076	3 443
Re-measurements	327	18	1 055
Loss on disposal and scrapping of property	48	—	—
Profit on disposal of assets classified as held for sale	(142)	(207)	(239)
Profit on sale and leaseback transaction	(160)	—	—
(Profit)/loss on disposal and scrapping of plant and equipment and intangible assets	(68)	15	91
Impairment of property, plant and equipment	610	61	694
Impairment of right-of-use assets	71	157	470
Impairment of intangible assets	6	—	99
Insurance claims receivable	(38)	(2)	(11)
Profit on disposal of subsidiary	—	—	(46)
Profit on other investing activities	—	(6)	(3)
Income tax effect on re-measurements	(179)	3	(256)
Headline earnings from continuing operations	2 317	2 097	4 242
Profit/(loss) from discontinued operations	52	(17)	(87)
Expenditure of a capital nature from discontinued operations	1	33	31
Headline earnings	2 370	2 113	4 186
	'000	'000	'000
Number of ordinary shares (net of treasury shares)			
■ In issue	551 432	552 643	552 707
■ Weighted average	552 038	553 403	553 046
■ Weighted average adjusted for dilution	554 237	553 957	553 896
Reconciliation of weighted average number of ordinary shares in issue during the period:			
Weighted average number of ordinary shares	552 038	553 403	553 046
Adjustments for dilutive potential of full share grants	2 199	554	850
Weighted average number of ordinary shares for diluted earnings per share	554 237	553 957	553 896
	Cents	Cents	Cents
Earnings per share from continuing operations			
■ Basic earnings	392.9	375.2	622.6
■ Diluted earnings	391.3	374.8	621.6
■ Basic headline earnings	419.6	379.0	767.0
■ Diluted headline earnings	418.0	378.6	765.8
Earnings/(loss) per share from discontinued operations			
■ Basic earnings/(loss)	9.4	(3.1)	(15.7)
■ Diluted earnings/(loss)	9.4	(3.1)	(15.6)
■ Basic headline earnings/(loss)	9.7	2.9	(10.1)
■ Diluted headline earnings/(loss)	9.7	2.9	(10.1)
Total earnings per share			
■ Basic earnings	402.3	372.1	606.9
■ Diluted earnings	400.7	371.7	606.0
■ Basic headline earnings	429.3	381.9	756.9
■ Diluted headline earnings	427.7	381.5	755.7

* Restated for the reclassification of lease modifications previously included under items of a capital nature. Refer to note 3 for details of this reclassification.



Selected explanatory notes to the condensed consolidated interim results (continued)

	Unaudited 27 Dec '20 Rm	Unaudited 29 Dec '19 Rm	Audited 28 Jun '20 Rm
9 Property, plant and equipment			
Carrying value at the beginning of the period	18 265	21 444	21 444
Additions	1 386	1 798	2 877
Transfer to assets classified as held for sale (note 10)	—	(112)	(678)
Transfer from assets classified as held for sale (note 10)	—	—	261
Acquisition of operations	2	2	2
Disposal of investment in subsidiary	—	—	(15)
Disposal	(2 077)	(1 156)	(1 269)
Depreciation	(1 136)	(1 291)	(2 526)
Impairment	(610)	(97)	(732)
Foreign currency translation differences	(912)	(638)	(1 099)
Carrying value at the end of the period	14 918	19 950	18 265
10 Assets classified as held for sale			
Carrying value at the beginning of the period	2 056	814	814
Transfer from property, plant and equipment (note 9)	—	112	678
Transfer to property, plant and equipment (note 9)	—	—	(261)
Transfer from right-of-use assets (note 11)	—	—	764
Transfer from inventories	—	—	549
Transfer from trade and other receivables	—	—	47
Transfer from current income tax assets	—	—	4
Disposal	(122)	(449)	(554)
Additions	5	12	13
Foreign currency translation differences	(293)	(7)	2
Carrying value at the end of the period	1 646	482	2 056
11 Right-of-use assets			
Carrying value at the beginning of the period	17 156	15 741	15 741
Additions	4 313	3 904	5 628
Transfer to assets classified as held for sale (note 10)	—	—	(764)
Derecognition	(16)	(125)	(186)
Depreciation	(1 499)	(1 238)	(2 713)
Impairment	(71)	(157)	(468)
Foreign currency translation differences	(404)	(208)	(82)
Carrying value at the end of the period	19 479	17 917	17 156
The recognised right-of-use assets relate to the following types of assets:			
Land	312	665	513
Buildings	18 356	16 472	15 771
Machinery, vehicles and equipment	811	780	872
Total right-of-use assets	19 479	17 917	17 156
12 Equity accounted investments			
Associates			
Carrying value at the beginning of the period	—	—	—
Investment in ordinary shares acquired	1 897	—	—
Share of post acquisition profits/(losses)	11	—	(38)
Share of other comprehensive income	—	—	38
Carrying value at the end of the period	1 908	—	—
The associates listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. These are private companies and no quoted market prices are available for its shares.			
	% Owned by the Group		
	27 Dec '20	29 Dec '19	28 Jun '20
Resilient Africa (Pty) Ltd	39.1%	39.1%	39.1%
Resilient Africa Managers (Pty) Ltd	39.1%	39.1%	39.1%
Retail Logistics Fund (Pty) Ltd	49.9%	—	—
	—	—	—
	—	—	—
	1 908	—	—
	1 908	—	—



	Unaudited 27 Dec '20 Rm	Unaudited 29 Dec '19 Rm	Audited 28 Jun '20 Rm
13 Government bonds and bills			
AOA, USD Index Linked, Angola Government Bonds (note 13.1)	529	2 247	2 238
AOA, Angola Government Bonds (note 13.2)	267	265	264
Angola Treasury Bills (note 13.3)	822	—	—
	1 618	2 512	2 502
Analysis of total government bonds and bills:			
Non-current	241	204	62
Current	1 377	2 308	2 440
	1 618	2 512	2 502
13.1 AOA, USD Index Linked, Angola Government Bonds			
The AOA, USD Index Linked, Angola Government Bonds are to be settled in Angola kwanza, earn interest at an average rate of 7.0% (Dec '19: 7.0%; Jun '20: 7.0%) p.a. and mature after three to 34 months from the reporting date. Accrued interest is payable bi-annually.			
13.2 AOA, Angola Government Bonds			
The AOA, Angola Government Bonds are denominated in Angola kwanza, earn interest at an average rate of 15.1% (Dec '19: 14.0%; Jun '20: 14.0%) p.a. and mature after two to 23 months from the reporting date. Accrued interest is payable bi-annually.			
13.3 Angola Treasury Bills			
The Angola Treasury Bills are denominated in Angola kwanza, earn interest at an average rate of 16.5% (Dec '19: 19.0%; Jun '20: 19.0%) p.a. and mature after one to two months from the reporting date. Accrued interest is payable at maturity.			
		Number of shares	
	Unaudited 27 Dec '20	Unaudited 29 Dec '19	Audited 28 Jun '20
14 Stated capital and treasury shares			
14.1 Stated capital			
Treasury shares held by Shoprite Checkers (Pty) Ltd are netted off against share capital on consolidation. The net number of ordinary shares in issue for the Group are:			
Issued ordinary share capital	591 338 502	591 338 502	591 338 502
Treasury shares (note 14.2)	(39 906 382)	(38 695 061)	(38 632 000)
	551 432 120	552 643 441	552 706 502
14.2 Treasury shares			
Reconciliation of movement in number of treasury shares for the Group:			
Balance at the beginning of the period	38 632 000	36 941 101	36 941 101
Shares purchased during the period	1 635 742	2 076 613	2 076 613
Shares disposed during the period	(31 605)	(17 845)	(49 023)
Shares utilised for settlement of equity-settled share-based payment arrangements	(329 755)	(304 808)	(336 691)
Balance at the end of the period	39 906 382	38 695 061	38 632 000
Consisting of:			
Shares owned by Shoprite Checkers (Pty) Ltd	35 436 572	35 436 572	35 436 572
Shares held by Shoprite Checkers (Pty) Ltd for the benefit of participants to equity-settled share-based payment arrangements	4 469 810	3 258 489	3 195 428
	39 906 382	38 695 061	38 632 000



Selected explanatory notes to the condensed consolidated interim results (continued)

	Unaudited 27 Dec '20 Rm	Unaudited 29 Dec '19 Rm	Audited 28 Jun '20 Rm
15 Lease liabilities			
Carrying value at the beginning of the period	23 271	21 478	21 478
New leases and remeasurements	5 245	3 904	5 540
Lease termination	(147)	(170)	(255)
Lease payments	(2 443)	(2 246)	(4 590)
Principal lease liability payments	(1 363)	(1 297)	(2 585)
Interest paid	(1 080)	(949)	(2 005)
Interest accrual	1 082	968	1 984
Exchange rate differences	172	133	404
Transfer to liabilities directly associated with assets classified as held for sale (note 7)	—	—	(1 481)
Foreign currency translation differences	(569)	(226)	191
Carrying value at the end of the period	26 611	23 841	23 271
Analysis of lease liabilities:			
Non-current	24 002	21 286	20 168
Current	2 609	2 555	3 103
	26 611	23 841	23 271

Sale and leaseback transactions

Sale and leaseback transactions relating to the Group's property, plant and equipment may become more prevalent as and when the opportunity arises. The Group secured long-term financing during the reporting period by entering into a sale and leaseback transaction on three of its distribution centres, namely the Brackenfell, Centurion and Whitey Basson distribution centres (Dec '19 and Jun '20: commercial vehicle fleet). The sale of the Whitey Basson distribution centre generated cash inflows of R1.2 billion and R12 million profit. The Brackenfell and Centurion distribution centres were exchanged for shares in a company called Retail Logistics Fund (Pty) Ltd (refer to note 12). Shoprite Checkers (Pty) Ltd has a 49.9% shareholding in Retail Logistics Fund (Pty) Ltd and the remainder of the shares is held by Equites Property Fund Ltd. The exchange resulted in a profit of R148 million. The sale of the Group's commercial vehicle fleet (Dec '19 and Jun '20) generated cash inflows of R1.1 billion and no profit or loss.

The impact of the Group's sale and leaseback transactions and its key terms and conditions are disclosed below:

Cash proceeds received	1 192	1 058	1 058
Shares in Retail Logistics Fund (Pty) Ltd	2 044	—	—
Market value at disposal date	3 236	1 058	1 058
Carrying amount at disposal date	(1 995)	(1 058)	(1 058)
Right-of-use asset recognised	1 469	815	815
Lease liability recognised	(2 403)	(815)	(815)
Elimination of 49.9% of gain on sale and leaseback transaction due to rights retained through Retail Logistics Fund (Pty) Ltd investment	(147)	—	—
Profit on sale and leaseback transactions	160	—	—
Interest rate implicit to the lease	12.6%	Prime minus 2%	Prime minus 2%
Average lease term (years)	20	5	5

The age and the minimum estimated useful life of the distribution centres were used to determine a fair lease period and rental based on market values (Dec '19 and Jun '20: the age and mileage of the commercial vehicle fleet were used to determine a fair lease period and rental based on market values).

Payments not included in the measurement of the lease liability relating to the distribution centres include any operational costs, security and insurance costs, administration and maintenance costs, rates and taxes and any other municipal costs for water, electricity, sewerage and refuse (Dec '19 and Jun '20: monthly managed maintenance fees of R60 per vehicle and administration fees of R100 per vehicle). Only the rental portion, directly related to the market value of the properties (Dec '19 and Jun '20: commercial vehicle fleet), is included in the measurement of the lease liability. Normal maintenance charges are also not included to ensure that only the rental portion, directly related to the cost price, is included in the measurement of the lease liability.



	Unaudited 27 Dec '20 Rm	Unaudited 29 Dec '19 Rm	Audited 28 Jun '20 Rm
16 Borrowings			
Consisting of:			
ABSA Bank Ltd (note 16.1)	2 025	2 043	2 035
Firststrand Bank Ltd (note 16.2)	2 004	2 009	2 004
ABSA Bank (Mauritius) Ltd (note 16.3)	483	1 076	469
Standard Chartered Bank (Mauritius) Ltd (note 16.4)	661	782	945
Standard Finance (Isle of Man) Ltd (note 16.5)	—	4 959	6 007
Stanbic Bank Kenya Ltd (note 16.6)	—	201	238
Stanbic Bank Botswana Ltd (note 16.7)	290	152	311
First National Bank of Namibia Ltd	—	141	—
	5 463	11 363	12 009
Analysis of total borrowings:			
Non-current	3 287	7 885	8 826
Current	2 176	3 478	3 183
	5 463	11 363	12 009

16.1 ABSA Bank Ltd

This loan is denominated in ZAR and unsecured. R1.0 billion is payable after nine months from the reporting date and bears interest at an average rate of 5.0% (Dec '19: 8.3%; Jun '20: 7.9%) p.a. The remaining balance is payable after 33 months from the reporting date and bears interest at an average rate of 5.2% (Dec '19: 8.6%; Jun '20: 8.2%) p.a.

16.2 Firststrand Bank Ltd

This loan is denominated in ZAR and unsecured. R1.0 billion is payable after 18 months from the reporting date and bears interest at an average rate of 5.0% (Dec '19: 8.3%; Jun '20: 7.9%) p.a. The remaining balance is payable after 42 months from the reporting date and bears interest at an average rate of 5.0% (Dec '19: 8.3%; Jun '20: 8.0%) p.a.

16.3 ABSA Bank (Mauritius) Ltd (previously Barclays Bank Mauritius Ltd)

This loan is denominated in US dollar, unsecured, payable after six months from the reporting date and bears interest at an average rate of 1.7% (Dec '19: 3.8%; Jun '20: 3.2%) p.a.

16.4 Standard Chartered Bank (Mauritius) Ltd

The amount outstanding at 29 December 2019 was repaid during the prior year, denominated in US dollar, unsecured and carried interest at an average rate of 3.4% p.a. The amount outstanding at 28 June 2020 was repaid during the period under review, denominated in US dollar, unsecured and carried interest at an average rate of 2.8% p.a. The Group entered into a new agreement during the period under review. This loan is denominated in US dollar, unsecured and payable after eight months from the reporting date and bears interest at an average rate of 2.8% p.a.

16.5 Standard Finance (Isle of Man) Ltd

This loan was denominated in US dollar and unsecured. R4.3 billion of the amount outstanding at 28 June 2020 (Dec '19: R3.5 billion) carried interest at a fixed rate of 4.3% (Dec '19 and Jun '20: 4.3%) p.a and was repaid during the period before settlement was due, resulting in a breakage cost of R178 million being payable. The remaining balance was repaid during the period and carried interest at a fixed rate of 3.5% (Dec '19 and Jun '20: 3.5%) p.a.

16.6 Stanbic Bank Kenya Ltd

The amount outstanding at 28 June 2020 was repaid during the period, denominated in Kenya shilling, unsecured and carried interest at an average rate of 9.0% (Dec '19: 9.8%; Jun '20: 9.7%) p.a.

16.7 Stanbic Bank Botswana Ltd

This loan is denominated in Botswana pula, unsecured, payable after 15 months from the reporting date and bears interest at an average of 6.0% (Dec '19: 6.4%; Jun '20: 6.5%) p.a.



Selected explanatory notes to the condensed consolidated interim results (continued)

17 Fair value disclosures

The Group has a number of financial instruments which are not measured at fair value in the statement of financial position. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature. Significant differences were identified for the following instruments at the end of the reporting period:

	Carrying amount			Fair value		
	Unaudited 27 Dec '20 Rm	Unaudited 29 Dec '19 Rm	Audited 28 Jun '20 Rm	Unaudited 27 Dec '20 Rm	Unaudited 29 Dec '19 Rm	Audited 28 Jun '20 Rm
Government bonds and bills	1 618	2 512	2 502	1 644	2 527	2 739
Loans receivable	1 980	1 981	2 182	2 048	1 923	2 156
Borrowings	5 463	11 363	12 009	5 919	11 292	12 623
				Unaudited 26 weeks 27 Dec '20 Rm	Unaudited 26 weeks 29 Dec '19 Rm	Audited 52 weeks 28 Jun '20 Rm

18 Cash flow information

18.1 Non-cash items

Depreciation of property, plant and equipment	1 136	1 291	2 526
Depreciation of right-of-use assets	1 499	1 238	2 713
Amortisation of intangible assets	181	179	360
Net fair value (gains)/losses on financial instruments	(46)	37	2
Exchange rate losses/(gains)	37	(232)	(544)
Profit on lease terminations	(151)	(72)	(69)
Loss on disposal and scrapping of property	48	—	—
Profit on disposal of assets classified as held for sale	(142)	(207)	(239)
Profit on sale and leaseback transaction	(160)	—	—
(Profit)/loss on disposal and scrapping of plant and equipment and intangible assets	(68)	15	91
Impairment of property, plant and equipment	610	97	732
Impairment of right-of-use assets	71	157	468
Impairment of intangible assets	6	—	99
Profit on disposal of subsidiary	—	—	(46)
Movement in provisions	40	20	13
Movement in cash-settled share-based payment accrual	27	(29)	(50)
Movement in share-based payment reserve	62	51	101
Movement in fixed escalation operating lease accruals	3	2	4
	3 153	2 547	6 161

18.2 Changes in working capital

Inventories	(1 154)	(2 127)	1 184
Trade and other receivables	(302)	(810)	(20)
Trade and other payables	7 910	4 995	1 322
Contract liabilities	(100)	(85)	79
	6 354	1 973	2 565

19 Related party information

The Group acquired a new associate, Retail Logistics Fund (Pty) Ltd through the sale and leaseback transaction of two distribution centres (refer to note 15). During the period under review, in the ordinary course of business, certain companies within the Group entered into transactions with each other. Besides rent paid to Retail Logistics Fund (Pty) Ltd, all intergroup transactions are similar to those in the prior year. The intergroup transactions with subsidiaries have been eliminated in the condensed interim financial statements on consolidation.

20 Supplementary information

Contracted capital commitments	708	527	1 063
Contingent liabilities	973	999	966
Net asset value per share (cents)	3 520	3 865	3 592

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

Management has assessed the merits of each of these cases in close collaboration with the Group's external advisors and remain confident that these exposures leading to additional payments are not probable. Accordingly, these are disclosed as contingent liabilities.



21 COVID-19 pandemic

The COVID-19 pandemic spread rapidly across South Africa with a second wave of infections significantly increasing the number of infections during the first half of the financial year. Differing measures taken by various governments to contain the virus have affected the economic activity in many of the regions where the Group trades, having a negative impact on some of our business units. The Group has undertaken numerous measures to monitor and prevent the effects of the COVID-19 virus, such as health and safety measures (for example compulsory screening, operating mobile clinics, social distancing, working from home) and securing the supply of personal protective equipment and other materials essential to maintain our operations and ensure the safety of our employees and customers.

As at the end of December 2020, the impact of the South African lockdown regulations remained mostly evident in our South African liquor operations, Checkers Food Services (CFS) and Computicket businesses. During the period under review the COVID-19 lockdown regulations required our LiquorShop business to close for trade on Fridays and/or weekends and more recently, close completely. This resulted in a loss of 79 trade days. Furthermore, CFS and Computicket were negatively impacted by nationwide regulations given their reliance on tourism, hospitality, travel and eventing. Notwithstanding the unavoidable impact of these factors on this business, the Group continues to follow strict health and safety, security and operational protocols in order to maintain our business continuity, whilst prioritising the health of our people.

Aside from the direct impact of lockdown regulations, insofar as they restrict for example trading hours and transport to and from stores for both staff and customers, the Supermarkets Non-RSA operations have also been affected by the negative impact of the COVID-19 related oil price collapse and continued pressure on fiscal stimulus which has contributed to ongoing currency devaluations in the key markets we trade in, for example Angola and Zambia.

21.1 Impairment of non-financial assets

The Group performs a review of its cash generating units (CGUs) and considers the need for impairment of non-performing assets. Consistent with the previous financial year, the estimated growth rates and discount rates used in the impairment calculations were adjusted to account for the expected impact of COVID-19 on the performance of the Group's CGUs. Impairments to the value of R687 million were recorded during the period under review, mainly in the Supermarkets Non-RSA operating segment, as a result of the deterioration in the future growth rates of the regions in which the Group operates.

22 Events after the reporting date

COVID-19 update

From 1 February 2021, lockdown regulations were eased to allow for trade in the RSA liquor category which resulted in our RSA LiquorShop recommencing trade from Monday to Thursday. This was followed, in early March, by the complete removal of all lockdown restrictions pertaining to the sale of liquor, which allowed our RSA LiquorShop to return to trade, unrestricted (but according to licence terms). This transition, in terms of the easing of lockdown regulations from complete closure during January 2021 to unrestricted in March 2021 is expected to have a positive impact on the Group's results. It is too early to quantify the impact on the results of operations outside of South Africa, where lockdown measures are currently also affecting operations and vary from country to country.

23 Going concern

The board of directors evaluated the going concern assumption at 27 December 2020, taking into account the current financial position and their best estimate of the cash flow forecasts in terms of their current knowledge and expectations of ongoing developments of the COVID-19 pandemic, and considered it to be appropriate in the presentation of these condensed consolidated interim financial statements.

The Board has reviewed the cash flow forecast for the next 12 months and is of the opinion that the Group has more than sufficient liquidity to adequately support its working capital requirements and consequently, is satisfied with the Group's ability to continue as a going concern for the foreseeable future.

The Group's outlook regarding trading conditions that will persist into the foreseeable future

We expect the continued enforcement of various lockdown measures across the regions in which we operate may be an ongoing phenomena that the businesses will have to contend with in the coming months. To date, the Group has successfully dealt with such changes in the regulatory environment and its risk management tools are in place to react, should there be any additional changes required in the business model in the foreseeable future.

It is expected that the COVID-19 relief grants paid to date, in support of the many people impacted throughout the pandemic, will not be paid for the foreseeable future. The extent to which this impacts affordability amongst our customer base is unknown, and a concern. Furthermore, the successful roll-out of the COVID-19 vaccine is a key determining factor for the regions in which we operate to return to economic stability and create employment growth.

For the month of January 2021 trade in South Africa was negatively impacted by lockdown restrictions completely prohibiting the sale of liquor. South African lockdown restrictions relating to the sale and distribution of alcohol were eased at the beginning of February insofar as they permitted the sale of alcohol from Monday to Thursday, but still prohibited trade on Fridays and weekends. From March 2021, all restrictions pertaining to the sale of liquor were removed and the business is now able to trade unrestricted (but in accordance with licence terms). Furthermore, the delayed opening of schools and universities impacted our not insignificant back-to-school trade.



Directorate and administration

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Independent non-executive directors

WE Lucas-Bull (Chairman), JF Basson, AM le Roux, ATM Mokgokong, JA Rock

Non-executive director

CH Wiese

Alternate non-executive director

JD Wiese

Company secretary

PG du Preez

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