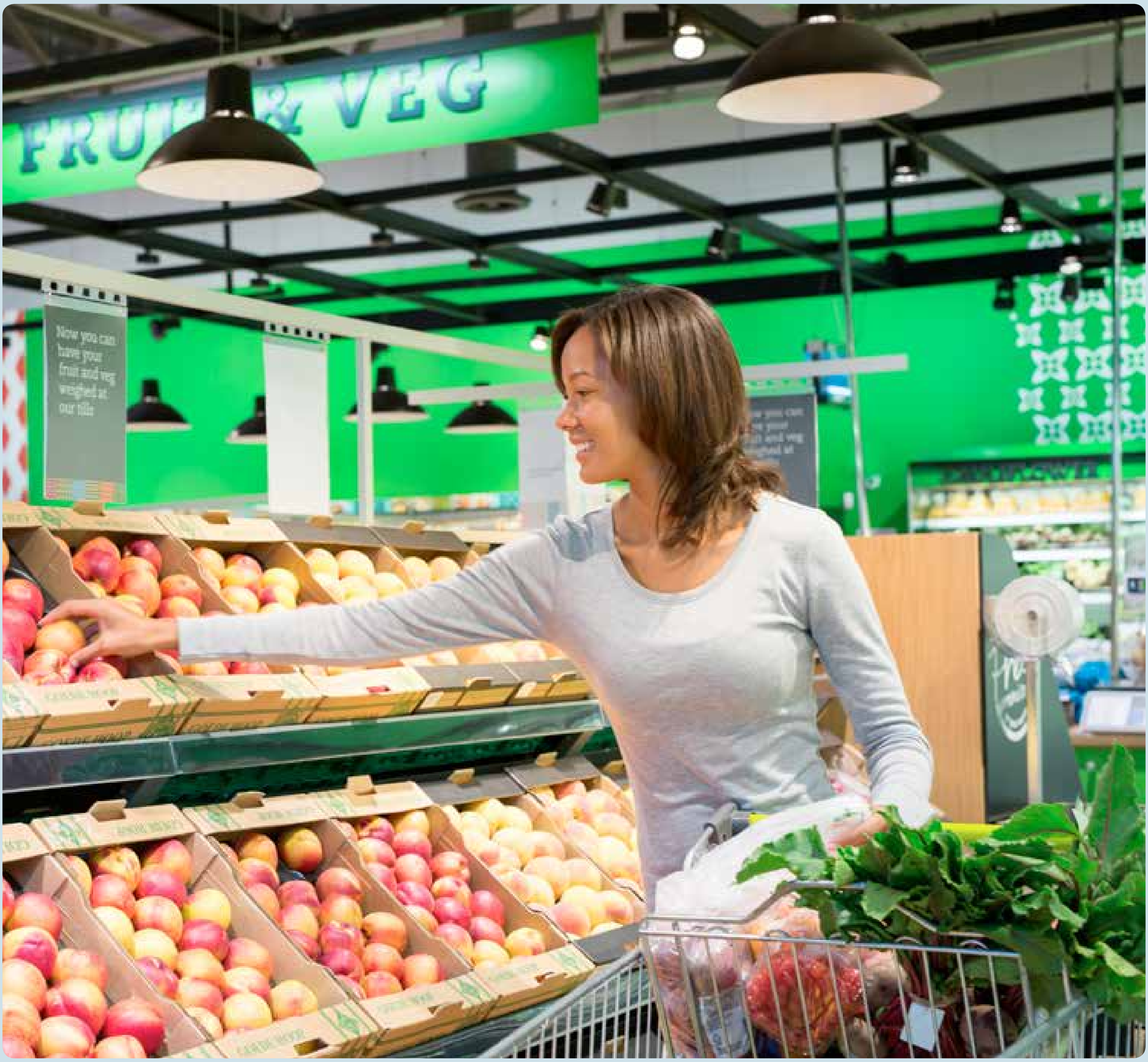
AUDITED ANNUAL FINANCIAL STATEMENTS



2016

www.picknpayinvestor.co.za

Contents

These Group and Company annual financial statements have been prepared by the Finance Division under the supervision of the Chief Finance Officer, Mr 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 28 February 2016, and the statements of comprehensive income, changes in equity and cash flows for the period then ended, and the notes to the 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 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 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 foreseeable future.

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

APPROVAL OF GROUP ANNUAL FINANCIAL STATEMENTS AND COMPANY ANNUAL FINANCIAL STATEMENTS

The Group annual financial statements and Company annual financial statements of Pick n Pay Stores Limited, as identified in the first paragraph, were approved by the Board of directors on 25 April 2016 and signed by:

Gareth Ackerman
Chairman

Richard Brasher
Chief Executive Officer

25 April 2016

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 28 February 2016, Pick n Pay Stores Limited has filed all returns and notices as required for a public 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

25 April 2016

Pick n Pay Stores Group

Directors' report

for the period ended 28 February 2016

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, the recognised securities exchange in South Africa, is an investment holding company. The Group comprises trading subsidiaries 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.

The nature of the business of the key subsidiaries held directly and indirectly is presented in note 27 of the Company annual financial statements.

Overview of financial results and activities

Refer to the review of operations on page 8 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 page 5 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 96) of 125.20 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 15%, for shareholders who are not exempt from dividend withholding tax. The last day to trade in order to participate in the dividend (CUM dividend) will be Friday, 3 June 2016. The shares will trade ex-dividend from the commencement of business on Monday, 6 June 2016 and the record date will be Friday, 10 June 2016. The dividends will be paid on Monday, 13 June 2016. Refer to note 8 of the Group annual financial statements for a detailed analysis.

Share capital

The issued ordinary share capital increased by 1 128 000 shares during the period (refer to note 19 of the Group annual financial statements) to 488 450 321 shares.

At period end, 1 752 433 shares (2015: 1 746 900 shares) of Pick n Pay Stores Limited, and 11 129 324 shares (2015: 11 106 487 shares) of Pick n Pay Holdings Limited RF, 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, 7 923 000 shares (2015: 6 925 000) 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 annual financial statements have been prepared on the going-concern basis.

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 annual 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 2016 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 Pick n Pay Group of Companies, nor is the Company aware of any such proceedings that are pending or threatened.

Special resolutions

On 27 July 2015 the Company's shareholders approved the following special resolutions as tabled in the notice to the annual general meeting:

Directors' fees for the 2017 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.

Directors' report continued

for the period ended 28 February 2016

General approval to repurchase Company and parent Company shares

Shareholders resolved that the Company or any of its subsidiaries may acquire issued shares of the Company or its holding 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 2016 financial year.

In terms of the Company's Memorandum of Incorporation, the non-executive directors listed below retire by rotation and they offer themselves for re-election:
Hugh Herman (non-executive)
Lorato Phalatse (non-executive)
Jeff van Rooyen (non-executive)
David Friedland (non-executive).

Ben van der Ross resigned as a non-executive director of Pick n Pay Stores Limited on 27 July 2015.

John Gildersleeve resigned as a non-executive director of Pick n Pay Stores Limited on 28 February 2016.

Directors' interest in shares

	2016 %	2015 %
Beneficial	**1.9**	0.9
Non-beneficial	**26.3**	27.5
Total	**28.2**	28.4

The directors' interest in shares is their effective direct shareholding, including shares held under the Group's forfeitable share plan, in the Company (excluding treasury shares) and their effective indirect shareholding through Pick n Pay Holdings Limited RF (excluding treasury shares). For further details refer to note 4 of the Group annual financial statements.

The Company Secretary is Debra Muller.

Holding company

The holding company is Pick n Pay Holdings Limited RF (listed on the JSE).

Subsidiary companies

Details of key subsidiary companies are presented in note 27 of the Group annual financial statements.

Borrowings

The Group's overall level of debt (including bank overdrafts and overnight borrowings) decreased from R1 284.3 million to R629.6 million.

Independent auditor's report

for the period ended 28 February 2016

TO THE SHAREHOLDERS OF PICK N PAY STORES LIMITED

We have audited the consolidated and separate financial statements of Pick n Pay Stores Limited set out on pages 24 to 103, which comprise the statements of financial position as at 28 February 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The company's directors are responsible for the preparation and fair presentation of these 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 28 February 2016, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 28 February 2016, we have read the directors' report, the audit committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

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 one year.

Ernst + Young Inc.

Ernst & Young Inc.
Director: Malcolm Rapson
Registered Auditor
Chartered Accountant (SA)

35 Lower Long Street
Cape Town

25 April 2016

Audit and risk committee report

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 individual divisional 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. The committee members, Jeff van Rooyen, Hugh Herman and Audrey Mothupi, were confirmed for appointment at the AGM held on 27 July 2015.

Ben van der Ross resigned from his membership of the audit and risk committee prior to its first meeting during the 2016 financial year. The committee expressed their appreciation for his valued contribution to their deliberations over the years of his membership.

David Friedland has been appointed to the audit and risk committee with effect from the commencement of the 2017 financial year, subject to election by shareholders at the AGM to be held on 25 July 2016.

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 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 progress, 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 to the Board for approval.

Finance function

- Consider the expertise and experience of the Chief Finance Officer (CFO); 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.

Audit and risk committee report continued

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 financial statements, or to any related matter; and
- Perform other functions as determined by the Board.

COMPOSITION OF THE COMMITTEE

This 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, activities in the period under review

Members	Attendance	Activities 2016
Jeff van Rooyen (Chairman)	2/2	• Reviewed and recommended the half-year and full-year financial results, annual financial statements and integrated annual report to the Board for approval • Reviewed the internal audit coverage plan and ensured continued progress in integrating with the combined assurance model • Reviewed and approved the accounting and disclosure policies and the effectiveness of internal financial controls • 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 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 subsidiary companies. The financial review committees are chaired by the CFO and, together with the external auditors and management of the respective subsidiary, review in detail the results of the material operating subsidiary companies • 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 • Conducted a comprehensive tender process to establish which audit firm should be appointed as external auditor, following which recommended the appointment of Ernst & Young Inc. to shareholders for election at the 2015 AGM
Hugh Herman	2/2	
Audrey Mothupi	2/2	

Audit and risk committee report continued

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.

POLICY ON NON-AUDIT SERVICES

All non-audit services provided by the Group's external auditors, Ernst & Young Inc., were pre-approved by the 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 2016 financial year and that its report to shareholders was approved by the Board.

The committee confirmed its satisfaction with the performance and level of service rendered by the external auditor, Ernst & Young Inc., for the 2016 financial year.

Jeff van Rooyen
Chairman: audit and risk committee

25 April 2016

Review of operations

Key financial indicators

	52 weeks 28 February 2016	52 weeks** 1 March 2015	% change
Turnover	**R72.4 billion**	R66.9 billion	8.2
Gross profit margin	**17.9%**	17.8%	
Other trading income	**R971.3 million**	R782.9 million	24.1
Trading expenses margin	**17.2%**	17.2%	
Trading profit	**R1 516.3 million**	R1 240.1 million	22.3
Trading profit margin	**2.1%**	1.9%	
Profit before tax	**R1 473.5 million**	R1 205.2 million	22.3
Profit before tax margin	**2.0%**	1.8%	
Profit for the period	**R1 065.4 million**	R861.7 million	23.6
Basic earnings per share	**219.11 cents**	178.79 cents	22.5
Headline earnings per share*	**224.04 cents**	177.26 cents	26.4
Total annual dividend per share	**149.40 cents**	118.10 cents	26.5

* *HEPS excludes capital profits and losses on the disposal and impairment of assets, which accounts for the difference in the year-on-year increase between HEPS and basic EPS.*
***Prior year amounts restated and/or reclassified, refer to note 30 of the Group annual financial statements.*

RESULT SUMMARY

The Group delivered a good performance in 2016. The strongest turnover growth since 2010, an improved gross profit margin, sound expense control and greater operating efficiency all contributed to a further increase in underlying trading margin. The 26.4% increase in headline earnings per share reflects improvement across the business, and progress in executing the Group's three-stage turnaround strategy.

Group turnover growth of 8.2% for the year is a significant improvement on the 6.1% delivered in 2015. Both like-for-like turnover growth at 3.8% (2015: 3.6%) and the contribution from new stores of 4.4% (2015: 2.5%) were stronger than in the previous year. On a constant currency basis, the top-line momentum achieved by the Group in the first half of the financial year was largely maintained in the second half, with Group turnover increasing 8.6%, and like-for-like growth of 4.1%.

In an increasingly challenging economic environment in South Africa, a sustained drought, weaker rand, accelerating food inflation, higher interest rates and increasing costs of energy and other utilities have placed added pressure on consumers. The Group has continued to support customers through meaningful price investment, restricting its selling price inflation to 3.1% over the year, below CPI Food inflation of 5.3%.

Gross profit margin improved from 17.8% to 17.9% through further operational efficiency and cost effectiveness across the procurement and supply chain channel.

The 24.1% increase in other trading income demonstrates the Group's commitment to broadening and improving its customer offer. Income from value-added services and other commissions increased by 35.0%.

Tighter control over capital and overhead expenditure remains a key priority. The like-for-like increase in trading expenses was contained at 5.0%, notwithstanding above-inflation increases in electricity, utility and security costs.

Effective working capital management and stronger cash balances over the year contributed to the 5.9% reduction in net finance charges, despite rising interest rates and increased capital expenditure on opening and refurbishing stores, which had an impact in the second half of the year.

The result achieved in 2016 reflects the core principle of the Group's long-term strategic plan that its turnaround must be customer-led as well as cost driven. The underlying improvement in the trading profit margin from 1.9% in 2015 to 2.1% in 2016 demonstrates that Stage 2 of its plan – Changing the Trajectory of Pick n Pay – is delivering.

OPERATIONAL REVIEW

We measure our progress over the year against the Group's seven strategic business acceleration pillars:

Better for customers

Progress achieved by the Group in improving the customer shopping experience resulted in positive like-for-like volume growth for the first time in a number of years.

The Group continued to deliver on its commitment to competitive prices and promotions, doubling the size of its Brand Match campaign to include 2 000 branded-products, strengthening its Smart Shopper loyalty programme and running a number of strong promotions, including a successful 48th Birthday promotion, a fun and engaging Stikeez campaign, and a "Black Friday" campaign which delivered the strongest trading day in the Group's history.

Brand Match continues to build confidence in the keenness of our pricing, with a high percentage of zero and low value coupons issued to customers. An increase in the proportion of coupons actually redeemed indicates the growing appeal of the Brand Match programme in difficult economic times.

Smart Shopper is South Africa's favourite loyalty programme (*Sunday Times* Top Brands Awards) and with 10.7 million Smart Shoppers, a Smart Shopper card is swiped over 725 000 times a

Review of operations continued

day in our stores. The Group rewarded its loyal Smart Shoppers with more savings than ever before, with 7.2 million personalised vouchers redeemed under the "Just for You" campaign. In addition, we increased the size of our "Instant Savings" campaign, enabling customers to earn an instant 10% savings off hundreds of products in-store and added a number of new and exciting partners to our "Partner Programme".

The Group strengthened and streamlined its product range by completing its programme of product category reviews, and implementing detailed planograms to display products on shelf more effectively and consistently. This has improved replenishment and product availability.

The Group is expanding, improving and refreshing its private label range. More than 250 new products were introduced this year, with a focus on convenient, pre-prepared value-added products. More than 650 products were re-launched with newly designed packaging. Our Next Generation stores feature expanded private label ranges and have grown participation of these products.

Both Pick n Pay and Boxer delivered double digit growth in sales of value-added services, with income from pre-paid electricity sales and third-party bill payments up 57%, and income from financial services up 42%.

A flexible and winning estate

The Group continued its programme to improve the breadth and quality of its store estate. It opened 175 new stores, contributing 4.4% to turnover growth. It refurbished 40 stores, including 28 in the second half of the year. In a number of cases, new stores brought Pick n Pay or Boxer to communities for the first time. These included Emoyeni in the North West, Hoopstad in the Free State, Sedgefield in the Eastern Cape and Sebokeng in Gauteng.

Customers are increasingly seeking convenience through smaller stores, neighbourhood locations, value-added products and more flexible opening hours. The Group is focused on growth in this market, and opened 46 new convenience stores in the year under the Pick n Pay Local and Express formats.

An increasingly centralised supply chain and lower cost operating model is expanding the range of locations in which the Group can successfully operate its convenience formats, which now numbers more than 100 stores across the Group.

Improving the performance of the Hypermarket division remains a key priority for the Group. Our refurbished hypermarket stores are delivering stronger sales from less space, and are finding innovative alternative uses for freed-up space, including through rentals to other operators and conversion of space to other uses such as fulfilment of online grocery orders.

The Group opened 33 clothing stores and 55 new liquor stores over the year, both on an owned and franchise basis. These divisions are becoming increasingly strong profit contributors to the Group, particularly our clothing division which is delighting customers with high-quality clothing for the whole family at exceptional value.

Pick n Pay added 59 net new franchise stores over the year, building on the leading franchise model in South Africa. Our franchise operation provides exceptional opportunities for entrepreneurs to create and build successful businesses. Our franchise partners are a valued part of the Group, enhancing the scale, expertise and passion of our business. Issues to franchisees increased over the year and bad debts were reduced.

In February 2016, in partnership with the Gauteng Administration, the Group piloted its first "Spaza-to-Store" conversion in Diepkloof Soweto. The project has given an existing spaza shop owner access to Pick n Pay's merchandise, business systems, supply chain and distribution network, together with management advice and mentoring. This is a pilot programme in its early stages, but has the potential to be another route through which small traders can become fully fledged entrepreneurs.

Turnover growth from Pick n Pay Online accelerated to 38% over the year, with a stronger range and a substantial improvement in product availability. The team is particularly pleased with the growth in demand from its "business to business" customers. The online business in the Western Cape has benefited from the dedicated picking warehouse established at the Brackenfell Hypermarket last year, and the Group will look to invest in a similar solution in the Gauteng region of South Africa, towards the end of this year.

Efficient and effective operations

The Group's Next Generation stores bring together improvements in store design, space allocation, product range, store operations, product replenishment and customer service. Following the successful launch of its first three Next Generation stores in the first half of the year, Pick n Pay added a further 20 Next Generation stores in the second half, through new stores and refurbishments. In addition, Boxer added its first three Next Generation stores during the year. The Group is encouraged by the operational efficiencies being achieved in these stores, which have improved ratios of trading space to back-up receiving and storage areas, resulting in lower stock holding and less waste.

Every product, every day

The Group added 241 suppliers to its centralised distribution channel this year, increasing the total centralisation of supply from 46% last year to 56% at February 2016. The Western Cape region, serviced by the Philippi distribution centre is at 68% centralisation (80% on groceries), with the Inland Region, serviced by the Longmeadow distribution centre at 62% (69% on groceries). The increase in centralisation has improved operating efficiency and lowered the cost per case delivered, both in groceries and perishables. Volumes issued from Pick n Pay distribution centres were up 33% on last year, contributing to a 3.4 percentage point improvement in on-shelf availability in our owned stores, which now stands at 96%. The Group's fresh distribution centre at Philippi in the Western Cape will open in September 2016, replacing its current facility next to Cape Town International Airport, which will substantially increase the fresh distribution capacity in the region.

The Group is currently looking at opportunities to grow its central distribution capacity in KwaZulu-Natal and the Eastern Cape.

Review of operations continued

A winning team

The Group created 4 500 new jobs this year, mainly through its new store opening programme. The Group increased its investment in skills development and training over the year, with 46 000 training courses reaching 40% of our staff. New management structures were implemented in all our new Next Generation stores to improve customer service and the quality and availability of fresh produce. These structures will be rolled out over time to all stores. The Group's new performance management system, introduced for senior managers last year, has been extended to all junior managers. It will ensure that staff are recognised and rewarded for making a positive difference to customers. More than 1 200 support office staff went "Back to the Shop Floor" for three days this year, refreshing their understanding of store operations and the importance of putting the customer first. Pick n Pay's commitment to building a diverse workforce was recognised by South Africa's Department of Labour at its Excellence in Employment Equity Awards, where Pick n Pay was recognised as the overall private sector winner for transformation in the workplace.

Boxer – a national brand

Boxer delivered good growth both in turnover and profit, despite the increasing economic challenges faced by its customers. Sound gross margin management and tight expense control was central to this improved performance, at a time when the business supported its customers with much needed investment in the price of basic commodities.

Boxer opened 24 new stores this year across its range of formats, including three Next Generation stores. These bring a fresh layout to stores, with a focus on strengthening the fresh meat and grocery offer. Boxer opened its first store in the Western Cape in November 2015, serviced by Pick n Pay's Philippi distribution centre. This has established Boxer as a national brand. The store, situated at Nonkqubela station, Khayelitsha has exceeded expectations and the team is confident of the opportunity to grow the Boxer brand in the region.

Rest of Africa – second engine of growth

Segmental revenue for the Rest of Africa division was up 15.9% in constant currency terms, with like-for-like revenue growth of 4.4%. Local currency weakness in Zambia had a negative impact on growth year-on-year, with reported segmental revenues up 8.8% on translation, with negative like-for-like revenue growth of 2.2%. Profit before tax for the Rest of Africa division was up 19.6% on last year.

The Rest of Africa segment result was supported by a stronger franchise performance in Botswana and Swaziland and an improved trading result from TM Supermarkets (TM) in Zimbabwe, notwithstanding the challenging trading conditions in the region. The TM result was underpinned by its ongoing refurbishment programme, with encouraging results from its rebranded Pick n Pay supermarkets. The Group has 57 supermarkets in the region, 14 of which now trade as Pick n Pay. TM was recognised with a number of awards from the Confederation of Zimbabwean Retailers during the year, including the Best Retail Branch Network and the Consumer Choice award as Zimbabwe's Supermarket of the year.

The performance of the Rest of Africa division was negatively impacted by adverse trading conditions in Zambia, reflecting the country's energy crisis, job losses in the copper mining belt, drought and a rapidly depreciating currency. Low consumer confidence resulted in slower demand over the year, although the division delivered an improved trading performance in the second half of the year.

The Group opened 14 new stores in its Rest of Africa division during the year, one in Botswana, eight in Namibia, one in Zambia and four in Zimbabwe. The Group remains confident of the long-term prospects in all of these regions and will continue to look for opportunities to grow its footprint next year, including opening its first stores in Ghana by the end of 2017.

A key part of the Group's strategy is to establish a second engine of growth in markets in the rest of Africa. The Group has examined the opportunity in Nigeria in detail, given the opportunity for long-term growth in that market. Following extensive on-the-ground market and consumer research over the past two years, the Group will partner with Nigeria Stock Exchange-listed AG Leventis to enter the Nigerian market. AG Leventis has nearly 90 years' trading experience in the country, with substantial expertise in the FMCG, motor vehicle, supply chain logistics and real estate sectors, and notable FMCG capabilities through Leventis Foods. Pick n Pay will hold 51% of the operation, which will roll out a combination of large and smaller formats to meet consumer needs in Nigeria, offering ranges tailored to local customer needs. The Group's African expansion, including its entrance into Nigeria, will continue in a deliberate, planned, and unhurried way, without putting the business under undue risk.

DETAILED FINANCIAL REVIEW

The 2016 financial statements include certain reclassifications and restatements. These had no impact on reported earnings for the current or prior period. Please refer to note 30 of the Group annual financial statements for further information.

Turnover

Group turnover at R72.4 billion, was up 8.2% on last year. On a constant currency basis, Group turnover was up 8.6% for the year, with currency weakness in operations outside South Africa impacting reported turnover growth specifically in the second half of the year. Greater business efficiency, supported by strong gross margin management, and a network of effective local suppliers enabled the Group to bear down on inflation, keeping price increases to 3.1% over the year, compared to CPI Food inflation of 5.3%.

This performance is against the back-drop of a challenging trading environment and falling consumer confidence. Customers are shopping more frequently for smaller baskets. This is reflected in an increase of 7.0% in customer transactions, at a time when the growth in basket value was 0.9%.

Gross profit

Gross profit increased by 8.6% to R12.9 billion. The gross profit margin increased by 0.1 percentage points to 17.9% of turnover, a solid margin performance at a time of significant price investment.

It has been made possible through effective margin management from all divisions in the Group. The Boxer team in particular demonstrated improved gross margin management in a tough environment, balancing substantial price investment in basic commodities with stronger participation from value-added departments such as butchery, bakery and deli.

Other trading income

Other trading income increased by 24.1% to R971.3 million.

Franchise fee income increased 7.6% to R316.7 million, supported by a net increase of 59 franchise stores and an improved franchise turnover performance.

Operating lease income increased 33.1% to R329.1 million, and at 0.5% of turnover, is 0.1 percentage points ahead of last year. The Group added a number of strategic head leases to its property portfolio, which boosted rentals received. The related operating lease expenses are included within occupancy costs.

Commissions and other income increased by 35.0% to R325.5 million, as a result of solid growth in value-added service products, including cellular, pre-paid electricity, third-party bill payments, travel, ticketing and financial services. This progress was particularly notable in view of the fact that the substantial launch commissions earned on the introduction of the sale of iTunes vouchers in the prior year were not repeated this year. Customer advocacy for these value-added services is steadily increasing, in both Pick n Pay and Boxer, and we are confident that this remains an exciting growth opportunity for the Group.

Trading expenses

Trading expenses at R12.4 billion were up 8.1%, and at 17.2% of turnover, were in line with last year. The increase in like-for-like trading expenses was contained at 5.0%, notwithstanding the increase in the cost of electricity and utilities.

Employee costs increased 6.8% to R6.1 billion, and at 8.4% of turnover, 0.1 percentage points better than last year. This improved performance has been driven by store operations, where savings are being achieved through improved productivity and efficiency. The like-for-like increase of 4.7% against an annual wage rate increase which was ahead of CPI, demonstrated real savings in hours worked. Employee costs included costs associated with the executive forfeitable share plan, R63.3 million of which were first time costs. If these costs were excluded, labour costs were up 3.7% on a like-for-like basis.

Occupancy costs at 3.2% of turnover were 0.1 percentage points up on the 3.1% of last year. The increase of 14.2% was driven by new stores, with an increase in like-for-like occupancy costs of 5.8%, in line with the annual escalation clauses of our long-term leases. The Group is focused on tighter management of occupancy costs in its negotiations with landlords and developers. Operating lease income, expressed as a percentage of turnover, was up 0.1 percentage points as a result of a number of new head leases in the Group. As such, net occupancy costs, as a percentage of turnover, were in line with last year.

Operations costs were up 8.8% on last year, at 3.9% of turnover. The like-for-like increase was 6.8%. The biggest cost drivers in this category were electricity and water, as a result of double-digit regulatory increases in electricity costs and increased water tariffs as a result of water restrictions related to the drought in large parts of South Africa. If these increases are excluded, operations costs were flat on last year. Repairs and maintenance costs were well controlled, and the increased depreciation and amortisation charge of 8.2% was due to higher levels of capital investment in the business.

Merchandising and administration costs, increased just 2.5% on last year (with like-for-like costs up 1.8%), mainly as a result of the reduction in bank interchange fees. The Group is seeing an increase in the participation of card tender, as customers move away from cash to plastic. This eroded some of the benefits from lower interchange fees. Bad debts were down R11.6 million on last year, indicating the improved health of our franchise business.

Trading profit

Trading profit increased 22.3% to R1 516.3 million. The trading profit margin improved from 1.9% to 2.1% of turnover.

Net interest

The Group continued to find savings in net interest charges, notwithstanding increases in interest rates, a substantial increase in capital expenditure compared to last year, and increased inventory levels in the short-term driven by new stores and the accelerated centralisation of supply. The improved turnover performance over the last few years, coupled with stronger working capital management, enabled the Group to repay a further R250 million of long-term debt this year.

Share of associate's income

TM Supermarkets, the Group's associate trading in Zimbabwe, delivered a substantially improved result notwithstanding a challenging trading environment. The Group's share of TM's income grew from R14.3 million last year to R45.9 million this year, with some benefit from the stronger US dollar. In constant currency terms, profit from TM Supermarkets was up 150%.

Profits and losses on capital items

The Group incurred R32.6 million of capital losses compared with a capital profit of R10.4 million in the prior year. The Group has embarked on a substantial refurbishment programme, with 40 refurbishments completed this year. As part of this process store assets were scrapped and losses incurred. This is a strategic imperative in improving the overall quality of our Estate. Profits and losses on capital items are added back when calculating headline earnings per share.

Profit before tax

Profit before tax is up 22.3% to R1 473.5 million, representing an underlying profit before tax margin improvement from 1.8% to 2.0%. Profit before tax, excluding capital items, is up 26.1% to R1 506.1 million, representing a margin improvement of from 1.8% to 2.1% of turnover.

Tax

The effective tax rate improved from 28.5% to 27.7%. The reduction is as a direct result of our improved profitability, with no corresponding change in the level of non-deductible expenditure in the Group.

Earnings per share

Basic earnings per share (EPS) – increased 22.5% from 178.79 to 219.11 cents per share.

Review of operations continued

Headline earnings per share (HEPS) – increased 26.4% from 177.26 to 224.04 cents per share.

Financial position

Sound working capital management and good control over all capital and operating spend led to stronger cash balances over the period, notwithstanding the increased capital investment over the period in respect of growing and enhancing the store estate. The Group delivered a return on capital employed of 29.3% (2015: 24.0%), while reducing its level of long-term financial gearing, with a repayment of R250.0 million of long-term debt.

Inventory

The increased inventory levels at February 2016, up 10.7%, were due to the 164 net new stores opened over the year (excluding TM Supermarkets) and the increase in the centralisation of suppliers. On a like-for-like basis, inventory is up 1.7% on last year, with the decrease in inventory provisioning reflecting the positive impact of the product category reviews and stronger assortment management, which has also improved on-shelf availability in Pick n Pay owned stores by 3.4 percentage points to 96.0%. Boxer delivered improved inventory management, notwithstanding its move to central distribution in KwaZulu-Natal and the Eastern Cape, through its new Cato Ridge distribution centre.

Trade and other receivables

Trade and other receivables increased by R389.8 million, or 13.3%, to R3 326.2 million as a result of the 59 net new franchise stores and encouraging growth in the issues to franchisees. The quality of the debtors' book has improved substantially over the last year, with the bad debts expense down R11.6 million, or 30.2%, on last year.

Cash and cash equivalents

	Sunday 28 February 2016 Rm	Sunday* 1 March 2015 Rm
Cash balances	**982.9**	1 024.5
Bank overdrafts and overnight borrowings	**(100.0)**	(500.0)
Cash and cash equivalents	**882.9**	524.5
Total borrowings	**(529.6)**	(784.3)
Net funding position	**353.3**	(259.8)

**Prior year amounts restated and/or reclassified, refer to note 30 of the Group annual financial statements.*

Funding

The net funding position was R613.1 million stronger than last year, reflecting the reduced debt levels in the Group and some positive benefit from the financial calendar cut-off at year-end. Stronger working capital management over the year mitigated the impact of the increased capital investment in the business, with net finance charges down 5.9% on last year. Group capital expenditure was R1.8 billion for the year, compared with R1.1 billion in 2015, with 83% of the investment focused on expansion and the refurbishment of existing stores. The Group will repay a further R400 million of debt in August 2016.

Shareholder distribution

The Board declared a final dividend of 125.20 cents per share, bringing the total annual dividend for the year to 149.40 cents per share and maintaining a dividend cover of 1.5 times headline earnings per share for the full year.

Good progress on our plan

This is a strong result, achieved through hard work and a determination to get better at everything we do. We are buying better, diversifying our sales through flexible formats, benefiting from greater centralisation of our supply chain, bearing down on costs, and improving our efficiency. We have improved our trading profit margin and delivered another substantive improvement in profits. We are making real progress on our turnaround plan and our aim to restore Pick n Pay to long-term sustainable growth. We would like to acknowledge the hard work of our team, who are not only committed to building a prosperous business, but who continue to uphold the special values that make Pick n Pay such a loved brand in South Africa.

Gareth Ackerman
Chairman

Richard Brasher
Chief Executive Officer

25 April 2016

Pick n Pay Holdings Group

Directors' responsibility statement

PICK N PAY HOLDINGS LIMITED RF 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 Holdings Limited RF, comprising the statements of financial position at 28 February 2016, and the statements of comprehensive income, changes in equity and cash flows for the period then ended, and the notes to the 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 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 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 foreseeable future.

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

APPROVAL OF GROUP ANNUAL FINANCIAL STATEMENTS AND COMPANY ANNUAL FINANCIAL STATEMENTS

The Group annual financial statements and Company annual financial statements of Pick n Pay Holdings Limited RF, as identified in the first paragraph, were approved by the Board of directors on 25 April 2016 and signed by:

Raymond Ackerman
Chairman

25 April 2016

Pick n Pay Holdings Group

Company Secretary's certificate

PICK N PAY HOLDINGS LIMITED RF AND ITS SUBSIDIARIES

In my capacity as Company Secretary, I certify that for the period ended 28 February 2016, Pick n Pay Holdings Limited RF has filed all returns and notices as required for a public 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

25 April 2016

Directors' report

for the period ended 28 February 2016

PICK N PAY HOLDINGS LIMITED RF AND ITS SUBSIDIARIES

Nature of business

The Company, which is domiciled and incorporated in the Republic of South Africa and listed on the JSE, the recognised securities exchange in South Africa, was formed with the sole purpose of holding a controlling interest in Pick n Pay Stores Limited. The Company is entitled to redistribute any dividend received from Pick n Pay Stores Limited.

Overview of financial results and activities

Refer to the review of operations on page 18 for an overview of financial results and activities of the Group.

Audit committee

We draw your attention to the audit committee report on page 17 where we set out the responsibilities of the committee and how it has discharged these responsibilities during the period.

Share value

The directors consider that the ratio of the dividend declared per share for the period of Pick n Pay Holdings Limited RF of 72.25 cents, to that of Pick n Pay Stores Limited, 149.40 cents, determines the relative value of a Pick n Pay Holdings Limited RF share, which, based on these figures, is 48.4% (2015: 48.5%) of a Pick n Pay Stores Limited share.

Dividends declared

The directors have declared a final dividend (dividend 69) of 60.65 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 15%, for shareholders who are not exempt from dividend withholding tax. The last day to trade in order to participate in the dividend (CUM dividend) will be Friday, 3 June 2016. The shares will trade ex-dividend from the commencement of business on Monday, 6 June 2016 and the record date will be Friday, 10 June 2016. The dividends will be paid on Monday, 13 June 2016. Refer to note 8 of the Group annual financial statements for a detailed analysis.

Investment

The Company's sole asset is its 52.7% (2015: 52.8%) direct shareholding in its subsidiary, Pick n Pay Stores Limited, and its only source of income is the dividend received from Pick n Pay Stores Limited. After taking into account the Pick n Pay Stores Limited treasury shares held by the Pick n Pay Stores Group, the Company's effective holding in Pick n Pay Stores Limited at period end is 53.7% (2015: 53.8%).

Share capital

The issued ordinary share capital remained unchanged during the period at 527 249 082 shares.

At period end, 11 129 324 shares (2015: 11 106 487 shares) of Pick n Pay Holdings Limited RF, were held within the Group. These shares are held to settle obligations of share options granted under the Group's employee share scheme.

Going concern

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

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, consider that the presentation of the annual 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 2016 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 Pick n Pay Group of Companies, nor is the Company aware of any such proceedings that are pending or threatened.

Special resolutions

On 27 July 2015 the Company's shareholders approved the following special resolutions as tabled in the notice to the annual general meeting:

Directors' fees for the 2017 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 related or inter-related company on such terms and conditions as determined by the Board.

Directors' report continued

for the period ended 28 February 2016

General approval to repurchase Company shares
Shareholders resolved that the Company or any of its subsidiaries may acquire issued shares of the Company or its listed subsidiary 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 the 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 2016 financial year.

In terms of the Company's Memorandum of Incorporation, the directors listed below retire by rotation and they offer themselves for re-election:
Gareth Ackerman (non-executive)
Hugh Herman (non-executive)
David Robbins (alternate director)
Suzanne Ackerman-Berman (alternate director)
Jonathan Ackerman (alternate director)

Directors' interest in shares

	2016 %	2015 %
Beneficial	**2.0**	0.9
Non-beneficial	**49.6**	50.6
Total	**51.6**	51.5

The directors' interest in shares is their effective direct shareholding in the Company, excluding treasury shares. For further details refer to note 4 of the Group annual financial statements.

The Company Secretary is Debra Muller.

Subsidiary companies
Details of key subsidiary companies are presented in note 27 of the Group annual financial statements.

Borrowings
The Group's overall level of debt (including bank overdrafts and overnight borrowings) decreased from R1 284.3 million to R629.6 million during the period.

Independent auditor's report

for the period ended 28 February 2016

TO THE SHAREHOLDERS OF PICK N PAY HOLDINGS LIMITED RF

We have audited the consolidated and separate financial statements of Pick n Pay Holdings Limited RF set out on pages 24 to 103, which comprise the statements of financial position as at 28 February 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The company's directors are responsible for the preparation and fair presentation of these 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 Holdings Limited RF as at 28 February 2016, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 28 February 2016, we have read the directors' report, the audit committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

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 Holdings Limited RF for one year.

Ernst + Young Inc.

Ernst & Young Inc.
Director: Malcolm Rapson
Registered Auditor
Chartered Accountant (SA)

35 Lower Long Street
Cape Town

25 April 2016

Audit committee report

The audit committee is a statutory committee, required by the Companies Act, and functions within a charter approved by the board. The committee members were confirmed for appointment at the AGM on 27 July 2015.

ROLE OF THE COMMITTEE

The audit committee has an independent role with accountability to both 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.

COMPOSITION OF THE COMMITTEE

The committee was chaired by and comprised 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 appointed by shareholders at the annual general meeting.

The committee has a charter which is reviewed and approved by the Board annually.

MEETINGS AND ACTIVITIES

The committee's main responsibilities were discharged by the audit and risk committee elected for Pick n Pay Stores Limited.

Members	Attendance	Activities 2016
Rene de Wet (Chairman)	2/2	• Reviewed and recommended the half-year and full-year financial results, annual financial statements and integrated annual report to the Board for approval • Reviewed and approved the accounting and disclosure policies • Received and reviewed the report from the audit and risk committee of Pick n Pay Stores Limited • Assessed the carrying value of the Company's investment in Pick n Pay Stores Limited • Discharged all audit committee responsibilities to all the subsidiary companies within the Group • Received and reviewed reports from both the internal and external auditors • Conducted a comprehensive tender process to establish which audit firm should be appointed as external auditor, following which recommended the appointment of Ernst & Young Inc. to shareholders for election at the 2015 AGM • 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
Hugh Herman	2/2	
Jeff van Rooyen	2/2	

INDEPENDENCE OF EXTERNAL AUDITORS

The committee was satisfied as to the independence of the Group's external auditors, Ernst & Young Inc. and its respective audit partners.

POLICY ON NON-AUDIT SERVICES

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

EXPERTISE AND EXPERIENCE OF CHIEF FINANCE OFFICER AND FINANCE FUNCTION

The committee 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 COMMITTEE REPORT

The committee confirms that it functioned in accordance with its charter for the 2016 financial year and that its report to shareholders was approved by the Board.

The committee confirmed its satisfaction with the performance and level of service rendered by the external auditor, Ernst & Young Inc., for the 2016 financial year.

Rene de Wet

Rene de Wet
Chairman: audit committee

25 April 2016

Review of operations

Key financial indicators

	52 weeks 28 February 2016	52 weeks** 1 March 2015	% change
Turnover	**R72.4 billion**	R66.9 billion	8.2
Gross profit margin	**17.9%**	17.8%	
Other trading income	**R971.3 million**	R782.9 million	24.1
Trading expenses margin	**17.2%**	17.2%	
Trading profit	**R1 513.8 million**	R1 238.6 million	22.2
Trading profit margin	**2.1%**	1.9%	
Profit before tax	**R1 471.1 million**	R1 203.7 million	22.2
Profit before tax margin	**2.0%**	1.8%	
Profit for the period	**R1 063.0 million**	R860.2 million	23.6
Basic earnings per share	**108.78 cents**	88.78 cents	22.5
Headline earnings per share*	**111.24 cents**	88.01 cents	26.4
Total annual dividend per share	**72.25 cents**	57.25 cents	26.2

* *HEPS excludes capital profits and losses on the disposal and impairment of assets, which accounts for the difference in the year-on-year increase between HEPS and basic EPS.*

***Prior year amounts restated and/or reclassified, refer to note 30 of the Group annual financial statements.*

RESULT SUMMARY

The Group delivered a good performance in 2016. The strongest turnover growth since 2010, an improved gross profit margin, sound expense control and greater operating efficiency all contributed to a further increase in underlying trading margin. The 26.4% increase in headline earnings per share reflects improvement across the business, and progress in executing the Group's three-stage turnaround strategy.

Group turnover growth of 8.2% for the year is a significant improvement on the 6.1% delivered in 2015. Both like-for-like turnover growth at 3.8% (2015: 3.6%) and the contribution from new stores of 4.4% (2015: 2.5%) were stronger than in the previous year. On a constant currency basis, the top-line momentum achieved by the Group in the first half of the financial year was largely maintained in the second half, with Group turnover increasing 8.6%, and like-for-like growth of 4.1%.

In an increasingly challenging economic environment in South Africa, a sustained drought, weaker rand, accelerating food inflation, higher interest rates and increasing costs of energy and other utilities have placed added pressure on consumers. The Group has continued to support customers through meaningful price investment, restricting its selling price inflation to 3.1% over the year, below CPI Food inflation of 5.3%.

Gross profit margin improved from 17.8% to 17.9% through further operational efficiency and cost effectiveness across the procurement and supply chain channel.

The 24.1% increase in other trading income demonstrates the Group's commitment to broadening and improving its customer offer. Income from value-added services and other commissions increased by 35.0%.

Tighter control over capital and overhead expenditure remains a key priority. The like-for-like increase in trading expenses was contained at 5.0%, notwithstanding above-inflation increases in electricity, utility and security costs.

Effective working capital management and stronger cash balances over the year contributed to the 6.0% reduction in net finance charges, despite rising interest rates and increased capital expenditure on opening and refurbishing stores, which had an impact in the second half of the year.

The result achieved in 2016 reflects the core principle of the Group's long-term strategic plan that its turnaround must be customer-led as well as cost driven. The underlying improvement in the trading profit margin from 1.9% in 2015 to 2.1% in 2016 demonstrates that Stage 2 of its plan – Changing the Trajectory of Pick n Pay – is delivering.

OPERATIONAL REVIEW

We measure our progress over the year against the Group's seven strategic business acceleration pillars:

Better for customers

Progress achieved by the Group in improving the customer shopping experience resulted in positive like-for-like volume growth for the first time in a number of years.

The Group continued to deliver on its commitment to competitive prices and promotions, doubling the size of its Brand Match campaign to include 2 000 branded-products, strengthening its Smart Shopper loyalty programme and running a number of strong promotions, including a successful 48th Birthday promotion, a fun and engaging Stikeez campaign, and a "Black Friday" campaign which delivered the strongest trading day in the Group's history.

Brand Match continues to build confidence in the keenness of our pricing, with a high percentage of zero and low value coupons issued to customers. An increase in the proportion of coupons actually redeemed indicates the growing appeal of the Brand Match programme in difficult economic times.

Smart Shopper is South Africa's favourite loyalty programme (*Sunday Times* Top Brands Awards) and with 10.7 million Smart Shoppers, a Smart Shopper card is swiped over 725 000 times a day in our stores. The Group rewarded its loyal Smart Shoppers with more savings than ever before, with 7.2 million personalised vouchers redeemed under the "Just for You" campaign. In addition, we increased the size of our "Instant Savings" campaign, enabling customers to earn an instant 10% savings off hundreds of products in-store and added a number of new and exciting partners to our "Partner Programme".

The Group strengthened and streamlined its product range by completing its programme of product category reviews, and implementing detailed planograms to display products on shelf more effectively and consistently. This has improved replenishment and product availability.

The Group is expanding, improving and refreshing its private label range. More than 250 new products were introduced this year, with a focus on convenient, pre-prepared value-added products. More than 650 products were re-launched with newly designed packaging. Our Next Generation stores feature expanded private label ranges and have grown participation of these products.

Both Pick n Pay and Boxer delivered double digit growth in sales of value-added services, with income from pre-paid electricity sales and third-party bill payments up 57%, and income from financial services up 42%.

A flexible and winning estate

The Group continued its programme to improve the breadth and quality of its store estate. It opened 175 new stores, contributing 4.4% to turnover growth. It refurbished 40 stores, including 28 in the second half of the year. In a number of cases, new stores brought Pick n Pay or Boxer to communities for the first time. These included Emoyeni in the North West, Hoopstad in the Free State, Sedgefield in the Eastern Cape and Sebokeng in Gauteng.

Customers are increasingly seeking convenience through smaller stores, neighbourhood locations, value-added products and more flexible opening hours. The Group is focused on growth in this market, and opened 46 new convenience stores in the year under the Pick n Pay Local and Express formats.

An increasingly centralised supply chain and lower cost operating model is expanding the range of locations in which the Group can successfully operate its convenience formats, which now numbers more than 100 stores across the Group.

Improving the performance of the Hypermarket division remains a key priority for the Group. Our refurbished hypermarket stores are delivering stronger sales from less space, and are finding innovative alternative uses for freed-up space, including through rentals to other operators and conversion of space to other uses such as fulfilment of online grocery orders.

The Group opened 33 clothing stores and 55 new liquor stores over the year, both on an owned and franchise basis. These divisions are becoming increasingly strong profit contributors to the Group, particularly our clothing division which is delighting customers with high-quality clothing for the whole family at exceptional value.

Pick n Pay added 59 net new franchise stores over the year, building on the leading franchise model in South Africa. Our franchise operation provides exceptional opportunities for entrepreneurs to create and build successful businesses. Our franchise partners are a valued part of the Group, enhancing the scale, expertise and passion of our business. Issues to franchisees increased over the year and bad debts were reduced.

In February 2016, in partnership with the Gauteng Administration, the Group piloted its first "Spaza-to-Store" conversion in Diepkloof Soweto. The project has given an existing spaza shop owner access to Pick n Pay's merchandise, business systems, supply chain and distribution network, together with management advice and mentoring. This is a pilot programme in its early stages, but has the potential to be another route through which small traders can become fully fledged entrepreneurs.

Turnover growth from Pick n Pay Online accelerated to 38% over the year, with a stronger range and a substantial improvement in product availability. The team is particularly pleased with the growth in demand from its "business to business" customers. The online business in the Western Cape has benefited from the dedicated picking warehouse established at the Brackenfell Hypermarket last year, and the Group will look to invest in a similar solution in the Gauteng region of South Africa, towards the end of this year.

Efficient and effective operations

The Group's Next Generation stores bring together improvements in store design, space allocation, product range, store operations, product replenishment and customer service. Following the successful launch of its first three Next Generation stores in the first half of the year, Pick n Pay added a further 20 Next Generation stores in the second half, through new stores and refurbishments. In addition, Boxer added its first three Next Generation stores during the year. The Group is encouraged by the operational efficiencies being achieved in these stores, which have improved ratios of trading space to back-up receiving and storage areas, resulting in lower stock holding and less waste.

Every product, every day

The Group added 241 suppliers to its centralised distribution channel this year, increasing the total centralisation of supply from 46% last year to 56% at February 2016. The Western Cape region, serviced by the Philippi distribution centre is at 68% centralisation (80% on groceries), with the Inland Region, serviced by the Longmeadow distribution centre at 62% (69% on groceries). The increase in centralisation has improved operating efficiency and lowered the cost per case delivered, both in groceries and perishables. Volumes issued from Pick n Pay distribution centres were up 33% on last year, contributing to a 3.4 percentage point improvement in on-shelf availability in our owned stores, which now stands at 96%. The Group's fresh distribution centre at Philippi in the Western Cape will open in September 2016, replacing its current facility next to Cape Town International Airport, which will substantially increase the fresh distribution capacity in the region.

The Group is currently looking at opportunities to grow its central distribution capacity in KwaZulu-Natal and the Eastern Cape.

A winning team

The Group created 4 500 new jobs this year, mainly through its new store opening programme. The Group increased its investment in skills development and training over the year, with 46 000 training courses reaching 40% of our staff. New management structures were implemented in all our new Next Generation stores to improve customer service and the quality and availability of fresh produce. These structures will be rolled out over time to all stores. The Group's new performance management system, introduced for senior managers last year, has been extended to all junior managers. It will ensure that staff are recognised and rewarded for making a positive difference to customers. More than 1 200 support office staff went "Back to the Shop Floor" for three days this year, refreshing their understanding of store operations and the importance of putting the customer first. Pick n Pay's commitment to building a diverse workforce was recognised by South Africa's Department of Labour at its Excellence in Employment Equity Awards, where Pick n Pay was recognised as the overall private sector winner for transformation in the workplace.

Boxer – a national brand

Boxer delivered good growth both in turnover and profit, despite the increasing economic challenges faced by its customers. Sound gross margin management and tight expense control was central to this improved performance, at a time when the business supported its customers with much needed investment in the price of basic commodities.

Boxer opened 24 new stores this year across its range of formats, including three Next Generation stores. These bring a fresh layout to stores, with a focus on strengthening the fresh meat and grocery offer. Boxer opened its first store in the Western Cape in November 2015, serviced by Pick n Pay's Philippi distribution centre. This has established Boxer as a national brand. The store, situated at Nonkqubela station, Khayelitsha, has exceeded expectations and the team is confident of the opportunity to grow the Boxer brand in the region.

Rest of Africa – second engine of growth

Segmental revenue for the Rest of Africa division was up 15.9% in constant currency terms, with like-for-like revenue growth of 4.4%. Local currency weakness in Zambia had a negative impact on growth year-on-year, with reported segmental revenues up 8.8% on translation, with negative like-for-like revenue growth of 2.2%. Profit before tax for the Rest of Africa division was up 19.6% on last year.

The Rest of Africa segment result was supported by a stronger franchise performance in Botswana and Swaziland and an improved trading result from TM Supermarkets (TM) in Zimbabwe, notwithstanding the challenging trading conditions in the region. The TM result was underpinned by its ongoing refurbishment programme, with encouraging results from its rebranded Pick n Pay supermarkets. The Group has 57 supermarkets in the region, 14 of which now trade as Pick n Pay. TM was recognised with a number of awards from the Confederation of Zimbabwean Retailers during the year, including the Best Retail Branch Network and the Consumer Choice award as Zimbabwe's Supermarket of the year.

The performance of the Rest of Africa division was negatively impacted by adverse trading conditions in Zambia, reflecting the country's energy crisis, job losses in the copper mining belt, drought and a rapidly depreciating currency. Low consumer confidence resulted in slower demand over the year, although the division delivered an improved trading performance in the second half of the year.

The Group opened 14 new stores in its Rest of Africa division during the year, one in Botswana, eight in Namibia, one in Zambia and four in Zimbabwe. The Group remains confident of the long-term prospects in all of these regions and will continue to look for opportunities to grow its footprint next year, including opening its first stores in Ghana by the end of 2017.

A key part of the Group's strategy is to establish a second engine of growth in markets in the rest of Africa. The Group has examined the opportunity in Nigeria in detail, given the opportunity for long-term growth in that market. Following extensive on-the-ground market and consumer research over the past two years, the Group will partner with Nigeria Stock Exchange-listed AG Leventis to enter the Nigerian market. AG Leventis has nearly 90 years' trading experience in the country, with substantial expertise in the FMCG, motor vehicle, supply chain logistics and real estate sectors, and notable FMCG capabilities through Leventis Foods. Pick n Pay will hold 51% of the operation which will roll out a combination of large and smaller formats to meet consumer needs in Nigeria, offering ranges tailored to local customer needs. The Group's African expansion, including its entrance into Nigeria, will continue in a deliberate, planned, and unhurried way, without putting the business under undue risk.

DETAILED FINANCIAL REVIEW

The 2016 financial statements include certain reclassifications and restatements. These had no impact on reported earnings for the current or prior period. Please refer to note 30 of the Group annual financial statements for further information.

Turnover

Group turnover at R72.4 billion, was up 8.2% on last year. On a constant currency basis, Group turnover was up 8.6% for the year, with currency weakness in operations outside South Africa impacting reported turnover growth specifically in the second half of the year. Greater business efficiency, supported by strong gross margin management, and a network of effective local suppliers enabled the Group to bear down on inflation, keeping price increases to 3.1% over the year, compared to CPI Food inflation of 5.3%.

This performance is against the back-drop of a challenging trading environment and falling consumer confidence. Customers are shopping more frequently for smaller baskets. This is reflected in an increase of 7.0% in customer transactions, at a time when the growth in basket value was 0.9%.

Gross profit

Gross profit increased by 8.6% to R12.9 billion. The gross profit margin increased by 0.1 percentage points to 17.9% of turnover, a solid margin performance at a time of significant price investment. It has been made possible through effective margin management from all divisions in the Group. The Boxer team in particular demonstrated improved gross margin management in a tough environment, balancing substantial price investment in basic commodities with stronger participation from value-added departments such as butchery, bakery and deli.

Other trading income

Other trading income increased by 24.1% to R971.3 million.

Review of operations continued

Franchise fee income increased 7.6% to R316.7 million, supported by a net increase of 59 franchise stores and an improved franchise turnover performance.

Operating lease income increased 33.1% to R329.1 million, and at 0.5% of turnover, is 0.1 percentage points ahead of last year. The Group added a number of strategic head leases to its property portfolio, which boosted rentals received. The related operating lease expenses are included within occupancy costs.

Commissions and other income increased by 35.0% to R325.5 million, as a result of solid growth in value-added service products, including cellular, pre-paid electricity, third-party bill payments, travel, ticketing and financial services.

This progress was particularly notable in view of the fact that the substantial launch commissions earned on the introduction of the sale of iTunes vouchers in the prior year were not repeated this year. Customer advocacy for these value-added services is steadily increasing, in both Pick n Pay and Boxer, and we are confident that this remains an exciting growth opportunity for the Group.

Trading expenses

Trading expenses at R12.4 billion were up 8.2%, and at 17.2% of turnover, were in line with last year. The increase in like-for-like trading expenses was contained at 5.0%, notwithstanding the increase in the cost of electricity and utilities.

Employee costs increased 7.1% to R6.1 billion, and at 8.4% of turnover, were in line with last year. This improved performance has been driven by store operations, where savings are being achieved through improved productivity and efficiency. The like-for-like increase of 4.7% against an annual wage rate increase which was ahead of CPI, demonstrated real savings in hours worked. Employee costs included costs associated with the executive forfeitable share plan, R63.3 million of which were first time costs. If these costs were excluded, labour costs were up 3.7% on a like-for-like basis.

Occupancy costs at 3.2% of turnover were 0.1 percentage points up on the 3.1% of last year. The increase of 14.2% was driven by new stores, with an increase in like-for-like occupancy costs of 5.8%, in line with the annual escalation clauses of our long-term leases. The Group is focused on tighter management of occupancy costs in its negotiations with landlords and developers. Operating lease income, expressed as a percentage of turnover, was up 0.1 percentage points as a result of a number of new head leases in the Group. As such, net occupancy costs, as a percentage of turnover, were in line with last year.

Operations costs were up 8.8% on last year, at 3.9% of turnover. The like-for-like increase was 6.8%. The biggest cost drivers in this category were electricity and water, as a result of double-digit regulatory increases in electricity costs and increased water tariffs as a result of water restrictions related to the drought in large parts of South Africa. If these increases are excluded, operations costs were flat on last year. Repairs and maintenance costs were well controlled, and the increased depreciation and amortisation charge of 8.2% was due to higher levels of capital investment in the business.

Merchandising and administration costs, increased just 1.3% on last year (with like-for-like costs up 1.8%), mainly as a result of the reduction in bank interchange fees. The Group is seeing an increase in the participation of card tender, as customers move away from cash to plastic. This eroded some of the benefits from lower interchange fees. Bad debts were down R11.6 million on last year, indicating the improved health of our franchise business.

Trading profit

Trading profit increased 22.2% to R1 513.8 million. The trading profit margin improved from 1.9% to 2.1% of turnover.

Net interest

The Group continued to find savings in net interest charges, notwithstanding increases in interest rates, a substantial increase in capital expenditure compared to last year, and increased inventory levels in the short-term driven by new stores and the accelerated centralisation of supply. The improved turnover performance over the last few years, coupled with stronger working capital management, enabled the Group to repay a further R250 million of long-term debt this year.

Share of associate's income

TM Supermarkets, the Group's associate trading in Zimbabwe, delivered a substantively improved result notwithstanding a challenging trading environment. The Group's share of TM's income grew from R14.3 million last year to R45.9 million this year, with some benefit from the stronger US dollar. In constant currency terms, profit from TM supermarkets was up 150%.

Profits and losses on capital items

The Group incurred R32.6 million of capital losses compared with a capital profit of R10.4 million in the prior year. The Group has embarked on a substantial refurbishment programme, with 40 refurbishments completed this year. As part of this process, store assets were scrapped and losses incurred. This is a strategic imperative in improving the overall quality of our Estate. Profits and losses on capital items are added back when calculating headline earnings per share.

Profit before tax

Profit before tax is up 22.2% to R1 471.1 million, representing an underlying profit before tax margin improvement from 1.8% to 2.0%. Profit before tax, excluding capital items, is up 26.0% to R1 503.7 million, representing a margin improvement of from 1.8% to 2.1% of turnover.

Tax

The effective tax rate improved from 28.5% to 27.7%. The reduction is as a direct result of our improved profitability, with no corresponding change in the level of non-deductible expenditure in the Group.

Earnings per share

Basic earnings per share (EPS) – increased 22.5% from 88.78 to 108.78 cents per share.

Headline earnings per share (HEPS) – increased 26.4% from 88.01 to 111.24 cents per share.

Review of operations continued

Financial position

Sound working capital management and good control over all capital and operating spend led to stronger cash balances over the period, notwithstanding the increased capital investment over the period in respect of growing and enhancing the store estate. The Group delivered a return on capital employed of 30.6% (2015: 22.6%), while reducing its level of long-term financial gearing, with a repayment of R250.0 million of long-term debt.

Inventory

The increased inventory levels at February 2016, up 10.7%, were due to the 164 net new stores opened over the year (excluding TM Supermarkets) and the increase in the centralisation of suppliers. On a like-for-like basis, inventory is up 1.7% on last year, with the decrease in inventory provisioning reflecting the positive impact of the product category reviews and stronger assortment management, which has also improved on-shelf availability in Pick n Pay owned stores by 3.4 percentage points to 96.0%. Boxer delivered improved inventory management, notwithstanding its move to central distribution in KwaZulu-Natal and the Eastern Cape, through its new Cato Ridge distribution centre.

Trade and other receivables

Trade and other receivables increased by R389.8 million, or 13.3%, to R3 326.2 million as a result of the 59 net new franchise stores and encouraging growth in the issues to franchisees. The quality of the debtors' book has improved substantially over the last year, with the bad debts expense down R11.6 million, or 30.2%, on last year.

Cash and cash equivalents

	Sunday 28 February 2016 Rm	Sunday* 1 March 2015 Rm
Cash balances	**984.2**	1 025.3
Bank overdrafts and overnight borrowings	**(100.0)**	(500.0)
Cash and cash equivalents	**884.2**	525.3
Total borrowings	**(529.6)**	(784.3)
Net funding position	**354.6**	(259.0)

**Prior year amounts restated and/or reclassified, refer to note 30 of the Group annual financial statements.*

Funding

The net funding position was R613.6 million stronger than last year, reflecting the reduced debt levels in the Group and some positive benefit from the financial calendar cut-off at year-end. Stronger working capital management over the year mitigated the impact of the increased capital investment in the business, with net finance charges down 6.0% on last year. Group capital expenditure was R1.8 billion for the year, compared with R1.1 billion in 2015, with 83% of the investment focused on expansion and the refurbishment of existing stores. The Group will repay a further R400 million of debt in August 2016.

Shareholder distribution

The Board declared a final dividend of 60.65 cents per share, bringing the total annual dividend for the year to 72.25 cents per share.

Good progress on our plan

This is a strong result, achieved through hard work and a determination to get better at everything we do. We are buying better, diversifying our sales through flexible formats, benefiting from greater centralisation of our supply chain, bearing down on costs, and improving our efficiency. We have improved our trading profit margin and delivered another substantive improvement in profits. We are making real progress on our turnaround plan and our aim to restore Pick n Pay to long-term sustainable growth. We would like to acknowledge the hard work of our team, who are not only committed to building a prosperous business, but who continue to uphold the special values that make Pick n Pay such a loved brand in South Africa.

Raymond Ackerman
Chairman

25 April 2016

Dividend declarations

Pick n Pay Stores Limited – Tax reference number: 9275/141/71/2
Number of shares in issue: 488 450 321

Notice is hereby given that the directors have declared a final gross dividend (number 96) of 125.20 cents per share out of income reserves.

The dividend declared is subject to dividend withholding tax at 15%.

The tax payable is 18.78000 cents per share, leaving shareholders who are not exempt from dividends tax with a net dividend of 106.42000 cents per share.

DIVIDEND DATES
The last day of trade in order to participate in the dividend (CUM dividend) will be Friday, 3 June 2016.

The shares will trade EX dividend from the commencement of business on Monday, 6 June 2016 and the record date will be Friday, 10 June 2016. The dividends will be paid on Monday, 13 June 2016.

Share certificates may not be dematerialised or rematerialised between Monday, 6 June 2016 and Friday, 10 June 2016, both dates inclusive.

Pick n Pay Holdings Limited RF – Tax reference number: 9050/141/71/3
Number of shares in issue: 527 249 082

Notice is hereby given that the directors have declared a final gross dividend (number 69) of 60.65 cents per share out of income reserves.

The dividend declared is subject to dividend withholding tax at 15%.

The tax payable is 9.09750 cents per share, leaving shareholders who are not exempt from dividends tax with a net dividend of 51.55250 cents per share.

DIVIDEND DATES
The last day of trade in order to participate in the dividend (CUM dividend) will be Friday, 3 June 2016.

The shares will trade EX dividend from the commencement of business on Monday, 6 June 2016 and the record date will be Friday, 10 June 2016. The dividends will be paid on Monday, 13 June 2016.

Share certificates may not be dematerialised or rematerialised between Monday, 6 June 2016 and Friday, 10 June 2016, both dates inclusive.

On behalf of the Board of directors

Debbie Muller
Company Secretary

25 April 2016

Statements of comprehensive income

for the period ended

	Note	Pick n Pay Stores Group 52 weeks 28 February 2016 Rm	Pick n Pay Stores Group Restated* 52 weeks 1 March 2015 Rm	Pick n Pay Holdings Group 52 weeks 28 February 2016 Rm	Pick n Pay Holdings Group Restated* 52 weeks 1 March 2015 Rm
Revenue	2	**73 477.3**	67 783.1	**73 477.4**	67 783.1
Turnover	2	**72 445.1**	66 940.8	**72 445.1**	66 940.8
Cost of merchandise sold		**(59 474.8)**	(54 994.3)	**(59 474.8)**	(54 994.3)
Gross profit		**12 970.3**	11 946.5	**12 970.3**	11 946.5
Other trading income	2	**971.3**	782.9	**971.3**	782.9
Trading expenses		**(12 425.3)**	(11 489.3)	**(12 427.8)**	(11 490.8)
Employee costs	3	**(6 060.6)**	(5 672.9)	**(6 056.6)**	(5 653.9)
Occupancy		**(2 337.6)**	(2 047.6)	**(2 337.6)**	(2 047.6)
Operations		**(2 848.1)**	(2 618.8)	**(2 848.1)**	(2 618.8)
Merchandising and administration		**(1 179.0)**	(1 150.0)	**(1 185.5)**	(1 170.5)
Trading profit		**1 516.3**	1 240.1	**1 513.8**	1 238.6
(Loss)/profit on sale of property, plant and equipment		**(24.0)**	10.4	**(24.0)**	10.4
Impairment loss on intangible assets	9	**(8.6)**	—	**(8.6)**	—
Finance income	2	**60.9**	59.4	**61.0**	59.4
Finance costs	3	**(117.0)**	(119.0)	**(117.0)**	(119.0)
Share of associate's income	14	**45.9**	14.3	**45.9**	14.3
Profit before tax	3	**1 473.5**	1 205.2	**1 471.1**	1 203.7
Tax	6	**(408.1)**	(343.5)	**(408.1)**	(343.5)
Profit for the period		**1 065.4**	861.7	**1 063.0**	860.2
Other comprehensive income, net of tax					
Items that will not be reclassified to profit or loss		**14.8**	33.0	**14.8**	33.0
Remeasurement in retirement scheme assets	22	**20.5**	45.9	**20.5**	45.9
Tax on remeasurement in retirement scheme assets		**(5.7)**	(12.9)	**(5.7)**	(12.9)
Items that may be reclassified to profit or loss		**59.4**	(7.2)	**58.1**	(11.4)
Foreign currency translations		**58.1**	(11.4)	**58.1**	(11.4)
Fair value gain on available-for-sale financial instruments		**1.3**	4.2	**—**	—
Total comprehensive income for the period		**1 139.6**	887.5	**1 135.9**	881.8
Profit for the period attributable to:		**1 065.4**	861.7	**1 063.0**	860.2
Owners of the Company		**1 065.4**	861.7	**570.2**	461.8
Non-controlling interest		**—**	—	**492.8**	398.4
Total comprehensive income for the period attributable to:		**1 139.6**	887.5	**1 135.9**	881.8
Owners of the Company		**1 139.6**	887.5	**609.4**	473.4
Non-controlling interest		**—**	—	**526.5**	408.4
Earnings per share		**Cents**	Cents	**Cents**	Cents
Basic	7	**219.11**	178.79	**108.78**	88.78
Diluted	7	**215.05**	176.24	**105.36**	86.54

** Prior year amounts restated and/or reclassified, refer to note 30.*

Statements of financial position

	Note	Pick n Pay Stores Group As at 28 February 2016 Rm	Restated* As at 1 March 2015 Rm	Restated* As at 2 March 2014 Rm	Pick n Pay Holdings Group As at 28 February 2016 Rm	Restated* As at 1 March 2015 Rm	Restated* As at 2 March 2014 Rm
ASSETS							
Non-current assets							
Property, plant and equipment	10	**4 950.9**	4 187.0	4 039.3	**4 950.9**	4 187.0	4 039.3
Intangible assets	9	**1 004.9**	1 010.2	987.6	**1 004.9**	1 010.2	987.6
Operating lease assets	11	**171.6**	149.8	132.8	**171.6**	149.8	132.8
Financial assets at fair value through profit or loss	28	**232.1**	245.0	212.2	**13.6**	33.5	23.3
Available-for-sale financial instruments	28	**46.4**	42.2	38.0	**—**	—	—
Investment in associate	14	**285.5**	180.2	165.9	**285.5**	180.2	165.9
Participation in export partnerships	12	**14.1**	23.4	25.1	**14.1**	23.4	25.1
Loans	15	**96.4**	100.6	92.0	**96.4**	100.6	92.0
Retirement scheme assets	22	**90.8**	70.1	85.1	**90.8**	70.1	85.1
Deferred tax assets	13	**225.1**	198.8	212.1	**225.1**	198.8	212.1
		7 117.8	6 207.3	5 990.1	**6 852.9**	5 953.6	5 763.2
Current assets							
Inventory	16	**5 152.0**	4 654.5	3 979.8	**5 152.0**	4 654.5	3 979.8
Trade and other receivables	17	**3 326.2**	2 936.4	2 821.9	**3 326.2**	2 936.4	2 821.9
Cash and cash equivalents	18	**982.9**	1 024.5	1 334.2	**984.2**	1 025.3	1 334.2
Derivative financial instruments	28	**6.0**	1.4	3.5	**6.0**	1.4	3.5
		9 467.1	8 616.8	8 139.4	**9 468.4**	8 617.6	8 139.4
Total assets		**16 584.9**	14 824.1	14 129.5	**16 321.3**	14 571.2	13 902.6
EQUITY AND LIABILITIES							
Equity							
Share capital	19	**6.0**	6.0	6.0	**6.6**	6.6	6.6
Share premium		**—**	—	—	**120.8**	120.8	120.8
Treasury shares	20	**(63.5)**	(60.1)	(50.4)	**(121.5)**	(109.0)	(95.3)
Fair value reserve		**32.5**	31.2	27.0	**—**	—	—
Retained earnings		**3 882.9**	3 302.9	2 847.9	**1 932.5**	1 619.3	1 377.3
Foreign currency translation reserve		**39.9**	(18.2)	(6.8)	**21.4**	(9.8)	(3.6)
Attributable to owners of the Company		**3 897.8**	3 261.8	2 823.7	**1 959.8**	1 627.9	1 405.8
Non-controlling interest	29	**—**	—	—	**1 794.7**	1 499.2	1 290.6
Total equity		**3 897.8**	3 261.8	2 823.7	**3 754.5**	3 127.1	2 696.4
Non-current liabilities							
Borrowings	21	**83.0**	492.8	747.1	**83.0**	492.8	747.1
Operating lease liabilities	11	**1 239.6**	1 138.5	1 042.7	**1 239.6**	1 138.5	1 042.7
Deferred tax liabilities	13	**9.5**	—	—	**9.5**	—	—
		1 332.1	1 631.3	1 789.8	**1 332.1**	1 631.3	1 789.8
Current liabilities							
Trade and other payables	23	**10 500.6**	8 889.7	7 883.1	**10 504.9**	8 893.5	7 889.3
Share-based payment liability		**124.6**	122.0	105.8	**—**	—	—
Bank overdraft and overnight borrowings	18	**100.0**	500.0	670.0	**100.0**	500.0	670.0
Borrowings	21	**446.6**	291.5	737.8	**446.6**	291.5	737.8
Current tax liabilities	6	**183.0**	126.8	111.2	**183.0**	126.8	111.2
Provisions	24	**0.2**	1.0	8.1	**0.2**	1.0	8.1
		11 355.0	9 931.0	9 516.0	**11 234.7**	9 812.8	9 416.4
Total equity and liabilities		**16 584.9**	14 824.1	14 129.5	**16 321.3**	14 571.2	13 902.6

** Prior year amounts restated and/or reclassified, refer to note 30.*

Statements of changes in equity

for the period ended

Pick n Pay Stores Group

	Note	Share capital Rm	Treasury shares* Rm	Fair value reserve* Rm	Retained earnings* Rm	Foreign currency translation reserve Rm	Total equity* Rm
At 2 March 2014 as previously published		6.0	(145.7)	—	2 849.1	(6.8)	2 702.6
Prior year restatements*	30	—	95.3	27.0	(1.2)	—	121.1
At 2 March 2014 restated		6.0	(50.4)	27.0	2 847.9	(6.8)	2 823.7
Total comprehensive income for the period		—	—	4.2	894.7	(11.4)	887.5
Profit for the period		—	—	—	861.7	—	861.7
Remeasurement in retirement scheme assets		—	—	—	33.0	—	33.0
Foreign currency translations		—	—	—	—	(11.4)	(11.4)
Fair value gain on available-for-sale financial instruments		—	—	4.2	—	—	4.2
Transactions with owners		—	(9.7)	—	(439.7)	—	(449.4)
Dividends paid		—	—	—	(461.8)	—	(461.8)
Share repurchases	20	—	(155.7)	—	—	—	(155.7)
Net effect of settlement of employee share options	20	—	146.0	—	(102.0)	—	44.0
Share-based payments expense	3	—	—	—	124.1	—	124.1
At 1 March 2015 restated		**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 repurchases	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**

** Prior year amounts restated and/or reclassified, refer to note 30.*

Statements of changes in equity

for the period ended

Pick n Pay Holdings Group

	Note	Attributable to owners of the Company							
		Share capital Rm	Share premium Rm	Treasury shares Rm	Retained earnings Rm	Foreign currency translation reserve Rm	Total Rm	Non-controlling interest Rm	Total equity Rm
At 2 March 2014		6.6	120.8	(95.3)	1 377.3	(3.6)	1 405.8	1 290.6	2 696.4
Total comprehensive income for the period		—	—	—	479.5	(6.1)	473.4	408.4	881.8
Profit for the period		—	—	—	461.8	—	461.8	398.4	860.2
Foreign currency translations		—	—	—	—	(6.1)	(6.1)	(5.3)	(11.4)
Remeasurement in retirement scheme assets		—	—	—	17.7	—	17.7	15.3	33.0
Transactions with owners		—	—	(13.7)	(237.5)	(0.1)	(251.3)	(199.8)	(451.1)
Dividends paid		—	—	—	(245.2)	—	(245.2)	(211.9)	(457.1)
Share repurchases	20	—	—	(22.2)	(83.7)	—	(105.9)	(72.0)	(177.9)
Net effect of settlement of employee share options	20	—	—	8.5	19.1	—	27.6	16.4	44.0
Share-based payments expense	3	—	—	—	75.2	—	75.2	64.7	139.9
Movement in non-controlling interest		—	—	—	(2.9)	(0.1)	(3.0)	3.0	—
At 1 March 2015		**6.6**	**120.8**	**(109.0)**	**1 619.3**	**(9.8)**	**1 627.9**	**1 499.2**	**3 127.1**
Total comprehensive income for the period		**—**	**—**	**—**	**578.2**	**31.2**	**609.4**	**526.5**	**1 135.9**
Profit for the period		**—**	**—**	**—**	**570.2**	**—**	**570.2**	**492.8**	**1 063.0**
Foreign currency translations		**—**	**—**	**—**	**—**	**31.2**	**31.2**	**26.9**	**58.1**
Remeasurement in retirement scheme assets		**—**	**—**	**—**	**8.0**	**—**	**8.0**	**6.8**	**14.8**
Transactions with owners		**—**	**—**	**(12.5)**	**(265.0)**	**—**	**(277.5)**	**(231.0)**	**(508.5)**
Dividends paid		**—**	**—**	**—**	**(313.4)**	**—**	**(313.4)**	**(273.7)**	**(587.1)**
Share repurchases	20	**—**	**—**	**(16.1)**	**(67.8)**	**—**	**(83.9)**	**(58.4)**	**(142.3)**
Net effect of settlement of employee share options	20	**—**	**—**	**3.6**	**15.6**	**—**	**19.2**	**16.4**	**35.6**
Share-based payments expense	3	**—**	**—**	**—**	**99.6**	**—**	**99.6**	**85.7**	**185.3**
Movement in non-controlling interest		**—**	**—**	**—**	**1.0**	**—**	**1.0**	**(1.0)**	**—**
At 28 February 2016		**6.6**	**120.8**	**(121.5)**	**1 932.5**	**21.4**	**1 959.8**	**1 794.7**	**3 754.5**

Statements of cash flows

for the period ended

		Pick n Pay Stores Group		Pick n Pay Holdings Group	
	Note	52 weeks 28 February 2016 Rm	Restated* 52 weeks 1 March 2015 Rm	52 weeks 28 February 2016 Rm	Restated* 52 weeks 1 March 2015 Rm
Cash flows from operating activities					
Trading profit		**1 516.3**	1 240.1	**1 513.8**	1 238.6
Amortisation	9	**162.5**	155.0	**162.5**	155.0
Depreciation	10	**778.4**	714.5	**778.4**	714.5
Equity-settled share-based payment expense	3	**176.5**	124.1	**185.3**	139.9
Cash-settled share-based payment expense	3	**13.0**	34.9	**—**	—
Movement in net operating lease liabilities		**79.3**	78.8	**79.3**	78.8
Movement in provisions		**(0.8)**	(7.1)	**(0.8)**	(7.1)
Fair value loss/(gain) on financial instruments at fair value through profit or loss		**11.1**	(27.2)	**15.3**	(8.1)
Cash generated before movements in working capital		**2 736.3**	2 313.1	**2 733.8**	2 311.6
Movements in working capital		**728.7**	219.5	**729.2**	217.1
Movements in trade and other payables		**1 610.9**	1 006.6	**1 611.4**	1 004.2
Movements in inventory		**(492.4)**	(672.6)	**(492.4)**	(672.6)
Movements in trade and other receivables		**(389.8)**	(114.5)	**(389.8)**	(114.5)
Cash generated from trading activities		**3 465.0**	2 532.6	**3 463.0**	2 528.7
Interest received	2	**60.9**	59.4	**61.0**	59.4
Interest paid	3	**(117.0)**	(119.0)	**(117.0)**	(119.0)
Cash generated from operations		**3 408.9**	2 473.0	**3 407.0**	2 469.1
Dividends paid		**(589.5)**	(461.8)	**(587.1)**	(457.1)
Tax paid	6	**(335.8)**	(284.5)	**(335.8)**	(284.5)
Cash generated from operating activities		**2 483.6**	1 726.7	**2 484.1**	1 727.5
Cash flows from investing activities					
Investment in intangible assets	9	**(85.7)**	(159.2)	**(85.7)**	(159.2)
Investment in property, plant and equipment	10	**(1 623.1)**	(897.3)	**(1 623.1)**	(897.3)
Investment in financial instruments at fair value		**(16.1)**	(22.2)	**—**	—
Purchase of operations		**(87.6)**	(50.9)	**(87.6)**	(50.9)
Proceeds on disposal of intangible assets		**—**	4.7	**—**	4.7
Proceeds on disposal of property, plant and equipment		**40.0**	57.3	**40.0**	57.3
Loans repaid/(advanced)		**4.2**	(8.6)	**4.2**	(8.6)
Participation in export partnership		**9.3**	1.7	**9.3**	1.7
Retirement obligation		**(0.2)**	60.9	**(0.2)**	60.9
Cash utilised in investing activities		**(1 759.2)**	(1 013.6)	**(1 743.1)**	(991.4)
Cash flows from financing activities					
Proceeds from borrowings		**—**	400.0	**—**	400.0
Repayment of borrowings		**(254.7)**	(1 100.6)	**(254.7)**	(1 100.6)
Share repurchases		**(126.2)**	(155.7)	**(142.3)**	(177.9)
Proceeds from employees on settlement of share options		**0.3**	1.0	**0.3**	1.0
Cash utilised in financing activities		**(380.6)**	(855.3)	**(396.7)**	(877.5)
Net increase/(decrease) in cash and cash equivalents		**343.8**	(142.2)	**344.3**	(141.4)
Cash and cash equivalents at beginning of period		**524.5**	664.2	**525.3**	664.2
Foreign currency translations		**14.6**	2.5	**14.6**	2.5
Cash and cash equivalents at end of period	18	**882.9**	524.5	**884.2**	525.3
Consisting of:					
Cash and cash equivalents	18	**982.9**	1 024.5	**984.2**	1 025.3
Bank overdraft and overnight borrowings	18	**(100.0)**	(500.0)	**(100.0)**	(500.0)

** Prior year amounts restated and/or reclassified, refer to note 30.*

Notes to the Group annual financial statements

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Reporting entities

The consolidated financial statements for the 52 weeks ended 28 February 2016 (2015: 52 weeks ended 1 March 2015) comprise Pick n Pay Stores Limited and its subsidiaries and associate (referred to as "Pick n Pay Stores Group") and Pick n Pay Holdings Limited RF and its subsidiaries and associate (referred to as "Pick n Pay Holdings Group"), together referred to as "the Group". Pick n Pay Stores Limited and Pick n Pay Holdings Limited RF are referred to as "the Companies".

1.2 Statement of compliance

The consolidated 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.

Revenue and gross profit are managed on a daily basis and aggregated into 52 trading weeks, whereas items included in profit before tax, other than those included in gross profit, are managed on a calendar month basis and are not pro-rated to days or weeks. The profit for the period therefore consists of 52 weeks of gross profit and 12 calendar months of other income and expenses, such as trading expenses, other trading income and interest.

To ensure calendar realignment of turnover and gross profit, a 53rd-week of trading is required approximately every six years.

When reviewing the Group's financial position it is appropriate to consider the movement in net working capital in order to eliminate cut-off impacts on individual line items on the statement of financial position and to ensure year-on-year comparability.

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 the IFRS and IFRIC interpretations and amendments listed below that became effective during the year. These interpretations and amendments had no material impact on the reported results. Where applicable, additional disclosures for the current and comparative periods are provided.

IFRS 2 *Share-Based Payments*
The amendment defines performance condition and service condition to clarify various issues, including that a performance condition must contain a service condition; a performance target must be met while the counterparty is rendering service; a performance target may relate to the operations or activities of an entity (or to those of another entity within the same group); a performance condition may be a market or non-market condition; if the counterparty ceases to provide service during the vesting period, the service condition is not met and the amendment must be applied prospectively. Refer to note 5.

IFRS 8 *Operating Segments*
Aggregation of operating segments – the amendment clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendment must be applied retrospectively.

Reconciliation of the total of the reportable segments' assets to the entity's assets – the amendment clarifies that the reconciliation of segment assets to total assets is required to be disclosed only if the reconciliation is reported to the chief operating decision maker (CODM), similar to the required disclosure for segment liabilities. The amendment must be applied retrospectively. Refer to note 26.

IAS 16 *Plant, Property and Equipment and* IAS 38 *Intangible Assets*
The amendments to IAS 16 and IAS 38 clarify that the revaluation can be performed either by adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying amount and adjust the carrying amount proportionately so that the resulting carrying amount equals the market value. The amendments also clarify that accumulated depreciation/amortisation is the difference between the gross and carrying amounts of the asset. The amendments must be applied retrospectively. Refer to notes 10 and 9 respectively.

IAS 24 *Related Parties Disclosures*
The amendment clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment must be applied retrospectively. Refer to note 27.

IFRS 13 *Fair Value Measurement*
The amendment clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 or IAS 39. The amendment must be applied prospectively. Refer to note 28.

Notes to the Group annual financial statements

continued

1.3 Basis of preparation continued

IAS19 *Defined Benefit Plans: Employee Contributions*
The amendment clarifies that, if the amount of the third party or employee contributions linked to service are independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. Refer to note 22.

1.4 Foreign currency transactions and translations

Functional and presentation currency
The consolidated 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 the functional currency of Group entities (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 the respective functional currency of Group entities at the rates of exchange ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and amortised cost 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 the respective functional currency of Group entities 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, including goodwill and fair value adjustments arising on acquisition, 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 and are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity in the consolidated financial statements.

When a foreign operation is disposed of, the related amount in the foreign currency translation reserve is recycled through the statement of comprehensive income.

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.

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

Measurements of the recoverable amounts of cash-generating units containing goodwill
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 as well as future cash flows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill. 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 amortised over their useful lives taking into account applicable residual values. Useful lives and residual lives 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. Refer to notes 11 and 21.

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. Judgement is required in determining whether indicators of impairment exist. Estimates of the future cash inflows are used in the value in use calculation.

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 note 23.

Consolidation of the Group's share trust
The Group operates an employee share option scheme through the Employee Share Purchase Trust. The trust is consolidated into the Group's results as the Group has exposure or rights to variable returns from its involvement with the investee, and it uses its power to affect its returns from the trust. Refer to notes 19 and 20.

Insurance cell captive
The Group has determined that it does not have control over its insurance cell captive as assets and liabilities are considered to belong to the insurer and not the investee. The cell captive has therefore not been consolidated and as the Group is exposed to financial risk rather than insurance risk, the Group has accounted for its investment as a financial asset at fair value through profit or loss in accordance with IAS39.

Notes to the Group annual financial statements

continued

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.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. 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.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the statement of comprehensive income. Any investment retained is recognised at fair value.

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 changes in the Group's share of net assets of the associate since the acquisition date. 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. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. 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 outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of 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, and then recognises the loss as Share of associate's income in the statement of comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the statement of comprehensive income.

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 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. Borrowing costs related to the acquisition, construction or production of qualifying assets are capitalised to the cost of the asset.

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 are as follows:

Buildings	40 years
Major property components	10 to 20 years
Furniture and fittings	5 to 10 years
Equipment	2 to 7 years
Vehicles	4 to 5 years
Aircraft and major components	7 to 20 years
Leasehold improvements	8 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 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.

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. Borrowing costs related to the acquisition or development of qualifying intangible assets are capitalised to the cost of the intangible asset.

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.

Notes to the Group annual financial statements

continued

1.8 Intangible assets continued

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 are as follows:

Goodwill	Indefinite
Systems development	7 years
Licences	5 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.

Finance leases are capitalised at the commencement of the lease at the 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.

Service contracts dependent on specific underlying assets

Where the Group enters into a contract that depends on the use of a specific asset and that contract conveys the right to control the use of the specific asset, the arrangement is treated as a lease.

Recognition criteria as detailed above under finance leases and operating leases are applied to determine whether the arrangement should be treated as a finance lease or an operating lease.

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. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the

Notes to the Group annual financial statements

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risks specific to the liability. The unwinding of discounts is recognised as a finance cost. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions 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. Before a provision is established, the Group recognises any impairment loss on the assets associated with that 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, loans and borrowings 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.

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 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 of part or 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 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 consolidated 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 payables

Trade and other payables are measured at amortised cost using the effective interest method. The effective interest rate amortisation is included in interest paid 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.

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 all short term in nature. Loans mainly comprise housing and other employee loans with maturity dates of more than 12 months after the reporting date.

Notes to the Group annual financial statements

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1.12 Financial instruments continued

Borrowings

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

Participation in export partnerships

Participation in export partnerships, a financial asset classified as receivables originated by the enterprise, are measured at amortised cost using the effective interest method. The effective interest rate amortisation is included in finance income in the statement of comprehensive income.

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 assets designated at fair value through profit or loss

The Stores Group has an investment in the equity of its parent, Pick n Pay Holdings Limited RF (PWK), for the purposes of settling obligations under the Group's share incentive scheme. In the Stores Group these share-based payments are cash settled and the re-measurement of the underlying share-based payment liability is recognised in the statement of comprehensive income. The investment in PWK shares is designated as a financial asset at fair value through profit or loss, on initial recognition, as this designation eliminates or significantly reduces a recognition inconsistency. Fair value gains or losses as a result of subsequent measurement are recognised in profit or loss.

The Group's investment in the 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 until the investment is derecognised, at which time, the cumulative gain or loss is recognised in the statement of the comprehensive income, or the investment is determined to be impaired, when 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.

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. Treasury shares are used to settle employee share options when exercised.

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.

Turnover
Revenue from 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.

For every rand spent, our customers earn 1 Smart Shopper point. 1 000 points equate to R10 back on future purchases. Bonus points are issued on promotions.

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

Notes to the Group annual financial statements

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1.16 Revenue continued

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.

Smart Shopper points earned and money earned from Smart Shopper points switches are valid for a period of three years. The Group reserves the right to close any Smart Shopper account that has been inactive (no Smart Shopper points earned, switched or donated) for a period of 24 consecutive months. Any Smart Shopper points and money attached to closed accounts will be forfeited and recognised in the statement of comprehensive income in the period in which it is forfeited.

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.

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 basis by reference to the principal amounts outstanding and at the interest rate applicable.

Borrowing costs relating to the acquisition, construction or production of qualifying assets are capitalised to the cost of the asset. General borrowing costs are capitalised by calculating the weighted average expenditure on the qualifying asset and applying a weighted-average borrowing rate to the expenditure. Specific borrowing costs are capitalised when the borrowing facility is utilised specifically for the qualifying asset less any investment income on the temporary investment of these funds.

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, associates, and interest in joint arrangements 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.

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.

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Dividends withholding tax

Dividends withholding tax is a tax on shareholders and is applicable on all dividends declared on or after 1 April 2012. The Companies withhold dividends tax on behalf of their shareholders at a rate of 15% on dividends declared.

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 allows Group employees to acquire shares in Pick n Pay Holdings Limited RF (PWK) and Pick n Pay Stores Limited (PIK).

The fair value of options 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 options (the vesting period). The fair value of the options granted is measured using an actuarial binomial option pricing model, taking into account the terms and conditions upon which the options 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 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.

The Stores Group has granted employees options on PWK shares under its employee share incentive scheme. These options vests on grant date with the grant price equal to the volume weighted average market price of the PWK share on grant date. The share-based payment liability is re-measured 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. These share-based payment transactions are equity settled for the purposes of the Holdings Group.

The forfeitable share plan was introduced in 2014. Selected senior management are granted fully paid-up shares for no consideration in terms of service and performance agreements.

The Group recognises a liability for cash-settled share-based payments calculated at current fair value determined at each statement of financial position date. The related expense is recognised in employee costs through the statement of comprehensive income over the vesting periods.

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.

The retirement schemes are largely non-contributory and are funded by payments from the relevant Group companies.

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.

Notes to the Group annual financial statements

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1.19 Employee benefits continued

Re-measurements 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 Companies 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.

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.

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.

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	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 28 February 2016 Rm	Restated* 52 weeks 1 March 2015 Rm	**52 weeks 28 February 2016 Rm**	Restated* 52 weeks 1 March 2015 Rm
2. REVENUE				
Turnover	**72 445.1**	66 940.8	**72 445.1**	66 940.8
Finance income	**60.9**	59.4	**61.0**	59.4
Bank balances and investments	**30.0**	40.9	**30.0**	40.9
Trade and other receivables	**27.3**	13.9	**27.3**	13.9
Staff loans and other	**3.6**	4.6	**3.7**	4.6
Other trading income	**971.3**	782.9	**971.3**	782.9
Franchise fee income	**316.7**	294.4	**316.7**	294.4
Operating lease income (note 11)	**329.1**	247.3	**329.1**	247.3
Commissions and other income	**325.5**	241.2	**325.5**	241.2
	73 477.3	67 783.1	**73 477.4**	67 783.1

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 has deferred revenue of R123.9 million (2015: R46.2 million) which represents the fair value of the Smart Shopper points granted and yet to be redeemed, adjusted for an expected forfeiture rate of 18.6% (2015: 23.2%) (refer to note 23).

** Prior year amounts restated and/or reclassified, refer to note 30.*

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 28 February 2016 Rm	Restated* 52 weeks 1 March 2015 Rm	**52 weeks 28 February 2016 Rm**	Restated* 52 weeks 1 March 2015 Rm
3. PROFIT BEFORE TAX				
Profit before tax is stated after taking into account the following expenses:				
3.1 Employee costs				
Salaries and wages	**5 169.8**	4 851.5	**5 170.0**	4 851.6
Staff benefits and training	**307.9**	290.6	**307.9**	290.6
Net expense recognised on defined benefit plan (note 22.1)	**13.3**	16.8	**13.3**	16.8
Contributions to defined contribution plans (note 22.2)	**341.8**	325.8	**341.8**	325.8
Equity-settled share-based payments expense	**176.5**	124.1	**185.3**	139.9
Cash-settled share-based payments expense	**13.0**	34.9	**—**	—
Leave pay	**38.3**	29.2	**38.3**	29.2
	6 060.6	5 672.9	**6 056.6**	5 653.9
3.2 Auditors' remuneration				
Assurance services	**6.1**	7.4	**6.3**	7.4
Other services	**0.1**	0.1	**0.1**	0.1
	6.2	7.5	**6.4**	7.5
3.3 Finance costs				
Finance leases	**8.2**	6.5	**8.2**	6.5
Bank overdrafts	**58.5**	35.9	**58.5**	35.9
Borrowings	**50.3**	76.6	**50.3**	76.6
	117.0	119.0	**117.0**	119.0
3.4 Foreign exchange gain/(loss)	**8.2**	(8.6)	**8.2**	(8.6)

** Prior year amounts restated and/or reclassified, refer to note 30.*

Notes to the Group annual financial statements

continued

4. DIRECTORS' REMUNERATION AND INTEREST IN SHARES

4.1 Directors' remuneration

Pick n Pay Stores Group

	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
52 weeks to 28 February 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**	**—**
John Gildersleeve*	**340.0**	**182.0**	**—**	**—**	**—**	**522.0**	**—**	**522.0**	**—**
David Friedland**	**340.0**	**177.0**	**—**	**—**	**—**	**517.0**	**—**	**517.0**	**—**
Hugh Herman	**340.0**	**518.0**	**—**	**—**	**—**	**858.0**	**—**	**858.0**	**—**
Audrey Mothupi	**340.0**	**221.0**	**—**	**—**	**—**	**561.0**	**—**	**561.0**	**—**
Lorato Phalatse	**340.0**	**252.0**	**—**	**—**	**—**	**592.0**	**—**	**592.0**	**—**
David Robins	**340.0**	**—**	**—**	**—**	**—**	**340.0**	**—**	**340.0**	**—**
Ben van der Ross***	**170.0**	**146.0**	**—**	**—**	**—**	**316.0**	**—**	**316.0**	**—**
Jeff van Rooyen	**340.0**	**440.0**	**—**	**—**	**—**	**780.0**	**—**	**780.0**	**—**
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**
52 weeks to 1 March 2015									
Non-executive directors	6 010.0	1 300.0	—	—	—	7 310.0	—	7 310.0	—
Gareth Ackerman	3 450.0	—	—	—	—	3 450.0	—	3 450.0	—
John Gildersleeve	320.0	70.0	—	—	—	390.0	—	390.0	—
David Friedland**	320.0	65.0	—	—	—	385.0	—	385.0	—
Hugh Herman	320.0	385.0	—	—	—	705.0	—	705.0	—
Audrey Mothupi	320.0	107.0	—	—	—	427.0	—	427.0	—
Lorato Phalatse	320.0	135.0	—	—	—	455.0	—	455.0	—
David Robins	320.0	—	—	—	—	320.0	—	320.0	—
Ben van der Ross	320.0	273.0	—	—	—	593.0	—	593.0	—
Jeff van Rooyen	320.0	265.0	—	—	—	585.0	—	585.0	—
Executive directors	7.5	—	17 827.1	3 060.9	2 699.1	23 594.6	14 200.0	37 794.6	22 150.9
Richard Brasher	1.5	—	7 370.5	1 215.5	1 144.7	9 732.2	9 000.0	18 732.2	11 771.2
Richard van Rensburg****	1.5	—	3 422.5	622.0	735.1	4 781.1	1 600.0	6 381.1	3 747.9
Bakar Jakoet	1.5	—	2 904.0	497.5	292.3	3 695.3	1 600.0	5 295.3	3 125.8
Suzanne Ackerman-Berman	1.5	—	2 046.6	374.4	264.0	2 686.5	1 000.0	3 686.5	1 753.0
Jonathan Ackerman	1.5	—	2 083.5	351.5	263.0	2 699.5	1 000.0	3 699.5	1 753.0
Total remuneration	6 017.5	1 300.0	17 827.1	3 060.9	2 699.1	30 904.6	14 200.0	45 104.6	22 150.9

* *Non-executive director John Gildersleeve resigned as a director of Pick n Pay Stores Limited on 28 February 2016.*

** *Non-executive director David Friedland received consultancy fees of R114 000 (2015: R107 000) for services rendered to the audit and risk committee and he became an independent non-exective director of Pick n Pay Stores Limited on 28 February 2016.*

*** *Ben van der Ross resigned as a director of Pick n Pay Stores Limited on 27 July 2015.*

\# *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.*

**** *Prior year amounts restated and/or reclassified, refer to note 30.*

Notes to the Group annual financial statements
continued

4. DIRECTORS' REMUNERATION AND INTEREST IN SHARES continued

4.1 Directors' remuneration continued

Pick n Pay Holdings Group

	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
52 weeks to 28 February 2016									
Non-executive directors	**6 402.0**	**2 043.0**	**—**	**—**	**—**	**8 445.0**	**—**	**8 445.0**	**—**
Raymond Ackerman	**65.0**	**—**	**—**	**—**	**—**	**65.0**	**—**	**65.0**	**—**
Wendy Ackerman	**65.0**	**—**	**—**	**—**	**—**	**65.0**	**—**	**65.0**	**—**
René de Wet	**65.0**	**107.0**	**—**	**—**	**—**	**172.0**	**—**	**172.0**	**—**
Gareth Ackerman	**3 657.0**	**—**	**—**	**—**	**—**	**3 657.0**	**—**	**3 657.0**	**—**
John Gildersleeve*	**340.0**	**182.0**	**—**	**—**	**—**	**522.0**	**—**	**522.0**	**—**
David Friedland**	**340.0**	**177.0**	**—**	**—**	**—**	**517.0**	**—**	**517.0**	**—**
Hugh Herman	**340.0**	**518.0**	**—**	**—**	**—**	**858.0**	**—**	**858.0**	**—**
Audrey Mothupi	**340.0**	**221.0**	**—**	**—**	**—**	**561.0**	**—**	**561.0**	**—**
Lorato Phalatse	**340.0**	**252.0**	**—**	**—**	**—**	**592.0**	**—**	**592.0**	**—**
David Robins	**340.0**	**—**	**—**	**—**	**—**	**340.0**	**—**	**340.0**	**—**
Ben van der Ross***	**170.0**	**146.0**	**—**	**—**	**—**	**316.0**	**—**	**316.0**	**—**
Jeff van Rooyen	**340.0**	**440.0**	**—**	**—**	**—**	**780.0**	**—**	**780.0**	**—**
Executive directors	**7.5**	**—**	**19 228.4**	**3 234.0**	**1 442.1**	**23 912.0**	**23 400.0**	**47 312.0**	**39 279.5**
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**	**7 498.9**
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	**6 409.5**	**2 043.0**	**19 228.4**	**3 234.0**	**1 442.1**	**32 357.0**	**23 400.0**	**55 757.0**	**39 279.5**
52 weeks to 1 March 2015									
Non-executive directors	6 190.0	1 300.0	—	—	—	7 490.0	—	7 490.00	—
Raymond Ackerman	60.0	—	—	—	—	60.0	—	60.0	—
Wendy Ackerman	60.0	—	—	—	—	60.0	—	60.0	—
René de Wet	60.0	—	—	—	—	60.0	—	60.0	—
Gareth Ackerman	3 450.0	—	—	—	—	3 450.0	—	3 450.0	—
John Gildersleeve	320.0	70.0	—	—	—	390.0	—	390.0	—
David Friedland	320.0	65.0	—	—	—	385.0	—	385.0	—
Hugh Herman	320.0	385.0	—	—	—	705.0	—	705.0	—
Audrey Mothupi	320.0	107.0	—	—	—	427.0	—	427.0	—
Lorato Phalatse	320.0	135.0	—	—	—	455.0	—	455.0	—
David Robins	320.0	—	—	—	—	320.0	—	320.0	—
Ben van der Ross	320.0	273.0	—	—	—	593.0	—	593.0	—
Jeff van Rooyen	320.0	265.0	—	—	—	585.0	—	585.0	—
Executive directors	7.5	—	17 827.1	3 060.9	2 699.1	23 594.6	14 200.0	37 794.6	22 148.6
Richard Brasher	1.5	—	7 370.5	1 215.5	1 144.7	9 732.2	9 000.0	18 732.2	11 771.2
Richard van Rensburg	1.5	—	3 422.5	622.0	735.1	4 781.1	1 600.0	6 381.1	3 745.6
Bakar Jakoet	1.5	—	2 904.0	497.5	292.3	3 695.3	1 600.0	5 295.3	3 125.8
Suzanne Ackerman-Berman	1.5	—	2 046.6	374.4	264.0	2 686.5	1 000.0	3 686.5	1 753.0
Jonathan Ackerman	1.5	—	2 083.5	351.5	263.0	2 699.5	1 000.0	3 699.5	1 753.0
Total remuneration	6 197.5	1 300.0	17 827.1	3 060.9	2 699.1	31 084.6	14 200.0	45 284.6	22 148.6

* *Non-executive director John Gildersleeve resigned as a director of Pick n Pay Stores Limited on 28 February 2016.*

** *Non-executive director David Friedland received consultancy fees of R114 000 (2015: R107 000) for services rendered to the audit and risk committee and he became an independent non-exective director of Pick n Pay Stores Limited on 28 February 2016.*

*** *Ben van der Ross resigned as a director of Pick n Pay Stores Limited on 27 July 2015.*

\# *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

4. DIRECTORS' REMUNERATION AND INTEREST IN SHARES continued

4.2 Directors' interest in Pick n Pay Stores Limited shares

	How held*	Balance held at 2 March 2015	Additions during the period	Average purchase price per share R	Disposals during the period	Average selling price per share R	Balance held at 28 February 2016	Beneficial/ non-beneficial interest
52 weeks to 28 February 2016								
Directors of Pick n Pay Stores Limited								
Gareth Ackerman	direct	43	—	—	—	—	43	Beneficial
Ackerman Pick n Pay foundation**	indirect	30 000	—	—	—	—	30 000	Non-beneficial
	indirect	71 900	—	—	—	—	71 900	Non-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
Directors of Pick n Pay Holdings Limited RF								
Raymond Ackerman	direct	43	—	—	—	—	43	Beneficial
Wendy Ackerman	direct	43	—	—	—	—	43	Beneficial

* *Direct interests represent a holding in the director's personal capacity and indirect interests represent a holding by a family trust of which the director is a trustee, or a spouse and minor children. Direct interests in forfeitable share plan (FSP) shares are issued at a grant price of zero.*

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

Notes to the Group annual financial statements
continued

4. DIRECTORS' REMUNERATION AND INTEREST IN SHARES continued

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

	How held*	Balance held at 3 March 2014	Additions during the period	Average purchase price per share R	Disposals during the period	Average selling price per share R	Balance held at 1 March 2015	Beneficial/ non-beneficial interest
52 weeks to 1 March 2015								
Directors of Pick n Pay Stores Limited								
Gareth Ackerman	direct	43	—	—	—	—	43	Beneficial
Ackerman Pick n Pay foundation**	indirect	—	30 000	58.09	—	—	30 000	Non-beneficial
	indirect	—	71 900	58.66	—	—	71 900	Non-beneficial
Richard Brasher	direct – FSP	—	800 000	—	—	—	800 000	Beneficial
Richard van Rensburg	direct – FSP	—	250 000	—	—	—	250 000	Beneficial
Bakar Jakoet	direct	500 000	—	—	—	—	500 000	Beneficial
	indirect	530	—	—	—	—	530	Non-beneficial
	direct – FSP	—	250 000	—	—	—	250 000	Beneficial
Suzanne Ackerman-Berman	direct	2 500	—	—	—	—	2 500	Beneficial
	direct – FSP	—	150 000	—	—	—	150 000	Beneficial
	indirect	4 651	—	—	—	—	4 651	Beneficial
Jonathan Ackerman	direct	43	—	—	—	—	43	Beneficial
	direct – FSP	—	150 000	—	—	—	150 000	Beneficial
Jeff van Rooyen	direct	—	3 800	59.00	—	—	3 800	Beneficial
Directors of Pick n Pay Holdings Limited RF								
Raymond Ackerman	direct	43	—	—	—	—	43	Beneficial
Wendy Ackerman	direct	43	—	—	—	—	43	Beneficial

* *Direct interests represent a holding in the director's personal capacity and indirect interests represent a holding by a family trust of which the director is a trustee, or a spouse and minor children. Direct interests in forfeitable share plan (FSP) shares are issued at a grant price of zero.*

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

Notes to the Group annual financial statements
continued

4. DIRECTORS' REMUNERATION AND INTEREST IN SHARES continued

4.3 Directors' interest in Pick n Pay Holdings Limited RF shares

	How held*	Balance held at 2 March 2015 000's	Additions during the period 000's	Average purchase price per share R	Disposals during the period 000's	Average selling price per share R	Balance held at 28 February 2016 000's	Beneficial/ non-beneficial interest
52 weeks to 28 February 2016								
Directors of Pick n Pay Holdings Limited RF								
Raymond Ackerman	direct	1 269	—	—	—	—	1 269	Beneficial
Gareth Ackerman	direct	1	—	—	—	—	1	Beneficial
	indirect	3 265	77	23.62	—	—	3 342	Beneficial
	indirect	41	—	—	—	—	41	Non-beneficial
Ackerman Investment Holdings Proprietary Limited**	indirect	255 737	—	—	—	—	255 737	Non-beneficial
Mistral Trust**	indirect	5 465	75	23.62	—	—	5 540	Beneficial
Hugh Herman	direct	60	—	—	—	—	60	Beneficial
	indirect	1	—	—	—	—	1	Beneficial
Alternate directors of Pick n Pay Holdings Limited RF								
Suzanne Ackerman-Berman	direct	242	—	—	—	—	242	Beneficial
	indirect	866	93	26.68	—	—	959	Beneficial
	indirect	6	—	—	—	—	6	Non-beneficial
Jonathan Ackerman	direct	252	—	—	—	—	252	Beneficial
	indirect	1 138	37	26.68	—		1 175	Beneficial
	indirect	34	—	—	—	—	34	Non-beneficial
David Robins	direct	2	—	—	—	—	2	Beneficial
	indirect	191	—	—	—	—	191	Non-beneficial
Directors of Pick n Pay Stores Limited								
Richard van Rensburg	direct	—	10	27.76	—	—	10	Beneficial
	direct	—	25	28.48	—	—	25	Beneficial
	direct	—	50	27.88	—	—	50	Beneficial
Bakar Jakoet	direct	250	—	—	—	—	250	Beneficial
	indirect	25.7	—	—	—	—	25.7	Non-beneficial
David Friedland	indirect	40	—	—	—	—	40	Non-beneficial
	indirect	—	19	23.49	—	—	19	Non-beneficial
	indirect	—	6	23.25	—	—	6	Non-beneficial

* *Direct interests represent a holding in the director's personal capacity and indirect interests represent a holding by a family trust of which the director is a trustee.*

** *The interest in the Ackerman Investment Holdings Proprietary Limited and Mistral Trust represents a portion of the holdings of Raymond Ackerman, Wendy Ackerman, Gareth Ackerman, Jonathan Ackerman and Suzanne Ackerman-Berman.*

Notes to the Group annual financial statements
continued

4. DIRECTORS' REMUNERATION AND INTEREST IN SHARES continued

4.3 Directors' interest in Pick n Pay Holdings Limited RF shares continued

	How held*	Balance held at 3 March 2014 000's	Additions during the period 000's	Average purchase price per share R	Disposals during the period 000's	Average selling price per share R	Balance held at 1 March 2015 000's	Beneficial/ non-beneficial interest
52 weeks to 1 March 2015								
Directors of Pick n Pay Holdings Limited RF								
Raymond Ackerman	direct	1 269	—	—	—	—	1 269	Beneficial
Gareth Ackerman	direct	1	—	—	—	—	1	Beneficial
	indirect	3 225	40	24.93	—	—	3 265	Non-beneficial
	indirect	41	—	—	—	—	41	Non-beneficial
Ackerman Investment Holdings Proprietary Limited**	indirect	255 737	—	—	—	—	255 737	Non-beneficial
Mistral Trust**	indirect	5 415	50	22.10	—	—	5 465	Non-beneficial
Hugh Herman	direct	60	—	—	—	—	60	Beneficial
	indirect	1	—	—	—	—	1	Beneficial
Alternate directors of Pick n Pay Holdings Limited RF								
Suzanne Ackerman-Berman	direct	242	—	—	—	—	242	Beneficial
	indirect	866	—	—	—	—	866	Beneficial
	indirect	6	—	—	—	—	6	Non-beneficial
Jonathan Ackerman	direct	252	—	—	—	—	252	Beneficial
	indirect	1 138	—	—	—	—	1 138	Beneficial
	indirect	46	—	—	(12)	22.05	34	Non-beneficial
David Robins	direct	2	—	—	—	—	2	Beneficial
	indirect	191	—	—	—	—	191	Non-beneficial
Directors of Pick n Pay Stores Limited								
Bakar Jakoet	direct	250	—	—	—	—	250	Beneficial
	indirect	25.7	—	—	—	—	25.7	Non-beneficial
David Friedland	indirect	—	20	23.79	—	—	20	Beneficial
		—	20	22.66	—	—	20	Beneficial

* *Direct interests represent a holding in the director's personal capacity and indirect interests represent a holding by a family trust of which the director is a trustee.*

** *The interest in the Ackerman Investment Holdings Proprietary Limited and Mistral Trust represents a portion of the holdings of Raymond Ackerman, Wendy Ackerman, Gareth Ackerman, Jonathan Ackerman and Suzanne Ackerman-Berman.*

Notes to the Group annual financial statements
continued

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 2 March 2015	Granted during the period	Exercised during the period	Exercise price R	Balance held at 28 February 2016	Available for take-up
52 weeks to 28 February 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
			2 800 000	**220 000**	**—**		**3 020 000**	
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
			650 000	**35 000**	**—**	**—**	**685 000**	
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
		26.14	105 000	—	—	—	**105 000**	Now
		26.14	45 000	—	—	—	**45 000**	Now
	2009	28.20	12 413	—	—	—	**12 413**	Now
	2010	42.28	1799	—	—	—	**1 799**	Now
	2011	41.70	200 000	—	—	—	**200 000**	Now
		41.70	300 000	—	—	—	**300 000**	Now
Forfeitable shares	2014	Nil	250 000	—	—	—	**250 000**	Aug 2017
	2015	Nil	—	35 000	—	—	**35 000**	Aug 2018
			1 177 898	**35 000**	**—**	**—**	**1 212 898**	
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
		26.14	25 000	—	—	—	**25 000**	Now
		26.14	25 000	—	—	—	**25 000**	Aug 2016
		26.14	25 000	—	—	—	**25 000**	Aug 2017
		26.14	25 000	—	—	—	**25 000**	Aug 2018
	2009	28.20	8 867	—	(8 867)	58.71	**—**	n/a
	2010	42.27	1421	—	(1 421)	58.71	**—**	n/a
Forfeitable shares	2014	Nil	150 000	—	—	—	**150 000**	Aug 2017
	2015	Nil	—	20 000	—	—	**20 000**	Aug 2018
			397 215	**20 000**	**(147 215)**		**270 000**	
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
		26.14	25 000	—	—	—	**25 000**	Now
		26.14	25 000	—	—	—	**25 000**	Aug 2016
		26.14	25 000	—	—	—	**25 000**	Aug 2017
		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
			305 014	**20 000**	**(55 014)**		**270 000**	

* *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.*

Notes to the Group annual financial statements
continued

4. DIRECTORS' REMUNERATION AND INTEREST IN SHARES continued

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

	Calendar year granted	Option grant price R	Balance held at 3 March 2014	Granted during the period	Forfeited during the period	Balance held at 1 March 2015	Available for take-up
52 weeks to 1 March 2015							
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
			2 000 000	**800 000**		**2 800 000**	
Richard van Rensburg							
Share options	2011	36.55	400 000*	—	—	400 000*	May 2016
Forfeitable shares	2014	Nil	—	250 000	—	250 000	Aug 2017
			400 000	**250 000**		**650 000**	
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
		26.14	105 000	—	—	105 000	Now
		26.14	45 000	—	—	45 000	Aug 2015
	2009	28.20	12 413	—	—	12 413	Now
	2010	42.28	1799	—	—	1 799	Now
		41.23	500 000	—	(500 000)**	—	Forfeited
	2011	41.70	200 000	—	—	200 000	Now
		41.70	300 000	—	—	300 000	Apr 2016
Forfeitable shares	2014	Nil	—	250 000	—	250 000	Aug 2017
			1 427 898	**250 000**	**(500 000)**	**1 177 898**	
Suzanne Ackerman-Berman							
Share options	2004	21.00	10 000	—	—	10 000	Now
	2006	31.15	122 408	—	—	122 408	Now
	2008	26.56	4 519	—	—	4 519	Now
		26.14	25 000	—	—	25 000	Aug 2015
		26.14	25 000	—	—	25 000	Aug 2016
		26.14	25 000	—	—	25 000	Aug 2017
		26.14	25 000	—	—	25 000	Aug 2018
	2009	28.20	8 867	—	—	8 867	Now
	2010	42.27	1421	—	—	1 421	Now
		41.23	400 000	—	(400 000)**	—	Forfeited
Forfeitable shares	2014	Nil	—	150 000	—	150 000	Aug 2017
			647 215	**150 000**	**(400 000)**	**397 215**	
Jonathan Ackerman							
Share options	2005	20.70	6 441	—	—	6 441	Now
	2006	28.00	14 286	—	—	14 286	Now
	2007	31.15	14 446	—	—	14 446	Now
	2008	26.56	9 414	—	—	9 414	Now
		26.14	25 000	—	—	25 000	Aug 2015
		26.14	25 000	—	—	25 000	Aug 2016
		26.14	25 000	—	—	25 000	Aug 2017
		26.14	25 000	—	—	25 000	Aug 2018
	2009	28.20	8 667	—	—	8 667	Now
	2010	42.27	1 560	—	—	1 560	Now
		41.23	400 000	—	(400 000)**	—	Forfeited
Forfeitable shares	2014	Nil	—	150 000	—	150 000	Aug 2017
			554 814	**150 000**	**(400 000)**	**304 814**	

** 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.*

*** Binary options granted under the May 2010 binary scheme were forfeited in May 2014 due to the performance criteria not having been met.*

Notes to the Group annual financial statements

continued

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 2 March 2015	Granted during the period	Exercised during the period	Exercise price R	Balance held at 28 February 2016	Available for take-up
52 weeks to 28 February 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**	**(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)**		**—**	

	Calendar year granted	Award grant price R	Balance held at 3 March 2014	Granted during the period	Exercised during the period	Exercise price R	Balance held at 1 March 2015	Available for take-up
52 weeks to 1 March 2015								
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	**400**	**—**	**—**	**1 800**	
Suzanne Ackerman-Berman	2011	15.35	400	—	—	—	400	Now
			400	**—**	**—**	**—**	**400**	
Jonathan Ackerman	2010	16.00	1 000	—	—	—	1 000	Now
	2012	20.03	400	—	—	—	400	Now
			1 400	**—**	**—**	**—**	**1 400**	

Notes to the Group annual financial statements
continued

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 the 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 issues share options in respect of both Pick n Pay Holdings Limited RF shares (PWK) and Pick n Pay Stores Limited shares (PIK).

In the Pick n Pay Stores Group, all PWK share options are treated as cash settled, as these options are not in respect of the Group's own equity instruments, but that of its holding company. All PIK share options are equity settled in the Pick n Pay Stores Group, as these are options in respect of its own equity instruments.

In Pick n Pay Holdings Group, both PWK share options and PIK share options are equity settled in the Pick n Pay Holdings Group, as these are options in respect of equity instruments within the Group.

The directors have received shareholder approval to utilise up to 63 892 844 shares of the issued share capital of Pick n Pay Stores Limited and 92 268 589 of the issued share capital of Pick n Pay Holdings Limited RF for the purposes of settling obligations under the employee share schemes.

The following share options have been issued to employees:

Long-service share options (PWK) – 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 (PWK and PIK) – 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 (PIK) – these share options specifically encourage the retention of key individuals and have longer vesting periods of up to 10 years.

Performance top-up options (PIK) – executives 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 (PIK) (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 (PIK)

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 share plan 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

Pick n Pay Stores Group and **Pick n Pay Holdings Group**

			52 weeks 28 February 2016 Number of options PIK 000's	52 weeks 1 March 2015 Number of options PIK 000's	52 weeks 28 February 2016 Number of options PWK 000's	52 weeks 1 March 2015 Number of options PWK 000's
5.	**SHARE-BASED PAYMENTS continued**					
5.1	**Outstanding share options**					
	Movement in the total number of share options granted is as follows:					
	At beginning of period		**33 874.6**	50 156.0	**16 635.5**	15 264.6
	New options granted		**2 358.4**	2 949.9	**1 196.7**	3 208.1
	Options taken up		**(4 407.9)**	(6 492.5)	**(1 695.8)**	(1 837.2)
	Options forfeited		**(1 262.3)**	(12 738.8)	**(0.2)**	—
	At end of period		**30 562.8**	33 874.6	**16 136.2**	16 635.5
	The weighted average grant price of share options are as follows:					
	At beginning of period		**R36.46**	R36.10	**R14.41**	R12.79
	New options granted		**R55.88**	R44.94	**R25.38**	R23.60
	Options taken up		**R34.37**	R33.50	**R17.40**	R16.27
	Options forfeited		**R42.51**	R42.43	**R3.25**	—
	At end of period		**R37.51**	R36.46	**R16.40**	R14.41
	Outstanding share options may be taken up during the following financial periods:					
		Average grant price				
	Year	**Pick n Pay Stores Group** / **Pick n Pay Holdings Group**				
	2017	R33.15 / R16.40	**17 891.5**	17 710.2	**16 136.2**	16 635.5
	2018	R40.89	**5 479.5**	4 577.0	**—**	—
	2019	R40.31	**3 423.2**	5 386.4	**—**	—
	2020	R46.83	**1 574.8**	2 869.5	**—**	—
	2021 and thereafter	R53.60	**2 193.8**	3 331.5	**—**	—
			30 562.8	33 874.6	**16 136.2**	16 635.5
	Number of outstanding options as a percentage of issued shares		**6.3%**	7.0%	**3.1%**	3.2%

Notes to the Group annual financial statements
continued

5. SHARE-BASED PAYMENTS continued

5.2 Outstanding forfeitable shares

	Pick n Pay Stores Group and Pick n Pay Holdings Group	
	Number of forfeitable shares PIK 000's	Number of forfeitable shares PIK 000's
Movement in the total number of forfeitable shares granted is as follows:		
At beginning of period	**6 925.0**	—
New shares granted	**1 243.0**	6 925.0
Issue of new shares	**1 128.0**	6 925.0
Existing shares held within the Group	**115.0**	—
Rights forfeited	**(245.0)**	—
At end of period	**7 923.0**	6 925.0

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.

	Pick n Pay Stores Group and Pick n Pay Holdings Group	
	Number of forfeitable shares PIK 000's	Number of forfeitable shares PIK 000's
Outstanding forfeitable shares vest during the following financial periods:		
Year		
2018	**6 700.0**	6 925.0
2019	**1 223.0**	—
	7 923.0	6 925.0
Number of forfeitable shares as a percentage of issued shares	**1.6%**	1.4%

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 28 February 2016 Number of share awards PIK 000's	52 weeks 1 March 2015 Number of share awards PIK 000's	**52 weeks 28 February 2016 Number of share awards PWK 000's**	52 weeks 1 March 2015 Number of share awards PWK 000's
5.3 Total outstanding share awards				
Share options	**30 562.8**	33 874.6	**16 136.2**	16 635.5
Forfeitable shares	**7 923.0**	6 925.0	**—**	—
Total	**38 485.8**	40 799.6	**16 136.2**	16 635.5
Number of share awards as a percentage of issued shares	**7.9%**	8.4%	**3.1%**	3.2%
Total shares authorised to be utilised, from issued share capital, for settling obligations under the employee share schemes	**63 892.4**	63 892.4	**92 268.6**	92 268.6
Shares remaining for utilisation under current authorisations	**25 406.6**	23 092.8	**76 132.4**	75 633.1

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

Notes to the Group annual financial statements
continued

	Pick n Pay Stores Group 52 weeks 28 February 2016 Number of share awards PIK 000's	Pick n Pay Stores Group 52 weeks 1 March 2015 Number of share awards PIK 000's	Pick n Pay Holdings Group 52 weeks 28 February 2016 Number of share awards PWK 000's	Pick n Pay Holdings Group 52 weeks 1 March 2015 Number of share awards PWK 000's
5. SHARE-BASED PAYMENTS continued				
5.4 Share held within the Group, reflected as treasury shares (note 20)				
As hedge against shares issued under forfeitable share plan	**7 923.0**	6 925.0	**—**	—
As hedge against shares options granted or to be granted	**1 752.4**	1 746.9	**11 129.3**	11 106.5

5.5 Fair value – 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 Pick n Pay Holdings Limited RF (PWK) shares, 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	Expected life of options years	Share price at grant date	Grant price	Expected volatility*	Expected dividend yield**	Risk-free rate***
2015	PWK	3 208.1	1	R20.55 – R25.50	R19.95 – R24.51	23.21 – 23.92	2.23 – 2.77	7.15 – 8.27
2015	PIK	2 949.9	3 – 7	R45.14 – R59.01	R43.81 – R58.63	24.11 – 24.95	1.94 – 2.51	6.71 – 8.35
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**

* *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 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 zero-coupon South African government bonds with a term consistent with the estimated option term.*

Notes to the Group annual financial statements
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		Pick n Pay Stores Group		Pick n Pay Holdings Group	
		52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm	**52 weeks 28 February 2016 Rm**	52 weeks 1 March 2015 Rm
6.	**INCOME TAX**				
6.1	**Tax recognised in profit or loss**				
	Normal tax	**429.3**	343.1	**429.3**	343.1
	– current period	**436.9**	342.6	**436.9**	342.6
	– prior period (over)/under provision	**(7.6)**	0.5	**(7.6)**	0.5
	Deferred tax (note 13)	**(21.2)**	0.4	**(21.2)**	0.4
		408.1	343.5	**408.1**	343.5
6.2	**Tax recognised directly in statement of changes in equity**				
	Tax effect of share incentive transactions recorded directly in equity	**(35.3)**	(43.0)	**(35.3)**	(43.0)
6.3	**Tax paid**				
	Owing – beginning of period	**126.8**	111.2	**126.8**	111.2
	Recognised in profit or loss	**429.3**	343.1	**429.3**	343.1
	Foreign currency translation reserve	**(2.0)**	—	**(2.0)**	—
	Recognised in statement of changes in equity	**(35.3)**	(43.0)	**(35.3)**	(43.0)
	Owing – end of period	**(183.0)**	(126.8)	**(183.0)**	(126.8)
	Total tax paid	**335.8**	284.5	**335.8**	284.5
		%	%	**%**	%
6.4	**Reconciliation of effective tax rate**				
	South African statutory tax rate	**28.0**	28.0	**28.0**	28.0
	Exempt income	**(1.2)**	(1.0)	**(1.2)**	(1.0)
	Non-deductible share options expense	**0.9**	1.8	**0.9**	1.8
	Non-deductible impairment loss on intangible assets	**0.2**	—	**0.2**	—
	Capital gains tax	**0.2**	—	**0.2**	—
	Other non-deductible expenditure	**0.5**	0.3	**0.5**	0.3
	Net prior year over provisions	**(0.9)**	(0.6)	**(0.9)**	(0.6)
	Effective tax rate	**27.7**	28.5	**27.7**	28.5

Notes to the Group annual financial statements
continued

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 28 February 2016 Cents per share	52 weeks 1 March 2015 Cents per share	**52 weeks 28 February 2016 Cents per share**	52 weeks 1 March 2015 Cents per share
7. EARNINGS PER SHARE				
Basic	**219.11**	178.79	**108.78**	88.78
Diluted	**215.05**	176.24	**105.36**	86.54
Headline	**224.04**	177.26	**111.24**	88.01
Diluted headline	**219.90**	174.72	**107.75**	85.80
	Rm	Rm	**Rm**	Rm
7.1 Basic and headline earnings				
Reconciliation between basic and headline earnings:				
Profit for the period attributable to owners of the company	**1 065.4**	861.7	**570.2**	461.8
Profit attributable to forfeitable share plan shares	**(16.2)**	(6.5)	**(8.7)**	(3.5)
Basic earnings for the period	**1 049.2**	855.2	**561.5**	458.3
Adjustments:	**23.3**	(7.4)	**12.5**	(4.0)
Loss/(profit) on sale of property, plant and equipment	**24.0**	(10.4)	**12.9**	(5.6)
Tax effect of (loss)/profit on sale of property, plant and equipment	**(6.8)**	3.0	**(3.7)**	1.6
Impairment loss on intangible assets	**8.6**	—	**4.6**	—
Tax effect of impairment loss on intangible assets	**(2.5)**	—	**(1.3)**	—
Adjustments attributable to forfeitable share plan shares	**0.4**	—	**0.2**	—
Headline earnings	**1 072.9**	847.8	**574.2**	454.3
Basic earnings for the period	**1 049.2**	855.2	**561.5**	458.3
Dilutive effect of share options	**—**	—	**(10.5)**	(6.8)
Diluted basic earnings	**1 049.2**	855.2	**551.0**	451.5
Headline earnings	**1 072.9**	847.8	**574.2**	454.3
Dilutive effect of share options	**—**	—	**(10.7)**	(6.7)
Diluted headline earnings	**1 072.9**	847.8	**563.5**	447.6
	000's	000's	**000's**	000's
7.2 Number of shares				
Number of shares in issue (note 19)	**488 450.3**	487 322.3	**527 249.1**	527 249.1
Weighted average number of shares (excluding treasury shares)	**478 873.4**	478 309.0	**516 186.3**	516 238.6
Diluted weighted average number of ordinary shares in issue	**487 894.0**	485 245.3	**522 963.2**	521 711.4
Reconciliation of weighted average number of shares to diluted weighted average number of shares:				
Weighted average number of shares (excluding treasury shares)	**478 873.4**	478 309.0	**516 186.3**	516 238.6
Dilutive effect of share options	**9 020.6**	6 936.3	**6 776.9**	5 472.8
Diluted weighted average number of ordinary shares in issue	**487 894.0**	485 245.3	**522 963.2**	521 711.4

The outstanding forfeitable shares had no dilutive impact on the weighted average number of shares for the current and prior period.

Notes to the Group annual financial statements

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	Pick n Pay Stores Group	
	52 weeks 28 February 2016 Cents per share	52 weeks 1 March 2015 Cents per share
8. DIVIDENDS		
8.1 Dividends paid		
Number 94 – declared 20 April 2015 – paid 15 June 2015 (2015: Number 92 – declared 14 April 2014 – paid 17 June 2014)	**98.50**	77.5
Number 95 – declared 12 October 2015 – paid 14 December 2015 (2015: Number 93 – declared 15 October 2014 – paid 15 December 2014)	**24.20**	19.6
Total dividends per share for the period	**122.70**	97.10

	Pick n Pay Holdings Group	
	52 weeks 28 February 2016 Cents per share	52 weeks 1 March 2015 Cents per share
Number 67 – declared 20 April 2015 – paid 15 June 2015 (2015: Number 65 – declared 14 April 2014 – paid 17 June 2014)	**47.85**	37.1
Number 68 – declared 12 October 2015 – paid 14 December 2015 (2015: Number 66 – declared 15 October 2014 – paid 15 December 2014)	**11.60**	9.4
Total dividends per share for the period	**59.45**	46.50

Notes to the Group annual financial statements

continued

	Pick n Pay Stores Group 52 weeks 28 February 2016 Cents per share	Pick n Pay Stores Group 52 weeks 1 March 2015 Cents per share
8. DIVIDENDS continued		
8.2 Dividends declared		
Interim dividend – number 95 (2015: number 93)	**24.20**	19.60
Final dividend – number 96 (2015: number 94)	**125.20**	98.50
	149.40	118.10

The directors have declared a final dividend (dividend 96) of 125.20 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 15%, where shareholders are subject to this tax. The last day to trade in order to participate in the dividend (CUM dividend) will be Friday, 3 June 2016. The shares will trade EX dividend from the commencement of business on Monday, 6 June 2016 and the record date will be Friday, 10 June 2016. The dividends will be paid on Monday, 13 June 2016.

	Pick n Pay Holdings Group 52 weeks 28 February 2016 Cents per share	Pick n Pay Holdings Group 52 weeks 1 March 2015 Cents per share
Interim dividend – number 68 (2015: number 66)	**11.60**	9.40
Final dividend – number 69 (2015: number 67)	**60.65**	47.85
	72.25	57.25

The directors have declared a final dividend (dividend 69) of 60.65 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 15%, where shareholders are subject to this tax. The last day to trade in order to participate in the dividend (CUM dividend) will be Friday, 3 June 2016. The shares will trade EX dividend from the commencement of business on Monday, 6 June 2016 and the record date will be Friday, 10 June 2016. The dividends will be paid on Monday, 13 June 2016.

	Pick n Pay Stores Group				Pick n Pay Holdings Group			
	Goodwill Rm	Systems development Rm	Licences Rm	Total Rm	Goodwill Rm	Systems development Rm	Licences Rm	Total Rm
9. INTANGIBLE ASSETS								
52 weeks to 28 February 2016								
Carrying value	**372.0**	**575.9**	**57.0**	**1 004.9**	**372.0**	**575.9**	**57.0**	**1 004.9**
Cost	**401.6**	**1 018.9**	**157.4**	**1 577.9**	**401.6**	**1 018.9**	**157.4**	**1 577.9**
Accumulated amortisation and impairment losses	**(29.6)**	**(443.0)**	**(100.4)**	**(573.0)**	**(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**	**313.5**	**625.9**	**70.8**	**1 010.2**
Additions	**—**	**84.6**	**1.1**	**85.7**	**—**	**84.6**	**1.1**	**85.7**
Expansion of operations	**—**	**28.3**	**1.1**	**29.4**	**—**	**28.3**	**1.1**	**29.4**
Maintaining operations	**—**	**56.3**	**—**	**56.3**	**—**	**56.3**	**—**	**56.3**
Amortisation	**—**	**(134.2)**	**(28.3)**	**(162.5)**	**—**	**(134.2)**	**(28.3)**	**(162.5)**
Impairment	**(8.6)**	**—**	**—**	**(8.6)**	**(8.6)**	**—**	**—**	**(8.6)**
Purchase of operations*	**67.1**	**—**	**9.9**	**77.0**	**67.1**	**—**	**9.9**	**77.0**
Foreign currency translations	**—**	**(0.4)**	**—**	**(0.4)**	**—**	**(0.4)**	**—**	**(0.4)**
Reclassifications	**—**	**—**	**3.5**	**3.5**	**—**	**—**	**3.5**	**3.5**
Carrying value at end of period	**372.0**	**575.9**	**57.0**	**1 004.9**	**372.0**	**575.9**	**57.0**	**1 004.9**

** During the year under review, the Group acquired various individually insignificant stores compared to the Group's overall portfolio of stores for a total purchase consideration of R87.6 million (2015: R50.9 million). On the dates of acquisition, the total identifiable net assets at fair value, totalling R20.5 million (2015: R20.6 million), consisted of intangible assets of R9.9 million (2015: R9.7 million), property, plant and equipment of R5.5 million (2015: R8.8 million) and inventory of R5.1 million (2015: R2.1 million). Goodwill of R67.1 million (2015: R30.3 million) was recognised as part of these purchase of operations and represents expected value creation within the stores acquired as a result of integration with the Group.*

Notes to the Group annual financial statements
continued

	Pick n Pay Stores Group				Pick n Pay Holdings Group			
	Goodwill Rm	Systems development Rm	Licences Rm	Total Rm	Goodwill Rm	Systems development Rm	Licences Rm	Total Rm
9. INTANGIBLE ASSETS continued								
52 weeks to 1 March 2015								
Carrying value	313.5	625.9	70.8	1 010.2	313.5	625.9	70.8	1 010.2
Cost	334.4	1 368.1	142.9	1 845.4	334.4	1 368.1	142.9	1 845.4
Accumulated amortisation and impairment losses	(20.9)	(742.2)	(72.1)	(835.2)	(20.9)	(742.2)	(72.1)	(835.2)
Reconciliation of carrying value								
Carrying value at beginning of period	291.2	635.2	61.2	987.6	291.2	635.2	61.2	987.6
Additions	—	147.3	11.9	159.2	—	147.3	11.9	159.2
Expansion of operations	—	9.9	11.9	21.8	—	9.9	11.9	21.8
Maintaining operations	—	137.4	—	137.4	—	137.4	—	137.4
Amortisation	—	(132.4)	(22.6)	(155.0)	—	(132.4)	(22.6)	(155.0)
Disposals	(3.0)	(1.6)	(0.1)	(4.7)	(3.0)	(1.6)	(0.1)	(4.7)
Purchase of operations*	30.3	—	9.7	40.0	30.3	—	9.7	40.0
Foreign currency translation	—	(0.5)	—	(0.5)	—	(0.5)	—	(0.5)
Reclassifications	(5.0)	(22.1)	10.7	(16.4)	(5.0)	(22.1)	10.7	(16.4)
Carrying value at end of period	313.5	625.9	70.8	1 010.2	313.5	625.9	70.8	1 010.2

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 R106.4 million (2015: R106.4 million), relates to the CGU trading as Boxer. This CGU has no other intangible assets with indefinite useful lives. 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% (2015: 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 in. The pre-tax discount rate applied to cash flow projections was 10.8% (2015: 10.5%). Management believes that any reasonable 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.

The remaining goodwill, with a carrying value of R265.6 million (2015: R207.1 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. Cash flows beyond these planning periods were not extrapolated as significant cash investments in the CGUs would be required to generate future cash inflows. The pre-tax discount rate applied to these cash flow projections was 15.0% (2015: 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 R8.6 million arose in a CGU in the South Africa operating segment. This impairment was as a result of a significant reduction in the future expected revenue of the CGU due to a weakening in the general economic conditions in which this CGU operates.

** During the year under review, the Group acquired various individually insignificant stores compared to the Group's overall portfolio of stores for a total purchase consideration of R87.6 million (2015: R50.9 million). On the dates of acquisition, the total identifiable net assets at fair value, totalling R20.5 million (2015: R20.6 million), consisted of intangible assets of R9.9 million (2015: R9.7 million), property, plant and equipment of R5.5 million (2015: R8.8 million) and inventory of R5.1 million (2015: R2.1 million). Goodwill of R67.1 million (2015: R30.3 million) was recognised as part of these purchase of operations and represents expected value creation within the stores acquired as a result of integration with the Group.*

Notes to the Group annual financial statements
continued

10. PROPERTY, PLANT AND EQUIPMENT

	Pick n Pay Stores Group					Pick n Pay Holdings Group				
	Property Rm	Furniture, fittings, equipment and vehicles Rm	Leasehold improvements Rm	Aircraft Rm	Total Rm	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**	**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**	**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)**	**(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**	**1 513.4**	**2 290.9**	**366.4**	**16.3**	**4 187.0**
Additions	**55.8**	**1 200.7**	**366.6**	**—**	**1 623.1**	**55.8**	**1 200.7**	**366.6**	**—**	**1 623.1**
Expansion of operations	**43.7**	**542.9**	**24.0**	**—**	**610.6**	**43.7**	**542.9**	**24.0**	**—**	**610.6**
Maintaining operations	**12.1**	**657.8**	**342.6**	**—**	**1 012.5**	**12.1**	**657.8**	**342.6**	**—**	**1 012.5**
Depreciation	**(38.0)**	**(650.8)**	**(88.0)**	**(1.6)**	**(778.4)**	**(38.0)**	**(650.8)**	**(88.0)**	**(1.6)**	**(778.4)**
Disposals	**(0.4)**	**(59.2)**	**(4.4)**	**—**	**(64.0)**	**(0.4)**	**(59.2)**	**(4.4)**	**—**	**(64.0)**
Purchase of operations*	**—**	**5.5**	**—**	**—**	**5.5**	**—**	**5.5**	**—**	**—**	**5.5**
Reclassifications	**(12.0)**	**(3.5)**	**12.0**	**—**	**(3.5)**	**(12.0)**	**(3.5)**	**12.0**	**—**	**(3.5)**
Foreign currency translations	**—**	**(18.8)**	**—**	**—**	**(18.8)**	**—**	**(18.8)**	**—**	**—**	**(18.8)**
Carrying value at end of period#	**1 518.8**	**2 764.8**	**652.6**	**14.7**	**4 950.9**	**1 518.8**	**2 764.8**	**652.6**	**14.7**	**4 950.9**
52 weeks to 1 March 2015										
Carrying value	1 513.4	2 290.9	366.4	16.3	4 187.0	1 513.4	2 290.9	366.4	16.3	4 187.0
Cost	1 789.8	5 601.3	915.3	73.7	8 380.1	1 789.8	5 601.3	915.3	73.7	8 380.1
Accumulated depreciation and impairment losses	(276.4)	(3 310.4)	(548.9)	(57.4)	(4 193.1)	(276.4)	(3 310.4)	(548.9)	(57.4)	(4 193.1)
Reconciliation of carrying value										
Carrying value at beginning of period	1 516.5	2 183.1	321.7	18.0	4 039.3	1 516.5	2 183.1	321.7	18.0	4 039.3
Additions	36.3	725.6	135.4	—	897.3	36.3	725.6	135.4	—	897.3
Expansion of operations	3.0	270.6	7.4	—	281.0	3.0	270.6	7.4	—	281.0
Maintaining operations	33.3	455.0	128.0	—	616.3	33.3	455.0	128.0	—	616.3
Depreciation	(38.3)	(590.5)	(84.0)	(1.7)	(714.5)	(38.3)	(590.5)	(84.0)	(1.7)	(714.5)
Disposals	(1.1)	(43.5)	(2.3)	—	(46.9)	(1.1)	(43.5)	(2.3)	—	(46.9)
Purchase of operations*	—	8.8	—	—	8.8	—	8.8	—	—	8.8
Reclassifications	—	20.8	(4.4)	—	16.4	—	20.8	(4.4)	—	16.4
Foreign currency translations	—	(13.4)	—	—	(13.4)	—	(13.4)	—	—	(13.4)
Carrying value at end of period#	1 513.4	2 290.9	366.4	16.3	4 187.0	1 513.4	2 290.9	366.4	16.3	4 187.0

** During the year under review, the Group acquired various individually insignificant stores compared to the Group's overall portfolio of stores for a total purchase consideration of R87.6 million (2015: R50.9 million). On the dates of acquisition, the total identifiable net assets at fair value, totalling R20.5 million (2015: R20.6 million), consisted of intangible assets of R9.9 million (2015: R9.7 million), property, plant and equipment of R5.5 million (2015: R8.8 million) and inventory of R5.1 million (2015: R2.1 million). Goodwill of R67.1 million (2015: R30.3 million) was recognised as part of these purchase of operations and represents expected value creation within the stores acquired as a result of integration with the Group.*

 # Included in the carrying value of furniture, fittings, equipment and vehicles is leased vehicles with a carrying value of R107.3 million (2015: R103.6 million) secured by lease liabilities. Property with a carrying value of R600.1 million (2015: R609.1 million) is provided as security for long-term borrowings (refer to note 21).

Notes to the Group annual financial statements
continued

	Pick n Pay Stores Group 52 weeks 28 February 2016 Rm	Pick n Pay Stores Group Restated* 52 weeks 1 March 2015 Rm	Pick n Pay Holdings Group 52 weeks 28 February 2016 Rm	Pick n Pay Holdings Group Restated* 52 weeks 1 March 2015 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 (2015: five and 20 years) with renewal options for a further one to 20 years (2015: five and 20 years). Rentals comprise minimum monthly payments and additional payments based on turnover levels. Turnover rentals, where applicable, average 1.5% (2015: 1.5%) of turnover. Rental escalations vary, averaging 6.5% (2015: 6.5%) per annum.				
Property – minimum lease payments	**1 777.8**	1 521.9	**1 777.8**	1 521.9
– turnover clause payments	**19.2**	13.7	**19.2**	13.7
Operating lease charges recognised in the statement of comprehensive income	**1 797.0**	1 535.6	**1 797.0**	1 535.6
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 (2015: three and 15 years). Rentals comprise mainly minimum monthly payments. Rental escalations vary between 6.5% and 10.0% (2015: 6.5% and 10.0%) per annum.				
Operating lease income recognised in the statement of comprehensive income (note 2)	**329.1**	247.3	**329.1**	247.3
11.1 Operating lease assets				
At beginning of period	**149.8**	132.8	**149.8**	132.8
Accrual	**21.8**	17.0	**21.8**	17.0
At end of period	**171.6**	149.8	**171.6**	149.8
At end of the period, future minimum rentals receivable from non-cancellable sublease contracts amount to:				
Cash flow within one year	**308.7**	238.8	**308.7**	238.8
Cash flow after one year but not more than five years	**1017.5**	855.7	**1 017.5**	855.7
Cash flow due after more than five years	**771.4**	1 246.3	**771.4**	1 246.3
Total future cash flows	**2 097.6**	2 340.8	**2 097.6**	2 340.8
Less: Operating lease assets	**(171.6)**	(149.8)	**(171.6)**	(149.8)
Total operating lease receivables still to be recognised	**1 926.0**	2 191.0	**1 926.0**	2 191.0
11.2 Operating lease liabilities				
At beginning of period	**1 138.5**	1 042.7	**1 138.5**	1 042.7
Accrual	**101.1**	95.8	**101.1**	95.8
At end of period	**1 239.6**	1 138.5	**1 239.6**	1 138.5
At end of the period, future non-cancellable minimum lease rentals are payable during the following financial periods:				
Cash flow due within one year	**1 694.3**	1 510.7	**1 694.3**	1 510.7
Cash flow due after one year but not more than five years	**6 092.4**	5 631.1	**6 092.4**	5 631.1
Cash flow due after more than five years	**6 498.4**	7 022.3	**6 498.4**	7 022.3
Total future cash flows	**14 285.1**	14 164.1	**14 285.1**	14 164.1
Less: Operating lease liabilities	**(1 239.6)**	(1 138.5)	**(1 239.6)**	(1 138.5)
Total operating lease commitments still to be recognised	**13 045.5**	13 025.6	**13 045.5**	13 025.6

** Prior year amounts restated and/or reclassified, refer to note 30.*

Notes to the Group annual financial statements
continued

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm	**52 weeks 28 February 2016 Rm**	52 weeks 1 March 2015 Rm
12. PARTICIPATION IN EXPORT PARTNERSHIPS				
Total	**18.6**	29.9	**18.6**	29.9
Less: Current portion included in trade and other receivables	**(4.5)**	(6.5)	**(4.5)**	(6.5)
Non-current portion	**14.1**	23.4	**14.1**	23.4

The Group participated in various export partnerships, whose business was the purchase and export sale of marine containers. These partnerships bought and sold containers in terms of long-term suspensive purchase and credit sale agreements respectively, with repayment terms usually over a 10 to 15-year period.

The participation in export partnerships is measured at amortised cost using the effective interest method. Amortised cost for the Group's participation in export partnerships is the Group's cost of original participation less principal subsequent repayments received, plus the cumulative amortisation of the difference between the initial amount and the maturity amount, less any write down for impairment or uncollectability.

The last trade took place in the 1999 financial year. The balance disclosed in respect of participation in export partnerships is the remaining long-term receivable.

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm	**52 weeks 28 February 2016 Rm**	52 weeks 1 March 2015 Rm
13. DEFERRED TAX				
Deferred tax assets	**225.1**	198.8	**225.1**	198.8
Deferred tax liabilities	**(9.5)**	—	**(9.5)**	—
Net deferred tax assets	**215.6**	198.8	**215.6**	198.8
The movement in net deferred tax assets are as follows:				
At beginning of period	**198.8**	212.1	**198.8**	212.1
Recognised in profit or loss (note 6)	**21.2**	(0.4)	**21.2**	(0.4)
Participation in export partnerships	**4.9**	6.6	**4.9**	6.6
Property, plant and equipment and intangible assets	**(35.8)**	(24.9)	**(35.8)**	(24.9)
Net operating lease liability	**17.0**	19.5	**17.0**	19.5
Retirement benefits and actuarial gains	**—**	17.1	**—**	17.1
Prepayments	**(0.8)**	(0.2)	**(0.8)**	(0.2)
Allowance for impairment losses	**(14.8)**	(11.3)	**(14.8)**	(11.3)
Income and expense accruals	**50.7**	(7.2)	**50.7**	(7.2)
Recognised in other comprehensive income	**(4.4)**	(12.9)	**(4.4)**	(12.9)
Tax effect of remeasurement of retirement scheme assets	**(5.7)**	(12.9)	**(5.7)**	(12.9)
Foreign currency translations	**1.3**	—	**1.3**	—
At end of period	**215.6**	198.8	**215.6**	198.8
Comprising:				
Participation in export partnerships	**(18.9)**	(23.8)	**(18.9)**	(23.8)
Property, plant and equipment and intangible assets	**(184.0)**	(148.2)	**(184.0)**	(148.2)
Net operating lease liabilities	**268.3**	251.3	**268.3**	251.3
Retirement benefits and actuarial gains	**(25.4)**	(19.7)	**(25.4)**	(19.7)
Prepayments	**(6.2)**	(5.4)	**(6.2)**	(5.4)
Allowance for impairment losses	**29.7**	44.5	**29.7**	44.5
Income and expense accruals	**152.1**	100.1	**152.1**	100.1
	215.6	198.8	**215.6**	198.8
Calculated temporary differences on consolidation associated with investments in subsidiaries and associate for which deferred tax liabilities have not been recognised	**8.8**	5.7	**8.8**	5.7

The Group has approximately R44.0 million (2015: R80.0 million) of estimated tax losses available for set-off against future taxable incomes, for which no deferred tax assets have been raised, as it is not probable that future taxable profits will be available against which these estimated tax losses can be utilised.

Notes to the Group annual financial statements
continued

		Pick n Pay Stores Group		Pick n Pay Holdings Group	
		52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm	**52 weeks 28 February 2016 Rm**	52 weeks 1 March 2015 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	**180.2**	165.9	**180.2**	165.9
	Share of associate's income	**45.9**	14.3	**45.9**	14.3
	Foreign currency translations	**59.4**	—	**59.4**	—
	At end of period	**285.5**	180.2	**285.5**	180.2
14.1	**Related party transactions**				
	Sale of inventory	**19.9**	56.8	**19.9**	56.8
	During the financial year the Group sold inventory to it's associate. These purchases are on the same terms and conditions as those entered into by other Group customers.				
	Trade receivable balances outstanding at the end of the period	**6.2**	16.0	**6.2**	16.0
	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.				
	Fair value of financial guarantee (refer note 28.3)	**2.8**	7.2	**2.8**	7.2
	The Group entered into a financial guarantee contract that provides security for an overdraft facility of its associate. The purpose of the facility is to finance refurbishment programmes.				
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	**5 462.0**	3 895.4	**5 462.0**	355.9
	Profit for the period	**93.6**	29.2	**93.6**	29.2
	Attributable to other owners of the Company	**47.0**	14.9	**47.0**	14.9
	Attributable to the Pick n Pay Group	**45.9**	14.3	**45.9**	14.3
	Non-controlling interest	**0.7**	—	**0.7**	—
	Statement of financial position (100%)				
	Total assets	**1 334.5**	934.0	**1 334.5**	934.0
	Current assets	**542.0**	427.4	**542.0**	427.4
	Non-current assets	**792.5**	506.6	**792.5**	506.6
	Total liabilities	**698.7**	566.2	**698.7**	566.2
	Current liabilities	**638.7**	460.6	**638.7**	460.6
	Non-current liabilities	**60.0**	105.6	**60.0**	105.6
	Net assets (100%)	**635.8**	367.8	**635.8**	367.8
	Attributable to other owners of the Company	**297.1**	187.6	**297.1**	187.6
	Attributable to the Pick n Pay Group	**285.5**	180.2	**285.5**	180.2
	Non-controlling interest	**53.2**	—	**53.2**	—

Notes to the Group annual financial statements
continued

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm	**52 weeks 28 February 2016 Rm**	52 weeks 1 March 2015 Rm
15. LOANS				
Employees	**90.7**	100.6	**90.7**	100.6
Executive directors	**0.4**	0.4	**0.4**	0.4
Other employees	**90.3**	100.2	**90.3**	100.2
Other	**5.7**	—	**5.7**	—
	96.4	100.6	**96.4**	100.6

Loans to directors and employees bear interest at varying rates averaging at a rate of 3.7% (2015: 4.2%) per annum and have varying repayment terms. At year-end, R68.3 million (2015: R72.6 million) of loans were secured.

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

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
16. INVENTORY				
Merchandise for resale	**5 240.4**	4 767.5	**5 240.4**	4 767.5
Provision for shrinkage, obsolescence and mark down of inventory	**(147.7)**	(158.1)	**(147.7)**	(158.1)
Consumables	**59.3**	45.1	**59.3**	45.1
	5 152.0	4 654.5	**5 152.0**	4 654.5

Notes to the Group annual financial statements
continued

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 28 February 2016 Rm	Restated* 52 weeks 1 March 2015 Rm	**52 weeks 28 February 2016 Rm**	Restated* 52 weeks 1 March 2015 Rm
17. TRADE AND OTHER RECEIVABLES				
Trade and other receivables	**3 448.1**	3 134.0	**3 448.1**	3 134.0
Allowance for impairment losses	**(121.9)**	(197.6)	**(121.9)**	(197.6)
	3 326.2	2 936.4	**3 326.2**	2 936.4
Gross trade and other receivables not impaired				
Within payment terms	**2 648.5**	2 387.4	**2 648.5**	2 387.4
Exceeding payment terms by less than 14 days	**71.0**	41.0	**71.0**	41.0
Exceeding payment terms by more than 14 days (past due)	**284.4**	163.6	**284.4**	163.6
	3 003.9	2 592.0	**3 003.9**	2 592.0
Gross trade and other receivables with impairments				
Within payment terms	**177.3**	224.1	**177.3**	224.1
Exceeding payment terms by less than 14 days	**36.1**	36.4	**36.1**	36.4
Exceeding payment terms by more than 14 days (past due)	**230.8**	281.5	**230.8**	281.5
	444.2	542.0	**444.2**	542.0
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	**197.6**	289.2	**197.6**	289.2
Irrecoverable debts written off	**(93.7)**	(125.4)	**(93.7)**	(125.4)
Additional impairment losses recognised	**33.5**	50.1	**33.5**	50.1
Prior allowances for impairment reversed	**(15.5)**	(16.3)	**(15.5)**	(16.3)
At end of period	**121.9**	197.6	**121.9**	197.6

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 77% (2015: 76%) 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 merchandise and administration in profit or loss.

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

Refer to note 28.1 for information on the credit risk of trade and other receivables.

** Prior year amounts restated and/or reclassified, refer to note 30.*

Notes to the Group annual financial statements
continued

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 28 February 2016 Rm	Restated* 52 weeks 1 March 2015 Rm	**52 weeks 28 February 2016 Rm**	Restated* 52 weeks 1 March 2015 Rm
18. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	**982.9**	1 024.5	**984.2**	1 025.3
Bank overdraft and overnight borrowings	**(100.0)**	(500.0)	**(100.0)**	(500.0)
Net cash and cash equivalents at end of period	**882.9**	524.5	**884.2**	525.3

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 banker, which has a long-term credit rating 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 5.1% and 5.6% per annum (2015: 4.8% and 5.1% per annum). The interest rate on cash invested in money market accounts varied between 6.5% and 6.9% per annum (2015: 5.9% and 6.5% per annum). Refer to note 28.4.

Bank overdraft

The Group utilised its bank overdraft during the period. The overdraft rate varied between 7.8% and 8.8% per annum (2015: 7.5% and 7.8% per annum). Refer to note 28.4.

Overnight bank borrowings

The Group utilised overnight bank borrowings during the period. Interest rates varied between 6.3% and 7.7% per annum (2015: 6.0% and 6.6% per annum). Refer to note 28.4.

** Prior year amounts restated and/or reclassified, refer to note 30.*

Notes to the Group annual financial statements

continued

	Pick n Pay Stores Group	
	52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm
19. SHARE CAPITAL		
19.1 Pick n Pay Stores Limited		
Authorised		
800 000 000 (2015: 800 000 000) ordinary shares of 1.25 cents each	**10.0**	10.0
Issued		
488 450 321 (2015: 487 322 321) 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)	**1 752.4**	1 746.9
Shares issued under the forfeitable share plan (note 5.3)	**7 923.0**	6 925.0
Shares held outside the Group	**478 774.9**	478 650.4
	488 450.3	487 322.3

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 (currently 24 422 516 shares). To date, 10 743 000 shares have been issued, resulting in 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.

The movement in the number of shares in issue in the current period was as a result of an issue of 1 128 000 shares (2015: 6 925 000 shares) in respect of the Group's employee forfeitable share plan (FSP).

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.

	Pick n Pay Holdings Group	
	52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm
19.2 Pick n Pay Holdings Limited RF		
Authorised		
800 000 000 (2015: 800 000 000) ordinary shares of 1.25 cents each	10.0	10.0
Issued		
527 249 082 (2015: 527 249 082) ordinary shares of 1.25 cents each	6.6	6.6
	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)	11 129.3	11 106.5
Shares held outside the Group	516 119.8	516 142.6
	527 249.1	527 249.1

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 issued share capital (currently 26 362 454 shares).

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 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

	Pick n Pay Stores Group 52 weeks 28 February 2016 Rm	Pick n Pay Stores Group Restated* 52 weeks 1 March 2015 Rm	Pick n Pay Holdings Group 52 weeks 28 February 2016 Rm	Pick n Pay Holdings Group 52 weeks 1 March 2015 Rm
20. TREASURY SHARES				
At beginning of period	**60.1**	50.4	**109.0**	95.3
Share repurchases	**126.2**	155.7	**16.1**	22.2
Take-up of share options by employees	**(122.8)**	(146.0)	**(3.6)**	(8.5)
At end of period	**63.5**	60.1	**121.5**	109.0
The movement in the number of treasury shares held is as follows:	**000's**	000's	**000's**	000's
At beginning of period	**8 671.9**	1 974.5	**11 106.5**	11 042.5
Shares purchased during the period	**2 220.2**	2 904.7	**800.9**	926.8
Shares sold during the period pursuant to the take-up of share options by employees	**(2 344.7)**	(3 132.3)	**(778.1)**	(862.8)
Shares issued under forfeitable share plan	**1 128.0**	6 925.0	**—**	—
At end of period	**9 675.4**	8 671.9	**11 129.3**	11 106.5
Comprises:				
Shares issued under forfeitable share plan (note 5.4)	**7 923.0**	6 925.0	**—**	—
Shares held by the Group	**1 752.4**	1 746.9	**11 129.3**	11 106.5
	R	R	**R**	R
Average price of forfeitable share plan shares held at period end	**56.07**	55.59	**n/a**	n/a
Average purchase price of shares purchased during the period	**61.33**	57.53	**25.83**	24.02
Average purchase price of shares held at period end	**61.33**	54.95	**11.73**	10.58

** Prior year amounts restated and/or reclassified, refer to note 30.*

Notes to the Group annual financial statements

continued

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm	**52 weeks 28 February 2016 Rm**	52 weeks 1 March 2015 Rm
21. BORROWINGS				
21.1 Secured borrowings	**529.6**	784.3	**529.6**	784.3
Secured loan in respect of property with a carrying value of R66.3 million (2015: R64.5 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.	**31.9**	41.7	**31.9**	41.7
Secured loan in respect of property with a carrying value of R533.8 million (2015: R544.6 million) (note 10). Interest was payable every six months in arrears at a fixed rate of 8.8% per annum. The capital was repaid on 29 June 2015.	**—**	250.0	**—**	250.0
Secured loan raised to fund property development. The loan is secured by property with a carrying value of R533.8 million (2015: R544.6 million) (note 10). Interest is payable every six months in arrears at fixed rate of 8.9% per annum. The capital is repayable on 28 August 2016.	**400.0**	400.0	**400.0**	400.0
Finance leases in respect of vehicles with a carrying value of R107.3 million (2015: R103.6 million) (note 10) held under finance lease agreements bearing interest at prime bank rate less 2% 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.	**97.7**	92.6	**97.7**	92.6
Total borrowings at end of period	**529.6**	784.3	**529.6**	784.3
***Less:* Current portion (repayable within one year)**	**(446.6)**	(291.5)	**(446.6)**	(291.5)
Non-current portion (repayable after one year)	**83.0**	492.8	**83.0**	492.8
21.2 Finance lease commitments				
At end of period finance lease rentals are payable as follows:				
Cash flows within one year	**37.2**	31.8	**37.2**	31.8
Capital repayments	**34.4**	29.7	**34.4**	29.7
Interest	**2.8**	2.1	**2.8**	2.1
Cash flows within two to five years	**68.3**	60.8	**68.3**	60.8
Capital repayments	**63.1**	56.8	**63.1**	56.8
Interest	**5.2**	4.0	**5.2**	4.0
Total cash flows	**105.5**	92.6	**105.5**	92.6
Consisting of:				
Capital repayments	**97.5**	86.5	**97.5**	86.5
Interest	**8.0**	6.1	**8.0**	6.1

Notes to the Group annual financial statements
continued

22. RETIREMENT BENEFITS

The Group, through its trading and employer 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 should have been paid out. However, there are a number of members with unclaimed benefits. The liability is the value determined for the unclaimed members at normal retirement age, increased with fund return to payment date.

Pick n Pay Stores Group and **Pick n Pay Holdings Group**

	Pensioners' defined-benefit guarantee Rm	Retirement defined-benefit guarantee Rm	Post-retirement medical guarantee Rm	Total obligation 2016 Rm	Total obligation 2015 Rm
22.1 The Pick n Pay Retirement Scheme					
Defined-benefit obligations					
The amount recognised in the statement of financial position is as follows:					
Present value of funded obligations	**544.8**	**496.1**	**4.8**	**1 045.7**	1 081.8
Fair value of assets	**(544.8)**	**(586.9)**	**(4.8)**	**(1 136.5)**	(1 210.8)
Funded position	**—**	**(90.8)**	**—**	**(90.8)**	(129.0)
Amounts recognised in the statement of comprehensive income are as follows:					
Current service cost	**—**	**21.1**	**—**	**21.1**	21.3
Net interest on the obligation	**—**	**(7.8)**	**—**	**(7.8)**	(4.5)
Total included in employee costs	**—**	**13.3**	**—**	**13.3**	16.8
Asset ceiling					
Refund (employer surplus account)	**—**	**98.2**	**—**	**98.2**	70.1
	—	**98.2**	**—**	**98.2**	70.1
Effect of asset ceiling – beginning of period	**—**	**58.9**	**—**	**58.9**	23.6
Interest cost	**—**	**7.0**	**—**	**7.0**	2.0
Remeasurement	**—**	**(65.9)**	**—**	**(65.9)**	33.3
Effect of asset ceiling – end of period	**—**	**—**	**—**	**—**	58.9
Movement in the asset recognised on the statement of financial position is as follows:					
Net asset – beginning of period	**—**	**(70.1)**	**—**	**(70.1)**	(85.1)
Total included in employee costs in profit or loss	**—**	**13.3**	**—**	**13.3**	16.8
Amount recognised in other comprehensive income	**—**	**(20.5)**	**—**	**(20.5)**	(45.9)
(Contributions)/refunds	**—**	**(13.5)**	**—**	**(13.5)**	44.1
Net asset – end of period	**—**	**(90.8)**	**—**	**(90.8)**	(70.1)

Notes to the Group annual financial statements
continued

Pick n Pay Stores Group and **Pick n Pay Holdings Group**

	Pensioners' defined-benefit guarantee Rm	Retirement defined-benefit guarantee Rm	Post-retirement medical guarantee Rm	Total obligation 2016 Rm	Total obligation 2015 Rm
22. RETIREMENT BENEFITS continued					
22.1 The Pick n Pay Retirement Scheme continued					
Remeasurement recognised in other comprehensive income					
Actuarial loss/(gain) – assets	2.3	48.7	(0.1)	50.9	(97.7)
Actuarial (gain)/loss – liabilities	(2.3)	(3.3)	0.1	(5.5)	18.5
Effect of asset ceiling	—	(65.9)	—	(65.9)	33.3
Remeasurement recognised in other comprehensive income (before tax)	—	(20.5)	—	(20.5)	(45.9)
Movement in the fund's obligations and plan assets recognised on the statement of financial position is as follows:					
Liability – beginning of period	522.6	554.9	4.3	1 081.8	1 146.3
Service cost	—	21.1	—	21.1	21.3
Interest cost	59.8	58.9	0.5	119.2	90.1
Actuarial loss/(gain) from experience	(2.3)	(2.3)	0.1	(4.5)	20.1
Actuarial loss from basis change	—	(1.0)	—	(1.0)	(1.5)
Benefits paid	(35.3)	(135.5)	(0.1)	(170.9)	(194.4)
Liability – end of period	544.8	496.1	4.8	1 045.7	1 081.8
Plan assets – beginning of period	522.6	683.9	4.3	1 210.8	1 255.0
Expected return	59.8	73.7	0.5	134.0	96.6
Actuarial (gain)/loss from experience	(2.3)	(48.7)	0.1	(50.9)	97.7
Refund/(contributions)	—	13.5	—	13.5	(44.1)
Benefits paid	(35.3)	(135.5)	(0.1)	(170.9)	(194.4)
Plan assets – end of period	544.8	586.9	4.8	1 136.5	1 210.8
	%	%	%	%	%
Estimated return on plan assets	6.9	7.0	7.0	6.9	8.4
Composition of plan assets					
Equities	4.5	51.5	51.5	28.9	29.2
Fixed interest – bonds	77.6	13.6	13.6	44.4	24.4
Fixed interest – cash	—	2.1	2.1	1.1	1.3
Property	—	4.4	4.4	2.3	2.3
Offshore equities	17.9	20.9	20.9	19.4	14.5
Offshore bonds	—	7.1	7.1	3.7	12.2
Offshore cash	—	0.3	0.3	0.1	16.1
Offshore property	—	0.1	0.1	0.1	–
	100.0	100.0	100.0	100.0	100.0

The value of contributions expected to be paid in the next financial period is R11.1 million (2015: R25.0 million).

The weighted-average duration of the defined benefit obligation is five years (2015: five years).

Notes to the Group annual financial statements

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22. RETIREMENT BENEFITS continued

22.1 The Pick n Pay Retirement Scheme continued

Pick n Pay Stores Group and **Pick n Pay Holdings Group**

The principal actuarial assumptions at the last valuation date are:	February 2016 % per annum Pensioners	Executives	Post retirement	Weighted	November 2014 % per annum Combined
Discount rate	**9.3**	**9.0**	**n/a**	**9.1**	8.8
Future salary increases	**n/a**	**7.0**	**n/a**	**7.0**	6.3
Future pension increases	**7.3**	**n/a**	**n/a**	**7.3**	6.0
Annual increase in healthcare costs	**n/a**	**n/a**	**n/a**	**n/a**	7.5

We have amended the effective valuation date during the current reporting period to align it closer to the financial year-end of the Group.

At this valuation date the different liabilities were assessed according to their individual durations, implying different assumptions as appropriate. A single assumption was applied in the prior period disclosure.

Sensitivity analysis

At 28 February 2016, 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:

Pick n Pay Stores Group and **Pick n Pay Holdings Group**

	Discount rate effect -1% 8.0% Rm	As reported 9.0% Rm	+1% 10.0% Rm	Salary inflation effect -1% 5.7% Rm	As reported 6.7% Rm	+1% 7.7% Rm
Statement of comprehensive income						
Employee costs	**13.4**	**13.3**	**13.2**	**12.4**	**13.3**	**14.3**
Statement of financial position						
Asset at end of period	**93.5**	**90.8**	**96.0**	**98.2**	**90.8**	**76.1**

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;
- 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.

Pick n Pay Stores Group and **Pick n Pay Holdings Group**

	52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm
22.2 Defined current contribution benefits		
Current contributions (refer note 3.1)	**341.8**	325.8

Notes to the Group annual financial statements
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	Pick n Pay Stores Group 52 weeks 28 February 2016 Rm	Pick n Pay Stores Group Restated* 52 weeks 1 March 2015 Rm	Pick n Pay Holdings Group 52 weeks 28 February 2016 Rm	Pick n Pay Holdings Group Restated* 52 weeks 1 March 2015 Rm
23. TRADE AND OTHER PAYABLES				
Trade and other payables	**10 156.6**	8 645.8	**10 160.9**	8 649.5
Leave pay obligations	**220.1**	197.7	**220.1**	197.8
Deferred revenue – customer loyalty programme (note 2)	**123.9**	46.2	**123.9**	46.2
	10 500.6	8 889.7	**10 504.9**	8 893.5

** Prior year amounts restated and/or reclassified, refer to note 30.*

	Pick n Pay Stores Group 52 weeks 28 February 2016 Rm	Pick n Pay Stores Group 52 weeks 1 March 2015 Rm	Pick n Pay Holdings Group 52 weeks 28 February 2016 Rm	Pick n Pay Holdings Group 52 weeks 1 March 2015 Rm
24. PROVISIONS				
Onerous leases				
Balance at beginning of period	**1.0**	8.1	**1.0**	8.1
Provisions utilised	**(0.8)**	(7.1)	**(0.8)**	(7.1)
Balance at end of period	**0.2**	1.0	**0.2**	1.0
25. COMMITMENTS				
25.1 Capital commitments				
All capital expenditure will be funded from internal cash flow and through unlimited borrowing powers.				
Authorised capital expenditure				
Contracted for	**395.9**	213.1	**395.9**	213.1
Property	**78.8**	—	**78.8**	—
Furniture, fittings, equipment and vehicles	**211.5**	123.1	**211.5**	123.1
Intangible assets	**105.6**	90.0	**105.6**	90.0
Not contracted for	**1 783.1**	1 839.3	**1 783.1**	1 839.3
Property	**27.5**	180.0	**27.5**	180.0
Furniture, fittings, equipment and vehicles	**1 694.9**	1 518.8	**1 694.9**	1 518.8
Intangible assets	**60.7**	140.5	**60.7**	140.5
Total commitments	**2 179.0**	2 052.4	**2 179.0**	2 052.4

25.2 Operating lease commitments

Refer to note 11

25.3 Finance lease commitments

Refer to note 21.2

Notes to the Group annual financial statements
continued

26. OPERATING SEGMENTS

Group

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 executives, or group of executives, that could be considered the appropriate and relevant CODM of the Group.

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.

	Pick n Pay Stores Group		
	South Africa* Rm	Rest of Africa Rm	Total operations* Rm
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**
52 weeks to 1 March 2015			
Total segment revenue	64 754.2	3 681.9	68 436.1
External revenue	64 754.2	3 028.9	67 783.1
Direct deliveries**	—	653.0	653.0
Segment external turnover	63 911.9	3 028.9	66 940.8
Profit before tax* **	1 016.2	189.0	1 205.2
Other information			
Statement of comprehensive income			
Finance income	54.3	5.1	59.4
Finance costs	119.0	—	119.0
Depreciation and amortisation	845.2	24.3	869.5
Share of associate's income	—	14.3	14.3
Statement of financial position			
Total assets	13 754.3	1 069.8	14 824.1
Total liabilities	11 290.8	271.5	11 562.3
Investment in associate	—	180.2	180.2
Additions to non-current assets	1 061.8	43.5	1 105.3

** Prior year amounts restated and/or reclassified, refer to note 30.*

*** 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.*

Notes to the Group annual financial statements
continued

	Pick n Pay Holdings Group		
	South Africa* Rm	**Rest of Africa Rm**	**Total operations* Rm**
26. OPERATING SEGMENTS continued			
52 weeks to 28 February 2016			
Total segment revenue	**70 312.8**	**4 005.6**	**74 318.4**
External revenue	**70 312.8**	**3 164.6**	**73 477.4**
Direct deliveries**	**—**	**841.0**	**841.0**
Segment external turnover	**69 300.6**	**3 144.5**	**72 445.1**
Profit before tax***	**1 245.0**	**226.1**	**1 471.1**
Other information			
Statement of comprehensive income			
Finance income	**52.9**	**8.1**	**61.0**
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	**14 997.7**	**1 323.6**	**16 321.3**
Total liabilities	**12 282.6**	**284.2**	**12 566.8**
Investment in associate	**—**	**285.5**	**285.5**
Additions to non-current assets	**1 773.6**	**17.7**	**1 791.3**
52 weeks to 1 March 2015			
Total segment revenue	64 754.2	3 681.9	68 436.1
External revenue	64 754.2	3 028.9	67 783.1
Direct deliveries**	—	653.0	653.0
Segment external turnover	63 911.9	3 028.9	66 940.8
Profit before tax***	1 014.7	189.0	1 203.7
Other information			
Statement of comprehensive income			
Finance income	54.3	5.1	59.4
Finance costs	119.0	—	119.0
Depreciation and amortisation	845.2	24.3	869.5
Share of associate's income	—	14.3	14.3
Statement of financial position			
Total assets	13 501.4	1 069.8	14 571.2
Total liabilities	11 172.6	271.5	11 444.1
Investment in associate	—	180.2	180.2
Additions to non-current assets	1 061.8	43.5	1 105.3

* *Prior year amounts restated and/or reclassified, refer to note 30.*

** *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.*

Notes to the Group annual financial statements
continued

27. RELATED PARTY TRANSACTIONS

27.1 Transactions between Group subsidiaries

During the year, 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. Related party transactions are consistent with those reported in the prior year, and no significant new related party transactions arose during the year.

The Pick n Pay Stores and Pick n Pay Holdings Groups comprise of the following significant wholly owned subsidiaries:
- Pick n Pay Retailers Proprietary Limited, incorporated in South Africa
- Boxer Holdings 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 parent company

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

Dividends paid to the parent company amounted to R315.8 million for the current period under review (2015: R249.9 million).

Refer to note 8 of the Company 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 (2015: R0.4 million). These loans are secured and bear interest at varying interest rates. For further information refer to note 15.

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 Group company during the period under review.

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 28 February 2016 Rm	Restated* 52 weeks 1 March 2015 Rm	**52 weeks 28 February 2016 Rm**	Restated* 52 weeks 1 March 2015 Rm
Key management personnel remuneration comprises:				
Fees for board meetings, committee and other work	**8.2**	7.3	**8.5**	7.5
Base salary	**56.7**	47.9	**56.7**	47.9
Retirement and medical aid contributions	**8.9**	7.8	**8.9**	7.8
Fringe and other benefits	**6.7**	8.4	**6.7**	8.4
Total fixed remuneration	**80.5**	71.4	**80.8**	71.6
Short-term annual bonus	**43.5**	28.1	**43.5**	28.1
Total remuneration	**124.0**	99.5	**124.3**	99.7
Expense relating to share options granted	**76.1**	45.5	**75.1**	45.5

** Prior year amounts restated and/or reclassified, refer to note 30.*

Notes to the Group annual financial statements
continued

28. FINANCIAL INSTRUMENTS

Overview

The Pick n Pay Stores and Pick n Pay Holdings Group's (collectively referred to as the Group) principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its 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 which are summarised below.

** Prior year amounts restated and/or reclassified, refer to note 30.*

28.1 Financial assets and financial liabilities by category

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

	Pick n Pay Stores Group						
	Derivative financial instruments	Financial assets at fair value through profit and loss	Available-for-sale financial assets	Loans and receivables	Financial liabilities measured at amortised cost	Financial liabilities at fair value through profit and loss	Total
52 weeks to 28 February 2016							
Financial assets							
Forward exchange contracts	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

Notes to the Group annual financial statements
continued

28. FINANCIAL INSTRUMENTS continued
28.1 Financial assets and financial liabilities by category continued

Pick n Pay Stores Group

	Derivative financial instruments	Restated* Financial assets at fair value through profit and loss	Restated* Available-for-sale financial assets	Restated* Loans and receivables	Restated* Financial liabilities measured at amortised cost	Financial liabilities at fair value through profit and loss	Restated* Total
52 weeks to 1 March 2015							
Financial assets							
Forward exchange contracts	1.3	—	—	—	—	—	1.3
Commodity hedge	0.1	—	—	—	—	—	0.1
Trade and other receivables	—	—	—	2 936.4	—	—	2 936.4
Cash and cash equivalents	—	—	—	1 024.5	—	—	1 024.5
Loans	—	—	—	100.6	—	—	100.6
Participation in export partnerships	—	—	—	23.4	—	—	23.4
Investment in Guardrisk Insurance Company Limited	—	33.5	—	—	—	—	33.5
Investment in Pick n Pay Holdings Limited RF	—	211.5	42.2	—	—	—	253.7
	1.4	245.0	42.2	4 084.9	—	—	4 373.5
Financial liabilities							
Financial guarantee	—	—	—	—	—	7.2	7.2
Secured loans	—	—	—	—	784.3	—	784.3
Trade and other payables	—	—	—	—	8 645.8	—	8 645.8
Bank overdraft and overnight borrowings	—	—	—	—	500.0	—	500.0
	—	—	—	—	9 930.1	7.2	9 937.3

** Prior year amounts restated and/or reclassified, refer to note 30.*

Notes to the Group annual financial statements

continued

28. FINANCIAL INSTRUMENTS continued

28.1 Financial assets and financial liabilities by category continued

Pick n Pay Holdings Group

	Derivative financial instruments	Financial assets at fair value through profit and loss	Loans and receivables	Financial liabilities measured at amortised cost	Financial liabilities at fair value through profit and loss	Total
52 weeks to 28 February 2016						
Financial assets						
Forward exchange contracts	**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**
	6.0	**13.6**	**4 294.3**	**—**	**—**	**4 313.9**
Financial liabilities						
Financial guarantee	**—**	**—**	**—**	**—**	**2.8**	**2.8**
Secured loans	**—**	**—**	**—**	**529.6**	**—**	**529.6**
Trade and other payables	**—**	**—**	**—**	**9 945.9**	**—**	**9 945.9**
Bank overdraft and overnight borrowings	**—**	**—**	**—**	**100.0**	**—**	**100.0**
	—	**—**	**—**	**10 575.5**	**2.8**	**10 578.3**

	Derivative financial instruments	Restated* Financial assets at fair value through profit and loss	Restated* Loans and receivables	Restated* Financial liabilities measured at amortised cost	Financial liabilities at fair value through profit and loss	Restated* Total
52 weeks to 1 March 2015						
Financial assets						
Forward exchange contracts	1.3	—	—	—	—	1.3
Commodity hedge	0.1	—	—	—	—	0.1
Trade and other receivables	—	—	2 936.4	—	—	2 936.4
Cash and cash equivalents	—	—	1 024.5	—	—	1 024.5
Loans	—	—	100.6	—	—	100.6
Participation in export partnerships	—	—	23.4	—	—	23.4
Investment in Guardrisk Insurance Company Limited	—	33.5	—	—	—	33.5
	1.4	33.5	4 084.9	—	—	4 119.8
Financial liabilities						
Financial guarantee	—	—	—	—	7.2	7.2
Secured loans	—	—	—	784.3	—	784.3
Trade and other payables	—	—	—	8 649.5	—	8 649.5
Bank overdraft and overnight borrowings	—	—	—	500.0	—	500.0
	—	—	—	9 933.8	7.2	9 941.0

** Prior year amounts restated and/or reclassified, refer to note 30.*

Notes to the Group annual financial statements
continued

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, investment in associate, cell captive, derivatives, loans and participation in export partnerships.

The Group's cash is placed with major South African and international financial institutions of high credit standing with a long-term rating 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 among 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.

A JSE-listed company has warranted all material cash flow aspects of the Group's participation in export partnerships. The Group's directors have considered the credit risk relating to these aspects warranted and have satisfied themselves as to the credit worthiness of the warrantor company. Refer to note 12.

The Group is exposed to a 49% share of a financial guarantee over a US$25 million term loan granted to our associate in Zimbabwe, with US$6.25 million remaining. The guarantee is linked to the credit worthiness of our associate. Management is confident in the future prospects of our associate and has no reason to believe that associate will default on its loan commitments or that the guarantee will be called upon.

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 forecast 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 are utilised to fund capital expenditure. Liquidity risk has been mitigated by substantial unutilised borrowing facilities as illustrated below.

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 28 February 2016 Rm	Restated 52 weeks 1 March 2015 Rm	**52 weeks 28 February 2016 Rm**	Restated 52 weeks 1 March 2015 Rm
Total available facilities	**6 830.2**	6 954.8	**6 830.2**	6 954.8
Total actual borrowings	**(629.6)**	(1 284.3)	**(629.6)**	(1 284.3)
Utilisation of FEC and financial guarantee facilities	**(345.6)**	(303.8)	**(345.6)**	(303.8)
Unutilised borrowing facilities	**5 855.0**	5 366.7	**5 855.0**	5 366.7

Notes to the Group annual financial statements
continued

28. FINANCIAL INSTRUMENTS continued

28.3 Liquidity risk continued

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

Pick n Pay Stores Group

	Carrying amount Rm	Contractual cash flows Rm	Within 1 year Rm	2 to 5 years Rm	Over 5 years Rm
52 weeks to 28 February 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 bank borrowings	**100.0**	**100.0**	**100.0**	**—**	**—**
Total financial obligations	**10 570.9**	**10 600.5**	**10 509.0**	**91.5**	**—**
52 weeks to 1 March 2015					
Secured loans	784.3	854.2	339.3	514.9	—
Trade and other payables*	8 645.8	8 645.8	8 645.8	—	—
Overnight bank borrowings	500.0	500.0	500.0	—	—
Total financial obligations	9 930.1	10 000.0	9 485.1	514.9	—

Pick n Pay Holdings Group

	Carrying amount Rm	Contractual cash flows Rm	Within 1 year Rm	2 to 5 years Rm	Over 5 years Rm
52 weeks to 28 February 2016					
Secured loans	**529.6**	**559.2**	**467.7**	**91.5**	**—**
Trade and other payables	**9 945.9**	**9 945.9**	**9 945.9**	**—**	**—**
Bank overdraft and overnight borrowings	**100.0**	**100.0**	**100.0**	**—**	**—**
Total financial obligations	**10 575.5**	**10 605.1**	**10 513.6**	**91.5**	**—**
52 weeks to 1 March 2015					
Secured loans	784.3	854.2	339.3	514.9	—
Trade and other payables*	8 649.5	8 649.5	8 649.5	—	—
Bank overdraft and overnight borrowings	500.0	500.0	500.0	—	—
Total financial obligations	9 933.8	10 003.7	9 488.8	514.9	—

** Prior year amounts restated and/or reclassified, refer to note 30.*

The Group is exposed to a 49% share of a financial guarantee over a US$25 million term loan granted to our associate in Zimbabwe, with a remaining portion of US$6.25 million. The guarantee is linked to the credit worthiness of our associate. Management is confident in the future prospects of our associate and has no reason to believe that the associate will default on its loan commitments or that the guarantee will be called upon.

28. FINANCIAL INSTRUMENTS continued

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, available-for-sale financial instruments, financial instruments at fair value through profit or loss 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 analysis in the following sections relate to the position as at 28 February 2016 and 1 March 2015.

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 counter parties do not contribute to transactional currency risk as the related transactions and balances are denominated in South African rand.

Pick n Pay Stores Group and **Pick n Pay Holdings Group**

	Average rate		Closing rate	
	52 weeks 28 February 2016	52 weeks 1 March 2015	**As at 28 February 2016**	As at 1 March 2015
The following significant exchange rates applied during the period:				
USD/ZAR	**13.51**	11.17	**15.97**	11.62
Euro/ZAR	**14.89**	13.92	**17.48**	13.05
GBP/ZAR	**20.42**	17.92	**22.19**	17.93

	Contract foreign currency m	Rand equivalent Rm	Average rate R	Fair value Rm
Forward exchange contracts				
52 weeks to 28 February 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)**
		296.8		**6.0**
52 weeks to 1 March 2015				
US dollars	8.1	91.5	11.3	(0.1)
Euro	2.0	28.6	14.2	1.5
British pound	0.3	4.6	18.0	(0.1)
		124.7		1.3

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 against foreign currency fluctuations. A sensitivity analysis is not presented as the estimated impact of the expected movement in currencies is not material.

In relation to the participation in export partnerships, a fixed rate of exchange was set for the purpose of converting the foreign currency receipts in respect of the partnerships' sales into South African rand. Any exchange differences are for the account of the managing partner of the partnerships and will have no impact on the statement of comprehensive income and the statement of changes in equity of the Group.

Notes to the Group annual financial statements
continued

28. FINANCIAL INSTRUMENTS continued

28.4 Market risk management continued

28.4.1 Currency risk management continued

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 the 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

The Pick n Pay Stores Group has an investment in Pick n Pay Holdings Limited RF shares, 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 are derived from quoted market prices in active securities market.

At the reporting date, the Pick n Pay Stores Group's exposure to these listed equity securities at fair value was R264.9 million, R46.4 million in available-for-sale financial instruments and R218.5 million in financial instruments designated at fair value through profit or loss. A increase/decrease of 10% on the JSE market index could have an impact of approximately R26.5 million on total comprehensive income.

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 though the Group's cash management system taking into account expected movements in interest rates when funding or investing decisions are made.

	Pick n Pay Stores Group and **Pick n Pay Holdings Group**	
	52 weeks 28 February 2016 Weighted average interest rate %	52 weeks 1 March 2015 Weighted average interest rate %
The effective interest rates on financial instruments at the end of the period are:		
Financial assets		
Cash and cash equivalents (note 18)	**5.1 – 6.9**	4.8 – 6.5
Loans (note 15)	**3.7**	4.2
Financial liabilities		
Variable-rate interest-bearing debt		
Bank overdraft and overnight borrowings (note 18)	**6.3 – 8.8**	6.3
Finance leases (note 21)	**7.3 – 8.8**	7.1
3-month corporate paper (note 21)	**—**	5.9
Fixed-rate interest-bearing debt		
Secured loans (note 21)	**8.8 – 11.4**	8.8 – 11.4

28. FINANCIAL INSTRUMENTS continued

28.4 Market risk management continued

28.4.2 Interest rate risk management continued

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 based on the period end closing balances. 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.

	Pick n Pay Stores Group and Pick n Pay Holdings Group			
	52 weeks to 28 February 2016		52 weeks to 1 March 2015 Restated*	
	1% increase Rm	2% increase Rm	1% increase Rm	2% increase Rm
Total effect on finance income	**9.8**	**19.7**	10.2	20.5
Total effect on finance costs	**(2.0)**	**(4.0)**	(5.9)	(11.9)
Net effect on profit before tax	**7.8**	**15.7**	4.3	8.6

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.

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

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	As at 28 February 2016 Rm	As at 1 March 2015 Rm	**As at 28 February 2016 Rm**	As at 1 March 2015 Rm
Derivative financial instruments				
Forward exchange contracts – Level 2	**6.0**	1.3	**6.0**	1.3
Commodity hedge – Level 2	**—**	0.1	**—**	0.1
Financial instruments at fair value through profit or loss*				
Investment in Pick n Pay Holdings Limited RF – Level 1	**218.5**	211.5	**—**	—
Investment in Guardrisk Insurance Company Limited – Level 2	**13.6**	33.5	**13.6**	33.5
Available for sale financial instruments*				
Investment in Pick n Pay Holdings Limited RF – Level 1	**46.4**	42.2	**—**	—

** Prior year amounts restated and/or reclassified, refer to note 30.*

28. FINANCIAL INSTRUMENTS continued

28.5 Fair value of financial instruments continued

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 on page 84.

The fair value of the investment in Pick n Pay Holdings Limited RF shares are derived from quoted market prices in an active securities market.

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 and commodity forward contracts are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying commodity.

All derivative contracts are fully cash collateralised, thereby eliminating both counterparty risk and the Group's own non-performance risk.

As at 28 February 2016, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk.

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

There have been no transfers between level 1, level 2 and level 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 has 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 while 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 shareholders equity which is calculated as headline earnings divided by average shareholders equity:

	Pick n Pay Stores Group	
	52 weeks 28 February 2016	Restated* 52 weeks 1 March 2015
Return on shareholders equity	**30.0%**	27.9%

** Prior year amounts restated and/or reclassified, refer to note 30.*

The Group maintains a dividend cover based on headline earnings per share of 1.5 times (2015: 1.5 times) to ensure that sufficient capital is retained for expansion of the business.

The Group's secured long-term borrowings have financial covenants attached which the lender uses as a measure of the Group's ability to repay the debt. The covenants are based on the level of total debt in the business as a ratio of EBITDA (earnings before interest, tax, depreciation and amortisation), as well as the adequacy of EBITAR (earnings before interest, tax and operating rentals) to cover total net interest and operating lease rentals payable. The Group complied with all financial covenants during the period and does not foresee any difficulty in meeting the covenants in the foreseeable future.

Should the financial covenants not be met for any reason, the Group would need to inform the lender and the lender would be entitled to take remedial action in the form of an increase in the rate of interest on the secured loan, or early repayment terms. However, should the Group's financial position diminish further such that the lender believes that the Group will not be able to repay its debt in the ordinary course of business, then the loan can be immediately recalled by the lender.

The Group purchases its own shares on the market from time to time, in order to cover share options granted under the Pick n Pay Employee share scheme and prevent any future dilution on the take-up of the share options by employees. 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.

Notes to the Group annual financial statements

continued

29. NON-CONTROLLING INTEREST

All of the non-controlling interest in the Pick n Pay Holdings Group relates to its subsidiary Pick n Pay Stores Limited. Non-controlling shareholders controls 46.3% (2015: 46.2%) of the issued share capital of the subsidiary.

	Pick n Pay Holdings Group	
	52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm
Non-controlling interest	**1 794.7**	1 499.2

30. PRIOR PERIOD RESTATEMENTS AND RECLASSIFICATIONS

30.1 Prior period restatements and reclassification – Pick n Pay Stores Limited Group

The following prior period restatements were made in the Group's South Africa operating segment:

Recognition and measurement

The Group's investment in an insurance cell captive was historically treated as a wholly owned subsidiary and consolidated. On re-evaluating the definition of control in terms of IFRS 10 *Consolidated Financial Statements*, it is appropriate to account for this investment as a financial instrument at fair value through profit or loss in accordance with IAS 39 *Financial Instruments*.

The Group owns Pick n Pay Holdings Limited RF shares (PWK shares) to settle obligations under the Group's share incentive scheme. Previously these shares were accounted for as treasury shares and the related share-based payment as equity settled. On review the investment in PWK shares should be accounted for as a financial instrument in accordance with IAS 39 *Financial Instruments* and the related share-based payment as cash settled in terms of IFRS 2 *Share-Based Payments*.

These errors were corrected in the current financial year and comparative figures restated. The errors did not require any adjustment to the previously reported profit for the period, including reported basic, diluted and headline earnings per share.

Reclassifications

In the comparative period certain rent received from franchisees, in terms of sublease agreements, was erroneously accounted for under occupancy costs in the statements of comprehensive income. An instance was found where an amount was incorrectly classified as trade and other payables rather than cash and cash equivalents in the statements of financial position.

These reclassification errors were corrected in the current financial year and comparative figures restated. These reclassifications had no impact on the previously reported profit for the period, including reported basic, diluted and headline earnings per share.

The corrections are set out below:

30.1.1 Prior period restatement and reclassifications impact on the 2015 statement of comprehensive income of Pick n Pay Stores Limited Group

	Restated 52 weeks 1 March 2015 Rm	Reclassifications Rm	Restatement parent company share investment Rm	As previously published 52 weeks 1 March 2015 Rm
Revenue	67 783.1	180.0	—	67 603.1
Other trading income	782.9	180.0	—	602.9
Employee costs	(5 672.9)	—	(19.1)	(5 653.8)
Occupancy	(2 047.6)	(180.0)	—	(1 867.6)
Merchandising and administration	(1 150.0)	—	19.1	(1 169.1)
Other comprehensive income, net of tax				
Fair value gain on available-for-sale financial instruments	4.2	—	4.2	—

Notes to the Group annual financial statements
continued

30. PRIOR PERIOD RESTATEMENTS AND RECLASSIFICATIONS continued

30.1 Prior period restatements and reclassification – Pick n Pay Stores Limited Group continued

30.1.2 Prior period restatement and reclassifications impact of the 2015 statement of financial position of Pick n Pay Stores Limited Group

	Restated As at 1 March 2015 Rm	Restatement Investment in insurance cell captive Rm	Reclassi-fications Rm	Restatement Parent company share investment Rm	As previously published As at 1 March 2015 Rm
Financial instruments at fair value through profit or loss	245.0	33.5	—	211.5	—
Available-for-sale financial instruments	42.2	—	—	42.2	—
Trade and other receivables	2 936.4	(20.3)	—	—	2 956.7
Cash and cash equivalents	1 024.5	(72.3)	(77.0)	—	1 173.8
Treasury shares	(60.1)	—	—	109.0	(169.1)
Fair value reserve	31.2	—	—	31.2	—
Retained earnings	3 302.9	—	—	(8.5)	3 311.4
Trade and other payables	8 889.7	(59.1)	(77.0)	—	9 025.8
Share-based payment liability	122.0	—	—	122.0	—

30.1.3 Prior period restatement and reclassifications impact of the 2014 statement of financial position of Pick n Pay Stores Limited Group

	Restated As at 2 March 2014 Rm	Restatement Investment in insurance cell captive Rm	Reclassi-fications Rm	Restatement Parent company share investment Rm	As previously published As at 2 March 2014 Rm
Financial instruments at fair value through profit or loss	212.2	23.3	—	188.9	—
Available-for-sale financial instruments	38.0	—	—	38.0	—
Trade and other receivables	2 821.9	(19.2)	—	—	2 841.1
Cash and cash equivalents	1 334.2	(61.1)	(145.0)	—	1 540.3
Treasury shares	(50.4)	—	—	95.3	(145.7)
Fair value reserve	27.0	—	—	27.0	—
Retained earnings	2 847.9	—	—	(1.2)	2 849.1
Trade and other payables	7 883.1	(57.0)	(145.0)	—	8 085.1
Share-based payment liability	105.8	—	—	105.8	—

Notes to the Group annual financial statements
continued

30. PRIOR PERIOD RESTATEMENTS AND RECLASSIFICATIONS continued

30.1 Prior period restatements and reclassification – Pick n Pay Stores Limited Group continued

30.1.4 Prior period restatement and reclassifications impact on the 2015 statement of cash flows of Pick n Pay Stores Limited Group

	Restated 52 weeks 1 March 2015 Rm	Restatement Investment in insurance cell captive Rm	Reclassi-fications Rm	Restatement Parent company share investment Rm	As previously published 52 weeks 1 March 2015 Rm
Equity-settled share-based payment expense	124.1	—	—	(15.8)	139.9
Cash-settled share-based payment expense	34.9	—	—	34.9	—
Fair value loss/(gain) on financial instruments at fair value through profit or loss	(27.2)	(10.2)	—	(19.1)	2.1
Movements in trade and other payables	1 006.6	(2.1)	68.0	—	940.7
Movements in trade and other receivables	(114.5)	1.1	—	—	(115.6)
Investment in financial instruments at fair value	(22.2)	—	—	(22.2)	—
Share repurchases	(155.7)	—	—	22.2	(177.9)
Cash and cash equivalents at beginning of period	664.2	(61.1)	(145.0)	—	870.3
Cash and cash equivalents at end of period	524.5	(72.3)	(77.0)	—	673.8

30.2 Prior period restatements and reclassification – Pick n Pay Holdings Limited RF Group

The following prior period restatements were made in the Group's South Africa operating segment:

Recognition and measurement

The Group's investment in an insurance cell captive was historically treated as a wholly owned subsidiary and consolidated. On re-evaluating the definition of control in terms of IFRS 10 *Consolidated Financial Statements* it is appropriate to account for this investment as a financial instrument at fair value through profit or loss in accordance with IAS 39 *Financial Instruments*.

The error was corrected in the current financial year and comparative figures restated. The error did not require any adjustment to the previously reported profit for the period, including reported basic, diluted and headline earnings per share.

Reclassifications

In the comparative period certain rent received from franchisees, in terms of sublease agreements, was erroneously accounted for under occupancy expenses in the statements of comprehensive income. An instance was found where an amount was incorrectly classified as trade and other payables rather than cash and cash equivalents in the statements of financial position.

These reclassification errors were corrected in the current financial year and comparative figures restated. These reclassifications had no impact on the previously reported profit for the period, including reported basic, diluted and headline earnings per share.

The corrections are set out below:

30.2.1 Prior period restatement and reclassifications impact on the 2015 statement of comprehensive income of Pick n Pay Holdings Limited RF Group

	Restated 52 weeks 1 March 2015 Rm	Reclassi-fications Rm	As previously published 52 weeks 1 March 2015 Rm
Revenue	67 783.1	180.0	67 603.1
Other trading income	782.9	180.0	602.9
Occupancy	(2 047.6)	(180.0)	(1 867.6)

Notes to the Group annual financial statements
continued

30. PRIOR PERIOD RESTATEMENTS AND RECLASSIFICATIONS continued

30.2 Prior period restatements and reclassification – Pick n Pay Holdings Limited RF Group continued

30.2.2 Prior period restatement and reclassifications impact on the 2015 statement of financial position of Pick n Pay Holdings Limited RF Group

	Restated as at 1 March 2015 Rm	Restatement Investment in insurance cell captive Rm	Reclassi-fications Rm	As previously published As at 1 March 2015 Rm
Financial instruments at fair value through profit or loss	33.5	33.5	—	—
Trade and other receivables	2 936.4	(20.3)	—	2 956.7
Cash and cash equivalents	1 025.3	(72.3)	(77.0)	1 174.6
Trade and other payables	8 893.5	(59.1)	(77.0)	9 029.6

30.2.3 Prior period restatement and reclassifications impact on the 2014 statement of financial position of Pick n Pay Holdings Limited RF Group

	Restated As at 2 March 2014 Rm	Restatement Investment in insurance cell captive Rm	Reclassi-fications Rm	As previously published As at 2 March 2014 Rm
Financial instruments at fair value through profit or loss	23.3	23.3	—	—
Trade and other receivables	2 821.9	(19.2)	—	2 841.1
Cash and cash equivalents	1 334.2	(61.1)	(145.0)	1 540.3
Trade and other payables	7 889.3	(57.0)	(145.0)	8 091.3

30.2.4 Prior period restatement and reclassifications impact on the 2015 statement of cash flows for Pick n Pay Holdings Limited RF Group

	Restated 52 weeks 1 March 2015 Rm	Restatement Investment in insurance cell captive Rm	Reclassi-fications Rm	As previously published 52 weeks 1 March 2015 Rm
Fair value loss/(gain) on financial instruments at fair value through profit or loss	(8.1)	(10.2)	—	2.1
Movements in trade and other payables	1 004.2	(2.1)	68.0	938.3
Movements in trade and other receivables	(114.5)	1.1	—	(115.6)
Cash and cash equivalents at beginning of period	664.2	(61.1)	(145.0)	870.3
Cash and cash equivalents at end of period	525.3	(72.3)	(77.0)	674.6

Notes to the Group annual financial statements

continued

31. STANDARDS AND INTERPRETATIONS 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

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. IFRS 9 is effective for annual reporting periods on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its Group financial statements regarding the application of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. IFRS 15 is effective for annual reporting periods on or after 1 January 2017, with early adoption permitted. The Group is assessing the potential impact on its Group financial statements regarding the application of IFRS 15.

IFRS 16 Leases

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, a lessee is required to recognise assets and liabilities arising from a lease. IFRS 16 is effective for annual reporting periods on or after 1 January 2019, with early adoption permitted. The Group is assessing 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:

- IFRS 14 Regulatory Deferral Accounts
- 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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AUDITED COMPANY ANNUAL FINANCIAL STATEMENTS

Pick n Pay Stores Limited and **Pick n Pay Holdings Limited RF**

Statements of comprehensive income

for the period ended

		Pick n Pay Stores Limited		Pick n Pay Holdings Limited RF	
	Note	52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm	52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm
Revenue					
Finance income		**0.1**	10.8	**0.1**	—
Dividends received	8	**607.1**	474.6	**315.8**	249.9
		607.2	485.4	**315.9**	249.9
Administration expenses	2	**(11.5)**	(14.0)	**(2.6)**	(1.5)
Profit		**595.7**	471.4	**313.3**	248.4
Finance costs		**—**	(10.8)	**—**	—
Profit before tax		**595.7**	460.6	**313.3**	248.4
Tax	3	**—**	—	**—**	—
Profit for the period		**595.7**	460.6	**313.3**	248.4
Other comprehensive income for the period, net of tax		**—**	—	**—**	—
Total comprehensive income for the period		**595.7**	460.6	**313.3**	248.4

Statements of financial position

	Note	Pick n Pay Stores Limited 52 weeks 28 February 2016 Rm	Pick n Pay Stores Limited 52 weeks 1 March 2015 Rm	Pick n Pay Holdings Limited RF 52 weeks 28 February 2016 Rm	Pick n Pay Holdings Limited RF 52 weeks 1 March 2015 Rm
ASSETS					
Non-current assets					
Investment in subsidiary	5	**552.5**	486.3	**133.0**	132.8
		552.5	486.3	**133.0**	132.8
Current assets					
Trade and other receivables		**0.2**	0.2	**—**	—
Cash and cash equivalents	6	**1.2**	1.0	**1.4**	0.8
		1.4	1.2	**1.4**	0.8
Total assets		**553.9**	487.5	**134.4**	133.6
EQUITY AND LIABILITIES					
Equity					
Share capital	7	**6.1**	6.1	**6.6**	6.6
Share premium		**465.7**	396.8	**120.8**	120.8
Retained earnings		**74.9**	77.4	**1.8**	1.9
Total equity		**546.7**	480.3	**129.2**	129.3
Current liabilities					
Trade and other payables		**7.2**	7.2	**5.2**	4.3
		7.2	7.2	**5.2**	4.3
Total equity and liabilities		**553.9**	487.5	**134.4**	133.6

Statements of changes in equity

for the period ended

Pick n Pay Stores Limited

	Note	Share capital Rm	Share premium Rm	Retained earnings Rm	Total equity Rm
At 2 March 2014		6.0	—	84.6	90.6
Total comprehensive income for the period		—	—	460.6	460.6
Profit for the period		—	—	460.6	460.6
Other comprehensive income		—	—	—	—
Shares issued		0.1	396.8	—	396.9
Dividends paid	4.1	—	—	(467.8)	(467.8)
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		**—**	**—**	**—**	**—**
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**

Pick n Pay Holdings Limited RF

	Note	Share capital Rm	Share premium Rm	Retained earnings Rm	Total equity Rm
At 2 March 2014		6.6	120.8	(1.3)	126.1
Total comprehensive income for the period		—	—	248.4	248.4
Profit for the period		—	—	248.4	248.4
Other comprehensive income		—	—	—	—
Dividends paid	4.1	—	—	(245.2)	(245.2)
At 1 March 2015		**6.6**	**120.8**	**1.9**	**129.3**
Total comprehensive income for the period		**—**	**—**	**313.3**	**313.3**
Profit for the period		**—**	**—**	**313.3**	**313.3**
Other comprehensive income		**—**	**—**	**—**	**—**
Dividends paid	4.1	**—**	**—**	**(313.4)**	**(313.4)**
At 28 February 2016		**6.6**	**120.8**	**1.8**	**129.2**

Statements of cash flows

for the period ended

	Note	Pick n Pay Stores Limited 52 weeks 28 February 2016 Rm	Pick n Pay Stores Limited 52 weeks 1 March 2015 Rm	Pick n Pay Holdings Limited RF 52 weeks 28 February 2016 Rm	Pick n Pay Holdings Limited RF 52 weeks 1 March 2015 Rm
Cash flows from operating activities					
Profit		**595.7**	471.4	**313.3**	248.4
Cash generated before movements in working capital		**595.7**	471.4	**313.3**	248.4
Movements in working capital		**—**	0.2	**0.9**	0.5
Movements in trade and other payables		**—**	0.2	**0.9**	0.5
Movements in trade and other receivables		**—**	—	**—**	—
Cash generated from trading activities		**595.7**	471.6	**314.2**	248.9
Interest paid		**—**	(10.8)	**—**	—
Cash generated from operations		**595.7**	460.8	**314.2**	248.9
Dividends paid	4	**(598.2)**	(467.8)	**(313.4)**	(245.2)
Cash utilised in operating activities		**(2.5)**	(7.0)	**0.8**	3.7
Cash flows from investing activities					
Investment in subsidiaries		**7.5**	—	**—**	—
Loans (advanced)/repaid	5	**(73.7)**	311.1	**(0.2)**	(2.9)
Cash (utilised in)/generated from investing activities		**(66.2)**	311.1	**(0.2)**	(2.9)
Cash flows from financing activities					
Repayment of borrowings		**—**	(700.0)	**—**	—
Net proceeds from share issues	7	**68.9**	396.9	**—**	—
Cash generated from/(utilised in) financing activities		**68.9**	(303.1)	**—**	—
Net movement in cash and cash equivalents		**0.2**	1.0	**0.6**	0.8
Cash and cash equivalents at beginning of period		**1.0**	—	**0.8**	—
Cash and cash equivalents at end of period	6	**1.2**	1.0	**1.4**	0.8

Notes to the Company financial statements

1. ACCOUNTING POLICIES

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

1.1 Statement of compliance

The Companies' annual financial statements are presented as separate financial statements.

The Companies' 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 Companies' 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 in these Company annual financial statements.

1.3 Investments in subsidiaries

The Companies' carry their investments in subsidiaries at cost less impairment losses.

1.4 Foreign currency transactions and translations

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

1.5 Property, plant and equipment

No property, plant and equipment are held by the Companies.

1.6 Intangible assets

No intangible assets are held by the Companies.

1.7 Leases

No lease arrangements are held by the Companies.

1.8 Inventory

No inventory is held by the Companies.

1.9 Employee benefits

No employee benefits are recognised by the Companies.

1.10 Operating segments

No segmental financial information is required for the separate financials of the Companies.

Notes to the Company financial statements continued

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** and **Pick n Pay Holdings Limited RF** is detailed below.

Pick n Pay Stores Limited*

	Fees for Board meetings R'000	Fees for committee and other work R'000	Cash total R'000
2016			
Non-executive directors	**6 207.0**	**1 936.0**	**8 143.0**
Gareth Ackerman	**3 657.0**	**—**	**3 657.0**
John Gildersleeve***	**340.0**	**182.0**	**522.0**
David Friedland****	**340.0**	**177.0**	**517.0**
Hugh Herman	**340.0**	**518.0**	**858.0**
Audrey Mothupi	**340.0**	**221.0**	**561.0**
Lorato Phalatse	**340.0**	**252.0**	**592.0**
David Robins	**340.0**	**—**	**340.0**
Ben van der Ross*****	**170.0**	**146.0**	**316.0**
Jeff van Rooyen	**340.0**	**440.0**	**780.0**
Total remuneration	**6 207.0**	**1 936.0**	**8 143.0**
2015			
Non-executive directors	6 010.0	1 300.0	7 310.0
Gareth Ackerman	3 450.0	—	3 450.0
John Gildersleeve	320.0	70.0	390.0
David Friedland****	320.0	65.0	385.0
Hugh Herman	320.0	385.0	705.0
Audrey Mothupi	320.0	107.0	427.0
Lorato Phalatse	320.0	135.0	455.0
David Robins	320.0	—	320.0
Ben van der Ross	320.0	273.0	593.0
Jeff van Rooyen	320.0	265.0	585.0
Total remuneration	6 010.0	1 300.0	7 310.0

Pick n Pay Holdings Limited RF**

	Fees for Board meetings R'000	Fees for committee and other work R'000	Cash total R'000
2016			
Non-executive directors	**195.0**	**107.0**	**302.0**
Raymond Ackerman	**65.0**	**—**	**65.0**
Wendy Ackerman	**65.0**	**—**	**65.0**
Rene de Wet	**65.0**	**107.0**	**172.0**
Total remuneration	**195.0**	**107.0**	**302.0**
2015			
Non-executive directors	180.0	—	180.0
Raymond Ackerman	60.0	—	60.0
Wendy Ackerman	60.0	—	60.0
Rene de Wet	60.0	—	60.0
Total remuneration	180.0	—	180.0

* *Executive directors salaries are paid by a subsidiary company.*
** *Directors of Pick n Pay Stores Limited who are also directors of Pick n Pay Holdings Limited RF do not receive directors' remuneration for services rendered as a director of this company.*
*** *Non-executive director John Gildersleeve resigned as a director of Pick n Pay Stores Limited on 28 February 2016.*
**** *Non-executive director David Friedland received consultancy fees of R114 000 (2015: R107 000) for services rendered to the audit and risk committee and he became an independent non-executive director of Pick n Pay Stores Limited on 28 February 2016.*
***** *Ben van der Ross resigned as a director of Pick n Pay Stores Limited on 27 July 2015.*

Notes to the Company financial statements continued

	Pick n Pay Stores Limited 52 weeks 28 February 2016 %	Pick n Pay Stores Limited 52 weeks 1 March 2015 %	Pick n Pay Holdings Limited RF 52 weeks 28 February 2016 %	Pick n Pay Holdings Limited RF 52 weeks 1 March 2015 %
3. TAX				
Reconciliation of effective tax rate				
South African statutory tax rate	**28.0**	28.0	**28.0**	28.0
Exempt income – dividends received	**(28.5)**	(28.8)	**(28.2)**	(28.2)
Non-deductible holding company expenses	**0.5**	0.8	**0.2**	0.2
Effective tax rate	**—**	—	**—**	—

	Pick n Pay Stores Limited 52 weeks 28 February 2016 Cents per share	Pick n Pay Stores Limited 52 weeks 1 March 2015 Cents per share
4. DIVIDENDS		
4.1 Dividends paid		
Number 94 – declared 20 April 2015 – paid 15 June 2015 (2015: Number 92 – declared 14 April 2014 – paid 17 June 2014)	**98.50**	77.50
Number 95 – declared 12 October 2015 – paid 14 December 2015 (2015: Number 93 – declared 15 October 2014 – paid 15 December 2014)	**24.20**	19.60
Total dividends per share for the period	**122.70**	97.10

	Pick n Pay Holdings Limited RF 52 weeks 28 February 2016 Cents per share	Pick n Pay Holdings Limited RF 52 weeks 1 March 2015 Cents per share
Number 67 – declared 20 April 2015 – paid 15 June 2015 (2015: Number 65 – declared 14 April 2014 – paid 17 June 2014)	**47.85**	37.10
Number 68 – declared 12 October 2015 – paid 14 December 2015 (2015: Number 66 – declared 15 October 2014 – paid 15 December 2014)	**11.60**	9.40
Total dividends per share for the period	**59.45**	46.50

Notes to the Company financial statements continued

	Pick n Pay Stores Limited	
	52 weeks 28 February 2016 Cents per share	52 weeks 1 March 2015 Cents per share
4. DIVIDENDS continued		
4.2 Dividends declared		
Interim dividend – number 95 (2015: number 93)	**24.20**	19.60
Final dividend – number 96 (2015: number 94)	**125.20**	98.50
	149.40	118.10

The directors have declared a final dividend (dividend 96) of 125.20 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 15%, where shareholders are subject to this tax. The last day to trade in order to participate in the dividend (CUM dividend) will be Friday, 3 June 2016. The shares will trade EX dividend from the commencement of business on Monday, 6 June 2016 and the record date will be Friday, 10 June 2016. The dividends will be paid on Monday, 13 June 2016.

	Pick n Pay Holdings Limited RF	
	52 weeks 28 February 2016 Cents per share	52 weeks 1 March 2015 Cents per share
Interim dividend – number 68 (2015: number 66)	**11.60**	9.40
Final dividend – number 69 (2015: number 67)	**60.65**	47.85
	72.25	57.25

The directors have declared a final dividend (dividend 69) of 60.65 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 15%, where shareholders are subject to this tax. The last day to trade in order to participate in the dividend (CUM dividend) will be Friday, 3 June 2016. The shares will trade EX dividend from the commencement of business on Monday, 6 June 2016 and the record date will be Friday, 10 June 2016. The dividends will be paid on Monday, 13 June 2016.

	52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm
5. INVESTMENTS IN SUBSIDIARIES		
5.1 Pick n Pay Stores Limited		
5.1.1 Investments in subsidiaries		
Shares at cost		
Major trading subsidiary: Pick n Pay Retailers Proprietary Limited	**2.0**	2.0
Other dormant and property holding subsidiaries	**29.1**	36.6
Total investments in subsidiaries	**31.1**	38.6
5.1.2 Amounts owing by subsidiary companies		
At beginning of period	**447.7**	758.8
Amounts advanced/(received) during the period	**73.7**	(311.1)
At end of period	**521.4**	447.7
Refer to note 8.1.3 for a detailed analysis.		
These amounts owing are unsecured, interest-free and no fixed date for repayment has been determined.		
Total investments in subsidiaries		
Non-current	**552.5**	486.3
Current portion	**—**	—
	552.5	486.3

Notes to the Company financial statements continued

		52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm
5.	**INVESTMENTS IN SUBSIDIARIES continued**		
5.2	**Pick n Pay Holdings Limited RF**		
5.2.1	*Investment in subsidiary*		
	Pick n Pay Stores Limited		
	257 345 334 (2015: 257 345 334) ordinary shares		
	Comprising:		
	Initial investment	**24.7**	24.7
	Capitalisation share awards received	**103.3**	103.3
	Total investment in subsidiary	**128.0**	128.0
5.2.2	*Amount owing by subsidiary companies*		
	At beginning of period	**4.8**	1.9
	Amounts advanced during the period	**0.2**	2.9
	At end of period	**5.0**	4.8
	Refer to note 8.2.2 for a detailed analysis.		
	These amounts owing are unsecured, interest-free and no fixed date for repayment has been determined.		
	Total investment in subsidiary		
	Non-current	**133.0**	132.8
	Current portion	**—**	—
		133.0	132.8

		Pick n Pay Stores Limited		Pick n Pay Holdings Limited RF	
		52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm	52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm
6.	**CASH AND CASH EQUIVALENTS**				
	Cash and cash equivalents	**1.2**	1.0	**1.4**	0.8

Cash and cash equivalents represents a current bank account for administrative purposes.

		52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm
7.	**SHARE CAPITAL**		
7.1	**Pick n Pay Stores Limited**		
	Authorised		
	800 000 000 (2015: 800 000 000) ordinary shares of 1.25 cents each	**10.0**	10.0
	Issued		
	488 450 321 (2015: 487 322 321) 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 (currently 24 422 516 shares). To date, 10 743 000 shares have been issued, resulting in 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.

The movement in the number of shares in issue in the current period for Pick n Pay Stores Limited was as a result of 1 128 000 shares (2015: 6 925 000 shares) issued, at an issue price of R61.07 per share (2015: R57.31 per share), in respect of the Group's employee forfeitable share plan (FSP).

Notes to the Company financial statements continued

	52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm
7. SHARE CAPITAL continued		
7.2 Pick n Pay Holding Limited RF		
Authorised		
800 000 000 (2015: 800 000 000) ordinary shares of 1.25 cents each	**10.0**	10.0
Issued		
527 249 082 (2015: 527 249 082) ordinary shares of 1.25 cents each	**6.6**	6.6

The Company can issue new shares to settle the Holdings Group's obligations under its employee share schemes, but issues in this regard are limited, in aggregate, to 5% of issued share capital (currently 26 362 454 shares).

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.

	52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm
8. RELATED PARTY TRANSACTIONS		
8.1 Pick n Pay Stores Limited		
8.1.1 *Dividends received from subsidiary companies and trust and paid to its holding company*		
Dividends received		
Pick n Pay Retailers Proprietary Limited	**599.5**	468.6
Pick n Pay Employee Share Purchase Trust	**7.6**	6.0
Total dividends received from related parties	**607.1**	474.6
Dividends paid to holding company		
Pick n Pay Holdings Limited RF	**315.8**	249.9
8.1.2 Interest received from a subsidiary company		
Pick n Pay Retailers Proprietary Limited	**—**	10.8
8.1.3 Loans to subsidiary companies		
Pick n Pay Retailers Proprietary Limited	**492.3**	186.7
Carrefour Proprietary Limited	**—**	102.9
Pick n Pay (Steelpark) Proprietary Limited	**—**	1.8
Pick n Pay (Steeldale) Proprietary Limited	**—**	63.5
Bedworth Sentrum Proprietary Limited	**—**	57.7
Boxer Holdings Proprietary Limited	**29.1**	27.2
Pick n Pay Zambia Limited	**5.0**	3.4
Pick n Pay (Mitchells Plain) Limited	**—**	6.7
	526.4	449.9
8.1.4 Loan from holding company		
Pick n Pay Holdings Limited RF	**(5.0)**	(2.2)
Total loans to related parties	**521.4**	447.7

Notes to the Company financial statements continued

	52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm
8. RELATED PARTY TRANSACTIONS continued		
8.2 Pick n Pay Holdings Limited RF		
8.2.1 Dividends received from subsidiary company		
Pick n Pay Stores Limited	**315.8**	249.9
8.2.2 Amounts owing from Group companies		
Loan to subsidiary company		
Pick n Pay Stores Limited	**5.0**	2.2
Loan to company within the Group		
Pick n Pay Retailers Proprietary Limited	**—**	2.6
Total amounts owing from Group companies	**5.0**	4.8

8.3 Shares held by directors

The percentage of shares held by directors of Pick n Pay Stores Limited and Pick n Pay Holdings Limited RF at the reporting date is disclosed below. This percentage includes their forfeitable share plan allocations. For further information refer to note 4 in the Group annual financial statements.

	Pick n Pay Stores Limited		Pick n Pay Holdings Limited RF	
	52 weeks 28 February 2016 %	52 weeks 1 March 2015 %	52 weeks 28 February 2016 %	52 weeks 1 March 2015 %
Beneficial	**1.9**	0.9	**2.0**	0.9
Non-beneficial	**26.3**	27.5	**49.6**	50.6
	28.2	28.4	**51.6**	51.5

Notes to the Company financial statements continued

9. FINANCIAL INSTRUMENTS

Overview

Pick n Pay Stores Limited and Pick n Pay Holdings Limited RF have limited exposure to risk in respect of financial instruments, as their only financial assets are their loans to subsidiary companies. There is minimal credit risk relating to these items as it is payable within the Group. Market risk is negated as the financial assets and liabilities have no exposure to changes in exchange rates and have very limited exposure to changes in interest rates.

9.1 Liquidity risk

Liquidity risk is the risk that the Companies will not be able to meet their financial obligations as they fall due. Pick n Pay Stores Limited and Pick n Pay Holdings Limited RF have unlimited access to the funds of the Group companies. Therefore, Pick n Pay Stores Limited and Pick n Pay Holdings Limited RF's liquidity risk is linked to the liquidity of the Group companies. Refer to note 28 of the related Group annual financial statements.

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

	Pick n Pay Stores Limited			Pick n Pay Holding Limited RF		
	Carrying amount Rm	Contractual cash flows Rm	Within 1 year Rm	Carrying amount Rm	Contractual cash flows Rm	Within 1 year Rm
2016						
Non-derivative financial liabilities						
Trade and other payables	**7.2**	**7.2**	**7.2**	**5.2**	**5.2**	**5.2**
Total financial obligations	**7.2**	**7.2**	**7.2**	**5.2**	**5.2**	**5.2**
2015						
Non-derivative financial liabilities						
Trade and other payables	7.2	7.2	7.2	4.3	4.3	4.3
Total financial obligations	7.2	7.2	7.2	4.3	4.3	4.3

9.2 Capital management

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

Administration

PICK N PAY STORES LIMITED
Registration number: 1968/008034/06
JSE share code: PIK
ISIN: ZAE000005443

PICK N PAY HOLDINGS LIMITED RF
Registration number: 1981/009610/06
JSE share code: PWK
ISIN: ZAE000005724

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ATTORNEYS
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ENGAGE WITH US ON

* David Friedland became an independent non-executive director of Pick n Pay Stores Limited on 28 February 2016.
** Ben van der Ross resigned as a director of Pick n Pay Stores Limited on 27 July 2015.
*** John Gildersleeve resigned as a director of Pick n Pay Stores Limited on 28 February 2016.

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