Pick n Pay Stores Limited
(Pick n Pay or the Group)
Incorporated in the Republic of South Africa
Registration number: 1968/008034/06
JSE share code: PIK
ISIN: ZAE000005443

PICK N PAY: IMPLEMENTATION OF IFRS 16: LEASES

Pick n Pay Stores Limited will hold a webcast briefing for shareholders and analysts at 09:00 today on the Group's adoption of the new International Financial Reporting Standard IFRS 16: Leases (IFRS 16).

The briefing will provide stakeholders with a summary of IFRS 16 and, using the Group's published 2019 financial statements, will detail the implications for the Group's future financial statements and key performance metrics.

IFRS 16 is an accounting change. The standard has no impact on the Group's underlying economic model, the fundamentals of the Group's performance, its revenues or cash flows. It does not alter the progress the Group has delivered against its plan, nor the Group's strategic objectives, or the overall positive trajectory of its earnings to date.

The purpose of IFRS 16 is to align the accounting of leased assets with the accounting of owned assets. Pick n Pay has mainly pursued a leasehold property strategy, and has a valuable leasehold store estate. This approach has given the Group greater flexibility in its investment and operating decisions, and has allowed the Group to maintain low levels of debt and interest.

IFRS 16 requires the Group to report its predominantly leasehold estate as though it is freehold – through the introduction of theoretical lease liabilities and assets, and implied interest and depreciation charges. These accounting standard changes have a significant impact on the composition and presentation of our balance sheet and income statement, and on gearing ratios and performance metrics.

IFRS 16 applies to the Group from the 2020 financial year onwards, and our interim results will be published under IFRS 16 on 22 October 2019. Pick n Pay has adopted the full retrospective approach, effectively restating and recalibrating all previously published financial information and performance metrics as if IFRS 16 had always applied. The full retrospective approach has been considerably more onerous than the alternative modified approach, but it provides management and stakeholders with greater insight into the significant reporting impact of IFRS 16 and greater year-on-year comparability of reported financial performance.

BALANCE SHEET IMPACT OF IFRS 16

IFRS 16 brings the majority of the Group's long-term property, equipment, vehicle and other leases on to its balance sheet. The Group is now required to recognise a lease liability at the inception of each qualifying lease, at a value equal to the present value of all future rent payments, and to capitalise a corresponding "right-of-use" lease asset. The values of the right-of-use asset and lease liability reduce over the lease term, but not at the same rate. The right-of-use asset is depreciated on a straight line basis over the lease term, while the liability is reduced by future rent payments, net of an implied interest charge.

In addition to its primary lease portfolio, the Group holds head-leases over strategic franchise sites. These sites are sub-let to franchisees, with the franchisees holding the right-of-use assets. IFRS 16 requires Pick n Pay to capitalise the present value of future rent receivable under its sub-lease contracts as an "investment in a lease", and to recognise an equal and opposite lease liability in respect of the present value of future rent payments due under the head-lease. The values of the investment in lease and related lease liability decrease at the same rate over the lease term, reduced by future rental payments, net of an implied interest charge.

INCOME STATEMENT IMPACT OF IFRS 16

IFRS 16 removes the straight-line rent cost previously recognised in respect of leased assets, and replaces the expense with depreciation on leased assets and an implied interest charge on outstanding lease liabilities.

Under IFRS 16, depreciation and interest are equal to rent paid over the lease term, and consequently the standard has no impact on the income statement over the full term of the lease. However, depreciation is recognised on a straight-line basis over the term of the lease, while interest is effectively charged on the outstanding lease liability, which reduces over time.

The lease expense, under IFRS 16 is therefore front-loaded, with the implied interest paid being higher in the early part of each lease and reducing towards the end of the lease as the outstanding liability reduces over time. As a result, the impact of IFRS 16 on the income statement at any given time depends on the relative maturity of the lease portfolio. For a young portfolio, depreciation and interest are higher than the straight line rent cost replaced, and IFRS 16 is dilutive to earnings. In a mature portfolio, depreciation and interest are lower than the straight line rent cost replaced, and IFRS 16 is accretive to earnings.

In addition to the changes in respect of its primary lease portfolio, IFRS 16 changes the requirements for recognising the income and expense related to its franchise head-leases. Previously, the Group recognised rent paid to landlords under head-lease agreements, with an equal and opposite rent received from its franchisees. IFRS 16 replaces this rent received and rent paid, with interest received and interest paid, with no impact on earnings.

The restated 2019 financial results will form the prior period comparative numbers for the 52 weeks ending February 2020, our first annual results to be published under IFRS 16.

Please refer to the tables provided in the Annexure A which set out the Group's restated balance sheet, income statement and cash flow statement for 2019.

The impact of IFRS 16 on these previously published results can be summarised as follows:

For the 53 weeks ended 3 March 2019:

- Group turnover, cash flows and dividends paid are unaffected;
- Earnings before interest, tax, depreciation and amortisation (EBITDA), increases by R2.4 billion, with the removal of applicable net rent costs;
- Trading profit increases by R879.3 million, with the removal of applicable net rent costs, and the inclusion of R1.6 billion of depreciation in respect of right-of-use assets;
- The Group's exposure to US dollar rentals in Zambia has resulted in a forex cost of R46.7 million recorded in FY19, as a result of a significant devaluation of the USD to the Zambian kwacha. Trading profit before forex increases by R926.0 million;
- Profit before tax, excluding capital items decreases by R311.1 million
- Headline earnings decreases by R219.1 million. This is due to the maturity of the Group's lease portfolio. At mid-way through the average lease term, interest and depreciation charges are higher than the rent cost replaced;
- An IFRS 16 lease liability of R15.4 billion has been raised, with the recognition of a R10.1 billion right-of-use asset, and a R2.1 billion investment in strategic franchise leases;
- The IFRS 16 balance sheet restatements, including related deferred tax asset adjustments, have reduced the net asset value (equity) on the balance sheet by R1.4 billion.

Significantly, the Group's reported total debt (net of cash) will move from R1.6 billion to R17.0 billion, inclusive of R15.4 billion of theoretical lease liabilities. This is purely the accounting consequence of IFRS 16, and it is important to note that the position does not reflect, or alter, the Group's careful and considered approach to long-term debt and its disciplined management of cash. The Group has no long-term debt, and its major short-term debt providers have confirmed that the standard will not have any impact on the Group's risk profile, its liquidity and its ability to raise funds.

The Group generated almost R2.0 billion in free cash flow in 2019. IFRS 16 has no impact on the Group's strong cash flow, and as such, it will have no impact on cash dividends returned to shareholders.

Today's IFRS 16 briefing will be provided by way of a live webcast, and include a short introduction from CEO Richard Brasher, and a presentation by CFO, Lerena Olivier, with the opportunity for questions and answers. The link to the webcast can be found at **www.corpcam.com/PicknPay25092019**. All presentation materials, including a recording of the event, will be available on our website at **www.picknpayinvestor.co.za**.

Cape Town
25 September 2019

Sponsor: Investec Bank Limited

ANNEXURE A: RESTATEMENT OF FINANCIAL RESULTS

BASIS OF PREPARATION

This information has been prepared to illustrate the impact of the adoption of IFRS16: Leases on the Group's statement of comprehensive income, statement of financial position and statement of cash flows for the 53 week financial period ended 3 March 2019. IFRS16 has been applied using the full retrospective approach, with restated comparative financial information for the 2018 financial year included in the tables provided.

In addition, pro forma information for the 52 weeks ended 24 February 2019 has been presented. For detail on the basis of preparation of the pro forma information, refer to Annexure B on page 9.

The directors take full responsibility for the preparation of this information and in the opinion of the directors, it is a fair reflection of the impact of the adoption of IFRS16. This information has not been reviewed nor audited by our independent auditors.

The information contained in this presentation has been prepared by the Finance Division under the supervision of the Chief Finance Officer, Lerena Olivier (CA) SA.

The table below presents the impact of the adoption of IFRS 16: Leases on the Group profit for the 2019 financial year.

Unaudited	As[1] reported 53 weeks to 3 March 2019 Rm	Impact[2] of IFRS 16 53 weeks to 3 March 2019 Rm	Restated[3] 53 weeks to 3 March 2019 Rm	Restated[4] pro forma Week 53 Rm	**Restated[5] pro forma 52 weeks to 24 February 2019 Rm**
Revenue	90 465.0	(228.4)	90 236.6	(2 045.1)	**88 191.5**
Turnover	88 293.2	–	88 293.2	(2 022.0)	**86 271.2**
Cost of merchandise sold	(71 539.3)	102.6	(71 436.7)	1 685.2	**(69 751.5)**
Gross profit	16 753.9	102.6	16 856.5	(336.8)	**16 519.7**
Other income	1 913.0	(415.1)	1 497.9	(23.1)	**1 474.8**
Franchise fee income	399.1	–	399.1	(9.2)	**389.9**
Operating lease income	527.8	(415.1)	112.7	–	**112.7**
Commissions and other income	986.1	–	986.1	(13.9)	**972.2**
Trading expenses	(16 491.3)	1 191.8	(15 299.5)	220.9	**(15 078.6)**
Employee costs	(7 238.9)	–	(7 238.9)	136.9	**(7 102.0)**
Occupancy	(3 326.8)	1 238.1	(2 088.7)	14.9	**(2 073.8)**
Operations	(3 515.5)	0.4	(3 515.1)	52.5	**(3 462.6)**
Merchandising and administration	(2 410.1)	(46.7)	(2 456.8)	16.6	**(2 440.2)**
Trading profit	2 175.6	879.3	3 054.9	(139.0)	**2 915.9**
Finance income	258.8	186.7	445.5	–	**445.5**
Finance costs	(349.3)	(1 377.1)	(1 726.4)	12.4	**(1 714.0)**
Share of associate's income	109.0	–	109.0	–	**109.0**
Profit before tax before capital items	2 194.1	(311.1)	1 883.0	(126.6)	**1 756.4**
Profit on capital items	5.7	19.7	25.4	–	**25.4**
Profit on sale of property, plant and equipment	11.0	–	11.0	–	**11.0**
Impairment loss on intangible assets	(5.3)	–	(5.3)	–	**(5.3)**
Gain on termination of lease	–	19.7	19.7	–	**19.7**
Profit before tax	2 199.8	(291.4)	1 908.4	(126.6)	**1 781.8**
Tax	(550.3)	86.5	(463.8)	31.7	**(432.1)**
Profit for the period	1 649.5	(204.9)	1 444.6	(94.9)	**1 349.7**
Other comprehensive income, net of tax					
Items that will not be reclassified to profit or loss	(21.4)	–	(21.4)	–	**(21.4)**
Remeasurement in retirement scheme assets	(29.9)	–	(29.9)	–	**(29.9)**
Tax on items that will not be reclassified to profit or loss	8.5	–	8.5	–	**8.5**
Items that may be reclassified to profit or loss	(263.1)	6.6	(256.5)	–	**(256.5)**
Foreign currency translations	(281.6)	6.6	(275.0)	–	**(275.0)**
Movement in cash flow hedge	3.1	–	3.1	–	**3.1**
Tax on items that may be reclassified to profit or loss	15.4	–	15.4	–	**15.4**
Total comprehensive income for the period	1 365.0	(198.3)	1 166.7	(94.9)	**1 071.8**
Headline earnings	1 647.2	(219.1)	1 428.1	(94.9)	**1 333.2**
Earnings per share	Cents	Cents	Cents	Cents	**Cents**
Basic earnings per share	347.17	(43.13)	304.04	(19.97)	**284.07**
Diluted earnings per share	342.85	(42.59)	300.26	(19.73)	**280.53**
Headline earnings per share	346.69	(46.11)	300.58	(19.98)	**280.60**
Diluted Headline earnings per share	342.37	(45.54)	296.83	(19.72)	**277.11**

1 *Presents the reported Group result for the 53 weeks ended 3 March 2019;*
2 *Presents the financial impact of the adoption of IFRS 16: Leases for the 53 weeks ended 3 March 2019;*
3 *Presents the restated result for the 53 weeks ended 3 March 2019 after the impact of IFRS 16: Leases;*
4 *Presents the restated result for the 53rd week from 25 February 2019 to 3 March 2019 after the impact of IFRS 16: Leases; and*
5 *Presents the restated 52-week financial information for the 52 weeks ended 24 February 2019 after the impact of IFRS 16: Leases (refer to Annexure B).*

The table below presents the restated Group profit for the pro forma 2019 and 2018 financial years on a comparable 52-week basis after removing the impact of week 53 in the 2019 financial year.

Unaudited	Restated[1] pro forma 52 weeks to 24 February 2019 Rm	% of turnover	% change	Restated[2] 52 weeks to 25 February 2018 Rm	% of turnover
Revenue	**88 191.5**		7.1	82 323.4	
Turnover	**86 271.2**		7.1	80 523.5	
Cost of merchandise sold	**(69 751.5)**		7.0	(65 197.5)	
Gross profit	**16 519.7**	19.1	7.8	15 326.0	19.0
Other income	**1 474.8**	1.7	1.6	1 451.1	1.8
Franchise fee income	**389.9**	0.5	(2.5)	400.1	0.5
Operating lease income	**112.7**	0.1	(2.2)	115.2	0.1
Commissions and other income	**972.2**	1.1	3.9	935.8	1.2
Trading expenses	**(15 078.6)**	(17.5)	7.5	(14 022.8)	(17.4)
Employee costs	**(7 102.0)**	(8.2)	6.2	(6 688.7)	(8.3)
Occupancy	**(2 073.8)**	(2.4)	8.5	(1 911.8)	(2.4)
Operations	**(3 462.6)**	(4.0)	8.9	(3 178.8)	(3.9)
Merchandising and administration*	**(2 440.2)**	(2.8)	8.8	(2 243.5)	(2.8)
Trading profit	**2 915.9**	3.4	5.9	2 754.3	3.4
Finance income	**445.5**	0.5	27.7	348.8	0.4
Finance costs	**(1 714.0)**	(2.0)	4.6	(1 638.2)	(2.0)
Share of associate's income	**109.0**	0.1	(6.3)	116.3	0.1
Profit before tax before capital items	**1 756.4**	2.0	11.1	1 581.2	2.0
Profit on capital items	**25.4**			125.9	
Profit before tax	**1 781.8**	2.1	4.4	1 707.1	2.1
Tax	**(432.1)**	(0.5)	(4.9)	(454.3)	(0.6)
Profit for the period	**1 349.7**	1.6	7.7	1 252.8	1.6
Headline earnings	**1 333.2**	1.5	14.6	1 162.9	1.4
Earnings per share	**Cents**		% change	Cents	
Basic earnings per share	**284.07**		7.4	264.46	
Diluted earnings per share	**280.53**		8.2	259.33	
Headline earnings per share	**280.60**		14.3	245.48	
Diluted headline earnings per share	**277.11**		15.1	240.72	

* **Notes to the statement of comprehensive income**

Unaudited	Rm	% of turnover	% change	Rm	% of turnover
Included in merchandise and administration					
Foreign exchange losses	**(41.4)**			(11.2)	
Foreign exchange losses as a result of the application of IFRS 16	**(46.7)**			(6.6)	
Other foreign exchange gains/(losses)	**5.3**			(4.6)	
Trading profit before foreign exchange losses	**2 957.3**	3.4	6.9	2 765.5	3.4
Profit before tax before capital items and foreign exchange losses	**1 797.8**	2.1	12.9	1 592.4	2.0

1 *Presents the restated 52-week financial information for the 52 weeks ended 24 February 2019 after the impact of IFRS 16: Leases (refer to Annexure B).*

2 *Presents the restated result for the 52 weeks ended 25 February 2018 after the impact of IFRS 16: Leases.*

The table below presents the impact of the adoption of IFRS 16: Leases on the Group statement of financial position for the 2019 and 2018 financial years.

Unaudited	As reported[1] As at 3 March 2019 Rm	Impact[2] of IFRS 16 As at 3 March 2019 Rm	**Restated[3] As at 3 March 2019 Rm**	Restated[4] As at 25 February 2018 Rm
ASSETS				
Non-current assets				
Property, plant and equipment	6 189.3	–	**6 189.3**	6 054.4
Intangible assets	970.6	(60.8)	**909.8**	944.1
Right-of-use asset	–	10 102.9	**10 102.9**	9 765.6
Net investment in lease receivable	–	1 860.8	**1 860.8**	1 778.8
Operating lease assets	252.1	(239.3)	**12.8**	10.2
Deferred tax assets	303.4	519.9	**823.3**	628.0
Investment in associate	184.4	–	**184.4**	365.6
Loans	102.0	–	**102.0**	79.3
Retirement scheme assets	72.2	–	**72.2**	97.6
Investment in insurance cell captive	35.2	–	**35.2**	25.7
Trade and other receivables	82.3	–	**82.3**	105.4
	8 191.5	12 183.5	**20 375.0**	19 854.7
Current assets				
Inventory	5 697.2	(3.8)	**5 693.4**	5 940.3
Trade and other receivables	4 438.7	(137.3)	**4 301.4**	3 525.5
Cash and cash equivalents	1 503.2	–	**1 503.2**	1 129.1
Net investment in lease receivable	–	248.9	**248.9**	231.6
Right of return asset	20.6	–	**20.6**	19.6
Derivative financial instruments	3.1	–	**3.1**	–
	11 662.8	107.8	**11 770.6**	10 846.1
Non-current asset held for sale	–	–	**–**	217.2
Total assets	19 854.3	12 291.3	**32 145.6**	30 918.0
EQUITY AND LIABILITIES				
Equity				
Share capital	6.0	–	**6.0**	6.0
Treasury shares	(993.7)	–	**(993.7)**	(863.4)
Retained earnings	5 647.4	(1 393.1)	**4 254.3**	3 763.5
Other reserves	(6.0)	–	**(6.0)**	–
Foreign currency translation reserve	(336.9)	33.7	**(303.2)**	(43.6)
Total equity	4 316.8	(1 359.4)	**2 957.4**	2 862.5
Non-current liabilities				
Lease liability	–	13 750.6	**13 750.6**	13 215.6
Operating lease liabilities	1 719.4	(1 719.4)	**–**	–
Deferred tax liabilities	14.2	–	**14.2**	13.7
Borrowings	–	–	**–**	79.5
	1 733.6	12 031.2	**13 764.8**	13 308.8
Current liabilities				
Trade and other payables	10 403.6	(57.3)	**10 346.3**	10 473.5
Lease liability	–	1 676.8	**1 676.8**	1 520.4
Deferred revenue	256.2	–	**256.2**	281.3
Overnight borrowings	1 800.0	–	**1 800.0**	1 800.0
Borrowings	1 325.0	–	**1 325.0**	449.3
Current tax liabilities	19.1	–	**19.1**	213.7
Derivative financial instruments	–	–	**–**	8.5
	13 803.9	1 619.5	**15 423.4**	14 746.7
Total equity and liabilities	19 854.3	12 291.3	**32 145.6**	30 918.0
	Cents	Cents	**Cents**	Cents
Net asset value (property value based on directors' valuation) – cents per share	1 056.3	(286.0)	**770.3**	721.7

[1] *Presents the reported Group result for the 53 weeks ended 3 March 2019;*
[2] *Presents the impact of the adoption of IFRS 16: Leases for the 53 weeks ended 3 March 2019;*
[3] *Presents the restated result for the 53 weeks ended 3 March 2019 after the impact of IFRS 16: Leases; and*
[4] *Presents the restated result for the 52 weeks ended 25 February 2018 after the impact of IFRS 16: Leases.*

The table below presents the impact of the adoption of IFRS 16: Leases on the Group statement of cash flows for the 2019 and 2018 financial years.

Unaudited	As[1] reported 53 weeks to 3 March 2019 Rm	Impact[2] of IFRS 16 53 weeks to 3 March 2019 Rm	**Restated[3] 53 weeks to 3 March 2019 Rm**
Cash flows from operating activities			
Trading profit	2 175.6	879.3	**3 054.9**
Adjusted for non-cash items	1 518.4	1 482.6	**3 001.0**
Depreciation and amortisation	1 201.5	1 561.5	**2 763.0**
Share-based payments expense	216.4	–	**216.4**
Movement in operating lease assets	123.0	(125.6)	**(2.6)**
Movements in retirement scheme assets	(4.5)	–	**(4.5)**
Fair value and foreign exchange (gains)/losses	(18.0)	46.7	**28.7**
Cash generated before movements in working capital	3 694.0	2 361.9	**6 055.9**
Movements in working capital	(850.7)	142.2	**(708.5)**
Movements in trade and other payables and deferred revenue	(160.8)	8.5	**(152.3)**
Movements in inventory and right-of-return-asset	238.6	–	**238.6**
Movements in trade and other receivables	(928.5)	133.7	**(794.8)**
Cash generated from trading activities	2 843.3	2 504.1	**5 347.4**
Interest received	258.8	–	**258.8**
Interest paid	(349.3)	–	**(349.3)**
Interest paid on lease liability	–	(1 165.9)	**(1 165.9)**
Interest received on net investment in lease receivable	–	155.6	**155.6**
Cash generated from operations	2 752.8	1 493.8	**4 246.6**
Dividends paid	(938.0)	–	**(938.0)**
Tax paid	(817.3)	–	**(817.3)**
Cash generated from operating activities	997.5	1 493.8	**2 491.3**
Cash flows from investing activities			
Investment in intangible assets	(151.5)	–	**(151.5)**
Investment in property, plant and equipment	(1 312.5)	–	**(1 312.5)**
Proceeds on sale of non-current asset held for sale	217.2	–	**217.2**
Purchase of operations	(10.5)	–	**(10.5)**
Proceeds on disposal of intangible assets	0.3	–	**0.3**
Proceeds on disposal of property, plant and equipment	168.2	–	**168.2**
Loans advanced	(22.7)	–	**(22.7)**
Cash utilised in investing activities	(1 111.5)	–	**(1 111.5)**
Cash flows from financing activities			
Lease liability payments	–	(1 725.6)	**(1 725.6)**
Net investment in lease receipts	–	231.8	**231.8**
Borrowings raised	4 700.0	–	**4 700.0**
Repayment of borrowings	(3 903.8)	–	**(3 903.8)**
Share purchases	(311.2)	–	**(311.2)**
Proceeds from employees on settlement of share options	0.3	–	**0.3**
Cash generated from/(utilised in) financing activities	485.3	(1 493.8)	**(1 008.5)**
Net increase in cash and cash equivalents	371.3	–	**371.3**
Net cash and cash equivalents at beginning of period	(670.9)	–	**(670.9)**
Foreign currency translations	2.8	–	**2.8**
Net cash and cash equivalents at end of period	(296.8)	–	**(296.8)**
Consisting of:			
Cash and cash equivalents	1 503.2	–	**1 503.2**
Overnight borrowings	(1 800.0)	–	**(1 800.0)**

1 *Presents the reported Group result for the 53 weeks ended 3 March 2019;*
2 *Presents the impact of the adoption of IFRS 16: Leases for the 53 weeks ended 3 March 2019; and*
3 *Presents the restated result for the 53 weeks ended 3 March 2019 after the impact of IFRS 16: Leases.*

ANNEXURE B: PRO FORMA INFORMATION

Consistent with the presentation of our results for the period ended 3 March 2019, certain financial information presented constitutes pro forma financial information.

BASIS OF PREPARATION: 52-WEEK FINANCIAL INFORMATION

The Group manages its retail operations on a 52-week trading calendar where the reporting period always ends on a Sunday. To ensure calendar alignment, a 53rd week of trading is required approximately every six years and as a result, the 3 March 2019 financial year included a 53rd week.

In order to provide useful and transparent comparative information for the adoption of IFRS 16: Leases, a pro forma 52-week restated result for the 2019 financial year is presented for comparison against the restated corresponding 52-week result for the 2018 financial year. The 52-week financial information constitutes pro forma financial information.

The 52-week financial information is presented for illustrative purposes only and is the responsibility of the Board of directors of the Group. Due to its nature, the 52-week financial information may not fairly represent the Group's financial position, changes in equity, results of operations and cash flows.

The 52-week financial information for the 52 weeks ended 24 February 2019 as presented, consists of the audited Group results for the 53 weeks to 3 March 2019, adjusted for the impact of the adoption of IFRS 16 and the impact of the week from 25 February 2019 to 3 March 2019 (the 53rd week).

The 53rd week financial impact was calculated as follows:

- Revenue and related cost of sales adjusted for the week of 25 February 2019 to 3 March 2019.
- Other income and expenses related to the week based on an assessment of management information.
- The relevant amounts for the 53rd week have been extracted and recalculated from the Group's accounting records.
- The tax rate applied is equal to the Group's effective tax rate for the 53 weeks ended 3 March 2019.

The 53rd week financial impact as calculated, in the opinion of the directors of the Group, fairly reflects the result of the week of 25 February 2019 to 3 March 2019.

The table below presents the impact of the adoption of IFRS 16: Leases on the pro forma Group profit for the 52 weeks ended 24 February 2019.

Unaudited	As reported[1] pro forma 52 weeks to 24 February 2019 Rm	Impact of[2] IFRS 16 52 weeks to 24 February 2019 Rm	**Restated[3] pro forma 52 weeks to 24 February 2019 Rm**
Revenue	88 419.9	(228.4)	**88 191.5**
Turnover	86 271.2	–	**86 271.2**
Cost of merchandise sold	(69 854.1)	102.6	**(69 751.5)**
Gross profit	16 417.1	102.6	**16 519.7**
Other income	1 889.9	(415.1)	**1 474.8**
Franchise fee income	389.9	–	**389.9**
Operating lease income	527.8	(415.1)	**112.7**
Commissions and other income	972.2	–	**972.2**
Trading expenses	(16 258.0)	1 179.4	**(15 078.6)**
Employee costs	(7 102.0)	–	**(7 102.0)**
Occupancy	(3 299.5)	1 225.7	**(2 073.8)**
Operations	(3 463.0)	0.4	**(3 462.6)**
Merchandising and administration	(2 393.5)	(46.7)	**(2 440.2)**
Trading profit	2 049.0	866.9	**2 915.9**
Finance income	258.8	186.7	**445.5**
Finance costs	(349.3)	(1 364.7)	**(1 714.0)**
Share of associate's income	109.0	–	**109.0**
Profit before tax before capital items	2 067.5	(311.1)	**1 756.4**
Profit on capital items	5.7	19.7	**25.4**
Profit on sale of property, plant and equipment	11.0	–	**11.0**
Impairment loss on intangible assets	(5.3)	–	**(5.3)**
Gain on termination of lease	–	19.7	**19.7**
Profit before tax	2 073.2	(291.4)	**1 781.8**
Tax	(518.6)	86.5	**(432.1)**
Profit for the period	1 554.6	(204.9)	**1 349.7**
Headline earnings	1 552.3	(219.1)	**1 333.2**
Earnings per share	Cents	Cents	**Cents**
Basic earnings per share	327.20	(43.13)	**284.07**
Diluted earnings per share	323.12	(42.59)	**280.53**
Headline earnings per share	326.71	(46.11)	**280.60**
Diluted headline earnings per share	322.65	(45.54)	**277.11**

[1] *Presents the reported Group result for the 52 weeks ended 24 February 2019;*
[2] *Presents the financial impact of the adoption of IFRS 16: Leases for the 52 weeks ended 24 February 2019; and*
[3] *Presents the restated result for the 52 weeks ended 24 February 2019 after the impact of IFRS 16: Leases.*

The table below presents the impact of the adoption of IFRS 16: Leases on the pro forma Group profit for the 53rd week from 25 February 2019 to 3 March 2019.

Unaudited	As reported[1] pro forma Week 53 Rm	Impact[2] of IFRS 16 pro forma Week 53 Rm	**Restated[3] pro forma Week 53 Rm**
Revenue	2 045.1	–	**2 045.1**
Turnover	2 022.0	–	**2 022.0**
Cost of merchandise sold	(1 685.2)	–	**(1 685.2)**
Gross profit	336.8	–	**336.8**
Other income	23.1	–	**23.1**
Franchise fee income	9.2	–	**9.2**
Commissions and other income	13.9	–	**13.9**
Trading expenses	(233.3)	12.4	**(220.9)**
Employee costs	(136.9)	–	**(136.9)**
Occupancy	(27.3)	12.4	**(14.9)**
Operations	(52.5)	–	**(52.5)**
Merchandising and administration	(16.6)	–	**(16.6)**
Trading profit	126.6	12.4	**139.0**
Finance costs	–	(12.4)	**(12.4)**
Profit before tax before capital items	126.6	–	**126.6**
Profit before tax	126.6	–	**126.6**
Tax	(31.7)	–	**(31.7)**
Profit for the period	94.9	–	**94.9**
Headline earnings	94.9	–	**94.9**
Earnings per share	Cents	Cents	**Cents**
Basic earnings per share	19.97	–	**19.97**
Diluted earnings per share	19.73	–	**19.73**
Headline earnings per share	19.98	–	**19.98**
Diluted headline earnings per share	19.72	–	**19.72**

1 *Presents the reported 53rd week from 25 February 2019 to 3 March 2019;*
2 *Presents the financial impact of the adoption of IFRS 16: Leases for the 53rd week from 25 February 2019 to 3 March 2019; and*
3 *Presents the restated result for the 53rd week from 25 February 2019 to 3 March 2019 after the impact of IFRS 16: Leases.*