



Pick n Pay

**INTEGRATED ANNUAL REPORT
2017**



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NAVIGATING OUR REPORTING SUITE

THE SIX CAPITALS

The Group's ability to create long-term sustainable value for stakeholders is dependent on the utilisation of a number of capitals within its business. The International Integrated Reporting <IR> Framework supports integrated financial reporting, and in particular, the reporting of the Group's business model, across these six forms of capital. Refer to "Our business model" and "The value we create" sections, on pages 18 to 21.



FINANCIAL CAPITAL



MANUFACTURED CAPITAL



INTELLECTUAL CAPITAL



HUMAN CAPITAL



SOCIAL AND RELATIONSHIP CAPITAL



NATURAL CAPITAL

OUR KEY STAKEHOLDERS

The Group's key stakeholders are those parties that can affect, or be affected by, our activities, objectives and policies. The Group is committed to open and constructive engagement with all our stakeholders. Our business model and strategic long-term plan are designed to consider and address the issues and concerns most relevant to our key stakeholders. Refer to our "Engaging with our Stakeholders" section on page 28 for further information.



CUSTOMERS



COMMUNITY



EMPLOYEES



SUPPLIERS



FRANCHISEES



SHAREHOLDERS

OUR BUSINESS ACCELERATION PILLARS

The second stage of the Group's strategic long-term plan is organised around seven business acceleration pillars. These pillars represent the seven material growth opportunities that can substantially affect the Group's ability to create value over the short, medium and long term. Refer to our "Strategic Focus" section on page 42 for further information.



BETTER FOR CUSTOMERS



A FLEXIBLE AND WINNING ESTATE



EFFICIENT AND EFFECTIVE OPERATIONS



EVERY PRODUCT, EVERY DAY



A WINNING TEAM



BOXER – A NATIONAL BRAND



REST OF AFRICA – SECOND ENGINE OF GROWTH

To best serve the needs of our various stakeholders, we produce a suite of publications. The following reports are tailored to meet our readers' specific information requirements.

PUBLICATIONS



INTEGRATED ANNUAL REPORT 2017

A review of the Group's strategy, material issues, risks and opportunities, and our operational and financial performance for the period. The report includes relevant extracts of the 2017 audited Group annual financial statements, integrated disclosure on our work in the area of environmental and social sustainability, our governance structures and our remuneration philosophy.





ANNUAL FINANCIAL STATEMENTS 2017

The audited Group and Company annual financial statements for Pick n Pay Stores Limited for the 2017 financial period. The report includes our audit, risk and compliance committee and directors' reports.





CORPORATE GOVERNANCE REPORT 2017

A review of the Group's commitment to good corporate governance in the implementation of the Group's strategy and policy. The report includes our notice of the annual general meetings and Board committee reports.




SUMMARISED RESULTS AND 2017 AGM NOTICES

A high-level review of our operational and financial performance for the period, including summarised audited Group annual financial statements, remuneration report, relevant shareholder information, and notice of the annual general meeting and proxy voting form.





SUSTAINABLE LIVING REPORT 2017

This report is published in full every two years. This report details our sustainability strategy, with a review of our performance against strategic non-financial targets.



REPORTING FRAMEWORK

- The King Report on Governance for South Africa, and the King Code of Governance Principles (King III code)
- The Global Reporting Initiative's G4 guidelines on reporting of non-financial information
- The Companies Act, No 71 of 2008, as amended (Companies Act)
- The JSE Listings Requirements
- International Financial Reporting Standards (IFRS)
- The International Integrated Reporting <IR> Framework

- Companies Act
- The JSE Listings Requirements
- IFRS

- King III code
- Companies Act
- The JSE Listings Requirements

- Companies Act
- The JSE Listings Requirements
- IFRS

- King III Code
- The Global Reporting Initiative's G4 guidelines on reporting of non-financial information



Print version available



Online version available on our website www.picknpayinvestor.co.za

ABOUT OUR REPORT

We are pleased to provide our 2017 integrated annual report.

The integrated annual report is our primary report to stakeholders. It is principally aimed at the providers of financial capital, being our shareholders and debt providers, however, it considers the information needs of our broad and diverse range of stakeholders, including customers, suppliers, franchise partners, employees and wider community groups. We believe this report provides our stakeholders with an improved understanding of our business, including how the Group creates value, and insight into how our strategy is focused on sustainable value creation in the short, medium and long term.

SCOPE AND BOUNDARY OF THE REPORT

We have adopted the International Integrated Reporting <IR> Framework (the framework) of the International Integrated Reporting Council (IIRC) which provides an international standard for integrated reporting that enables companies globally to demonstrate, in a comparable manner, how they create value. We have also applied the principles outlined in the King Code of Governance Principles (King III) in South Africa. The group is in full support of the voluntary principles and leading practices of King IV, which become effective for the Group during the 2019 financial period.

This report covers the integrated financial and non-financial performance of Pick n Pay Stores Limited and its subsidiaries and associate (the Group) for the 52 weeks ended 26 February 2017, with relevant comparisons to previous periods, and is consistent with information and performance indicators included in internal management reporting. The report has been compiled and presented in line with the requirements and principles of all the applicable reporting frameworks. Refer to page 3 for further information.

Our objective is to provide our stakeholders with a concise review of the Group's operations, its strategic objectives and its performance. This includes an insight into the financial and operational highlights of the Group, the opportunities and related risks faced by the Group, and how these underpin our business model, strategic objectives, governance structures and our remuneration philosophy.

Presented in this report is a range of financial and non-financial disclosures and performance measures to assist our stakeholders in making an informed and objective assessment of the Group's overall performance in 2017. Non-financial disclosures provided in this report are specific to our Pick n Pay-branded, company-owned business in South Africa.

It is our intention to expand these disclosures in future in order to provide a comprehensive view of the social, human and environmental impacts of the Group as a whole.

FORWARD-LOOKING INFORMATION

The report contains certain forward-looking statements which relate to the possible future performance and financial position of the Group. All forward-looking statements are solely based on the views and considerations of the directors. These statements involve risk and uncertainty as they relate to events and depend on circumstances that may or may not occur in the future. The Group does not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information, future events or otherwise. These forward-looking statements have not been reviewed or reported on by the Group's external auditors.

MATERIALITY

Materiality has been applied in determining the scope and content of the integrated annual report, to ensure the report focuses on information which the directors believe is material to its stakeholders' understanding of the business and its ability to create sustainable value over the short, medium and long term.

Material issues are identified with reference to the Group's underlying capitals, which impact its ability to create value over time. Materiality is determined, reviewed and approved annually by the Board and supported by senior management. The Board considers those matters that could substantially affect the Group's ability to create value over time and which could have a material impact on the current and projected revenue and profitability of the Group. These include transactions, balances and information that are significant in rand value, are significant to the Group's risk profile or strategic objectives, or are likely to influence stakeholder decisions, particularly the decision to invest in the Group or provide funding to the Group. These material issues are presented in more detail in our report to stakeholders on the "Material issues, risks and opportunities" facing our business. Please refer to pages 32 to 37.

The Group has not disclosed any information that is considered competitor-sensitive or price-sensitive.

ASSURANCE

The Board, assisted by the audit, risk and compliance committee, is ultimately responsible for overseeing the integrity of the integrated annual report. This has been achieved by establishing skilled and experienced teams and accountability structures to undertake the reporting process and by performing a thorough review of the report. The content of the integrated annual report has been reviewed by the directors and management, but has not been externally assured. The annual financial statements have been audited by Ernst & Young Inc. (EY) who expressed an unmodified audit opinion thereon. Accredited service providers and agencies have verified selected non-financial performance metrics contained in the report, including our carbon footprint and the BBBEE rating, while management has verified the processes for measuring all other non-financial information.

REPORT STRUCTURE AND FEEDBACK

We are committed to achieving the highest standards of global best practice in reporting, and continue on our journey to implement these standards within the Group. In our ongoing effort to improve our reporting, we have made some changes to the structure and presentation of information, particularly in respect of the presentation of our business model, the additional insight provided into how we create value and our remuneration reporting. We will continue to engage with all stakeholders to ensure that we improve year-on-year.

It has become best reporting practice for an integrated annual report to include summarised financial statements, with a complete set of audited financial statements, prepared in terms of IFRS, published separately. This report therefore does not contain the full audited Group annual financial statements, which have been made available on our website at www.picknpayinvestor.co.za.

We trust that the 2017 integrated annual report has achieved our objective of providing you with a deeper understanding of Pick n Pay – of who we are, how we do business and where we hope to be in the future. We are committed to building on and improving this report next year and would value your feedback. Any comments or requests for additional information can be emailed to our Company Secretary at demuller@pnp.co.za.

ONLINE REPORTING

To align with the increasing trend towards online reporting and electronic access to information, we do not distribute printed copies of our integrated annual report, but rather make it available online on the Group's website at www.picknpayinvestor.co.za.

Printed copies of the integrated annual report are available on request from our Company Secretary, Debra Muller, at demuller@pnp.co.za or by fax at +27 21 797 0314.

APPROVAL OF THE INTEGRATED ANNUAL REPORT

The audit, risk and compliance committee has reviewed the 2017 integrated annual report and recommended it for approval to the Board of directors.

The Board acknowledges its responsibility to ensure the integrity of the integrated annual report. The directors confirm that they have collectively reviewed the content of this report and agree that it addresses the material issues faced by the Group. They further agree that this report provides a fair presentation of the financial position of the Group as at 26 February 2017 and its performance for the related 52-week financial period. The directors consider the report to be presented in accordance with the <IR> framework.

The Board approved the integrated annual report for release to shareholders on 23 June 2017.

Gareth Ackerman
Chairman

Richard Brasher
Chief Executive Officer

Pick





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THIS IS PICK N PAY

Pick n Pay is a retail business in the fast moving consumer goods industry on the African continent – that believes doing good, is good business.

We procure quality products at the best available prices. By operating a lean and efficient business, supported by a strong and talented team, we are able to provide our customers with a tailored range of high quality food, grocery and general merchandise products at competitive prices.

Through our ongoing investment in the customer offer, we are able to drive sales and grow value for all our stakeholders.

five
DECADES

seven
COUNTRIES

two **Pick n Pay**
BRANDS **BOXER**

Our long-term strategic plan has delivered compound annual growth in earnings of 24% over the last four years

Multiple store formats and a growing online platform

MORE THAN
80 000
PEOPLE

TURNOVER OF
R77.5 billion

1 560
STORES
OWNED AND FRANCHISED



This year we celebrate a proud 50-year history

It was 1967 when consumer champion Raymond Ackerman purchased the first four Pick n Pay stores in Cape Town. Since then the Group's vision has grown and expanded to encompass stores in South Africa, Namibia, Botswana, Zambia, Swaziland and Lesotho. In addition, Pick n Pay owns a 49% share of a Zimbabwean supermarket chain, TM Supermarkets.

WHAT SETS US APART

Our commitment to consumer sovereignty

We keep customers at the very heart of our business. This philosophy informs everything we do, from how we treat our customers, the product range we offer, to how we design our stores. Every customer is different and their needs are constantly changing. Putting the customer first means we work hard to understand them and how we can serve them better. Through our Pick n Pay and Boxer brands, the Group serves customers across the diverse spectrum of South African society, and is expanding its reach into the African continent. More than half of all South Africans shop regularly in our stores and we have some of the most loyal customers in the country.



Our leading customer offer

Our offer to customers focuses on food, non-edible groceries, health and beauty products, clothing, liquor, pharmaceuticals, building and hardware and general merchandise. The offer also includes value-added services such as third-party bill payments, financial transactions at till point, ticketing services, air time sales and the sale of gift cards. In addition to manufacturer-branded products, we have a growing private label range, in both Pick n Pay and Boxer, to suit every customer's budget. We are focused on delivering good quality at great prices; improving the shopping experience and serving our customers in a variety of store formats that are appropriate to their shopping needs. We appeal broadly across all sectors of society, and seek to move hand-in-hand with the changing needs and aspirations of our customers.

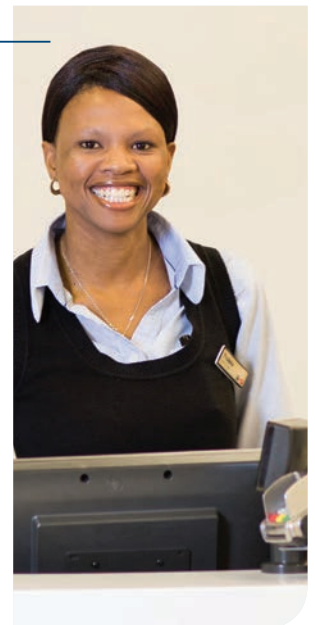


Outstanding stores and flexible formats

The Group operates on both an owned and franchise basis and has 1 560 stores across all formats, including its investment in TM Supermarkets in Zimbabwe. Our stores range from large hypermarkets where customers can buy everything under one roof through to small convenience stores where customers can shop quickly for their immediate needs. In addition, we operate the largest online grocery business in Africa, giving customers the opportunity to shop from their homes and have their order delivered to their door in one-hour time slots.

Our winning team

We employ 54 000 people in our company-owned stores and operations. Our franchise stores extend this to over 80 000 people working under the Pick n Pay and Boxer banners in seven countries. Working at Pick n Pay is more than a job; it is an opportunity to learn, develop new skills and benefit through teamwork. We are committed to training, developing and empowering our people.



WHAT SETS US APART continued



Our focus on business efficiency

We work in partnership with more than 10 000 suppliers and service providers to provide value and convenience for our customers. We transport, store and display our products as efficiently as possible to keep costs to a minimum. Our focus on centralisation across all areas of the business has increased our business efficiency. The scale of our business allows us to give our suppliers sufficient volume so that they can plan and manage their operations to reduce costs. Our scale also allows us to spread our fixed costs over substantial volumes, reducing our unit costs. By becoming more efficient we are able to reinvest in improving the customer experience, thereby increasing turnover and in turn enabling us to run an even more efficient business.

World-class technology

The Group benefits from an outstanding information technology infrastructure, with an end-to-end SAP system, which allows for automated and centralised processing, including the forecast replenishment of inventory. Our point of sale system ably supports our Brand Match campaign and has contributed to our Smart Shopper loyalty programme being voted South Africa's favourite loyalty programme for the past five years.

Our vision to be a truly African retailer

The Rest of Africa gives us the opportunity to grow into new markets, representing a second engine of growth for the Group. Today we have 140 stores outside South Africa, which generated segmental revenue of R4.3 billion this year and contributed meaningfully to our profits.

We tailor our ownership model in each country to what is appropriate for the local market, whether establishing owned stores, franchised stores or a part-investment in an independent operation. Having established operations in Botswana, Lesotho, Namibia, Swaziland, Zambia and Zimbabwe, the Group is working on plans to bring Pick n Pay to Ghana and Nigeria over the next few years.



A growing centralised supply chain

The Group operates 10 distribution centres across the country catering for groceries, fresh and perishable produce, and clothing. Our two largest distribution centres are Longmeadow in Gauteng and Philippi in the Western Cape, both distributing fresh produce, perishables and groceries. The volume of supply that goes through our central supply chain now stands at 60%. The centralisation of supply remains a strategic focus area for the Group, and following the development of Boxer's distribution centre in KwaZulu-Natal last year and the opening of the new Pick n Pay Fresh Distribution centre in the Western Cape this year, the Group plans to open a new Pick n Pay facility in KwaZulu-Natal this year and look for additional capacity in the inland region of South Africa.



Our belief that doing good is good business

Customers reward those businesses that they believe are at the heart of society and who give back to the communities they serve. As customers reward us with their loyalty, we are able to grow, serve more customers, generate more jobs, and help more communities – whether by supporting local groups during times of crisis, helping to develop local suppliers and small businesses or tackling societal challenges such as obesity and climate change.

Our enduring values

Pick n Pay is a much loved brand, valued within society, built on a genuine desire to make life better for our customers and to make a positive contribution to the communities in which we live and work. Our strong and unique family values have guided the business over the past 50 years, providing a solid foundation for growth, innovation, service excellence and generosity.

We are passionate about our customers and will fight to meet their needs

We embrace change and encourage innovation and leadership

We support and participate in our communities

We care for and respect each other

We take individual responsibility

We are all accountable

Our capitals

The Group's ability to create long-term sustainable value for stakeholders is dependent on the utilisation of a number of capitals



FINANCIAL CAPITAL

The financial resources of the Group, consisting of equity and debt funding, and earnings generated and retained by the Group.



MANUFACTURED CAPITAL

The physical infrastructure used in the Group's operations, which includes its real estate, its procurement and distribution channel and the information technology used throughout the Group.



INTELLECTUAL CAPITAL

The knowledge, systems, processes, intellectual property and brands contained within the Group.



HUMAN CAPITAL

Our valued Pick n Pay and Boxer staff, with their skill, talent, ambition and diversity that underpin a winning team.



SOCIAL AND RELATIONSHIP CAPITAL

The relationships the Group has developed with all its stakeholders, governed by its values and the enduring principle that doing good is good business.



NATURAL CAPITAL

The environmental resources utilised throughout the Group's operations, through its production, distribution and retailing of consumer products.

The value we create

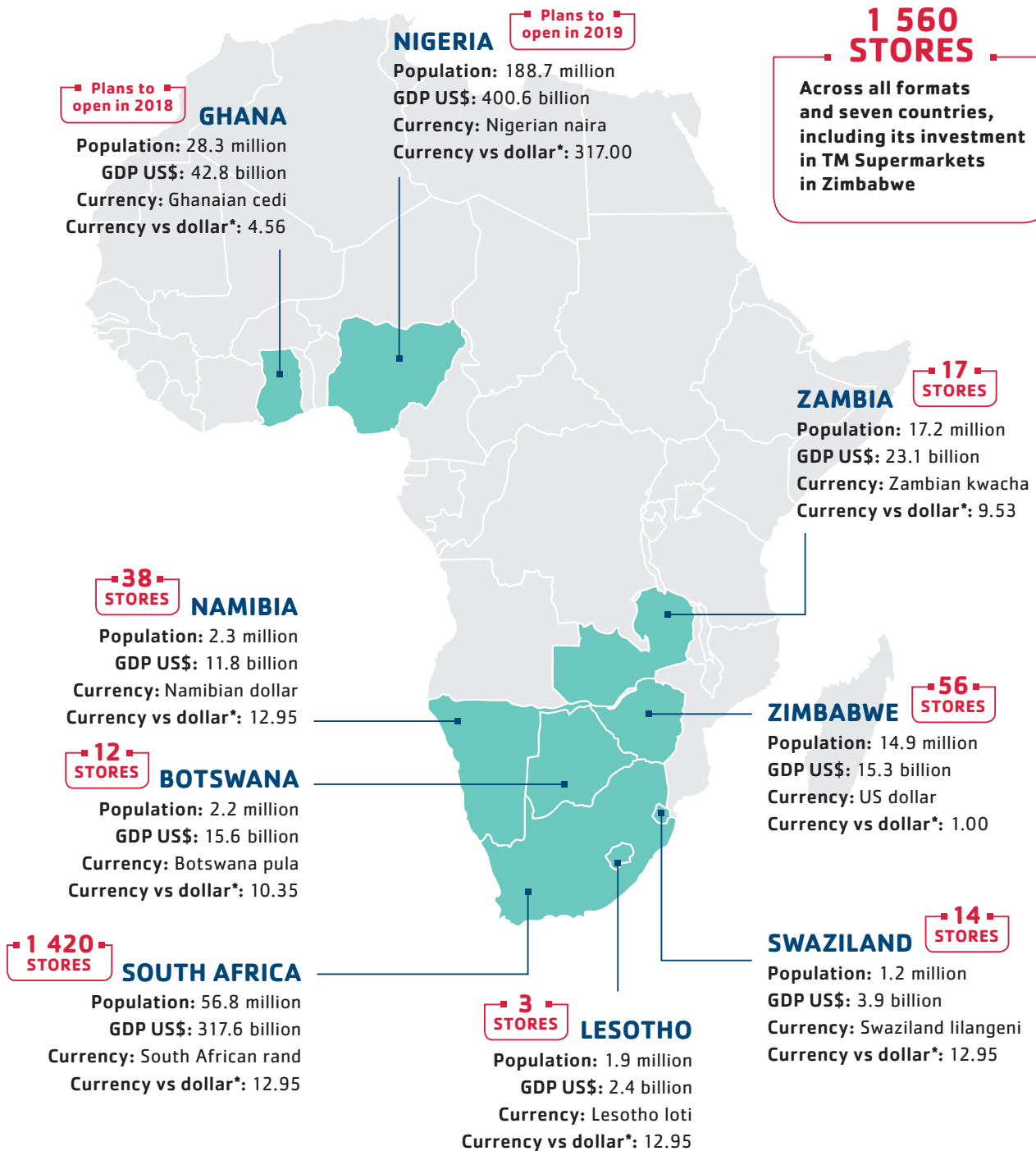
Our belief that doing good is good business ensures that we are focused not only on creating value for our shareholders, but for all our stakeholders. For five decades Pick n Pay has played a valuable role in the economic and social development of southern Africa. We make a positive direct contribution to the communities we serve through the supply of high-quality, affordable food and merchandise, and provide significant employment and economic opportunity across our value chain. We add to this value through our comprehensive sustainability strategy and our work on environmental responsibility, employee opportunity and diversity, promoting healthy living and always doing good in our local communities. For more detail on our business model and the value we have created, please refer to pages 18 to 21.

WHERE WE OPERATE

Geographic footprint

The Group is intent on being the retailer of choice for all the communities it serves.

Our expansion programme is focused on growing the business by opening stores which reflect the changing habits and needs of our customers and which will bring new customers and communities into the Pick n Pay family.



Source: International Monetary Fund, World Economic Outlook Database, April 2017

* Exchange rates as at 26 February 2017

NUMBER OF STORES

COMPANY-OWNED

	28 Feb 2016	Opened	Closed	26 Feb 2017
Pick n Pay	596	68	(3)	661
Hypermarkets	20	–	–	20
Supermarkets	226	11	–	237
Local	17	14	–	31
Clothing – standalone	134	24	(2)	156
Liquor	196	19	(1)	214
Pharmacy – standalone	3	–	–	3
Boxer	208	25	(4)	229
Superstores	136	11	(3)	144
Build	24	7	–	31
Liquor	27	7	–	34
Punch	21	–	(1)	20
Total company-owned	804	93	(7)	890

FRANCHISE

	28 Feb 2016	Opened	Closed	26 Feb 2017
Pick n Pay				
Supermarkets	289	13	(3)	299
Family	269	13	(3)	279
Mini-markets	19	–	–	19
Daily	1	–	–	1
Spaza	1	5	–	6
Express	79	32	–	111
Clothing – standalone	17	–	–	17
Liquor	163	20	(2)	181
Total franchise	549	70	(5)	614

GROUP

Total Group stores	1 353	163	(12)	1 504
TM Supermarkets	57	1	(2)	56
Total with TM Supermarkets	1 410	164	(14)	1 560

REST OF AFRICA FOOTPRINT

	28 Feb 2016	Opened	Closed	26 Feb 2017
– included in total stores above	130	12	(2)	140
Pick n Pay company-owned	11	6	–	17
Boxer company-owned	5	–	–	5
Pick n Pay franchise	57	5	–	62
TM Supermarkets	57	1	(2)	56
– by country	130	12	(2)	140
Botswana	10	2	–	12
Lesotho	3	–	–	3
Namibia	35	3	–	38
Swaziland	14	–	–	14
Zambia	11	6	–	17
Zimbabwe	57	1	(2)	56

OUR STORE FORMATS



Pick n Pay is a multi-format, multi-channel retailer with a strong and diverse portfolio of stores.

Pick n Pay is an inclusive brand, not aimed at serving a single customer demographic but focused on being the retailer for all, from the most affluent in society to those who are less fortunate and for whom price is of the utmost importance. The middle-income South African consumer, however, makes up the largest portion of our customer base. Pick n Pay operates on both an owned and franchise basis, providing a wide range of products and value-added services, and includes an online offering. Pick n Pay is focused on delivering an exceptional customer offer, including range, quality, price, availability and service. Pick n Pay has a strong growth plan, benefiting from the flexibility of its formats and its leaner operating model, and will focus on bringing its offer to communities where we are not yet well represented, including through small convenience stores.

7 countries
9 store formats,
including online
1 275 stores



Pick n Pay Supermarkets

7 countries
536 stores (237 owned; 299 franchise)
3 000 average m²
24 new stores in 2017

Pick n Pay supermarkets offer a wide range of groceries, as well as a targeted range of clothing, general merchandise and value-added services.

Customers can buy everything they need from a quick daily top-up to a larger weekly or monthly bulk shop. Fresh produce and butchery offerings are complemented by an in-store bakery, deli and hot food counter. Pick n Pay supermarkets serve a wide range of communities, from lower and middle-income families to the most affluent households. Product ranges are tailored to meet the needs of customers. Some stores focus on basic necessities and local produce while others boast specialty service counters, wine rooms, flower markets and sushi bars. Pick n Pay supermarkets trading under the Pick n Pay, Family, Daily and Mini-market banners, provide easily accessible locations and parking.

Pick n Pay Hypermarkets

South Africa
20 owned stores
15 000 average m²

Pick n Pay's largest format store, providing customers with an expanded range of groceries, clothing and general merchandise.

A hypermarket is a "one-stop-shop" offering fresh produce, a butchery, deli, bakery and hot food counter, plus specialist categories not always available in a supermarket such as clothing, appliances, kitchenware, home improvement, garden and pool accessories, toys and an expanded health and beauty range. These retail sites are large, catering for destination shoppers, with wide aisles and ample parking. Prices are very competitive, leaning towards multi-pack and bulk-buy items and increased targeted promotional activity.

Pick n Pay Local

South Africa
31 owned stores
14 new stores in 2017
500 m² to 3 900 m²

Our small Pick n Pay Local stores offer neighbourhood convenience.

These stores serve a range of communities, from lower and middle-income families to those in more affluent suburbs. A Local store has a much smaller range than a traditional supermarket, tailored specifically to the community it serves. The range is focused on fresh and convenience, and can include a small bakery and butchery. Customers can pop in quickly for a daily top-up, but can still choose from a tailored grocery and general merchandise offer for a bigger weekly shop.



Pick n Pay Spaza

South Africa

6 partner stores

5 new stores in 2017

70 m² – 300 m²

Our “Spaza-to-Store” partnership with the Gauteng Government’s Department of Economic Development provides spaza shop owners with access to Pick n Pay’s procurement and distribution channel, business systems and technology and management advice and mentoring.

Our partnership with six spaza entrepreneurs in Soweto and Bophelong has revitalised and modernised their stores and delivered strong growth. Pick n Pay is excited by the opportunity to play a positive role in growing the informal retail market in South Africa.

Pick n Pay Express

South Africa

111 franchise stores

32 new stores in 2017

300 average m²

Pick n Pay’s partnership with BP, one of the world’s leading international oil and gas companies, provides small 24-hour Pick n Pay Express convenience stores on BP service station forecourts in South Africa.

Pick n Pay Express offers a targeted convenience range that satisfies an immediate “top-up” shop or a quick meal solution. The range is limited and is mainly focused on daily needs. Value-added services offered include ATMs, lottery, airtime and electricity purchases. These sites are located in high traffic flow areas including high-density residential areas and public transport intersections.

Pick n Pay Online

South Africa

99% on time delivery record

Delivery within 24 hours

Our internet shopping platform at www.picknpayonline.co.za is a small, but growing part of the Pick n Pay business.

Pick n Pay is the largest online grocery retailer in Africa. The division is winning customers by offering online convenience, good availability and delivery in one-hour time slots. The online offer in the Western Cape has been expanded through the establishment of a dedicated online picking warehouse at our refurbished Brackenfell Hypermarket. The Group invested in a similar solution in Gauteng in December 2016.



Pick n Pay Clothing

4 countries

173 standalone stores (156 owned; 17 franchise)

24 new stores in 2017

450 average m²

Pick n Pay Clothing provides the whole family with quality, fashionable clothing and footwear at exceptional prices.

Our clothing offer is broad, from baby and children’s wear to men’s and ladies’ fashion and includes casual wear, sleep wear, active wear and formal attire. The private label, Real, is complemented by our exclusive rights to the international brands Cherokee and Maui & Sons. Our standalone clothing stores provide the same quality and value for money as our hypermarkets and supermarkets, but with an extended range.

Pick n Pay Liquor

6 countries

395 stores (214 owned; 181 franchise)

39 new stores in 2017

200 average m²

Our liquor stores are situated close to our supermarkets but with separate entrances. These stores provide customers with the added convenience of purchasing liquor while doing their grocery shop. Our liquor stores also help customers to cater for parties and functions by providing a full delivery service.

Pick n Pay Pharmacy

South Africa

23 pharmacies in-store, 3 standalone

We are committed to giving our customers convenient and affordable basic healthcare, by providing a wide range of vitamins, supplements, sports nutrition, self-medication, medical services, clinics and dispensaries.

OUR STORE FORMATS continued

BOXER

Our Boxer stores provide a “one-stop-shop” for middle to lower-income shoppers in South Africa and Swaziland.

Boxer offers quality products and services at very affordable prices. Stores offer essential daily commodities such as maize meal, rice, samp, sugar, oil and beans, perishables, health and beauty, general merchandise and bulk-buy offers. The stores also offer fruit and vegetables, butcheries, bakeries and deli sections providing a choice of prepared convenience meals.

There are no franchise stores under this brand. While Boxer has reach across all nine provinces in South Africa, with the opening of its Khayelitsha store in Cape Town, its geographical heartland is KwaZulu-Natal and the Eastern Cape. Boxer celebrates 40 years this year and will continue to grow and expand in areas where the Group knows it can serve the needs of communities through its wide product range, affordable prices and community-rooted staff.

2 countries
4 store formats
229 stores



Boxer Superstores

2 countries
144 owned stores
11 new stores in 2017
1 850 average m²

Boxer Superstores are full-service supermarkets offering a wide range of groceries.

The fresh produce offering is complemented by an in-store butchery, bakery and hot foods counter. The target markets are middle to lower-income urban, peri-urban and rural communities of South Africa and Swaziland. All stores are located close to public transportation hubs and have a welcoming market-style atmosphere.

Boxer Build

South Africa
31 owned stores
7 new stores in 2017
550 average m²

Boxer Build stocks a diversified range of building and hardware supplies satisfying home owners and builders' DIY and home improvement needs at the most competitive prices.

Boxer Build stores offer savings cards and access to short-term credit facilities. Delivery of purchases can also be arranged at store level.



Boxer Punch

South Africa

20 owned stores

400 average m²

Boxer Punch is a smaller-sized supermarket located in compact sites that have considerable customer foot traffic.

The store has a lower-cost operating model, enabling the business to further reduce the selling prices of products. Boxer Punch stores offer a relatively narrow range of convenience products including basic commodities, pre-packed frozen and fresh meat, and a limited range of breads and confectionery.

Boxer Liquors

2 countries

34 owned stores

7 new stores in 2017

185 average m²

Boxer Liquors are situated close to Boxer supermarkets but with separate entrances.

These liquor stores provide customers with the added convenience of purchasing liquor at the same time as doing their grocery shopping.



The Group has a 49% investment in its associate TM Supermarkets in Zimbabwe.

TM Supermarkets is one of the most trusted retail brands in Zimbabwe. With its pay off line "Real Value Always", customers are offered a wide range of groceries and perishables, with a limited range of general merchandise and a fresh offering which caters specifically for the communities they serve at competitive prices. With its reach, TM Supermarkets draws its customers from all communities and income groups across Zimbabwe, while store formats range from convenient small supermarkets to larger supermarkets.

56 supermarkets in Zimbabwe

40 trading as TM

16 trading as Pick n Pay

TM SUPERMARKETS WON A NUMBER OF PRESTIGIOUS RETAIL AWARDS THIS YEAR, INCLUDING ZIMBABWE'S SUPERMARKET OF THE YEAR.



OUR BUSINESS MODEL

Pick n Pay is a food, grocery, clothing and general merchandise retailer, selling a wide range of products at competitive prices, under our Pick n Pay and Boxer brands.

Our business model describes how the Pick n Pay Group creates long-term, sustainable value for all its stakeholders, through the effective and balanced use of our capitals, and while always keeping the customer at the centre of everything we do.

Our business model is underpinned by strong corporate and social governance, with our unique values at its core.

CAPITAL INPUTS



- Shareholders' equity of over R4.0 billion
- Short-term borrowings of R1.8 billion
- Cash balances of almost R1.0 billion
- Working capital management



- 1 560 stores
- 6 support offices
- 10 distribution centres
- 2 online distribution centres
- Leading information systems infrastructure



- 2 valued brands – Pick n Pay and Boxer
- Growing private label offering
- Enterprise-wide SAP operating and reporting system
- Brand Match
- Smart Shopper



- Over 80 000 employees across our owned and franchise business
- Diverse workforce reflecting the communities we serve
- 53% female; 93% non-white



- Customer-focused business with customer-led strategy
- Committed to open and constructive engagement with all stakeholders
- Investment in the communities we serve



- Commitment to reducing our use of natural resources
- Commitment to reducing our environmental impact

PRIMARY BUSINESS ACTIVITIES



WE SOURCE AND BUY PRODUCTS EFFECTIVELY



WE PROVIDE A COMPETITIVE CUSTOMER OFFER



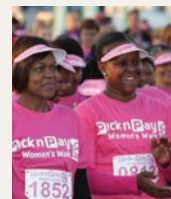
WE BUILD A HIGH PERFORMANCE TEAM OF RETAIL SPECIALISTS



WE RUN COST EFFECTIVE AND EFFICIENT OPERATIONS



WE SERVE CUSTOMERS AND DRIVE SALES



WE INVEST IN OUR COMMUNITIES

We have a strong and experienced management team that operates within a sound risk management framework, to ensure that the business can grow, adapt, change and innovate without placing stakeholders at any undue risk, and always considers the social and environmental impact of our decisions and operations. The business has demonstrated capital efficiency in the funding of its operations, delivering strong returns on capital employed over many years. Please refer to page 11 of "This is Pick n Pay" for more information on the six capitals utilised within our business model.

VALUE DRIVERS

- Buying better for our customers
 - Ethical sourcing and food safety
 - Securing sustainable future supply
- Leading product range at competitive prices
 - High quality stores within customer reach
 - More convenience, including value-added services
- Customer focused
 - Talented and diverse retail team
 - Employment through growth
- An increasingly efficient supply chain
 - Lean operating model in stores and support offices
 - Most attractive franchise model
- Most inclusive retailer in South Africa, serving customers across the diverse spectrum of African societies
- The economic and social upliftment of the communities we serve leads to growth for all

CAPITAL OUTPUTS



- Turnover up 7.0%
- Gross profit margin improved 0.1 percentage point to 18.0%
- Trading profit margin improved 0.2 percentage points to 2.3%
- HEPS up 18.0%
- Net asset value per share up 7.6%



- 164 new stores, 14 closures
- 62 refurbishments
- New fresh distribution centre in Western Cape
- New online distribution centre in Gauteng
- Online deliveries brought in-house



- SAP EWM system rolled-out across all distribution centres
- Boxer SAP finance system integrated with Pick n Pay
- Online shopping website and app enhancements
- Enhancements to Smart Shopper system and app
- Grew private label offering to over 1 700 products



- Created 4 500 new jobs
- Secured three-year wage agreement
- Guaranteed 85 working hours per month
- More than 800 training interventions, reaching almost 30 000 of our staff
- 2 650 promotions, recognising skill and development
- Introduced new performance management system



- Proactive and broad programme of stakeholder engagements including workshops; conferences and one-on-one meetings. Please refer to our "Engaging with our Stakeholders" section on page 28



- Pick n Pay recognised as a world leading retailer in the Carbon Disclosure Project
- CO₂e emissions per square metre down 3.5% year-on-year
- Energy use per square metre reduced by 0.6% on last year—now down 34.1% against our 2008 baseline
- Diverted 48.4% of our waste from landfill, a total of just over 19 000 tonnes

THE VALUE WE CREATE

Pick n Pay has created value for our stakeholders for fifty years. Our business model seeks to maintain a virtuous circle – which balances the needs of our stakeholders in a fair and effective manner, while efficiently managing the trade-offs between our capitals.

The value we create goes far beyond providing safe and affordable food and merchandise to our customers. We create substantial economic development and employment opportunity across our value chain, procuring goods and services from more than 10 000 suppliers and service providers. We provide direct employment to more than 80 000 people across our owned and franchise business. We give back to the communities in which we operate through investment in education and literacy programmes, housing, nutrition and poverty-relief schemes,


and through the support of cultural and theatrical projects, sports development and environmental programmes.

Our stakeholders have competing interests and needs. Similarly there is interdependence between our capitals. Our ethical value system underpinned by strong corporate and social governance guides our every-day decision making, to ensure we balance and optimise the trade-offs that exist in our business, to act in the best interests of our stakeholders.

Below are examples of some of the trade-offs that have been necessary in our business to create greater shared value for all:

COMPETITIVE AND FAIR EMPLOYEE REMUNERATION, INCLUDING THROUGH BROAD-BASED EMPLOYEE SHARE SCHEMES

Pick n Pay is committed to the economic upliftment of its employees. In 2017 the Group purchased shares to the value of R345.4 million under its employee share incentive schemes during the year, and delivered substantial wealth creation for 9 250 employees at all levels, who realised their share awards during the period.

- ↑ Human capital 
- ↓ Financial capital 

REDUCING OUR IMPACT ON THE ENVIRONMENT

The Group is committed to finding more energy efficient and environmentally friendly ways in which to do business and this has required investment across our stores and distribution centres, including investment in energy-efficient lighting and refrigeration, rain water harvesting and recycling initiatives.

- ↑ Natural capital 
- ↓ Financial capital 




RESPONSIBLE PROCUREMENT

The Group continues to invest in building a diverse and ethical supply base, to provide our customers with safe, high quality food that will promote healthy living and sustainable farming. Our investment includes the development of small emerging businesses, including through the growth of our private label range of products.

- ↑ Social and relationship and intellectual capital  
- ↓ Financial capital 

PRODUCT AVAILABILITY

The Group is focused on providing its customers with high levels of on-shelf availability, to ensure our customers can always find what they need in our stores. The Group consistently maintained its on-shelf availability at 96% during the 2017 financial period. This does require that the Group invest in higher levels of inventory, which can lead to waste of fresh and perishable produce, if customer demand does not meet expectation. Automated forecast and replenishment systems are improving our performance in this area.

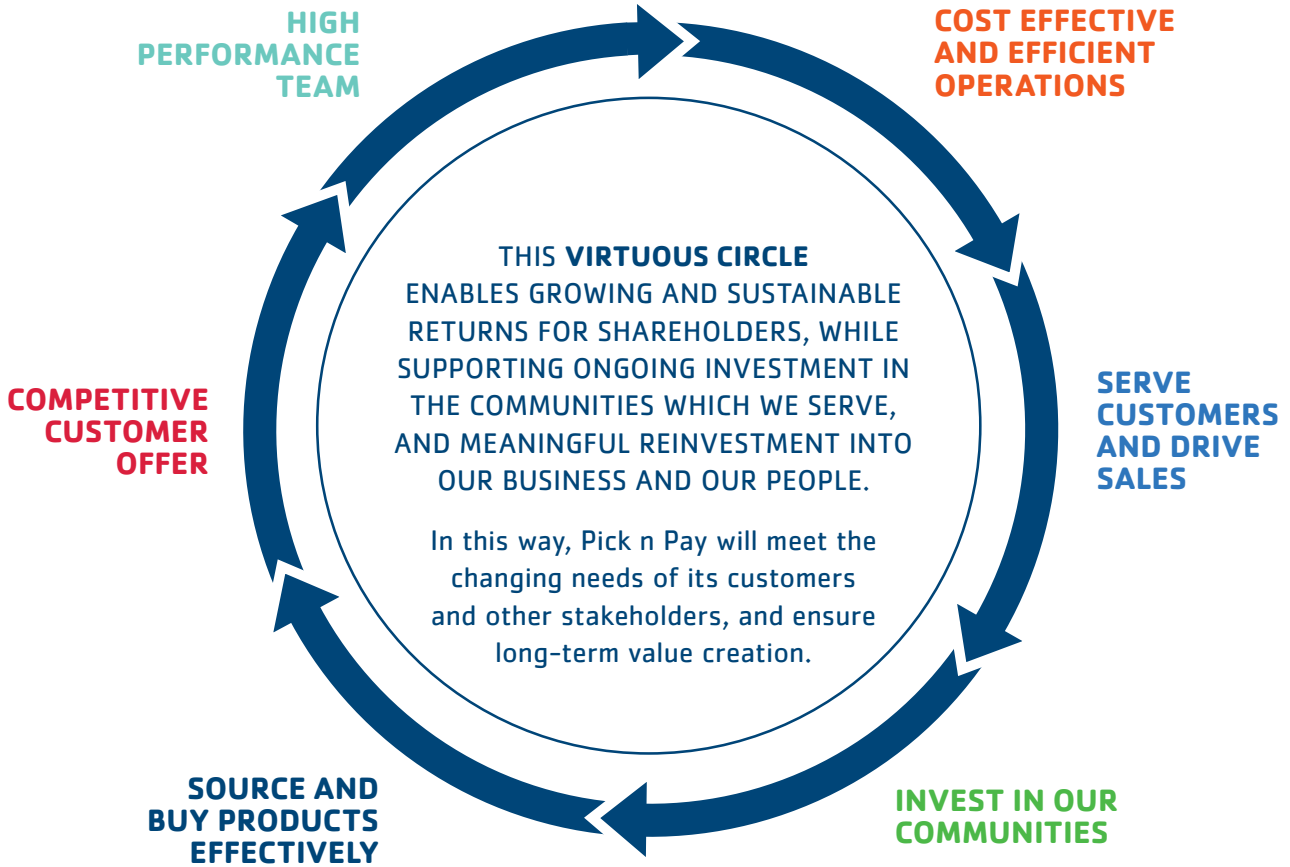
- ↑ Social and relationship capital 
- ↓ Financial and natural capital  

GROWING OUR BUSINESS OUTSIDE OF SOUTH AFRICA

The Group believes that opportunities outside South Africa will provide the Group with a second engine for growth. While we look to countries which offer political stability, economic growth, ease of business and the prospect of strategic scale, expanding our footprint into the rest of Africa does not come without risk, including exposing the Group to the operational challenges of trading in a new environment and the risk of foreign currency movements. This reduces our short-term financial capital with the prospect of long-term financial capital appreciation.

- ↑ Manufactured, intellectual and financial capital   
- ↓ Financial capital 

OUR VALUE OUTCOMES



R77.6 billion

Turnover and other revenue – a growing owned and franchise estate, serving more customers with a stronger offer



less

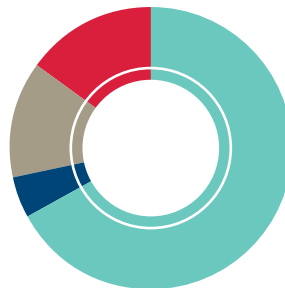
R67.7 billion

Cost of merchandise sold and operations – providing growth opportunities for over 10 000 suppliers and service providers across our value chain



=

R9.9 billion
value added



R6.6 billion

for our employees

– providing economic upliftment and job security, with 4 500 new jobs created this year



R0.5 billion

paid in government taxes and R38.7 million invested in CSI initiatives

– for the social upliftment of our communities



R1.3 billion

to providers of capital – generating long-term sustainable returns

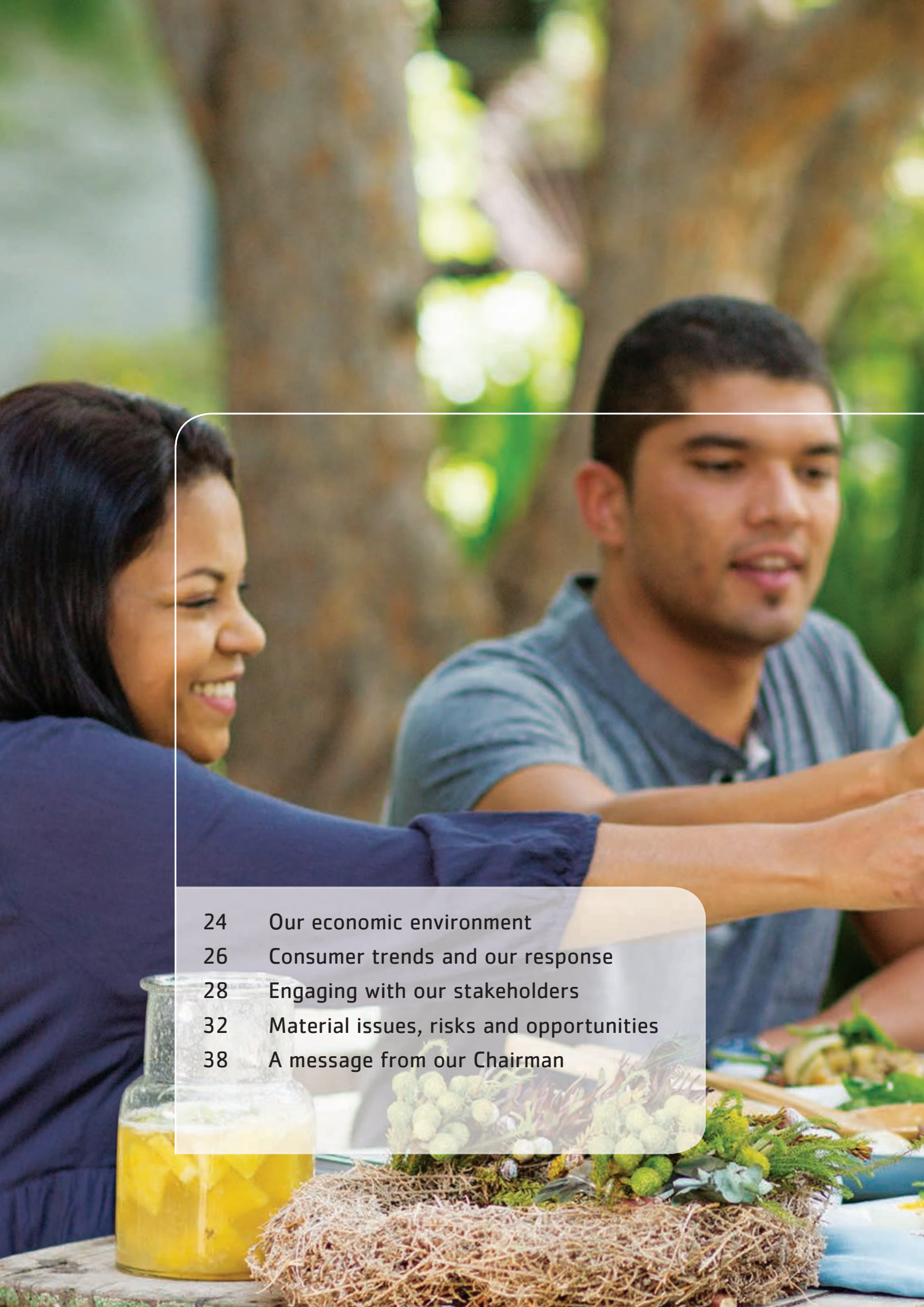


R1.5 billion

reinvested for future growth

– for the benefit of all stakeholders





24	Our economic environment
26	Consumer trends and our response
28	Engaging with our stakeholders
32	Material issues, risks and opportunities
38	A message from our Chairman

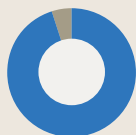
Pick n Pay in context



OUR ECONOMIC ENVIRONMENT

CORE SOUTH AFRICAN OPERATIONS CONTRIBUTE 95% TO TURNOVER

Operations in the Rest of Africa, contribute 5% to turnover



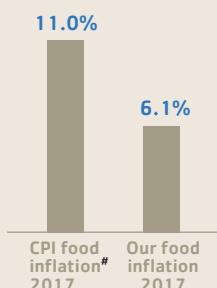
THE REGIONS WE OPERATE IN ARE EXPERIENCING SIMILAR SHORT-TERM CHALLENGES

- Low economic growth
- Political uncertainty
- Drought
- Weaker local currencies



SOUTH AFRICAN RETAIL ENVIRONMENT

- Economic growth of 0.3% in 2016*
- Unemployment of 26.7% in 2016*
- High food inflation – peaking at 11.7% in December 2016
- Pressure on customers' discretionary spend



SHORT-TERM CONSUMER OUTLOOK

- Low consumer confidence
- High unemployment
- Consumers looking for more value
- Decreasing food inflation in South Africa – with the end of the drought in the northern part of South Africa



LONG-TERM OUTLOOK MORE POSITIVE, SUPPORTED BY:

- A young population
- A growing consumer base
- Good infrastructure
- Strong and enduring institutions



The South African economy grew just 0.3% in the 2016 calendar year, against a backdrop of political uncertainty, low investor confidence, high unemployment, a volatile currency and rising inflation. It has been a difficult time for South African consumers who saw household income eroded by escalating food prices, alongside higher personal income tax and ongoing increases in utility, transport and health care costs. Wage increases, particularly in the public sector, did not keep up with the rising cost of living, with South Africans largely ending the year poorer than when it began. At the same time, access to household credit declined, with household debt expressed as a percentage of disposable income falling to a 10-year low, putting further pressure on cash-strapped consumers.

In this challenging environment, customers have become increasingly price conscious and value-driven. Customers are shopping more frequently for smaller baskets and are spending less on luxury or discretionary items. The Group responded with meaningful price investment this year, made possible in part through headroom created by a more centralised supply chain and more efficient operations. The Group restricted its selling price inflation to just 6.1%, well below published food inflation of 11.0%. With pressure on consumers likely to remain acute, the Group has committed to further price support in the coming year in respect of fresh, perishable and everyday grocery lines. Pick n Pay's Brand Match programme continues to give customers confidence in the competitiveness of our pricing across 2 000 branded grocery lines. The Group is also meeting its customers' needs for unbeatable value through the development of a strong and compelling private label offering.

The retail market in South Africa is extremely diverse and is marked by very wide disparities in income. A number of retailers operate across the formal and informal markets of South Africa, contributing to a highly-competitive market. The Group has a celebrated 50-year history in South Africa and benefits from broad-appeal across all socio-economic groups, and strong brand loyalty in the grocery retail market. Notwithstanding the tough trading environment, our high levels of customer retention across all customer segments suggests that our Pick n Pay brand provides a strong and trusted offer in terms of price, quality, value and range. Our Boxer business continues to be the value leader for customers in the lower-income communities of South Africa and Swaziland, delivering strong turnover growth in a depressed and highly contested area of the market. The Boxer team was able to invest meaningfully in the price of basic commodities this year, while strengthening its fresh meat, fruit and vegetable offer.

* Bureau of Economic Research (BER)

Stats SA

Traditionally our Pick n Pay brand has been positioned in the more urbanised areas of South Africa, with particularly strong advocacy from South Africa's middle to upper-income consumer. However, there are many communities across the country, across all demographics, where Pick n Pay is not yet well represented and we look forward to bringing our offer to these communities, whether they are in urban, peri-urban or more rural areas. In recent years, stronger retail growth has been recorded in the lower-income segment of the market and we believe that both our Pick n Pay and Boxer brands will continue to play a valuable and growing role for customers in these markets. However the Group will continue to follow a measured approach to space growth, focusing on space which we are confident will drive sustainable financial returns. By reducing our operating costs and improving our efficiency, we have significantly improved our ability to deliver sustainable new space, including through smaller, neighbourhood stores which reflect the growing customer demand for convenience.

The Group strengthened its position outside South Africa this year, with 12 store openings across Botswana, Namibia, Zambia and Zimbabwe. The profits of the Rest of Africa division were dampened by tough trading conditions in Zambia, where the impact of the prolonged drought and related water and power outages, coupled with the low copper price, continued to curb sales growth across the region. The team in Zambia responded to the low growth environment with strong discipline on cost. Notwithstanding current economic headwinds, the Group remains positive of its long-term position and opportunity in Zambia. The Group's franchise businesses in Namibia, Botswana, Swaziland and Lesotho continued to trade well, and its 49% investment in TM Supermarkets delivered strong profit growth, notwithstanding political and economic challenges in Zimbabwe. The Group has plans to expand its operations into Ghana and Nigeria over the next two years. The ongoing formalisation of food and grocery retail across Africa will provide the Group with a second engine of growth in coming years.

The macro-economic outlook for South Africa and its retail sector remains challenging in the near term. The Government's cabinet reshuffle in March 2017, and in particular the removal of Finance Minister Pravin Gordhan, resulted in two international ratings agencies downgrading South Africa's sovereign debt to below investment grade. These downgrades have led to further political and economic uncertainty in South Africa. Growth forecasts for the near term are insufficient to address the country's high level of unemployment, and higher costs of borrowing as a result of the recent downgrades, may constrain future economic stimulus plans.

There are encouraging signs however that pressure on the South African consumer will start to ease in the second half of this year. The prolonged drought in the northern parts of the country has come to an end, and there has been a marked decrease in food inflation over recent months, which will provide welcome respite for consumers.

The Reserve Bank has held the Repo rate steady at 7% for more than a year, and moderating levels of inflation should ease the burden on households over the medium term. In the longer term, there is hope that the pressure resulting from recent increases in both personal income and consumption taxes will be off-set by lower inflation, real wage growth, and an end to above-inflation electricity tariff increases.

The trading environment will continue to be tough. We believe that retail competition for hard-pressed and cost-conscious customers is the new normal. The Group will succeed in this new normal by accelerating the pace of its plan, in particular by further reducing its costs in order to create additional headroom to deliver lower prices and better value for customers.

The Group has delivered solid progress against its strategic plan over the past four years

The Group has improved its customer offer, modernised its stores, centralised its supply chain, and firmly controlled its costs. As a result, the Group has delivered four years of strong profit growth, and a steady improvement in its underlying trading profit margin, notwithstanding the economic headwinds to growth. The Group remains confident of the material opportunity that exists within the business for improved efficiency and profit growth, regardless of the short-term challenges facing the retail industry in South Africa and beyond. The Group has invested R6.0 billion in its capital investment programme over the past four years and created more than 10 000 new jobs across its corporate and franchise business. We plan to spend another R1.8 billion this year. Ours is a growing business, and we are confident of the long-term opportunities in the markets in which we operate, and are confident of the valuable role we will play in uplifting the communities we serve.

CONSUMER TRENDS AND OUR RESPONSE

LATEST TRENDS

PRICE AND VALUE

- Customers are demanding lower prices and added value
- Customers need everyday low prices more than the highs and lows of promotional calendars
- Customers are prepared to shop around for the lowest prices
- Customers expect to be rewarded for their loyalty

CONVENIENCE

- Time-pressed customers are seeking out convenience
- Customers are shopping closer to home, work and transport hubs
- Smaller convenience supermarkets are becoming increasingly relevant, over traditional, large mall developments
- Customers are shopping more regularly for smaller baskets, and are looking for smaller stores that they can move around quickly in
- Customers demand more added-value options, including pre-prepared convenience meals
- In order to save time, customers are seeking out value-added services at till, such as electricity purchases and bill payments

ONLINE SHOPPING

- Customers are shopping via modern, online retail platforms and mobile apps
- Online shopping provides added convenience – customers can shop from their desk or their phone
- Customers are able to price check and shop specific promotions
- Online apps enable customers to maintain and update shopping lists
- Social media provides consumers with a powerful platform to review price, quality and range and discuss changing trends and needs

OUR RESPONSE

IMPROVED EFFICIENCY SUPPORTING PRICE INVESTMENT

- Increased operational efficiency is supporting meaningful and ongoing price investment
- Boxer securing value leadership in the lower-income communities of South Africa
- In March 2017 Pick n Pay announced it would invest a further R500 million into the price of everyday grocery lines
- In March 2017 Pick n Pay announced it would refresh its Smart Shopper loyalty programme to provide more reward than ever before

Supported by strategic business acceleration pillars:    

MEETING THE CHANGING NEEDS OF OUR CUSTOMERS

- Our more efficient operating model has enabled Pick n Pay to successfully operate a smaller supermarket on a leaner cost base
- Our local and express formats are bringing Pick n Pay closer to customers in smaller communities and neighbourhoods
- The growth of our Boxer brand and our partnership with Spaza shops in Gauteng, has brought a quality offering to some of the more informal communities of South Africa
- Pick n Pay is growing its private label offering, which includes a stronger ready-meal range for customers
- A compelling value-added services platform, with strong growth across all categories, including third-party bill payments and money transfers

Supported by strategic business acceleration pillars:     

INVESTMENT IN PICK N PAY ONLINE

- Ongoing investment in our online platform, with the development of dedicated online warehouses in the Western Cape and Inland regions of South Africa, to improve our online offer for customers
- Insourced the management of the online delivery fleet to provide customers with reliable and on-time delivery service in one-hour time slots
- Enhanced the Pick n Pay Online website and mobile app to provide customers with a quick and easy online shopping experience
- Open and constructive engagement with stakeholders on a number of social media platforms, including Facebook, Twitter and Instagram

Supported by strategic business acceleration pillars:   

ENGAGING WITH OUR STAKEHOLDERS

The Group's ability to create long-term sustainable value depends on open and constructive engagement with all our stakeholders.

Stakeholders are those parties that can affect, or be affected by, our activities, objectives and policies. The Group identifies its key stakeholders through ongoing engagement with individuals, groups and organisations.

Engagement enables us to identify and act upon the issues that affect our stakeholders and our business, improves our understanding of stakeholders' expectations, aspirations and interests, and strengthens the transparency and accountability through which we have established valued relationships.



The Group's stakeholders include: customers, suppliers, shareholders, franchisees, employees, regulating authorities, media, and various levels of government and community groups.

We are committed to balancing their interests in a responsible and respectful manner.

Key stakeholders



CUSTOMERS



COMMUNITY



EMPLOYEES



SUPPLIERS



FRANCHISEES



SHAREHOLDERS

Below we detail our engagement with key stakeholders, focusing on those groups that have either a significant interest in the operations of the Group or have significant influence over the way we do business and create value.

 CUSTOMERS 885 million interactions with customers this year			
WHAT OUR CUSTOMERS TELL US IS MOST IMPORTANT TO THEM:	HOW OUR STRATEGY RESPONDS TO CUSTOMERS NEEDS:	WHY WE ENGAGE:	HOW WE ENGAGE:
<ul style="list-style-type: none"> • More convenience • Low prices, good value • Product quality and food safety • Good, consistent availability • Great service • Rewards for loyalty • Community involvement 	<p>Strategic pillar:  Better for customers</p> <ul style="list-style-type: none"> • Convenient store locations • Leading product range • Great prices and promotions • South Africa's favourite loyalty programme • Excellent place to shop • Compelling value-added services <p><i>Refer to the better for customers business acceleration pillar on page 44</i></p>	<ul style="list-style-type: none"> • To improve our customer offer • To adequately respond to the changing needs of our customers • To hold ourselves accountable to those we serve 	<ul style="list-style-type: none"> • Daily engagements in our stores • Dedicated Customer Director • Customer-care line • One-on-one meetings • Regular customer surveys, consumer forums and online customer panels • Website www.picknpay.co.za and various social media forums

 COMMUNITY Continued focus on community development and upliftment programmes, including through employment and buying from local communities			
WHAT OUR COMMUNITIES TELL US IS MOST IMPORTANT TO THEM:	HOW OUR STRATEGY RESPONDS TO COMMUNITY NEEDS:	WHY WE ENGAGE:	HOW WE ENGAGE:
<ul style="list-style-type: none"> • Job creation • Access to safe food, at low prices • Poverty relief and community outreach programmes • Environmental consciousness 	<p>Doing good in our communities underpins all our strategic pillars </p> <ul style="list-style-type: none"> • Doing good is good business • Be environmentally responsible • Develop and source from diverse and ethical suppliers • Job creation through long-term sustainable growth • Promote healthy and sustainable living <p><i>Refer to the strategic focus section on pages 42 to 51</i></p>	<ul style="list-style-type: none"> • To drive and share in the success and wellbeing of the communities in which we trade • Local communities engage with those businesses that engage with them, promoting the sustainability of both 	<ul style="list-style-type: none"> • Forums such as township co-operatives, university partnerships and the Pick n Pay Schools Club • Individual stores' varied social responsibility programmes • Collaboration with the Ackerman Pick n Pay Enterprise Development Fund, including income generation, community enterprise development and food security initiatives


ENGAGING WITH OUR STAKEHOLDERS

continued



EMPLOYEES

Pick n Pay created 4 500 new jobs this year through our store opening programme

WHAT OUR EMPLOYEES TELL US IS MOST IMPORTANT TO THEM:	HOW OUR STRATEGY RESPONDS TO EMPLOYEE NEEDS:	WHY WE ENGAGE:	HOW WE ENGAGE:
<ul style="list-style-type: none"> Competitive remuneration Training, career development and wellness programmes Fair and reasonable working hours, with certainty of hours and shifts Sustainable business performance Working for a responsible and ethical corporate citizen 	<p>Strategic pillar:  A winning team</p> <ul style="list-style-type: none"> Most talented South African retail business Effective and lean organisational structure Advance employee opportunity and diversity <p><i>Refer to the winning team business acceleration pillar on page 48</i></p>	<ul style="list-style-type: none"> To get the best out of our team, we regularly engage with our employees on strategy, key performance indicators, financial performance and the role we expect each individual employee to play in our business To identify and recognise good performance To identify training and development needs To hold each team member accountable for the job they do 	<ul style="list-style-type: none"> Regular management updates Employee surveys Monthly internal publications In-house television, radio communications and employee conferences Skills development and training Ongoing engagement with labour unions



SUPPLIERS

The Group has more than 10 000 suppliers and service providers

WHAT OUR SUPPLIERS TELL US IS MOST IMPORTANT TO THEM:	HOW OUR STRATEGY RESPONDS TO SUPPLIER NEEDS:	WHY WE ENGAGE:	HOW WE ENGAGE:
<ul style="list-style-type: none"> Fair pricing, research and development support, transparent contracts and agreements, infrastructure and logistics support Opportunities for cost reduction Transformation and enterprise development Resource efficiency (energy, water, waste, logistics) 	<p>Strategic pillar:  Every product, every day</p> <ul style="list-style-type: none"> Building fair, efficient and mutually beneficial business relationships Developing a cost effective and efficient supply chain Product innovation to meet evolving customer needs Continual development of small businesses and diverse and ethical suppliers Contribute to job creation <p><i>Refer to the every product everyday business acceleration pillar on page 47</i></p>	<ul style="list-style-type: none"> To ensure that we are able to source a leading range of high-quality produce and merchandise at the best possible prices To ensure that we can commit to on-shelf availability, food safety and sustainable and ethical business practices 	<ul style="list-style-type: none"> Regular meetings in line with merchandise cycle timelines Regular food safety audits at production facilities Ongoing store visits with suppliers Joint business planning sessions Supplier conferences Dedicated enterprise development programme



FRANCHISEES 614 of our stores are owned and managed by franchisees

WHAT OUR FRANCHISEES TELL US IS MOST IMPORTANT TO THEM:	HOW OUR STRATEGY RESPONDS TO FRANCHISEE NEEDS:	WHY WE ENGAGE:	HOW WE ENGAGE:
<ul style="list-style-type: none"> • The opportunity to build a profitable and sustainable business • Security and sustainability of supply, timely delivery of products, competitive pricing, product innovation, marketing support, quality of products and food safety • Opportunities for cost reduction • Resource efficiency (energy, water, waste, logistics) • Transformation and enterprise development 	<p>Strategic pillar: A flexible and winning estate </p> <ul style="list-style-type: none"> • Offer the most successful, mutually beneficial franchise model in the retail industry • Operate as a sustainable franchisor of choice <p><i>Refer to the flexible and winning estate business acceleration pillar on page 45</i></p>	<ul style="list-style-type: none"> • Our franchise stores are an important part of the Pick n Pay business, adding to our scale and brand reach • Our franchise model works well when our franchisees have opportunities to succeed and have an active voice in the business 	<ul style="list-style-type: none"> • Regular store visits by franchise management team and service area consultants • Bi-monthly meetings between regional operational teams • Bi-monthly CEO forum meetings with national franchise representatives • CSI programmes in the communities in which our franchisees operate • Franchise conferences



SHAREHOLDERS Dividends have grown at a compound annual growth rate of 20% over the past four years

WHAT OUR SHAREHOLDERS TELL US IS MOST IMPORTANT TO THEM:	HOW OUR STRATEGY RESPONDS TO SHAREHOLDER NEEDS:	WHY WE ENGAGE:	HOW WE ENGAGE:
<ul style="list-style-type: none"> • Improved and sustainable return on investment • Understanding our business model, strategic direction and profit drivers • Access to timely, accurate and relevant information • Sufficient free float of shares for trade • Good corporate governance • A socially responsible and ethical corporate citizen 	<p>Strategic pillar: Efficient and effective operations </p> <ul style="list-style-type: none"> • Generate consistent profits in a sustainable manner • Operate according to the highest corporate governance principles • Follow innovative business practices at acceptable levels of risk • Capital efficiency • Provide attractive returns on investment <p><i>Refer to the efficient and effective operations acceleration pillar on page 46</i></p>	<ul style="list-style-type: none"> • To provide our shareholders with a comprehensive, transparent and objective understanding of the business, so that our shares may trade at a fair value and that our shareholders are aware of the risks and opportunities associated with investing in the Group 	<ul style="list-style-type: none"> • At least four formal engagements a year: two financial results presentations, AGM and an investor day/strategic update • Regular engagement with investors, analysts and fund managers • Direct engagement on proposed resolutions prior to annual and extraordinary general meetings • Dedicated investor relations website at www.picknpayinvestor.co.za

MATERIAL ISSUES, RISKS AND OPPORTUNITIES

The issues and related risks that could have a significant impact on the Group's financial performance, its ability to meet its strategic objectives, or the long-term sustainability of its earnings.

In determining materiality and identifying the material issues and related risks facing the business, consideration is given to the Group's macro-economic environment, changing industry and consumer trends, and the expectations and concerns of all its stakeholders.

Material issues are reviewed annually by senior management, the audit, risk and compliance committee and the Board, as part of a comprehensive, enterprise-wide risk management

and combined assurance programme. The risk management process is discussed in more detail on page 85 of our corporate governance section.

The material issues and related risks identified below are aligned with the Group's risk register. Opportunities demonstrate how the risks are being mitigated, and where possible, are viewed as growth opportunities for the Group through its strategic long-term plan.

MATERIAL ISSUE

CONSUMER ENVIRONMENT

THE SOUTH AFRICAN ECONOMIC ENVIRONMENT HAS BEEN CHALLENGING OVER RECENT YEARS, WITH CONSUMERS BATTLING HIGHER LEVELS OF UNEMPLOYMENT, TOGETHER WITH THE INCREASING COST OF FOOD, TRANSPORT, UTILITIES AND HOUSEHOLD DEBT. CONSUMER CONFIDENCE IS LOW, AND CUSTOMERS ARE SPENDING MORE PRUDENTLY.

MATERIAL RISKS

- Worsening macro and socio-economic conditions that could further constrain consumer spending
- Persistently high food inflation and ongoing pressure on sales volumes
- Negative customer perception around price and value
- We don't stock what our customers need

OPPORTUNITIES AND RISK MANAGEMENT

- Pick n Pay is the most inclusive retailer in South Africa, well positioned to meet the changing needs of all consumers
- Greater operational efficiency is driving meaningful price investment
- Our scale, history and supplier relationships enables effective price negotiation on behalf of customers
- Smart Shopper is providing more value than ever before
- Brand Match gives customers confidence in our pricing across 2 000 branded products
- Growing private label offer – providing more trusted value
- 95% of our offer is local – reducing the impact of a weaker rand on the value chain
- Boxer is providing the most competitive prices on staple commodities to customers who need it the most


CAPITALS

-  FINANCIAL CAPITAL
-  MANUFACTURED CAPITAL
-  SOCIAL AND RELATIONSHIP CAPITAL
-  INTELLECTUAL CAPITAL

STAKEHOLDERS

-  CUSTOMERS
-  COMMUNITY
-  SUPPLIERS
-  SHAREHOLDERS

STRATEGIC BUSINESS ACCELERATION PILLARS

-  1 BETTER FOR CUSTOMERS
-  3 EFFICIENT AND EFFECTIVE OPERATIONS
-  4 EVERY PRODUCT, EVERY DAY
-  6 BOXER – A NATIONAL BRAND



MATERIAL ISSUE

COMPETITIVE ENVIRONMENT

THE SOUTH AFRICAN RETAIL SPACE IS STRONGLY CONTESTED, WITH BOTH ESTABLISHED AND EMERGING RETAILERS ACROSS THE FORMAL AND INFORMAL MARKET.


MATERIAL RISKS

- The impact of a strategic competitive move against a major product category or store format
- Increased price competitiveness and promotional intensity resulting in uncompetitive pricing
- Missing out on the best locations for new stores
- Opening or refurbishing stores that do not deliver sustainable returns
- Not attracting or retaining the best franchisees

OPPORTUNITIES AND RISK MANAGEMENT

- Brand loyalty – Pick n Pay is one of the most loved and admired brands in South Africa, giving the Group a unique competitive advantage
- Smart Shopper is South Africa’s favourite loyalty programme with over 7 million active customers
- Flexible formats and an increasingly lean operating model allows us to respond quickly to changing consumer needs – including through Boxer, which is demonstrating strong growth and increasing customer advocacy in the lower income and more rural areas of South Africa
- Strong opening and refurbishment programme – focused on investment that will generate sustainable return
- Stringent control over capital spend
- Open and constructive engagement with all developers and landlords
- The most successful and mutually beneficial franchise model in the retail industry – with regular and open engagement with all our franchisees to ensure value creation for all

CAPITALS

-  FINANCIAL CAPITAL
-  MANUFACTURED CAPITAL
-  SOCIAL AND RELATIONSHIP CAPITAL
-  INTELLECTUAL CAPITAL

STAKEHOLDERS

-  CUSTOMERS
-  COMMUNITY
-  FRANCHISEES
-  SHAREHOLDERS

STRATEGIC BUSINESS ACCELERATION PILLARS

-  1 BETTER FOR CUSTOMERS
-  2 A FLEXIBLE AND WINNING ESTATE
-  4 EFFICIENT AND EFFECTIVE OPERATIONS
-  6 BOXER – A NATIONAL BRAND

MATERIAL ISSUES, RISKS AND OPPORTUNITIES continued

MATERIAL ISSUE

EFFECTIVENESS OF PROCUREMENT AND DISTRIBUTION CHANNEL

THE GROUP IS INCREASINGLY RELIANT ON THE EFFECTIVENESS OF ITS OWN SUPPLY CHAIN CHANNEL, WITH 60% OF ITS INVENTORY DISTRIBUTED THROUGH ITS CENTRALISED DISTRIBUTION CENTRES.

MATERIAL RISKS

- Inefficient stock holdings (too much or too little inventory on hand)
- Poor on-shelf availability impacting our ability to serve customers
- Poor quality or shortened shelf-life of fresh produce
- Increased waste
- Increased cost of distribution
- The catastrophic loss of a major distribution centre

OPPORTUNITIES AND RISK MANAGEMENT

- The Group has made substantive progress in building a robust distribution network, which is distributing every product, every day to stores on a short-order lead time
- Improved efficiencies from:
 - a single warehouse management system across all distribution centres
 - an enterprise-wide automatic forecast and replenishment system
 - an online, real-time supplier portal
- A dedicated team of procurement and distribution experts
- Strong relationships with suppliers, logistics providers, and warehouse managers
- Business continuity and disaster recovery plans in place

CAPITALS



MANUFACTURED CAPITAL



SOCIAL AND RELATIONSHIP CAPITAL



INTELLECTUAL CAPITAL



HUMAN CAPITAL



FINANCIAL CAPITAL



NATURAL CAPITAL

STAKEHOLDERS



CUSTOMERS



SUPPLIERS



FRANCHISEES



EMPLOYEES



SHAREHOLDERS

STRATEGIC BUSINESS ACCELERATION PILLARS



3 EFFICIENT AND EFFECTIVE OPERATIONS



4 EVERY PRODUCT, EVERY DAY



5 A WINNING TEAM



MATERIAL ISSUE

FOOD AND OTHER HEALTH AND SAFETY STANDARDS

MORE THAN HALF OF ALL SOUTH AFRICANS SHOP IN OUR STORES AND WE PROVIDE THEM WITH SAFE, HIGH QUALITY FOOD AND A SAFE AND SECURE SHOPPING EXPERIENCE.

MATERIAL RISKS

- We stock or prepare unsafe food or other grocery products which causes harm to customers
- Our suppliers or franchisees do not adhere to our overall minimum health and safety standards
- Safety standards are not followed in-store putting our customers or staff at risk of injury or ill-health

OPPORTUNITIES AND RISK MANAGEMENT

- All suppliers are subject to an audit of their food safety standards by a third-party auditor
- Non-compliance with food safety standards results in termination of supply agreements until compliance is restored
- All stores undergo stringent food safety audits on a regular basis
- Formal product recall standards in place
- Formal health and safety regulations in place throughout our stores and support offices, with strong awareness and compliance
- Franchise agreements regulate minimum safety requirements

CAPITALS

-  SOCIAL AND RELATIONSHIP CAPITAL
-  INTELLECTUAL CAPITAL
-  FINANCIAL CAPITAL
-  MANUFACTURED CAPITAL

STAKEHOLDERS

-  CUSTOMERS
-  SUPPLIERS
-  FRANCHISEES
-  SHAREHOLDERS

STRATEGIC BUSINESS ACCELERATION PILLARS

-  1 BETTER FOR CUSTOMERS
-  4 EVERY PRODUCT, EVERY DAY
-  5 A WINNING TEAM

MATERIAL ISSUE

EXECUTION OF STRATEGY AND LONG-TERM SUSTAINABLE EARNINGS GROWTH

THE GROUP IMPLEMENTED ITS STRATEGIC LONG-TERM RECOVERY PLAN IN 2014, TO RETURN THE BUSINESS TO LONG-TERM PROFIT GROWTH, WITH A STRONGER AND SUSTAINABLE PROFIT MARGINS.


MATERIAL RISKS

- Poor or non-execution of strategy by the Group Executive and leadership team that impacts sales growth, operating margins or long-term earnings performance

OPPORTUNITIES AND RISK MANAGEMENT

- The strategy has been in place for over three years, has been clearly communicated and is well understood
- The strategic business acceleration pillars place executive focus on the Group's material growth opportunities, while considering material risks
- Dedicated teams are accountable for delivering the key elements of each strategic pillar and are measured against key performance indicators








CAPITALS

-  HUMAN CAPITAL
-  FINANCIAL CAPITAL
-  MANUFACTURED CAPITAL
-  INTELLECTUAL CAPITAL

STAKEHOLDERS

-  EMPLOYEES
-  SHAREHOLDERS
-  FRANCHISEES
-  COMMUNITY

STRATEGIC BUSINESS ACCELERATION PILLARS

-  1 BETTER FOR CUSTOMERS
-  2 A FLEXIBLE AND WINNING ESTATE
-  3 EFFICIENT AND EFFECTIVE OPERATIONS
-  4 EVERY PRODUCT, EVERY DAY
-  5 A WINNING TEAM
-  6 BOXER – A NATIONAL BRAND
-  7 REST OF AFRICA – SECOND ENGINE OF GROWTH

MATERIAL ISSUES, RISKS AND OPPORTUNITIES continued

MATERIAL ISSUE

EFFECTIVENESS OF INFORMATION SYSTEMS AND TECHNOLOGY

THE GROUP IS RELIANT ON ENTERPRISE-WIDE INFORMATION TECHNOLOGY WHICH SUPPORTS AND FACILITATES CRITICAL FUNCTIONS ACROSS ITS OPERATIONS, INCLUDING POINT-OF-SALE TRANSACTIONS, PRODUCT FORECAST AND REPLENISHMENT, LABOUR SCHEDULING, SMART SHOPPER AND BRAND MATCH SYSTEMS AND REAL-TIME FINANCIAL REPORTING.





MATERIAL RISKS

- Any system disruption which could impact our ability to serve our customers and run our business efficiently and effectively
- The ability of IT systems to support growth and innovation
- Cyber-attacks and the impact on the security of confidential information of the Group and/or our customers
- The accuracy and timeliness of information for decision-making purpose

OPPORTUNITIES AND RISK MANAGEMENT

- The Group has a specialist team that is dedicated to building, maintaining and protecting its IT infrastructure, which follows best practice in development, maintenance, cyber security and recovery
- Ongoing innovation has:
 - driven growth of value-added services at point of sale
 - facilitated Brand Match price checks
 - created an engaged and personalised Smart Shopper loyalty programme
- The team is focused on customer-centric, forward thinking, mobile technology, to drive convenience and customer service

CAPITALS

-  FINANCIAL CAPITAL
-  MANUFACTURED CAPITAL
-  INTELLECTUAL CAPITAL
-  HUMAN CAPITAL

STAKEHOLDERS

-  CUSTOMERS
-  EMPLOYEES
-  SHAREHOLDERS

STRATEGIC BUSINESS ACCELERATION PILLARS

-  1 BETTER FOR CUSTOMERS
-  3 EFFICIENT AND EFFECTIVE OPERATIONS

MATERIAL ISSUE

BUILDING AND RETAINING A TALENTED AND DIVERSE RETAIL TEAM

ONE OF THE KEY DRIVERS BEHIND THE GROUP'S LONG-TERM STRATEGIC TURNAROUND PLAN WILL BE THE AMBITION AND PERFORMANCE OF ITS TEAM. THE SUCCESS OF PICK N PAY IS ALSO PREDICATED ON THE GROWTH OF SOUTH AFRICA AND ITS ABILITY TO PROVIDE JOB CREATION FOR ALL. PICK N PAY IS DETERMINED THAT ITS TEAM WILL REFLECT THE DIVERSE COMMUNITIES THAT WE SERVE, AND WE WILL PROVIDE OPPORTUNITY FOR ALL THAT SEEK A CAREER IN RETAIL.

MATERIAL RISKS

- Inability to attract or retain talent and ensure succession
- Lack of skills development and training
- Lack of diversity or opportunity for all
- Increasing cost of labour without a commensurate increase in return
- Labour strikes/stoppages that affect the operation of our business

OPPORTUNITIES AND RISK MANAGEMENT

- Remuneration philosophy and principles provide strong commitment to career advancement, training and incentivisation
- Business-wide performance management system to drive a high performance culture and to recognise and reward performance
- Remuneration bench-marked across the industry
- Recognition in 2016, by South Africa's Department of Labour, as the overall winner in the private sector for transformation in the workplace – an ongoing strategic imperative for the Group
- Open and constructive relationships with labour unions and formal processes to proactively manage critical issues

CAPITALS

-  FINANCIAL CAPITAL
-  HUMAN CAPITAL

STAKEHOLDERS

-  EMPLOYEES
-  SHAREHOLDERS
-  COMMUNITY

STRATEGIC BUSINESS ACCELERATION PILLAR

-  5 A WINNING TEAM

MATERIAL ISSUE

VOLATILITY OF GROUP'S REST OF AFRICA DIVISION

THE GROUP IS BUILDING ITS OPERATIONS OUTSIDE SOUTH AFRICA AND SEES THIS DIVERSIFICATION AS A SECOND ENGINE OF GROWTH. IT OPERATES IN SIX COUNTRIES OUTSIDE SOUTH AFRICA, AND HAS PLANS TO OPEN INTO TWO MORE.

MATERIAL RISKS

- The Group faces different political, economic, social, regulatory and other operational risks, in each country in which it operates – which has led to increased volatility in the result of the Rest of Africa division
- A lack of understanding of local markets can negatively impact on the sustainable returns from these countries

OPPORTUNITIES AND RISK MANAGEMENT

- Growth outside South Africa is managed in a planned and deliberate manner – without placing the core South African business at any undue risk
- The ownership or investment model is tailored to best suit the operating environment and wherever possible, includes collaboration with experienced, local partners, who share our values and our commitment to strong corporate governance
- We look for growing markets that provide opportunity for real scale, in a business environment that is well regulated, without too much complexity, and that is welcoming to foreign investment
- We have a dedicated “Rest of Africa” team

CAPITALS

-  FINANCIAL CAPITAL
-  MANUFACTURED CAPITAL
-  SOCIAL AND RELATIONSHIP CAPITAL
-  HUMAN CAPITAL

STAKEHOLDERS

-  EMPLOYEES
-  SHAREHOLDERS
-  COMMUNITY

STRATEGIC BUSINESS ACCELERATION PILLARS

-  5 A WINNING TEAM
-  7 REST OF AFRICA – SECOND ENGINE OF GROWTH



A MESSAGE FROM OUR CHAIRMAN

During my seven-year tenure as chairman, I have had the pleasure of watching our company set itself on a course of rejuvenation, bedding down the foundation and firmly moving on a growth trajectory.

Gareth Ackerman
Chairman



This year is an important one for Pick n Pay as we celebrate our 50th anniversary. 1967 was not a propitious year in which to start a retail business in South Africa, and building a business in this environment took enormous guts and determination.

Raymond and Wendy Ackerman's 50-year partnership with South African customers and their commitment to South African society has enabled Pick n Pay to become South Africa's best-loved food retailer.

Half a century ago, we could never have imagined the supermarket of today, the sheer pace of change, the demands of today's consumers and the role of disruptive technology. Despite the massive evolution in world retail, one thing that has not and will not change is our commitment to the core values of consumer sovereignty, business efficiency, and doing good in our communities.

Our future, as with our past, lies largely in our own hands. Our commitment to our people and to South Africa means we will resist the temptation to be distracted by political upheaval or short-term economic challenges. We have always and will continue to take the longer term view: on our country, our economy and our business.

This is why we have invested R6 billion in new and refurbished stores over the past four years. It's why we've created over 10 000 new jobs, bringing our staff complement to over 80 000 and making us one of the largest employers in South Africa.

It's also why we're celebrating the increasing number of women into decision-making roles, from the Board to store management. It's why we are working to transfer skills to spaza shop owners, by building their businesses alongside them and making their enterprises more profitable and sustainable. It's why we keep growing the number of smaller, ambitious and innovative suppliers into our supply chain. And it's why we keep investing in South African communities.

In short, we're getting on with the job of bringing quality and value to our customers, and employment and prosperity to our communities.

But for us and others to grow, we need certainty. We need genuine, open engagement. And we need a joint and honest commitment to making South Africa the economic success her people deserve to have.

That certainty lies in policy-making. For those of us trading beyond South Africa's borders, we need policy certainty and co-operation on cross-border trade. For companies relying on the road network to get their goods to market, we need certainty and proper debate about a draft Transport Bill that's been in process for over two years now. We need transparency on policy which directly affects manufacturers, retailers and consumers, such as the sugar tax, which allowed for virtually no consultation prior to implementation.

And we need government departments to talk to each other to avoid the negative ripple effect of legislation with unintended consequences we can ill afford.

As I write, public representations are being made in respect of the Competition Commission's enquiry into the retail sector, focusing particularly on the impact of formal retail on townships and the informal economy. The conventional wisdom has it that as competition intensifies, informal traders find it harder to compete.

The first and most important point to make, one that those of us on the ground know well, is that it is possible for large and small retailers to co-exist. We offer different things to consumers. The Pick n Pay franchise model has long been a very effective route for emerging entrepreneurs to create and build their own businesses, leveraging the buying, supply chain, systems and other benefits of a partnership with Pick n Pay. We have now converted six spaza shops to franchise stores, working with the Gauteng government. Based on the successes already achieved, we believe this could be another promising route through which small and in some cases marginal traders can retain ownership of their stores but become fully-fledged sustainable entrepreneurs, trading alongside bigger retail stores.

Secondly, we must avoid the temptation to be myopic, and thus we must also focus on the interests of families as well as traders. If a new supermarket opens in an area which previously lacked formal retail, the result is that families in these communities can now buy safe and affordable food at lower prices without incurring high transport costs to get to their store of choice. Jobs are created in stores, and our investment encourages others to invest therefore creating more local jobs. This is a win, not a loss, for the communities concerned.

More broadly, our growing business encourages and enables new suppliers to emerge and grow with us. A new location presents opportunities to supply goods not usually found in other stores, and which are particular to the geography in which they are located. Through our supplier development programmes, we set out to find new products and new ideas. We nurture them through our commercial teams. When they are big enough, our national supply chain gives them a route to market which would not be available without us.

South Africa has never been an easy place to do business. In looking to our future, we need to work hard, together, to transform our economy. We need to remove obstacles to trade. We need to avoid legislation which while well-intentioned, effectively blocks progress and disadvantages our citizens. We need to make every effort to unlock the potential of our people. And we need to grasp the future, mindful of the challenges created by our past. Business must redouble its work in partnership with stakeholders – including government – to achieve the societal goals we are seeking.

During my seven-year tenure as chairman, I have had the pleasure of watching our Group set itself on a course of rejuvenation, bedding down the foundation and firmly moving on a growth trajectory. The path has not always been easy but our direction has been clear. We are now a more centralised business, a more efficient business, with a better customer offer and more innovation. We have improved our offer, modernised our stores, centralised our supply chain, and controlled our costs, delivering consistently better returns for shareholders as well as a better shopping trip for customers. The journey is not complete, but an enormous amount has been achieved under the leadership of Richard Brasher and the executive team. They have my sincere thanks and appreciation.

The Group took a significant step forward in its modernisation this year, with the elimination of its pyramid control structure and the unbundling of Pick n Pay Holdings Limited RF Group. The simplified Group structure is more cost effective to administer and has substantially increased our free float of shares. The Group thanks its shareholders for their valued engagement over the course of the unbundling process and their overwhelming support of the transaction.

In difficult times, Pick n Pay can do no better than draw on the strong roots which my father laid down for our company half a century ago. Consumer sovereignty demands that we help customers more in tough times and we have accelerated our plan to do so. Improving efficiency in our business means we create the space to lower prices and deliver better value. Doing good is good business is a maxim that has never been more important than now.

I am excited by the progress we are making and by our determination to do more for our future.

Gareth Ackerman

Chairman

23 June 2017



Our strategy



STRATEGIC FOCUS

Pick n Pay's strategic plan

The Pick n Pay Group developed its strategic turnaround plan in 2014. Its objective is to restore the business to a position of long-term sustainable growth. In promulgating the plan, the Group explained that a sustainable recovery would need to be achieved in a planned, considered and balanced way over a number of years, avoiding short-term actions which might weaken the business in the longer term.

The strategic focus of the business is to:

GROW SALES IN LINE WITH, OR AHEAD OF THE MARKET, BY PROVIDING GREAT VALUE, SERVICE AND INNOVATION FOR CUSTOMERS:

Focus here is on delivering a first-class fresh, convenience and grocery offer, which gives customers unbeatable prices, value and service. The business is also developing a strong multi-platform and multi-channel retail offer, including standalone clothing and liquor stores and a burgeoning online business. In addition, the Group aims to continue to build its Boxer business into a thriving national limited-range discount format, and to continue to grow sales outside South Africa in a planned and prudent way.

ACHIEVE HIGH LEVELS OF OPERATING EFFICIENCY AND LOWER COSTS TO ENABLE MAXIMUM REINVESTMENT IN THE CUSTOMER OFFER:

Focus here is on completing the centralisation of the Group's supply chain and other services, reducing the cost and improving the accuracy and responsiveness of distribution. The Group also aims to improve the efficiency and cost-effectiveness of its employee costs, both in stores and in its head office structures, while minimising increases in rentals, rates, electricity, water and other charges.

RESTORE THE UNDERLYING PROFIT MARGIN TO A HISTORICALLY SUSTAINABLE LEVEL:

The Group regards a sustained improvement in its underlying profit margin as a lead indicator of progress in achieving a balanced turnaround, characterised both by sustained sales growth and greater operating efficiency.



STAGE 1 STABILISE THE BUSINESS

The first stage of the plan saw the Group focused on stabilising its operations. The objective was to provide the Group with a stronger and more secure foundation from which to launch an accelerated recovery. By the end of 2015 the Group had achieved the following:

a strengthened management team	strict control over capital and operating spend	tighter working capital management
a clear plan on centralisation	new customer innovation, including the introduction of the Brand Match programme	
the closure of unprofitable stores	the development of a leaner and more efficient operating model	

The successful execution of Stage 1, with improvements in operating efficiency and financial discipline to continue, provided the Group with a solid foundation from which to grow. By 2016, the Group was well positioned for the second stage of its plan – changing the growth trajectory of Pick n Pay.

STAGE 2 CHANGE THE TRAJECTORY

Stage 2 is organised around seven business acceleration pillars. These pillars represent the seven material growth opportunities for the Group to create value over the short, medium and long term. The pillars consider the material needs and concerns of our stakeholders, as well as the risks facing the business, and are underpinned by our commitment to always do good in the communities we serve.

The pillars provide the senior management team with clear priorities, objectives and lines of accountability. Since 2015, the Group has consistently communicated its financial and operational performance against these pillars, providing stakeholders with a consistent and transparent score-card of progress.

BUSINESS ACCELERATION PILLARS

THE OPPORTUNITY TO CREATE VALUE

 <p>1 BETTER FOR CUSTOMERS</p>	<p>LOW PRICES AND EFFECTIVE PROMOTIONS, QUALITY FRESH PRODUCE AND MEAT, COMPELLING RANGES, CONSISTENT AVAILABILITY, GREAT CUSTOMER SERVICE AND INNOVATION THROUGHOUT THE OFFER</p>
 <p>2 A FLEXIBLE AND WINNING ESTATE</p>	<p>STRONG NEW SPACE AND REFURBISHMENT PROGRAMME, LEVERAGING AN IMPROVED OPERATING MODEL TO IMPROVE SPACE, RANGE AND AVAILABILITY AT LOWER COST. GREATER FLEXIBILITY IN THE SIZE, FORMAT AND LOCATION OF STORES TO TAKE ADVANTAGE OF CUSTOMER CHANGES, INCLUDING THE GROWING DEMAND FOR CONVENIENCE</p>
 <p>3 EFFICIENT AND EFFECTIVE OPERATIONS</p>	<p>UNLOCK SAVINGS IN OPERATING COSTS AND EFFICIENCIES IN STORES AND HEAD OFFICE FUNCTIONS, ENSURING THAT ALL COSTS ARE DEVOTED TO IMPROVING VALUE AND SERVICE FOR CUSTOMERS</p>
 <p>4 EVERY PRODUCT, EVERY DAY</p>	<p>EFFICIENT, COST-EFFECTIVE AND RELIABLE SUPPLY CHAIN – WITH A GOAL THAT EVERY PRODUCT SHOULD BE DELIVERED EVERY DAY TO STORES</p>
 <p>5 A WINNING TEAM</p>	<p>THE RIGHT SKILLS AND THE RIGHT PEOPLE THROUGHOUT THE ORGANISATION</p>
 <p>6 BOXER – A NATIONAL BRAND</p>	<p>A NATIONAL BRAND SECURING VALUE LEADERSHIP AS SOUTH AFRICA'S BEST LIMITED RANGE DISCOUNTER</p>
 <p>7 REST OF AFRICA – SECOND ENGINE OF GROWTH</p>	<p>EXTENDING OUR CUSTOMER OFFER TO MARKETS OUTSIDE SOUTH AFRICA</p>

STRATEGIC FOCUS continued

Business acceleration pillar: 1 Better for customers

The Group recognises that its long-term success depends on the loyalty and support of its customers. It is therefore committed to delivering a strong and consistent customer offer which earns the lifetime loyalty of customers across South Africa and beyond. Unbeatable prices and promotions are key to this objective. Better business efficiency and financial discipline has enabled the Group to provide meaningful price support for customers through difficult economic times, while strengthening the quality of its range and its service.

2017 WHAT WE SAID WE WOULD DO	2017 WHAT WE ACCOMPLISHED	2018 STRATEGIC PRIORITIES FOR NEXT YEAR
BETTER PRICES AND PROMOTIONS	<ul style="list-style-type: none"> Food selling price inflation kept to 6.1% against CPI food inflation of 11.0% Stronger promotions, including through bulk buys and combination offers Everyday low prices on staple commodities, particularly in our Boxer business 	<p>LOWER EVERYDAY PRICES</p> <ul style="list-style-type: none"> focused on what our customers need most, including meat and fresh produce <p>EXPANDED PRIVATE LABEL</p> <ul style="list-style-type: none"> providing exceptional value through a stronger 3-tiered 'good, better, best' offer <p>REFRESHED SMART SHOPPER</p> <ul style="list-style-type: none"> a modern and highly engaged loyalty programme providing weekly personal discounts and greater reward <p>IMPROVED FRESH PRODUCE OFFER</p> <ul style="list-style-type: none"> better freshness, stronger range, more innovation <p>IMPROVED CUSTOMER SERVICE</p> <ul style="list-style-type: none"> staff training focused on an efficient and courteous shopping experience for our customers
BETTER ON-SHELF AVAILABILITY	<ul style="list-style-type: none"> On-shelf availability consistently maintained at 96% over the year 	
STRONGER SMART SHOPPER LOYALTY PROGRAMME	<ul style="list-style-type: none"> More instant savings and an expanded partner programme Enhanced technology – Smart Shopper platform and app supports weekly personalised discounts Recognised as South Africa's favourite loyalty programme for the fifth year in a row 	
IMPROVED FRESH PRODUCE OFFER	<ul style="list-style-type: none"> Expanded fresh and convenience range More space dedicated to fresh produce in Next Generation stores Investment in cold chain delivering better freshness and longer shelf-life 	
EXPANDED PRIVATE LABEL	<ul style="list-style-type: none"> New and repackaged private label products reached 1 700 items – contributing to 18% of turnover Strong growth ahead of the market in a number of categories, including convenience Ongoing support and development of small suppliers and entrepreneurs 	
IMPROVED CUSTOMER SERVICE	<ul style="list-style-type: none"> 9 000 staff members received customer service specific training New tills rolled-out across all Next Generation stores to improve check-out experience 	

Business acceleration pillar: 2 A flexible and winning estate

The Group's growth plan is to open stores in locations which can provide sustainable long-term returns. Changing customer demographics and dynamics mean that there is good opportunity for Pick n Pay to extend its reach and grow its sales without impacting on existing stores. One opportunity is to grow the offer through smaller stores which focus on the growing customer demand for convenience. Online and the development of a multi-channel business is another growing opportunity. The Group is able to operate successfully in a broader range of locations due to the greater operating flexibility and efficiency delivered as part of its turnaround plan.

2017 WHAT WE SAID WE WOULD DO	2017 WHAT WE ACCOMPLISHED	2018 STRATEGIC PRIORITIES FOR NEXT YEAR
OPEN MORE PROFITABLE STORES	<ul style="list-style-type: none"> • 164 new stores • New stores contributed 3.6% to turnover growth • Estate has reached 1 560 stores across all formats, including 750 supermarkets 	SUSTAINABLE GROWTH <ul style="list-style-type: none"> • continue to bring Pick n Pay and Boxer stores to new communities, whether on a company-owned or franchise basis
INCREASE THE REACH OF OUR BRANDS	<ul style="list-style-type: none"> • The Group brought Pick n Pay and Boxer to 15 communities in South Africa for the first time • Partnered with five new informal Spaza shops in Soweto and Bophelong • Strong growth in smaller clothing and liquor formats 	MORE CONVENIENCE <ul style="list-style-type: none"> • meet our customers' growing need for convenience through the expansion of our Local and Express formats
GROW OUR CONVENIENCE OFFER	<ul style="list-style-type: none"> • 14 new Pick n Pay Local stores and 32 new Pick n Pay Express stores • Our convenience estate now numbers 168 neighbourhood supermarkets 	MORE NEXT GENERATION STORES <ul style="list-style-type: none"> • targeted refurbishments that add real value to customers and deliver stronger turnover growth and return on investment
OPEN MORE FRANCHISE STORES	<ul style="list-style-type: none"> • 70 new franchise stores added over the year • Consistent growth in issues to franchisees, driven by a stronger buying and distribution channel 	ENHANCED ONLINE OFFER <ul style="list-style-type: none"> • harness benefits of new dedicated online picking warehouse in Gauteng, to ensure customers benefit from a broader range, improved availability and lower prices
IMPROVE THE QUALITY OF OUR EXISTING ESTATE	<ul style="list-style-type: none"> • R1.9 billion invested in new stores and refurbishments • 62 refurbishments, including 28 Pick n Pay and 16 Boxer supermarkets • Closed 14 under-performing stores • Next Generation format now across 106 stores – almost 20% of our supermarket estate 	INVESTMENT IN OUR HYPERMARKET DIVISION <ul style="list-style-type: none"> • a comprehensive Next Generation refurbishment planned for our Durban North Hypermarket in KwaZulu-Natal
INCREASED INVESTMENT IN OUR ONLINE BUSINESS	<ul style="list-style-type: none"> • Opened second dedicated online warehouse in Gauteng • Online sales in the Western Cape up 30%, driven by a broader range, improved availability and lower prices 	
IMPROVE THE PROFITABILITY OF HYPERMARKETS	<ul style="list-style-type: none"> • Improved trade and profit performance from refurbished Hypermarkets – including Brackenfell and Boksburg 	

STRATEGIC FOCUS continued



Business acceleration pillar: Efficient and effective operations

Efficient, well-run and cost-effective store operations is key to delivering an excellent shopping trip for customers. Greater efficiency also unlocks value for further investment in the customer offer. The Group's specialist Retail Office is tasked with defining and implementing a more effective operating model across all store formats. The Group demonstrated strong cost control and improved operational efficiency in 2017, with like-for-like expense growth of only 3.0% in an inflationary environment. The Group's Next Generation stores, and specifically our smaller convenience formats, have demonstrated an ability to operate a more efficient store on a leaner cost base. The Group is also focused on providing more cost-effective and productive support offices, centralising support services to eliminate any inefficiencies and duplication of effort.

2017 WHAT WE SAID WE WOULD DO	2017 WHAT WE ACCOMPLISHED	2018 STRATEGIC PRIORITIES FOR NEXT YEAR
LESS COST, MORE EFFICIENCY	<ul style="list-style-type: none"> Like-for-like expense growth of 3.0%, contained below like-for-like turnover growth of 3.4% Growth in like-for-like employee costs restricted to 3.3% supported by more efficient store operating model and improved labour scheduling Energy-saving initiatives contributed to well managed electricity costs 	<p>LEANER OPERATING MODEL ACROSS STORES</p> <ul style="list-style-type: none"> minimum operating standards rolled out across all store formats <p>COST-EFFECTIVE SUPPORT OFFICES</p> <ul style="list-style-type: none"> more centralisation of administrative functions to improve efficiencies
IMPROVED BACK-DOOR PRODUCTIVITY	<ul style="list-style-type: none"> Next Generation stores have less back-up areas and more trading space Volumes distributed to stores out of Group distribution centres up 20% year-on-year Integrated warehouse management system improving service to stores and the administration of back-door receiving 	<p>MORE SYNERGIES WITH BOXER</p> <ul style="list-style-type: none"> unlock synergies with Boxer wherever appropriate to provide cost-effective support across the Group and reduce duplication of effort
IMPROVED STOCK REPLENISHMENT	<ul style="list-style-type: none"> Stronger forecast and replenishment systems, Wi-Fi in store and mobile stock management app all contributing to improved replenishment and on-shelf availability 	<p>STRONGER WORKING CAPITAL MANAGEMENT</p> <ul style="list-style-type: none"> with a specific focus on reducing inventory levels across the business
STRONGER WORKING CAPITAL MANAGEMENT	<ul style="list-style-type: none"> Franchise debtors book well managed Accounts payable well managed, with payment terms in line with last year Pick n Pay's "Fast Pay" supplier finance system implemented – allowing early settlement at competitive funding rates Inventory targets were not met – greater levels of centralisation, new stores and investment buys at year-end increased the number of days stock-on-hand 	<p>BETTER FRONT-LINE SERVICE</p> <ul style="list-style-type: none"> supported by improvements in in-store technology and the roll-out of modern tills

Business acceleration pillar: 4 Every product, every day

The Group has made substantive progress in developing an efficient and fully centralised procurement and distribution channel. The Group's centralisation strategy has significantly improved on-shelf availability, and is driving cost savings and efficiency across the business. The volume of centralised supply in the business now stands at 60%, with our distribution centres across the country delivering every product, every day to stores across the country, on a short order lead time.

2017 WHAT WE SAID WE WOULD DO	2017 WHAT WE ACCOMPLISHED	2018 STRATEGIC PRIORITIES FOR NEXT YEAR
MORE SUPPLIERS CENTRALISED	<ul style="list-style-type: none"> • 140 new suppliers, including eight suppliers from our supplier development and business incubator initiatives • Central supply increased to 60% from 56% last year • Grocery centralisation reached 87% and 68% in the Western Cape and Inland regions respectively 	<p>MORE SUPPLIERS CENTRALISED</p> <ul style="list-style-type: none"> • wherever it is more cost effective and efficient than direct to store deliveries from suppliers
INCREASED PRODUCTIVITY	<ul style="list-style-type: none"> • Single warehouse management system rolled out across all distribution centres (SAP EWM), improving efficiencies across channel • Volumes distributed to stores out of Pick n Pay distribution centres up 20% year-on-year • Ongoing reduction in cost per case delivered, contributing to improved gross margin 	<p>LOWER COST</p> <ul style="list-style-type: none"> • we will continue to lower the cost of our distribution channel through improved operating efficiencies in order to enable investment in the customer offer
FOCUS ON FRESH SUPPLY CHAIN	<ul style="list-style-type: none"> • Opened our new fresh distribution centre at our Philippi facility in the Western Cape • Completed the centralisation of the main dairy suppliers in KwaZulu-Natal • The Philippi and Longmeadow distribution centres delivered a reduction in waste across all fresh categories, alongside ongoing improvements at store level 	<p>BETTER AVAILABILITY IN STORES</p> <ul style="list-style-type: none"> • remains a strategic imperative to ensure our customers will always find what they need on our shelves
FEWER DELIVERIES, LESS KILOMETRES TRAVELLED	<ul style="list-style-type: none"> • Fewer direct to store deliveries • Ongoing optimisation of distribution logistics, including route efficiency 	<p>NEW DISTRIBUTION CENTRE CAPABILITY</p> <ul style="list-style-type: none"> • we are exploring opportunities to build our grocery and fresh distribution capability in the Inland and Eastern Cape regions, including through a new Boxer distribution centre outside East London
NEW DISTRIBUTION CENTRE CAPABILITY	<ul style="list-style-type: none"> • Secured additional Pick n Pay distribution capacity in KwaZulu-Natal, with the site planned to open during the 2018 financial period 	

STRATEGIC FOCUS continued

Business acceleration pillar: 5 A winning team

The Group has an ambition to build the most skilled and talented retail business in South Africa, and in all the African countries in which it operates. In order to do so, we need to be the employer of choice for anyone looking to build a career in the retail industry. We attract staff by providing competitive pay and benefits, access to skills training and development, career advancement and recognition for a job well done.

2017 WHAT WE SAID WE WOULD DO	2017 WHAT WE ACCOMPLISHED	2018 STRATEGIC PRIORITIES FOR NEXT YEAR
MORE JOBS	<ul style="list-style-type: none"> • We created 4 500 new jobs this year through our store opening programme • We secured a three-year wage agreement with labour partners, providing job certainty and a guarantee of 85 working hours per month for employees 	<p>LEANER AND FITTER HEAD OFFICE</p> <ul style="list-style-type: none"> • reduce the cost and improve the productivity and efficiency of all support services; providing a stronger support base for our stores and our customers
MORE TRAINING	<ul style="list-style-type: none"> • Over 800 training courses reached more than 50% of our staff • 66 new graduates on our graduate training programme • Enhanced performance management programme to identify training needs and monitor performance • CA(SA) training programme now has five articulated clerks 	<p>FOCUS TRAINING ON CUSTOMER SERVICE</p> <ul style="list-style-type: none"> • to ensure that we give our customers consistently good service in our stores and keep the customer at the very centre of all that we do
FOCUS ON CUSTOMER SERVICE	<ul style="list-style-type: none"> • Over 9 000 staff members received training aimed specifically at improved customer service • Standard store operating procedures includes management and staff structures that are focused on customer service, particularly at the front line 	<p>DRIVE AND REWARD EXCEPTIONAL PERFORMANCE</p> <ul style="list-style-type: none"> • developing performance management and reward programmes aimed at building a strong, tenacious and ambitious team that is recognised for delivery of strategy
DIVERSE WORKFORCE	<ul style="list-style-type: none"> • Ongoing progress in achieving broad-based diversity across the organisation – with skills training, appointments and promotions focused on achieving diversity targets 	



Business acceleration pillar: Boxer – a national brand

The Group's ambition is to continue to build the Boxer business to become the leading limited-range discounter in southern Africa. Boxer delivered good growth over the past year, notwithstanding the difficult economic conditions facing the middle and lower income markets across communities in South Africa and Swaziland. Boxer celebrates its 40th birthday this year, and we are confident of the strong growth opportunities open to this valued brand.

2017 WHAT WE SAID WE WOULD DO	2017 WHAT WE ACCOMPLISHED	2018 STRATEGIC PRIORITIES FOR NEXT YEAR
SHARPER PRICES AND PROMOTIONS	<ul style="list-style-type: none"> Unbeatable value on basic commodities, including through bulk and combination offers 	<p>FOCUS ON PROVIDING BEST VALUE IN THE MARKET</p> <ul style="list-style-type: none"> low prices are critical for our Boxer customers and we will do everything possible to bring value and support to the communities we serve <p>MORE STORES SERVING MORE COMMUNITIES</p> <ul style="list-style-type: none"> we will open more stores this year, including building on our presence in the Western Cape <p>CONTINUED REFURBISHMENT OF EXISTING ESTATE</p> <ul style="list-style-type: none"> we will continue with a strong refurbishment programme to enhance the quality of the Boxer estate <p>MORE SYNERGIES WITH PICK N PAY</p> <ul style="list-style-type: none"> continued realisation of administration synergies across the Group
ACCELERATED SPACE GROWTH	<ul style="list-style-type: none"> 25 new Boxer stores this year across all formats, including 11 supermarkets 	
ACCELERATED REFURBISHMENT PROGRAMME	<ul style="list-style-type: none"> 16 refurbishments Successful Next Generation store model rolled out across new and refurbished stores 	
IMPROVED DISTRIBUTION CENTRE CAPABILITY	<ul style="list-style-type: none"> Greater centralised supply through Cato Ridge distribution centre in KwaZulu-Natal Plans in place for additional distribution capacity in the Eastern Cape 	
STRONG ON FRESH	<ul style="list-style-type: none"> Stronger meat, produce, deli and bakery offer, driving turnover growth and a stronger gross margin contribution 	
BUILD ON SYNERGIES WITH PICK N PAY	<ul style="list-style-type: none"> SAP Finance implementation driving more synergies with Pick n Pay, with improved administrative and reporting capability Pick n Pay's distribution centre in Philippi serving Boxer's Khayelitsha store in the Western Cape 	

STRATEGIC FOCUS continued

Business acceleration pillar: 7 Rest of Africa – a second engine of growth

The Group has an established presence in Botswana, Lesotho, Namibia, Swaziland and Zambia and has a 49% investment in our associate, TM Supermarkets, in Zimbabwe. Our foreign operations contributed R4.3 billion of segmental revenue this year, notwithstanding difficult trading conditions, heightened competition and political uncertainty in some of the regions in which we trade. We will continue to look for profitable opportunities to grow our footprint outside South Africa in countries which offer political stability, economic growth, ease of business and the prospect of strategic scale. The Group has plans to open stores in Ghana and Nigeria over the next few years.

2017 WHAT WE SAID WE WOULD DO	2017 WHAT WE ACCOMPLISHED	2018 STRATEGIC PRIORITIES FOR NEXT YEAR
IMPROVE FRESH OFFER IN ALL MARKETS	<ul style="list-style-type: none"> The Group continued to strengthen the quality and breadth of its fresh offer in its operations outside South Africa, with a focus on local produce and closer engagement with local suppliers 	<p>MAINTAIN PROGRESS IN ZIMBABWE</p> <ul style="list-style-type: none"> the Group will continue to invest in improving the quality of its stores and its customer offer, in order to maintain the momentum achieved over the past two years <p>IMPROVE IN ZAMBIA</p> <ul style="list-style-type: none"> the Group remains confident of the growth opportunity in Zambia, notwithstanding the current tough economic and political conditions, and will continue to open stores and drive growth through a competitive customer offer <p>DEVELOPING OUR BUSINESSES IN GHANA AND NIGERIA</p> <ul style="list-style-type: none"> our Rest of Africa division will continue with its plans to open stores in these countries over the next few years
MORE EFFICIENT OPERATIONS	<ul style="list-style-type: none"> Stronger operational efficiency and sound cost control in our Zambian operation tempered the impact of the tough trading environment on sales growth Ongoing collaboration with Pick n Pay has improved the operational efficiency and cost effectiveness of the TM business in Zimbabwe, which delivered strong profit growth over the year of 75% Two under-performing stores closed in Zimbabwe 	
MORE STORES IN THE REST OF AFRICA	<ul style="list-style-type: none"> 12 new stores outside South Africa – two in Botswana, three in Namibia, six in Zambia and one in Zimbabwe 	
FIRST STORES IN GHANA AND NIGERIA	<ul style="list-style-type: none"> Our operations in Ghana and Nigeria are in an early start-up phase. There has been no capital expenditure to date, and administrative costs related to the development of local infrastructure and support systems have been well managed Depressed economic conditions in both countries have delayed the acquisition and development of sites, with the first store in Ghana likely to open in the 2018 calendar year, with Nigeria to follow thereafter 	

Looking ahead

STAGE 3 SUSTAINABLE LONG-TERM GROWTH

The Group's turnaround plan has essentially been about returning the Group to its roots as a discounter and consumer champion. Over the past four years, the Group has improved its customer offer, modernised its stores, centralised its supply chain, and firmly controlled its costs. The result has been strong profit growth, and an improvement in underlying profit margins. The Group is well advanced on Stage 2 of its plan, with a cost-effective and efficient engine and effective platforms for long-term growth.

Conditions for consumers have become progressively more challenging over the past few years and customers at all levels are demanding consistently lower prices and better value. The Group is determined to succeed in this environment by accelerating the pace of its plan, in particular by reducing its costs further in order to create additional headroom to deliver lower prices and better value for customers.

The Group has not communicated a time-line for the completion of Stage 2. However, the key indicators of completion, and a positioning of the business for Stage 3 – sustainable long-term growth are the following:

A track record of consistent sales and profit growth over a number of years

Continued innovation in-store and in our customer offer

An employer of choice that delivers opportunity for all

An operating model that benchmarks internationally

A continuing growth strategy

Strong customer loyalty and advocacy

Collaborative and enduring relations with a strong and diverse supplier base

A resource efficient business which is a positive force for good in the countries in which it trades

The progress the Group has delivered over the past four years has put the business in a stronger position to reach Stage 3 of its plan, and it is starting to reflect a number of the attributes detailed above associated with a long-term sustainable business. These include good momentum in centralising its supply chain, improvement in the efficiency and cost-effectiveness of its stores, a clear blueprint for growth through Next Generation stores and a stronger fresh, convenience and private label offer.

The Group has begun to explore and develop additional engines for growth for the final stage of its turnaround plan, which includes expansion plans in Ghana and Nigeria, a strong national Boxer brand, and ongoing investments into the Group's online and value-added services offer.

A strong and growing Pick n Pay is important for South Africa and the communities we serve across our borders. Our capital investment programme has injected over R6 billion into our local economies over the last four years, and we have created over 10 000 jobs over the same period through our store opening programme. We remain committed to enterprise development and in giving many more small and medium-sized businesses access to a national retail platform through our stores – including through the growth of our private label range.

We opened stores in 15 new communities for Pick n Pay and Boxer this year, bringing access to safe, reliable and affordable food in previously under-served communities, while providing new employees with reliable income, healthcare and other benefits.

Our values of consumer sovereignty, business efficiency and doing good is good business have endured and continue to guide our progress, and as we grow, so will our contribution to society.



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A woman wearing a dark purple hijab and a white shirt with a dark vest is looking at a product on a shelf in a grocery store. The background shows shelves stocked with various items, including green bottles and orange bottles. The text "Our performance" is overlaid in white on the right side of the image.

Our performance

REFLECTING ON THE HIGHLIGHTS OF 2017

HEPS ↑ 18%

with compound annual growth in earnings of 24% over the past four years

Total dividend of 176.30 cents per share, ↑ 18%

with compound annual growth in dividends of 20% over the past four years

Trading profit margin improved from 2.1% to 2.3%



More than 50 new convenience stores

bringing Pick n Pay closer to the communities we serve



164 new stores

Our estate now totals 1 560 stores across all formats of Pick n Pay, Boxer and TM Supermarkets

62 refurbishments

with more than 100 supermarkets now reflecting our Next Generation format

Private label products contributed 18% of turnover

with more than 1 700 new and redesigned private label products in-store



Selling price inflation kept to 6.1% for the year, against published CPI food inflation of 11.0%

New Fresh Distribution Centre opened in the Western Cape

delivering 350 000 cases of fresh produce every week, and serving over 120 stores

A growing Pick n Pay online business, with turnover up 30% in the Western Cape

The Group added a new dedicated online distribution centre in Johannesburg following the success of its Western Cape facility



REFLECTING ON THE HIGHLIGHTS OF 2017

continued

Smart Shopper recognised as South Africa's favourite loyalty programme for the 5th year in a row



Our Founder and Consumer Champion Raymond Ackerman recognised as a Global Leader and awarded with an Honorary Doctorate from Rutgers University – Camden



R1.3 million raised for breast cancer awareness and testing

through our women's walks in aid of PinkDrive



Pick n Pay School Club supported over 3 000 schools, and more than 5 million learners, educators and parents with valuable curriculum-aligned educational material

Modernised and simplified our Group structure

with the unbundling of Pick n Pay Holdings Limited RF Group

Pick n Pay recognised as a World leading retailer in the Carbon Disclosure Project achieving an A rating



5 new Spaza-to-Store conversions in Soweto and Bophelong, outside Johannesburg

with Pick n Pay playing a positive role in growing the informal retail market in South Africa



Pick n Pay's Kids in Parks took more than 5 000 children into National Parks to teach them about our environment

5.8 million meals donated to people in need

through Pick n Pay's donations to FoodForward SA (Food Bank)

48% of Pick n Pay's waste diverted from landfill

with 19 200 tonnes of waste recycled



A MESSAGE FROM OUR CEO

Customers have been at the core of our business since its establishment by Raymond Ackerman in 1967. I have made it clear from the outset of my tenure as CEO that our recovery can only be successful and sustainable if it is customer-led as well as cost-driven.

Richard Brasher
Chief Executive Officer



We have made good progress over the past year, despite a challenging environment for consumers and for business. We have recorded eight consecutive reporting periods of turnover and profit growth. Our business is stronger and more resilient than it was four years ago, and we are on track with our long-term plan.

We have stated clearly and consistently that our plan is in three stages. Having achieved stage one, stabilising the Group, we are well embarked on the second stage, which is to change the trajectory of the business. Our strategic objectives in this second stage are organised around seven business acceleration pillars, and I wish briefly to report on our progress in these key areas.

Customers have been at the core of our business since its establishment by Raymond Ackerman in 1967. I have made it clear from the outset of my tenure as CEO that our recovery can only be successful and sustainable if it is customer-led as well as cost-driven. Over the past year, sales grew at 7.0%. This reflected a very tough trading environment in which consumers were buffeted as real incomes lagged the steep rise in food inflation and other costs. It also reflected the disruptive impact of store refurbishments as we improve and modernise our estate.

Despite these impacts, our business is getting better for customers. By running a better business, we were able to restrict selling price inflation within our business to 6.1%, compared with food CPI at 11.0%. We have also improved the range, quality and value of our fresh offer. Our private label products are a growing part of our offer and we have launched over 1 700 new and repackaged products over the past two years. In this time, private label participation

has increased from 15% to 18% of turnover. Our focus on growing private label will pay even greater dividends as customers seek ever-greater value and convenience.

We have continued to improve the quality of our stores, with 62 refurbishments and 150 net new stores over the past year. Our Next Generation store format is proving very popular with customers, and now accounts for almost one-fifth of our South African supermarket estate. Our new space development is also focused on the future, and in particular on growing our convenience formats outside traditional shopping malls. We have quadrupled our number of convenience stores over the past four years, both through our PnP Express collaboration with BP and our Local convenience format.

We have made notable progress over the past four years in developing and implementing a lower-cost operating model. This was exemplified by our ability to restrict the like-for-like increase in our trading expenses to 3% in 2017. Employee costs remains our biggest single operating cost, and we have made substantial progress in improving the productivity, increasing the flexibility and reducing the cost of our store labour.

We concluded a three-year labour agreement which delivers fair wage rates and benefits for our employees while lowering our costs and increasing the competitiveness of our business.

We have made notable progress on centralising our supply chain over the past four years, with the total volume of goods centralised now at 60%. In our key regions of the Western Cape and Inland, grocery centralisation is at 87%

and 68% respectively. A more centralised supply chain delivers numerous benefits including lower costs, more efficient receiving in stores, and better availability for customers. It also complements our work in stores to improve forecasting and replenishment, and on-shelf availability has over the past year been maintained consistently at or above 96%.

In its 40th year, our Boxer business has gone from strength to strength. By offering unbeatable prices, it has grown and served customers exceptionally well in a very tough market. It has developed its own next generation format, with a very strong meat, produce and deli offer. The Boxer offer was extended to more customers with 25 new stores opened through the year, and more planned for this year.

We remain committed to developing our business in the rest of Africa as an engine for future growth. We opened 12 stores outside South Africa in the past year, and now operate 140 stores in six countries outside our home market. Our Zambia business was resilient in the face of tough economic conditions, responding with strong financial discipline and cost control. TM Supermarkets in Zimbabwe, in which we hold a 49% stake, performed very well despite a tough market, and is benefiting from the refurbishment and rebranding of more stores under the Pick n Pay brand. We remain on course to open stores in Ghana and Nigeria over the next two years.

The progress we've made in all of the above areas depends upon the hard-work and dedication of colleagues across the business, as well as our valued franchisees, suppliers and other partners. I want to thank each and every one of them for their continuing contribution to our business, and for helping to serve our customers.

The grocery retail industry is again under the spotlight through a market inquiry led by the Competition Commission. We are playing our part in that inquiry. I am determined that the considerable benefits which retail brings to individuals, communities and the economy are fully reflected in the inquiry process. At a time when many sectors are contracting, formal retail continues to grow new jobs. It provides reliable jobs with good prospects for advancement for those prepared to work hard and serve customers well. It is therefore a strong vehicle for social advancement, regardless of background, education, creed or ethnicity. Investment in new stores provides employment and confidence for others to invest and grow or regenerate local economies. Small entrepreneurs find in retailers like Pick n Pay, not only sympathetic partners in growth, but access to regional and national markets through our store network and centralised supply chain.

Modern grocery retail can be a major partner in delivering many of the government's policy objectives and we stand ready to work with all stakeholders in the difficult but essential task of strengthening our society and our economy.

We face a challenging outlook for the economy and the retail sector over the coming year. Economic growth is likely to remain low. Business and consumer confidence is muted. Unemployment remains high. Food price inflation is easing, although the rand remains volatile. An already highly cost-conscious South African consumer is looking for even better prices and value, and is prepared to shop around for them. An operating environment characterised by competition on price and value is the "new normal" in the South African market and is likely to remain so for the foreseeable future.

I am determined that Pick n Pay should be a proactive and successful player in this new normal. As one financial year has drawn to a close, and another has begun, we have taken a number of decisive steps to strengthen our competitiveness:

- We invested R500 million in lowering the prices of 1 300 everyday grocery products in March 2017, with a focus on fresh fruit, vegetables and meat.
- We modernised our Smart Shopper loyalty scheme for customers, introducing instant weekly personalised discounts available either in-store or via our smartphone app. Feedback from customers is positive at a time when shoppers are seeking more immediate help to balance their household budgets.
- We completed Pick n Pay's first business-wide voluntary severance programme in May 2017, reducing the number of roles in various areas of the business where better processes, newer technology and improved organisation mean we can operate more efficiently and more cheaply. Our aim is that the resulting savings in employment costs are reinvested in even better prices and even better value for customers.

I am determined that Pick n Pay should begin its second 50 years with the same drive, determination and optimism that characterised its first 50 years. In difficult times, our customers need our help more than ever, and we will not let them down. We have made a steady and sustained improvement in the way we run our business over the past four years. We are more focused and efficient, and there is more to come in driving greater productivity and delivering better customer service. The shopping trip we offer customers is improving, and our next generation stores are giving our customers confidence in our offer and in the future of Pick n Pay. By delivering a more efficient operation we can invest further in price and value for customers. I am optimistic about the future and believe that – after our first 50 years – the best is yet to come for our customers and for Pick n Pay.

Richard Brasher
Chief Executive Officer

23 June 2017

OUR CFO'S FINANCIAL REVIEW

The Group delivered growth in headline earnings per share of 18.0% for the 2017 financial period, maintaining the positive momentum achieved over each of the past four years.

Bakar Jakoet
Chief Finance Officer



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

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

OVERVIEW OF OUR FINANCIAL RESULT

The Group has continued to improve its customer offer, modernise its stores, centralise its supply chain, and maintain a strong grip on its costs. The result has been eight consecutive reporting periods of double-digit profit growth, and an improvement in the trading profit margin to 2.3%.

Conditions for consumers became increasingly more difficult over the year, which is reflected in the turnover growth of 7.0%. The Group's stronger gross profit margin of 18.0% and its lower trading expenses margin, demonstrate the value of the Group's increasingly centralised supply chain and its greater operating efficiency in this low-growth environment.

Profit before tax (before capital items) was up 17.0% year-on-year to R1 761.5 million, more than double the profit of four years ago. The profit before tax margin (before capital items) has improved from 1.2% in 2013 to 2.3% in 2017.

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

MODERNISATION OF PICK N PAY'S CONTROL STRUCTURE

The Group took a significant step forward in its modernisation this year, with the elimination of its pyramid control structure and the unbundling of the Pick n Pay Holdings Limited RF Group. The simplified Group structure is more cost-effective in administration and improves the Group's appeal to investors. The Group thanks its shareholders for their overwhelming support and their valued engagement over the course of the implementation of the transaction.

The unbundling transaction had no impact on trading profit or headline earnings, however, it resulted in a number of material non-recurring movements on certain individual categories of other trading income and trading expenses, as detailed below:

Summary of non-recurring items included in trading profit:

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

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

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

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

Merchandising and administration costs – include a net fair value loss of R206.5 million in respect of the Group's

investment in Pick n Pay Holdings Limited RF. This fair value movement was as a result of the increased market value of PWK shares prior to the unbundling, and the subsequent write-off of the investment on the receipt of the dividend *in specie* distribution.

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

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

A new class of shares, B shares, was created as a result of the unbundling. Please refer to note 5.2 on page 75 for further information.

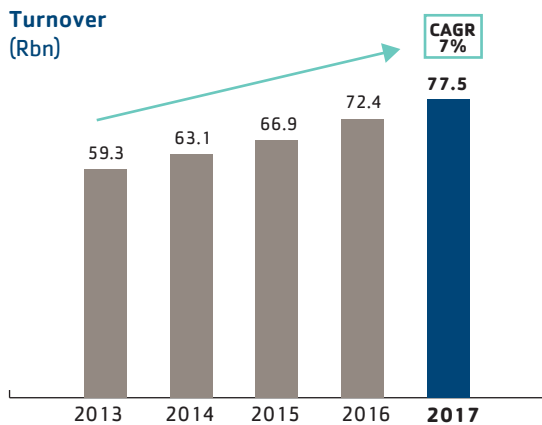
OUR CFO'S FINANCIAL REVIEW continued

REVIEW OF EARNINGS PERFORMANCE

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

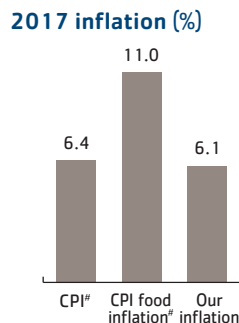
Turnover	52 Weeks to 26 February 2017 Rm	52 Weeks to 28 February 2016 Rm	% change
Group turnover	77 486.1	72 445.1	7.0
South Africa division	74 026.2	69 300.6	6.8
Rest of Africa division	3 459.9	3 144.5	10.0

Group turnover at R77.5 billion, was up 7.0% on last year, with like-for-like turnover growth of 3.4%. On a constant currency basis, Group turnover was up 7.1%, with currency weakness in operations outside South Africa marginally impacting reported turnover growth, particularly in the first half of the year.



The turnover growth of 6.8% in the **South Africa division** reflects the increasingly challenging consumer environment in the region. Throughout the year, customers faced growing pressure on their household budgets, resulting from high food inflation, rising utility and transport costs, and stagnating real incomes. This led to an increasingly stressed consumer, with customers across all income levels demanding consistently lower prices and better value.

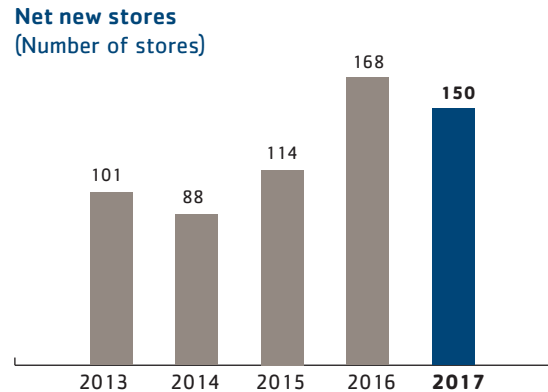
Through better buying and more efficient operations, the Group was able to provide meaningful support for customers, restricting its food selling price inflation to 6.1% for the year, well below published food inflation of 11.0%.



[#] Stats SA

The Group improved the overall quality of its store estate over the year, with the refurbishment of 62 stores and the closure of 12 under-performing stores. The resulting disruption to trade had some negative impact on turnover growth, however, the improvement in the estate is a valuable investment in the future.

The Group's estate grew by 150 stores in 2017, including 35 net new supermarkets.



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

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

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

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

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

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

The **Rest of Africa division** delivered growth in segmental revenue of 7.7%, with a decrease in segmental profit before tax of 0.3%. On a constant currency basis, ignoring the impact of currency movements in the regions in which we operate, total segment revenue was up 8.7%, with like-for-like revenue retraction of 0.4%.

Segment external turnover, excluding the direct deliveries to franchisees through the Group's supply chain, was up 10.0%, driven by new stores in Zambia and Namibia.

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

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

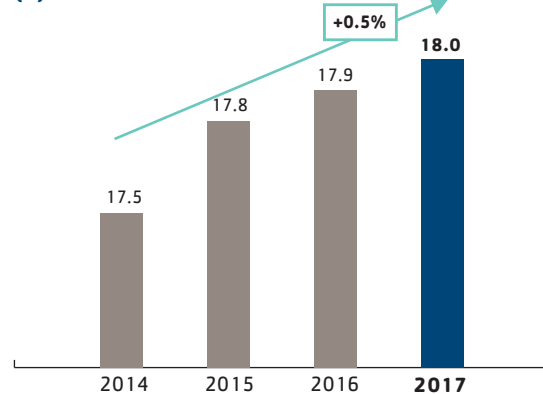
The Group opened 12 new supermarkets outside South Africa during the year, three in Namibia, six in Zambia, one in Zimbabwe and two in Botswana. The Group plans to open its first stores in Ghana and Nigeria over the next two years.

Gross profit

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

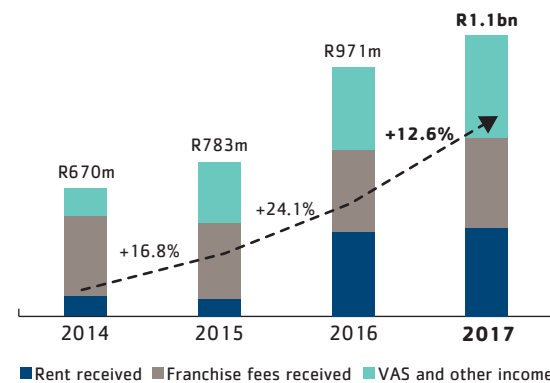
As a greater proportion of goods were brought into its centralised supply chain, the Group improved the efficiency and cost-effectiveness of its distribution centres and lowered the cost per case delivered. The Group also improved its management of shrink and waste through a dedicated management programme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

Gross profit margin (%)



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

Other trading income



Other trading income increased 12.6% to R1 093.3 million.

Franchise fee income is up 10.5% to R349.8 million, reflecting the 65 net new franchise stores opened over the last 12 months and an improved franchise turnover performance.

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

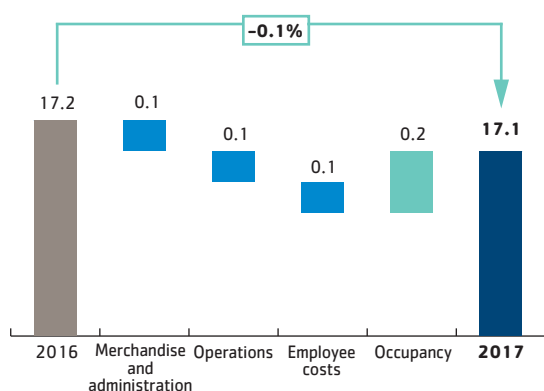
Commissions, dividends received and other income grew 22.3% to R398.2 million. Our value-added service business is maturing into an important part of our customer offer, with a solid performance across all categories of value-added services, including strong double digit growth in commission income from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

OUR CFO'S FINANCIAL REVIEW continued

Trading expenses	52 weeks to 26 February 2017		52 weeks to 28 February 2016		
	Rm	% of turnover	Rm	% of turnover	% change
	13 256.2	17.1	12 425.3	17.2	6.7
Employee costs	6 414.0	8.3	6 060.6	8.4	5.8
Occupancy	2 678.9	3.4	2 337.6	3.2	14.6
Operations	2 961.7	3.8	2 848.1	3.9	4.0
Merchandising and administration	1 201.6	1.5	1 179.0	1.6	1.9

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

Trading expenses as % of turnover
– 2017 change



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

The Group purchased shares to the value of R345.4 million under its share incentive schemes during the year, and delivered substantial wealth creation for 9 250 employees at all levels, who realised their share awards during the period.

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

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

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

Trading profit

Trading profit increased by 17.0% to R1 773.8 million. The trading profit margin improved by 0.2 percentage points, from 2.1% to 2.3% of turnover. The stronger gross profit margin, ongoing growth in income from value added-services and resolute cost discipline contributed to the solid increase in trading profit in a challenging trading environment. The Group remains confident of the ongoing opportunity to optimise our cost structure and improve business efficiency.

Net finance costs	52 weeks to 26 February 2017		52 weeks to 28 February 2016	
	Rm	%	Rm	change
	(92.5)	65.0	(56.1)	
Finance income	126.1	107.1	60.9	
Finance costs	(218.6)	86.8	(117.0)	

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

Share of associate's income

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

Losses on capital items

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

Profit before tax

Profit before tax is up 16.4% to R1 715.2 million, representing a margin improvement from 2.0% to 2.2%. Profit before tax excluding capital items, is up 17.0%, with the underlying margin improving from 2.1% to 2.3% of turnover. The Group's core South African operations delivered growth in profit before tax (before capital items) of 20.0%, with tough trading conditions in Zambia constraining growth in the Rest of Africa division.

Tax

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

Earnings per share

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

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

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

Diluted headline earnings per share (DHEPS) – increased 17.2% from 219.90 to 257.69 cents per share. DHEPS reflects the dilution effect of share options held by participants in the Group's employee share schemes. The dilution increased marginally over the period due to the unbundling of Pick n Pay Holdings Limited RF, with employees that had previously held share options in Pick n Pay Holdings Limited RF (previously dilutive at PWK level) receiving replacement share options in Pick n Pay Stores Limited.

REVIEW OF FINANCIAL POSITION

The increase in the Group's assets reflects its ongoing investment in its turnaround strategy, including investment in its store opening and refurbishment programme, its centralised supply chain and systems infrastructure.

The fair value of financial instruments held by the Group decreased year-on-year, in line with the increase in treasury shares, with the Group's investment in the equity of Pick n Pay Holdings Limited RF being replaced with unbundled treasury shares in Pick n Pay Stores Limited, to the same value.

Working capital

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

Inventory

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

OUR CFO'S FINANCIAL REVIEW continued

Trade and other receivables

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

Trade and other payables

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

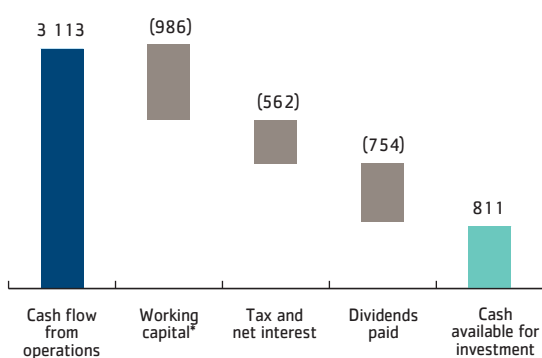
Cash and cash equivalents

	Sunday 26 February 2017 Rm	Sunday 28 February 2016 Rm
Cash balances	961.9	982.9
Bank overdraft and overnight borrowings	(1 800.0)	(100.0)
Cash and cash equivalents	(838.1)	882.9
Total borrowings	(133.2)	(529.6)
Net funding position	(971.3)	353.3

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

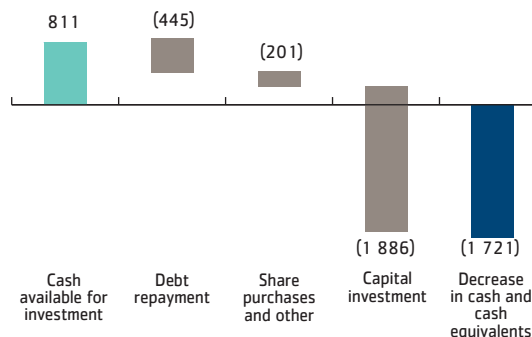
Cash flow analysis

Free cash flow generated for investment (Rm)



* Year-on-year working capital movement impacted by R1.2 billion related to financial calendar cut-off

Utilisation of cash generated for investment (Rm)



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

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

Capital investment

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

	52 weeks to 26 February 2017 Rm	52 weeks to 28 February 2016 Rm
Expansion into new stores	634	634
Improving existing stores	900	856
Improving the customer experience	1 534	1 490
Investing in future infrastructure	154	88
Maintaining current infrastructure	198	213
Total capital investment	1 886	1 791

SHAREHOLDER DISTRIBUTION

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

Bakar Jakoet

Chief Finance Officer

23 June 2017

EXTRACT FROM GROUP ANNUAL FINANCIAL STATEMENTS

Statement of comprehensive income for the period ended

	Note	52 weeks 26 February 2017 Rm	52 weeks 28 February 2016 Rm
Revenue	2	79 117.8	73 477.3
Turnover	2	77 486.1	72 445.1
Cost of merchandise sold		(63 549.4)	(59 474.8)
Gross profit		13 936.7	12 970.3
Other trading income	2	1 505.6	971.3
Trading expenses		(13 668.5)	(12 425.3)
Employee costs		(6 619.8)	(6 060.6)
Occupancy		(2 678.9)	(2 337.6)
Operations		(2 961.7)	(2 848.1)
Merchandising and administration		(1 408.1)	(1 179.0)
Trading profit		1 773.8	1 516.3
Finance income	2	126.1	60.9
Finance costs		(218.6)	(117.0)
Share of associate's income		80.2	45.9
Profit before tax before capital items		1 761.5	1 506.1
Losses on capital items		(46.3)	(32.6)
Loss on sale of property, plant and equipment		(20.4)	(24.0)
Impairment loss on property, plant and equipment		(5.9)	–
Impairment loss on intangible assets		(6.1)	(8.6)
Impairment loss on available-for-sale financial instruments		(13.9)	–
Profit before tax		1 715.2	1 473.5
Tax		(471.7)	(408.1)
Profit for the period		1 243.5	1 065.4
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss		1.5	14.8
Remeasurement in retirement scheme assets		2.1	20.5
Tax on remeasurement in retirement scheme assets		(0.6)	(5.7)
Items that may be reclassified to profit or loss		(96.9)	59.4
Foreign currency translations		(64.4)	58.1
Fair value gain on available-for-sale financial instruments		(32.5)	1.3
Total comprehensive income for the period		1 148.1	1 139.6
		Cents	Cents
Basic earnings per share	3	256.67	219.11
Diluted earnings per share	3	250.20	215.05
Headline earnings per share	3	264.35	224.04
Diluted headline earnings per share	3	257.69	219.90

Statement of financial position

	Note	As at 26 February 2017 Rm	As at 28 February 2016 Rm
ASSETS			
Non-current assets			
Property, plant and equipment		5 583.6	4 950.9
Intangible assets		984.3	1 004.9
Operating lease assets		198.3	171.6
Financial instruments at fair value through profit or loss		13.7	232.1
Available-for-sale financial instruments		–	46.4
Investment in associate		309.7	285.5
Participation in export partnerships		–	14.1
Loans		85.1	96.4
Retirement scheme assets		95.3	90.8
Deferred tax assets		218.0	225.1
		7 488.0	7 117.8
Current assets			
Inventory		5 994.6	5 152.0
Trade and other receivables		3 445.1	3 326.2
Cash and cash equivalents		961.9	982.9
Derivative financial instruments		–	6.0
		10 401.6	9 467.1
Non-current asset held for sale		212.8	–
Total assets		18 102.4	16 584.9
EQUITY AND LIABILITIES			
Equity			
Share capital	5	6.0	6.0
Treasury shares		(554.3)	(63.5)
Fair value reserve		–	32.5
Retained earnings		4 652.1	3 882.9
Foreign currency translation reserve		(24.5)	39.9
Total equity		4 079.3	3 897.8
Non-current liabilities			
Borrowings		84.0	83.0
Operating lease liabilities		1 398.6	1 239.6
Deferred tax liabilities		14.6	9.5
		1 497.2	1 332.1
Current liabilities			
Trade and other payables		10 490.2	10 500.6
Share-based payment liability		–	124.6
Bank overdraft and overnight borrowings		1 800.0	100.0
Borrowings		49.2	446.6
Current tax liabilities		174.8	183.0
Provisions		–	0.2
Derivative financial instruments		11.7	–
		12 525.9	11 355.0
Total equity and liabilities		18 102.4	16 584.9
Number of shares in issue – thousands	5	488 450.3	488 450.3
Weighted average number of shares in issue – thousands	3	482 237.5	478 873.4
Diluted weighted average number of shares in issue – thousands	3	494 709.6	487 894.0
Net asset value – cents per share (property value based on directors' valuation)		979.5	910.0

EXTRACT FROM GROUP ANNUAL FINANCIAL STATEMENTS

continued

Statement of changes in equity

for the period ended

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

Statement of cash flows

for the period ended

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

EXTRACT FROM GROUP ANNUAL FINANCIAL STATEMENTS

continued

Notes to the extract from Group annual financial statements

1. BASICS OF PREPARATION

This extract of the Group annual financial statements are not audited but are extracted from audited information. The audited Group annual financial statements were audited by Ernst & Young Inc., who expressed an unmodified opinion thereon. The audited Group annual financial statements and the auditor's report thereon are available for inspection at the company's registered office. The directors take full responsibility for the preparation of the audited Group annual financial statements and that this financial information has been correctly extracted from the underlying audited Group annual financial statements. The audited Group annual financial statements have been prepared by the Finance Division under the supervision of the Chief Finance Officer, Mr Bakar Jakoet CA(SA).

	52 weeks 26 February 2017 Rm	52 weeks 28 February 2016 Rm
2. REVENUE		
Turnover	77 486.1	72 445.1
Finance income	126.1	60.9
Bank balances and investments	81.4	30.0
Trade and other receivables	40.3	27.3
Staff loans and other	4.4	3.6
Other trading income	1 505.6	971.3
Dividend <i>in specie</i> received upon unbundling	412.3	–
Franchise fee income	349.8	316.7
Operating lease income	345.3	329.1
Commissions, dividend received and other income	398.2	325.5
	79 117.8	73 477.3

	%	52 weeks 26 February 2017 Cents per share	52 weeks 28 February 2016 Cents per share
	change		
3. BASIC, HEADLINE AND DILUTED EARNINGS PER SHARE			
Basic	17.1	256.67	219.11
Diluted	16.3	250.20	215.05
Headline	18.0	264.35	224.04
Diluted headline	17.2	257.69	219.90
		Rm	Rm
3.1 Basic and headline earnings			
Reconciliation between basic and headline earnings:			
Profit for the period		1 243.5	1 065.4
Profit attributable to forfeitable share plan shares		(5.7)	(16.2)
Basic earnings for the period		1 237.8	1 049.2
Adjustments:		37.2	23.3
Loss on sale of property, plant and equipment		20.4	24.0
Tax effect of loss on sale of property, plant and equipment		(5.7)	(6.8)
Impairment loss on property, plant and equipment		5.9	–
Tax effect of impairment loss on property, plant and equipment		(1.7)	–
Impairment loss on intangible assets		6.1	8.6
Tax effect of impairment loss on intangible assets		(1.7)	(2.5)
Impairment loss on available-for-sale financial instruments		13.9	–
Adjustments attributable to forfeitable share plan shares		(0.2)	0.4
Headline earnings		1 274.8	1 072.9
		000's	000's
3.2 Number of ordinary shares			
Number of ordinary shares in issue		488 450.3	488 450.3
Weighted average number of shares (excluding treasury shares)		482 237.5	478 873.4
Diluted weighted average number of ordinary shares in issue		494 709.6	487 894.0
Reconciliation of weighted average number of shares to diluted weighted average number of shares:			
Weighted average number of shares (excluding treasury shares)		482 237.5	478 873.4
Dilutive effect of share awards		12 472.1	9 020.6
Diluted weighted average number of ordinary shares in issue		494 709.6	487 894.0
The outstanding forfeitable shares, granted in terms of the employee share scheme, that have not met performance hurdles, had no dilutive impact on the weighted average number of shares for the current and prior period.			

EXTRACT FROM GROUP ANNUAL FINANCIAL STATEMENTS

continued

Notes to the extract from Group annual financial statements

continued

4. OPERATING SEGMENTS

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

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

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

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

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

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

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

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

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

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

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

Certain ordinary shares are stapled to B shares and are subject to restrictions upon disposal. Refer to note 5.2.

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

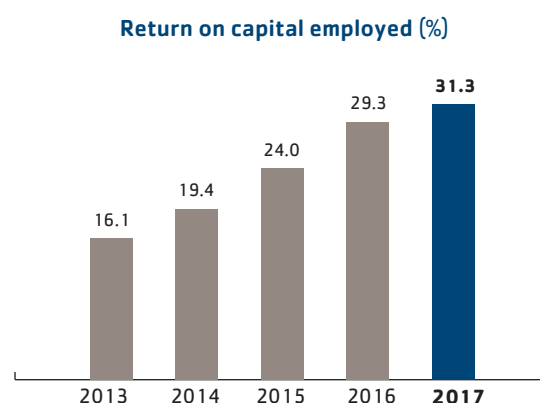
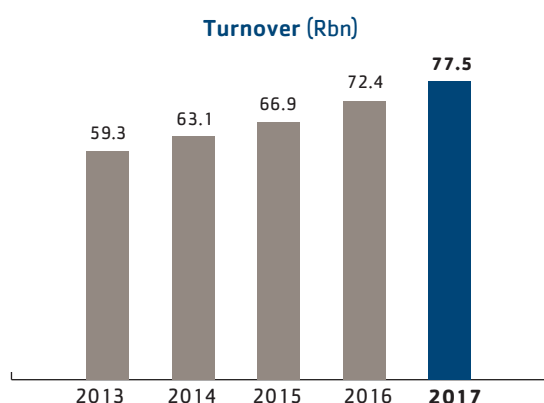
The Pick n Pay Holdings Limited RF Group included the ultimate holding company, Pick n Pay Holdings Limited RF, an investment holding company listed on the JSE. The Company was formed with the sole purpose of holding a controlling interest in Pick n Pay Stores Limited resulting in a pyramid control structure.

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

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

FIVE-YEAR REVIEW

		2017 364 days	2016 364 days	2015 364 days	2014 364 days	2013 368 days
PERFORMANCE MEASURES						
Turnover growth	%	7.0	8.2	6.1	6.5	7.1
Gross profit on turnover	%	18.0	17.9	17.8	17.5	17.4
Trading profit growth	%	17.0	22.3	22.7	18.5	(33.2)
Trading profit margin	%	2.3	2.1	1.9	1.6	1.4
Profit before tax growth	%	16.4	22.3	44.7	3.0	(30.9)
PBTAE growth	%	17.0	26.1	26.7	19.7	(33.1)
EBIT growth	%	18.2	20.9	35.6	3.9	(29.1)
EBITDA growth	%	13.3	17.9	6.7	12.4	(14.9)
Profit margin	%	1.6	1.5	1.3	0.9	0.9
Headline earnings growth	%	18.8	26.6	28.0	24.5	(30.7)
Headline earnings margin	%	1.6	1.5	1.3	1.0	0.9
Headline earnings per share	cents	264.4	224.0	177.3	138.5	111.3
Headline earnings per share growth	%	18.0	26.4	28.0	24.4	(30.8)
Return on shareholders' equity	%	32.0	30.0	27.9	24.8	21.1
ROCE	%	31.3	29.3	24.0	19.4	16.1
Return on total assets	%	7.4	6.8	5.9	4.9	4.2
Net asset value per share	cents	979.5	910.0	774.1	679.9	609.2
WACC	%	13.1	11.9	9.5		
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME						
Turnover	Rm	77 486.1	72 445.1	66 940.8	63 117.0	59 271.3
Trading profit	Rm	1 773.8	1 516.3	1 240.1	1 010.3	852.4
Profit before tax	Rm	1 715.2	1 473.5	1 205.2	833.1	808.9
PBTAE	Rm	1 761.5	1 506.1	1 194.8	942.7	787.3
EBITDA	Rm	2 835.5	2 503.1	2 123.9	1 990.7	1 771.3
Headline earnings	Rm	1 274.8	1 072.9	847.8	662.6	532.2
CONSOLIDATED STATEMENT OF FINANCIAL POSITION						
ASSETS						
Non-current assets	Rm	7 488.0	7 117.8	6 207.3	5 990.1	5 669.7
Current assets	Rm	10 401.6	9 467.1	8 616.8	8 139.4	7 506.2
Non-current asset held for sale	Rm	212.8	-	-	-	-
Total assets	Rm	18 102.4	16 584.9	14 824.1	14 129.5	13 175.9
EQUITY AND LIABILITIES						
Ordinary shareholders' equity	Rm	4 079.3	3 897.8	3 261.8	2 823.7	2 526.9
Non-current liabilities	Rm	1 497.2	1 332.1	1 631.3	1 789.8	1 697.1
Current liabilities	Rm	12 525.9	11 355.0	9 931.0	9 516.0	8 951.9
Total equity and liabilities	Rm	18 102.4	16 584.9	14 824.1	14 129.5	13 175.9

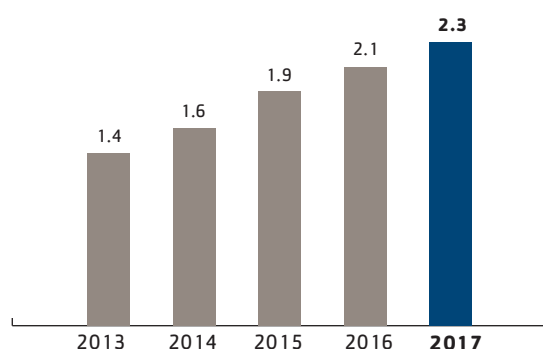


		2017 364 days	2016 364 days	2015 364 days	2014 364 days	2013 368 days
STOCK EXCHANGE (JSE LIMITED) PERFORMANCE						
Number of shares in issue	millions	488.5	488.5	487.3	480.4	480.4
Weighted average number of shares in issue	millions	482.2	478.9	478.3	478.4	478.1
Total market capitalisation	Rbn	34.0	27.4	25.7	21.7	21.8
Market capitalisation net of treasury shares	Rbn	33.6	27.3	25.6	21.6	21.7
Price: Earnings ratio	times	26.4	25.1	29.8	32.6	40.8
Dividend per share	cents	176.3	149.4	118.1	92.3	84.0
Dividend cover	times	1.5	1.5	1.5	1.5	1.3
Volume of shares traded	millions	345.7	281.6	213.3	165.2	274.5
Percentage of shares traded	%	70.8	57.6	43.8	34.4	57.1
Market price per share						
– close at year-end	cents	6 969	5 614	5 282	4 514	4 544
– high for the year	cents	8 424	7 000	6 082	5 440	4 900
– low for the year	cents	5 525	4 850	4 401	3 519	4 022

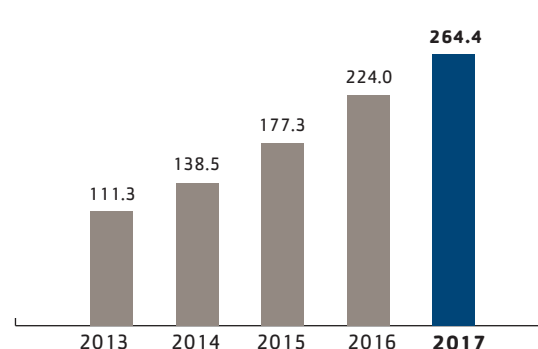
DEFINITIONS

Headline earnings	Net profit for the period adjusted for the after tax effect of items specified in Circular 2/2015 –Headline Earnings.
Return on shareholders' equity	Headline earnings expressed as a percentage of the average ordinary shareholders' equity for the period.
Return on capital employed (ROCE)	Headline earnings divided by average shareholders' equity plus non-current borrowings.
Return on total assets	Headline earnings expressed as a percentage of the average total assets for the period.
Headline earnings per share	Headline earnings divided by the weighted average number of shares in issue for the period.
Dividend cover	Headline earnings per share divided by the dividends per share which relate to those earnings.
Net asset value per share	Total value of net assets at period end, adjusted for directors' valuations of property, divided by the number of shares in issue at period-end, held outside the Group.
Profit before tax and exceptional items (PBTAE)	Profit for the period, before tax and exceptional items. Exceptional items are capital items determined by the remuneration committee.
EBITDA	Profit for the period, before net interest, tax, depreciation, amortisation and capital items.
Market capitalisation	The price per share at period-end multiplied by the number of shares in issue at period-end.
Price earnings ratio	The price per share at period-end divided by headline earnings per share.
Dividends per share	The interim dividend declared during the current financial period and the final dividend declared after period-end, in respect of the current financial year.
Weighted average cost of capital (WACC)	WACC is the average after tax cost of the Group's debt funding, which includes non-current borrowings and current liabilities, and the Group's equity funding, with each source of funding included on a proportional basis.

Trading profit margin (%)



Headline earnings per share (cents)



FIVE-YEAR REVIEW continued

		2017 364 days	2016 364 days	2015 364 days	2014 364 days	2013 368 days
HUMAN MEASURES*						
Developed a skilled workforce						
Number of employees	000	54.4	52.9	48.7	49.3	47.9
Permanent employee turnover	%	19.9	16.1	19.3	15.0	16.0
Employment equity**						
Top management	%	35.0	36.0	35.7	39.0	40.0
Senior management	%	63.0	66.0	64.4	61.0	60.0
Professionally qualified middle management	%	87.0	88.0	87.1	85.0	84.0
Skilled technical and junior management	%	97.0	96.0	95.2	95.0	95.0
Semi-skilled and discretionary decision-making	%	100.0	100.0	99.7	99.8	99.7
Unskilled and defined decision-making	%	100.0	100.0	99.4	99.6	99.6
SOCIAL AND ENVIRONMENTAL MEASURES*						
Carbon footprint [#]	CO ₂ e tonnes	671 052.6	656 765.1	613 934.7	588 509.2	591 985.5
Energy usage per square metre reduction (2008 baseline)	%	34.1	31.4	32.0	30.0	27.2
CO ₂ e emissions per square metre reduction (2013 baseline)	%	3.5	0.6	2.4	4.0	^
Waste diverted from landfill	%	48.4	46.0	45.0	43.0	^
Water consumed	megalitres	1 332	1 249.0	1 316.0	1 133.0	1 085.0
Total corporate social investment (CSI) spend	Rm	38.7	41.5	44.6	36.0	40.9
Schools in Pick n Pay Schools Club		3 025	3 025	3 025	2 750	2 500
BBBEE Level ^Δ		Level 8	Level 4	Level 4	Level 6	Level 6
OPERATIONAL STATISTICS						
Number of stores						
Group						
		1 504	1 353	1 189	1 076	991
Pick n Pay – Owned		661	596	510	464	420
Pick n Pay – Franchise		614	549	490	433	421
Boxer – Owned		229	208	189	179	150
Associate						
TM Supermarkets		56	57	53	52	49
Total with associate		1 560	1 410	1 242	1 128	1 040
Total square metres						
	000 m ²	2 395.8	2 277.1	2 178.0	2 069.4	2 002.2
Owned	000 m ²	1 678.7	1 603.9	1 524.7	1 466.6	1 386.4
Franchise	000 m ²	717.1	673.2	653.3	602.8	615.8

* Information relates to Pick n Pay-owned stores only

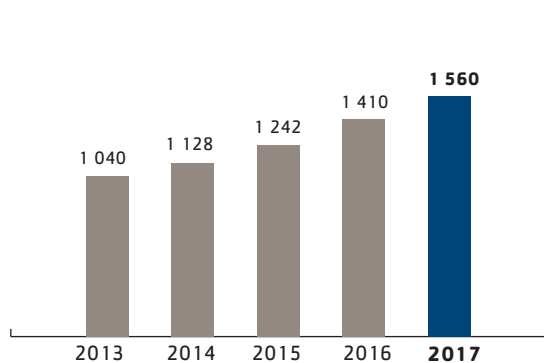
** These measures represent the participation of employment equity candidates, as governed by the Employment Equity Act, No 55 of 1998, in the presented categories

[^] Not measured at that time

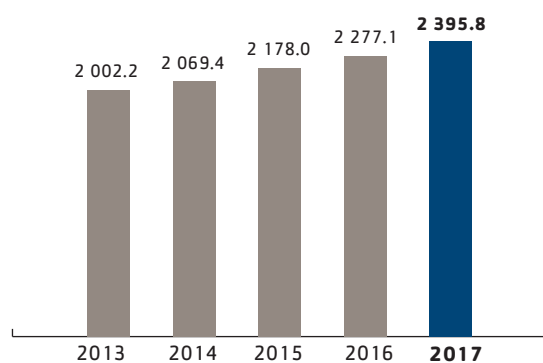
^Δ Independently assured. The amendments to the BBBEE Act and the codes fundamentally changed the manner in which our BBBEE level is calculated, resulting in a change in our BBBEE status from level 4 to level 8 compliance

[#] Independently assured

Total number of stores



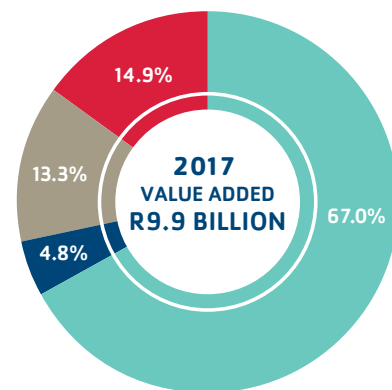
Total square metres (000 m²)



VALUE ADDED STATEMENT

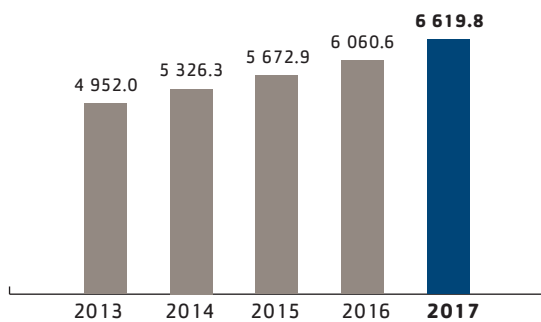
	52 weeks 26 February 2017 Rm %		52 weeks 28 February 2016 Rm %	
Turnover	77 486.1		72 445.1	
Amounts paid for merchandise and expenses	(67 731.7)		(63 787.8)	
Finance income	126.1		60.9	
Total value created	9 880.5	100.0	8 718.2	100.0
Distributed as follows:				
Employees				
Salaries, wages and other benefits	6 619.8	67.0	6 060.6	69.5
To providers of capital				
Distributions to shareholders	753.5	7.6	589.5	6.8
Share purchases	345.4	3.5	126.2	1.4
Finance costs	218.6	2.2	117.0	1.4
Government				
Taxation expense	471.7	4.8	408.1	4.7
Retained for growth				
Depreciation and amortisation	981.5	9.9	940.9	10.8
Profit for the period after distributions to shareholders	490.0	5.0	475.9	5.4
Total value distributed	9 880.5	100.0	8 718.2	100.0

WE HAVE CREATED FINANCIAL VALUE OF R9.9 BILLION (2016: R8.7 BILLION) DURING THE FINANCIAL PERIOD. THE VALUE ADDED STATEMENT ILLUSTRATES HOW WE HAVE DISTRIBUTED THIS VALUE TO OUR STAKEHOLDERS.

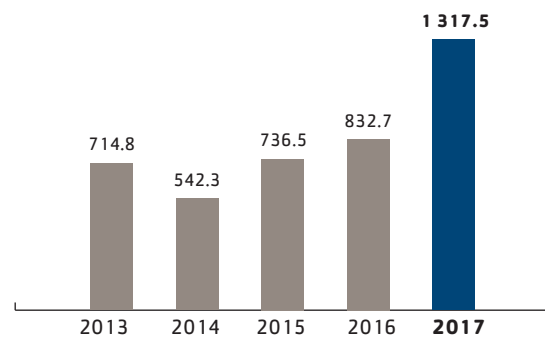


- Employees
- Government
- To providers of capital
- Retained for growth

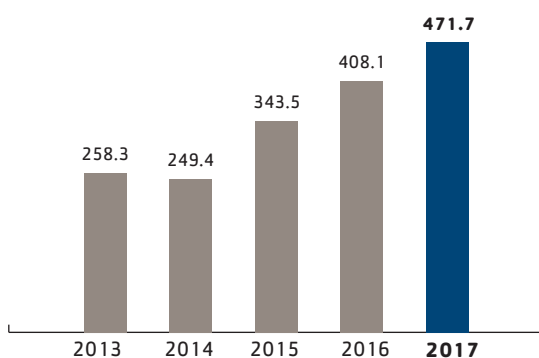
Employee costs (Rm)



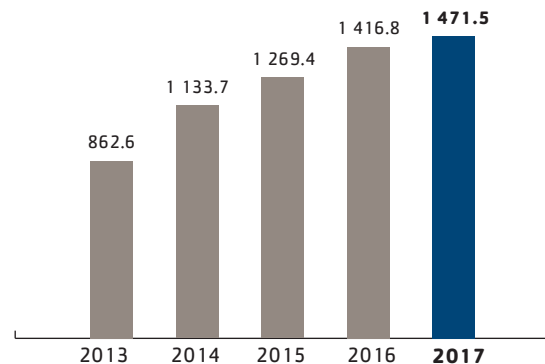
Providers of capital (Rm)



Government (Rm)



Retained for growth (Rm)





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Our governance



OUR CORPORATE GOVERNANCE

INTRODUCTION

The Board of directors takes overall responsibility for the performance and sustainable value creation of the Group, ensuring that it is managed in a transparent, equitable and responsible manner to the benefit of all of its stakeholders. As part of Pick n Pay's intellectual capital, members of the Board operate as a resource for executives in directing, finalising and overseeing the implementation of the Group's strategy and policy.

The Board and the Group are committed to upholding the highest standards of ethics, transparency and good corporate governance, while pursuing sustainable value creation. The Board, assisted by senior management, is ultimately accountable for the ethical leadership, sustainability and good corporate citizenship of the Group, in line with its core values as set out on page 11. The Group's commitment to good corporate governance permeates every aspect of the management structure.

With the aim of achieving a balanced economic, social and environmental performance, the Board supports efforts to ensure the long-term sustainability of the business. Legitimate stakeholder involvement is kept in mind at all times. The Board supports the materiality approach, which emphasises integrated reporting based on issues and elements that can have a material impact on the sustainable performance of the business over the short, medium and long term. The Group has made progress in identifying and managing significant risks that could have a material impact on the business. Details of the Group's material issues and related risks, and how they are identified as such, are set out on pages 32 to 37.

The Board is supported by the audit, risk and compliance, corporate finance, corporate governance, nominations, remuneration and social and ethics committees to carry out its oversight role of ensuring that implementation of the Group's strategy is managed in a manner that is consistent with the values of the Group.

The Board believes that the Group has applied all significant governance principles and is compliant with all significant Listings Requirements of the JSE. The Group has not breached any regulatory requirements and has complied with all its statutory obligations.

APPLICATION OF THE KING CODE

The King Code of Governance Principles underpins the Group's corporate governance framework.

An assessment of the King IV Report on Corporate Governance for South Africa 2016 (King IV) was undertaken following its publication in November 2016. The Group is in full support of the voluntary principles and leading practices of King IV and will apply its recommendations leading up to its effective date. Work is underway to integrate King IV into the Group's internal controls and policies, as well as the Board's corporate governance charter.

The Board confirms that the Group complied with the Code of Governance Principles as set out in King III for the 2017 financial period. A full review of the application of the King Codes is available on our website at www.picknpayinvestor.co.za. The table opposite sets out the King III recommendations that are applied differently by the Board.

SUMMARY OF APPLICATION OF KING III PRINCIPLES

CHAPTER AND PRINCIPLE	COMMENTS FOR 2017
CHAPTER 2 – BOARD AND DIRECTORS	
<p>Principle 2:16 The Board should elect a Chairman of the Board who is an independent non-executive director</p>	<p>King III acknowledges that there may be sound reasons for a company to appoint a Chairman who does not meet all the criteria for independence, but requires such a company to justify this decision and to put further checks in place to ensure no real or perceived conflicts of interest arise.</p> <p>Chairman, Gareth Ackerman, is not independent by virtue of his indirect shareholding in the Group. Refer to the directors’ interests in shares section of the remuneration report on page 103. Perceptions of conflicts of interest may arise regarding his decisions relating to the Group and its shareholders.</p> <p>Hugh Herman has been appointed as Lead Independent Director (“LID”). The main function of the LID is to provide leadership and advice to the Board when the Chairman has a conflict of interest, without detracting from the authority of the Chairman. The LID provides an important point of contact for the broader investment and stakeholder community should they have concerns with the management of the Group or potential conflicts of interest. All members of the Board have unfettered access to the LID when required.</p> <p>In addition to the role of the LID, and to ensure good governance, the chairmanship of four of the six Board committees is held by other independent directors.</p> <p>Consistent with the King III guidelines, Gareth Ackerman:</p> <ul style="list-style-type: none"> • Is not a member of the audit, risk and compliance committee; • Does not chair the remuneration committee, but is a member; and • Is not a member of the social and ethics committee.
<p>Principle 2.22 The evaluation of the Board, its committees and the individual directors should be performed every year</p>	<p>Individual performance evaluations of directors and evaluations of the effectiveness of the Board are undertaken annually by the Chairman of the Board. The evaluation of the effectiveness of the Board’s committees is undertaken regularly, but not necessarily annually. The results allow the Board to determine whether or not it has delivered on its mandate. It also measures, and where possible, enhances, the Board’s overall efficiency and each director’s individual contribution to the Board. If improvements are indicated, the necessary measures are implemented. Refer to page 84 for more detail on the annual independence assessment process.</p>
CHAPTER 3 – AUDIT COMMITTEES	
<p>Principle 3.5 The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities</p>	<p>The Board and audit, risk and compliance committee continue to develop and implement a comprehensive combined assurance approach. Refer to “About Our Report” on pages 4 and 5 for the assurances obtained for information contained in this report.</p>
CHAPTER 9 – INTEGRATED REPORTING AND DISCLOSURE	
<p>Principle 9.3 Sustainability reporting and disclosures should be independently assured</p>	<p>The Board and audit, risk and compliance committee continue to develop and implement a comprehensive combined assurance approach to ensure the integrity of reported financial and non-financial data. Refer to “About Our Report” on pages 4 and 5 for the assurances obtained for information contained in this report.</p>

OUR CORPORATE GOVERNANCE continued

BOARD GOVERNANCE

BOARD FUNCTION

Directors are encouraged to promote rigorous debate with the aim of promoting direction, governance and effective control of the Group. Decisions are usually made by consensus. All Board members, including those who are not independent, are well aware of corporate governance requirements, and are conscious of their obligation to act with integrity as representatives of all stakeholders in the Group.

During the reporting period the Board adopted a gender diversity policy to guide its future appointments of directors in accordance with the amended JSE Listings Requirements on the promotion of gender diversity (paragraph 3.84(k)). The Board is committed to proactively monitoring the Group's performance in meeting the requirements outlined in the policy.

The Board process is managed by the Company Secretary, who is supported by the risk, legal, compliance and governance functions. The Board meets on a quarterly basis in line with the financial and strategic processes of the Group and engages on a quarterly basis with management to examine progress made in the implementation of the Group's strategic objectives.

The Board annually performs a formal review of the Group's ability to continue trading as a going concern in the foreseeable future. The Board has performed this review for the 2017 financial period and confirms the Group's going-concern status.

BOARD COMPOSITION

The Board consisted of twelve directors during most of the 2017 financial period, increasing to thirteen with the reappointment of Alex Mathole to the Board in October 2016. As at the end of the 2017 financial period, six of the eight non-executive directors were independent. The remaining five directors were executive directors. As the Chairman was not independent, Hugh Herman was appointed as LID.

The non-executive directors are diverse in their academic qualifications and business experience, resulting in a balanced Board. Directors exercise leadership, enterprise, integrity and judgement in directing the Group's value creation processes to ensure the sustainability thereof for all stakeholders. All directors are formally inducted upon joining the Board, and receive ongoing briefings on changes in risks, laws and the business environment.

CHANGES TO BOARD COMPOSITION DURING 2017

Alex Mathole was appointed to the Board in October 2016. Being eligible, she will offer herself for election to shareholders at the AGM to be held on 31 July 2017. An admitted attorney, Alex was previously a non-executive director of Pick n Pay. She resigned in 2013 when she took up a position with a major supplier to Pick n Pay so as to avoid

any perception of a conflict of interests arising. Alex is now employed by FirstRand Limited where she holds the position of regulatory risk management executive. We are pleased to welcome her back to Pick n Pay.

CONTROLLING SHAREHOLDER REPRESENTATION ON THE BOARD

Gareth Ackerman, Suzanne Ackerman-Berman, Jonathan Ackerman and David Robins were nominated as representatives of the controlling shareholders, and were elected by shareholders to the Board. Between them, they have 70 years' executive experience in the Group. Their experience, as well as their strategic overview, assists the Group in making long-term decisions for the benefit of all stakeholders in the Group.

EXECUTIVE REPRESENTATION ON THE BOARD

The executive function of the Group is performed by Richard Brasher (CEO), Richard van Rensburg (deputy CEO) and Bakar Jakoet (CFO), who are all executive directors of the Company.

ANNUAL ASSESSMENT OF INDEPENDENCE

The Board's corporate governance charter requires an annual assessment of the independence of non-executive directors to be performed by considering the following:

- The directors' involvement with other companies;
- External directorships;
- Relationships with material suppliers and competitor companies; and
- Material contracts with the Group, if any.

The annual internal assessment of the independence of non-executive directors was undertaken by the Chairman. Following this assessment, the Chairman made recommendations to the Board as to independence. The Board interrogated the recommendations before a final decision was made regarding the independence or otherwise of each non-executive director.

All directors submit a declaration of their directorships and commercial interests to the Company Secretary. These declarations, which are regularly updated, are distributed quarterly to the Board and noted at Board meetings. Transparency of commercial interests ensures that directors can be seen to be free from any business or other relationship that may interfere materially with any director's capacity to act in an independent manner.

All the Board's independent non-executive directors met the criteria for independence as established by the King Codes, the Companies Act and the JSE Listings Requirements.

LENGTH OF SERVICE AND RETIREMENT BY ROTATION

The Board has found that length of service does not automatically preclude a director from exercising independence in decision making. The longer-serving non-executive directors vigorously exercise their duty to act in the best interests of all stakeholders of the Group.

All our independent non-executive directors are strong-minded individuals of integrity, who are successful and experienced professionals in their respective fields. They strive to act with independence of mind in the best interests of the Group. They have no interest, position, association or relationship which is likely to unduly influence or cause bias in decision-making in relation to the Group.

The Group values the balance achieved between the fresh insights from new directors and the experience of longer-serving directors.

In terms of the Company's Memorandum of Incorporation (MOI), one-third of the non-executive directors retire by rotation and, should they wish and if they are eligible, may stand for re-election to the Board at the following annual general meeting.

In order to ensure that shareholder perceptions are aligned with the Board's view of the independence of long-serving non-executive directors, and in terms of the corporate governance charter, all independent non-executive directors who have served on the Board for more than nine years serve one-year terms of office, instead of the standard three-year term. At the end of each term, the director and the Chairman jointly evaluate the director's contribution and independence. By mutual consent the director may be considered for re-election. If so agreed, that director will be nominated for re-election by shareholders at the Company's annual general meeting for a further period of one year.

BOARD COMMITTEES

The Board committees report to the Board on their activities. The corporate governance charter governing the committees is reviewed annually to ensure that the mandates remain current and effective. The corporate governance charter, containing the terms of reference of each committee, is available on the investor relations section of our website, www.picknpayinvestor.co.za. Each committee reviews its effectiveness by way of a review of its activities against the approved terms of reference in line with their delegated powers and authority. The chairman of each committee reports back to the Board on the assessment. All committees, after review, were satisfied that they carried out their responsibilities during the period.

COMPANY SECRETARY

The Board is aware of the duties the Company Secretary is required to perform and has created an environment in which the Company Secretary is able to ensure full adherence to Board procedures and relevant regulations. The Company Secretary is not a director of the Company, and the directors have unlimited access to the advice and services of the Company Secretary.

Annual consideration is given by the Board to the competence, qualification and experience of the Company Secretary. The Board is satisfied that the Company Secretary meets the necessary requirements. The Board is satisfied that the Company Secretary has maintained an arms' length relationship with the Board. The Company Secretary acted as secretary for all Board committees other than the remuneration committee, where the CFO acted as secretary.

RISK GOVERNANCE

Risk governance and management are integral elements of the Group's governance framework. The Group aims to ensure business specific risks are adequately and timeously identified and mitigated, whether they are operational and strategic risks, emerging risks, or risks posed by the external environment. The Board confirms that the Group's risk management, mitigation and monitoring processes have been effective in limiting the impact of risks on the business during the period.

An enterprise-wide risk management approach aims to ensure that all areas of the business are aligned with the Group's risk management philosophy and strategy.

The overall risk profile of the Group has not changed materially in the period under review. For detail on the material issues and related risks facing the Group, and how that informs the Group's strategy, please refer to pages 32 to 37.

INFORMATION TECHNOLOGY (IT) GOVERNANCE

The Board takes responsibility for IT governance. An IT governance function has been established within the IT division. IT governance is monitored by the audit, risk and compliance committee, which considers the efficiency of IT controls, policies and processes.

OPERATIONAL GOVERNANCE

There are well-entrenched governance structures within the Group to ensure proper assurance is given to strategic and operational matters, including:

- Property committee to manage real estate development
- Capital committee to manage capital expenditure
- Treasury committee to manage debt structures and cash flow

The CEO is mandated to ensure that the day-to-day business affairs of the Group are appropriately managed by the Group Executive and that the necessary systems and controls are in place for the effective risk management of the Group.

The Board recognises that risk management is an integral part of the Group strategy, and delegates to management the responsibility of designing, implementing and monitoring the risk management plan. The Group combined assurance model is interrogated by the audit, risk and compliance committee, and is tabled biannually to ensure that the Board is comfortable with the level and type of assurance that the Group obtains.

Compliance with statutory, legislative and regulatory requirements is managed through an integrated compliance framework. The compliance monitoring plan is approved on an annual basis. The plan provides independent objective assurance that material legislation applicable to the business has been monitored, and ensures that processes and compliance controls are in place to manage compliance risk.

OUR CORPORATE GOVERNANCE continued

UNBUNDLING OF PICK N PAY HOLDINGS LIMITED RF GROUP

During the 2017 financial period, at the General Meeting held on 25 July 2016, shareholders approved the unbundling of the Pick n Pay Holdings Limited RF Group, in order to remove the pyramid control structure. Independent boards were constituted after following a rigorous corporate governance process to ensure that the directors of both Pick n Pay Holdings Limited RF and Pick n Pay Stores Limited acted in the best interests of the companies to which they owed a fiduciary duty. The independent boards concluded that the unbundling would be in the best interests of shareholders of the respective companies. Directors who were members of the Ackerman family, as controlling shareholders, recused themselves from discussing and from voting on the proposal at every level of its consideration, including at the shareholder meetings. The proposal was put to shareholders, who voted in favour of the resolutions required to implement the unbundling.

Subsequent to the elimination of the pyramid control structure, Pick n Pay Holdings Limited RF was de-listed from the JSE and purchased as a wholly-owned subsidiary by Pick n Pay Stores Limited. Its only asset, being its shareholding in Pick n Pay Stores Limited, was distributed to its shareholders. Pick n Pay Stores Limited created and issued a new class of unlisted voting shares (B shares) to the existing controlling shareholders of the Pick n Pay Holdings Limited RF Group, so as to retain the control structure of the Group as it was prior to the unbundling. The holders of the B shares are entitled to the same voting rights as holders of ordinary shares, but are not entitled to any rights to distributions by the Company or any other economic benefit. Refer to note 5.2 to the extracts from Group annual financial statements on page 75 for more detail.

Raymond Ackerman, Wendy Ackerman, René de Wet, Hugh Herman and Jeff van Rooyen have all resigned as directors of Pick n Pay Holdings Limited RF, and David Robins, Suzanne Ackerman-Berman and Jonathan Ackerman have resigned as alternate directors. Mr and Mrs Ackerman remain integral to the Group in their capacity as Honorary Life Presidents. Hugh Herman and Jeff van Rooyen continue to serve on the Board of the Company. David Robins, Suzanne Ackerman-Berman and Jonathan Ackerman continue to serve on the Board of the Company as representatives of the controlling shareholder.

SUMMARY OF DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The table below details attendance at Board and committee meetings during the past annual financial period:

DIRECTOR	BOARD AND AGM	INDEPENDENT BOARD AND EGM	AUDIT, RISK AND COMPLIANCE COMMITTEE	REMUNERATION COMMITTEE	SOCIAL AND ETHICS COMMITTEE
Gareth Ackerman (Chairman)	5/5	#		2/2	
Richard Brasher (CEO)	5/5	2/2			
Richard van Rensburg (deputy CEO)	3/5	1/2			
Bakar Jakoet (CFO)	5/5	2/2			
Suzanne Ackerman-Berman	5/5	#			4/4
Jonathan Ackerman	5/5	#			
Hugh Herman (LID)	4/5	2/2	2/2	2/2	
David Friedland	3/5	1/2	2/2		
Alex Mathole*	1/1	#			
Audrey Mothupi	5/5	2/2	2/2	2/2	
Lorato Phalatse	4/5	2/2			4/4
David Robins	5/5	#			
Jeff van Rooyen	5/5	2/2	2/2	2/2	

The nominations committee, corporate finance committee and corporate governance committee meet as and when required throughout the financial year.

* Alex Mathole was appointed in October 2016 and attended the Board meeting in February 2017

Directors not members of the Independent Board constituted to consider the proposal to eliminate the pyramid control structure

For more detail on the objectives and activities of the Board and its committees please refer to the governance report on our website at www.picknpayinvestor.co.za.

GOVERNANCE STRUCTURE

The diagram below is a summary of the governance structure of the Group:



1 Pick n Pay Stores Limited Board. Refer to the Board of directors on pages 88 and 89.

COMMITTEE	ROLE	CAPITAL
2 Audit, risk and compliance committee	Provides independent oversight and assessment of the Group's risk management processes, legal and regulatory compliance, financial reporting, business and financial controls, internal and external audit processes and acts as a liaison between the Board and external and internal auditors.	FINANCIAL CAPITAL
3 Remuneration committee	Assists the Board in meeting its responsibility for setting and administering appropriate remuneration policies which are in the best long-term interests of the Group, and are aligned with the Group's long-term strategic objectives.	HUMAN CAPITAL INTELLECTUAL CAPITAL
4 Nominations committee	Responsible for identifying and evaluating suitable candidates for possible appointment to the Board to ensure that the Board is balanced and able to fulfil its functions.	HUMAN CAPITAL INTELLECTUAL CAPITAL
5 Corporate finance committee	Assists the Board in assessing investment opportunities for the Group.	FINANCIAL CAPITAL
6 Corporate governance committee	Reviews and evaluates the governance practices and structures of the Group, and recommends any changes to the Board for a decision.	SOCIAL AND RELATIONSHIP CAPITAL
7 Social and ethics committee	Aims to ensure that high ethical standards are applied in all areas of the business, and reviews and approves the policy, strategy and structure for managing social issues.	SOCIAL AND RELATIONSHIP CAPITAL NATURAL CAPITAL
8 Group executive committee	Manages the day-to-day business affairs of the various divisions of the Group. Consists of Richard Brasher, Richard van Rensburg and Bakar Jakoet.	NATURAL CAPITAL HUMAN CAPITAL FINANCIAL CAPITAL INTELLECTUAL CAPITAL MANUFACTURED CAPITAL SOCIAL AND RELATIONSHIP CAPITAL

BOARD OF DIRECTORS

Pick n Pay Stores Limited has a strong, experienced and diverse Board with a good balance of skills. Each director makes a valuable contribution relevant to their individual field of expertise, whether retail, finance, law, strategy or information technology.

CHAIRMAN



GARETH ACKERMAN (59)
BSocSci, CMS (Oxon)
Chairman

- Appointed 1990
- Corporate governance committee and nominations committee chairman

EXECUTIVE DIRECTORS



RICHARD BRASHER (55)
Bsc (Hons)
Chief Executive Officer

- Appointed 2013
- Years of service: 4



ABOUBAKAR (BAKAR) JAKOET (61)
CA(SA)
Chief Finance Officer

- Appointed 2011
- Years of service: 31



RICHARD VAN RENSBURG (56)
CA(SA)
Deputy Chief Executive Officer

- Appointed 2009
- Years of service: 8



SUZANNE ACKERMAN-BERMAN (54)
BA, Fellow: Aspen Business Institute; First Movers

- Appointed 2010
- Years of service: 22
- Social and ethics committee chairman



JONATHAN ACKERMAN (50)
BA Marketing

- Appointed 2010
- Years of service: 24

NON-EXECUTIVE DIRECTOR



DAVID ROBINS (63)
BBusSci

- Appointed 2002

COMPANY SECRETARY



DEBRA MULLER (55)
BA LLB

- Appointed 2010
- Years of service: 11

INDEPENDENT NON-EXECUTIVE DIRECTORS



HUGH HERMAN (76)
BA LLB, LLD (hc)

- Appointed 1976
- Lead independent non-executive director
- Remuneration committee chairman

Other listed company directorships: Growthpoint Properties Limited



ALEX MATHOLE (44)
Bluris LLB

- Appointed 2016



AUDREY MOTHUPI (46)
BA (Hons)

- Appointed 2013



LORATO PHALATSE (55)
BA (Hons), MA

- Appointed 2010

Other listed company directorships: The Bidvest Group Limited



JEFF VAN ROOYEN (67)
BCom (SA), Hons BCompt SA, CA(SA)

- Appointed 2007
- Audit, risk and compliance committee chairman

Other listed company directorships: MTN Group Limited, Exxaro Resources Limited.



DAVID FRIEDLAND (63)
CA(SA)

- Appointed 2013

Other listed company directorships: Investec Limited, Investec plc, The Foschini Group Limited

HONORARY LIFE PRESIDENTS



RAYMOND ACKERMAN

Years of service: 50



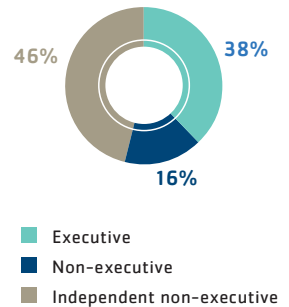
WENDY ACKERMAN

Years of service: 50

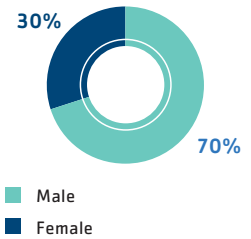
Member of the:

- Audit, risk and compliance committee
- Remuneration committee
- Nominations committee
- Corporate finance committee
- Corporate governance committee
- Social and ethics committee

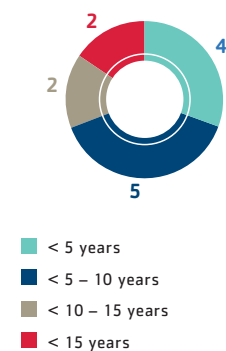
DIRECTOR CLASSIFICATION



GENDER DIVERSITY



DIRECTOR TENURE



REMUNERATION REPORT

Section 1: Chairman's statement

The Group has delivered solid progress against its strategic long-term plan, under the leadership of Richard Brasher and his senior management team. The business has improved its profit margin, strengthened its balance sheet and delivered compound annual growth in headline earnings per share of 24% over the past four years. The Group has invested more in skills development and training, improved its staff engagement and performance management, created more diversity in the workplace and continued to play an important role in job creation in South Africa.



Hugh Herman
Chairman: remuneration committee

The Group's long-term plan is organised around seven key business acceleration pillars, one of which sets out the plan for building a winning team. This recognises the pivotal role the Pick n Pay team will play in the effective execution of Group strategy and ultimately in the long-term sustainable success of Pick n Pay. The Group's remuneration philosophy and underlying policies support its ambition to build the most skilled and talented South African retail business, and is aimed at attracting, retaining and motivating employees, while aligning remuneration with shareholder interests and best practice.

The tough consumer environment has put increasing pressure on sales volumes. The team delivered positive profit growth in this tough environment, strengthening the trading profit margin from 2.1% of turnover to 2.3%, with headline earnings per share up 18.0% year-on-year. However, the 2017 financial result fell short of certain key internal performance indicators set for the team, particularly in respect of turnover growth and working capital targets. Accordingly, the remuneration committee has not awarded a short-term bonus to its senior group executive team this year. Discretionary bonuses have been awarded to key members of staff at lower levels of management in recognition of progress delivered during a more challenging year.

In addition to the short-term bonus decision, other key considerations for the remuneration committee during the year included:

- The third allocation of shares to senior management in terms of the Group's forfeitable share plan in August 2016
- Setting the remuneration packages of new key senior executives in line with market-related benefits
- Agreeing the overall salary increase for all personnel
- Ongoing talent management and succession planning

A highlight of the year was the securing of a three-year wage agreement with the Group's main labour partner. This demonstrated a commitment from both sides to establish a fair and competitive long-term wage rate for members, and to secure improvements in productivity, efficiency and flexibility to assure the long-term success of the Group. The agreement introduced a new starting level category of staff, with basic pay linked to the Government's minimum pay levels, clear progression in terms of annual increases and a comprehensive package of additional benefits. The agreement also introduced a minimum guarantee of 85 hours work per month for all employees, bringing an end to the insecurity of zero-hour contracts. The Group is confident of the opportunity to reduce labour costs as a percentage of sales over time, while providing employees with the dignity of a living wage, competitive benefits and certainty of work.

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

It gives us enormous pride to have contributed so substantially to long-term wealth creation for employees. The success of the Group's employee share incentive schemes and the value shared with employees is testament to the unique values of Pick n Pay and the positive role the Group has played as a significant employer in South Africa.

The Group created 4 500 new positions this year and is committed to creating quality jobs across South Africa and beyond. The modernisation of the Group is key to achieving this goal, and to ensure that our job creation is sustainable. Improvements in productivity and cost-effectiveness enable the Group to be more competitive, offer better value, attract more customers and grow its footprint sustainably. It is against this background that Pick n Pay finalised a voluntary severance programme (VSP) in May 2017. Participation in the scheme was entirely voluntary, and acceptance of

applications was at the Group's discretion. The programme enabled Pick n Pay to remove positions that were no longer required as a result of improved ways of working. By becoming more efficient and offering better value, the Group will sell more products and open more stores, creating more sustainable jobs in a strong and forward-looking business.

The remuneration committee is confident that the Group's remuneration policy achieved its stated objectives during the year. Senior management and staff have been remunerated fairly, commensurate with market best-practice, current achievements have been recognised and future performance incentivised in line with the objectives of the Group's long-term strategy and the interests of shareholders.

Sections 2 and 3 of the remuneration report (remuneration policy and the implementation thereof) will be tabled at the Group's 2017 AGM, on 31 July 2017 for a separate, non-binding advisory vote by shareholders.

The directors' fees for the 2017 financial period were approved by shareholders at the AGM held on 25 July 2016.

The shareholder votes received in respect of the directors' fees and remuneration report were as follows:

	FOR	AGAINST	ABSTAIN
Advisory vote	364 370 069	66 439 442	2 821 397
Remuneration report for the 2016 annual financial period	84.6%	15.4%	0.6%
Special resolution number 1	401 468 892	29 340 619	2 821 397
Directors' fees for the 2017 and 2018 annual financial periods	93.2%	6.8%	0.6%

The proposed directors' fees for the 2018 financial period will be submitted to shareholders for approval at the AGM to be held on 31 July 2017. Please refer to page 100 for further information.

Future areas of focus for the remuneration committee include talent management, succession planning and appropriate and effective long-term incentives to retain key skill over the long term. The remuneration committee looks forward to 2018, and is optimistic of the positive role Pick n Pay will play in the lives of its employees, and more broadly across all the communities it serves.

Hugh Herman

Chairman: remuneration committee

23 June 2017

REMUNERATION REPORT continued

Section 2: Overview of remuneration policy

ALIGNMENT WITH STRATEGIC OBJECTIVES

The Group’s remuneration philosophy reflects the following principles:

Meritocracy – staff are recognised and advanced based on merit

Most talented SA retail business – we will attract, retain and develop the most talented staff in the retail industry

Effective lean organisation structure – we will create and reward a culture of productivity and efficiency

Diversity management – we will offer equal opportunities to people from all walks of life, and our team will reflect the communities we serve

Underlying remuneration policies support the development and retention of top talent, while attracting critical skills and experience in the retail industry:

- Remuneration at all levels is benchmarked against the remuneration policies and practices of comparable companies (both locally and internationally) to ensure that it is fair and reasonable, and key or scarce skills are remunerated in the upper quartile
- An independent expert assists the remuneration committee with benchmarking

- Remuneration is balanced between fixed remuneration and variable short-term and long-term incentives – applying a higher proportion of variable remuneration to senior management to drive performance, and placing a greater emphasis on fixed pay for middle and junior management
- Compliance with all applicable legislation
- Non-executive directors do not receive remuneration or incentive awards related to share price or corporate performance

The Group rewards employees for their individual contribution to the Group’s strategic, operating and financial performance:

- The Group remuneration philosophy and underlying policies are aligned with the long-term strategic objectives of the Group, as set out in Stage 2 of the long-term turnaround plan
- Short-term and long-term incentives are linked to the achievement of key performance targets, and will contribute to building a winning team and long-term, sustainable value creation in the business

STAGE 1

STABILISE THE BUSINESS 

STAGE 2

CHANGE THE TRAJECTORY

OBJECTIVES • Sales growth • Operating efficiency • Margin improvement

- 1 **Better for customers**
- 2 **A flexible and winning estate**
- 3 **Efficient and effective operations**
- 4 **Every product, every day**
- 5 **A winning team**
- 6 **Boxer – a national brand**
- 7 **Rest of Africa – a second engine of growth**

PERFORMANCE TARGETS include:

- Turnover growth
- Increased profit before tax and exceptional items (PBTAE)
- Improved profit margins
- Improved cost ratios, expressed as a percentage of turnover
- Stronger working capital management, specifically reduced days stock on hand

SHORT-TERM AND LONG-TERM VARIABLE INCENTIVES

STAGE 3

SUSTAINABLE LONG-TERM GROWTH

The remuneration committee assists the Board in meeting its responsibility for setting and administering appropriate remuneration policies which are in the best long-term interests of the Group, and are aligned with the Group's long-term strategic objectives. The committee considers and recommends remuneration policies for all levels of staff in the Group, with a particular focus on executive directors, senior management and non-executive directors. The remuneration committee meets at least twice a year, is chaired by an independent non-executive director and comprises only non-executive directors. The committee operates in terms of a Board-approved charter, which is reviewed annually by the Board.

The composition of the remuneration committee and meeting attendance is as follows:

Director	Attendance
Hugh Herman (Chairman)	2/2
Gareth Ackerman	2/2
Audrey Mothupi*	2/2
Jeff van Rooyen*	2/2

* Audrey Mothupi and Jeff van Rooyen were appointed to the remuneration committee in April 2016, to replace John Gildersleeve and Ben van der Ross who retired during the 2016 financial year.

OBJECTIVES AND ACTIVITIES 2017

- Reviewed the Group's remuneration philosophy and underlying policies to ensure alignment with the strategic objectives of the Group, and best practice in the market.
- Determined the remuneration packages of executive directors and reviewed the remuneration packages of senior management and key employees.
- Proposed fees for non-executive directors, for shareholder approval.
- Reviewed and approved performance-related short-term incentives as well as long-term share-based incentives.
- Determined the overall salary increase for salaried staff across the Group.
- Reviewed the principle and manner in which staff are rewarded for long service, with a view to modernising the benefits in a meaningful and relevant manner.
- Considered talent management and succession planning.

REMUNERATION STRUCTURE: EXECUTIVE DIRECTORS AND EMPLOYEES

Remuneration structure

- Fixed base salary and benefits
- Short-term variable incentives
- Long-term variable incentives

Remuneration objectives

- To ensure employees are fairly awarded for services rendered
- To recognise and reward outstanding individual performance
- To incentivise employees to meet short-term and long-term strategic objectives
- To encourage employees to grow and remain with the Group over the long term

1. FIXED BASED SALARY AND BENEFITS

EMPLOYEES		SALARY		FIXED BENEFITS				
GRADES	CATEGORY	FIXED BASE	13TH CHEQUE	RETIREMENT FUNDING	MEDICAL AID	MOTOR VEHICLE BENEFIT	LOW-INTEREST LOANS	LEAVE
A & B	Senior management	✓	-	✓	✓	✓	✓	✓
C & D	Middle management	✓	✓	✓	✓	✓	✓	✓
E & F	Junior management	✓	✓	✓	✓	-	✓	✓
G	Entry level, clerical and administration	✓	✓	✓	✓	-	✓	✓
NMBU	Permanent staff with non-management bargaining unit	✓	✓	✓	✓	-	✓	✓

REMUNERATION REPORT continued

FIXED BASE SALARY

Remuneration reflects the relative skill, experience, contribution and performance of the individual. Base salary is set at levels that are competitive with the rest of the market so that the Group can attract, motivate and retain the right calibre of people to achieve the Group's strategic business objectives. Remuneration is directly linked to annual performance assessments. Annual increases in base salary are determined with reference to the scope of the employee's role, the competence and performance of the employee, the projected consumer price index and comparable increases in the general and retail market.

FIXED BENEFITS

13th cheque

A 13th cheque is paid to qualifying employees in November each year. Variable-time employees³ participate based on the average number of hours worked in a month. Employees must have been in the employ of the Group for at least three months to be eligible to receive this benefit.

Retirement funding

It is a condition of employment that all employees, including variable-time employees³, are required to join one of the retirement funds provided by the Group. The Group contributes up to 8.7% of the individual employee's salary towards retirement funding, depending on the fund and the terms and conditions of employment.

Medical aid

Medical aid provisions are in place for all full-time¹, part-time² and variable-time employees³. The Group provides a number of medical aid schemes and membership is compulsory for all Pick n Pay employees on G-grade and above, unless they are covered by a third-party medical aid. Membership of the medical aids provided is optional for NMBU⁴ employees. The Group contributes 50% of the medical aid contributions on behalf of employees.

The Group is committed to furthering the economic empowerment and wellbeing of its employees and as such, the provision of retirement and medical benefits to staff is a key part of the remuneration policy.

Motor vehicle benefit

Certain employees in middle management and above are entitled to a motor vehicle benefit. Depending on the requirements of their role, it may be in the form of a travel allowance or provision of a company car. This benefit may include payment of maintenance, fuel and insurance.

Low-interest loans

All employees have access to low-interest loans from the Group. The primary objective of this benefit is to assist employees with the acquisition of residential property. Loan values are capped at varying amounts, depending on the employee's position in the Group. Affordability tests are performed before any loan is granted, to ensure the employee does not experience financial strain. All housing loans are secured by the employee's retirement funding. No financial assistance is provided to assist employees to buy shares in the Group. For further details please refer to note 15 of the 2017 audited Group annual financial statements where employee loans are disclosed.

Leave

Annual leave accumulates from the date of starting employment for all employees and varies between three and four weeks per annum depending on the terms, conditions and length of employment. Variable-time employees³ accumulate leave based on ordinary hours worked. The Group recognises long service with an additional allocation of leave, depending on the terms and conditions of employment, at five-year intervals. The Group also provides family responsibility and religious leave, where applicable.

Long-service awards

The Group has replaced its long-service share option scheme with a long-service cash award scheme where employees can redeem their award in Pick n Pay stores.

1. Full-time employees have a fixed contract with the Group and work either 40 or 45 hours per week
2. Part-time employees have a fixed contract with the Group and work a maximum of 25 hours per week
3. Variable time employees have a variable contract with the Group, which guarantees either 85 hours per month, or a maximum of 40 hours per week
4. NMBU refers to our non-management bargaining unit

2. SHORT-TERM AND LONG-TERM VARIABLE INCENTIVES

EMPLOYEES		SHORT-TERM	LONG-TERM			
GRADES	CATEGORY	INCENTIVE BONUS	STATUS	PERFORMANCE	RETENTION AND BINARY	FORFEITABLE SHARES
A & B	Senior management	✓	✓	✓	✓	✓
C & D	Middle management	✓	✓	✓	✓	-
E & F	Junior management	-	✓	-	-	-
G	Entry level, clerical and administration	-	-	-	-	-
NMBU	Permanent staff with non-management bargaining unit	-	-	-	-	-

SHORT-TERM VARIABLE INCENTIVE

The short-term incentive bonus is discretionary and is linked to the achievement of targets based on profit before tax and exceptional items (PBTAΕ), as set by the remuneration committee. Please refer to the five-year review on page 77 for further detail on the calculation of PBTAΕ. The bonus pool is self-funding and is created after the achievement of pre-defined targets, inclusive of the value of the incentive. The bonus pool increases in value as threshold, target or stretch targets are attained. Bonuses are paid as a multiple of basic monthly salary. Each individual's share of the bonus pool is dependent on the overall Group target being reached and on their own individual performance, as measured through the Group's annual performance appraisal process.

Bonuses are capped at the following multiples:

GRADES	CATEGORY	BONUS CAP
A	CEO	24 x basic monthly salary
A	Group Executive	12 x basic monthly salary
B	Senior management	6 x basic monthly salary
C & D	Middle management	4 x basic monthly salary

All bonuses paid are subject to approval by the remuneration committee and no bonuses are paid if the Group's PBTAΕ threshold target is not met. The bonus paid to middle management is reduced by the value of the fixed 13th cheque which is paid annually in November.

Other, more frequent incentive bonuses are paid to qualifying staff at store level. These incentives are linked directly to short-term store performance targets, including turnover, stockholdings, and shortages and waste.

LONG-TERM VARIABLE INCENTIVES

It is Group policy to maintain a broad-based share option scheme for employees. This is an integral part of our remuneration philosophy and ensures that the interests of staff are aligned with those of shareholders. It gives all levels of management the opportunity to acquire shares in the Group, affording them the opportunity for economic upliftment, and encourages employee retention. It is a key differentiator between the Group and other retail employers in South Africa.

The Group operates two share incentive schemes for the benefit of its employees:

1. The 1997 Employee Share Option Scheme; and
2. The forfeitable share plan (FSP).

Funding of share plans and dilutions

Shareholders have authorised the Board to utilise up to 63 892 444 shares of Pick n Pay Stores Limited for the purpose of managing the Group's share schemes. Both the Group's share schemes fall within this limit which means the aggregate number of shares that can be awarded under both schemes cannot exceed the authorised limits.

The two share schemes are further constrained by an aggregate limit of 5% of the issued share capital of Pick n Pay Stores Limited, in respect of the amount of new

shares that can be issued to cover obligations under the employee share schemes. The Group has cumulatively issued 10.7 million shares in the past and is therefore able to issue a further 13.7 million shares or 2.8% of its issued share capital to fund future obligations under the share schemes. Please refer to note 5 of the 2017 audited Group annual financial statements for further details of the outstanding options and limits available under the schemes.

The 1997 Employee Share Option Scheme

The Group operates the 1997 Employee Share Option Scheme (the scheme) to facilitate broad employee share ownership, foster trust and loyalty among employees and reward performance. The scheme incentivises management and employees by providing them with an opportunity to acquire shares in the Group, thereby aligning interests with shareholders and encouraging employee retention. Furthermore, binary share options incentivise senior management to achieve specified market-related performance targets.

During the 2017 financial year, 3.4 million Pick n Pay Stores Limited (PIK) options were issued to employees in respect of their progress and performance. A total of 32.1 million PIK share options were held by employees at year-end, amounting to 6.6% of shares in issue. Please refer to note 5 of the 2017 audited Group annual financial statements for further information.

Status share options – service conditions attached

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

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

There are no other performance conditions attached to these share options. Vesting is only dependent on the employee remaining in the employ of the Group over the specified vesting period. If the employee leaves the employ of the Group before the end of a vesting period, unvested share options lapse.

Performance share options – service conditions attached

Middle management employees may be eligible for performance "top-up" share options, in recognition of their individual performance and contribution to the Group. These options vest in the same manner as status share options.

Retention share options – extended service conditions attached

These share options specifically encourage the retention of key individuals and have varying vesting periods that can be up to 10 years.

REMUNERATION REPORT continued

Binary share options – service and performance conditions attached

Binary share options are granted to employees in senior management positions. 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. Should further performance hurdles be achieved, discounted grant prices may apply. If the initial eligibility hurdle is not met, the options are forfeited.

(a) Binary share options issued to deputy CEO Richard van Rensburg

In October 2011, 400 000 binary share options were issued to deputy CEO Richard van Rensburg. The binary share options were issued at a grant price of R36.55, under the following terms:

If the 20-day VWAP up to and including 23 May 2016 was R73.11 or greater, the options could be exercised at the full grant price of R36.55. Should this 20-day VWAP be less than R73.11, then the options would lapse. Thereafter, if further performance hurdles were met, discounted grant prices would apply on exercise.

The salient features of the issue are summarised below:

Hurdles	Share price May 2016	Annual compound growth rate	Exercise price May 2016
Eligibility hurdle	R73.11	16%	R36.55
Performance hurdle 1	R93.07	23%	R18.28
Performance hurdle 2	R121.56	30%	R1.00

The 20-day VWAP up to and including 23 May 2016 was R73.79. As such the eligibility hurdle was met and the binary share options vested. Richard van Rensburg took up these shares at the grant price of R36.55, and elected to sell.

(b) Binary share options issued to CEO Richard Brasher

In November 2012, 1 000 000 binary share options were issued to Richard Brasher on his appointment as CEO. The binary share options were issued at a grant price of R42.24.

If the 20-day VWAP up to 14 November 2017 is R68.03 or greater, the options can be exercised at the full grant price of R42.24. Should this 20-day VWAP be less than R68.03, then the options will lapse. Thereafter, if performance hurdles are met, discounted grant prices will apply on exercise.

The salient features are summarised below:

Hurdles	Share price November 2017	Annual compound growth rate	Exercise price November 2017
Eligibility hurdle	R68.03	10%	R42.24
Performance hurdle 1	R84.96	15%	R21.12
Performance hurdle 2	R128.91	25%	R1.00

In addition to the terms above, if the 20-day VWAP up to 14 November 2017 is between R105.11 and R128.90 (representing an annual compound growth rate of 20% in the 20-day VWAP share price from grant date), a cash bonus of R10.6 million will be paid.

The future net realisable value of all outstanding share options for all participating Group employees:

	Average grant price 2017 R	52 weeks 26 February 2017 Number of options 000's	Net realisable value Rm
Outstanding share options may be taken up during this following financial periods:			
Year			
2018	32.78	17 249.6	405.7
2019	40.72	5 255.9	81.9
2020	42.05	3 518.5	50.1
2021	54.19	2 315.9	4.9
2022 and after	59.18	3 786.5	–
		32 126.4	542.6

The net realisable value of outstanding share options was calculated using the prevailing market share price at the time of publication of R56.30 less the average grant price. Binary share options include performance hurdles that, if met, trigger discounted grant prices.

The forfeitable share plan (FSP)

The FSP recognises those key employees who have a significant role to play in delivering Group strategy and ensuring the growth and sustainability of the business in the future. The award of shares under the FSP recognises the valuable contribution of qualifying employees, and through the attachment of performance conditions, incentivises these employees to deliver earnings growth in the future. An award of shares may also be used to attract talented prospective employees.

An important feature of the FSP is that before employees are eligible to participate, they must first meet their annual individual key performance indicators, as set out in the strategic long-term plan. If an employee does not meet his or her individual performance targets and therefore is not awarded a short-term incentive bonus, the employee will not be eligible to receive an award of forfeitable shares.

The participant becomes the beneficial owner of the forfeitable shares on the date of the award. Beneficial ownership affords the employee full shareholder voting rights and full rights to any dividends declared.

The shares are held by a Central Securities Depository Participant (CSDP) on behalf of the employee during the time of the vesting period and the employee will not be able to dispose of the shares before the vesting date. If the employee leaves the employ of the Group before the completion of the vesting period (other than on normal retirement, disability or death) all shares will be forfeited.

The remuneration committee awards shares to participants. The actual number of shares awarded takes into account

recognised market benchmarks, as well as each participant's individual performance, annual salary, employment grade and other relevant retention and attraction requirements. The performance conditions are linked to the financial performance of the Group, with headline earnings per share (HEPS) the preferred performance measure. Performance conditions are applied on a linear, rising scale, allowing for the vesting of an increasing number of shares, as earnings thresholds are met and exceeded.

It is important to note that all the growth thresholds detailed above are after recognising the applicable IFRS 2 expense, which is charged to the income statement over the vesting term of the forfeitable shares. The scheme is therefore self-funding.

To ensure the FSP is aligned with the best interests of the Group and its shareholders, the performance conditions are subject to an overriding condition that Pick n Pay's return on capital employed (ROCE) must be greater than its weighted average cost of capital (WACC) over the vesting period, before any FSP shares are allowed to vest. This is to ensure that the Group has generated a real return for shareholders before rewarding its management team.

There have been three share issues under the FSP:

FSP 1

The debut FSP share issue took place in August 2014 and was funded through a fresh issue of 6.9 million PIK shares. There have been some forfeitures in terms of the scheme and currently 6.4 million shares are held by a CSDP on behalf of 134 participants.

The following performance conditions apply for FSP 1:

52 WEEKS TO 2 MARCH 2014 BASELINE HEPS cents	THREE-YEAR COMPOUND ANNUAL GROWTH RATE %	52 WEEKS TO 26 FEBRUARY 2017 HEPS cents	PORTION OF SHARES WHICH VEST %	NUMBER OF SHARES WHICH VEST 000's	NET REALISABLE VALUE* Rm
138.51	< 10%	< 184.36	All forfeited	–	–
138.51	10%	184.36	30%	1 927.5	108.5
138.51	12%	194.60	65%	4 176.3	235.1
138.51	15%	210.66	100%	6 425.0	361.7

* The net realisable value of outstanding FSP shares was calculated using the prevailing market share price at the time of publication of R56.30.

The Group delivered HEPS growth of 18.0% in 2017 to 264.35 cents per share, with cumulative HEPS growth over the last three years of 24.0%. The stretch HEPS growth target has been met. The total number of outstanding FSP 1 shares will fully vest in August 2017, provided that the three-year service requirement is met.

REMUNERATION REPORT continued

FSP 2

The second FSP share issue took place in August 2015 and was funded through a fresh issue of 1.1 million PIK shares and available treasury shares. A total of 1.2 million shares are currently held by a CSDP on behalf of 107 participants.

The following performance conditions apply for FSP 2:

52 WEEKS TO 1 MARCH 2015 BASELINE HEPS cents	THREE-YEAR COMPOUND ANNUAL GROWTH RATE %	52 WEEKS TO 25 FEBRUARY 2018 HEPS cents	PORTION OF SHARES WHICH VEST %	NUMBER OF SHARES WHICH VEST 000's	NET REALISABLE VALUE* Rm
177.26	< 10%	< 235.93	All forfeited	–	–
177.26	10%	235.93	30%	350.4	19.7
177.26	11%	242.43	65%	759.2	42.7
177.26	12%	249.04	100%	1 168.0	65.8

* The net realisable value of outstanding FSP shares was calculated using the prevailing market share price at the time of publication of R56.30.

The strong compound annual growth in HEPS of 22% over the past two years has put the Group in a strong position to deliver the FSP 2 shares to participants in 2018.

FSP 3

The third FSP share issue took place in August 2016 and was funded partly through treasury shares held by the Group and partly through open market purchases. A total of 1.7 million shares are held by a CSDP on behalf of 117 participants.

The following performance conditions apply for FSP 3:

52 WEEKS TO 28 FEBRUARY 2016 BASELINE HEPS cents	THREE-YEAR COMPOUND ANNUAL GROWTH RATE %	52 WEEKS TO 3 MARCH 2019 HEPS cents	PORTION OF SHARES WHICH VEST %	NUMBER OF SHARES WHICH VEST 000's	NET REALISABLE VALUE* Rm
224.04	< 10%	< 298.20	All forfeited	–	–
224.04	10%	298.20	30%	523.1	29.5
224.04	12%	314.76	65%	1 133.3	63.8
224.04	14%	331.92	100%	1 743.5	98.2

* The net realisable value of outstanding FSP shares was calculated using the prevailing market share price at the time of publication of R56.30.

3. SERVICE CONTRACTS

Executive directors and senior management are employed in terms of the Group's standard contract of employment and are only employed under fixed-term contracts under specific circumstances. Senior management are required to give a reasonable notice period of their intention to terminate their services, which varies from one to 12 calendar months. The retirement age of the Group is 60 years, which applies to all employees. Employment contracts do not provide for any exceptional benefits or compensation on the termination of employment. Certain managers who are considered key in carrying out the Group's strategy are subject to contractual restraint of trade provisions and discretionary termination or restraint of trade payments may be made in this regard.

The Group's Chief Finance Officer, Bakar Jakoet, has reached retirement age and is now employed by the Group under a fixed-term contract. The terms of the contract dictate a notice period of at least 12 months.

REMUNERATION STRUCTURE: NON-EXECUTIVE DIRECTORS

In respect of non-executive directors, the remuneration committee proposes fees to be paid for the membership of the Board and Board committees. Such fees are market-related, commensurate with the time required for directors to undertake their duties, and must be approved by the Board and shareholders. Approved fees are set for the annual financial period, please refer to page 100 for more detail on the proposed fees for 2018. Fees are not subject to attendance at meetings as attendance at Board meetings is generally good.

Remuneration is not linked to the performance of the Group or the Group's share performance. Non-executive directors do not receive performance-related bonuses and are not granted any share awards.

When non-executive directors provide additional consultancy services to the Board and its committees the related fees are determined and approved by the remuneration committee on an *ad hoc* basis, taking into account the nature and scope of the services rendered.

Section 3: Implementation of remuneration policy

WORK PERFORMED AND DECISIONS TAKEN BY REMUNERATION COMMITTEE

The main items considered and approved by the remuneration committee during the 2017 financial period were as follows:

Executive director remuneration benchmarking, including a review of all benefits provided

The remuneration committee reviewed the fixed remuneration of executive directors, including all benefits, to ensure alignment with the Group's strategic objectives and best practice in the market. The remuneration is considered fair and competitive against market benchmarks and the role and performance of each individual executive director.

Reviewing and setting the annual compensation for the CEO

In setting Richard Brasher's annual base salary at R8.9 million, the remuneration committee considered his extensive experience in the retail industry and the progress he has delivered against the Group's long-term strategic plan. The Group has delivered strong and consistent profit growth over the last four years under Richard's stewardship. The remuneration committee benchmarked Richard's base salary against similar-sized South African companies and his salary is considered fair in relation to the market, his expertise and his contribution to date.

Annual increases in fixed remuneration for executive directors

The increase in total fixed base salary and benefits paid to executive directors is 6.7%, against an average for the Group of 7.0%, excluding employees governed by a labour union agreement (NMBU). The average annual increase for NMBU employees was between 7.0% and 8.0%. Increases are determined after detailed performance reviews undertaken in April each year. Annual increases are determined with reference to the scope of executives' roles, their performance against key performance indicators, as well as comparable increases in the general and retail market and the projected consumer price index.

Determining an appropriate short-term incentive bonus, and the reasonable allocation thereof to executive directors and qualifying employees

The remuneration committee sets annual performance targets (threshold, target and stretch) that must be achieved before a short-term incentive bonus will be payable. The targets are based on profit before tax and exceptional items (PBTA), which is inclusive of the cost of the short-term incentive.

The Group delivered PBTA of R1 761.5 million, a 17.0% increase on the prior period. This exceeds the remuneration committee's threshold target of 10.0%, but was short of its target and stretch ambitions of 20.0% and 25.0% respectively. The quantum of the bonus pool is at the discretion of the remuneration committee and is informed by the overall performance of the Group and the personal performances of the individual senior managers. While the target PBTA was met, the 2017 financial result fell short of certain key internal performance indicators set for the team, particularly in respect of turnover growth and working capital targets. The remuneration committee therefore elected not to award a short-term bonus to its senior management team. Discretionary bonuses have been awarded to key members of staff at lower levels of management in recognition of progress delivered during a more challenging year.

The remuneration committee has set new and appropriate targets for the 2018 financial period.

Reviewing the Group's long-term share option incentive scheme, its alignment to long-term strategy and allocations to executive directors

The remuneration committee undertook a detailed review of all the share options held by the executive directors, including all the service and performance conditions attached. No new share options were granted to executive directors during the year.

Reviewing the Group's forfeitable share plan – setting appropriate performance conditions and allocating forfeitable shares to executive directors and qualifying senior management

The remuneration committee set the financial performance conditions to be attached to the third issue under the Group's forfeitable share plan and agreed on the 117 participants and the level at which each would participate, with particular focus on the allocations to executive directors.

For further information refer to pages 97 and 98 of this report.

REMUNERATION REPORT continued

Reviewing and recommending non-executive directors' fees for the 2018 financial period, for final approval by shareholders at the AGM

Fees (excluding value added tax) for the current and proposed periods are as follows:

	Proposed 2018 R	Actual 2017 R	% change
Chairman of the Board	4 187 000	3 913 000	7.0
Lead independent non-executive director of the Board	130 000	122 000	6.6
Non-executive director of the Board	390 000	364 000	7.1
Chairman of the audit, risk and compliance committee	321 000	300 000	7.0
Member of the audit, risk and compliance committee	130 000	122 000	6.6
Chairman of the remuneration committee	171 000	160 000	6.9
Member of the remuneration committee	85 000	80 000	6.3
Member of the nominations committee ¹	80 000	75 000	6.6
Member of the social and ethics committee ²	85 000	80 000	6.3
Chairman of the corporate finance committee ³	182 000	170 000	7.1
Member of the corporate finance committee ³	123 000	115 000	7.0
Trustee of the employee share purchase trust	38 000	35 500	7.0

1. The chairman of the nominations committee is the Chairman of the Board and does not receive an additional fee for chairing this committee.

2. The chairman of the social and ethics committee is an executive director and does not receive an additional fee for chairing this committee.

3. The corporate finance committee is an ad hoc committee. The fees payable are determined in relation to the number of meetings held during the financial period, but will not be more than the annual proposed fee. Two formal meetings were held during the 2017 financial period.

Reviewing and recommending to the Board the overall compensation for the Chairman, for final approval by shareholders at the AGM

In setting the Chairman's proposed annual fee of R4.2 million, the remuneration committee (Gareth Ackerman recused himself from discussion) considered the active role he plays in the corporate governance of the Group and in formulating overarching strategy for the individual companies within the Group. Gareth does not play a day-to-day role in the executive management and administration of the business, but does make himself available to the executive team in an advisory capacity.

Reviewing and approving of the Group's remuneration policy and report

This report and the recommendations of the remuneration committee have been approved by the Board and will be submitted to shareholders for consideration at the annual general meeting to be held on 31 July 2017.

PAYMENTS, ACCRUALS AND AWARDS TO EXECUTIVE DIRECTORS

The Board is wholly responsible for the formulation, development and effective execution of Group strategy.

In turn, the Board delegates operational strategy implementation and general executive management of the business to its executive directors. As such, in terms of section 38 of the Companies Act 2008, the executive directors are identified as prescribed officers, and their remuneration is detailed in the table opposite.

The remuneration committee does not target an optimum level of fixed versus variable remuneration, although the scope and breadth of the strategic role performed by each executive director is considered when allocating long-term incentive share awards. The remuneration committee is in the process of developing formal guidelines in this regard.

Total fixed benefits include payments made and costs accrued in the current year, and variable incentives include the related cost of share awards issued in current and prior periods.

Total remuneration of executive directors

	Fees for board meetings R'000	Base salary [†] R'000	Retirement and medical contributions [†] R'000	Fringe and other benefits R'000	Total fixed remuneration R'000	Short-term annual bonus [^] R'000	Total remuneration R'000	Long-term share awards expense [#] R'000
2017								
Executive directors								
Richard Brasher	1.5	8 945.9	781.7	302.7	10 031.8	–	10 031.8	23 754.3
Richard van Rensburg	1.5	4 027.2	350.1	328.2	4 707.0	–	4 707.0	6 794.1
Bakar Jakoet	1.5	3 892.7	587.1	324.2	4 805.5	–	4 805.5	6 001.0
Suzanne Ackerman-Berman	1.5	2 508.0	224.9	276.6	3 011.0	–	3 011.0	3 569.4
Jonathan Ackerman	1.5	2 282.7	401.7	282.7	2 968.6	–	2 968.6	3 560.8
Total remuneration	7.5	21 656.5	2 345.5	1 514.4	25 523.9	–	25 523.9	43 679.6
2016								
Executive directors								
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	7.5	19 228.4	3 234.0	1 442.1	23 912.0	23 400.0	47 312.0	40 229.5

[^] No short-term annual bonus was paid to executive directors in respect of the 2017 financial year. Refer to page 99 for more detail.

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

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

Total remuneration of non-executive directors

	Directors' fees R'000	Lead director R'000	Audit committee R'000	Remuneration committee R'000	Nomina- tions committee R'000	Corporate finance committee R'000	Social and ethics committee R'000	Employee share trust R'000	Total R'000
2017									
Non-executive directors									
Gareth Ackerman	3 913.0	–	–	–	–	–	–	–	3 913.0
David Friedland	364.0	–	122.0	–	75.0	115.0	–	–	676.0
Hugh Herman	364.0	122.0	122.0	160.0	–	115.0	–	35.5	918.5
Alex Mathole*	125.0	–	–	–	–	–	–	–	125.0
Audrey Mthupi	364.0	–	122.0	80.0	–	115.0	–	35.5	716.5
Lorato Phalatse	364.0	–	–	–	75.0	115.0	80.0	–	634.0
David Robins	364.0	–	–	–	–	–	–	–	364.0
Jeff van Rooyen	364.0	–	300.0	80.0	–	170.0	–	35.5	949.5
Total remuneration	6 222.0	122.0	666.0	320.0	150.0	630.0	80.0	106.5	8 296.5
2016									
Non-executive directors									
Gareth Ackerman	3 657.0	–	–	–	–	–	–	–	3 657.0
David Friedland***	340.0	–	–	–	70.0	107.0	–	–	517.0
John Gildersleeve****	340.0	–	–	75.0	–	107.0	–	–	522.0
Hugh Herman	340.0	114.0	114.0	150.0	–	107.0	–	33.0	858.0
Audrey Mthupi	340.0	–	114.0	–	–	107.0	–	–	561.0
Lorato Phalatse	340.0	–	–	–	70.0	107.0	75.0	–	592.0
David Robins	340.0	–	–	–	–	–	–	–	340.0
Jeff van Rooyen	340.0	–	280.0	–	–	160.0	–	–	780.0
Ben van der Ross**	170.0	–	57.0	37.5	35.0	–	–	16.5	316.0
Total remuneration	6 207.0	114.0	565.0	262.5	175.0	695.0	75.0	49.5	8 143.0

* Alex Mathole was appointed on 24 October 2016.

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

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

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

REMUNERATION REPORT continued

Share awards granted to executive directors

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

* The exercising of these binary options is subject to specific performance criteria relating to the growth of the Company's share price over the term of the option. If the share price performance criteria are not met, the options are forfeited. Refer to page 96 for more detail.

** The exercising of these binary options were subject to specific performance criteria relating to the Company's share price over the term of the option which were met during the period under review. Refer to page 96 for more detail.

*** As part of the unbundling of the Pick n Pay Holdings Limited RF Group, existing share options in Pick n Pay Holdings Limited RF shares were cancelled and replaced with share options in Pick n Pay Stores Limited shares. Refer to note 27 of the 2017 audited Group annual financial statements for more information.

Directors' interest in Pick n Pay Stores Limited ordinary shares

	How held*	Balance held at 28 February 2016	Additions/ (disposals) during the period	Shares transferred on unbundling ***	Balance held at 26 February 2017*	Beneficial/ non-beneficial interest
2017						
Gareth Ackerman	Direct	43	–	266	309	Beneficial
	Indirect	–	23 467	1 629 733	1 653 200	Beneficial
	Indirect	–	–	19 762	19 762	Non-beneficial
Ackerman Investment Holdings Proprietary Limited**	Indirect	–	–	124 677 238	124 677 238	Non-beneficial
Richard Brasher	Direct – FSP	1 020 000	230 000	–	1 250 000	Beneficial
Richard van Rensburg	Direct	–	–	41 439	41 439	Beneficial
	Direct – FSP	285 000	45 000	–	330 000	Beneficial
Bakar Jakoet	Direct	500 000	–	121 880	621 880	Beneficial
	Direct – FSP	285 000	45 000	–	330 000	Beneficial
	Indirect	530	–	12 529	13 059	Non-beneficial
Suzanne Ackerman-Berman	Direct	2 500	–	118 028	120 528	Beneficial
	Direct – FSP	170 000	25 000	–	195 000	Beneficial
	Indirect	4 651	–	467 576	472 227	Beneficial
Jonathan Ackerman	Direct	43	–	122 845	122 888	Beneficial
	Direct – FSP	170 000	25 000	–	195 000	Beneficial
	Indirect	–	–	573 061	573 061	Beneficial
	Indirect	–	–	11 039	11 039	Non-beneficial
Jeff van Rooyen	Direct	3 800	(3 800)	–	–	Beneficial
David Friedland	Direct	–	–	31 688	31 688	Beneficial
David Robins	Direct	–	–	975	975	Beneficial
	Indirect	–	–	93 276	93 276	Non-beneficial
Hugh Herman	Direct	–	749	29 251	30 000	Beneficial
	Indirect	–	–	256	256	Beneficial
Ackerman Pick n Pay Foundation****	Indirect	30 000	–	–	30 000	Non-beneficial
	Indirect	71 900	–	–	71 900	Non-beneficial
The Mistral Trust*****	Indirect	–	–	2 700 967	2 700 967	Non-beneficial

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

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

*** As part of the unbundling of the Pick n Pay Holdings Limited RF Group, shareholders of Pick n Pay Holdings Limited RF were granted a dividend in specie, made up of shares in Pick n Pay Stores Limited. Refer to note 27 of the 2017 audited Group annual financial statements for more information.

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

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

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

Directors' interest in Pick n Pay Stores Limited B shares

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

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

** As part of the unbundling of the Pick n Pay Holdings Limited RF Group, a new class of unlisted voting shares (B shares) in Pick n Pay Stores Limited was created (refer to note 19.2 of the 2017 audited Group annual financial statements). These shares were issued to existing controlling shareholders of Pick n Pay Holdings Limited RF so as to retain the control structure of the Group as before the unbundling. Refer to note 27 of the 2017 audited Group annual financial statements for more information.

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

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



106	Analysis of ordinary shareholders
107	Analysis of B shareholders
108	Shareholders' information
IBC	Corporate information

Shareholders' information



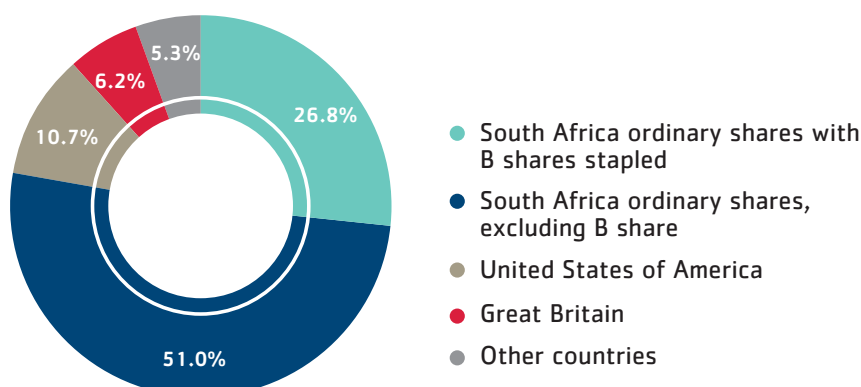
ANALYSIS OF ORDINARY SHAREHOLDERS

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

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

Beneficial shareholders holding 1% or more	Number of shares	%
Ackerman Investment Holdings Proprietary Limited	124 677 238	25.5
Public Investment Corporation Limited	52 565 398	10.8
Investment Solutions Limited	12 676 145	2.6
Coronation Balanced Plus Fund	12 299 195	2.5
Liberty Life Association of Africa Limited	10 478 081	2.2
Shares held on behalf of FSP participants	9 336 500	1.9
GIC Private Limited	6 832 440	1.4
Pick n Pay Employee Share Purchase Trust	6 378 353	1.3
Vanguard Emerging Markets Stock Index Fund	6 323 862	1.3
Genesis Emerging Markets Investment Company	5 986 099	1.2
Genesis Group Trust for Employee Benefit Plans	5 925 705	1.2

Geographical spread of shareholders



ANALYSIS OF B SHAREHOLDERS

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

Public/non – public shareholders	Number of shareholders	%	Number of shares	%
Non-public shareholders	6	23.1	258 054 887	99.4
Ackerman Investment Holdings Proprietary Limited	1	3.9	246 936 847	95.1
Directors	4	15.3	5 768 481	2.3
The Mistral Trust	1	3.9	5 349 559	2.1
Public shareholders	20	76.9	1 627 982	0.6
Total	26	100.0	259 682 869	100.0

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

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

All B shares are stapled to certain ordinary shares and are held within South Africa. Refer to note 5.2 of the extract from Group annual financial statements on page 75 for more detail.

SHAREHOLDERS' INFORMATION

ANNUAL GENERAL MEETING – 31 JULY 2017

The 49th annual general meeting of shareholders of Pick n Pay Stores Limited (AGM) will be held at the Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708 on Monday, 31 July 2017.

Registration for the AGM will commence at 08:00.

The minutes of the previous year's AGM held on 25 July 2016 are available on our Pick n Pay investor relations website at www.picknpayinvestor.co.za.

DIVIDENDS

Pick n Pay Stores Limited

JSE share code: PIK

ISIN code: ZAE000005443

	Number	Amount (cents)	Last day of trade	Date of payment
Interim	93	19.60	5 December 2014	15 December 2014
Final	94	98.50	5 June 2015	15 June 2015
Interim	95	24.20	4 December 2015	14 December 2015
Final	96	125.20	3 June 2016	13 June 2016
Interim	97	29.90	6 December 2016	12 December 2016
Final	98	146.40	6 June 2017	12 June 2017
Interim	99		5 December 2017*	11 December 2017*
Final	100		5 June 2018*	11 June 2018*

RESULT ANNOUNCEMENTS

Interim to 28 August 2016:	October 2016
Final to 26 February 2017:	April 2017
Interim to 27 August 2017:	October 2017*
Final to 25 February 2018:	April 2018*

PUBLICATION OF ANNUAL FINANCIAL STATEMENTS

2017	May 2017
2018	May 2018*

PUBLICATION OF INTEGRATED ANNUAL REPORT AND CORPORATE GOVERNANCE REPORT

2017	June 2017
2018	June 2018*

PUBLICATION OF SUSTAINABILITY REPORT

2017	June 2017
2019	June 2019*

* Estimated

CORPORATE INFORMATION

PICK N PAY STORES LIMITED

Registration number: 1968/008034/06
JSE share code: PIK
ISIN: ZAE000005443

BOARD OF DIRECTORS

Executive

Richard Brasher (CEO)
Richard van Rensburg (Deputy CEO)
Aboubakar (Bakar) Jakoet (CFO)
Suzanne Ackerman-Berman
Jonathan Ackerman

Non-executive

Gareth Ackerman (Chairman)
David Robins

Independent non-executive

Alex Mathole*
Audrey Mothupi
David Friedland
Jeff van Rooyen
Hugh Herman
Lorato Phalatse

REGISTERED OFFICE

Pick n Pay Office Park
101 Rosmead Avenue
Kenilworth
Cape Town 7708
Tel +27 21 658 1000
Fax +27 21 797 0314

Postal address

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Claremont
Cape Town 7735

REGISTRAR

Computershare Investor Services
Proprietary Limited
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Rosebank 2196

Tel +27 11 370 5000
Fax +27 11 688 5248

Postal address

PO Box 61051
Marshalltown 2107

* Appointed on 24 October 2016.

JSE LIMITED SPONSOR

Investec Bank Limited
100 Grayston Drive
Sandton 2196

AUDITORS

Ernst & Young Inc.

ATTORNEYS

Edward Nathan Sonnenberg

PRINCIPAL TRANSACTIONAL BANKERS

Absa Limited
First National Bank

COMPANY SECRETARY

Debra Muller
Email: demuller@pnp.co.za

PROMOTION OF ACCESS TO INFORMATION ACT

Information Officer – Penny Gerber
Email: pgerber@pnp.co.za

INVESTOR RELATIONS

David North
Email: dnorth@pnp.co.za
Kerry Becker
Email: kerrybecker@pnp.co.za

WEBSITE

Pick n Pay: www.picknpay.co.za
Investor relations: www.picknpayinvestor.co.za

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Email: customer@pnp.co.za

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www.picknpay.co.za

ENGAGE WITH US ON





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Fax +27 21 797 0314

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Website

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Investor relations

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