Pick n Pay Holdings Limited RF

Audited summary financial statements for the 2015 financial period

Pick n Pay Holdings Limited RF

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CHANGING THE TRAJECTORY

REVIEW OF OPERATIONS

Key financial indicators

	52 weeks 1 March 2015	52 weeks 2 March 2014	% change
Turnover	**R66.9 billion**	R63.1 billion	6.1
Gross profit margin	**17.8%**	17.5%	
Trading profit	**R1 238.6 million**	R1 008.1 million	22.9
Trading profit margin	**1.9%**	1.6%	
Profit before tax	**R1 203.7 million**	R830.9 million	44.9
Profit before tax margin	**1.8%**	1.3%	
Profit after tax	**R860.2 million**	R581.5 million	47.9
Basic earnings per share	**88.78 cents**	60.61 cents	46.5
Headline earnings per share	**88.01 cents**	68.83 cents	27.9
Total annual dividend per share	**57.25 cents**	44.30 cents	29.2

RESULT SUMMARY

Pick n Pay has delivered an improved financial performance for the 2015 financial year. Financial rigour over capital and operating spend, combined with action to strengthen the business for the long term, have driven headline earnings per share up 27.9% on last year.

This financial result marks an important staging post in Pick n Pay's strategic long-term recovery plan, and represents the fourth consecutive reporting period of profit growth. The first stage of this plan – Stabilising the Business – is now substantially complete. This is demonstrated by:

- Strong financial control and tighter working capital management. Consistently stronger cash balances throughout the year enabled the business to repay R700 million in medium-term DMTN Programme debt. This delivered a 40.2% reduction in net interest charges.
- Increasingly effective management of costs and greater operating efficiencies, with trading expenses increasing only 3.8% on a like-for-like basis, well below CPI for the period of 5.8%.
- Improvement in trading profit margin from 1.6% to 1.9% of turnover.
- Improvement in gross profit margin from 17.5% to 17.8% of turnover.
- An increase in profit after tax of 47.9% and basic earnings per share of 46.5% on last year.

The second stage of the Pick n Pay recovery plan – Changing the Trajectory – will deliver a better business for customers, further improvements in operating efficiency, a dynamic approach to growth, and further strengthening of the balance sheet and financial performance. Strong foundations for this stage have already been laid over the past two years. In some cases these actions have impacted on the short-term performance of the business, but will strengthen the capacity of Pick n Pay in the medium and long term. These steps have included:

- Action to improve the quality of the store portfolio by closing unprofitable stores and beginning the process of refitting and modernising hypermarkets.
- Adopting a cautious approach to expansion during the 2015 financial year, to ensure that all new space will drive strong sustainable returns (see "A flexible and winning estate" section below).
- Ending the internal debate on supply chain centralisation and establishing a clear ambition to deliver every product every day to stores on a short lead time. Supply-chain centralisation has

given rise to some operational challenges during the year, but is delivering improvements in availability for customers, more efficient and lower-cost operations, better inventory management and more productive use of space in stores.

The Group has consistently stated that its recovery must be customer-led as well as cost-driven. Improvements in cost control and underlying efficiency have been at the forefront of the first stage of its plan. These provide a solid foundation for the second stage, in which a leaner, more efficient business will create more value to invest in the customer proposition.

Better for customers

The Group launched a number of initiatives over the year to help our customers. Brand Match is convincing customers that they do not need to shop around for lower prices, and is building confidence in the competitiveness of Pick n Pay's pricing. The introduction of Buy Aid has attracted new customers. Smart Shopper, South Africa's favourite loyalty programme, continues to grow, and is a key differentiator for Pick n Pay. We are gaining valuable insight from Smart Shopper to personalise and improve our promotions, with the number of vouchers redeemed increasing by 68% over the year. We have also worked with key partners to provide additional value-added benefits to make Smart Shopper even more attractive to our customers.

The Group has worked with its suppliers to improve product availability for customers, and the quality and range of merchandise, particularly fresh produce. We are pleased with the results of our "Super 6" campaign which has given customers high-quality fruit and vegetable staples at competitive prices.

We have undertaken in-depth category reviews over the course of the year to improve product ranges in our stores. We have entered into a strategic partnership with Daymon Worldwide to grow our private label offering which currently contributes around 15% of our grocery turnover.

Value-added services are a growing part of our business and we will continue to innovate to bring convenient and low-cost services to our customers.

A flexible and winning estate

At 1 March 2015, the Group store portfolio comprised 1 189 stores and 2.2 million square metres (excluding the investment in TM Supermarkets in Zimbabwe). Pick n Pay opened 127 stores during the year across all Pick n Pay and Boxer formats, including 36 new supermarkets, and closed 14 underperforming stores. The 113 net new stores added 5.2% to space.

The Group followed a cautious approach to new space growth in the 2015 financial year. The Group is determined only to grow new space where it is confident that it will deliver strong and sustainable returns. To this end, it has developed a plan for future space growth which takes advantage of our improved operating model, including store efficiency gains, an increasingly centralised supply chain and improved labour productivity.

This will enable the Group to make more efficient use of existing space, widen the pool of potential sites for new stores, and respond dynamically to the growing demand for convenience and local neighbourhood stores.

We have 20 hypermarkets which contribute meaningfully to Group turnover, and have embarked on a plan to modernise each of these for customers. Four hypermarkets have undergone or are currently undergoing, refurbishment. They are inevitably subject to a negative turnover impact during refurbishment, but are showing strong sales growth and improved trading densities after refurbishment. For example, our new and improved Brackenfell Hypermarket in the

Western Cape has halved in size, now houses both the liquor store and pharmacy on-site, enjoys a refreshed range of clothing and general merchandise and delivers a significantly improved turnover per square metre at a materially reduced occupancy cost.

Pick n Pay continues to develop as a multi-format, multi-channel business, and is excited by the growth delivered by our clothing and liquor stores. Our online business once again delivered strong double-digit turnover growth, adding another 40 000 new customers over the course of the year. The online offer in the Western Cape has been expanded through the establishment of a dedicated online picking warehouse at our refurbished Brackenfell Hypermarket.

Efficient and effective operations

Pick n Pay established its Retail Office in September 2014 – a specialist team tasked with driving an efficient and effective operating model across all store formats throughout the Group. In a short space of time the team has delivered substantial cost savings in participating stores, demonstrating that we can successfully operate a more efficient store on a lean cost base. The team has also co-ordinated and delivered improvements in back-door receiving and in-store replenishment and achieved strong savings on waste and shrink. A well-run, cost-effective store unlocks value for further investment in the customer offer. Simple but efficient processes enable stores to focus fewer staff to receive goods at the back door and more staff dedicated to customers on the shop floor.

Every product, every day

In the course of the financial year, the Group doubled the capacity of our supply chain capability in the Western Cape by implementing a high-density pick tunnel in our Philippi Distribution Centre. It also rolled out the Enterprise Warehouse Management (EWM) SAP warehousing system at the Longmeadow Distribution Centre in Gauteng, which will improve operating efficiency at the facility. Pick n Pay is working closely with suppliers to accelerate the pace of centralisation, adding 90 suppliers during the year and increasing the level of central supply by more than 10%.

The Philippi Distribution Centre is successfully delivering every product, every day to all corporate stores in the Western Cape, on a 24-hour lead time. This is currently being introduced at Longmeadow in servicing the Inland Gauteng Region.

These operational advances, together with our automated forecast and replenishment system, have resulted in improvements in on-shelf stock availability of 2.5%, while reducing the need for large back-up storage areas in stores.

A winning team

We have strengthened our senior management team over the last year through key internal and external appointments. We have introduced new performance review and management systems for senior managers and established clear objectives and lines of accountability.

We are committed to building a high performance team of well-managed, trained and skilled employees who are empowered to build careers at Pick n Pay and are motivated to contribute to the success of the business. We are determined to be an organisation that fairly reflects the diversity of our country and the communities we serve and we are encouraged by the improvement in our BBBEE score from level 6 to level 4 over the past 12 months.

Boxer – a national brand

Our Boxer business has grown significantly in recent years, despite the challenging conditions facing the poorer and more rural communities of South Africa and Swaziland. Boxer customers often face economic hardship, which has been exacerbated over the course of this year by the strikes in the platinum mines, civil protests over the lack of basic service delivery and increasing unemployment. The Boxer business operates a lean and efficient economic model, offering a compelling range of high-quality produce and merchandise at affordable prices. We are confident of the opportunity the Group has to grow Boxer into a national brand and it forms a key part of our future growth strategy.

Rest of Africa – second engine of growth

Our operations outside South Africa continue to deliver good growth, with segmental revenue up 13.6%, notwithstanding the weakening of the Zambian kwacha against the rand and the closure of our franchise operations in Mozambique and Mauritius last year.

Segmental profits of the rest of Africa division are up 34.6% on last year. We continue to expand and improve our operations outside South Africa, opening two stores in Zambia during the year and opening eight in Namibia, while closing three under-performing stores in that country. The sizeable store refit programme in Zimbabwe continued over the year, with the refurbishment of four TM Supermarkets and the rebranding of a further three stores to the Pick n Pay brand. The opening of two new stores in Zimbabwe and the closure of one store during the year, brings the total number of TM Supermarkets to 53, eight of which trade strongly under the Pick n Pay banner.

Markets outside South Africa remain a potential second engine of growth for Pick n Pay. We plan to strengthen our footprint in existing territories and seek opportunities for sustainable growth beyond. We are confident of the prospects for growth into Ghana and will open our first store in the region in 2016.

FINANCIAL REVIEW

Turnover

Group turnover growth of 6.1% reflects the financial pressure on middle-income customers, combined with the impact of strategic actions which, while strengthening the quality of our estate, have impacted turnover in the reporting period. The Group closed 26 under-performing stores in 2014 and a further 14 in 2015. Trade was also disrupted as four hypermarkets and 16 supermarkets underwent refurbishment in the second half of the financial year.

In addition, the Group continued with its cautious approach to expansion, determined that all new space growth should drive sustainable future returns. We have now developed a stronger plan for future growth, both in new space and through customer innovation.

We are encouraged with the improvement in our underlying like-for-like turnover growth at 3.6% (2014: 2.7%). Our customers remain under financial pressure, with the South African economic climate still characterised by a weak rand, high unemployment, high levels of household debt and rising utility costs. Internal food inflation fell to 6.3% in the second half of the year, compared to 6.7% in the first half.

Gross profit

Gross profit has increased by 8.2% to R11.9 billion. The gross profit margin has increased by 30 basis points from 17.5% to 17.8% of turnover, notwithstanding the investment in price through our Brand Match campaign and Smart Shopper loyalty programme. We are pleased with the rate of progress demonstrated across our supply chain, notwithstanding operational difficulties experienced in our Longmeadow Distribution Centre towards the end of the year. We are encouraged by the control demonstrated over shrink and waste, which has once again delivered meaningful savings year-on-year.

Other trading income

Other trading income has increased by 20.4% to R602.9 million. The increase is largely due to commissions earned on value-added services, which has increased by more than 100% over the period, attributable to financial services (including mobile money), third-party bill payments and the sale of gift card vouchers, pre-paid electricity, lotto and travel and event tickets. We will continue to focus on this area, providing our customers with increased convenience and innovation.

Franchise fee income has reduced by 5.4% as a result of the closure of five franchise stores in Mauritius and Mozambique in the previous year.

Trading expenses

Trading expenses at 16.9% of turnover have increased by 7.4%, with like-for-like expense growth contained at 3.8% against CPI of 5.8%. The like-for-like expense growth is testament to the good work being done at store level to improve the efficiency and profitability of store operations.

Employee costs increased 6.1% on last year. On a like-for-like basis, the growth in employee costs was contained at 3.5%, notwithstanding a charge of R67.3 million in respect of the new Employee Forfeitable Share Plan which was implemented in August 2014 and an annual wage rate increase which was more in line with CPI. This is evidence of the tangible progress achieved in improving labour productivity and efficiency throughout the Group, through the centralisation and simplification of business processes and systems.

Occupancy costs which include rent, rates, security and insurance expenditure have increased by 15.7% on last year, reflecting our space growth over the last year. Like-for-like occupancy costs have been contained at 6.9%, despite regulated increases on rates and property taxes of up to 20%.

Operations costs are up 1.5% on last year, and 2.5% down on a like-for-like basis, driven by a substantially lower amortisation and depreciation charge in 2015. Among the factors contributing to this reduced charge were a R104.1 million impairment of intangible assets in the prior year, a large portion of capitalised investment over the last seven years now being fully depreciated, and a reduction in capital spend over the past 18 months as the Group slowed new space growth and refurbishment to ensure all customer-facing investment added real value and generated a sustainable level of return.

Utility costs have increased 12.3% due to higher diesel usage and generator maintenance costs as a direct result of load shedding. However, these costs continue to be mitigated through improved store efficiencies and the effective measures in place to reduce electricity usage.

A number of IT systems came online during the year and professional fees related to the maintenance and support of the systems have contributed to an increase in **merchandise and administration costs** of 15.7% (16.8% on a like-for-like basis), with R66.8 million of IT support costs expensed as incurred. In addition, bank charges have increased by 26.6% on last year, reflecting the increased usage of electronic tender by our customers. An improvement in bad debts, down 71.4% on last year has mitigated the other increases in this category and provides encouraging evidence of the improving health of our franchise business.

Trading profit

Trading profit has increased by 22.9% to R1 238.6 million. The trading profit margin has improved from 1.6% to 1.9%. We remain confident of the substantial opportunity for margin improvement in the future.

Net interest

The net interest charge of R59.6 million is 40.2% down on last year. This is a result of stronger working capital management throughout the year, with a particular focus on inventory management, which has resulted in stronger cash balances and enabled the repayment of the medium-term R700 million DMTN Programme debt in June 2014.

Tax

The tax rate improved from 29.9% to 28.5%. The tax rate benefit is as a direct result of our improved profitability, with no corresponding change in the level of non-deductible expenditure.

Earnings per share

Basic earnings per share (EPS) – increased 46.5% from 60.61 to 88.78 cents per share.

Headline earnings per share (HEPS) – increased 27.9% from 68.83 to 88.01 cents per share.

The profit on the sale of assets, net of tax, of R4.0 million has been taken into account in the calculation of headline earnings, against the add-back of capital losses in the prior year of R42.5 million net of tax. The capital loss in the prior year relates mainly to the impairment of obsolete IT systems.

Financial position

	Sunday 1 March 2015 Rm	Sunday 2 March 2014 Rm
Inventory	**4 654.5**	3 979.8
Trade and other receivables	**2 956.7**	2 841.1
Cash and cash equivalents	**1 174.6**	1 540.3
Bank overdraft and overnight borrowings	**(500.0)**	(670.0)
Medium-term borrowings – DMTN Programme	**—**	(700.0)
Other current liabilities*	**(9 157.4)**	(8 210.6)
Net-working capital	**(871.6)**	(1 219.4)

** Excludes the short-term portion of long-term borrowings*

We are pleased with the improvement in net-working capital of R347.8 million, which reflects the good work being done across the business in terms of controlling capital and operating expenditure and managing working capital. Overall, good work was achieved during the year in removing excess inventory from the business. Tighter working capital management and a relentless focus on inventory led to consistently stronger cash balances over the 12 months, allowing for the repayment of the medium-term DMTN Programme debt of R700 million and resulting in a substantially decreased interest charge.

Inventory has increased by R674.7 million or 17.0% on last year. This reflects the increase in centralisation of suppliers over the period, which has resulted in elevated inventory levels in the short term, and the new stores opened. In addition, labour disruption at our Longmeadow Distribution Centre, although quickly resolved, led to increased inventory levels at the facility over year-end.

Trade and other receivables increased by R115.6 million or 4.1%, reflecting the reduction in our impairment allowance included in merchandise and administration expenses.

Shareholder distribution

The Board declared a final dividend of 47.85 cents per share, bringing the total annual dividend for the year to 57.25 cents per share.

MORE TO COME – THE NEXT STAGE IN THE STRATEGIC JOURNEY

Pick n Pay is a stronger and more stable business than it was two years ago. We have improved the key underlying financial and operational metrics of the business. Determined and focused financial control – covering both capital and operational spend – has brought a welcome end to a lengthy period of spiralling costs. Tighter working capital management, and strengthened cash balances, have contributed to the delivery of consistent profit growth over four consecutive reporting periods. The Group has enhanced the quality of its retail estate, rationalised its underlying economic model and improved its overall range and offer, while keeping the customer at the heart of its strategy.

The Group has changed significantly and for the better over the past two years. However, the Pick n Pay values of consumer sovereignty, business efficiency and doing good is good business have endured and have guided our progress. By improving the efficiency and underlying profitability of the business we have been able to do more for our customers and for the communities we serve. Our future growth will create many more opportunities for individuals and suppliers to meet their aspirations as employees and partners of our business.

The economic outlook remains challenging, exacerbated by the national electricity crisis and uncertainties in the global economy. Leadership from across society is required in tackling these challenges and in defeating other threats such as the worrying recent outbreak of xenophobic violence. Pick n Pay will as always play a positive role.

The company has undergone huge changes over the past five years, and in particular since 2013. It is ready for Stage 2 on the journey – changing the trajectory of Pick n Pay – and is well-positioned for sustainable, long-term growth.

We would like to extend our thanks to the Pick n Pay team who have all worked extremely hard through this first stage and continue to serve the business with a passion that is unique to the Pick n Pay brand.

Raymond Ackerman
Chairman

20 April 2015

Pick n Pay Holdings Limited RF

DIVIDEND DECLARATION

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

Notice is hereby given that the directors have declared a final gross dividend (number 67) of 47.85 cents per share out of income reserves.

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

The tax payable is 7.1775 cents per share, leaving shareholders who are not exempt from dividends tax with a net dividend of 40.6725 cents per share.

DIVIDEND DATES

The last day of trade in order to participate in the dividend (CUM dividend) will be Friday, 5 June 2015

The shares will trade EX dividend from the commencement of business on Monday, 8 June 2015 and the record date will be Friday, 12 June 2015. The dividends will be paid on Monday, 15 June 2015.

Share certificates may not be dematerialised or rematerialised between Monday, 8 June 2015 and Friday, 12 June 2015, both dates inclusive.

On behalf of the board of directors

Debra Muller
Company Secretary

20 April 2015

Pick n Pay Holdings Limited RF

STATEMENT OF COMPREHENSIVE INCOME

for the period ended

	Note	**52 weeks 1 March 2015 Rm**	Change %	52 weeks 2 March 2014 Rm
Revenue	3	**67 603.1**	6.2	63 661.9
Turnover	3	**66 940.8**	6.1	63 117.0
Cost of merchandise sold		**(54 994.3)**	5.6	(52 077.1)
Gross profit		**11 946.5**	8.2	11 039.9
Other trading income	3	**602.9**	20.4	500.6
Trading expenses		**(11 310.8)**	7.4	(10 532.4)
Employee costs		**(5 653.9)**	6.1	(5 326.5)
Occupancy		**(1 867.6)**	15.7	(1 613.9)
Operations		**(2 618.8)**	1.5	(2 580.5)
Merchandising and administration		**(1 170.5)**	15.7	(1 011.5)
Trading profit		**1 238.6**	22.9	1 008.1
Profit/(loss) on sale of property, plant and equipment		**10.4**		(5.5)
Impairment loss on intangible assets		**—**		(104.1)
Finance income	3	**59.4**	34.1	44.3
Finance costs		**(119.0)**	(17.3)	(143.9)
Share of associate's income		**14.3**	(55.3)	32.0
Profit before tax		**1 203.7**	44.9	830.9
Tax		**(343.5)**	37.7	(249.4)
Profit for the period		**860.2**	47.9	581.5
Other comprehensive income				
Items that will not be reclassified to profit or loss		**33.0**		57.1
Remeasurement in retirement scheme assets		**45.9**		79.3
Tax on remeasurement in retirement scheme assets		**(12.9)**		(22.2)
Items that may be reclassified to profit or loss				
Exchange rate differences on translating foreign operations		**(11.4)**		6.4
Total comprehensive income for the period		**881.8**		645.0
Profit for the period attributable to:		**860.2**	47.9	581.5
Owners of the Company		**461.8**	47.6	312.9
Non-controlling interest		**398.4**	48.3	268.6
Total comprehensive income for the period attributable to:		**881.8**	36.7	645.0
Owners of the Company		**473.4**	36.4	347.2
Non-controlling interest		**408.4**	37.1	297.8
		Cents	Change %	Cents
Basic earnings per share		**88.78**	46.5	60.61
Diluted earnings per share		**86.54**	46.4	59.10
Headline earnings per share		**88.01**	27.9	68.83
Diluted headline earnings per share		**85.80**	27.8	67.13

STATEMENT OF FINANCIAL POSITION

	Note	As at 1 March 2015 Rm	As at 2 March 2014 Rm
ASSETS			
Non-current assets			
Property, plant and equipment		**4 187.0**	4 039.3
Intangible assets		**1 010.2**	987.6
Operating lease assets		**149.8**	132.8
Investment in associate		**180.2**	165.9
Participation in export partnerships		**23.4**	25.1
Loans		**100.6**	92.0
Retirement scheme assets		**70.1**	85.1
Deferred tax assets		**198.8**	212.1
		5 920.1	5 739.9
Current assets			
Inventory		**4 654.5**	3 979.8
Trade and other receivables		**2 956.7**	2 841.1
Cash and cash equivalents		**1 174.6**	1 540.3
Derivative financial instruments		**1.4**	3.5
		8 787.2	8 364.7
Total assets		**14 707.3**	14 104.6
EQUITY AND LIABILITIES			
Equity			
Share capital	4	**6.6**	6.6
Share premium		**120.8**	120.8
Treasury shares		**(109.0)**	(95.3)
Retained earnings		**1 619.3**	1 377.3
Foreign currency translation reserve		**(9.8)**	(3.6)
Attributable to owners of the Company		**1 627.9**	1 405.8
Non-controlling interest		**1 499.2**	1 290.6
Total equity		**3 127.1**	2 696.4
Non-current liabilities			
Borrowings		**492.8**	747.1
Operating lease liabilities		**1 138.5**	1 042.7
		1 631.3	1 789.8
Current liabilities			
Trade and other payables		**9 029.6**	8 091.3
Bank overdraft and overnight borrowings		**500.0**	670.0
Borrowings		**291.5**	737.8
Current tax liabilities		**126.8**	111.2
Provisions		**1.0**	8.1
		9 948.9	9 618.4
Total equity and liabilities		**14 707.3**	14 104.6
Number of shares in issue – millions	4	**527.2**	527.2
Weighted average number of shares in issue – millions		**516.2**	516.2
Diluted weighted average number of shares in issue – millions		**521.7**	521.5
Net asset value – cents per share (property value based on directors' valuation)		**691.7**	605.5

STATEMENT OF CHANGES IN EQUITY

for the period ended

	Share capital Rm	Share premium Rm	Treasury shares Rm	Retained earnings Rm	Foreign currency translation reserve Rm	Total Rm	Non-controlling interest Rm	Total equity Rm
At 3 March 2013	6.6	120.8	(89.3)	1 222.4	(7.1)	1 253.4	1 157.4	2 410.8
Total comprehensive income for the period	—	—	—	343.7	3.5	347.2	297.8	645.0
Profit for the period	—	—	—	312.9	—	312.9	268.6	581.5
Exchange rate differences on translating foreign operations	—	—	—	—	3.5	3.5	2.9	6.4
Remeasurement in retirement scheme assets	—	—	—	30.8	—	30.8	26.3	57.1
Transactions with owners	—	—	(6.0)	(188.8)	—	(194.8)	(164.6)	(359.4)
Dividends paid	—	—	—	(215.2)	—	(215.2)	(182.0)	(397.2)
Share repurchases	—	—	(9.5)	(15.2)	—	(24.7)	(21.0)	(45.7)
Net effect of settlement of employee share options	—	—	3.5	3.0	—	6.5	5.5	12.0
Share-based payments expense	—	—	—	38.6	—	38.6	32.9	71.5
At 2 March 2014	**6.6**	**120.8**	**(95.3)**	**1 377.3**	**(3.6)**	**1 405.8**	**1 290.6**	**2 696.4**
Total comprehensive income for the period	**—**	**—**	**—**	**479.5**	**(6.1)**	**473.4**	**408.4**	**881.8**
Profit for the period	**—**	**—**	**—**	**461.8**	**—**	**461.8**	**398.4**	**860.2**
Exchange rate differences on translating foreign operations	**—**	**—**	**—**	**—**	**(6.1)**	**(6.1)**	**(5.3)**	**(11.4)**
Remeasurement in retirement scheme assets	**—**	**—**	**—**	**17.7**	**—**	**17.7**	**15.3**	**33.0**
Transactions with owners	**—**	**—**	**(13.7)**	**(237.5)**	**(0.1)**	**(251.3)**	**(199.8)**	**(451.1)**
Dividends paid	**—**	**—**	**—**	**(245.2)**	**—**	**(245.2)**	**(211.9)**	**(457.1)**
Share repurchases	**—**	**—**	**(22.2)**	**(83.7)**	**—**	**(105.9)**	**(72.0)**	**(177.9)**
Net effect of settlement of employee share options	**—**	**—**	**8.5**	**19.1**	**—**	**27.6**	**16.4**	**44.0**
Share-based payments expense	**—**	**—**	**—**	**75.2**	**—**	**75.2**	**64.7**	**139.9**
Movement in non-controlling interest	**—**	**—**	**—**	**(2.9)**	**(0.1)**	**(3.0)**	**3.0**	**—**
At 1 March 2015	**6.6**	**120.8**	**(109.0)**	**1 619.3**	**(9.8)**	**1 627.9**	**1 499.2**	**3 127.1**

STATEMENT OF CASH FLOWS

for the period ended

	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
Cash flows from operating activities		
Trading profit	**1 238.6**	1 008.1
Amortisation	**155.0**	199.3
Depreciation	**714.5**	749.1
Share-based payments expense	**139.9**	71.5
Movement in net operating lease liabilities	**78.8**	90.8
Movement in provisions	**(7.1)**	(0.9)
Fair value adjustments	**2.1**	(6.3)
Cash generated before movements in working capital	**2 321.8**	2 111.6
Movements in working capital	**150.1**	781.3
Movements in trade and other payables	**938.3**	1 229.7
Movements in inventory	**(672.6)**	31.6
Movements in trade and other receivables	**(115.6)**	(480.0)
Cash generated from trading activities	**2 471.9**	2 892.9
Interest received	**59.4**	44.3
Interest paid	**(119.0)**	(143.9)
Cash generated from operations	**2 412.3**	2 793.3
Dividends paid	**(457.1)**	(397.2)
Tax paid	**(284.5)**	(270.2)
Cash generated from operating activities	**1 670.7**	2 125.9
Cash flows from investing activities		
Investment in intangible assets	**(159.2)**	(289.2)
Investment in property, plant and equipment	**(897.3)**	(882.4)
Purchase of operations	**(50.9)**	(103.3)
Proceeds on disposal of intangible assets	**4.7**	11.1
Proceeds on disposal of property, plant and equipment	**57.3**	38.2
Loans (advanced)/repaid	**(8.6)**	6.9
Participation in export partnership	**1.7**	3.0
Retirement obligation	**60.9**	(4.3)
Cash utilised in investing activities	**(991.4)**	(1 220.0)
Cash flows from financing activities		
Proceeds from borrowings	**400.0**	3 100.0
Repayment of borrowings	**(1 100.6)**	(2 819.1)
Share repurchases	**(177.9)**	(45.7)
Proceeds from employees on settlement of share options	**1.0**	1.3
Cash (utilised in)/generated from financing activities	**(877.5)**	236.5
Net (decrease)/increase in cash and cash equivalents	**(198.2)**	1 142.4
Cash and cash equivalents at beginning of period	**870.3**	(269.9)
Effect of exchange rate fluctuations on cash and cash equivalents	**2.5**	(2.2)
Cash and cash equivalents at end of period	**674.6**	870.3
Consisting of:		
Cash and cash equivalents	**1 174.6**	1 540.3
Bank overdraft and overnight borrowings	**(500.0)**	(670.0)

NOTES TO THE FINANCIAL INFORMATION
for the period ended 1 March 2015

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The summary Group financial statements for the period ended 1 March 2015 are prepared in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA *Financial Reporting Guides* as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*. The summary Group financial statements does not include all the information required by IFRS for full financial statements and should be read in conjunction with the 2015 integrated annual report. The accounting policies applied in the preparation of the Group financial statements, from which the summary Group financial statements were derived, are in terms of International Financial Reporting Standards and are consistent with the accounting policies applied in the preparation of the previous Group annual financial statements. These results have been audited by KPMG Inc., whose unqualified report is available for inspection at the registered office of the Company. The auditor's report does not necessarily cover all of the information contained in this financial report. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's work, they should obtain a copy of that report together with the accompanying financial information from the registered office of the Company. These financial statements have been prepared by the Finance Division under the supervision of the Public Officer, Mr Bakar Jakoet CA(SA).

2. RELATED PARTIES

During the year, certain companies within the Group entered into transactions with each other. These intra-group transactions are eliminated on consolidation. For further information please refer to note 27 of the 2014 integrated annual report.

3. REVENUE

	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
Turnover	**66 940.8**	63 117.0
Finance income	**59.4**	44.3
Bank balances and investments	**40.9**	32.3
Trade and other receivables	**13.9**	8.2
Staff loans and other	**4.6**	3.8
Other trading income	**602.9**	500.6
Franchise fee income	**294.4**	311.2
Operating lease income	**67.3**	77.8
Commissions and other income	**241.2**	111.6
	67 603.1	63 661.9

4. SHARE CAPITAL

	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
Authorised	**10.0**	10.0
800 000 000 (2014: 800 000 000) ordinary shares of 1.25 cents each		
Issued		
527 249 082 (2014: 527 249 082) ordinary shares of 1.25 cents each	**6.6**	6.6
	000's	000's
The number of shares in issue at end of period is made up as follows:		
Treasury shares held by the share trust	**9 257.8**	9 193.8
Treasury shares held by a subsidiary company	**1 848.7**	1 848.7
	11 106.5	11 042.5
Shares held outside the Group	**516 142.6**	516 206.6
	527 249.1	527 249.1

26 362 454 of the unissued shares of the Company may be utilised, and is available, to settle the Company's obligations under the employee share schemes.

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.

Directors' interest in shares

	52 weeks 1 March 2015 %	52 weeks 2 March 2014 %
Beneficial	**0.9**	0.9
Non-beneficial	**50.6**	50.6
	51.5	51.5

The directors' interest in shares is their effective direct shareholding in the Company (excluding treasury shares).

5. OPERATING SEGMENTS

	South Africa Rm	Rest of Africa Rm	Total operations Rm
2015			
Total segment revenue	**64 574.2**	**3 681.9**	**68 256.1**
External revenue	**64 574.2**	**3 028.9**	**67 603.1**
Direct deliveries*	**—**	**653.0**	**653.0**
Segment external turnover	**63 911.9**	**3 028.9**	**66 940.8**
Profit before tax**	**1 014.7**	**189.0**	**1 203.7**
Other information			
Statement of comprehensive income			
Finance income	**54.3**	**5.1**	**59.4**
Finance costs	**119.0**	**—**	**119.0**
Depreciation and amortisation	**845.2**	**24.3**	**869.5**
Share of associate's income	**—**	**14.3**	**14.3**
Statement of financial position			
Total assets	**13 637.5**	**1 069.8**	**14 707.3**
Total liabilities	**11 308.7**	**271.5**	**11 580.2**
Additions to non-current assets	**1 061.8**	**43.5**	**1 105.3**
2014			
Total segment revenue	60 925.9	3 241.5	64 167.4
External revenue	60 925.9	2 736.0	63 661.9
Direct deliveries*	—	505.5	505.5
Segment external turnover	60 381.0	2 736.0	63 117.0
Profit before tax**	690.5	140.4	830.9
Other information			
Statement of comprehensive income			
Finance income	40.1	4.2	44.3
Finance costs	143.5	0.4	143.9
Depreciation and amortisation	923.1	25.3	948.4
Impairment loss on intangible assets	104.1	—	104.1
Share of associate's income	—	32.0	32.0
Statement of financial position			
Total assets	12 995.6	1 109.0	14 104.6
Total liabilities	11 070.3	337.9	11 408.2
Additions to non-current assets	1 233.8	26.2	1 260.0

* *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 African segment relating to the rest of Africa segment.*

6. HEADLINE EARNINGS RECONCILIATION

	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
Profit for the period	**461.8**	312.9
Profit attributable to forfeitable share plan shares	**(3.5)**	—
Basic earnings for the period	**458.3**	312.9
Adjustments:	**(4.0)**	42.5
(Profit)/loss on sale of property, plant and equipment	**(5.6)**	3.0
Tax effect of profit/(loss) on sale of property, plant and equipment	**1.6**	(0.8)
Impairment of intangible assets	**—**	56.0
Tax effect of impairment of intangible assets	**—**	(15.7)
Headline earnings	**454.3**	355.4
Basic earnings for the period	**458.3**	312.9
Dilutive effect of share options	**(6.8)**	(4.7)
Diluted basic earnings	**451.5**	308.2
Headline earnings	**454.3**	355.4
Dilutive effect of share options	**(6.7)**	(5.3)
Diluted headline earnings	**447.6**	350.1

7. FINANCIAL INSTRUMENTS

All financial instruments held by the Group are measured at amortised cost, with the exception of derivative financial instruments and certain items included in trade and other payables. The latter is measured at fair value through profit or loss, is categorised into level 2 of the fair value hierarchy and is considered to be immaterial. Level 2 is defined as using inputs other than quoted prices that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices). The carrying value of all financial instruments approximate their fair value.

8. ISSUE OF SHARES IN RESPECT OF FORFEITABLE SHARE PLAN

Pick n Pay Stores Limited issued 6 925 000 shares in June 2014, in order to meet the share obligations under its new employee forfeitable share plan (FSP), which was approved by shareholders in February 2014. The FSP brings our approach to providing share incentives in line with international best practice, further aligning the interests of senior management with those of our shareholders.

The shares were awarded to FSP participants during August 2014. The participants, although benefiting from full voting rights and full rights to any dividends declared, cannot dispose of their shares during a three-year employment period. In addition, the shares are subject to further performance conditions linked to the Pick n Pay Stores Limited Group's compound annual growth in headline earnings per share. Should the employment condition or performance conditions not be met, the shares (or a portion thereof) are forfeited. Please refer to our 2015 integrated annual report for further information.

The total employee cost in respect of the FSP is recognised on a straight-line basis over the employment period, commencing on the award date. The current period expense is R67.3 million.

NUMBER OF STORES

	2 March 2014	Opened	Closed	Converted – openings	Converted – closings	1 March 2015
COMPANY OWNED						
Pick n Pay	**464**	**52**	**(5)**	**(4)**	**3**	**510**
Hypermarkets	20					**20**
Supermarkets	200	17	(1)	(3)	2	**215**
Clothing	88	16	(2)			**102**
Liquor	152	19	(1)	(1)	1	**170**
Pharmacy	4		(1)			**3**
Boxer	**179**	**14**	**(5)**	**—**	**1**	**189**
Superstores	123	5	(4)		1	**125**
Hardware	19	2				**21**
Liquor	21	1				**22**
Punch	16	6	(1)			**21**
Total company owned	**643**	**66**	**(10)**	**(4)**	**4**	**699**
FRANCHISE						
Pick n Pay						
Family	254	13	(2)	(3)	4	**266**
Mini Market	22	1	(1)	(1)		**21**
Daily	1					**1**
Express	21	25				**46**
Clothing	14	2				**16**
Liquor	121	20	(1)	(1)	1	**140**
Total franchise	**433**	**61**	**(4)**	**(5)**	**5**	**490**
Total Group stores	**1 076**	**127**	**(14)**	**(9)**	**9**	**1 189**
TM Supermarkets	52	2	(1)			**53**
Total with TM Supermarkets	**1 128**	**129**	**(15)**	**(9)**	**9**	**1 242**
AFRICAN FOOTPRINT – included in total stores above	**108***	**12**	**(4)**	**—**	**—**	**116**
Pick n Pay company owned	8	2				**10**
Boxer company owned	5					**5**
Pick n Pay franchise	43	8	(3)			**48**
TM Supermarkets – associate	52	2	(1)			**53**
AFRICAN FOOTPRINT – by country	**108***	**12**	**(4)**	**—**	**—**	**116**
Botswana	9					**9**
Lesotho	3					**3**
Namibia	22	8	(3)			**27**
Swaziland	14					**14**
Zambia	8	2				**10**
Zimbabwe	52	2	(1)			**53**

** All franchise liquor and clothing stores are now included.*

CORPORATE INFORMATION

REGISTERED NAME
Pick n Pay Holdings Limited RF
Registration number: 1981/009610/06
JSE share code: PWK
ISIN: ZAE000005724

REGISTERED OFFICE
Pick n Pay Office Park
101 Rosmead Avenue
Kenilworth
Cape Town 7708

Telephone +27 21 658 1000
Facsimile +27 21 797 0314

Postal address
PO Box 23087
Claremont 7735

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

REGISTRAR
Computershare Investor Services
Proprietary Limited
70 Marshall Street
Johannesburg 2001

Postal address
PO Box 61051
Marshalltown 2107

Telephone +27 11 370 5000
Facsimile +27 11 688 5248

SPONSOR
Investec Bank Limited
100 Grayston Drive
Sandton 2196

COMPANY SECRETARY
Debra Muller
email address: demuller@pnp.co.za

BOARD OF DIRECTORS
Executive
RD Ackerman (Chairman), W Ackerman,
GM Ackerman

Non-executive
RP de Wet, HS Herman, J van Rooyen

Independent non-executive:
SD Ackerman-Berman, JG Ackerman, D Robins

AUDITORS
KPMG Inc.

ATTORNEYS
Edward Nathan Sonnenberg

INVESTOR RELATIONS
David North
email address: dnorth@pnp.co.za

Penny Gerber
email address: pgerber@pnp.co.za

ENGAGE WITH US ON:

BASTION GRAPHICS