



Pick n Play

**AUDITED ANNUAL
FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED 26 FEBRUARY

2017



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These Group and Company annual financial statements have been prepared by the Pick n Pay Finance Division under the supervision of the Chief Finance Officer (CFO), Bakar Jakoet, CA(SA).

DIRECTORS' RESPONSIBILITY STATEMENT

PICK N PAY STORES LIMITED AND ITS SUBSIDIARIES

The directors are responsible for the preparation and fair presentation of the Group annual financial statements and annual financial statements of Pick n Pay Stores Limited, comprising the statements of financial position at 26 February 2017, and the statements of comprehensive income, changes in equity and cash flows for the period then ended, and the notes to the annual financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa and the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these annual financial statements.

The directors have made an assessment of the ability of the Company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the period ahead.

The auditor is responsible for reporting on whether the Group annual financial statements and annual financial statements of the Company are fairly presented in accordance with the applicable financial reporting framework.

Approval of Group annual financial statements and annual financial statements of the Company

The Group annual financial statements and annual financial statements of Pick n Pay Stores Limited, as identified in the first paragraph, were approved by the Board of directors on 18 April 2017 and signed by:

Gareth Ackerman
Chairman

18 April 2017

Richard Brasher
Chief Executive Officer

COMPANY SECRETARY'S CERTIFICATE

PICK N PAY STORES LIMITED AND ITS SUBSIDIARIES

In my capacity as Company Secretary, I certify that for the period ended 26 February 2017, Pick n Pay Stores Limited and its subsidiaries has filed all returns and notices as required for a company in terms of section 88(2)(e) of the Companies Act, No 71 of 2008, as amended, and that such returns and notices are, to the best of my belief, true, correct and up to date.

Debra Muller
Company Secretary

18 April 2017

DIRECTORS' REPORT

for the period ended 26 February 2017

PICK N PAY STORES LIMITED AND ITS SUBSIDIARIES

Nature of business

The Company, which is domiciled and incorporated in the Republic of South Africa and listed on the JSE, a securities exchange in South Africa, is an investment holding company. The Group comprises subsidiaries and an associate that retail food, clothing, general merchandise, pharmaceuticals and liquor throughout Africa, both on an owned and franchise basis. The Group also acquires and develops strategic retail and distribution sites.

Significant subsidiaries held directly and indirectly are presented in note 27 of the Group annual financial statements.

Overview of financial results and activities

Refer to the review of operations on pages 9 to 14 for an overview of financial results and activities of the Group.

Audit and risk committee

We draw your attention to the audit and risk committee report on pages 7 and 8 where we set out the responsibilities of the committee and how it has discharged these responsibilities during the period.

Dividends declared

The directors have declared a final dividend (dividend 98) of 146.40 cents per share out of income reserves. Refer to page 15 for more information.

Share capital

At period-end, 6 531 853 shares (2016: 1 752 433 shares) of Pick n Pay Stores Limited were held within the Group. These shares are held to settle obligations of share options granted under the Group's employee share scheme.

In addition, 9 336 500 shares (2016: 7 923 000) of Pick n Pay Stores Limited are held within the Group in order to settle obligations under the Group's forfeitable share plan. Participants to the forfeitable share plan have non-forfeitable rights to the dividends on these shares.

Going concern

These financial statements have been prepared on the going concern basis.

The Board of director (the Board) has performed a formal review of the Company and its subsidiaries' ability to continue trading as going concerns in the foreseeable future and, based on this review, considers that the presentation of the financial statements on this basis is appropriate.

The Group ensures that it complies with the liquidity and solvency requirements for any dividend payment and provision of financial assistance as per the requirements of the Companies Act, 2008.

Legal proceedings

The Company and its subsidiaries are not involved, and have not in the 2017 financial period been involved, in any legal or arbitration proceedings which may have or have had a material effect on the financial position of the Group, nor is the Company aware of any such proceedings that are pending or threatened.

Special resolutions

On 25 July 2016, the Company's shareholders approved the following special resolutions as tabled in the notice to the annual general meeting:

Directors' fees for the 2017 and 2018 annual financial period

Shareholders approved the directors' fees.

Provision of financial assistance to related or inter-related companies and others

The shareholders resolved, in terms of the provisions of section 45 of the Companies Act, 2008, that the Company may from time to time provide direct or indirect financial assistance to any director, prescribed officer, related company, inter-related company or member of a related or inter-related company on such terms and conditions as determined by the Board.

General approval to repurchase Company shares

Shareholders resolved that the Company or any of its subsidiaries may acquire issued shares of the Company upon such terms and conditions and in such amounts as the directors of the Company may determine from time to time.

Acquisition of such shares is subject to the Memorandum of Incorporation of the Company, the provisions of the Companies Act, 2008, and the Listings Requirements of JSE, provided further that acquisitions of shares in the Company by the Company and its subsidiaries may not, in the aggregate, exceed in any one financial year 5% of the Company's issued share capital.

Directors and secretary

Refer to note 4 of the Group annual financial statements for a list of directors of the Company for the 2017 financial year.

The non-executive directors listed below retire by rotation and they offer themselves for re-election:

- Gareth Ackerman
- Hugh Herman
- Jeff van Rooyen

In order to ensure that shareholder perceptions are aligned with the Board's view of the independence of long-serving directors, all non-executive directors who have served on the Board for more than nine years, serve one year term of office instead of the standard three-year term.

At the end of each term and upon mutual consent by the director and the chairman, such director is put forward for re-election by shareholders at the Company's annual general meeting for the further period of one year.

No director held any service contract with the Company during the current or prior period under review.

The Company Secretary is Debra Muller.

Directors' interest in shares

Refer to note 8 in the Company annual financial statements and note 4 in the Group annual financial statements for details of the directors' interest in shares.

Holding company

The Pick n Pay Holdings Limited RF Group included the ultimate holding company, Pick n Pay Holdings Limited RF, an investment holding company listed on the JSE (a stock exchange in South Africa). The Company was formed with the sole purpose of holding a controlling interest in Pick n Pay Stores Limited (and thereby the Pick n Pay Stores Group), resulting in a pyramid control structure.

During the period under review, at the General Meeting held on 25 July 2016, shareholders approved the unbundling of the Pick n Pay Holdings Limited RF Group in order to remove the existing pyramid control structure.

Gareth Ackerman
Chairman

18 April 2017

As a result of the unbundling, related party transactions occurred. This included a dividend *in specie* share distribution by Pick n Pay Holdings Limited RF, of R412.3 million, to entities within the Pick n Pay Stores Group who at the time held shares in Pick n Pay Holdings Limited RF. This dividend *in specie* consisted of shares in Pick n Pay Stores Limited. It also included the creation and issuance of a new class of unlisted voting shares (B shares) in Pick n Pay Stores Limited (refer to note 7.2 of the Company annual financial statements and note 19.2 of the Group annual financial statements). These were issued to the existing controlling shareholders of Pick n Pay Holdings Limited RF so as to retain the control structure of the Pick n Pay Stores Group as it was prior to the unbundling.

Borrowings

The Group's overall level of debt (including bank overdrafts and overnight borrowings) increased from R629.6 million to R1 933.2 million, as capital invested for expansion is funded by cost-effective short-term borrowings.

Richard Brasher
Chief Executive Officer

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF PICK N PAY STORES LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Pick n Pay Stores Limited set out on pages 16 to 85, which comprise the consolidated and separate statements of financial position as at 26 February 2017, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the period then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Pick n Pay Stores Limited as at 26 February 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the period then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of Pick n Pay Stores Limited in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), the International Ethics Standards Board for Accountants

Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing the audit of Pick n Pay Stores Limited. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Pick n Pay Stores Limited. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matter	How the matter was addressed in the audit
Unbundling of the Pick n Pay Holdings Limited RF Group	
<p>As disclosed in note 27, at the General Meeting of Pick n Pay Stores Limited (Stores) Shareholders held on 25 July 2016, shareholders of both Pick n Pay Holdings Limited RF (Holdings) and Stores approved the unbundling of the Pick n Pay Holdings Group in order to collapse the existing Pyramid Control Structure.</p> <p>The unbundling resulted in the Stores Group receiving a dividend <i>in specie</i> share distribution from Holdings, of Stores shares valued at R412.3 million, resulting from Holdings shares held by the Stores Group.</p> <p>The unbundling also reduced the fair value of Holdings shares, which were delisted from the JSE Limited, held by the Stores Group.</p> <p>In addition newly created B Shares were issued to the Controlling Shareholders of Holdings, as reflected in the consolidated and separate financial statements.</p> <p>The unbundling transaction is not only quantitatively significant to the Stores Group but also required various regulatory and shareholder approvals. Therefore, this is considered a key audit matter.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none">• Inspecting the circular to shareholders to understand the terms of the unbundling;• Inspecting the shareholder approval;• Assessing that the accounting of the dividend <i>in specie</i> of Stores shares and issuance of B shares was in accordance with the circular to shareholders and International Financial Reporting Standards; and• Assessing that the unbundling is appropriately recorded and disclosed in the consolidated and separate financial statements for the period ended 26 February 2017.

INDEPENDENT AUDITORS' REPORT continued

TO THE SHAREHOLDERS OF PICK N PAY STORES LIMITED

Key audit matter	How the matter was addressed in the audit
<p>Issue of Pick n Pay Stores Limited share options</p> <p>As disclosed in note 5, during the period the Stores Group issued 7.6 million Stores share options in terms of the employee incentive scheme to replace the Holdings share options which were cancelled, as a result of the unbundling transaction, as approved by shareholders at the General Meeting of 25 July 2016.</p> <p>Given the quantitative materiality of the share options issued and level of judgement involved in management estimates that are required to value the options at grant date, we consider the granting of these options to be a key audit matter.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Understanding and confirming the terms of the replacement share options; • Assessing that the accounting of option cancellations and replacements were in accordance with International Financial Reporting Standards; • Assessing the methodology, model and assumptions employed by management and evaluating the fair value of these options at grant date, and • Considering the adequacy and accuracy of the related disclosures in the financial statements.
<p>Provisions against inventory</p> <p>As disclosed in note 16, management have made provisions for shrinkage, obsolescence and mark downs against inventory.</p> <p>Obsolete, redundant and slow-moving inventory items are identified on a regular basis by management across the procurement and supply chain channel and are written down to their estimated net realisable values, including for shrinkage and anticipated mark downs. This requires significant management judgement based on past experience, changes in customer and market dynamics and future trading expectations.</p> <p>Given the level of judgement involved in management estimates that are required to determine these provisions and the quantitative materiality, we consider the provisions against inventory to be a key audit matter.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Considering the methodology applied by management to determine the provisions and evaluating the reasonableness thereof; • Evaluating the assumptions and judgements applied by management in determining the shrinkage, obsolescence and mark down provisions, by reviewing and testing historical information, and assessing data trends and ageing profiles; and • Evaluating the overall reasonableness of the provisions by performing analytical procedures on provisioning levels, including against historical experience.
<p>Other information</p> <p>The directors are responsible for the other information. The other information comprises the Company Secretary's certificate, Directors' report and the Audit and risk committee report as required by the Companies Act of South Africa and the Directors' responsibility statement, Review of operations, Dividend declaration, and Administration, which we obtained prior to the date of this report, and the Integrated Annual Report and Corporate Governance Report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditors' report thereon.</p> <p>Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.</p> <p>In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement</p>	<p>of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the Integrated Annual Report and the Corporate Governance Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.</p> <p>Responsibilities of the Directors for the Consolidated and Separate Financial Statements</p> <p>The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.</p> <p>In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Pick n Pay Stores Limited Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Pick n Pay Stores Limited Group or Company or to cease operations, or have no realistic alternative but to do so.</p>

Auditor's responsibilities for the audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pick n Pay Stores Limited Group's or Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pick n Pay Stores Limited Group's or Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated or separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Pick n Pay Stores Limited Group or Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Pick n Pay Stores Limited Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Pick n Pay Stores Limited Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of Pick n Pay Stores Limited for two years.

Ernst & Young Inc.

*Director: Malcolm Rapson
Registered Auditor
Chartered Accountant (SA)*

35 Lower Long Street
Cape Town

18 April 2017

AUDIT AND RISK COMMITTEE REPORT

PICK N PAY STORES LIMITED AND ITS SUBSIDIARIES

The Group operates in the fast-moving consumer goods industry in Africa and recognises that it will be exposed to certain risks in order to achieve sustainable growth. The focus of the Group's risk management is to ensure that an appropriate balance between risk and reward is maintained while protecting all stakeholders against avoidable risks, and mitigating the impact of unavoidable risks.

The Board is responsible for Group-wide risk governance by ensuring that adequate systems are in place to identify, evaluate and manage key business risks. The Board is assisted in this regard by the audit and risk committee, whose responsibility it is to develop, communicate and monitor the risk management process across all divisions in the Group. The audit and risk committee is integral to the risk management process, with specific oversight of financial, operational and information technology risks and the associated internal controls. The Chief Finance Officer serves as the Chief Risk Officer for the Group and attends all audit and risk committee meetings by invitation.

The day-to-day responsibility for identifying, evaluating and managing risk remains the responsibility of senior management, who are supported by the internal audit function. The internal audit function is independent of business operations and provides assurance on the adequacy and effectiveness of internal controls. In developing its annual combined assurance plan, the internal audit function follows a risk-based methodology to identify material business risks, which are then confirmed and addressed by the relevant managers. Currently, the combined assurance plan serves as the source for the Group's top-down risk management programme. These risks are typically strategic and operational, and are quantified by the finance function, where relevant.

The audit and risk committee is a statutory committee, as required by the Companies Act, and functions within a charter that is reviewed and approved annually by the Board.

ROLE OF THE COMMITTEE

The audit and risk committee has an independent role with accountability both to the Board and to shareholders. The committee's responsibilities include the statutory duties prescribed by the Companies Act, activities recommended by King III and the responsibilities assigned by the Board.

The committee's ongoing main responsibilities are as follows:

Integrated and financial reporting

- Review the annual financial statements, interim report, preliminary results announcement and summarised financial statements and ensure compliance with International Financial Reporting Standards and the Companies Act;
- Review and approve the appropriateness of accounting policies, disclosure policies and the effectiveness of internal financial controls;
- Perform a review of the Group's integrated reporting function and consider factors and risks that could impact on the integrity of the Integrated Annual Report;

- Review the sustainability disclosure in the Integrated Annual Report and ensure that it is consistent with financial information reported; and
- Recommend the Integrated Annual Report, Annual Financial Statements and Corporate Governance Report to the Board for approval.

Finance function

- Consider the expertise and experience of the Chief Finance Officer; and
- Consider the expertise, experience and resources of the Group's finance function.

Internal audit

- Review and approve the internal audit charter and audit plans;
- Evaluate the independence, effectiveness and performance of the internal audit function and compliance with its mandate;
- Review the Group's system of internal control, including financial controls, ensuring that management is adhering to and continually improving these controls;
- Review significant issues raised by the internal audit process; and
- Review policies and procedures for preventing and detecting fraud.

External audit

- Act as a liaison between the external auditors and the Board;
- Nominate the external auditor for appointment by shareholders;
- Determine annually the scope of audit and non-audit services which the external auditors may provide to the Group;
- Approve the remuneration of the external auditors and assess their performance; and
- Assess annually the independence of the external auditors.

Risk management

- Ensure that management's processes and procedures are adequate to identify, assess, manage and monitor enterprise-wide risks; and
- Review tax and technology risks, in particular how they are managed.

General

- Receive and deal appropriately with any complaint relating to the accounting practice and internal audit of the Group or to the content or auditing of its annual financial statements, or to any related matter; and
- Perform other functions as determined by the Board.

COMPOSITION OF THE COMMITTEE

The audit and risk committee is chaired by and comprises only independent non-executive directors. In accordance with the requirements of the Companies Act, members of the committee are appointed annually by the Board for the ensuing financial year and in compliance with King III, are elected by shareholders at the annual general meeting.

Composition of the committee, frequency of meetings and activities in the period under review

Members	Attendance	Activities 2017
Jeff van Rooyen (Chairman)	2/2	<ul style="list-style-type: none"> Reviewed and recommended the half-year and full-year financial results, annual financial statements and integrated annual report to the Board for approval
Hugh Herman	2/2	<ul style="list-style-type: none"> Reviewed the internal audit coverage plan and ensured continued progress in integrating with the combined assurance model
David Friedland	2/2	<ul style="list-style-type: none"> Reviewed and approved the accounting and disclosure policies and the effectiveness of internal financial controls
Audrey Mothupi	2/2	<ul style="list-style-type: none"> Reviewed the external audit coverage plan Pre-approved all non-audit services provided by the Group's external auditors Met separately with the internal auditors and the external auditors to confirm that they received the full co-operation of management Met with management to review their progress on identifying and addressing material risk areas within the business Reviewed the sustainability disclosure in the integrated annual report and ensured that it was consistent with financial information reported Chairman met regularly with key management to keep abreast of relevant emerging issues Discharged all audit committee responsibilities to all the subsidiary companies within the Group Reviewed the findings of the financial review committees of all the material operating divisions of the Group. The financial review committees are chaired by the CFO and, together with the external auditors and management of the respective operating divisions, review the results of the material operating divisions Reviewed and considered representations by management on the going-concern statement for the Group and recommended the adoption of the going-concern concept to the Board Recommended approval of the reappointment of Ernst & Young Inc. as external auditors.

INDEPENDENCE OF EXTERNAL AUDITORS

The committee met with management, independently of the auditors, to discuss issues relevant to the audit and for purposes of evaluating the quality and effectiveness of the external audit function. The committee was satisfied as to the independence of the Group's external auditors, Ernst & Young Inc. and its respective audit partners.

The committee confirmed its satisfaction with the performance and level of service rendered by the external auditor, Ernst & Young Inc., for the 2017 financial year.

POLICY ON NON-AUDIT SERVICES

All non-audit services provided by the Group's external auditors, Ernst & Young Inc., were pre-approved by the audit committee. The total fee for non-audit services provided did not exceed 50% of the total auditors' remuneration.

EXPERTISE AND EXPERIENCE OF CHIEF FINANCE OFFICER AND FINANCE FUNCTION

The committee together with the lead external audit partner has considered and confirmed the composition, experience, resources and skills of the finance function. The committee is satisfied that Bakar Jakoet has the appropriate expertise

and experience for his position of Chief Finance Officer of the Group. In addition, the committee is satisfied that the composition, experience and skills of the finance function meet the Group's requirements.

APPROVAL OF THE AUDIT AND RISK COMMITTEE REPORT

The committee confirms that it functioned in accordance with its charter for the 2017 financial year and that its report to shareholders was approved by the Board.

Jeff van Rooyen
Chairman

18 April 2017

REVIEW OF OPERATIONS

PICK N PAY STORES GROUP

KEY FINANCIAL INDICATORS

	52 weeks to 26 February 2017	52 weeks to 28 February 2016	% change
Turnover	R77.5 billion	R72.4 billion	7.0
Gross profit margin	18.0%	17.9%	
Trading expenses margin	17.1%	17.2%	
Trading profit	R1 773.8 million	R1 516.3 million	17.0
Trading profit margin	2.3%	2.1%	
Profit before tax (before capital items)	R1 761.5 million	R1 506.1 million	17.0
Profit before tax margin (before capital items)	2.3%	2.1%	
Basic earnings per share (EPS)	256.67 cents	219.11 cents	17.1
Headline earnings per share (HEPS)*	264.35 cents	224.04 cents	18.0
Diluted headline earnings per share (DHEPS)*	257.69 cents	219.90 cents	17.2
Total annual dividend per share	176.30 cents	149.40 cents	18.0

* Headline earnings per share and diluted headline earnings per share exclude capital items, which accounts for the difference in the year-on-year increase between EPS and HEPS.

RESULT SUMMARY

The Group delivered growth in headline earnings per share of 18.0% for the 2017 financial year, maintaining the positive momentum achieved over each of the past four years. Turnover growth of 7.0% reflects the difficult consumer environment in South Africa.

The Group progressed in a number of key areas over the year. A stronger gross profit margin and well-controlled costs demonstrate the value of the Group's increasingly centralised supply chain and greater operating efficiency in a low-growth environment. Labour costs in particular were contained well below inflation.

Profit before tax (before capital items) was up 17.0% year-on-year to R1 761.5 million, more than double the profit of four years ago. The profit before tax (before capital items) margin has improved from 1.2% in 2013 to 2.3% today. The Group's core South African operations delivered growth in profit before tax (before capital items) of 20.0%, with tough trading conditions in Zambia constraining growth in the Rest of Africa division.

The Group is now well advanced on its journey to restore the business to a sustainable profit margin, with a cost-effective and efficient engine and effective platforms for long-term growth.

REVIEW OF EARNINGS PERFORMANCE

The Group modernised its control ownership structure in the first half of the year, with the unbundling of the Pick n Pay Holdings Limited RF Group. Although there were material non-recurring movements on certain individual categories of other trading income and trading expenses, the transaction had no impact on trading profit or headline earnings. Please refer to the table at the conclusion of this review of operations for further detail.

The financial review provided below, excludes the material non-recurring items included in trading profit related to the unbundling transaction.

Turnover

Group turnover increased 7.0% to R77.5 billion, with like-for-like turnover growth of 3.4%. On a constant currency basis, Group turnover was up 7.1%. Throughout the year, customers faced growing pressure on their household budgets, resulting from high food inflation, rising utility and transport costs, and stagnating real incomes. By buying better and running a more efficient business, the Group was able to provide meaningful support for customers, restricting its selling price inflation to 6.1% for the year, well below published food inflation of 11.0%.

More value for customers

Customers across all socio-economic groups are consistently seeking lower prices and better value. The Group is much better placed to respond to customers' changing needs than it was four years ago. Brand Match has given Pick n Pay, and its customers, confidence in the competitiveness of its pricing across 2 000 branded grocery lines. In March 2017, the Group signalled its intention to accelerate progress in its turnaround, in particular through a commitment to lower prices across fresh, perishable and grocery lines. The Group announced in March 2017 an investment of R500 million in lower prices, beginning with reductions in price across 1 300 grocery lines, with a particular focus on fresh meat, fruit and vegetables.

Rewarding loyalty

Pick n Pay's Smart Shopper programme, with 7 million active members in 2017, and 20 swipes at till every second, was once again recognised as South Africa's favourite loyalty programme. Responding to customer demand for more immediate support, the Group announced a more rewarding and more personal Smart Shopper programme in March 2017. It includes weekly personalised discounts for each Smart Shopper, tailored specifically to each customer on the basis of their actual shopping habits. The Group will continue to modernise and enhance the programme through ongoing innovation in both technology and reward, to ensure it remains relevant and fresh for customers.

Stronger offer

The Group improved its fresh offer by broadening its range, delivering better freshness and longer shelf-life, and by running promotions on staple commodities, including through bulk buys and combination offers. Pick n Pay expanded its private label offer across convenience, perishable and grocery lines. Customers responded positively, and private label contributed 18.0% of total turnover. The Group delivered its best availability in over four years, with on-shelf stock availability consistently maintained at 96% over the year.

Boxer delivered strong turnover growth in a depressed and highly contested area of the market. The Boxer team was able to invest meaningfully in the price of basic commodities, while strengthening its fresh meat, fruit and vegetable offer over the year.

The Pick n Pay clothing business again delivered strong double-digit growth, as customers sought long-lasting quality at great value. The Group's liquor business grew 15%, with solid market share growth across a number of key lines. The Group added 24 clothing stores and 46 liquor stores in 2017.

Online turnover growth remains strong, with more customers turning to the trusted convenience offered by Pick n Pay online. Online turnover in the Western Cape grew 30% year-on-year, driven by the success of the dedicated online picking warehouse situated at the Brackenfell Hypermarket near Cape Town. Following the success of this warehouse, the Group opened a second online warehouse, outside Johannesburg, in December 2016. Online shoppers in Gauteng will benefit from a broader range, improved availability and lower prices.

Better stores

The Group refurbished 62 stores over the course of the year and closed 12 under-performing stores, including five franchise and four Boxer stores. The resulting disruption to trade had some negative impact on turnover growth. However, the improvement in the estate is a valuable investment in the future.

The Group now has 106 next generation supermarkets across its Pick n Pay and Boxer brands. These stores are now the model for all new and refurbished stores, and are providing customers with a better shopping experience and a stronger customer offer, particularly in fresh and convenience categories. Next generation stores also provide a more efficient and cost-effective operating model for the business.

Wider reach

The Group opened 68 new Pick n Pay company-owned stores and 25 new Boxer stores across all formats over the year, including 14 Pick n Pay Local convenience stores. This growth delivered on the Group's intention to open new stores in communities which it had not previously served, and to respond to the growing demand for convenience. New stores contributed 3.6% to turnover growth.

The Group opened 70 Pick n Pay franchise stores over the period, including 32 Pick n Pay Express stores on BP forecourts. There are now 111 Pick n Pay Express stores, more than double the number of two years ago. Our franchise partners continue to be a key growth opportunity for Pick n Pay and the Group strengthened its support of franchisees during the year by delivering more competitive prices, improving availability and by expanding its administrative and operational support.

Gross profit

Gross profit at R13.9 billion increased 7.5% on last year. The gross profit margin improved 0.1 percentage point to 18.0% of turnover, with progress across its procurement and supply chain channel.

As a greater proportion of goods were brought into its centralised supply chain, the Group improved the efficiency and cost-effectiveness of its distribution centres and lowered the cost per case delivered. The Group also improved its management of shrink and waste through a dedicated management programme and increased security measures.

Boxer in particular delivered a stronger gross profit margin performance, driven by greater participation of its butchery, fresh produce and value-added convenience categories.

Stronger central supply chain

The Group increased its centralised supply to 60% of total volume, with 73% centralised supply in the Western Cape and 62% in the Inland region of South Africa (Gauteng and surrounds). The Group has achieved substantial progress in the centralisation of its grocery supply over the last few years, with groceries 87% centralised in the Western Cape and 68% in Inland. The Group brought an additional 140 suppliers into its centralised supply chain. This included 80 new wine suppliers and eight new suppliers from its own supplier development and business incubator initiatives. Issues out of Group distribution centres were up 20% year-on-year, with a 21% increase out of Longmeadow. More than 2.0 million cases were distributed every week out of this facility.

Progress on fresh

The Group progressed on perishables during the year, establishing a new fresh distribution facility at its Philippi distribution centre in Cape Town, and completing the centralisation of its main dairy suppliers in KwaZulu-Natal. The Philippi and Longmeadow distribution centres have delivered a reduction in waste across all fresh categories, alongside ongoing improvements at store level.

More efficiency

The Group completed the implementation of its supply chain management system (SAP EWM) across all its distribution centres. This has improved operational efficiency, transport management and reporting capability across the supply chain channel. Progress on the central supply chain in the Western Cape enabled Pick n Pay to bring the management of its Philippi distribution centre in-house, which will realise further cost savings in the future. The Group has recently secured additional supply chain capacity in KwaZulu-Natal, to further its progress on centralisation in the region.

Other trading income

Other trading income increased 12.6% to R1 093.3 million.

Franchise fee income is up 10.5% to R349.8 million, reflecting the 70 new franchise stores opened over the last 12 months and an improved franchise turnover performance.

Operating lease income increased 4.9% to R345.3 million, with a number of non-strategic head leases not renewed this year. Excluding this impact, operating lease income increased 7.4%, in line with annual escalations.

Commissions, dividends received and other income grew 22.3% to R398.2 million. Our value-added service business is maturing into an important part of our customer offer, with a solid performance across all categories of value-added services, including strong double digit growth in commission income from prepaid electricity, third party bill payments, ticketing and financial services. The Group launched a new money transfer service in partnership with the Commonwealth Bank of Australia this year. The service has been used by more than 100 000 customers in just five months. The service is integrated with our Smart Shopper loyalty programme, is entirely digitised, and enables a customer to execute a money transfer easily and quickly from any Pick n Pay till point.

Trading expenses

Trading expenses increased 6.7% to R13.3 billion, notwithstanding the addition of a net 86 company-owned stores over the year. This is a commendable performance in an inflationary environment, with like-for-like trading expenses up only 3.0% on the previous year.

Employee costs – increased 5.8% on last year to R6 414.0 million, and improved 0.1 percentage point to 8.3% of turnover. The like-for-like increase of 3.3% was supported by a more efficient store operating model and ongoing improvements in labour scheduling.

The Group concluded a new three-year wage agreement with its main labour union. It introduced a new category of staff with basic pay set at a competitive level. The Group also introduced a guaranteed minimum of 85 hours work per month for all employees. As well as delivering a fair and competitive package for employees, the new agreement will enable the Group to achieve further improvements in cost and labour productivity over the coming years.

The Group purchased shares to the value of R345.4 million under its share incentive schemes during the year, and delivered substantial wealth creation for 9 250 employees at all levels, who realised their share awards during the period. The increased take-up of employee share awards was driven by the higher share price over the year, as well as increased communication with employees during the unbundling of Pick n Pay Holdings Limited RF.

The success of the Group's employee share incentive schemes is testament to the values of Pick n Pay and the positive role the Group has played as a progressive and responsible employer. The Group created 4 500 new jobs during the year, principally through its store opening programme.

The Group remains committed to creating quality jobs across South Africa and beyond. The modernisation of the Group is key to achieving this goal, and to ensuring that the jobs created are sustainable. Improvements in productivity and cost-effectiveness enable the Group to be more competitive, offer better value, attract more customers and grow its footprint sustainably. It was against this background that Pick n Pay launched a voluntary severance programme (VSP) in March 2017, that is expected to be finalised by the end of April 2017. Participation in the scheme is entirely voluntary, and acceptance of applications is at the Group's discretion. The programme will enable Pick n Pay to remove positions that are no longer required as a result of improved ways of working. By becoming more efficient and offering better value, the Group will sell more products and open more stores, creating more sustainable jobs in a strong and forward-looking business.

Occupancy costs – are up 14.6% on last year to R2 678.9 million, and up 0.2 percentage points to 3.4% of turnover, driven by new stores. The like-for-like increase in occupancy costs of 7.2% is largely in line with annual escalations, however, this category of expense continues to trend upwards, driven by high regulated increases in rates and increased security costs. Increased security measures have mitigated the cost of shrink and theft in the business.

Operations costs – are up 4.0% on last year to R2 961.7 million, with like-for-like operations costs up 1.5%. The biggest benefits this year came from well managed electricity and repairs and maintenance costs and tightly controlled depreciation and amortisation. Energy-saving initiatives and investment in better refrigeration and lighting has reduced energy usage by 14% over the last five years, contributing to well managed energy costs.

Merchandising and administration costs – grew 1.9% on last year to R1 201.6 million. The Group continues to tightly manage the cost of its professional, legal and other support services. This category of expense also includes fair value adjustments related to the Group's forward exchange contracts and foreign exchange differences. The strengthening of the South African rand over the year, saw the Group expense R29.9 million in foreign exchange and related fair value losses, compared to profits of R8.2 million in the prior year.

Trading profit

Trading profit increased by 17.0% to R1 773.8 million. The trading profit margin improved by 0.2 percentage points, from 2.1% to 2.3% of turnover.

Net interest

Net interest paid of R92.5 million increased 65.0% on last year, as a result of increased gearing over the year. Net cash balances reflect the Group's ongoing investment in capital and inventory related to its store opening, refurbishment and centralisation programmes, and increased share buy-backs related to its employee share incentive schemes. Higher interest rates payable on overnight borrowings also had an impact on the total net interest bill over the period.

Losses on capital items

The Group incurred R46.3 million of capital losses. The losses include a R13.9 million impairment loss incurred by a subsidiary company in respect of its investment in Pick n Pay Holdings Limited RF, as a result of the unbundling transaction. The remaining R32.4 million relates to the impairment and disposal of assets mainly due to the Group's refurbishment programme, compared with R32.6 million in the prior year. Capital items are added back in the calculation of headline earnings.

Profit before tax

Profit before tax is up 16.4% to R1 715.2 million, representing a margin improvement from 2.0% to 2.2%. Profit before tax excluding capital items, is up 17.0%, with the underlying margin improving from 2.1% to 2.3% of turnover.

Rest of Africa segment

Segmental revenue for the Rest of Africa division, in constant currency terms, increased 8.7%, with like-for-like revenue retraction of 0.4%. Reported segmental revenues were up 7.7% (like-for-like revenue retraction of 2.3%), with local currency weakness in Zambia having a negative impact on translation. Profit before tax for this division was down 0.3% to R225.5 million.

In Zambia, the impact of drought and related water and power outages, coupled with the low copper price, continued to dampen economic growth across the region. The team responded to the low growth environment with strong discipline on cost. Notwithstanding current economic headwinds, the Group remains positive of its long-term position and opportunity in the region.

The Group's franchise businesses in Namibia, Botswana, Swaziland and Lesotho continued to trade well. The Group opened its first new supermarket and liquor stores in Botswana in five years, and is looking forward to working with a new franchisee in Swaziland, who has bought six of the 10 Pick n Pay franchise stores in the region, with plans for expansion and a revitalised offer.

The Group opened 12 new supermarkets outside South Africa during the year, three in Namibia, six in Zambia, one in Zimbabwe and two in Botswana. The Group plans to open its first stores in Ghana and Nigeria over the next two years.

Share of associate's income – the Group's associate in Zimbabwe, TM Supermarkets (TM), delivered a strong performance in a tough macroeconomic environment, characterised by liquidity constraints, rising unemployment and falling consumer confidence. The Group's share of TM's earnings grew 74.7% on last year to R80.2 million, representing growth in local currency terms of 71.8%. The team benefited from increased operational collaboration with Pick n Pay, and strong trade from the rebranded Pick n Pay stores in the region. TM was once again recognised as Retailer of the Year in Zimbabwe by the Confederation of Zimbabwe Retailers. TM Supermarkets now has 56 stores in Zimbabwe, 16 of which trade under the Pick n Pay banner.

Tax

The effective tax rate of 27.5% is marginally down on the 27.7% of last year, as a result of the Group's increased profitability, with no corresponding change in the level of non-deductible expenditure.

Earnings per share

Basic earnings per share (EPS) – increased 17.1% from 219.11 to 256.67 cents per share.

Headline earnings per share (HEPS) – increased 18.0% from 224.04 to 264.35 cents per share.

The difference between the growth in basic earnings per share and headline earnings per share relates to the effect of losses of a capital nature in the calculation of headline earnings. Capital losses of R37.2 million, net of tax, were taken into account in the calculation of headline earnings in the current period, against R23.3 million in the prior period.

Diluted headline earnings per share (DHEPS) – increased 17.2% from 219.90 to 257.69 cents per share. DHEPS reflects the dilution effect of share options held by participants in the Group's employee share schemes.

The dilution increased marginally over the period due to the unbundling of Pick n Pay Holdings Limited RF, with employees that had previously held share options in Pick n Pay Holdings Limited RF (dilutive at PWK level) receiving replacement share options in Pick n Pay Stores Limited.

REVIEW OF FINANCIAL POSITION

The increase in the Group's assets reflects its ongoing investment in its turnaround strategy, including investment in its store opening and refurbishment programme, its centralised supply chain and systems infrastructure. The fair value of financial instruments held by the Group decreased year-on-year, in line with the increase in treasury shares, with the Group's investment in the equity of Pick n Pay Holdings Limited RF being replaced with unbundled treasury shares in Pick n Pay Stores Limited, to the same value.

Working capital

The financial calendar cut-off, in particular the timing of creditor payments over the financial year-end, had a substantive impact on the movement in the Group's reported working capital balances in 2017, against that of 2016. Further information is provided below.

Inventory

Inventory increased 16.4% on last year to R5 994.6 million, impacted by the 151 net new stores (excluding TM Supermarkets) opened over the last 12 months, and increased levels of centralisation in the short term. Removing the impact of new stores and inflation, inventory is up 5.2% year-on-year. The Group also increased its value of investment buys at year-end, to support customers ahead of supplier price increases. The Group is confident of the opportunity to reduce stock levels in the business through targeted assortment management, keener forecast and replenishment and a stronger promotional calendar. This is a key focus area for the 2018 financial year.

Trade and other receivables

Trade and other receivables increased 3.6% on last year to R3 445.1 million, with 65 net new franchise stores added over the year. Franchise debt remains well controlled, with the impairment allowance at 3.5% of the value of the debtors book in line with last year.

Trade and other payables

Trade and other payables is flat on last year at R10 490.2 million, largely due to the positive impact of the financial calendar cut-off in the prior year of R1.2 billion. On a comparable basis, trade and other payables increased 12.1% year-on-year.

Cash and cash equivalents

	2017 Rm	2016 Rm
Cash balances	961.9	982.9
Bank overdraft and overnight borrowings	(1 800.0)	(100.0)
Cash and cash equivalents	(838.1)	882.9
Total borrowings	(133.2)	(529.6)
Net funding position	(971.3)	353.3

The timing of the Group's financial calendar cut-off can have a substantive impact on reported working capital and cash balances, depending on the timing of creditor payments over financial year-end. The decrease in funding from net working capital of R986.3 million, and the related decrease in cash balances at year-end, reflects the reversal of an estimated R1.2 billion positive calendar impact in 2016. The Group remains cash-generative, with cash generated before movements in working capital up 14% on last year. Net working capital funding increased by R230 million on a comparable basis.

The Group paid R753.5 million in dividends to shareholders (up 27.8% on last year), invested R1.9 billion in improving the quality of its estate, invested R345.4 million in its employee share incentive schemes and repaid R445.1 million of long-term structured debt. These important outlays, together with increased inventory balances in line with the Group's plan to improve on-shelf availability across the business, resulted in increased gearing over the 2017 year and an increased interest bill.

Capital investment

Capital expenditure related to the Group's capital investment programme at R1.9 billion, was in line with last year. The Group continues to commit the majority of its capital investment on expansion and refurbishment in order to improve the customers' shopping experience. The Group plans to invest a further R1.8 billion in its store opening and store improvement programme next year. The Group is confident of its ability to meet its investment requirements through internal cash-generation and cost-effective short-term borrowings. The Group's liquidity position remains strong, with 25% of available borrowing facilities utilised at year-end.

The Group delivered return on capital employed of 31.3% (2016: 29.3%). The net asset value per share increased from 910.0 cents per share to 979.5 cents per share.

Shareholder distribution

The Board declared a final dividend of 146.40 cents per share, bringing the total annual dividend for the year to 176.30 cents per share, 18.0% up on last year and maintaining a dividend cover of 1.5 times headline earnings per share.

THE UNBUNDLING OF PICK N PAY HOLDINGS LIMITED RF GROUP

The unbundling of the Pick n Pay Holdings Limited RF Group had no impact on trading profit or headline earnings. The material non-recurring items related to the unbundling transaction are detailed overleaf.

Summary of non-recurring items included in trading profit:

	As reported 52 weeks to 26 February 2017 Rm	Non-recurring items 52 weeks to 26 February 2017 Rm	Excluding non-recurring items 52 weeks to 26 February 2017 Rm	% of turnover	% change	As reported 52 weeks to 28 February 2016 Rm	% of turnover
Revenue	79 117.8	412.3	78 705.5		7.1	73 477.3	
Turnover	77 486.1		77 486.1		7.0	72 445.1	
Cost of merchandise sold	(63 549.4)		(63 549.4)			(59 474.8)	
Gross profit	13 936.7		13 936.7	18.0	7.5	12 970.3	17.9
Other trading income	1 505.6	412.3	1 093.3	1.4	12.6	971.3	1.3
Dividend in specie	412.3	412.3	–			–	
Franchise fee income	349.8		349.8	0.5	10.5	316.7	0.4
Operating lease income	345.3		345.3	0.4	4.9	329.1	0.5
Commissions, dividends received and other income	398.2		398.2	0.5	22.3	325.5	0.4
Trading expenses	(13 668.5)	(412.3)	(13 256.2)	17.1	6.7	(12 425.3)	17.2
Employee costs	(6 619.8)	(205.8)	(6 414.0)	8.3	5.8	(6 060.6)	8.4
Occupancy	(2 678.9)		(2 678.9)	3.4	14.6	(2 337.6)	3.2
Operations	(2 961.7)		(2 961.7)	3.8	4.0	(2 848.1)	3.9
Merchandising and administration	(1 408.1)	(206.5)	(1 201.6)	1.5	1.9	(1 179.0)	1.6
Trading profit	1 773.8	–	1 773.8	2.3	17.0	1 516.3	2.1

Other trading income – includes a dividend *in specie* of R412.3 million, representing the value of the Pick n Pay Stores Limited shares (now held as treasury shares) received by the Group on the unbundling of Pick n Pay Holdings Limited RF (PWK).

Employee costs – the Group operates an employee share incentive scheme where eligible employees were granted share options in PWK. These share options were cancelled and replaced with Pick n Pay Stores Limited share options, in terms of the shareholder approval received at the extraordinary General Meeting held on 25 July 2016.

Employee costs include the share-based payment expense related to the increase in the market value of PWK share options prior to the unbundling, as well as the cancellation and replacement cost of these options.

Merchandising and administration costs – include a net fair value loss of R206.5 million in respect of the Group's investment in Pick n Pay Holdings Limited RF. This fair value movement was as a result of the increased market value of PWK shares prior to the unbundling, and the subsequent write-off of the investment on the receipt of the dividend *in specie* distribution.

The dividend *in specie*, increased share-based payment costs and related fair value adjustments detailed above, had no impact on trading profit or headline earnings.

Losses on capital items – include an impairment loss incurred by a subsidiary company in respect of its investment in Pick n Pay Holdings Limited RF of R13.9 million. The loss is added back for the purposes of calculating headline earnings per share.

Gareth Ackerman
Chairman

18 April 2017

ACCELERATING THE TURNAROUND

Fifty years ago this year, Raymond Ackerman bought three small stores in Cape Town, and began to pursue his goal: to fight high prices and bring South Africans the best prices and best service of any retailer in South Africa. The Group's turnaround plan has essentially been about returning Pick n Pay to its roots as a discounter and consumer champion.

Over each of the past four years, the Group has improved its customer offer, modernised its stores, centralised its supply chain, and firmly controlled its costs. The result has been eight consecutive periods of double-digit profit growth, and an improvement in trading profit margin to 2.3%.

However, conditions for consumers have become progressively more challenging. Customers at all levels are demanding consistently lower prices and better value. This is a worldwide phenomenon, and is firmly evident in South Africa. In a low-growth economy, competition for hard-pressed and cost-conscious customers is going to be the new normal. Pick n Pay is determined to succeed in this new normal by accelerating the pace of its plan, in particular by reducing its costs further in order to create additional headroom to deliver lower prices and better value for customers.

The Group has made a strong start on this accelerated plan at the beginning of the 2018 financial year with the introduction of permanently lower prices on 1 300 lines and a modernised Smart Shopper loyalty scheme. It will build on this throughout the year as it accelerates progress towards a better Pick n Pay – better for customers, better for colleagues and better for shareholders.

Richard Brasher
Chief Executive Officer

DIVIDEND DECLARATION

PICK N PAY STORES LIMITED – TAX REFERENCE NUMBER: 9275/141/71/2

Number of ordinary shares in issue: 488 450 321

Notice is hereby given that the directors have declared a final gross dividend (number 98) of 146.40 cents per share out of income reserves.

The dividend declared is subject to dividend withholding tax at 20%.

The tax payable is 29.28000 cents per share, leaving shareholders who are not exempt from dividends tax with a net dividend of 117.12000 cents per share.

DIVIDEND DATES

The last day of trade in order to participate in the dividend (CUM dividend) will be Tuesday, 6 June 2017.

The shares will trade EX dividend from the commencement of business on Wednesday, 7 June 2017 and the record date will be Friday, 9 June 2017. The dividends will be paid on Monday, 12 June 2017.

Share certificates may not be dematerialised or rematerialised between Wednesday, 7 June 2017 and Friday, 9 June 2017, both dates inclusive.

On behalf of the Board of directors

Debra Muller

Company Secretary

18 April 2017

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the period ended

	Note	52 weeks 26 February 2017 Rm	52 weeks 28 February 2016 Rm
Revenue	2	79 117.8	73 477.3
Turnover	2	77 486.1	72 445.1
Cost of merchandise sold		(63 549.4)	(59 474.8)
Gross profit		13 936.7	12 970.3
Other trading income	2	1 505.6	971.3
Trading expenses		(13 668.5)	(12 425.3)
Employee costs	3	(6 619.8)	(6 060.6)
Occupancy		(2 678.9)	(2 337.6)
Operations		(2 961.7)	(2 848.1)
Merchandising and administration		(1 408.1)	(1 179.0)
Trading profit		1 773.8	1 516.3
Finance income	2	126.1	60.9
Finance costs	3	(218.6)	(117.0)
Share of associate's income	14	80.2	45.9
Profit before tax before capital items		1 761.5	1 506.1
Losses on capital items		(46.3)	(32.6)
Loss on sale of property, plant and equipment		(20.4)	(24.0)
Impairment loss on property, plant and equipment	10	(5.9)	–
Impairment loss on intangible assets	9	(6.1)	(8.6)
Impairment loss on available-for-sale financial instruments		(13.9)	–
Profit before tax	3	1 715.2	1 473.5
Tax	6	(471.7)	(408.1)
Profit for the period		1 243.5	1 065.4
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss		1.5	14.8
Remeasurement in retirement scheme assets	22	2.1	20.5
Tax on remeasurement in retirement scheme assets	13	(0.6)	(5.7)
Items that may be reclassified to profit or loss		(96.9)	59.4
Foreign currency translations		(64.4)	58.1
Fair value gain on available-for-sale financial instruments		(32.5)	1.3
Total comprehensive income for the period		1 148.1	1 139.6
		Cents	Cents
Earnings per share			
Basic	7	256.67	219.11
Diluted	7	250.20	215.05

GROUP STATEMENT OF FINANCIAL POSITION

	Note	As at 26 February 2017 Rm	As at 28 February 2016 Rm
ASSETS			
Non-current assets			
Property, plant and equipment	10	5 583.6	4 950.9
Intangible assets	9	984.3	1 004.9
Operating lease assets	11	198.3	171.6
Financial instruments at fair value through profit or loss	28	13.7	232.1
Available-for-sale financial instruments	28	–	46.4
Investment in associate	14	309.7	285.5
Participation in export partnerships	12	–	14.1
Loans	15	85.1	96.4
Retirement scheme assets	22	95.3	90.8
Deferred tax assets	13	218.0	225.1
		7 488.0	7 117.8
Current assets			
Inventory	16	5 994.6	5 152.0
Trade and other receivables	17	3 445.1	3 326.2
Cash and cash equivalents	18	961.9	982.9
Derivative financial instruments	28	–	6.0
		10 401.6	9 467.1
Non-current asset held for sale	10	212.8	–
Total assets		18 102.4	16 584.9
EQUITY AND LIABILITIES			
Equity			
Share capital	19	6.0	6.0
Treasury shares	20	(554.3)	(63.5)
Fair value reserve		–	32.5
Retained earnings		4 652.1	3 882.9
Foreign currency translation reserve		(24.5)	39.9
Total equity		4 079.3	3 897.8
Non-current liabilities			
Borrowings	21	84.0	83.0
Operating lease liabilities	11	1 398.6	1 239.6
Deferred tax liabilities	13	14.6	9.5
		1 497.2	1 332.1
Current liabilities			
Trade and other payables	23	10 490.2	10 500.6
Share-based payment liability	5	–	124.6
Bank overdraft and overnight borrowings	18	1 800.0	100.0
Borrowings	21	49.2	446.6
Current tax liabilities	6	174.8	183.0
Provisions	24	–	0.2
Derivative financial instruments	28	11.7	–
		12 525.9	11 355.0
Total equity and liabilities		18 102.4	16 584.9

GROUP STATEMENT OF CHANGES IN EQUITY

for the period ended

	Note	Share capital Rm	Treasury shares Rm	Fair value reserve Rm	Retained earnings Rm	Foreign currency translation reserve Rm	Total equity Rm
At 1 March 2015		6.0	(60.1)	31.2	3 302.9	(18.2)	3 261.8
Total comprehensive income for the period		-	-	1.3	1 080.2	58.1	1 139.6
Profit for the period		-	-	-	1 065.4	-	1 065.4
Remeasurement in retirement scheme assets		-	-	-	14.8	-	14.8
Foreign currency translations		-	-	-	-	58.1	58.1
Fair value gain on available-for-sale financial instruments		-	-	1.3	-	-	1.3
Transactions with owners		-	(3.4)	-	(500.2)	-	(503.6)
Dividends paid		-	-	-	(589.5)	-	(589.5)
Share purchases	20	-	(126.2)	-	-	-	(126.2)
Net effect of settlement of employee share options	20	-	122.8	-	(87.2)	-	35.6
Share-based payments expense	3	-	-	-	176.5	-	176.5
At 28 February 2016		6.0	(63.5)	32.5	3 882.9	39.9	3 897.8
Total comprehensive income for the period		-	-	(32.5)	1 245.0	(64.4)	1 148.1
Profit for the period		-	-	-	1 243.5	-	1 243.5
Remeasurement in retirement scheme assets		-	-	-	1.5	-	1.5
Foreign currency translations		-	-	-	-	(64.4)	(64.4)
Fair value gain on available-for-sale financial instruments		-	-	26.6	-	-	26.6
Reclassification to profit or loss		-	-	(59.1)	-	-	(59.1)
Transactions with owners		-	(490.8)	-	(475.8)	-	(966.6)
Dividends paid		-	-	-	(753.5)	-	(753.5)
B share capital issued	19	-	-	-	-	-	-
Shares received upon unbundling	27	-	(412.3)	-	-	-	(412.3)
Share purchases	20	-	(345.4)	-	-	-	(345.4)
Net effect of settlement of employee share options	20	-	266.9	-	(259.5)	-	7.4
Share-based payments expense	3	-	-	-	537.2	-	537.2
At 26 February 2017		6.0	(554.3)	-	4 652.1	(24.5)	4 079.3

GROUP STATEMENT OF CASH FLOWS

for the period ended

	Note	52 weeks 26 February 2017 Rm	52 weeks 28 February 2016 Rm
Cash flows from operating activities			
Trading profit		1 773.8	1 516.3
Adjusted for dividend income	2	(18.0)	–
Adjusted for non-cash items		1 356.7	1 220.0
Amortisation	9	160.6	162.5
Depreciation	10	820.9	778.4
Equity-settled share-based payment expense	3	537.2	176.5
Cash-settled share-based payment (gain)/expense	3	(124.6)	13.0
Movement in net operating lease liabilities		132.3	79.3
Movement in provisions		(0.2)	(0.8)
Fair value loss on financial instruments at fair value through profit or loss		242.8	11.1
Dividend <i>in specie</i> received upon unbundling	27	(412.3)	–
Cash generated before movements in working capital		3 112.5	2 736.3
Movements in working capital		(986.3)	728.7
Movements in trade and other payables		(28.1)	1 610.9
Movements in inventory		(839.3)	(492.4)
Movements in trade and other receivables		(118.9)	(389.8)
Cash generated from trading activities		2 126.2	3 465.0
Interest received	2	126.1	60.9
Interest paid	3	(218.6)	(117.0)
Cash generated from operations		2 033.7	3 408.9
Dividends received	2	18.0	–
Dividends paid		(753.5)	(589.5)
Tax paid	6	(469.2)	(335.8)
Cash generated from operating activities		829.0	2 483.6
Cash flows from investing activities			
Investment in intangible assets	9	(134.0)	(85.7)
Investment in property, plant and equipment	10	(1 736.0)	(1 623.1)
Investment in financial instruments at fair value		(6.7)	(16.1)
Purchase of operations	29	1.8	(87.6)
Proceeds on disposal of property, plant and equipment		49.8	40.0
Loans repaid		11.3	4.2
Participation in export partnership		14.1	9.3
Retirement obligation		(2.4)	(0.2)
Cash utilised in investing activities		(1 802.1)	(1 759.2)
Cash flows from financing activities			
Borrowings raised		48.7	–
Repayment of borrowings		(445.1)	(254.7)
Share purchases	20	(345.4)	(126.2)
Proceeds from employees on settlement of share options		8.0	0.3
Cash utilised in financing activities		(733.8)	(380.6)
Net (decrease)/increase in cash and cash equivalents		(1 706.9)	343.8
Net cash and cash equivalents at beginning of period		882.9	524.5
Foreign currency translations		(14.1)	14.6
Net cash and cash equivalents at end of period	18	(838.1)	882.9
Consisting of:			
Cash and cash equivalents		961.9	982.9
Bank overdraft and overnight borrowings		(1 800.0)	(100.0)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

for the period ended 26 February 2017

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Reporting entities

The consolidated financial statements for the 52 weeks ended 26 February 2017 (2016: 52 weeks ended 28 February 2016) comprise Pick n Pay Stores Limited and its subsidiaries and associate referred to as "the Group". Pick n Pay Stores Limited is referred to as the Company.

1.2 Statement of compliance

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB), the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act of South Africa.

1.3 Basis of preparation

The consolidated financial statements are prepared on the historical cost basis except where stated otherwise in the accounting policies below.

The Group manages its retail operations on a 52-week trading calendar where the reporting period will always end on a Sunday. To ensure calendar realignment, a 53rd-week of trading is required approximately every six to seven years.

The accounting policies set out below have been consistently applied to all periods presented in these consolidated financial statements and to all companies in the Group, except where the Group has adopted IFRS and IFRIC interpretations and amendments that became effective during the year. These interpretations and amendments had no material impact on the reported results.

1.4 Foreign currency transactions and translations

Functional and presentation currency

The consolidated annual financial statements are presented in South African rand, which is the Company's functional currency. All financial information has been rounded to the nearest million, unless otherwise stated. Certain individual companies (foreign operations) in the Group have functional currencies different to that of the Group and are translated on consolidation.

Transactions and balances

Transactions denominated in currencies other than South African rand (foreign currencies) are translated to the respective functional currencies of the Group entities at the rates of exchange ruling on the dates of the transactions. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to South African rand at the rates of exchange ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised costs in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and amortised costs in foreign currency translated at the exchange rate at the end of the period. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to South African rand at the exchange rate at the date that the fair value was determined. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign operations

The assets and liabilities of foreign operations are translated at the relevant foreign exchange rates ruling at the reporting date to the presentation currency of the Group. The income and expenses of foreign operations are translated to the presentation currency of the Group at the weighted-average rate of exchange for the period. Profits or losses arising on the translation of assets and liabilities of foreign operations are recognised in other comprehensive income and presented within equity in a foreign currency translation reserve.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains or losses arising from such a monetary item are considered to form part of a net investment in a foreign operation, are recognised in other comprehensive income (OCI) and presented in a foreign currency translation reserve.

1.5 Use of estimates, judgements and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.5 Use of estimates, judgements and assumptions
continued

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 revision and future periods if the revision affects both current and future periods.

The assumptions and estimates used in the Group's accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period include the following, but are not limited to:

Measurements of share-based payments

Various assumptions are applied in determining the fair value of share awards granted to employees such as expected volatility, expected dividend yield, and the expected life of the option. Judgement, informed by terms and conditions of the grant, is used to determine the valuation model to be used. The key assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 5.

Accrual for rebates and incentives

The Group enters into various agreements with suppliers providing for inventory purchase rebates. The Group accrues the receipt of supplier rebates as part of its cost of merchandise sold taking into consideration the cumulative purchases of inventory to date. Consequently the rebates actually received may vary from that accrued in the financial statements.

Income and deferred taxes

The Group is subject to income tax in numerous jurisdictions. Significant judgement is required in determining the provision for tax as there are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of the taxes that are likely to become due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income.

Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted. Refer to notes 6 and 13.

Inventory net realisable value allowances

The Group evaluates its inventory to ensure that it is carried at the lower of cost or net realisable value. Allowances are made against slow moving, obsolete and damaged items. Damaged inventories are identified and written down through inventory verification processes.

Allowance for slow moving and obsolete inventories are assessed continuously. Obsolescence is assessed based on comparison of the level of inventory holding to the projected likely future sales taking into account factors existing at the reporting date. Refer to note 16.

Measurements of the recoverable amounts of cash-generating units

Determining the recoverable amount of cash-generating units (CGU) containing goodwill was determined by calculating the value in use. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model, future cash flows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for CGUs are disclosed in note 9.

Estimates of useful lives and residual values of intangible assets

Intangible assets are amortised over their useful lives taking into account applicable residual values. Useful lives and residual values are reviewed at each reporting date taking into account factors such as the manner of recovery, innovation in technology and relevant market information.

Estimates of useful lives and residual values of property, plant and equipment

Property, plant and equipment are depreciated over their useful lives taking into account applicable residual values. Useful lives and residual values are reviewed at each reporting date taking into account factors such as the manner of recovery and relevant market information.

Classification of leases

Judgements are applied when determining whether the risks and rewards of the underlying asset have been transferred in order to classify leases as either a finance lease or an operating lease, and are applied when assessing whether an arrangement should be treated as a lease. Refer to notes 11 and 21.

1. SIGNIFICANT ACCOUNTING POLICIES *continued*

1.5 Use of estimates, judgements and assumptions
continued

The impairment reviews undertaken in respect of equity-accounted investees

The recoverable amount of all equity-accounted investees is determined as the higher of fair value less costs of disposal and value in use. Estimates of the future cash inflows are used in the value-in-use calculation. Judgement is required in determining whether indicators of impairment exist, which include consideration of currency repatriation out of Zimbabwe taking into account the recently issued USD bond notes by the government in the country.

The estimation of the impairment allowance for loans and trade and other receivables

The recoverable amount of loans and trade and other receivables is estimated as the present value of future cash inflows discounted at a market-related interest rate. The Group makes allowance for specific trade receivables which have clearly indicated financial difficulty and the likelihood of repayment has become impaired. Estimation is required in the determination of future cash flows and the likelihood of repayment. Refer to note 17.

Measurements of post-retirement defined-benefit obligations

The Group operates post-retirement defined-benefit schemes. Actuarial valuations are performed to assess the financial position of these various schemes and are based on assumptions such as the discount rate, future salary increases, future pension increases and increases in healthcare rates. Refer to note 22.

Recognition of deferred revenue in respect of customer loyalty programme

Estimates are used in the measurement of deferred revenue. The consideration allocated to the award credits is measured by reference to their fair value which is calculated as the amount for which the award credits could be separately sold, adjusted for an expected forfeiture rate. The expected forfeiture rate (conversely the redemption rate) is based on historical experience and is subject to uncertainty. Refer to notes 2 and 23.

Consolidation of the Group's share trust

The Group operates an employee share option scheme through the Employee Share Purchase Trust. In management's judgement, the Group controls the trust as it has exposure or rights to variable returns from its involvement with the investee and has the ability to affect returns from the trust through its power over the trust. The Group has therefore consolidated the trust into its results. Refer to notes 19 and 20.

1.6 Basis of consolidation

Investment in subsidiaries

The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

Interest in equity-accounted investees

The Group's interest in equity-accounted investees comprises its interests in associates.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of comprehensive income reflects the Group's share of the results of operations of the associate. Where there are changes recognised directly in the OCI or equity of those investees, the Group recognises its share of any changes, when applicable, in the statement of other comprehensive income and statement of changes in equity respectively.

Unrealised gains or losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of comprehensive income and represents profit or loss after tax and after non-controlling interests in the subsidiaries of the associate. Any dividends received by the Group is credited against the investment in associate.

1. SIGNIFICANT ACCOUNTING POLICIES *continued*

1.6 Basis of consolidation *continued*

Interest in equity-accounted investees *continued*

The financial statements of the associate are prepared for the same reporting period as the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value.

1.7 Property, plant and equipment

Property, plant and equipment are tangible assets held by the Group for use in the supply of goods or for administrative purposes and are expected to be used for more than one financial period. Property, plant and equipment are initially recognised at cost if it is probable that associated future economic benefits will flow to the Group and the cost can be measured reliably. All property, plant and equipment are subsequently measured at cost less accumulated depreciation and impairment losses, with the exception of land. Land is measured at cost less impairment losses as it has an indefinite life and is not depreciated.

Cost

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

The Group recognises in the carrying amount of property, plant and equipment subsequent expenditure, including the cost of replacing part of such an item, when that cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably.

The carrying amount of the replaced part is derecognised. All other costs, such as day-to-day servicing costs, are recognised in the statement of comprehensive income as an expense as incurred.

Depreciation

Depreciation is based on the cost of an asset, less its residual value, over its useful life. The residual value is the estimated amount that the Group would receive from the disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and the condition expected at the end of its useful life.

Management determines the depreciation methods, useful lives and residual values at acquisition and these are reviewed at each reporting date and adjusted, if appropriate. Any adjustments are accounted for prospectively as a change in estimate.

Depreciation is recognised as an expense in the statement of comprehensive income, within operational expenses, on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment from the date that they are available for use. Leasehold improvements are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Where significant components of an item of property, plant and equipment have different useful lives they are depreciated separately.

Useful lives

The estimated useful lives, per category of plant, property and equipment are as follows:

Property

- Land Indefinite
- Buildings and major components 10 to 40 years

Furniture, fittings, equipment and vehicles

- Furniture and fittings 5 to 14 years
- Equipment 2 to 15 years
- Vehicles 4 to 5 years

Leasehold improvements 3 to 8 years

Aircraft and major components 7 to 20 years

Impairment

Property, plant and equipment are assessed for impairment as non-financial assets as per note 1.13.

Derecognition

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected to flow to the Group from either their use or disposal.

Gains or losses on derecognition of an item of property, plant and equipment are determined by comparing the proceeds from disposal, if applicable, with the carrying amount of the item and are recognised directly in the statement of comprehensive income.

1.8 Intangible assets

Intangible assets are held by the Group for use in the supply of goods or for administrative purposes and are expected to be used for more than one financial period. Intangible assets acquired are initially recognised at cost, if it is probable that associated future economic benefits will flow to the Group and the cost can be measured reliably.

1. SIGNIFICANT ACCOUNTING POLICIES *continued*

1.8 Intangible assets *continued*

If the intangible assets are acquired via a business combination, initial recognition is at fair value.

Intangible assets that are developed are initially recognised at cost if the cost can be measured reliably, the intangible assets are technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete the development.

If not, then the development expenses are recognised in the statement of comprehensive income when they are incurred.

Intangible assets are subsequently measured at cost less accumulated amortisation and impairment losses, with the exception of goodwill. Goodwill is measured at cost less impairment losses as it has an indefinite useful life and is not amortised.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised, but expensed in the statement of comprehensive income when they are incurred.

Cost

The cost of intangible assets includes expenditure that is directly attributable to the acquisition of the intangible asset. The cost of developed intangible assets includes the cost of materials, direct labour and any overhead costs directly attributable to preparing the intangible asset for its intended use.

The Group recognises in the carrying amount of intangible assets subsequent expenditure when that cost is incurred, if it is probable that the future economic benefits will flow to the Group and the cost can be measured reliably. All other costs, such as costs associated with the implementation or maintenance of intangible assets, are recognised in the statement of comprehensive income as an expense as incurred.

Goodwill is acquired through business combinations and initially measured at the fair value of the consideration transferred, including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units

that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Amortisation

Amortisation is calculated on the cost of an intangible asset, less its residual value over its useful life. The residual value is the estimated amount that the Group would receive from the disposal of the intangible asset, after deducting the estimated costs of disposal, if the intangible asset was already of the age and the condition expected at the end of its useful life.

Management determines the amortisation methods, useful lives and residual values at acquisition and these are reviewed at each reporting date and adjusted, if appropriate. Any adjustments are accounted for prospectively as a change in estimate.

Amortisation is recognised as an expense in the statement of comprehensive income on a straight-line basis over the estimated useful life of each intangible asset from the date that it is available for its intended use.

Useful lives

The estimated useful lives, per category of intangible assets, are as follows:

Goodwill	Indefinite
Systems development	7 years
Licences	5 to 10 years

Impairment

Intangible assets are assessed for impairment as non-financial assets as per note 1.13.

Derecognition

Intangible assets are derecognised upon disposal or when no future economic benefits are expected to flow to the Group from either their use or disposal. Gains or losses on derecognition of an intangible asset are determined by comparing the proceeds from disposal, if applicable, with the carrying amount of the intangible asset and are recognised directly in the statement of comprehensive income.

1.9 Leases

Finance leases

A lease is classified at the inception date as a finance lease or an operating lease. Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred from the lessor to the Group as lessee.

1. SIGNIFICANT ACCOUNTING POLICIES *continued*

1.9 Leases *continued*

Finance leases continued

Finance leases are capitalised at the commencement of the lease at the lower of the inception date fair value of the leased assets and the present value of the minimum lease payments, calculated using the interest rate implicit in the lease at the inception of the lease. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of comprehensive income.

Finance lease assets are carried at the initial recognised amount less accumulated depreciation and impairment losses. Any initial direct costs incurred are added to the amount recognised as an asset. Finance lease assets are depreciated over the shorter of the useful life of the asset and the lease term.

Finance lease liabilities are classified as non-current liabilities, with the exception of the portion with a maturity date of less than 12 months of the reporting date which is disclosed as current liabilities.

Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. The Group acts as both lessee and lessor. Rentals payable or receivable under operating leases are charged or credited to the statement of comprehensive income on a straight-line basis over the term of the relevant lease. This results in the raising of a liability for future lease expenses and an asset for future lease income on the statement of financial position. These operating lease assets and liabilities are classified as non-current assets or liabilities, with the exception of the portion with a maturity date of less than 12 months of the reporting date which are disclosed as current assets or liabilities and are included under trade and other receivables and trade and other payables respectively.

This liability and asset reverses during the latter part of each lease term when the actual cash flow exceeds the straight-lined lease expense/income included in the statement of comprehensive income.

1.10 Inventory

Inventory comprises merchandise for resale and consumables. Inventory is measured at the lower of cost and net realisable value, and is classified as a current asset as it is expected to be sold within the Group's normal operating cycle.

Cost is calculated on the weighted-average basis and includes expenditure incurred in acquiring the inventory and bringing them to their existing location and condition, including distribution costs, and is stated net of relevant purchase incentives.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Obsolete, redundant and slow-moving items are identified on a regular basis and are written down to their estimated net realisable values.

The carrying amount of inventories sold is recognised as an expense in the period in which the related revenue is recognised.

1.11 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate and are classified as current or non-current liabilities depending on the underlying contractual maturities.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

1.12 Financial instruments

Initial recognition and measurement

The Group classifies its financial instruments into the following categories: loans and receivables; financial instruments at fair value through profit or loss, available-for-sale financial assets and financial liabilities measured at amortised cost. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification at initial recognition and re-evaluates the designations when circumstances indicate that reclassification is required.

A financial instrument is recognised on trade date when the Group becomes a party to the contractual provisions of the instrument. These financial instruments are initially recognised at fair value, plus transaction costs for financial instruments not measured at fair value through profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES *continued*

1.12 Financial instruments *continued*

Initial recognition and measurement continued

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value of quoted instruments traded in an active market is determined with reference to closing prices at close of business at period-end. When there is no active market, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Derecognition

Financial assets (or where applicable, a part of a financial asset or part of a group of similar financial assets) are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset.

Financial liabilities are derecognised if the Group's obligations specified in the contract expire, are discharged or cancelled. The resulting differences between the carrying values on derecognition of the financial instrument and the amount received or paid is recognised in the statement of comprehensive income.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, when the Group has a legally enforceable right to offset the recognised amounts, and intends either to settle on a net basis, or to realise the net assets and settle the liability simultaneously.

Subsequent measurement

Loans and receivables and financial liabilities measured at amortised cost.

Cash and cash equivalents and bank overdrafts

Cash and cash equivalents and bank overdrafts are measured at amortised cost, using the effective interest method, less accumulated impairments. The effective interest rate amortisation is included in finance income or costs in the statement of comprehensive income. Cash and cash equivalents comprise cash on hand and amounts held on short-term deposit at financial institutions. Bank overdrafts and overnight borrowings include short-term borrowings repayable on demand.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

Trade and other receivables and loans

Trade and other receivables and loans are subsequently measured at amortised cost, using the effective interest method, less impairment losses. The effective interest rate amortisation is included in finance income in the statement of comprehensive income. Trade and other receivables mainly comprise franchisee receivables and are mainly short term in nature. Loans mainly comprise housing and other employee loans with maturity dates of more than 12 months after the reporting date.

Borrowings

Borrowings are measured at amortised cost using the effective interest method. The effective interest rate amortisation is included in finance costs in the statement of comprehensive income. The maturity date of each financial liability is dependent on the contractual terms of the related borrowing.

Trade and other payables

Trade and other payables are measured at amortised cost using the effective interest method.

The effective interest rate amortisation is included in finance costs in the statement of comprehensive income. Trade and other payables mainly comprise trade payables for merchandise for resale and are all short term in nature.

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.12 Financial instruments continued

Financial instruments at fair value through profit or loss

Financial instruments are classified at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in the statement of comprehensive income.

Financial instruments designated at fair value through profit or loss

During the prior year, and prior to the unbundling of the Pick n Pay Holdings Limited RF Group, the Group had an investment in the equity of Pick n Pay Holdings Limited RF (PWK). The investment was held for the purposes of settling obligations under the Group's share incentive scheme. These share-based payment arrangements were classified as cash settled and the remeasurement of the underlying share-based payment liability was recognised in the statement of comprehensive income. The investment in PWK shares was designated as a financial asset at fair value through profit or loss on initial recognition as this designation eliminated or significantly reduced a recognition inconsistency. Fair value gains or losses as a result of subsequent measurement were recognised in profit or loss. Subsequent to the unbundling of the Pick n Pay Holdings Limited RF Group during the current period, the investment was impaired and the share-based payment liability released to the statement of comprehensive income. Refer to note 27.

The Group's investment in an insurance cell captive is designated as a financial asset at fair value through profit or loss, on initial recognition, as the Group manages this investment and evaluates performance based on its fair value in accordance with the Group's documented risk management or investment strategy. Any fair value gains or losses as a result of subsequent measurement are recognised in profit or loss.

Financial guarantee contracts issued by the Group are those contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. The maturity date is dependent on the contractual maturity of the relevant contract. Financial guarantee contracts are initially recognised at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation and included under trade

and other payables in the statement of financial position.

Derivative financial instruments

Derivative financial instruments, being forward foreign exchange rate contracts (FECs) classified as held for trading, are measured at fair value with changes in fair value recognised in the statement of comprehensive income. The fair value is determined using market rates at the reporting date.

The Group holds derivative financial instruments to hedge its foreign currency and market risk exposures. Attributable transaction costs are recognised in the statement of comprehensive income when incurred. The maturity date is dependent on the remaining contractual maturity of the individual contracts. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The Group does not apply hedge accounting.

Available-for-sale financial assets

Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss.

Available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and recorded in the fair value reserve in the statement of changes in equity. When the investment is derecognised, the cumulative gain or loss is recognised in the statement of the comprehensive income. When the investment is determined to be impaired, the cumulative loss is reclassified from the fair value reserve to the statement of comprehensive income.

1.13 Impairment of assets

The determination of whether an asset is impaired requires management judgement. Among others the following factors will be considered: estimated profit and cash forecasts, discount rates; duration and extent of the impairment; regional economic factors and geographical and sector performance.

Financial assets

The carrying amounts of financial assets not carried at fair value through profit or loss are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

A financial asset is considered to be impaired if objective evidence indicates that one or more events (loss events) have had a negative effect on the estimated future cash flows of the asset. Examples of loss events include financial difficulty and default on payment by the counterparty.

1. SIGNIFICANT ACCOUNTING POLICIES *continued*

1.13 Impairment of assets *continued*

Financial assets continued

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are recognised in the statement of comprehensive income.

Individually significant financial assets are tested for impairment on an individual basis. All the remaining financial assets are tested for impairment on an individual or collective basis. If no evidence of impairment exists for an individually assessed financial asset, whether significant or not, the financial asset is then included in a group of financial assets with similar credit risk characteristics and tested collectively.

An impairment loss for a financial asset is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The reversal is recognised in the statement of comprehensive income. Impairment losses for financial assets recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

Non-financial assets

The carrying amounts of non-financial assets (other than inventory, defined-benefit assets and deferred tax assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For non-financial assets, such as goodwill, which have indefinite useful lives and are not subject to depreciation or amortisation, or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating units (CGUs) to which the asset belongs. A CGU is the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or groups of assets.

Goodwill acquired in a business combination is allocated to CGUs that are expected to benefit from the synergies of the combination and, for the

purposes of impairment testing, are evaluated at the lowest level at which goodwill is monitored for internal reporting purposes. The units or group of units cannot be larger than the operating segments identified by the Group.

An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. The carrying amount is impaired and the non-financial asset is written down to its recoverable amount with the related impairment loss recognised in the statement of comprehensive income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs (or groups of units) and then to reduce the carrying value of the other assets in the unit (or groups of units) on a *pro rata* basis.

An impairment loss for a non-financial asset is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Impairment losses in respect of goodwill are not reversed.

Impairment losses for non-financial assets recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

1.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

1.15 Treasury shares

Own equity instruments held by group entities are classified as treasury shares in the consolidated financial statements. These shares are treated as a deduction from the weighted average number of shares in issue and the cost price of the shares is deducted from equity in the statement of changes in equity.

When treasury shares are sold or reissued, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from retained earnings.

Dividends received on treasury shares are eliminated on consolidation.

1.16 Revenue

Revenue is measured at the fair value of consideration received or receivable and is stated net of related rebates and discounts granted.

1. SIGNIFICANT ACCOUNTING POLICIES *continued*

1.16 Revenue *continued*

Turnover

Revenue from the sale of goods comprises retail sales to customers and wholesale sales to franchisees through the Group's supply arrangements and is defined as turnover. All turnover is stated exclusive of value added tax. Revenue from the sale of goods is measured at the fair value of consideration received or receivable, net of returns, trade discounts, loyalty discounts and volume rebates. Turnover is recognised when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of turnover can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The Group has a customer loyalty programme in South Africa, Smart Shopper, whereby customers are rewarded with Smart Shopper points (reward credits) which are effectively used as cash back against future purchases.

The fair value of the consideration received, under the Smart Shopper programme, is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value which is calculated as the amount for which the award credits could be separately sold, adjusted for an expected forfeiture rate. Such consideration is not recognised as revenue at the time of the initial sale transaction, but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled. Deferred revenue is also released to revenue in the statement of comprehensive income when it is no longer considered probable that the points will be redeemed, based on management's judgement of expected redemption rates.

Finance income

Finance income is recognised as it accrues in the statement of comprehensive income, using the effective interest method, by reference to the principal amounts outstanding and at the interest rate applicable.

Other trading income

Franchise fee income: Income from franchisees, calculated as a percentage of franchise turnover in accordance with the substance of the relevant agreement, is recognised when the sale which gives rise to the income takes place.

Operating lease income: Income from operating leases in respect of property is recognised on a straight-line basis over the term of the lease.

Commissions and other income: The Group acts as a payment office for the services provided by a variety of third parties to the Group's customers. The related agent's commissions received are recognised as income.

Commissions relating to third-party services are recognised based on the stage of completion by reference to services performed to date as a percentage of the total services to be performed.

Commissions relating to third-party products are recognised when the underlying third-party payments take place.

Dividend income: Dividend income is recognised when the shareholders' right to receive payment is established.

1.17 Borrowing costs

Borrowing costs incurred are recognised as an expense in the statement of comprehensive income and are accrued on an effective interest method basis by reference to the principal amounts outstanding and at the interest rate applicable.

1.18 Taxes

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity.

Current tax

Current tax comprises tax payable calculated on the basis of the expected taxable income for the period using tax rates enacted or substantively enacted at the reporting date and any adjustment of tax payable for previous periods.

Deferred tax

Deferred tax is recognised for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of the assets and liabilities at the reporting date.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination, and that affects neither accounting nor taxable profit; and investments in subsidiaries to the extent that the holding company has the ability to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

1. SIGNIFICANT ACCOUNTING POLICIES *continued*

1.18 Taxes *continued*

Deferred tax continued

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in the statement of comprehensive income, except to the extent that it relates to a transaction that is recognised directly in equity or other comprehensive income, or a business combination. The effect on deferred tax of any changes in tax rates is recognised in the statement of comprehensive income, except to the extent that it relates to items previously recognised in other comprehensive income or directly to equity, in which case it is recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Dividends withholding tax

Dividends withholding tax is a tax levied on shareholders and is applicable on dividends declared. The Company withholds dividends tax on behalf of their shareholders at a rate of 20% on dividends declared for shareholders that are not exempt from this tax.

1.19 Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits is recognised as an expense during the period in which the employee renders the related service.

Accruals for employee entitlements to wages, salaries, bonuses and annual leave represent the amount which the Group has a present obligation to pay as a result of employees' services provided up to the reporting date. The accruals have been calculated at undiscounted amounts based on current wage and salary rates.

Share-based payment transactions

The share ownership programme enables Group employees to acquire shares in Pick n Pay Stores Limited (PIK).

The fair value of awards granted, on the Group's own equity instruments, is recognised as an employee cost expense in the statement of comprehensive income with a corresponding increase in equity for these equity-settled share-based payments. The fair value is measured at grant date and the cost of the awards granted is spread over the period during which the employees become unconditionally entitled to the awards (the vesting period).

The fair value of the awards granted is measured using an actuarial binomial option pricing model, taking into account the terms and conditions upon which the awards are granted. Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No cumulative expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Prior to the unbundling of the Pick n Pay Holdings Limited RF Group, and in the prior year, the Group granted employees options for Pick n Pay Holdings Limited RF shares under its employee share incentive scheme.

These were classified and accounted for as cash-settled. The related share-based payment liability was remeasured to fair value at each reporting date up to, and including the exercise date, with changes in fair value recognised in employee benefits expense in the statement of comprehensive income. Subsequent to the unbundling, and due to the nature of the unbundling transaction, the Group had no further obligation and released the share-based liability to the statement of comprehensive income. Refer to note 27.

1. SIGNIFICANT ACCOUNTING POLICIES *continued*

1.19 Employee benefits *continued*

Retirement benefits

The Group operates several retirement schemes comprising a number of defined-contribution funds (one of which has a defined-benefit element), the assets of which are held in separate trustee-administered funds.

Defined-contribution plans

A defined-contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate legal entity and will have no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined-contribution retirement plans are recognised as an expense in statement of comprehensive income when they are due.

Where the Group is responsible for providing retirement benefits to employees with a retirement scheme outside the Group, contributions are made on behalf of the employee and the cost is accounted for in the period when the services have been rendered.

Contributions to a defined-contribution plan that are made more than 12 months after the end of the period in which the employees render the services are discounted to their present value.

Defined-benefit plans

A defined-benefit plan is a post-employment benefit plan other than a defined-contribution plan.

The Group's net obligation in respect of the defined-benefit is calculated separately by estimating the amount of future benefit that qualifying employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined-benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined-liability or assets, which comprise actuarial gains or losses, the return on plan assets (excluding amounts included in net interest on the net defined-benefit liability) and the effect of the asset ceiling (if any, excluding amounts included in net interest on the net defined-benefit liability) are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined-

benefit liability or asset for the period by applying the discount rate used to measure the defined-benefit obligation at the beginning of the period to the then net defined-benefit liability or asset, taking into account any changes in the net defined-benefit liability or asset during the period as a result of contributions and benefit payments. Net interest expense or income and other expenses related to defined-benefit plans are recognised in the statement of comprehensive income.

When the benefits of a plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in the statement of comprehensive income.

The Group recognises gains or losses on the settlement of a defined-benefit plan when the settlement occurs.

1.20 Expenses

Expenses, other than those dealt with under a specific accounting policy note, are recognised in the statement of comprehensive income when it is probable that an outflow of economic benefits associated with the transaction will occur and that it can be measured reliably.

1.21 Dividends distributed to shareholders

Dividends are accounted for in the period that they have been declared by the Company and are directly charged to equity.

1.22 Operating segments

The Group discloses segmental financial information which is used internally by the entity's Chief Operating Decision-Maker (CODM) in order to assess performance and allocate resources. The Group annually performs a detailed review of the executives, or group of executives, that could be considered the appropriate and relevant CODM of the Group. During the current and prior period under review, the CODM of the Group comprised the Group executive committee, which consisted of Richard Brasher (CEO), Richard van Rensburg (deputy CEO) and Bakar Jakoet (CFO).

Operating segments are individual components of an entity that engages in business activities from which it may earn revenues and incur expenses, and whose operating results are regularly reviewed by the entity's CODM and for which discrete financial information is available. The CODM evaluates segmental performance based on profit before tax as management believes that such information is most relevant in evaluating the results of the segments against each other and other entities that operate within the retail industry. Operating segments that display similar economic characteristics are aggregated for reporting purposes.

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.22 Operating segments continued

The Group has two operating segments, namely South Africa and Rest of Africa with no individual customer accounting for more than 10% of turnover. South Africa operates in various formats under the Pick n Pay and Boxer brands in South Africa. The Rest of Africa segment is responsible for the Group's expansion into the rest of Africa.

Segmental profit before tax is the reported measure used for evaluating the Group's operating segments' performance. On an overall basis the segmental profit before tax is equal to the Group's reported profit before tax. The Rest of Africa segment's segmental profit before tax comprises the segment's trading result and directly attributable costs only. No allocations are made for indirect or incremental cost incurred by the South African segment relating to the Rest of Africa segment.

1.23 Net asset value per share

Net asset value per share is calculated by taking the total equity value of the Group, adjusted with the differential between the carrying value and market value of property, divided by the number of shares held outside of the Group.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued
for the period ended 26 February 2017

	52 weeks 26 February 2017 Rm	52 weeks 28 February 2016 Rm
2. REVENUE		
Turnover	77 486.1	72 445.1
Finance income	126.1	60.9
Bank balances and investments	81.4	30.0
Trade and other receivables	40.3	27.3
Staff loans and other	4.4	3.6
Other trading income	1 505.6	971.3
Dividend <i>in specie</i> received upon unbundling (note 27)	412.3	–
Dividends received	18.0	–
Franchise fee income	349.8	316.7
Operating lease income (note 11)	345.3	329.1
Commissions and other income	380.2	325.5
	79 117.8	73 477.3

The Group has a customer loyalty programme, Smart Shopper, whereby customers are rewarded with Smart Shopper points (reward credits) which are effectively redeemed as cash against future purchases. At period-end, the Group had deferred revenue of R137.4 million (2016: R123.9 million) which represents the fair value of the Smart Shopper points granted and yet to be redeemed, adjusted for an expected forfeiture rate of 15.9% (2016: 18.6%) (refer to note 23).

	52 weeks 26 February 2017 Rm	52 weeks 28 February 2016 Rm
3. PROFIT BEFORE TAX		
Profit before tax is stated after taking into account the following expenses:		
3.1 Employee costs		
Salaries and wages	5 597.1	5 169.8
Staff benefits and training	322.5	307.9
Net expense recognised on defined-benefit plan (note 22.1)	7.2	13.3
Contributions to defined-contribution plans (note 22.2)	239.6	341.8
Equity-settled share-based payment expense	537.2	176.5
Cash-settled share-based payment (gain)/expense	(124.6)	13.0
Leave pay	40.8	38.3
	6 619.8	6 060.6
3.2 Auditors' remuneration		
Assurance services – current year	7.6	6.1
Assurance services – prior period under provision	1.6	–
Other services	0.4	0.1
	9.6	6.2
3.3 Finance costs		
Finance leases	8.9	8.2
Bank overdrafts	189.4	58.5
Borrowings	20.3	50.3
	218.6	117.0
3.4 Foreign exchange gain/(loss)	29.9	(8.2)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued
for the period ended 26 February 2017

4. DIRECTORS' REMUNERATION AND INTEREST IN SHARES

4.1 Directors' remuneration

	Fees for board meetings R'000	Fees for committee and other work R'000	Base salary [†] R'000	Retirement and medical contributions [†] R'000	Fringe and other benefits R'000	Total fixed remuneration R'000	Short-term annual bonus R'000	Total remuneration R'000	Long-term share awards expense [#] R'000
2017									
Non-executive directors	6 222.0	2 074.5	–	–	–	8 296.5	–	8 296.5	–
Gareth Ackerman	3 913.0	–	–	–	–	3 913.0	–	3 913.0	–
Alex Mathole*	125.0	–	–	–	–	125.0	–	125.0	–
Audrey Mothupi	364.0	352.5	–	–	–	716.5	–	716.5	–
David Friedland	364.0	312.0	–	–	–	676.0	–	676.0	–
David Robins	364.0	–	–	–	–	364.0	–	364.0	–
Jeff van Rooyen	364.0	585.5	–	–	–	949.5	–	949.5	–
Hugh Herman	364.0	554.5	–	–	–	918.5	–	918.5	–
Lorato Phalatse	364.0	270.0	–	–	–	634.0	–	634.0	–
Executive directors	7.5	–	21 656.5	2 345.5	1 514.4	25 523.9	–	25 523.9	43 679.6
Richard Brasher	1.5	–	8 945.9	781.7	302.7	10 031.8	–	10 031.8	23 754.3
Richard van Rensburg	1.5	–	4 027.2	350.1	328.2	4 707.0	–	4 707.0	6 794.1
Bakar Jakoet	1.5	–	3 892.7	587.1	324.2	4 805.5	–	4 805.5	6 001.0
Suzanne Ackerman-Berman	1.5	–	2 508.0	224.9	276.6	3 011.0	–	3 011.0	3 569.4
Jonathan Ackerman	1.5	–	2 282.7	401.7	282.7	2 968.6	–	2 968.6	3 560.8
Total remuneration	6 229.5	2 074.5	21 656.5	2 345.5	1 514.4	33 820.4	–	33 820.4	43 679.6
2016									
Non-executive directors	6 207.0	1 936.0	–	–	–	8 143.0	–	8 143.0	–
Gareth Ackerman	3 657.0	–	–	–	–	3 657.0	–	3 657.0	–
Audrey Mothupi	340.0	221.0	–	–	–	561.0	–	561.0	–
Ben van der Ross**	170.0	146.0	–	–	–	316.0	–	316.0	–
David Friedland***	340.0	177.0	–	–	–	517.0	–	517.0	–
David Robins	340.0	–	–	–	–	340.0	–	340.0	–
Jeff van Rooyen	340.0	440.0	–	–	–	780.0	–	780.0	–
John Gildersleeve****	340.0	182.0	–	–	–	522.0	–	522.0	–
Hugh Herman	340.0	518.0	–	–	–	858.0	–	858.0	–
Lorato Phalatse	340.0	252.0	–	–	–	592.0	–	592.0	–
Executive directors	7.5	–	19 228.4	3 234.0	1 442.1	23 912.0	23 400.0	47 312.0	40 229.5
Richard Brasher	1.5	–	7 863.0	1 303.4	287.5	9 455.4	15 000.0	24 455.4	20 233.6
Richard van Rensburg	1.5	–	3 709.4	600.3	312.0	4 623.2	2 500.0	7 123.2	8 448.9
Bakar Jakoet	1.5	–	3 213.0	552.0	302.9	4 069.4	2 500.0	6 569.4	5 436.2
Suzanne Ackerman-Berman	1.5	–	2 221.5	376.8	267.2	2 867.0	1 700.0	4 567.0	3 055.4
Jonathan Ackerman	1.5	–	2 221.5	401.5	272.5	2 897.0	1 700.0	4 597.0	3 055.4
Total remuneration	6 214.5	1 936.0	19 228.4	3 234.0	1 442.1	32 055.0	23 400.0	55 455.0	40 229.5

* Alex Mathole was appointed on 24 October 2016.

** Ben van der Ross resigned on 27 July 2015.

*** During the prior period David Friedland received consultancy fees of R114 000 for services rendered to the audit and risk committee.

**** John Gildersleeve resigned on 28 February 2016.

† The structure of remuneration packages were adjusted during the year, and the year-on-year increase in base salary and decrease in retirement and medical contributions should be viewed together.

The expense of the long-term share awards is determined in accordance with IFRS 2: Share-based Payments. The fair value is measured at grant date and the cost of the awards granted is spread over the period during which the employees become unconditionally entitled to the options (the vesting period). The amounts in the column represent the current year's charge, as recorded in the statement of comprehensive income and statement of changes in equity. The long-term share awards will vest in the future only if all the criteria set out in the rules of the 1997 Employee Share Option Scheme and Forfeitable Share Plan are met.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*
for the period ended 26 February 2017

4. DIRECTORS' REMUNERATION AND INTEREST IN SHARES *continued*

4.2 Directors' interest in Pick n Pay Stores Limited ordinary shares

	How held*	Balance held at 28 February 2016	Additions/ (disposals) during the period	Shares transferred on unbundling ***	Balance held at 26 February 2017 [#]	Beneficial/ non-beneficial interest
2017						
Gareth Ackerman	Direct	43	–	266	309	Beneficial
	Indirect	–	23 467	1 629 733	1 653 200	Beneficial
	Indirect	–	–	19 762	19 762	Non-beneficial
Ackerman Investment Holdings Proprietary Limited**	Indirect	–	–	124 677 238	124 677 238	Non-beneficial
Richard Brasher	Direct – FSP	1 020 000	230 000	–	1 250 000	Beneficial
Richard van Rensburg	Direct	–	–	41 439	41 439	Beneficial
	Direct – FSP	285 000	45 000	–	330 000	Beneficial
Bakar Jakoet	Direct	500 000	–	121 880	621 880	Beneficial
	Direct – FSP	285 000	45 000	–	330 000	Beneficial
	Indirect	530	–	12 529	13 059	Non-beneficial
Suzanne Ackerman-Berman	Direct	2 500	–	118 028	120 528	Beneficial
	Direct – FSP	170 000	25 000	–	195 000	Beneficial
	Indirect	4 651	–	467 576	472 227	Beneficial
Jonathan Ackerman	Direct	43	–	122 845	122 888	Beneficial
	Direct – FSP	170 000	25 000	–	195 000	Beneficial
	Indirect	–	–	573 061	573 061	Beneficial
	Indirect	–	–	11 039	11 039	Non-beneficial
Jeff van Rooyen	Direct	3 800	(3 800)	–	–	Beneficial
David Friedland	Direct	–	–	31 688	31 688	Beneficial
David Robins	Direct	–	–	975	975	Beneficial
	Indirect	–	–	93 276	93 276	Non-beneficial
Ackerman Pick n Pay Foundation****	Indirect	30 000	–	–	30 000	Non-beneficial
	Indirect	71 900	–	–	71 900	Non-beneficial
Mistral Trust*****	Indirect	–	–	2 700 967	2 700 967	Non-beneficial

* Direct interests represent a holding in the director's personal capacity and indirect interests represent a holding by a trust of which the director is a trustee, or a spouse and minor children of directors.

** The non-beneficial interest in Ackerman Investment Holdings Proprietary Limited represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman.

*** As part of the unbundling of the Pick n Pay Holdings Limited RF Group, shareholders of Pick n Pay Holdings Limited RF were granted a dividend in specie, made up of shares in Pick n Pay Stores Limited. Refer to note 27 for more information.

**** The indirect non-beneficial interest in the Ackerman Pick n Pay Foundation represents the holdings of Gareth Ackerman and Suzanne Ackerman-Berman in their capacities as trustees.

***** The indirect non-beneficial interest in the Mistral Trust represents a portion of the holdings of Gareth Ackerman in his capacity as trustee.

There have been no changes in the director's interest in shares since 26 February 2017 up to the date of approval of the 2017 audited Group annual financial statements.

4. DIRECTORS' REMUNERATION AND INTEREST IN SHARES continued

4.2 Directors' interest in Pick n Pay Stores Limited ordinary shares continued

	How held*	Balance held at 2 March 2015	Additions during the period	Balance held at 28 February 2016	Beneficial/non-beneficial interest
2016					
Gareth Ackerman	Direct	43	–	43	Beneficial
Richard Brasher	Direct – FSP	800 000	220 000	1 020 000	Beneficial
Richard van Rensburg	Direct – FSP	250 000	35 000	285 000	Beneficial
Bakar Jakoet	Direct	500 000	–	500 000	Beneficial
	Direct – FSP	250 000	35 000	285 000	Beneficial
	Indirect	530	–	530	Non-beneficial
Suzanne Ackerman-Berman	Direct	2 500	–	2 500	Beneficial
	Direct – FSP	150 000	20 000	170 000	Beneficial
	Indirect	4 651	–	4 651	Beneficial
Jonathan Ackerman	Direct	43	–	43	Beneficial
	Direct – FSP	150 000	20 000	170 000	Beneficial
Jeff van Rooyen	Direct	3 800	–	3 800	Beneficial
Ackerman Pick n Pay Foundation**	Indirect	30 000	–	30 000	Non-beneficial
	Indirect	71 900	–	71 900	Non-beneficial

* Direct interests represent a holding in the director's personal capacity and indirect interests represent a holding by a trust of which the director is a trustee, or a spouse and minor children of directors.

** The indirect non-beneficial interest in the Ackerman Pick n Pay Foundation represents the holdings of Gareth Ackerman and Suzanne Ackerman-Berman in their capacities as trustees.

4.3 Directors' interest in Pick n Pay Stores Limited B shares

	How held*	Balance held at 28 February 2016	Issued on unbundling**	Balance held at 26 February 2017	Beneficial/non-beneficial interest
2017					
Gareth Ackerman	Direct	–	522	522	Beneficial
	Direct	–	3 227 861	3 227 861	Beneficial
	Indirect	–	39 140	39 140	Non-beneficial
Ackerman Investment Holdings Proprietary Limited***	Indirect	–	246 936 847	246 936 847	Non-beneficial
Mistral Trust****	Indirect	–	5 349 559	5 349 559	Non-beneficial
Suzanne Ackerman-Berman	Direct	–	233 767	233 767	Beneficial
	Indirect	–	926 084	926 084	Beneficial
Jonathan Ackerman	Direct	–	243 307	243 307	Beneficial
	Indirect	–	1 135 009	1 135 009	Beneficial
	Indirect	–	21 862	21 862	Non-beneficial
David Robins	Direct	–	1 931	1 931	Beneficial
	Indirect	–	184 742	184 742	Non-beneficial

* Direct interests represent a holding in the director's personal capacity and indirect interests represent a holding by a trust of which the director is a trustee, or a spouse and minor children of directors.

** As part of the unbundling of the Pick n Pay Holdings Limited RF Group, a new class of unlisted voting shares (B shares) in Pick n Pay Stores Limited was created (refer to note 19.2). These shares were issued to existing controlling shareholders of Pick n Pay Holdings Limited RF so as to retain the control structure of the Group as before the unbundling. Refer to note 27 for more information.

*** The non-beneficial interest in Ackerman Investment Holdings Proprietary Limited represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman.

**** The non-beneficial interest in the Mistral Trust represents a portion of the holdings of Gareth Ackerman in his capacity as trustee.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued
for the period ended 26 February 2017

4. DIRECTORS' REMUNERATION AND INTEREST IN SHARES continued

4.4 Pick n Pay Stores Limited share awards granted to directors

	Calendar year granted	Award grant price R	Balance held at 28 February 2016	Granted/ (exercised) during the period	Exercise price R	Converted on unbundling ***	Balance held at 26 February 2017	Available for take-up
2017								
Richard Brasher								
Share options	2012	42.24	1 000 000	–	–	–	1 000 000	Nov 2017
	2012	42.24	1 000 000*	–	–	–	1 000 000*	Nov 2017
Forfeitable shares	2014	Nil	800 000	–	–	–	800 000	Aug 2017
	2015	Nil	220 000	–	–	–	220 000	Aug 2018
	2016	Nil	–	230 000	–	–	230 000	Aug 2019
			3 020 000	230 000		–	3 250 000	
Richard van Rensburg								
Share options	2011	36.55	400 000**	(400 000)	73.79	–	–	n/a
	2016	31.14	–	–	–	487 464	487 464	Now
Forfeitable shares	2014	Nil	250 000	–	–	–	250 000	Aug 2017
	2015	Nil	35 000	–	–	–	35 000	Aug 2018
	2016	Nil	–	45 000	–	–	45 000	Aug 2019
			685 000	(355 000)		487 464	817 464	
Bakar Jakoet								
Share options	2003	12.00	250 000	–	–	–	250 000	Now
	2005	23.59	–	–	–	195	195	Now
	2007	31.15	5 779	–	–	–	5 779	Now
	2008	23.24	–	–	–	293	293	Now
	2008	26.55	7 907	–	–	–	7 907	Now
	2008	26.14	150 000	–	–	–	150 000	Now
	2009	28.20	12 413	–	–	–	12 413	Now
	2010	32.82	–	–	–	195	195	Now
	2010	42.28	1 799	–	–	–	1 799	Now
	2011	41.70	500 000	–	–	–	500 000	Now
	2014	46.44	–	–	–	195	195	Now
Forfeitable shares	2014	Nil	250 000	–	–	–	250 000	Aug 2017
	2015	Nil	35 000	–	–	–	35 000	Aug 2018
	2016	Nil	–	45 000	–	–	45 000	Aug 2019
			1 212 898	45 000		878	1 258 776	
Suzanne Ackerman-Berman								
Share options	2008	26.14	50 000	–	–	–	50 000	Now
	2008	26.14	25 000	–	–	–	25 000	Aug 2017
	2008	26.14	25 000	–	–	–	25 000	Aug 2018
	2016	58.10	–	–	–	196	196	Now
Forfeitable shares	2014	Nil	150 000	–	–	–	150 000	Aug 2017
	2015	Nil	20 000	–	–	–	20 000	Aug 2018
	2016	Nil	–	25 000	–	–	25 000	Aug 2019
			270 000	25 000		196	295 196	
Jonathan Ackerman								
Share options	2008	26.14	50 000	–	–	–	50 000	Now
	2008	26.14	25 000	–	–	–	25 000	Aug 2017
	2008	26.14	25 000	–	–	–	25 000	Aug 2018
Forfeitable shares	2014	Nil	150 000	–	–	–	150 000	Aug 2017
	2015	Nil	20 000	–	–	–	20 000	Aug 2018
	2016	Nil	–	25 000	–	–	25 000	Aug 2019
			270 000	25 000		–	295 000	

* The exercising of these binary options is subject to specific performance criteria relating to the growth of the Company's share price over the term of the option. If the share price performance criteria are not met, the options are forfeited.

** The exercising of these binary options were subject to specific performance criteria relating to the Company's share price over the term of the option which were met during the period under review.

*** As part of the unbundling of the Pick n Pay Holdings Limited RF Group, existing share options in Pick n Pay Holdings Limited RF shares were cancelled and replaced with share options in Pick n Pay Stores Limited shares. Refer to note 27 for more information.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued
for the period ended 26 February 2017

4. DIRECTORS' REMUNERATION AND INTEREST IN SHARES continued

4.4 Pick n Pay Stores Limited share awards granted to directors continued

	Calendar year granted	Award grant price R	Balance held at 2 March 2015	Granted/ (exercised) during the period	Exercise price R	Balance held at 28 February 2016	Available for take-up
2016							
Richard Brasher							
Share options	2012	42.24	1 000 000	–	–	1 000 000	Nov 2017
	2012	42.24	1 000 000*	–	–	1 000 000*	Nov 2017
Forfeitable shares	2014	Nil	800 000	–	–	800 000	Aug 2017
	2015	Nil	–	220 000	–	220 000	Aug 2018
			<u>2 800 000</u>	<u>220 000</u>		<u>3 020 000</u>	
Richard van Rensburg							
Share options	2011	36.55	400 000*	–	–	400 000*	May 2016
Forfeitable shares	2014	Nil	250 000	–	–	250 000	Aug 2017
	2015	Nil	–	35 000	–	35 000	Aug 2018
			<u>650 000</u>	<u>35 000</u>		<u>685 000</u>	
Bakar Jakoet							
Share options	2003	12.00	250 000	–	–	250 000	Now
	2007	31.15	5 779	–	–	5 779	Now
	2008	26.55	7 907	–	–	7 907	Now
	2008	26.14	150 000	–	–	150 000	Now
	2009	28.20	12 413	–	–	12 413	Now
	2010	42.28	1 799	–	–	1 799	Now
	2011	41.70	200 000	–	–	200 000	Now
	2011	41.70	300 000	–	–	300 000	Aug 2016
Forfeitable shares	2014	Nil	250 000	–	–	250 000	Aug 2017
	2015	Nil	–	35 000	–	35 000	Aug 2018
			<u>1 177 898</u>	<u>35 000</u>		<u>1 212 898</u>	
Suzanne Ackerman-Berman							
Share options	2004	21.00	10 000	(10 000)	58.71	–	n/a
	2006	31.15	122 408	(122 408)	58.71	–	n/a
	2008	26.56	4 519	(4 519)	58.71	–	n/a
	2008	26.14	25 000	–	–	25 000	Now
	2008	26.14	25 000	–	–	25 000	Aug 2016
	2008	26.14	25 000	–	–	25 000	Aug 2017
	2008	26.14	25 000	–	–	25 000	Aug 2018
	2009	28.20	8 867	(8 867)	58.71	–	n/a
	2010	42.27	1 421	(1 421)	58.71	–	n/a
Forfeitable shares	2014	Nil	150 000	–	–	150 000	Aug 2017
	2015	Nil	–	20 000	–	20 000	Aug 2018
			<u>397 215</u>	<u>(127 215)</u>		<u>270 000</u>	
Jonathan Ackerman							
Share options	2005	20.70	6 441	(6 441)	58.71	–	n/a
	2006	28.00	14 286	(14 286)	58.71	–	n/a
	2007	31.15	14 446	(14 446)	58.71	–	n/a
	2008	26.56	9 414	(9 414)	58.71	–	n/a
	2008	26.14	25 000	–	–	25 000	Now
	2008	26.14	25 000	–	–	25 000	Aug 2016
	2008	26.14	25 000	–	–	25 000	Aug 2017
	2008	26.14	25 000	–	–	25 000	Aug 2018
	2009	28.20	8 867	(8 867)	58.71	–	n/a
	2010	42.27	1 560	(1 560)	58.71	–	n/a
Forfeitable shares	2014	Nil	150 000	–	–	150 000	Aug 2017
	2015	Nil	–	20 000	–	20 000	Aug 2018
			<u>305 014</u>	<u>(35 014)</u>		<u>270 000</u>	

* The exercising of these binary options is subject to specific performance criteria relating to the growth of the Company's share price over the term of the option. If the share price performance criteria are not met, the options are forfeited.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*
for the period ended 26 February 2017

4. DIRECTORS' REMUNERATION AND INTEREST IN SHARES *continued*

4.5 Pick n Pay Holdings Limited RF share awards granted to directors

			Calendar year granted	Award grant price R	Balance held at 28 February 2016	Converted on unbundling*	Balance held at 26 February 2017		
2017									
Richard van Rensburg			2011	15.18	1 000 000	(1 000 000)	–		
					1 000 000	(1 000 000)	–		
Bakar Jakoet			2005	11.50	400	(400)	–		
			2008	11.33	600	(600)	–		
			2010	16.00	400	(400)	–		
			2014	22.64	400	(400)	–		
				1 800	(1 800)	–			
Suzanne Ackerman-Berman			2016	28.32	400	(400)	–		
					400	(400)	–		
			Calendar year granted	Award grant price R	Balance held at 2 March 2015	Granted/ (exercised) during the period	Exercise price R	Balance held at 28 February 2016	Available for take-up
2016									
Richard van Rensburg			2011	15.18	1 000 000	–	–	1 000 000	Now
					1 000 000	–	–	1 000 000	
Bakar Jakoet			2005	11.50	400	–	–	400	Now
			2008	11.33	600	–	–	600	Now
			2010	16.00	400	–	–	400	Now
			2014	22.64	400	–	–	400	Now
					1 800	–	–	1 800	
Suzanne Ackerman-Berman			2011	15.35	400	(400)	26.68	–	n/a
			2016	28.32	–	400	–	400	Now
					400	–	–	400	
Jonathan Ackerman			2010	16.00	1 000	(1 000)	26.68	–	n/a
			2012	20.03	400	(400)	26.68	–	n/a
					1 400	(1 400)	–	–	

* As part of the unbundling of the Pick n Pay Holdings Limited RF Group, existing share options in Pick n Pay Holdings Limited RF shares were cancelled and replaced with share options in Pick n Pay Stores Limited shares. Refer to note 27 for more information.

5. SHARE-BASED PAYMENTS

The Group operates an employee share incentive scheme, the 1997 Employee Share Option Scheme (the Scheme), for the benefit of its executive directors, senior management and employees. The Scheme incentivises its executive directors, senior management and employees by providing them with an opportunity to acquire shares in the Group, thereby aligning interests with shareholders and encouraging employee retention.

The Scheme is administered by the Employee Share Purchase Trust (the share trust) and its Board of Trustees. All options are granted in accordance with the rules of the Scheme, which have been approved by shareholders and the Johannesburg Stock Exchange (JSE).

All share options are granted at the volume weighted average market price (VWAP) for the 20 trading days preceding the option grant date. No discount is applied.

All share options granted after 11 June 2008 will, at the time of exercise by the employee, be automatically net-settled. For all options granted prior to 11 June 2008, the employee can choose whether to net-settle the options, or whether to pay the purchase price in full to take up the total allotment of shares (gross settle).

The Group modernised its control ownership structure in the first half of the year, with the unbundling of the Pick n Pay Holdings Limited RF Group (PWK). All outstanding PWK share options granted in terms of the Group's share incentive scheme were cancelled and replaced with Pick n Pay Stores Limited share options, in terms of the shareholder approval received at the General Meeting held on 25 July 2016. As the Group had no further obligation in terms of outstanding PWK share options, the share-based payment liability previously recognised was released to the statement of comprehensive income. For more information, refer to note 27.

The directors have received shareholder approval to utilise up to 63 892 844 (2016: 63 892 844) shares of the issued share capital of Pick n Pay Stores Limited (PIK) for settling obligations under the employee share schemes.

The following share options have been issued to employees:

Long-service share options – are granted to all permanent employees who have been with the Group for five years and further options are granted every five years thereafter. There are no vesting conditions as long-service share options may be taken up immediately on granting.

Status share options – are granted to employees who attain manager grade and further options are granted at each promotion to higher levels of management. In order to encourage employee retention, status shares vest in three instalments (vesting periods) as follows:

- 40% after three years
- 30% after five years
- 30% after seven years

There are no performance conditions attached to these share options. Vesting is only dependent on the employee meeting the service requirement of remaining in the employ of the Group over the specified vesting period. If the employee leaves before the vesting period is complete, all the unvested share options will lapse.

Retention share options – these share options specifically encourage the retention of key individuals and have longer vesting periods of up to 10 years.

Performance top-up options – employees may be eligible for a performance "top-up", as recognition of their valuable contribution to the Group. These options vest in the same manner as status share options.

Binary share options (share options with performance conditions) – these are granted to key executives. These three to five-year options may only be taken up when prescribed performance conditions linked to the growth of the PIK share price are met. If the conditions are not met, these options are automatically forfeited. Should further performance hurdles be achieved, discounted grant prices may apply.

Forfeitable share plan

The forfeitable share plan (FSP) recognises those key senior management who have a significant role to play in delivering the Group's strategy and ensuring the growth and sustainability of the business in the future.

The award of shares under the FSP recognises the valuable contribution of existing senior management or the potential of prospective employees, and through the attachment of performance conditions, incentivises management to deliver earnings growth in the future.

Shares awarded under the FSP will always have performance conditions attached as well as a three-year service period. Performance conditions include a three-year compound annual growth rate of the Group's headline earnings per share (HEPS). If the performance conditions are not met within the specified time period (the vesting period), the employee will forfeit the shares.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*
for the period ended 26 February 2017

	52 weeks 26 February 2017 Number of options PIK 000's	52 weeks 28 February 2016 Number of options PIK 000's	52 weeks 26 February 2017 Number of options PWK 000's	52 weeks 28 February 2016 Number of options PWK 000's
5. SHARE-BASED PAYMENTS <i>continued</i>				
5.1 Outstanding share options				
Movement in the total number of share options granted is as follows:				
At beginning of period	30 562.8	33 874.6	16 136.2	16 635.5
New options granted	3 441.5	2 358.4	–	1 196.7
Options taken up	(7 908.5)	(4 407.9)	–	(1 695.8)
Options forfeited	(1 534.7)	(1 262.3)	–	(0.2)
Options converted upon unbundling*	7 565.3	–	(16 136.2)	–
At end of period	32 126.4	30 562.8	–	16 136.2
The weighted average grant price of share options are as follows:				
At beginning of period	R37.51	R36.46	R16.40	R14.41
New options granted	R64.48	R55.88	–	R25.38
Options taken up	R35.24	R34.37	–	R17.40
Options forfeited	R43.81	R42.51	–	R3.25
Options converted upon unbundling*	R33.65	–	R16.40	–
At end of period	R39.75	R37.51	–	R16.40

* As part of the unbundling of the Pick n Pay Holdings Limited RF Group, on the date of the unbundling, all outstanding PWK share options were converted to share options in PIK shares. Refer to note 27.

		52 weeks 26 February 2017 Number of options PIK 000's	52 weeks 28 February 2016 Number of options PIK 000's
Outstanding share options may be taken up during the following financial periods:			
Year	Average grant price		
2018	R32.78	17 249.6	17 891.5
2019	R40.72	5 255.9	5 479.5
2020	R42.05	3 518.5	3 423.2
2021	R54.19	2 315.9	1 574.8
2022 and thereafter	R59.18	3 786.5	2 193.8
		32 126.4	30 562.8
Number of outstanding options as a percentage of issued shares		6.6%	6.3%

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued
for the period ended 26 February 2017

	52 weeks 26 February 2017 Number of forfeitable shares PIK 000's	52 weeks 28 February 2016 Number of forfeitable shares PIK 000's
5. SHARE-BASED PAYMENTS continued		
5.2 Outstanding forfeitable shares		
Movement in the total number of forfeitable shares granted is as follows:		
At beginning of period	7 923.0	6 925.0
Share awards granted	1 763.5	1 243.0
Issue of shares by Pick n Pay Stores Limited	–	1 128.0
Shares purchased during the year	1 417.0	–
Utilisation of existing shares held within the Group	346.5	115.0
Share awards forfeited	(350.0)	(245.0)
At end of period	9 336.5	7 923.0
Rights to FSP shares are issued with a grant price of zero. The fair value of these rights is the market price of the share on grant date.		
Outstanding forfeitable shares vest during the following financial periods:		
Year		
2018*	6 425.0	6 700.0
2019	1 168.0	1 223.0
2020	1 743.5	–
	9 336.5	7 923.0
Number of forfeitable shares as a percentage of issued shares	1.9%	1.6%
<i>* Performance hurdles relating to these forfeitable shares were met as at 26 February 2017. These will become unconditional when the service period condition is met during August 2017.</i>		
	52 weeks 26 February 2017 Number of share awards PIK 000's	52 weeks 28 February 2016 Number of share awards PIK 000's
5.3 Total outstanding share awards		
Share options	32 126.4	30 562.8
Forfeitable shares	9 336.5	7 923.0
Total	41 462.9	38 485.8
Number of share awards as a percentage of issued shares	8.5%	7.9%
	000's	000's
Total shares authorised to be utilised, from issued share capital, for settling obligations under the employee share schemes	63 892.8	63 892.8
Shares remaining for utilisation under current authorisations	22 429.9	25 407.0

Refer to note 4 for details of share options held by directors and forfeitable share plan shares issued to directors.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*
for the period ended 26 February 2017

	52 weeks 26 February 2017 Number of share awards 000's	52 weeks 28 February 2016 Number of share awards 000's
5. SHARE-BASED PAYMENTS <i>continued</i>		
5.4 Share held within the Group, reflected as treasury shares (note 20)		
As hedge against shares issued under forfeitable share plan	9 336.5	7 923.0
As hedge against share options granted	6 531.8	1 752.4
	15 868.3	9 675.4

5.5 Fair value of equity-settled share options

The fair value of equity-settled share options granted to employees are valued at the grant date and expensed through profit or loss over the vesting period of the option.

The fair value of each option granted in Pick n Pay Stores Limited (PIK) and previously in Pick n Pay Holdings Limited RF (PWK), has been estimated on the grant date using an actuarial binomial option pricing model. The assumptions used in determining the fair value of the options granted in each financial period are as follows:

Financial period of grant	Options granted	Number of options granted 000's	Number of options converted upon unbundling 000's	Expected life of options years	Share price at grant date	Grant price	Expected volatility*	Expected dividend yield**	Risk-free rate***
2016	PWK	1 196.7	–	1	R21.00 – R29.23	R21.64 – R28.36	22.29 – 26.94	1.99 – 2.19	6.17 – 9.58
2016	PIK	2 358.4	–	3 – 7	R54.05 – R68.31	R53.06 – R66.58	22.84 – 25.71	1.80 – 1.84	7.37 – 9.63
2017	PIK	3 441.5	7 565.3	0 – 7	R55.25 – R84.24	R26.62 – R79.86	18.82 – 29.88	1.79 – 4.33	5.65 – 10.33

* The expected volatility is determined based on the rolling historical volatility over the expected option term that prevailed at the grant date.

** The expected dividend yield is the best estimate of the forward-looking dividend yield over the expected life of the option. This has been estimated by reference to the historical average dividend yield during the two-year period preceding the grant, equal to the vesting period of the grant. For the forfeitable share plan the expected dividend yield is zero as all participants have an unforfeitable right to future dividends.

*** The risk-free rate is the yield on the zero-coupon Swap Curve, as compiled by the JSE, with a term corresponding with the estimated life time of the option.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued
for the period ended 26 February 2017

	52 weeks 26 February 2017 Rm	52 weeks 28 February 2016 Rm
6. INCOME TAX		
6.1 Tax recognised in profit or loss		
Normal tax	457.2	429.3
Current period	425.2	436.9
Prior period under/(over) provision	32.0	(7.6)
Deferred tax (note 13)	14.5	(21.2)
	471.7	408.1
6.2 Tax recognised directly in statement of changes in equity		
Tax effect of share transactions recorded directly in equity	0.6	(35.3)
6.3 Tax paid		
Owing – beginning of period	183.0	126.8
Recognised in profit or loss	457.2	429.3
Purchase of operations (note 29)	3.6	–
Foreign currency translations	(0.4)	(2.0)
Recognised in statement of changes in equity	0.6	(35.3)
Owing – end of period	(174.8)	(183.0)
Total tax paid	469.2	335.8
	%	%
6.4 Reconciliation of effective tax rate		
South African statutory tax rate	28.0	28.0
Exempt income – dividend <i>in specie</i>	(6.7)	–
Exempt income – dividends received	(0.3)	(0.2)
Exempt income – other	(0.8)	–
Impact of foreign tax rates	0.2	(1.0)
Impact of fair value adjustments	3.7	(0.1)
Non-deductible impairment loss on intangible assets	0.3	0.2
Non-deductible leasehold improvement and property depreciation	2.0	1.4
Non-deductible share options expense	0.3	0.9
Other non-deductible expenditure	0.1	–
Utilisation of previously unrecognised deferred tax	(0.3)	(0.8)
Net prior year under/(over) provisions	1.0	(0.9)
Capital gains tax	–	0.2
Effective tax rate	27.5	27.7

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*
for the period ended 26 February 2017

	52 weeks 26 February 2017 Cents per share	52 weeks 28 February 2016 Cents per share
7. EARNINGS PER SHARE		
Basic	256.67	219.11
Diluted	250.20	215.05
Headline	264.35	224.04
Diluted headline	257.69	219.90
	Rm	Rm
7.1 Basic and headline earnings		
Reconciliation between basic and headline earnings:		
Profit for the period	1 243.5	1 065.4
Profit attributable to forfeitable share plan shares	(5.7)	(16.2)
Basic earnings for the period	1 237.8	1 049.2
Adjustments:	37.2	23.3
Loss on sale of property, plant and equipment	20.4	24.0
Tax effect of loss on sale of property, plant and equipment	(5.7)	(6.8)
Impairment loss on property, plant and equipment	5.9	–
Tax effect of impairment loss on property, plant and equipment	(1.7)	–
Impairment loss on intangible assets	6.1	8.6
Tax effect of impairment loss on intangible assets	(1.7)	(2.5)
Impairment loss on available-for-sale financial instruments	13.9	–
Adjustments attributable to forfeitable share plan shares	(0.2)	0.4
Headline earnings	1 274.8	1 072.9
	000's	000's
7.2 Number of ordinary shares		
Number of ordinary shares in issue (note 19)	488 450.3	488 450.3
Weighted average number of shares (excluding treasury shares)	482 237.5	478 873.4
Diluted weighted average number of ordinary shares in issue	494 709.6	487 894.0
Reconciliation of weighted average number of shares to diluted weighted average number of shares:		
Weighted average number of shares (excluding treasury shares)	482 237.5	478 873.4
Dilutive effect of share awards	12 472.1	9 020.6
Diluted weighted average number of ordinary shares in issue	494 709.6	487 894.0
The outstanding forfeitable shares, granted in terms of the employee share scheme, that have not met performance hurdles, had no dilutive impact on the weighted average number of shares for the current and prior period.		

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued
for the period ended 26 February 2017

	52 weeks 26 February 2017 Cents per share	52 weeks 28 February 2016 Cents per share
8. DIVIDENDS		
8.1 Dividends paid		
Number 96 – declared 25 April 2016 – paid 13 June 2016 (2016: Number 94 – declared 20 April 2015 – paid 15 June 2015)	125.2	98.5
Number 97 – declared 17 October 2016 – paid 12 December 2016 (2016: Number 95 – declared 12 October 2015 – paid 14 December 2015)	29.9	24.2
Total dividends per share for the period	155.1	122.7
8.2 Dividends declared		
Interim dividend – number 97 (2016: number 95)	29.9	24.2
Final dividend – number 98 (2016: number 96)	146.4	125.2
	176.3	149.4

The directors have declared a final dividend (dividend 98) of 146.40 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 20%, where shareholders are subject to this tax. The last day to trade in order to participate in the dividend (CUM dividend) will be Tuesday, 6 June 2017. The shares will trade EX dividend from the commencement of business on Wednesday, 7 June 2017 and the record date will be Friday, 9 June 2017. The dividends will be paid on Monday, 12 June 2017.

	Goodwill Rm	Systems development Rm	Licences Rm	Total Rm
9. INTANGIBLE ASSETS				
52 weeks to 26 February 2017				
Carrying value	372.1	548.3	63.9	984.3
Cost	407.1	1 081.9	181.1	1 670.1
Accumulated amortisation and impairment losses	(35.0)	(533.6)	(117.2)	(685.8)
Reconciliation of carrying value				
Carrying value at beginning of period	372.0	575.9	57.0	1 004.9
Additions	–	118.0	16.0	134.0
Expansion of operations	–	107.1	16.0	123.1
Maintaining operations	–	10.9	–	10.9
Amortisation	–	(144.5)	(16.1)	(160.6)
Impairment	(5.4)	–	(0.7)	(6.1)
Purchase of operations (note 29)	5.5	–	7.7	13.2
Foreign currency translations	–	0.1	–	0.1
Reclassifications to property, plant and equipment	–	(1.2)	–	(1.2)
Carrying value at end of period	372.1	548.3	63.9	984.3
52 weeks to 28 February 2016				
Carrying value	372.0	575.9	57.0	1 004.9
Cost	401.6	1 018.9	157.4	1 577.9
Accumulated amortisation and impairment losses	(29.6)	(443.0)	(100.4)	(573.0)
Reconciliation of carrying value				
Carrying value at beginning of period	313.5	625.9	70.8	1 010.2
Additions	–	84.6	1.1	85.7
Expansion of operations	–	28.3	1.1	29.4
Maintaining operations	–	56.3	–	56.3
Amortisation	–	(134.2)	(28.3)	(162.5)
Impairment	(8.6)	–	–	(8.6)
Purchase of operations (note 29)	67.1	–	9.9	77.0
Foreign currency translations	–	(0.4)	–	(0.4)
Reclassifications	–	–	3.5	3.5
Carrying value at end of period	372.0	575.9	57.0	1 004.9

Cash-generating units (CGUs) to which goodwill has been allocated have been identified as trading sites or clusters. The recoverable amount for each CGU was determined based on value-in-use calculations. The value-in-use calculations discount cash flow forecasts at an appropriate pre-tax rate that reflects the specific risks of the relevant CGU. Cash flow forecasts are based on financial budgets (informed by past experience and the expected performance on the retail market in the relevant areas) approved by management.

Goodwill that is significant in comparison to the Group's total carrying amount of goodwill, with a carrying value of R135.0 million (2016: R135.0 million), relates to the CGU trading as Boxer. This CGU contains goodwill of R38.5 million (2016: R33.0 million) that relates to the purchase of various store operations, none of which is significant in comparison to the total carrying amount of goodwill for the Boxer CGU. The value-in-use was determined based on cash flow projections approved by management covering a two-year reporting period. Cash flows beyond these planning periods were extrapolated using an estimated growth rate of 5.0% (2016: 5.0%), derived from industry retail sales growth. The growth rate does not exceed the long-term average growth rate for the business units in which this CGU operates. The pre-tax discount rate applied to cash flow projections was 13.0% (2016: 10.8%). Management believes that any reasonably possible change in the key assumptions on which this CGU's recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

9. INTANGIBLE ASSETS *continued*

The remaining goodwill, with a carrying value of R237.1 million (2016: R237.0 million), relates to various acquisitions or conversions of franchise stores to owned stores, none of which is significant in comparison to the Group's total carrying amount of goodwill. These CGUs have no other intangible assets with indefinite useful lives. The value-in-use was determined based on cash flow projections approved by management covering the relevant CGU's refurbishment cycles, which averages between five and seven years. Cash flows beyond these planning periods were not extrapolated as significant cash investments in the CGUs would likely be required to generate future cash inflows. The pre-tax discount rate applied to these cash flow projections was 15.0% (2016: 15.0%). Management believes that any reasonable possible change in key assumptions on which these CGU's recoverable amounts are based would not result in any additional significant impairment losses.

The impairment charge in the current financial year of R6.1 million (2016: R8.6 million) arose in three CGU's (2016: two CGU's) in the South Africa operating segment. These CGU's are all individual owned stores, none of which are material to the Group's overall portfolio of stores. This impairment was as a result of a significant reduction in the future expected revenue of these CGU's due to a weakening in the general economic conditions in which these CGU's operate.

10. PROPERTY, PLANT AND EQUIPMENT

	Property Rm	Furniture, fittings, equipment and vehicles Rm	Leasehold improvements Rm	Aircraft Rm	Total Rm
52 weeks to 26 February 2017					
Carrying value	1 334.6	3 374.5	861.4	13.1	5 583.6
Cost	1 667.4	6 508.2	1 193.0	32.0	9 400.6
Accumulated depreciation and impairment losses	(332.8)	(3 133.7)	(331.6)	(18.9)	(3 817.0)
Reconciliation of carrying value					
Carrying value at beginning of period	1 518.8	2 764.8	652.6	14.7	4 950.9
Additions	31.6	1 361.0	343.4	–	1 736.0
Expansion of operations	2.8	602.5	59.9	–	665.2
Maintaining operations	28.8	758.5	283.5	–	1 070.8
Depreciation	(11.0)	(676.0)	(132.3)	(1.6)	(820.9)
Impairment	–	(2.3)	(3.6)	–	(5.9)
Disposals	(0.4)	(69.5)	(0.3)	–	(70.2)
Purchase of operations (note 29)	–	3.0	–	–	3.0
Reclassifications	8.4	(8.8)	1.6	–	1.2
Transfer to non-current assets held for sale	(212.8)	–	–	–	(212.8)
Foreign currency translations	–	2.3	–	–	2.3
Carrying value at end of period	1 334.6	3 374.5	861.4	13.1	5 583.6

10. PROPERTY, PLANT AND EQUIPMENT *continued*

	Property Rm	Furniture, fittings, equipment and vehicles Rm	Leasehold improvements Rm	Aircraft Rm	Total Rm
52 weeks to 28 February 2016					
Carrying value	1 518.8	2 764.8	652.6	14.7	4 950.9
Cost	1 850.5	5 627.0	952.6	32.0	8 462.1
Accumulated depreciation and impairment losses	(331.7)	(2 862.2)	(300.0)	(17.3)	(3 511.2)
Reconciliation of carrying value					
Carrying value at beginning of period	1 513.4	2 290.9	366.4	16.3	4 187.0
Additions	55.8	1 200.7	366.6	–	1 623.1
Expansion of operations	43.7	542.9	24.0	–	610.6
Maintaining operations	12.1	657.8	342.6	–	1 012.5
Depreciation	(38.0)	(650.8)	(88.0)	(1.6)	(778.4)
Disposals	(0.4)	(59.2)	(4.4)	–	(64.0)
Purchase of operations (note 29)	–	5.5	–	–	5.5
Reclassifications	(12.0)	(3.5)	12.0	–	(3.5)
Foreign currency translations	–	(18.8)	–	–	(18.8)
Carrying value at end of period	1 518.8	2 764.8	652.6	14.7	4 950.9

Property includes land with an indefinite useful life, with a carrying value of R343.4 million (2016: R556.2 million).

Property with a carrying value of R64.3 million (2016: R600.1 million) is provided as security for long-term borrowings (refer to note 21).

Included in the carrying value of furniture, fittings, equipment and vehicles is leased vehicles with a carrying value of R122.2 million (2016: R107.3 million) secured by lease liabilities (refer to note 21).

Non-current asset held for sale

Land, with a carrying value of R212.8 million previously disclosed under property, plant and equipment, has been reclassified to non-current assets held for sale as it is in the process of being sold. The Group has entered into final negotiations with the purchaser, however, transfer of the land has not yet been effected. The land is expected to be transferred within the next 12 months. At year-end, the land is recognised at the lower of its carrying value and fair value less costs to sell and forms part of the South Africa operating segment. The reclassification had no impact on the statement of comprehensive income.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued
for the period ended 26 February 2017

	52 weeks 26 February 2017 Rm	52 weeks 28 February 2016 Rm
11. OPERATING LEASES		
The Group has entered into various operating lease agreements as the lessee of premises. Leases on premises are contracted for periods of between one and 20 years (2016: one and 20 years) with renewal options for a further one and 20 years (2016: one and 20 years). Rentals comprise minimum monthly payments and additional payments based on turnover levels. Turnover rentals, where applicable, average 1.5% (2016: 1.5%) of turnover. Rental escalations vary, averaging 6.5% (2016: 6.5%) per annum.		
Property – minimum lease payments	1 997.9	1 777.8
– turnover rental payments	11.6	19.2
Operating lease charges recognised in the statement of comprehensive income	2 009.5	1 797.0
The Group has entered into various operating lease agreements as the lessor of premises. Leases on premises are contracted for periods of between one and 20 years (2016: one and 20 years). Rentals comprise mainly minimum monthly payments. Rental escalations vary between 6.5% and 10.0% (2016: 6.5% and 10.0%) per annum.		
Operating lease income recognised in the statement of comprehensive income (note 2)	345.3	329.1
11.1 Operating lease assets		
At beginning of period	171.6	149.8
Accrual	26.7	21.8
At end of period	198.3	171.6
At end of the period, future minimum rentals receivable from non-cancellable sublease contracts amount to:		
Cash flow due within one year	378.3	308.7
Cash flow due after one year but not more than five years	1 264.4	1 017.5
Cash flow due after more than five years	1 024.8	771.4
Total future cash flows	2 667.5	2 097.6
<i>Less:</i> Operating lease assets	(198.3)	(171.6)
Total operating lease receivables still to be recognised	2 469.2	1 926.0
11.2 Operating lease liabilities		
At beginning of period	1 239.6	1 138.5
Accrual	159.0	101.1
At end of period	1 398.6	1 239.6
At end of the period, future non-cancellable minimum lease rentals are payable during the following financial periods:		
Cash flow due within one year	1 949.7	1 694.3
Cash flow due after one year but not more than five years	6 919.4	6 092.4
Cash flow due after more than five years	7 012.5	6 498.4
Total future cash flows	15 881.6	14 285.1
<i>Less:</i> Operating lease liabilities	(1 398.6)	(1 239.6)
Total operating lease commitments still to be recognised	14 483.0	13 045.5

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*
for the period ended 26 February 2017

	52 weeks 26 February 2017 Rm	52 weeks 28 February 2016 Rm
12. PARTICIPATION IN EXPORT PARTNERSHIPS		
Total	–	18.6
<i>Less: Current portion included in trade and other receivables</i>	–	(4.5)
Non-current portion	–	14.1
13. DEFERRED TAX		
Deferred tax assets	218.0	225.1
Deferred tax liabilities	(14.6)	(9.5)
Net deferred tax assets	203.4	215.6
The movement in net deferred tax assets are as follows:		
At beginning of period	215.6	198.8
Recognised in profit or loss (note 6)	(14.5)	21.2
Participation in export partnerships	18.9	4.9
Property, plant and equipment and intangible assets	(39.6)	(35.8)
Net operating lease liabilities	29.5	17.0
Retirement benefits and actuarial gains	(0.7)	–
Prepayments	0.2	(0.8)
Allowance for impairment losses	(0.1)	(14.8)
Estimated accumulated tax losses	7.9	–
Deferred revenue	4.8	21.3
Income received in advance	1.6	1.0
Income and expense accruals	(37.0)	28.4
Recognised in other comprehensive income	2.3	(4.4)
Tax effect of remeasurement of retirement scheme assets	(0.6)	(5.7)
Foreign currency translations	2.9	1.3
At end of period	203.4	215.6
Comprising of:		
Participation in export partnerships	–	(18.9)
Property, plant and equipment and intangible assets	(223.6)	(184.0)
Net operating lease liabilities	297.8	268.3
Retirement benefits and actuarial gains	(26.7)	(25.4)
Prepayments	(6.0)	(6.2)
Allowance for impairment losses	29.6	29.7
Estimated accumulated tax losses	7.9	–
Deferred revenue	36.0	31.2
Income received in advance	10.9	9.3
Income and expense accruals	77.5	111.6
	203.4	215.6
Calculated temporary differences on consolidation associated with investments in subsidiaries and associate for which deferred tax liabilities have not been recognised	–	8.8

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued
for the period ended 26 February 2017

	52 weeks 26 February 2017 Rm	52 weeks 28 February 2016 Rm
14. INVESTMENT IN ASSOCIATE		
The Group has a 49% investment in TM Supermarkets (Pvt) Limited, a private company incorporated in Zimbabwe which operates supermarkets throughout Zimbabwe. The company has a functional currency of US Dollars. At year-end, there are no restrictions in place that would prevent the Group from realising its investment in TM Supermarkets.		
At beginning of period	285.5	180.2
Share of associate's income	80.2	45.9
Foreign currency translations	(56.0)	59.4
At end of period	309.7	285.5
14.1 Related party transactions		
<i>Sale of inventory</i>	21.3	19.9
During the financial year the Group sold inventory to its associate. These purchases are on the same terms and conditions as those entered into by other group customers.		
<i>Trade receivable balances outstanding at the end of the period</i>	10.4	6.2
The outstanding balances are priced on an arm's length basis and are to be settled in cash. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owing by the associate.		
<i>Fair value of financial guarantee</i>	-	2.8
The Group entered into a financial guarantee contract that provided security for an overdraft facility of its associate, which was repaid by the associate during the period under review and consequently the financial guarantee was cancelled.		
14.2 Summary financial information of associate		
The summary financial information has been presented in South African rand, the presentation currency of the Group.		
Statement of comprehensive income (100%)		
Revenue	5 801.0	5 462.0
Profit for the period	163.9	93.6
Attributable to other owners of the Company	83.5	47.0
Attributable to the Group	80.2	45.9
Non-controlling interest	0.2	0.7
Statement of financial position (100%)		
Total assets	1 177.8	1 334.5
Current assets	461.7	542.0
Non-current assets	716.1	792.5
Total liabilities	479.6	698.7
Current liabilities	420.5	638.7
Non-current liabilities	59.1	60.0
Net assets (100%)	698.2	635.8
Attributable to other owners of the Company	322.3	297.1
Attributable to the Group	309.7	285.5
Non-controlling interest	66.2	53.2

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued
for the period ended 26 February 2017

	52 weeks 26 February 2017 Rm	52 weeks 28 February 2016 Rm
15. LOANS		
Employees	80.2	90.7
Executive directors	0.4	0.4
Other employees	79.8	90.3
Other	4.9	5.7
	85.1	96.4

Loans to directors and employees bear interest at varying rates averaging at a rate of 4.6% (2016: 3.7%) per annum and have varying repayment terms. At period-end, R61.4 million (2016: R68.3 million) of employee loans were secured.

Other loans relates to bridging finance for landlords and franchisees with repayment terms between two and five years and average interest rates linked to the South African prime rate. These are unsecured.

	52 weeks 26 February 2017 Rm	52 weeks 28 February 2016 Rm
16. INVENTORY		
Merchandise for resale	6 090.5	5 240.4
Provision for shrinkage, obsolescence and mark down of inventory	(157.8)	(147.7)
Consumables	61.9	59.3
	5 994.6	5 152.0

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued
for the period ended 26 February 2017

	52 weeks 26 February 2017 Rm	52 weeks 28 February 2016 Rm
17. TRADE AND OTHER RECEIVABLES		
Trade and other receivables	3 569.9	3 448.1
Allowance for impairment losses	(124.8)	(121.9)
	3 445.1	3 326.2
Gross trade and other receivables not impaired		
Within payment terms	2 797.4	2 648.5
Exceeding payment terms by less than 14 days	81.8	71.0
Exceeding payment terms by more than 14 days	254.9	284.4
	3 134.1	3 003.9
Gross trade and other receivables with impairments		
Within payment terms	131.4	177.3
Exceeding payment terms by less than 14 days	32.7	36.1
Exceeding payment terms by more than 14 days	271.7	230.8
	435.8	444.2
The movement in the allowance for impairment of trade and other receivables during the period was as follows:		
Balance at the beginning of the period	121.9	197.6
Irrecoverable debts written off	(41.1)	(93.7)
Additional impairment losses recognised	59.9	33.5
Prior allowances for impairment reversed	(15.9)	(15.5)
At end of period	124.8	121.9

Trade and other receivables are interest-free unless overdue, and have payment terms ranging between 10 and 35 days.

The Group makes allowance for specific trade debtors which have clearly indicated financial difficulty and where the likelihood of repayment has become impaired. Such indicators include the inability to recover long overdue accounts and liquidity problems experienced by debtors. More than 78% (2016: 77%) of the balance relates to customers that have not been impaired and meet their obligations within the Group's payment terms.

Impairment losses are recorded in the allowance account until the Group is satisfied that no recovery of the amount owing is possible, at which point the amount is considered irrecoverable and is written off against the financial asset directly. Impairment losses have been included in the statement of comprehensive income.

The carrying value of trade and other receivables approximate their fair value due to the short-term nature of the receivables.

Refer to note 28.2 for information on the credit risk of trade and other receivables.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued
for the period ended 26 February 2017

	52 weeks 26 February 2017 Rm	52 weeks 28 February 2016 Rm
18. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	961.9	982.9
Bank overdraft and overnight borrowings	(1 800.0)	(100.0)
Cash and cash equivalents at end of period	(838.1)	882.9

Cash and cash equivalents

Cash and cash equivalents includes cash floats at stores as well as the Group's current account balance. The Group's primary bankers, which at period-end had long-term credit ratings of AA (zaf), facilitates the collection of cash at stores, provides general banking facilities and facilitates the payment of suppliers via an electronic banking platform. The interest rate on the current account varied between 6.1% and 6.3% per annum (2016: 5.1% and 5.6% per annum). The interest rate on cash invested in money market accounts varied between 7.6% and 7.8% per annum (2016: 6.5% and 6.9% per annum). Refer to note 28.4.

Bank overdraft

The Group utilised its bank overdraft during the period. The overdraft rate varied between 8.8% and 9.0% per annum (2016: 7.8% and 8.8% per annum).

Overnight bank borrowings

The Group utilised overnight bank borrowings during the period. Interest rates varied between 7.3% and 8.2% per annum (2016: 6.3% and 7.7% per annum).

	52 weeks 26 February 2017 Rm	52 weeks 28 February 2016 Rm
19. SHARE CAPITAL		
19.1 Ordinary share capital		
Authorised		
800 000 000 (2016: 800 000 000) ordinary shares of 1.25 cents each	10.0	10.0
Issued		
488 450 321 (2016: 488 450 321) ordinary shares of 1.25 cents each	6.0	6.0
	000's	000's
The number of shares in issue at end of period is made up as follows:		
Treasury shares held by the Group (note 20)	6 531.8	1 752.4
Treasury shares allocated under the forfeitable share plan (note 5.3)	9 336.5	7 923.0
Shares held outside the Group	472 582.0	478 774.9
	488 450.3	488 450.3

The Company can issue new shares to settle the Group's obligations under its employee share schemes, but issues in this regard are limited, in aggregate, to 5% of total issued share capital or 24 422 516 (2016: 24 422 516) shares. To date, 10 743 000 (2016: 10 743 000) shares have been issued, resulting in 13 679 516 (2016: 13 679 516) shares remaining for this purpose.

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

Certain ordinary shares are stapled to B shares and are subject to restrictions upon disposal. Refer to note 19.2.

Refer to note 4 for details of directors' interest in shares.

Refer to note 5 for details of share-based payments granted by the Group.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued
for the period ended 26 February 2017

	52 weeks 26 February 2017 Rm	52 weeks 28 February 2016 Rm
19. SHARE CAPITAL continued		
19.2 B share capital		
Authorised		
1 000 000 000 (2016: nil) unlisted, non-convertible, non-participating, no par value B shares	-	-
Issued		
259 682 869 (2016: nil) unlisted, non-convertible, non-participating, no par value B shares	-	-

The Pick n Pay Holdings Limited RF Group included the ultimate holding company, Pick n Pay Holdings Limited RF, an investment holding company listed on the JSE. The Company was formed with the sole purpose of holding a controlling interest in Pick n Pay Stores Limited resulting in a pyramid control structure.

During the period under review, a new class of shares was created as a result of the unbundling of the Pick n Pay Limited RF Holdings Group, as approved by shareholders on 25 July 2016. A total of 259 682 869 B shares were issued to existing controlling shareholders of Pick n Pay Holdings Limited RF, and are stapled to such ordinary shares and cannot be traded separately from each other. Stapled ordinary shares, together with B shares, are subject to restrictions upon disposal. Refer to note 27 for further information.

The holders of B shares are entitled to the same voting rights as holders of ordinary shares, but are not entitled to any rights to distributions by the Company or any other economic benefits.

Refer to note 4 for details of directors' interest in B shares.

	52 weeks 26 February 2017 Rm	52 weeks 28 February 2016 Rm
20. TREASURY SHARES		
At beginning of period	63.5	60.1
Share purchases	345.4	126.2
Take-up of share options by employees	(266.9)	(122.8)
Shares received upon unbundling (note 27)	412.3	-
At end of period	554.3	63.5
	000's	000's
The movement in the number of treasury shares held is as follows:		
At beginning of period	9 675.4	8 671.9
Shares purchased during the period	4 332.7	2 220.2
Shares sold during the period pursuant to the take-up of share options by employees	(4 016.5)	(2 344.7)
Shares allocated under forfeitable share plan	1 417.0	1 128.0
Shares received upon unbundling (note 27)	4 459.7	-
At end of period	15 868.3	9 675.4
Comprises:		
Shares issued under forfeitable share plan (note 5.4)	9 336.5	7 923.0
Shares held by the Group	6 531.8	1 752.4
	R	R
Average purchase price of shares purchased during the period	79.7	61.3

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued
for the period ended 26 February 2017

	52 weeks 26 February 2017 Rm	52 weeks 28 February 2016 Rm
21. BORROWINGS		
21.1 Secured borrowings		
Secured loan in respect of property with a carrying value of R64.3 million (2016: R66.3 million) (note 10) bearing interest at a fixed rate of 11.4% and payable monthly in arrears over a 15-year period, ending on 28 October 2018	21.2	31.9
At 28 February 2016, a secured loan was in place in respect of property with a carrying value of R533.8 million (note 10). Interest was payable every six months in arrears at fixed rate of 8.9% per annum. The capital was repaid on 18 August 2016	–	400.0
Finance leases in respect of vehicles with a carrying value of R122.2 million (2016: R107.3 million) (note 10) held under finance lease agreements bearing interest at prime bank rate less 0.7% to 1.4% and payable monthly in arrears over a four-year period (refer to note 21.2). At the end of the lease period, the Group has the option to either refinance or settle the lease and take ownership of the asset. Lease agreements do not contain any escalation or penalty clauses	112.0	97.7
Total borrowings at end of period	133.2	529.6
<i>Less: Current portion (repayable within one year)</i>	(49.2)	(446.6)
Non-current portion (repayable after one year)	84.0	83.0
21.2 Finance lease commitments		
At the end of the period, finance lease rentals are payable as follows:		
Cash flows within one year	40.4	37.2
Capital repayments	37.0	34.4
Interest	3.4	2.8
Cash flows within two to five years	82.0	68.3
Capital repayments	75.0	63.1
Interest	7.0	5.2
Total cash flows	122.4	105.5
Consisting of:		
Capital repayments	112.0	97.5
Interest	10.4	8.0

22. RETIREMENT BENEFITS

The Group, through its subsidiaries, provides post-retirement benefits to its employees in accordance with local benchmarks in the countries in which it operates. These benefits are mainly provided through the Pick n Pay Retirement Scheme which incorporates the Pick n Pay Paid-up Pension Fund and The Pick n Pay Non-contributory Provident Fund defined-contribution plans.

The Group's largest defined-contribution fund is the Pick n Pay Non-contributory Provident Fund. Certain members of this fund were guaranteed that should their defined-contribution benefit be less than their previous defined-benefit guarantee (under the previous Pick n Pay Retirement Fund) they would retain the former. Due to this guarantee, and the fact that the pensioners are paid by the Pick n Pay Paid-up Pension Fund, the Retirement scheme's liabilities may be broken down between those which are defined-contribution in nature and those which are defined-benefit in nature and for which the employer has an obligation to make additional contributions to ensure this element of the scheme is fully funded. The defined-benefit and defined-contribution plans are regulated by the Pensions Funds Act, 1956 (of South Africa) and is governed by a Board of trustees of the Pick n Pay Non-contributory Provident Fund and Pick n Pay Paid-up Pension Fund, in line with governance policies set in terms of the PF130 circulars. The Board of trustees of the Pick n Pay Non-contributory Provident Fund comprises seven employer-appointed and seven member-elected trustees and for the Pick n Pay Paid-up Pension Fund it comprises two employer-appointed and two member-elected trustees.

* Members eligible for the post-retirement medical liability all reached retirement date in 2014 and have been paid out during the period under review.

22.1 Defined-benefit obligations

	Pensioners' defined-benefit guarantee Rm	Retirement defined-benefit guarantee Rm	Post-retirement medical guarantee* Rm	Total obligation 2017 Rm	Total obligation 2016 Rm
The amount recognised in the statement of financial position is as follows:					
Present value of funded obligations	541.4	481.8	–	1 023.2	1 045.7
Fair value of assets	(541.4)	(577.1)	–	(1 118.5)	(1 136.5)
Funded position	–	(95.3)	–	(95.3)	(90.8)
Amounts recognised in the statement of comprehensive income are as follows:					
Current service cost	–	15.1	–	15.1	21.1
Net interest on the obligation	–	(7.9)	–	(7.9)	(7.8)
Total included in employee costs	–	7.2	–	7.2	13.3
Asset ceiling					
Refund (employer surplus account)	–	96.4	–	96.4	98.2
	–	96.4	–	96.4	98.2
Effect of asset ceiling – beginning of period	–	–	–	–	58.9
Interest cost	–	–	–	–	7.0
Remeasurement	–	–	–	–	(65.9)
Effect of asset ceiling – end of period	–	–	–	–	–
Movement in the asset recognised on the statement of financial position is as follows:					
Net asset – beginning of period	–	(90.8)	–	(90.8)	(70.1)
Total included in employee costs in profit or loss	–	7.2	–	7.2	13.3
Amount recognised in other comprehensive income	–	(2.1)	–	(2.1)	(20.5)
Contributions	–	(9.6)	–	(9.6)	(13.5)
Net asset – end of period	–	(95.3)	–	(95.3)	(90.8)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued
for the period ended 26 February 2017

22. RETIREMENT BENEFITS continued

22.1 Defined-benefit obligations continued

	Pensioners' defined-benefit guarantee Rm	Retirement defined-benefit guarantee Rm	Post-retirement medical guarantee* Rm	Total obligation 2017 Rm	Total obligation 2016 Rm
Remeasurement recognised in other comprehensive income					
Actuarial loss – assets	10.1	36.3	–	46.4	50.9
Actuarial gain – liabilities	(10.1)	(38.4)	–	(48.5)	(5.5)
Effect of asset ceiling	–	–	–	–	(65.9)
Remeasurement recognised in other comprehensive income (before tax)	–	(2.1)	–	(2.1)	(20.5)
Movement in the fund's obligations and plan assets recognised on the statement of financial position is as follows:					
Liability – beginning of period	544.8	496.1	4.8	1 045.7	1 081.8
Service cost	–	15.1	–	15.1	21.1
Interest cost	48.5	43.8	0.2	92.5	119.2
Actuarial gain from experience	(10.1)	(34.3)	–	(44.4)	(4.5)
Actuarial gain from basis change	–	(4.1)	–	(4.1)	(1.0)
Benefits paid	(41.8)	(34.8)	(5.0)	(81.6)	(170.9)
Liability – end of period	541.4	481.8	–	1 023.2	1 045.7
Plan assets – beginning of period	544.8	586.9	4.8	1 136.5	1 210.8
Expected return	48.5	51.7	0.2	100.4	134.0
Actuarial loss from experience	(10.1)	(36.3)	–	(46.4)	(50.9)
Contributions	–	9.6	–	9.6	13.5
Benefits paid	(41.8)	(34.8)	(5.0)	(81.6)	(170.9)
Plan assets – end of period	541.4	577.1	–	1 118.5	1 136.5
	%	%	%	%	%
Estimated return on plan assets	5.6	8.0	n/a	6.8	6.9
Composition of plan assets					
Equities	4.9	55.2	n/a	30.8	28.9
Fixed interest – bonds	77.4	12.9	n/a	44.1	44.4
Fixed interest – cash	2.3	5.1	n/a	3.7	1.1
Property	–	4.6	n/a	2.4	2.3
Offshore equities	12.6	18.2	n/a	15.5	19.4
Offshore bonds	2.2	2.8	n/a	2.5	3.7
Offshore cash	0.4	0.9	n/a	0.7	0.1
Offshore property	0.2	0.3	n/a	0.3	0.1
	100.0	100.0	n/a	100.0	100.0

* Members eligible for the post-retirement medical liability all reached retirement date in 2014 and have been paid out during the period under review.

The value of contributions expected to be paid in the next financial period is R10.0 million (2016: R11.1 million).

The weighted average duration of the defined-benefit obligation is six years (2016: five years).

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued
for the period ended 26 February 2017

22. RETIREMENT BENEFITS continued

22.1 Defined-benefit obligations continued

	February 2017	February 2017	February 2017	February 2017	February 2016
	% per annum	% per annum	% per annum	% per annum	% per annum
	Pensioners	Executives	Post-retirement	Combined	Combined
The principal actuarial assumptions at the last valuation date are:					
Discount rate	8.8	8.0	n/a	8.4	9.1
Future salary increases	n/a	6.2	n/a	6.2	7.0
Future pension increases	6.8	n/a	n/a	6.8	7.3
Annual increase in healthcare costs	6.8	6.0	n/a	6.4	7.0

Sensitivity analysis

At 26 February 2017, if either salary inflation or the discount rate had been 1% higher or 1% lower (with all other variables held constant), the impact on the financial statements would have been as follows:

	Discount rate effect			Salary inflation effect		
	-1%	As reported	+1%	-1%	As reported	+1%
	7.0%	8.0%	9.0%	5.2%	6.2%	7.2%
	Rm	Rm	Rm	Rm	Rm	Rm
Statement of comprehensive income						
Employee costs	7.7	7.2	6.7	6.7	7.2	7.7
Statement of financial position						
Asset at end of period	76.9	95.3	96.4	96.4	95.3	78.3

The following assumptions were used in the sensitivity analysis:

- The effect of a 1% change in the discount rate and a 1% change in the salary inflation rate were assessed independently of each other;
- As the minimum guarantee is applicable to Pick n Pay Non-contributory Provident Fund members, the liability is unaffected by changes in the pension increase rate or by changes in mortality; and
- The pension liability is also similarly unaffected by changes in the pension increase rate or by changes in mortality as the value of the notional pensioner account is much higher than the pensioner liability.

The above assumptions are limited in that they do not cater for extreme events.

	52 weeks 26 February 2017 Rm	52 weeks 28 February 2016 Rm
22.2 Defined current contribution benefits		
Current contributions (refer to note 3.1)	239.6	341.8

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued
for the period ended 26 February 2017

	52 weeks 26 February 2017 Rm	52 weeks 28 February 2016 Rm
23. TRADE AND OTHER PAYABLES		
Trade and other payables	10 117.1	10 156.6
Leave pay obligations	235.7	220.1
Deferred revenue – customer loyalty programme (note 2)	137.4	123.9
	10 490.2	10 500.6
24. PROVISIONS		
Onerous leases		
Balance at beginning of period	0.2	1.0
Provisions utilised	(0.2)	(0.8)
Balance at end of period	–	0.2
25. COMMITMENTS		
25.1 Capital commitments		
All capital expenditure will be funded from internal cash flows and through unlimited borrowing powers.		
Authorised capital expenditure		
Contracted for	275.1	395.9
Property	26.5	78.8
Furniture, fittings, equipment and vehicles	230.1	211.5
Intangible assets	18.5	105.6
Not contracted for	1 524.9	1 783.1
Property	30.4	27.5
Furniture, fittings, equipment and vehicles	1 404.9	1 694.9
Intangible assets	89.6	60.7
Total commitments	1 800.0	2 179.0
25.2 Operating lease commitments		
Refer to note 11.		
25.3 Finance lease commitments		
Refer to note 21.2.		

26. OPERATING SEGMENTS

Operating segments are identified based on financial information regularly reviewed by the Chief Operating Decision-Maker (CODM) of the Group, for performance assessments and resource allocations. The Group annually performs a detailed review of the executive, or group of executives, that could be considered the appropriate and relevant CODM of the Group. During the current and prior period under review, the CODM of the Group consisted of the Group executive committee, consisting of Richard Brasher (CEO), Richard van Rensburg (deputy CEO) and Bakar Jakoet (CFO).

The Group has two operating segments, as described below, with no individual customer accounting for more than 10% of turnover.

South Africa – operates in various formats under the Pick n Pay and Boxer brands in South Africa.

Rest of Africa – responsible for the Group’s expansion into the rest of Africa.

Performance is measured based on the segment profit before tax, as management believes that such information is most relevant in evaluating the results of the segments against each other and other entities that operate within the retail industry.

	South Africa Rm	Rest of Africa Rm	Total operations Rm
52 weeks to 26 February 2017			
Total segment revenue	75 635.8	4 315.7	79 951.5
External revenue	75 635.8	3 482.0	79 117.8
Direct deliveries*	–	833.7	833.7
Segment external turnover	74 026.2	3 459.9	77 486.1
Profit before tax**	1 489.7	225.5	1 715.2
Other information			
Statement of comprehensive income			
Finance income	119.6	6.5	126.1
Finance costs	217.6	1.0	218.6
Depreciation and amortisation	948.0	33.5	981.5
Impairment loss on intangible assets	6.1	–	6.1
Impairment loss on property, plant and equipment	5.9	–	5.9
Impairment loss on available-for-sale financial instrument	13.9	–	13.9
Share of associate’s income	–	80.2	80.2
Statement of financial position			
Total assets	16 474.5	1 627.9	18 102.4
Total liabilities	13 617.9	405.2	14 023.1
Investment in associate	–	309.7	309.7
Additions to non-current assets	1 792.5	93.7	1 886.2
52 weeks to 28 February 2016			
Total segment revenue	70 312.7	4 005.6	74 318.3
External revenue	70 312.7	3 164.6	73 477.3
Direct deliveries*	–	841.0	841.0
Segment external turnover	69 300.6	3 144.5	72 445.1
Profit before tax**	1 247.4	226.1	1 473.5
Other information			
Statement of comprehensive income			
Finance income	52.8	8.1	60.9
Finance costs	116.7	0.3	117.0
Depreciation and amortisation	911.6	29.3	940.9
Impairment loss on intangible assets	8.6	–	8.6
Share of associate’s income	–	45.9	45.9
Statement of financial position			
Total assets	15 261.3	1 323.6	16 584.9
Total liabilities	12 402.9	284.2	12 687.1
Investment in associate	–	285.5	285.5
Additions to non-current assets	1 773.6	17.7	1 791.3

* Direct deliveries are issues to franchisees directly by Group suppliers, these are not included in revenue on the statement of comprehensive income.

** Segmental profit before tax is the reported measure used for evaluating the Group’s operating segments performance. On an overall basis the segmental profit before tax is equal to the Group’s reported profit before tax. The Rest of Africa segment’s segmental profit before tax comprises the segment’s trading result and directly attributable costs only. No allocations are made for indirect or incremental cost incurred by the South Africa segment relating to the Rest of Africa segment.

27. RELATED PARTY TRANSACTIONS

27.1 Transactions between Group subsidiaries

During the period, in the ordinary course of business, certain companies within the Group entered into transactions with each other. These inter-group transactions are eliminated on consolidation.

The Pick n Pay Stores Group comprise of the following significant wholly-owned subsidiaries:

- Pick n Pay Retailers Proprietary Limited, incorporated in South Africa
- Boxer Superstores Proprietary Limited, incorporated in South Africa
- The Blue Ribbon Meat Corporation Proprietary Limited, incorporated in South Africa
- Pick n Pay Zambia Limited, incorporated in Zambia
- Pick n Pay Namibia Proprietary Limited, incorporated in Namibia
- Pick n Pay Retailers Limited, incorporated in Ghana.

27.2 Transactions with Pick n Pay Holdings Limited RF

The unbundling of Pick n Pay Holdings Limited RF

The Pick n Pay Holdings Limited RF Group included the ultimate holding company, Pick n Pay Holdings Limited RF, an investment holding company listed on the JSE. The Company was formed with the sole purpose of holding a controlling interest in Pick n Pay Stores Limited (and thereby the Pick n Pay Stores Group), resulting in a pyramid control structure.

During the period under review, at the General Meeting held on 25 July 2016, shareholders approved the unbundling of the Pick n Pay Holdings Limited RF Group in order to remove the existing pyramid control structure. As a result of the unbundling, related party transactions occurred. This included a dividend *in specie* share distribution by Pick n Pay Holdings Limited RF, of R412.3 million, to entities within the Pick n Pay Stores Group who at the time held shares in Pick n Pay Holdings Limited RF. The dividend *in specie* consisted of shares in Pick n Pay Stores Limited. It also included the creation and issuance of a new class of unlisted voting shares (B shares) in Pick n Pay Stores Limited (refer to note 19.2). These shares were issued to existing controlling shareholders of Pick n Pay Holdings Limited RF so as to retain the control structure of the Group as it was prior to the unbundling. Refer to the review of operations for further information on the non-recurring items recorded in these annual financial statements as a result of the unbundling of the Pick n Pay Holdings Limited RF Group.

In addition, as part of the unbundling, Pick n Pay Holdings Limited RF was purchased by Pick n Pay Stores Limited for a purchase price of R5.1 million. Pick n Pay Holdings Limited RF thereby became a wholly owned subsidiary of the Stores Group.

Other transactions with Pick n Pay Holdings Limited RF

The nature of the transactions between the Pick n Pay Stores Group and its parent company, Pick n Pay Holdings Limited RF, before the unbundling, comprised mainly of dividends paid.

Dividends paid to Pick n Pay Holdings Limited RF before the unbundling amounted to R322.2 million (2016: R315.8 million).

Refer to note 8 of the Company annual financial statements for more information.

27.3 Transactions with equity accounted associate

Refer to note 14 for further information.

27.4 Loans to executive directors

Loans to directors amount to R0.4 million at the end of the period (2016: R0.4 million). These loans are secured and bear interest at varying interest rates. For further information refer to note 15.

27. RELATED PARTY TRANSACTIONS *continued*

27.5 Key management personnel

Key management personnel remuneration is set out below. No key management personnel had a material interest in any contract of any significance with any company in the Group during the period under review.

	52 weeks 26 February 2017 Rm	52 weeks 28 February 2016 Rm
Key management personnel remuneration comprises:		
Fees for board meetings, committee and other work	8.3	8.2
Base salary	58.2	56.7
Retirement and medical aid contributions	6.8	8.9
Fringe and other benefits	7.3	6.7
Total fixed remuneration	80.6	80.5
Short-term annual bonus	–	43.5
Total remuneration	80.6	124.0
Expense relating to share awards granted	86.6	76.1

28. FINANCIAL INSTRUMENTS

Overview

The Group's principal financial liabilities, other than derivatives, comprise bank overdrafts, borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include loans, trade and other receivables, and cash and short-term deposits that derive directly from its operations. The Group also holds available for sale and fair value through profit or loss financial instruments and enters into derivative transactions.

The Group is exposed to credit, liquidity, and market risk due to the effects of changes in debt, exchange rates and interest rates experienced in the normal course of business. The Group's objective is to effectively manage each of the risks associated with its financial instruments in order to minimise the potential adverse effect on the financial performance and position of the Group.

The Board is ultimately responsible for ensuring that adequate procedures and processes are in place to identify, assess, manage and monitor financial risks. A treasury committee, appointed by the Board, comprising executive directors and senior executives, sets and monitors the adherence to appropriate risk limits and controls. Risk management is carried out by a central treasury department in line with the overall treasury policy as reviewed and approved by the Board on a regular basis.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued
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28. FINANCIAL INSTRUMENTS continued

28.1 Financial assets and financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

	Derivative financial instruments Rm	Financial assets at fair value through profit and loss Rm	Available- for-sale financial assets Rm	Loans and receivables Rm	Financial liabilities measured at amortised cost Rm	Financial liabilities at fair value through profit and loss Rm	Total Rm
2017							
Financial assets							
Trade and other receivables	-	-	-	3 346.5	-	-	3 346.5
Cash and cash equivalents	-	-	-	961.9	-	-	961.9
Loans	-	-	-	85.1	-	-	85.1
Investment in Guardrisk Insurance Company Limited	-	13.7	-	-	-	-	13.7
	-	13.7	-	4 393.5	-	-	4 407.2
Financial liabilities							
Forward exchange contracts (FEC)	11.7	-	-	-	-	-	11.7
Secured loans	-	-	-	-	133.2	-	133.2
Trade and other payables	-	-	-	-	9 909.5	-	9 909.5
Bank overdraft and overnight borrowings	-	-	-	-	1 800.0	-	1 800.0
	11.7	-	-	-	11 842.7	-	11 854.4
2016							
Financial assets							
Forward exchange contracts (FEC)	6.0	-	-	-	-	-	6.0
Trade and other receivables	-	-	-	3 200.9	-	-	3 200.9
Cash and cash equivalents	-	-	-	982.9	-	-	982.9
Loans	-	-	-	96.4	-	-	96.4
Participation in export partnerships	-	-	-	14.1	-	-	14.1
Investment in Guardrisk Insurance Company Limited	-	13.6	-	-	-	-	13.6
Investment in Pick n Pay Holdings Limited RF	-	218.5	46.4	-	-	-	264.9
	6.0	232.1	46.4	4 294.3	-	-	4 578.8
Financial liabilities							
Financial guarantee	-	-	-	-	-	2.8	2.8
Secured loans	-	-	-	-	529.6	-	529.6
Trade and other payables	-	-	-	-	9 941.3	-	9 941.3
Bank overdraft and overnight borrowings	-	-	-	-	100.0	-	100.0
	-	-	-	-	10 570.9	2.8	10 573.7

28. FINANCIAL INSTRUMENTS *continued*

28.2 Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. Financial assets, which potentially subject the Group to credit risk, consist principally of cash and cash equivalents, trade and other receivables and loans.

The Group's cash is placed with major South African and international financial institutions, which at period-end had high credit standings with long-term ratings of AA (zaf) (refer to note 18).

Trade and other receivables mainly relate to amounts owing by franchisees and are presented net of impairment losses (refer to note 17). Rigorous credit granting procedures are applied to assess the credit quality of the debtors, taking into account its financial position and credit rating. The Group obtains various forms of security from its franchise debtors, including bank guarantees, notarial bonds over inventory and moveable assets and suretyships from shareholders. The total credit risk with respect to receivables from franchise debtors is further limited as a result of the dispersion amongst the individual franchisees and across different geographic areas. Consequently, the Group does not consider there to be any significant concentration or exposure to credit risk.

Loans mainly comprise employee loans granted in line with the Group's remuneration policy. Loans are granted after reviewing the affordability for each employee and, where appropriate, suitable forms of security are obtained. Refer to note 15.

28.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages this risk by maintaining adequate reserves and borrowing facilities and by continuously monitoring forecasted and actual cash flows, ensuring that the maturity profiles of financial assets and liabilities do not expose the Group to liquidity risk. In terms of the Company's Memorandum of Incorporation the Group's borrowing powers are unlimited, however, the treasury committee maintains strict control over the acceptance and draw-down of any loan facility.

On average, trade and other receivables and inventory are realised within 30 days and trade and other payables are settled within 60 days. To the extent that the Group requires short-term funds, it utilises the banking facilities available. Long-term borrowings is used to fund long-term assets, excluding new store assets and store refurbishments. Liquidity risk has been mitigated by substantial unutilised borrowing facilities as illustrated below.

	52 weeks 26 February 2017 Rm	52 weeks 28 February 2016 Rm
Total available facilities	7 925.7	6 830.2
Total actual borrowings	(1 933.2)	(629.6)
Utilisation of FEC and financial guarantee facilities	(154.9)	(345.6)
Unutilised borrowing facilities	5 837.6	5 855.0

28. FINANCIAL INSTRUMENTS *continued*

28.3 Liquidity risk *continued*

The following are the undiscounted contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount Rm	Contractual cash flows Rm	Within one year Rm	Two to five years Rm
2017				
Secured loans	133.2	145.6	54.3	91.3
Trade and other payables	9 909.5	9 909.5	9 909.5	–
Overnight borrowings	1 800.0	1 800.0	1 800.0	–
Total financial obligations	11 842.7	11 855.1	11 763.8	91.3
2016				
Secured loans	529.6	559.2	467.7	91.5
Trade and other payables*	9 941.3	9 941.3	9 941.3	–
Overnight borrowings	100.0	100.0	100.0	–
Total financial obligations	10 570.9	10 600.5	10 509.0	91.5

* At 28 February 2016, the Group was exposed to a 49% share of a financial guarantee, which was granted to its associate in Zimbabwe, with USD6.25 million remaining. The loan was repaid by its associate during the period under review and consequently, the guarantee was cancelled.

28.4 Market risk management

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, fair value through profit or loss financial instruments and derivative financial instruments. The objective of market risk management is to manage and control exposure to market risk, while optimising the return on the risk.

The sensitivity analyses in the following sections relate to the position as at 26 February 2017 and 28 February 2016.

28.4.1 Currency risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities.

Transactional currency risk

The Group has transactional currency exposures arising from the acquisition of goods and services in currencies other than its functional currency. The Group operates internationally and is exposed to currency risk through the importation of merchandise, however, it does not have material foreign creditors as inventory imports are mostly prepaid. Investments in foreign operations and master franchise agreements with international counterparties do not contribute to transactional currency risk as the related transactions and balances are denominated in South African rands.

28. FINANCIAL INSTRUMENTS *continued*

28.4 Market risk management *continued*

28.4.1 Currency risk management *continued*

	Average rate		Closing rate	
	2017	2016	2017	2016
The following significant exchange rates applied during the period:				
USD/ZAR	14.3	13.5	13.0	16.0
Euro/ZAR	15.7	14.9	13.7	17.5
GBP/ZAR	19.0	20.4	16.2	22.2

	Contract foreign currency m	Rand equivalent Rm	Average exchange rate R	Fair value Rm
Forward exchange contracts				
2017				
US Dollars	9.1	124.1	13.7	(8.8)
Euro	1.8	26.4	14.8	(2.5)
British Pound	0.3	4.4	17.1	(0.4)
		<u>154.9</u>		<u>(11.7)</u>
2016				
US Dollars	12.3	194.9	15.8	5.3
Euro	5.2	94.2	18.0	0.8
British Pound	0.3	7.7	23.6	(0.1)
		<u>296.8</u>		<u>6.0</u>

Sensitivity of the Group's exposure to material foreign currencies is estimated by assessing the impact of a reasonable expected movement of the currencies on the statement of comprehensive income and statement of changes in equity of the Group. The Group does not hedge foreign currency fluctuations. A sensitivity analysis is not presented as the estimated impact of the expected movement in currencies is not material.

Foreign cash balances, trade and other receivables and trade and other payables

The Group has exposure to foreign currency translation risk through cash balances, trade and other receivables and trade and other payables included in the net assets and liabilities of foreign subsidiaries denominated in currencies other than the South African rand. These balances are immaterial in relation to the total of the line items it is included in. These risks are not hedged.

Sensitivity of the Group's exposure to changes in the fair value of these balances, as a result of changes in the relevant foreign currency exchange rates, are estimated by assessing the impact of a reasonable expected movement of the currencies on the statement of comprehensive income and statement of changes in equity of the Group. A sensitivity analysis is not presented as the estimated impact of the expected movement in currencies is not material.

Equity price risk

At 26 February 2017, the Group had no material exposure to equity price risk.

At 28 February 2016, the Group had an investment in Pick n Pay Holdings Limited RF shares which were classified as available-for-sale financial instruments and financial instruments designated at fair value through profit or loss. The fair value of these financial instruments were derived from quoted market prices in an active securities market. As a result of the unbundling of Pick n Pay Holdings Limited RF during the period under review (refer to note 27), the Group derecognised its investment in Pick n Pay Holdings Limited RF and recognised a resultant fair value loss of R206.5 million in the statement of comprehensive income. It therefore has no further exposure to equity price risk related to this investment.

28. FINANCIAL INSTRUMENTS *continued*

28.4 Market risk management *continued*

28.4.2 Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from borrowings, cash and cash equivalents and loans. Variable rate borrowings, loans and cash and cash equivalents results in cash flow interest rate risk. The exposure to interest rate risk is managed through the Group's cash management system taking into account expected movements in interest rates when funding or investing decisions are made.

	52 weeks 26 February 2017 %	52 weeks 28 February 2016 %
The effective weighted average interest rates on financial instruments at the end of the period are:		
Financial assets		
Cash and cash equivalents (note 18)	6.1 – 7.8	5.1 – 6.9
Loans (note 15)	4.6	3.7
Financial liabilities		
Variable rate interest-bearing debt		
Bank overdraft and overnight borrowings (note 18)	7.3 – 9.0	6.3 – 8.8
Finance leases (note 21)	8.9 – 9.8	7.3 – 8.8
Fixed rate interest-bearing debt		
Secured loans (note 21)	8.9 – 11.4	8.8 – 11.4

Sensitivity of the Group's exposure to interest rate risk is estimated by assessing the impact of a reasonable expected movement in the relevant interest rates on the statement of comprehensive income and statement of changes in equity of the Group. Interest rates could reasonably be expected to rise in the range of 1% to 2%. This range has been used in our sensitivity analysis, as set out below.

	2017		2016	
	1% increase Rm	2% increase Rm	1% increase Rm	2% increase Rm
Total effect on finance income	9.6	19.2	9.8	19.7
Total effect on finance costs	(19.0)	(38.1)	(2.0)	(4.0)
Net effect on profit before tax	(9.4)	(18.9)	7.8	15.7

28.5 Fair value of financial instruments

All financial instruments held by the Group are measured at amortised cost, with the exception of derivative financial instruments, financial instruments at fair value through profit or loss and available-for-sale financial instruments.

Financial instruments measured at fair value are classified using a three-level hierarchy to rank inputs used in measuring fair value. The levels are explained below:

Level 1 – Quoted prices (unadjusted) in an active market for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data, where it is available, and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

28. FINANCIAL INSTRUMENTS *continued*

28.5 Fair value of financial instruments *continued*

The fair values of financial assets and liabilities are as follows:

	52 weeks 26 February 2017 Rm	52 weeks 28 February 2016 Rm
Derivative financial instruments		
Forward exchange contracts – level 2	(11.7)	6.0
Financial assets at fair value through profit or loss		
Investment in Pick n Pay Holdings Limited RF – level 1 (note 27)	–	218.5
Investment in Guardrisk Insurance Company Limited – level 2	13.7	13.6
Available-for-sale financial instruments		
Investment in Pick n Pay Holdings Limited RF – level 1 (note 27)	–	46.4

Basis for determining fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above.

The fair value of the Investment in Guardrisk Insurance Company Limited is determined based on the net asset value of the underlying cell captive at the reporting date.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Foreign exchange forward contracts are valued using a forward pricing model utilising present valuation techniques, allowing for counterparty credit risk.

In the prior year, the fair value of the investment in Pick n Pay Holdings Limited RF shares was derived from quoted market prices in an active securities market.

The carrying value of all other financial instruments held at amortised cost approximate their fair value.

There have been no transfers between levels 1, 2 and 3 of the fair value hierarchy during the period.

28.6 Capital management

The Group's strategy is to maintain a strong capital base (represented by total shareholders' equity) so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of directors is ultimately responsible for capital management and have the following responsibilities in this regard:

- Provide an adequate return to shareholders;
- Ensure that the Group has adequate capital to continue as a going concern;
- Ensure that the Group complies with the solvency and liquidity requirements for any share repurchase or dividend payment per the Companies Act; and
- Maintain a balance between debt and equity so as to leverage return on equity whilst maintaining a strong capital base.

The Group assesses the effectiveness of the use of capital in providing a return to shareholders using the ratio of return on capital employed which is calculated as headline earnings divided by average shareholders' equity plus non-current borrowings:

	2017	2016
Return on capital employed	31.3%	29.3%

The Group maintains a dividend cover based on headline earnings per share of 1.5 times (2016: 1.5 times) to ensure that sufficient capital is retained for expansion of the business.

The Group purchases its own shares on the market from time to time, in order to cover share awards granted under the Pick n Pay Employee share scheme. All share purchases are done in accordance with an official mandate and levels of authority laid down by the Board.

There were no changes in the Group's approach to capital management during the period.

29. PURCHASE OF OPERATIONS

During the current and prior period under review, the Group acquired various retail operations in South Africa, none of which are individually material to the Group. These acquisitions had no significant impact on the Group's results.

The goodwill arising from these acquisitions represent the acquired customer base and the value creation the Group expects to realise as a result of integration with the Group.

The net assets arising from these acquisitions were as follows:

	52 weeks 26 February 2017 Rm	52 weeks 28 February 2016 Rm
Identifiable net assets		
Current tax liabilities (note 6)	(3.6)	–
Intangible assets (note 9)	7.7	9.9
Property, plant and equipment (note 10)	3.0	5.5
Inventory	3.3	5.1
Cash and cash equivalents	26.4	–
Trade and other payables	(17.7)	–
Total identifiable net assets at fair value	19.1	20.5
Goodwill		
Cash paid in respect of acquisition	24.6	87.6
<i>Less:</i> Total identifiable net assets at fair value	(19.1)	(20.5)
Goodwill acquired	5.5	67.1

30. SUBSEQUENT EVENTS

Voluntary severance programme (VSP)

Companies within the Pick n Pay Stores Limited Group formalised and communicated a voluntary severance programme (VSP) during March 2017. Participation in the scheme is entirely voluntary, and acceptance of applications is at the Group's discretion. The VSP and financial consequences thereof are expected to be finalised by the end of April 2017.

31. STANDARDS AND INTERPRETATION ISSUED BUT NOT YET ADOPTED

International Financial Reporting Standards (IFRS)

A number of new standards, amendments to standards and interpretations that are applicable to the Group with an effective date after the date of these financial statements, have not been applied in preparing these consolidated financial statements. These include:

IFRS 9 Financial Instruments (effective for the Group for the financial year ending February 2019)

IFRS 9 replaces existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment losses on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group anticipates a change in the measurement of impairment losses recognised in relation to franchise receivables, included in trade and other receivables (refer to note 17). However, it is currently estimated that this will not have a material impact on trading profit. The Group continues to assess the potential impact on its Group financial statements regarding the application of IFRS 9.

IFRS 15 Revenue from Contracts with Customers (effective for the Group for the financial year ending February 2019)

IFRS 15 establishes a comprehensive framework detailing the principles an entity must apply when measuring and recognising revenue. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The Group is in process of assessing the potential impact on its Group financial statements regarding the application of IFRS 15. It is anticipated that a possible change in the classification of statement of comprehensive income disclosure line items, such as revenue, turnover and other trading income, may occur. However, it is currently estimated that this will not have a material impact on trading profit.

IFRS 16 Leases (effective for the Group for the financial year ending February 2020)

The objective of the project was to develop a new leases standard that sets out the principles that both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"), apply to provide relevant information about leases in a manner that faithfully represents those transactions. To meet this objective, IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar manner to finance leases under IAS 17. The Group has an extensive operating lease portfolio, acting as both lessor and lessee (refer to note 11). The Group's head lease arrangements include various instances where it sublets to its franchisees, and the application of IFRS 16 will result in differing requirements for lessor and lessee accounting. The application of IFRS 16 will result in changes to both the statement of financial position and statement of comprehensive income line items, including but not limited to, property, plant and equipment, operating lease assets, operating lease liabilities, occupancy costs, operational costs and finance costs. More specifically, items such as depreciation and operating lease payments will be impacted. Key balance sheet metrics such as leverage and finance ratios, debt covenants and income statement metrics, such as earnings before interest, taxes, depreciation and amortisation (EBITDA), will be impacted. The Group continues to assess the potential impact on its Group financial statements regarding the application of IFRS 16.

The following new or amended standards are not expected to have a significant impact on the Group's financial statements:

- *Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)*
- *Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)*
- *Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)*
- *Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)*
- *Equity Method in Separate Financial Statements (Amendment to IAS 27)*
- *Recognition of Deferred Tax Assets for Unrealised Losses (Amendment to IAS 12)*
- *Disclosure Initiative (Amendments to IAS 7)*
- *Annual Improvements to IFRS 2012 – 2014 Cycle*
- *Disclosure Initiative (Amendments to IAS 1)*
- *IAS 10 and IAS 28 – Amendments to sale and contributions of assets between an investor and its Associate or Joint Venture*
- *IFRS 5 – Changes in methods of disposal.*



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COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the period ended

	Note	52 weeks 26 February 2017 Rm	52 weeks 28 February 2016 Rm
Revenue			
Finance income		0.3	0.1
Dividend income	8	1 313.5	607.1
		1 313.8	607.2
Administration expenses	2	(14.8)	(11.5)
		1 299.0	595.7
Profit			
Write-off of investments in subsidiaries	5	(5.9)	–
		1 293.1	595.7
Profit before tax			
Tax	3	(0.1)	–
		1 293.0	595.7
Profit for the period			
Other comprehensive income for the period, net of tax		–	–
		1 293.0	595.7
Total comprehensive income for the period			

COMPANY STATEMENT OF FINANCIAL POSITION

	Note	As at 26 February 2017 Rm	As at 28 February 2016 Rm
ASSETS			
Non-current assets			
Investments in subsidiaries	5	5.1	552.5
		5.1	552.5
Current assets			
Loans to related parties	8	1 081.3	–
Trade and other receivables		0.2	0.2
Cash and cash equivalents	6	2.0	1.2
		1 083.5	1.4
Total assets		1 088.6	553.9
EQUITY AND LIABILITIES			
Equity			
Share capital	7	6.1	6.1
Share premium		465.7	465.7
Retained earnings		610.3	74.9
Total equity		1 082.1	546.7
Current liabilities			
Trade and other payables		6.5	7.2
		6.5	7.2
Total equity and liabilities		1 088.6	553.9

COMPANY STATEMENT OF CHANGES IN EQUITY

for the period ended

	Note	Share capital Rm	Share premium Rm	Retained earnings Rm	Total equity Rm
At 1 March 2015		6.1	396.8	77.4	480.3
Total comprehensive income for the period		-	-	595.7	595.7
Profit for the period		-	-	595.7	595.7
Other comprehensive income		-	-	-	-
Ordinary shares issued		-	68.9	-	68.9
Dividends paid	4.1	-	-	(598.2)	(598.2)
At 28 February 2016		6.1	465.7	74.9	546.7
Total comprehensive income for the period		-	-	1 293.0	1 293.0
Profit for the period		-	-	1 293.0	1 293.0
Other comprehensive income		-	-	-	-
B shares issued	7.2	-	-	-	-
Dividends paid	4.1	-	-	(757.6)	(757.6)
At 26 February 2017		6.1	465.7	610.3	1 082.1

COMPANY STATEMENT OF CASH FLOWS

for the period ended

	Note	52 weeks 26 February 2017 Rm	52 weeks 28 February 2016 Rm
Cash flows from operating activities			
Profit		1 299.0	595.7
Adjusted for dividend income		(1 313.5)	(607.1)
Cash utilised before movements in working capital			
Movements in working capital			
Movements in trade and other payables		(0.7)	-
Cash utilised in operations			
Dividends received	8.2	1 313.5	607.1
Dividends paid	4.1	(757.6)	(598.2)
Tax paid	3	(0.1)	-
Cash generated from/(utilised in) operating activities			
Cash flows from investing activities			
Sale of investments in subsidiaries	5	25.2	7.5
Purchase of investment in subsidiary	5	(5.1)	-
Loans advanced to subsidiary companies	8.4	(1 081.3)	(73.7)
Loan repaid by subsidiary companies	8.4	521.4	-
Cash utilised in investing activities			
Cash flows from financing activities			
Net proceeds from ordinary share issued	7.1	-	68.9
Cash generated from financing activities			
Net movement in cash and cash equivalents			
Cash and cash equivalents at beginning of period		1.2	1.0
Cash and cash equivalents at end of period	6	2.0	1.2

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

for the period ended 26 February 2017

1. ACCOUNTING POLICIES

Except as presented below, the accounting policies and notes to the Company annual financial statements are identical to those disclosed in note 1 of the Pick n Pay Stores Limited Group annual financial statements.

1.1 Statement of compliance

The Company's annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB"), the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act of South Africa.

1.2 Basis of preparation

The Company's annual financial statements are prepared on the historical cost basis except where stated otherwise in the accounting policies below.

The accounting policies have been consistently applied to all periods presented.

1.3 Revenue

Revenue is measured at the fair value of consideration received.

Dividend income

Dividend income is recognised when the shareholders' right to receive payment is established.

Finance income

Finance income is recognised as it accrues in the statement of comprehensive income, using the effective interest method, by reference to the principal amounts outstanding and at the interest rate applicable.

1.4 Investments in subsidiaries

The Company carries its investments in subsidiaries at cost less accumulated impairment losses.

1.5 Foreign currency transactions and translations

The annual financial statements are presented in South African rand, which is the Company's functional currency. All transactions are in South African rand.

2. ADMINISTRATION EXPENSES

Administration expenses are stated after taking into account the following expenses:

2.1 Directors' remuneration*

Directors' remuneration paid by Pick n Pay Stores Limited is detailed below:

	Fees for board meetings R'000	Fees for committee and other work R'000	Total remuneration R'000
2017			
Non-executive directors			
Gareth Ackerman	3 913.0	–	3 913.0
Alex Mathole**	125.0	–	125.0
Audrey Mothupi	364.0	352.5	716.5
David Friedland	364.0	312.0	676.0
David Robins	364.0	–	364.0
Hugh Herman	364.0	554.5	918.5
Jeff van Rooyen	364.0	585.5	949.5
Lorato Phalatse	364.0	270.0	634.0
Total remuneration	6 222.0	2 074.5	8 296.5
2016			
Non-executive directors			
Gareth Ackerman	3 657.0	–	3 657.0
Audrey Mothupi	340.0	221.0	561.0
Ben van der Ross***	170.0	146.0	316.0
David Friedland****	340.0	177.0	517.0
David Robins	340.0	–	340.0
Hugh Herman	340.0	518.0	858.0
Jeff van Rooyen	340.0	440.0	780.0
John Gildersleeve*****	340.0	182.0	522.0
Lorato Phalatse	340.0	252.0	592.0
Total remuneration	6 207.0	1 936.0	8 143.0

* Executive directors salaries are paid by a subsidiary company. Refer to note 4 of the Group annual financial statements.

** Alex Mathole was appointed on 24 October 2016.

*** Ben van der Ross resigned on 27 July 2015.

**** During the prior year David Friedland received consultancy fees of R114 000 for services rendered to the audit and risk committee.

***** John Gildersleeve resigned on 28 February 2016.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS continued
for the period ended 26 February 2017

	52 weeks 26 February 2017 Rm	52 weeks 28 February 2016 Rm
3. TAX		
3.1 Tax recognised in statement of statement of comprehensive income:		
Normal tax	0.1	–
Current period	0.1	–
Tax recognised in the statement of comprehensive income	0.1	–
3.2 Reconciliation of effective tax rate	%	%
South African statutory tax rate	28.0	28.0
Exempt income – dividends received	(28.4)	(28.5)
Non-deductible write-off of investments in subsidiaries	0.1	–
Non-deductible holding company expenses	0.3	0.5
Effective tax rate	–	–
3.3 Tax paid		
Balance at the beginning of period	–	–
Recognised in profit or loss	0.1	–
Owing at the end of the period	–	–
Tax paid for the year	0.1	–
	Cents per share	Cents per share
4. DIVIDENDS		
4.1 Dividends paid		
Number 96 – declared 25 April 2016 – paid 13 June 2016 (2016: Number 94 – declared 20 April 2015 – paid 15 June 2015)	125.2	98.5
Number 97 – declared 17 October 2016 – paid 12 December 2016 (2016: Number 95 – declared 12 October 2015 – paid 14 December 2015)	29.9	24.2
Total dividends per share for the period	155.1	122.7
	Rm	Rm
Total value of dividends paid by the Company	757.6	598.2
	Cents per share	Cents per share
4.2 Dividends declared		
Interim dividend – number 97 (2016: number 95)	29.9	24.2
Final dividend – number 98 (2016: number 96)	146.4	125.2
	176.3	149.4

The directors have declared a final dividend (dividend 98) of 146.40 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 20%, where shareholders are subject to this tax. The last day to trade in order to participate in the dividend (CUM dividend) will be Tuesday, 6 June 2017. The shares will trade EX dividend from the commencement of business on Wednesday, 7 June 2017 and the record date will be Friday, 9 June 2017. The dividends will be paid on Monday, 12 June 2017.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS continued
for the period ended 26 February 2017

	52 weeks 26 February 2017 Rm	52 weeks 28 February 2016 Rm
5. INVESTMENTS IN SUBSIDIARIES		
Investment in subsidiaries		
Shares at cost	5.1	31.1
Non-current loans to related parties (note 8)	–	521.4
Total investments in subsidiaries	5.1	552.5

The significant subsidiaries owned by the Company include Pick n Pay Retailers Proprietary Limited and Pick n Pay Holdings Limited RF. All subsidiaries are wholly owned.

During the period under review, the following significant transactions occurred relating to the Company's investments in subsidiaries:

The Company sold a number of its investments in subsidiaries. The sale of the investments in subsidiaries was made at book value of R25.2 million to its major trading subsidiary, Pick n Pay Retailers Proprietary Limited with the objective to simplify the Pick n Pay Stores Limited Group structure.

A number of the Company's dormant subsidiaries were deregistered. This resulted in a write-off of these investments to the value of R5.9 million. Refer to the statement of comprehensive income.

As part of the unbundling of the Pick n Pay Holdings Limited RF Group, Pick n Pay Holdings Limited RF was acquired for a purchase price of R5.1 million. Pick n Pay Holdings Limited RF thereby become a wholly-owned subsidiary of the Company. Refer to note 8 for more information.

	52 weeks 26 February 2017 Rm	52 weeks 28 February 2016 Rm
6. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	2.0	1.2

Cash and cash equivalents represents a current bank account for administrative purposes, held at an institution which is in line with those used by the Group. Refer to note 18 and note 28 of the Group annual financial statements.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS continued
for the period ended 26 February 2017

	52 weeks 26 February 2017 Rm	52 weeks 28 February 2016 Rm
7. SHARE CAPITAL		
7.1 Ordinary share capital		
Authorised		
800 000 000 (2016: 800 000 000) ordinary shares of 1.25 cents each	10.0	10.0
Issued		
488 450 321 (2016: 488 450 321) ordinary shares of 1.25 cents each	6.1	6.1

The Company can issue new shares to settle the Pick n Pay Stores Group's obligations under its employee share schemes, but issues in this regard are limited, in aggregate, to 5% of total issued share capital or 24 422 516 (2016: 24 422 516) shares. To date, 10 743 000 (2016: 10 743 000) shares have been issued, resulting in 13 679 516 (2016: 13 679 516) shares remaining for this purpose.

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

Refer to note 8 for details of director's interest in shares.

	52 weeks 26 February 2017 Rm	52 weeks 28 February 2016 Rm
7.2 B share capital		
Authorised		
1 000 000 000 (2016: nil) unlisted, non-convertible, non-participating, no par value B shares	-	-
Issued		
259 682 869 (2016: nil) unlisted non-convertible, non-participating, no par value B shares	-	-

The Pick n Pay Holdings Limited RF Group included the ultimate holding company, Pick n Pay Holdings Limited RF, an investment holding company listed on the JSE (a stock exchange in South Africa). The Company was formed with the sole purpose of holding a controlling interest in Pick n Pay Stores Limited (and thereby the Pick n Pay Stores Group), resulting in a pyramid control structure.

During the period under review, a new class of shares was created as a result of the unbundling of the Pick n Pay Holdings Group, as approved by shareholders on 25 July 2016. A total of 259 682 869 B shares were issued to existing controlling ordinary shareholders of Pick n Pay Holdings Limited RF, and are stapled to such ordinary shares and cannot be traded separately from each other. Stapled ordinary shares, together with B shares, are subject to restrictions upon disposal. Refer to note 8 for further information.

The holders of B shares are entitled to the same voting rights as holders of ordinary shares, but are not entitled to any rights to distributions by the Company or any other economic benefits.

Refer to note 8 for details of director's interest in shares.

8. RELATED PARTY TRANSACTIONS

8.1 The unbundling of Pick n Pay Holdings Limited RF

The Pick n Pay Holdings Limited RF Group included the ultimate company, Pick n Pay Holdings Limited RF, an investment holding company listed on the JSE. The Company was formed with the sole purpose of holding a controlling interest in Pick n Pay Stores Limited, resulting in a pyramid control structure.

During the period under review, at the General Meeting held on 25 July 2016, shareholders approved the unbundling of the Pick n Pay Holdings Limited RF Group in order to remove the existing pyramid control structure. As a result of the unbundling, related party transactions occurred. This included the creation and issuance of a new class of unlisted voting shares (B shares) in Pick n Pay Stores Limited (refer to note 7). These were issued to the existing controlling shareholders of Pick n Pay Holdings Limited RF so as to retain the control structure of the Group as it was prior to the unbundling.

	52 weeks 26 February 2017 Rm	52 weeks 28 February 2016 Rm
8.2 Dividends received		
Pick n Pay Retailers Proprietary Limited	750.3	599.5
Pick n Pay Employee Share Purchase Trust	9.3	7.6
Pick n Pay Franchise Financing Proprietary Limited	342.0	–
The Blue Ribbon Meat Corporation Proprietary Limited	130.0	–
Pick n Pay Newton Park Proprietary Limited	56.7	–
Pick n Pay Garages Proprietary Limited	15.0	–
Pick n Pay Investment Holdings Limited	10.2	–
Total dividends received from related parties	1 313.5	607.1
8.3 Dividend paid		
Pick n Pay Holdings Limited RF	322.2	315.8
8.4 Loans to related parties		
Pick n Pay Retailers Proprietary Limited	527.4	492.3
Pick n Pay Franchise Financing Proprietary Limited	342.0	–
The Blue Ribbon Meat Corporation Proprietary Limited	130.0	–
Pick n Pay Newton Park Proprietary Limited	56.7	–
Pick n Pay Garages Proprietary Limited	15.0	–
Pick n Pay Investment Holdings Limited	10.2	–
Boxer Holdings Proprietary Limited	–	29.1
Pick n Pay Zambia Limited	–	5.0
	1 081.3	526.4
Loans from related parties		
Pick n Pay Holdings Limited RF	–	(5.0)
Total loans to related parties	1 081.3	521.4
Comprising:		
Non-current loans to related parties (note 5)	–	521.4
Current loans to related parties	1 081.3	–

These loans to/from related parties are unsecured interest-free and repayable on demand (2016: no fixed date of repayment). The fair value of loans to related parties approximates its carrying value.

8. RELATED PARTY TRANSACTIONS continued

8.5 Ordinary shares held by directors

The percentage of shares held by directors of Pick n Pay Stores Limited at the reporting date are disclosed below. This percentage is their effective direct shareholding in the Company (excluding treasury shares), which includes shares held under the Group's forfeitable share plan. For further information refer to note 4 of the Group annual financial statements.

	52 weeks 26 February 2017 %	52 weeks 28 February 2016 %
Beneficial	1.2	1.9
Non-beneficial	26.5	26.3
	27.7	28.2

8.6 B shares held by directors

The percentage of B shares held by directors of Pick n Pay Stores Limited at the reporting date are disclosed below. For further information refer to note 4 in the Group annual financial statements.

	52 weeks 26 February 2017 %	52 weeks 28 February 2016 %
Beneficial	2.2	–
Non-beneficial	97.2	–
	99.4	–

9. FINANCIAL INSTRUMENTS

Overview

Pick n Pay Stores Limited has limited exposure to risk in respect of financial instruments, as their only significant financial asset is their loans to/from related parties, refer to note 8. There is minimal credit risk relating to these items as it is payable within the Group. Market risk is negated as the financial instruments have no exposure to changes in exchange rates and have very limited exposure to changes in interest rates.

9.1 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty instrument fails to meet its contractual obligations.

9.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has unlimited access to the funds of the Group companies. Therefore, the Company's liquidity risk is linked to the liquidity of the Group companies. Refer to note 28 of the Group annual financial statements.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount Rm	Contractual cash flows* Rm
2017		
Non-derivative financial liabilities		
Trade and other payables	6.5	6.5
Total financial obligations	6.5	6.5
2016		
Non-derivative financial liabilities		
Trade and other payables	7.2	7.2
Total financial obligations	7.2	7.2

* Repayable within one year.

9.3 Capital management

The Company considers the management of capital with reference to the Group policy which can be found in note 28 of the Group annual financial statements.

9.4 Suretyships

The Company has provided suretyships in the ordinary course of business in respect of its subsidiaries operations, for certain banking facilities to a maximum of R1 billion (2016: R0.1 billion). No losses are expected to be incurred on these suretyships.

ANALYSIS OF ORDINARY SHAREHOLDERS

Pick n Pay Stores Limited

Shareholder spread	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	8 059	60.1	2 458 411	0.5
1 001 – 10 000 shares	3 910	29.2	12 711 866	2.6
10 001 – 100 000 shares	1 061	7.9	33 676 125	6.9
100 001 – 1000 000 shares	321	2.4	94 181 119	19.3
1 000 001 shares and over	57	0.4	345 422 800	70.7
Total	13 408	100.0	488 450 321	100.0

Public/non-public shareholders	Number of shareholders	%	Number of shares	%
Non-public shareholders	13	0.1	146 986 653	30.1
Ackerman Investment Holdings Proprietary Limited	1	0.0	124 677 238	25.5
Ackerman Pick n Pay Foundation	1	0.0	101 900	0.0
Directors	7	0.0	3 638 195	0.8
The Mistral Trust	1	0.0	2 700 967	0.6
Shares held on behalf of FSP participants	1	0.0	9 336 500	1.9
Pick n Pay Retailers Proprietary Limited	1	0.0	153 500	0.0
Pick n Pay Employee Share Purchase Trust	1	0.0	6 378 353	1.3
Public shareholders	13 395	99.9	341 463 668	69.9
Total	13 408	100.0	488 450 321	100.0

Beneficial shareholders holding 1% or more	Number of shares	%
Ackerman Investment Holdings Proprietary Limited	124 677 238	25.53
Public Investment Corporation Limited	52 565 398	10.76
Investment Solutions Limited	12 676 145	2.60
Coronation Balanced Plus Fund	12 299 195	2.52
Liberty Life Association of Africa Limited	10 478 081	2.15
Shares held on behalf of FSP participants	9 336 500	1.91
GIC Private Limited	6 832 440	1.40
Pick n Pay Employee Share Purchase Trust	6 378 353	1.31
Vanguard Emerging Markets Stock Index Fund	6 323 862	1.29
Genesis Emerging Markets Investment Company	5 986 099	1.23
Genesis Group Trust for Employee Benefit Plans	5 925 705	1.21

ANALYSIS OF B SHAREHOLDERS

Pick n Pay Stores Limited

Shareholder spread	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	1	3.9	1 100	0.0
1 001 – 10 000 shares	7	26.9	52 868	0.0
10 001 – 100 000 shares	8	30.8	223 670	0.1
100 001 – 1 000 000 shares	5	19.2	1 582 276	0.6
1 000 001 shares and over	5	19.2	257 822 955	99.3
Total	26	100.0	259 682 869	100.0

Public/non – public shareholders	Number of shareholders	%	Number of shares	%
Non-public shareholders	6	23.1	258 054 886	99.4
Ackerman Investment Holdings Proprietary Limited	1	3.9	246 936 846	95.1
Directors	4	15.3	5 768 481	2.3
The Mistral Trust	1	3.9	5 349 559	2.1
Public shareholders	20	76.9	1 627 983	0.6
Total	26	100.0	259 682 869	100.0

Beneficial shareholders holding 1% or more	Number of shares	%
Ackerman Investment Holdings Proprietary Limited	246 936 846	95.1
The Mistral Trust	5 349 559	2.1
Gareth Ackerman	3 228 383	1.2

CORPORATE INFORMATION

PICK N PAY STORES LIMITED

Registration number: 1968/008034/06

JSE share code: PIK

ISIN: ZAE000005443

BOARD OF DIRECTORS

Executive

Richard Brasher (CEO)

Richard van Rensburg (Deputy CEO)

Aboubakar (Bakar) Jakoet (CFO)

Suzanne Ackerman-Berman

Jonathan Ackerman

Non-executive

Gareth Ackerman (chairman)

David Robins

Independent non-executive

Alex Mathole

Audrey Mothupi

David Friedland

Jeff van Rooyen

Hugh Herman

Lorato Phalatse

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Fax +27 11 688 5248

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Sandton 2196

AUDITORS

Ernst & Young Inc.

ATTORNEYS

Edward Nathan Sonnenberg

PRINCIPAL TRANSACTIONAL BANKERS

Absa Limited

First National Bank

COMPANY SECRETARY

Debra Muller

Email: demuller@pnp.co.za

PROMOTION OF ACCESS TO INFORMATION ACT

Information Officer – Penny Gerber

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