1. BASIS OF PREPARATION

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), in compliance with JSE Listings Requirements, the interpretations adopted by the International Accounting Standards Board (IASB), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, and the requirements of the Companies Act of South Africa 2008. The preparation of the consolidated and separate financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances (the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources), the actual outcome may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made in the application of IFRS that have had an effect on the financial statements and estimates with a risk of adjustment in the next year are set out in note 3. The consolidated financial statements as at and for the year ended June 30 2019 comprise the company, its subsidiaries and equity accounted investees (together referred to as the “group” or “Consolidated” and separately “Separate” or “company”). The accounting policies have been applied consistently to all years presented in the consolidated and separate financial statements. The accounting policies are the same for the consolidated and separate financial statements, unless specifically stated otherwise. The financial statements are presented in South African rand, which is the group’s presentation currency. All financial information has been rounded to the nearest thousand unless stated otherwise.

With effect from July 1 2018, the group adopted IFRS 9 *Financial instruments* (IFRS 9) and IFRS 15 *Revenue from Contracts with Customers* (IFRS 15). The effects of these adopted standards have been detailed below:

The objective of IFRS 9 is to establish principles for the classification and measurement of financial assets and liabilities, hedging and the introduction of the expected credit loss (ECL) model for the measurement of impairment allowances for financial assets. The key impact of IFRS 9 for the group relates to the application of the ECL model in the measurement of the impairment allowance of our trade receivables (through the application of the simplified approach). In terms of IAS 39, trade and other receivables were impaired when there was objective evidence of default. IFRS 9 dictates that the impairment is based on the lifetime expected credit losses on trade and other receivables. ECLs are calculated, as a function of the decentralised structure, by each operation by applying the historic loss ratios to aged balances of trade receivables at each reporting date. In determining the ECL, each operation splits the trade receivables into groups based on shared credit risk characteristics and the days past due; namely, by splitting customers into the type of customer (Independent, Chain, Logistics, and Retail), geographical regions, product types, customer ratings and trade credit insurances. In instances where there was no evidence of historical impairment, each operation's management used their knowledge of their business and forward-looking macro-economic information to determine the potential loss rate. The group applied the standard retrospectively but has elected not to restate comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been made to the opening balances at the date of initial application. The impact for the group is an additional impairment allowance of R60,4 million against opening retained earnings. Refer to note 7.4 trade and other receivables and the statement of changes in equity for further details.

IFRS 15 relates to the measurement, classification and disclosure of revenue from contracts with customers and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised as the group satisfies performance obligations and transfers control of goods or services to its customers as opposed to the application of the risks and rewards criteria under IAS 18.

The measurement of revenue is determined based on the amount to which the group expects to be entitled, allocated to each specific performance obligation. Depending on whether certain criteria are met, revenue is recognised either over time or at a point in time, as or when control of goods or services is transferred to the customer. As at July 1 2018 there was no significant impact from the adoption of IFRS 15 due to the group not being involved in material multiple-element arrangements with customers. Secondly, the majority of the group’s revenue is earned through the sale of goods relating to frozen, ambient, chilled and other non-food products, ie revenue recognised at a point in time. Therefore, no transition adjustments have been processed to retained earnings.

The comparatives of the consolidated statement of profit and loss, consolidated statement of cash flows and related notes have been represented to show PCL Transport 24/7 Limited (PCL) as a discontinued operation separately from continuing operations.

1. BASIS OF PREPARATION (continued)

In addition to showing PCL separately from continuing operations, the group made the following representations to the statement of cash flows and have adjusted comparatives accordingly.

- cash effects from payments made to puttable non-controlling interests and vendors for acquisition were reclassified from cash effects from financing activities to cash effects from investing activities due to them being associated with the acquisition of businesses and subsidiaries. The comparatives were re-presented to show this cash flow activity change. This representation had no impact on the group's cash and cash equivalents or statement of financial position;
- cash effects from the group's share incentive plans were previously recorded on a gross basis with intergroup cash received from participant employment companies disclosed under cash flows from operating activities and the proceeds received for the sale of the treasury shares under cash flows from financing activities. As there was no change to the group's overall cash and cash equivalents position, this transaction is now shown on a net basis. In other words, no effect to cash flows from operating and financing activities. The comparatives were re-presented to show this cash flow activity change. This representation had no impact on the group's cash and cash equivalents or statement of financial position.

	Previously reported 2018 R'000	Payments to puttable NCI and VFA re-presented as investing activities R'000	Group share incentive scheme payments and treasury shares sold re-presented on a net basis R'000	**Re-presented 2018 R'000**
Operating activities	2 427 578	–	193 279	**2 620 857**
Investing activities	(3 136 908)	(160 037)	–	**(3 296 945)**
Financing activities	708 841	160 037	(193 279)	**675 599**
Net change in cash and cash equivalents	(489)	–	–	**(489)**

The consolidated and separate financial statements were approved by the board of directors on August 27 2019.

2. BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the company and its subsidiaries. Subsidiaries are entities controlled by the group. Control is achieved when the company has the power over an investee, is exposed to or has rights to variable returns from its involvement with an investee and has the ability to use its power to affect its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of these three elements. When the company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including the size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders; potential voting rights held by the company, other vote holders or other parties; rights arising from other contractual arrangements; and any additional facts and circumstances that indicate that the company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the company gains control until the date when the company ceases to control the subsidiary. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with the group's significant accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the group are eliminated on consolidation.

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