AUDITED ANNUAL FINANCIAL STATEMENTS 2022

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FOR THE PERIOD ENDED 27 FEBRUARY 2022

picknpay.com

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These Group and Company annual financial statements have been prepared by the Group's Finance Division under the supervision of the Chief Finance Officer (CFO), Lerena Olivier, CA(SA).

DIRECTORS' RESPONSIBILITY STATEMENT

Pick n Pay Stores Limited Group

The directors are responsible for the preparation and fair presentation of the Group annual financial statements and annual financial statements of Pick n Pay Stores Limited (the Company), comprising the statements of financial position at 27 February 2022, and the statements of comprehensive income, changes in equity and cash flows for the period then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa No.71 of 2008 (Companies Act) and the directors' report.

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

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

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

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

The Group annual financial statements and annual financial statements of Pick n Pay Stores Limited, as identified in the first paragraph, were approved by the Board of directors on 16 May 2022 and signed by:

Gareth Ackerman
Chairman

Pieter Boone
Chief Executive Officer

COMPANY SECRETARY'S CERTIFICATE

Pick n Pay Stores Limited Group

In my capacity as Company Secretary, I certify that for the period ended 27 February 2022, Pick n Pay Stores Limited and its subsidiaries has filed all returns and notices as required for a company in terms of section 88(2)(e) of the Companies Act No.71 of 2008, as amended, and that such returns and notices are, to the best of my belief, true, correct and up to date.

Debra Muller
Company Secretary

16 May 2022

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCE OFFICER INTERNAL FINANCIAL CONTROL RESPONSIBILITY STATEMENT

Pick n Pay Stores Limited Group

In terms of JSE Listing Requirements 3.84(k), the directors, whose names are stated below, hereby confirm that –

a) the annual financial statements set out on pages 30 to 110, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;

b) no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

c) internal financial controls have been put in place to ensure that material information relating to the Company and its consolidated subsidiaries and associates have been provided to effectively prepare the financial statements of the issuer; and

d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements. Where we are not satisfied, we have disclosed to the audit committee, and the auditors, the material deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involved directors, and have taken the necessary remedial action.

Pieter Boone
Chief Executive Officer

Lerena Olivier
Chief Finance Officer

16 May 2022

DIRECTORS' REPORT

Pick n Pay Stores Limited Group

Nature of business

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

Noteworthy subsidiaries held directly are presented in note 28 of the Group annual financial statements.

Overview of financial results and activities

Refer to the review of operations on pages 16 to 25 for an overview of financial results and activities of the Group.

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

In order to provide useful and transparent comparative information, we have presented our results on a pro forma basis by adjusting for the hyperinflation effects of IAS 29 *Financial Reporting in Hyperinflationary Economies* as well as insurance recoveries received post year-end relating to the civil unrest experienced in parts of South Africa during the current reporting period. Refer to the Appendices for further information.

Going concern

The Board of directors (the Board) has performed a formal review of the Company and its subsidiaries' ability to continue trading as going concerns in the foreseeable future. As part of this review, the Board has considered the impact of the current COVID-19 pandemic and the unprecedented civil unrest which occurred in parts of South Africa during the current reporting period. In line with standard governance practice, the Board have assessed the Group's solvency and liquidity and is satisfied of the Group's ability to continue as a going concern for the foreseeable future and that the presentation of the annual financial statements on a going concern basis is appropriate.

In accordance with the requirements of the Companies Act, the Group ensures that it complies with the liquidity and solvency requirements for any dividend payment and provision of financial assistance.

Shareholder distribution

The directors have declared a final dividend (dividend 108) of 185.35 cents per share out of income reserves, maintaining the Group's dividend cover of 1.3 times Pro Forma Headline Earnings per share. Refer to the Appendices for further information on the Group's Pro Forma Headline Earnings per share. For further information on the dividend declaration, refer to page 26.

Share capital

At period end, 5 517 150 shares (2021: 6 264 100 shares) of Pick n Pay Stores Limited were held within the Group in order to settle obligations of share options granted under the Group's employee share scheme.

In addition, 7 707 650 shares (2021: 9 004 500 shares) of Pick n Pay Stores Limited were held within the Group in order to settle obligations under the Group's restricted share plan (RSP), previously named the forfeitable share plan (FSP). Dividends in respect of RSP awards are deferred until the shares have vested and are paid according to the number of shares that vest on vesting date. Participants of FSP awards have non-forfeitable rights to the dividends on shares. Refer to note 5 of the Group annual financial statements.

Borrowings

The Group's overall level of debt (including bank overdraft and overnight borrowings) increased by R1 520.5 million to R6 803.1 million. The Group has drawn down approximately two thirds of its available borrowing facilities to protect the Group against potential short-term market liquidity risks as a result of the COVID-19 pandemic and civil unrest. Surplus funds have been invested in high-yield money market accounts. Refer to the result summary for further information on the Group's net funding position.

Legal proceedings

The Company and its subsidiaries are not involved, and have not in the 2022 financial period been involved, in any legal or arbitration proceedings which may have or have had a material effect on the financial position of the Group, nor is the Company aware of any such proceedings that are pending or threatened.

Special resolutions

On 28 June 2021, the Company's shareholders approved the following special resolutions as tabled in the notice to the annual general meeting:

Directors' fees for the 2022 and 2023 annual financial periods

Shareholders approved the directors' fees.

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

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

General approval to repurchase Company shares

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

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

Directors, prescribed officers and company secretary

Refer to note 4 of the Group annual financial statements for a list of directors of the Company for the 2022 financial year.

Richard Brasher resigned as CEO at the end of April 2021, and Pieter Boone was appointed as CEO and as an executive director on 20 April 2021. Pieter Boone was a prescribed officer up until his date of appointment.

The non-executive directors listed below retire by rotation and, being eligible, they offer themselves for re-election at the next Annual General Meeting (AGM) on 26 July 2022:

David Friedland
Aboubakar Jakoet
Annamarie van der Merwe
Jeff van Rooyen

Suzanne Ackerman-Berman resigned as an executive director on 31 March 2022 and was re-appointed on that date as a non-executive director, which will be presented to shareholders at the next AGM on 26 July 2022 for ratification.

Hugh Herman is resigning as a director at the next AGM on 26 July 2022.

The Company Secretary is Debra Muller.

Directors' interest in shares

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

Audit, risk and compliance committee

We draw your attention to the audit, risk and compliance committee report on pages 10 to 15 where we set out the responsibilities of the committee and how it has discharged these responsibilities during the period.

Gareth Ackerman
Chairman

Pieter Boone
Chief Executive Officer

16 May 2022

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Pick n Pay Stores Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Pick n Pay Stores Limited and its subsidiaries ('the group') and company set out on pages 30 to 89 and pages 92 to 101, which comprise of the consolidated and separate statements of financial position as at 27 February 2022, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group and company as at 27 February 2022, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated and separate financial statements* section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements of the group and company and in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits of the group and company and in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

The key audit matter only applies to the audit of the consolidated financial statements.

Key audit matter	How the matter was addressed in the audit
Impact of civil unrest The extensive civil unrest in parts of KwaZulu-Natal and Gauteng affected a total of 112 Pick n Pay stores, 100 Boxer stores and two Pick n Pay Distribution Centres and resulted in the Group incurring losses and damages from looting and destruction. The impact on the consolidated annual financial statements of Pick n Pay Stores Limited was as follows: • Insurance proceeds resulted in an increase in other income of R748.2 million and an increase in profit on sale of assets and insurance recoveries on scrapping of property, plant and equipment of R210.5 million • Inventory losses resulted in an increase in cost of sales of R627.8 million and • Scrapping of property, plant and equipment amounted to R156.8million. In addition to the impact of the consolidated financial statements, significant judgement was required in assessing whether the insurance proceeds received as compensation for business interruption after year end of R145.2 million was an adjusting or non-adjusting subsequent event. The civil unrest was a significant event that occurred during the financial year, the outcome of which has had a material effect on the financial position and performance of the group. Significant auditor attention was therefore required, and extended audit procedures were performed. The civil unrest is therefore considered to be a matter of most significance to the current year's audit and identified as a key audit matter. The impact of the civil unrest and associated insurance claims received is disclosed in note 1.6 and note 31 of the group annual financial statements for the period ended 27 February 2022.	Our audit procedures, amongst others, included the following: **Insurance proceeds** • Together with our technical accounting specialists, we evaluated the recognition and classification of insurance income in accordance with the relevant International Financial Reporting Standards. We audited the amounts recognised and disclosed by inspection of correspondence with SASRIA and confirmation of the payments received to banking records. **Inventory losses** • We obtained an understanding of management's controls and processes for identifying, quantifying and impairing damaged and lost stock through discussion with management and the loss adjusters. • For a sample of affected stores: » we inspected documentation of inventory counts performed; and » agreed the rand value of inventory written off per the count sheets to the accounting records. • We agreed the inventory write-off list to the SASRIA claim. For fully looted locations, we compared the inventory amount written off with reference to the pre-looting inventory balance held. **Scrapping of property, plant and equipment** • For all affected stores and distribution centres we confirmed that damaged assets were removed from the fixed asset registers and compared the asset values to scrapped assets per the accounting records. • We recalculated depreciation and impaired carrying values for a sample of assets written off to ensure arithmetical accuracy. • We performed physical verification at a sample of sites to confirm that assets not scrapped still existed. **Compliance with International Financial Reporting Standards** • We considered and evaluated the classification of the transactions in the consolidated statement of comprehensive income and the relevance and accuracy of additional disclosure provided in the notes to the consolidated financial statements against the various relevant International Financial Reporting Standards.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the 113-page document titled "Pick n Pay Audited Annual Financial Statements for the period ended 27 February 2022," which includes the Company Secretary's certificate, Directors' report, and the Audit, risk and compliance committee report as required by the Companies Act of South Africa and the Directors' responsibility statement, Chief Executive Officer and Chief Finance Officer Internal Financial Control Responsibility Statement, Review of operations, Pro forma earnings performance, Dividend declaration, Analysis of ordinary shareholders, Analysis of B shareholders, Appendices 1 – 3 and Corporate Information which we obtained prior to the date of this report, and the Integrated Annual Report and Corporate Governance Report, which are expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of Pick n Pay Stores Limited for 7 years.

Ernst & Young Inc.
Director: Tina Lesley Rookledge
Registered Auditor
Chartered Accountant (SA)

3rd Floor, Waterway House
3 Dock Road, V&A Waterfront
Cape Town

16 May 2022

AUDIT, RISK AND COMPLIANCE COMMITTEE

Pick n Pay Stores Limited Group

The committee provides independent oversight of the effectiveness of assurance functions and services, the integrity of external financial reporting, the annual financial statements, and risk governance and compliance.

The board of directors (the Board) retains the overall responsibility to review and approve the annual financial statements for the Group and the Company, as well as Group-wide risk governance.

The Board acknowledges that it will be exposed to certain risks in order to achieve sustainable growth in the fast-moving consumer goods industry in South Africa and on the rest of the African continent. The Board's focus on risk and compliance management is aimed at maintaining an appropriate balance between risk and reward, protecting all stakeholders against avoidable risks and mitigating the impact of unavoidable risks.

The Board has delegated to the committee the statutory and regulatory duties arising from the Companies Act, No. 71 of 2008 as amended (the Companies Act) and the JSE Listings Requirements, as well as risk governance and compliance. It is the committee's responsibility to develop, communicate and monitor financial and risk management policies and processes across all divisions in the Group. The committee discharges this responsibility through the oversight of management's implementation of these policies and processes. The committee ensures that adequate systems are in place to identify, evaluate and manage key business risks. The committee ensures that it dedicates sufficient time to assurance functions, financial reporting and risk governance and compliance.

During the 2022 financial year, the Pick n Pay Group continued to operate under the National State of Disaster imposed to control the global Covid-19 pandemic. In addition to ad hoc trade restrictions in the South African liquor category arising out of the State of Disaster, the Group was further disrupted by the civil unrest in July 2021, which led to severe damage to trade and property. The Group embraced its responsibility to support central authorities and consumers in re-establishing law and order in affected communities. The looting of stores and distribution centres, and the closure of roads, severely limited access to essential consumer goods. The Group worked tirelessly to re-open supply lines and facilities with the aim of ensuring that further civil unrest was not fuelled by lack of access to food.

Covid-19 pandemic and July's civil unrest: impact on the activities of the committee

As informed by the committee, the Group had significantly expanded its risk strategy and framework regarding crisis management and business continuity to address the Covid-19 pandemic. This continued in the 2022 financial year and proved most valuable in addressing the civil unrest in July 2021. The guidance and amendments to regulations published by the JSE, IFRS and SAICA regarding the Group's reporting obligations continued to be closely monitored. Internal controls impacted by the pandemic and July's civil unrest were assessed, monitored and amended where relevant. The impact of July's civil unrest on insurance cover was a significant concern. In addition, business continuity and disaster recovery plans were assessed and, where necessary, amended. These plans again proved effective in re-establishing trade following the damage caused by the flooding experienced in KwaZulu-Natal in April 2022.

Composition and activities of the committee

A standing statutory committee, it is chaired by an independent non-executive director and comprises only independent non-executive directors. In accordance with the requirements of the Companies Act, members of the committee are appointed annually by the Board for the ensuing financial period and are elected by shareholders at the annual general meeting. Fees paid to committee members are disclosed in the annual Corporate Governance Report available on the Group's website at www.picknpayinvestor.co.za.

The long-standing chair of the committee, Jeff van Rooyen, indicated his intention to retire from the Board. Jeff's role as chair will be filled by Aboubakar (Bakar) Jakoet following his election to the committee at the 2022 annual general meeting. Three financial years have passed since Bakar was CFO of the Group and as an independent non-executive director, he is ideally qualified to assist the Group as chair of the committee. Reinforcing his independent status, by end June 2022 Bakar will not have an interest in the Group that is material to his personal wealth. The Board is grateful that Jeff has agreed to remain on as a non-executive director and a member of the committee until the 2023 annual general meeting, to achieve a comprehensive handover in line with the Group's succession plan.

The committee meets formally twice a year with the Chair, the Chief Executive Officer, the Chief Finance Officer, the head of the internal audit function, the head of risk and the external auditors in attendance. Additional ad hoc meetings are held as required. The committee has the right to invite other Board members, executives and external advisors to attend any meeting. In addition, the committee chair meets with executives, the head of risk and the internal and external auditors whenever necessary. The head of risk and the internal and external auditors have unfettered access to the committee and its members throughout the year. Formal minutes of meetings are made available to members of the committee and are available on request to all members of the Board. The effectiveness of the committee is assessed as part of the annual Board and committee self-evaluation process.

Committee members and attendance at meetings held during the 2022 financial period

Members	Qualifications and experience	Attendance
Jeff van Rooyen (Chair)	A chartered accountant with extensive experience in both the private and public sectors, Jeff is chair of the committee.	2/2 scheduled 3/3 ad hoc
David Friedland	A chartered accountant with extensive expertise in auditing, risk and compliance, David had a long career as audit engagement partner and lead partner with major audit companies.	2/2 scheduled 3/3 ad hoc
Audrey Mothupi	An Honours graduate with extensive business experience in financial services as well as in data and digital innovation, Audrey is the CEO of the SystemicLogic Group.	2/2 scheduled 2/3 ad hoc
Mariam Cassim	A chartered accountant with extensive auditing and business experience, Mariam is CEO of Vodacom Financial and Digital Services and a member of Vodacom Group's executive committee. She was elected to the committee by shareholders on 4 August 2020.	2/2 scheduled 2/3 ad hoc
Haroon Bhorat	Professor of Economics and Director of the Development Policy Research Unit at the University of Cape Town, Haroon is currently a member of the Presidential Economic Advisory Council. He was elected to the committee by shareholders on 28 June 2021.	2/2 scheduled 2/3 ad hoc

Responsibilities and activities performed

The committee is authorised by the Board to investigate any activity within its terms of reference. The committee has the right to:

- Seek any information that it requires from any employee or director
- Request and obtain unrestricted access to records and information
- Liaise directly with the Group internal audit services and the external auditors
- Obtain outside legal or other professional advice
- Have access to the resources it needs to fulfil its responsibilities
- Set and maintain an appropriate mandate for subsidiary company audit committees

Integrated and financial reporting and finance function

Responsibilities	Activities performed and areas of focus
• Providing independent oversight and assessment of the effectiveness of the Group's assurance functions and services, with particular focus on combined assurance arrangements, including internal audit, risk, external assurance service providers and the finance function • Providing independent oversight and assessment of the integrity of the annual financial statements and other external reports issued by the Group • Providing independent oversight and assessment of the management of financial and other risks that affect the integrity of external reports issued by the Group • Ensuring that the necessary internal controls and checks and balances are in place • Establishing that management are enforcing use of the controls	• Reviewed and recommended to the Board for approval the annual financial statements, interim results, preliminary results announcement and the Integrated Annual Report • Ensured and recommended to the Board that financial and integrated reporting was reliable and was in conformity with International Financial Reporting Standards (IFRS), the Companies Act, the JSE Listings Requirements and the King IV Code of Conduct • Reviewed and approved the appropriateness of accounting policies, disclosure policies and the effectiveness of internal financial controls • Ensured that the Group has established appropriate financial reporting procedures and that those procedures are operating effectively across all companies in the Group, to allow for the effective preparation of the Group's annual financial statements • Continued focus on ensuring that the Group's financial systems, processes and controls are operating effectively and are responsive to changes in the environment and industry • Reviewed the sustainability disclosure in the Integrated Annual Report and ensured that it was consistent with financial information reported • Considered the expertise, experience and resources of the Chief Finance Officer and the Group's finance function

Responsibilities	Activities performed and areas of focus
• Overseeing any tender process adopted to establish whether new external auditors should be appointed • Acting as a liaison between the external auditors and the Board	• Reviewed the Group's integrated reporting function and progress, considering factors and risks that could impact on the integrity of the Integrated Annual Report • Reviewed and confirmed that the listed company has an independent sponsor at all times during the financial period • Ensured that the appointment of the external auditor is included as a resolution for shareholders to vote on in the Notice of the 2022 annual general meeting • Reviewed and considered representations by management on the going concern statement for the Group and recommended the adoption of the going concern concept to the Board • Reviewed feedback from the JSE proactive monitoring panel and included additional disclosure where relevant • Reviewed and confirmed compliance with the JSE regulations relating to the financial sign-off by the CEO and CFO on the internal financial framework • Reviewed and considered representations by management on the Group's response to the impact on trade of the Covid-19 pandemic as well as the civil unrest in July 2021 • Reviewed the Group's insurance cover in light of the civil unrest in July 2021, including considering the challenges experienced in renewing business interruption cover and the impact on the cost of doing business in light of significantly increased premiums • Reviewed the financial reporting of the insurance claim arising from the civil unrest in July 2021, including the disclosure of the related pro forma financial information • Reviewed and advised on the capital investment and related liquidity and solvency required to fund the long-term growth plans of the Group • Continued to monitor the economic situation in areas of Africa other than South Africa in which the Group has interests • Continued to monitor the political and economic situation in Zimbabwe and the accounting treatment of the Group's investment in its associate, TM Supermarkets (Pvt) Ltd in a hyperinflationary environment, including the application of IAS 29 *Financial Reporting in Hyperinflationary Economies*

Internal audit

A risk-based methodology is used to identify material business risks, which informs aspects of the internal audit plan as part of the Group's annual combined assurance plan. The internal audit function is independent of business operations and provides assurance on the adequacy and effectiveness of internal controls.

Responsibilities	Activities performed and areas of focus
• Reviewing and approving the internal audit charter and audit plans • Evaluating the independence, effectiveness and performance of the internal audit function and compliance with its mandate • Reviewing the Group's system of internal control, including financial controls, ensuring that management is adhering to and continually improving these controls • Reviewing significant issues raised by the internal audit process • Reviewing policies and procedures for preventing and detecting fraud	• Reviewed the internal audit coverage plan • Considered and confirmed the composition, experience, resources, independence and skills of the internal audit function • Considered and confirmed that the head of the internal audit function has the appropriate expertise and experience for the position • Ensured continued progress in integration with the combined assurance model • Reviewed the effectiveness of internal financial controls • Met separately with the internal auditors to confirm that they received the full co-operation of management • Reviewed the adequacy and effectiveness of controls over information systems and cyber security, specifically raised by co-sourced partners to the internal audit function (i.e. KPMG, BDO and PwC) • Reviewed the approach of the internal audit function to continuously grow and develop data analytics as well as continuous audit capabilities within the company • Areas of focus included: » Implementation of POPIA » Covid-19 protocols » Customer call centre operations » Human Resources disciplinary processes » The safeguarding of assets » Franchise governance » The implications of the civil unrest in July 2021, including processes to limit stock losses and to minimise the increased costs of security and logistics

External audit

Following a tender process, Ernst & Young Inc. (EY) was appointed as external auditor to the Group in July 2015, bringing their tenure to seven years.

The committee annually considers whether a tender process should be adopted to establish whether new external auditors should be appointed. The Independent Regulatory Board for Auditors' (IRBA) rule on mandatory audit firm rotation was taken into consideration. In terms of the rule, the external auditor firm would be rotated in the financial period ended 2026. The committee concluded that a new tender process was not required in the 2023 financial period.

In terms of section 92 of the Companies Act, the designated auditor of a company is required to be rotated after serving as a company's auditor for five consecutive financial years. Tina Rookledge is the designated audit partner for the 2022 financial period, having been appointed in the prior financial period following the five-year tenure of Malcolm Rapson as designated audit partner. Tina Rookledge has been assessed to have the necessary competence, ability and independence required for this position.

"The committee confirmed its satisfaction with the performance and level of service rendered by EY during the 2022 financial period."

Responsibilities	Activities performed and areas of focus
• Acting as a liaison between the external auditors and the Board • Nominating the external auditor for appointment by shareholders • Determining annually the scope of audit and non-audit services that the external auditors may provide to the Group • Approving the remuneration of the external auditors and assessing their performance • Assessing annually the independence of the external auditors • Ensuring a process is in place for the committee to be informed of any reportable irregularities identified by the external auditor	• Ensured the appointment as external auditor a registered auditor, who, in the opinion of the committee, was independent of the Group and recommended approval for the re-appointment of EY as external auditors • Ensured that the re-appointment of the external auditor complied with relevant legislation • Assessed the competence of the designated audit partner • Reviewed IRBA's rule on the requirements of mandatory audit firm rotation • Determined the fees to be paid to the external auditor, as well as the terms of engagement • Considered and approved of the extent of the pre-approved non-audit services provided by the external auditors • Considered and confirmed the independence of the external auditors, taking into account all non-audit services performed and circumstances known to the committee • Reviewed the external audit coverage plan to ensure adequate coverage of critical risk areas and dealt with questions arising from audit activities • Met with management, independently of the auditors, to discuss issues relevant to the audit and for purposes of evaluating the quality and effectiveness of the external audit function • Evaluated the performance, and reviewed the reports, of the external auditors and ensured that the reporting was reliable, transparent and a fair representation for the use by stakeholders • Received and appropriately dealt with any queries relating to the accounting practices of the Group, the content of its financial statements and the internal financial controls of the Group or to any related matter • Made submissions to the Board on any matter concerning the Group's accounting policies, financial controls, records and reporting • Met separately with the external auditors to confirm that full co-operation was received by them from management

Risk management

The Chief Finance Officer serves as the Chief Risk Officer for the Group and, along with the Head of Group Risk, attends all audit, risk and compliance committee meetings by invitation. The day-to-day responsibility for identifying, evaluating and managing risk remains the responsibility of senior management, who are supported by the risk assurance function, under the Head of Group Risk. Currently, the combined assurance plan serves as the source for the Group's top-down risk management programme. These risks are typically strategic and operational, and are quantified by the finance function, where relevant.

Responsibilities	Activities performed and areas of focus
• Ensuring that the Group has adequate processes in place to identify, monitor and manage all significant business and financial risk areas • Assisting management to identify risk areas, and evaluating management in the handling of identified risks • Ensuring that the Group's assets are secure • Ensuring that the Group's information systems are adequate, secure and function effectively • Ensuring that the accounting system and controls are adequate and function effectively • Ensuring that the effectiveness of the internal control measures is continually evaluated • Ensuring that systems exist that adequately provide for the Group's conformance with all laws, regulations and codes	• Discharged all risk and compliance committee responsibilities of all the subsidiary companies in the Group • Together with head of risk, internal auditors, external auditors and management, reviewed the findings of the financial review committees of the material operating divisions in the Group • Ensured that management's processes and procedures were adequate to identify, assess, manage and monitor enterprise-wide risks • Reviewed internal audit findings and comments from a risk perspective • Reviewed risk report and findings • Reviewed operational risks, in particular how they were managed • Met with management to review their progress on identifying and addressing material risk areas within the business • Areas of focus included » Supply chain operations » Maintenance of food safety and occupational health and safety policies » Store operations » Insurance risks, including cyber security cover » Talent retention » The potential for labour disruption » Security of the franchise contribution to the Group • The Chair met regularly with key management to keep abreast of emerging issues which, during the 2022 financial period, included » The impact of the continuing Covid-19 pandemic » The impact of the civil unrest in July 2021 » Cultural sensitivity » Continued monitoring of possible corporate governance failures and their implications on risk management and director responsibilities in oversight of management » Reviewed the Group's progress against the implementation of measures to ensure compliance with the Protection of Personal Information Act » The social, political and economic events in South Africa and other countries in Africa in which the Group is operating, or in which the Group is considering operating

Policy on non-audit services

All non-audit services provided by the Group's external auditors are required to be pre-approved by the committee. The nature and extent of non-audit services provided by the external auditors has been reviewed to ensure that the fees for such services do not become so significant as to call into question their independence. During the period under review, EY received R24 500 (2021: R217 548) relating to agreed-upon procedures. All non-audit services undertaken during the 2022 financial period were approved in accordance with this policy.

Expertise and experience of Chief Finance Officer and finance function

The committee, together with the lead external audit partner, has considered and confirmed the composition, experience, resources and skills of the finance function. The committee is satisfied that Lerena Olivier has the appropriate expertise and experience for the position of Chief Finance Officer of the Group. In addition, the committee is satisfied that the composition, experience and skills of the finance function meet the Group's requirements.

Legal requirements

The committee has complied with all applicable legal, regulatory and other responsibilities for the 2022 financial period.

Effectiveness of the design and implementation of internal financial controls

As required by section 3.84(k) of the JSE Listings Requirements, the committee has examined the effectiveness of internal financial controls, to assess if there are any significant weaknesses in the design, implementation or execution of internal financial controls that could result in material financial loss, fraud, corruption or error. Through this process no material matter has come to the attention of the committee or the Board that has caused the directors to believe that the Group's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements. The committee has concluded that the current design of internal financial controls is effective but will continue to be watchful.

The arrangements in place for combined assurance and the committee's view on its effectiveness

The committee ensured that the combined assurance model addressed all significant risks facing the Group and monitored the relationship between external and internal assurance providers and the Group. The committee concluded that the arrangements in place for combined assurance were effective.

Annual financial statements and going concern

Following review of the consolidated Group and separate Company annual financial statements for the financial period ended 27 February 2022, the committee is of the opinion that, in all material respects, the financial statements comply with International Financial Reporting Standards and the Companies Act and that they fairly present the financial position of the Group and Company for the 2022 financial period and the results of the operations and cash flows for the period then ended.

The committee reviewed and considered representations by management on the going concern statement for the Group and recommended the adoption of the going concern concept to the Board.

In compliance with the requirements of the King IV Report™, an Integrated Annual Report will be compiled for 2022 in addition to these annual financial statements.

Approval of the audit, risk and compliance committee report

The committee confirms that it functioned in accordance with its charter for the 2022 financial period and that its report to shareholders was approved by the Board.

Jeff van Rooyen
Chair: audit, risk and compliance committee

16 May 2022

REVIEW OF OPERATIONS

Progress in a disrupted year

KEY FINANCIAL INDICATORS	52 weeks to 27 February 2022 FY22	52 weeks to 28 February 2021 FY21	% change
Group turnover	**R97.9 billion**	R93.1 billion	**5.2**
Gross profit margin	**18.8%**	19.8%	
Trading expenses	**R18 014.7 million**	R17 294.8 million	**4.2**
Net finance costs	**R1 150.4 million**	R1 233.6 million	**(6.7)**
Profit before tax and capital items (PBT)[1]	**R1 807.7 million**	R1 554.2 million	**16.3**
Pro forma PBT[2]	**R1 978.0 million**	R1 583.4 million	**24.9**
Pro forma PBT[2] – South Africa	**R1 859.0 million**	R1 435.3 million	**29.5**
Basic earnings per share (EPS)[1]	**253.34 cents**	202.52 cents	**25.1**
Headline earnings per share (HEPS)[1]	**262.59 cents**	229.31 cents	**14.5**
Pro forma HEPS[2]	**289.64 cents**	235.42 cents	**23.0**
Total dividend per share	**221.15 cents**	179.74 cents	**23.0**

1 *Profit before tax and capital items (PBT), basic earnings per share and headline earnings per share (HEPS) include non-cash hyperinflation net monetary adjustments recognised in respect of the Group's investment in its associate in Zimbabwe, under the requirements of IAS 29 Financial Reporting in Hyperinflationary Economies (IAS 29).*

2 *Pro forma PBT and pro forma HEPS exclude non-cash hyperinflation net monetary adjustments related to the Group's investment in its associate in Zimbabwe (Rest of Africa segment) and, in FY22, include R145.2 million (R104.5 million net of tax) of business interruption insurance proceeds received post year-end in respect of the civil unrest in July 2021 (South Africa segment), which results in a pro forma adjustment for the 52 weeks ended 27 February 2022. Pro forma HEPS is the Group's dividend driver.*

3 *For further information on pro forma PBT, HEPS and constant currency information, users are referred to Appendix 1 and Appendix 3 of the Group Annual Financial Statements for the 52 weeks ended 27 February 2022.*

Result summary

The Group delivered a resilient performance across the year despite the considerable negative impact of the civil unrest of July 2021, and some continuing restrictions on trading associated with the Covid-19 pandemic. Group turnover increased by 5.2%, despite an estimated R2.7 billion in lost sales arising from store closures as a result of the civil unrest, and the trading restrictions on liquor mainly in the first half of the year. A quarterly breakdown of trading performance set out below demonstrates the considerable impact of the civil unrest on Group operations. More positively, it also shows the Group's stronger underlying trading momentum both before and after this disruption.

The Group's gross profit and operating margins reflect the significant impact of the lost sales and earnings, with the majority of the losses associated with the unrest covered under the Group's programme of insurance. Pro forma profit before tax and capital items (including R145.2 million of insurance recoveries received post year-end) increased 24.9% at a Group level – and by 29.5% in the Group's South Africa segment – under some of the most difficult circumstances in the Group's history. The Board has declared a final dividend of 185.35 cents per share, bringing the total FY22 dividend to 221.15 cents per share, up 23.0% in line with pro forma headline earnings per share.

Over the course of the year, the Group made progress against a number of its strategic priorities. The refurbishment of key Pick n Pay Select supermarkets, serving our most affluent customers, resulted in a gain in customers. Pick n Pay Clothing delivered market-leading sales growth and increased its market share across a number of key categories. The Group's on-demand online grocery offer was relaunched as Pick n Pay asap!, resulting in significant growth in the second half of the year.

Project Future, the Group's modernisation and cost savings programme delivered targeted cost savings of R1.0 billion over the past two years. This was crucial in mitigating the impact of other cost escalations over the course of the year – particularly in security and insurance costs as a result of the civil unrest – and has allowed for sustained investment into lower prices for customers and a strengthened marketing campaign.

Highlights from the year include:

- The Group's extraordinary recovery from the civil unrest in July 2021 – rapidly restoring damaged infrastructure and re-opening stores, and mounting a major humanitarian response to provide essential food and groceries to affected communities
- The resilience of the Group's underlying sales performance – driven by the value offered by Pick n Pay Value and Boxer supermarkets
- Stronger customer growth from 40 refurbished Pick n Pay Select supermarkets
- Cost discipline and operational efficiency, enabled the Group to offer lower prices and deeper promotions, with selling price inflation restricted to 2.9% against CPI Food of 6.2%
- Project Future contained like-for-like trading expense growth below like-for-like sales growth in a highly disrupted environment
- Sustained market share gains from Pick n Pay Clothing, with sales growth of 21.0%
- Pick n Pay's Smart Shopper loyalty programme driving loyalty penetration to 80% of Pick n Pay sales and recognised as the most used loyalty programme in South Africa
- Relaunch of the Group's on-demand grocery offer as Pick n Pay asap!, delivering year-on-year growth of over 300% since August 2021
- Careful management of working capital and capital investment underpinned strong liquidity, with the Group's cost of borrowing down 6.7%
- Growth in the Group's store estate – with 139 new stores across all formats

Strategic plan

The Group will separately present details of its Strategic Plan immediately after the FY22 Financial Results presentation at 10:30am on Tuesday, 17 May 2022 (webcast link: www.corpcam.com/PNP17052022). Presentation materials will be published on the Group's website at www.picknpayinvestor.co.za.

Detailed review of financial and operational performance

Sales and earnings impact of civil unrest

The outbreak of civil unrest across KwaZulu-Natal and parts of Gauteng in July 2021 was one of the worst episodes in the country's democratic history. 212 Pick n Pay and Boxer stores, and two Pick n Pay distribution centres, were damaged and looted during the violence, and a further 551 stores were closed on a precautionary basis to safeguard staff and customers.

The Group is strongly represented in terms of store numbers in KwaZulu-Natal and Gauteng, and 37% of its estate was closed at the height of the civil disorder. 16 of the affected stores (nine Pick n Pay and seven Boxer) currently remain closed. These stores are located in severely damaged shopping centres, with the reinstatement of each store dependent on the restoration of the centre as a whole.

The Group recovered R958.7 million of material damage losses under its SASRIA riot insurance covers in FY22, including R627.8 million of stock losses and R210.5 million of property damage, alongside increased operating costs.

Alongside the material damage suffered, the Group estimates that the unrest resulted in approximately R1.8 billion of lost sales in FY22. The Group's related business interruption (loss of profits) claims remain open, as not all of the affected stores have re-opened for trade. The Group has provided business interruption insurers with interim submissions setting out the earnings lost as a result of the unrest up to and including end October 2021. The Group received interim payments of R145.2 million from business interruption insurers in respect of these submissions in March 2022 (post year-end). These recoveries have not been accounted for in the Group's FY22 results in line with the technical requirements of International Financial Reporting Standards. The Group has presented pro forma profit before tax and pro forma headline earnings per share metrics which include these insurance proceeds relating to FY22 received after year-end. Pro forma headline earnings per share is the Group's dividend driver. Please refer to Appendix 1 for further information. The balance of lost earnings is expected to be recovered in FY23, once insurers have completed the assessment of the full and final business interruption claim. The recoveries in FY23 will mitigate to some extent the increase in trading expenses expected as a result of the unrest.

Turnover

Group sales increased 5.2% to R97.9 billion (FY21: R93.1 billion), with like-for-like sales growth of 4.5%.

The Group's South Africa segment (96.6% of Group sales) increased sales by 5.1% to R94.5 billion, with like-for-like sales growth of 4.4%. Selling price inflation was contained at 2.9% against CPI Food of 6.2%.

The underlying strength and resilience of the Group's trading performance is evidenced by a quarter-by-quarter analysis of sales growth:

	Q1 13 weeks ended 30 May 2021	Q2 13 weeks ended 29 Aug 2021	Q3 13 weeks ended 28 Nov 2021	Q4 13 weeks ended 27 Feb 2022	FY22 52 weeks ended 27 Feb 2022
Group sales growth	+9.0%	-0.7%	+4.9%	+7.4%	**+5.2%**

- The Group delivered a solid start to FY22, growing sales by 9.0% in the first quarter, a positive recovery against a prior year base highly disrupted by Covid-19 measures.
- The impact of the civil unrest, combined with the loss of liquor trade, was most evident in the second quarter of the year, with sales growth falling to -0.7%. The civil unrest was particularly damaging to the Group, as it struck at the heart of our high-performing value business, with significant damage to a large number of Boxer and Pick n Pay Value stores.
- Sales growth recovered to 4.9% in quarter three as a result of the extraordinary efforts to re-open over 180 damaged stores over July to November 2021 – notwithstanding a shortage of point of sale and other critical store infrastructure – supported by the successful execution of Black Friday promotions.
- The Group's trading momentum accelerated in the final quarter of the year, with sales growth increasing to 7.4%. Q4 was underpinned by a strong festive trading period, with sales up 9% in the three weeks leading into and including Christmas.

Greater clarity in the Group's supermarket offer

Boxer – the Group's discount format – delivered an outstanding performance. Boxer provides customers with a clear customer value proposition across a tight range of essential food and groceries and provides exceptional value through its simple and highly effective operating model. The Group's long-term plan recognises the importance and potential of the Boxer brand in the South African market and targets 200 new Boxer stores over the next three years.

Over the course of the year, the Group made further important strides in ensuring that its Pick n Pay Value supermarkets provide an aspirational but affordable destination for middle and lower-income customers. The Group reduced the range in these stores, streamlined the operating model and delivered more targeted promotions, including bulk and combination offers. Pick n Pay Value stores outperformed the balance of the Pick n Pay estate in terms of sales growth, sales densities, on-shelf availability and waste.

The Group also strengthened its offer in the more affluent segment of the market through the refurbishment of 40 supermarkets under its Pick n Pay Select plan. These stores have a modern and innovative design and layout and carry over 400 new own brand and imported products, focused on high-quality fresh meat, produce and bakery lines, health and wellness, plant-based meal solutions, and added-convenience products.

One of the priorities of the Group's new Strategic Plan will be to build on the progress made in differentiating the Pick n Pay customer offer in recent years.

Strong performance from Pick n Pay Clothing

The Group's clothing division made excellent progress, with sales growth of 21.0% year-on-year. The strong performance was driven by solid market share gains across a number of women's, men's and childrenswear categories, for the fourth consecutive year. On a two-year compound annual growth basis, clothing sales have increased by 11.7%. The division's solid performance reflects its clear customer value proposition and highly efficient operating model, built on the principle of providing high-quality wardrobe essentials at incredible prices. Local sourcing represents 40% of total clothing sales. It has provided the opportunity for exciting collaborations with local designers and entrepreneurs, while reducing order lead times and maintaining high levels of availability. Online clothing sales increased 233% year-on-year, including through the Group's strategic partnership with online retail platform Zando. The Group added 22 net new clothing stores this year. Pick n Pay Clothing is a strategic priority for the Group, and the offer will continue to expand through new stand-alone clothing stores (66 planned for FY23), additional space in supermarkets, and a growing online offer.

Strengthened omnichannel offer

The Group's online on-demand grocery offer was relaunched in August 2021 as Pick n Pay asap!. Following the relaunch, the service has delivered year-on-year growth of over 300%. Significant enhancements to the mobile app and the in-store picking interface have simplified the user experience, including navigation, ordering and checkout and have led to notable improvements in the reliability and speed of the service, with product availability maintained at over 95%. Pick n Pay asap! is now available in 392 supermarkets and liquor stores. On-demand grocery retail is only one element of the Group's omnichannel proposition, which includes its traditional scheduled delivery service, a Click n Collect service and an online clothing offer.

The Group's combined online offer has delivered compound annual growth of 72.5% over two years. The Group believes that online grocery sales will continue to expand in South Africa and intends to grow its omnichannel offer and presence significantly. Details of how this will be achieved are set out in the Group's Strategic Plan.

Some recovery in the Group's highly disrupted liquor business

Group liquor sales increased 57.2% year-on-year. The Group lost a further 66 liquor trading days this year (FY21: 209 days) as a result of Covid-19 trading restrictions, with an estimated R0.9 billion in lost sales (FY21: R2.5 billion). The Group added 42 net new liquor stores this year (32 Pick n Pay and 10 Boxer). We are working closely with suppliers to restore volumes, including through strong promotions and improved on-shelf availability.

Store estate

The July civil unrest disrupted the Group's opening programme, with resources diverted to repairing and re-opening damaged stores. Despite this, the Group made good progress against its FY22 target, opening 102 Pick n Pay stores across all formats (57 company-owned and 45 franchise), 34 new Boxer stores, and three new TM Supermarkets in Zimbabwe.

In addition, the Group improved the overall quality of its estate with the closure of 49 under-performing stores, and the conversion of seven Pick n Pay franchise stores to company-owned stores, and two Pick n Pay company-owned stores to Boxer. The Group will continue to leverage the flexibility of its operating model in order to tailor its store estate to best meet customer needs.

Gross profit

Gross profit remained flat at R18.4 billion, with a reduction in the gross profit margin to 18.8% of turnover (FY21: 19.8%). This contraction in gross profit reflects the significant impact of the civil unrest, in particular stock losses of R627.8 million, and increased supply chain costs of R68.0 million. These losses have been recovered through the Group's programme of insurance, and recoveries have been recognised within "other income" in line with International Financial Reporting Standards.

The Group invested close to R800 million in lower prices across 400 key food and grocery lines in Pick n Pay. This strategic programme of price investment has enhanced Pick n Pay's price competitiveness and is an important step forward in improving its price perception among consumers. The Group also strengthened its promotions across both Pick n Pay and Boxer to assist hard-pressed customers and drive a recovery in sales volumes following the civil unrest. The Group's Smart Shopper loyalty programme is an increasingly important lever in Pick n Pay's marketing and pricing strategy, with loyalty customers receiving the lowest Smart Prices and best deals, driving loyalty participation to close to 80% of sales.

Smart Shopper is the most used loyalty programme in South Africa and with ten years of customer data provides the Group with unrivalled market insights, invaluable in shaping our customer value proposition and tailoring personalised promotions.

	FY22 %	FY21 %
Undisrupted gross profit margin – prior year	**20.1**	19.7
Better buying and supply chain efficiency	**0.3**	0.9
Strategic investment in lower prices	**(0.8)**	(0.5)
Undisrupted gross profit margin	**19.6**	20.1
Impact of trade disruptions:		
Civil unrest	**(0.8)**	–
Covid-19 trading restrictions	**–**	(0.3)
Reported gross profit margin	**18.8**	19.8

The Group's price investment has been funded through a combination of better buying (driven in part by strong volume growth in Boxer), improved supply chain efficiency, and other cost savings delivered under the Group's Project Future programme – including reduced shrink and waste, tighter working capital management, increased staff productivity, and lower logistics costs.

The Group's central supply chain remains an important efficiency lever in the successful execution of the second phase of Project Future. The development of Pick n Pay's new Eastport distribution centre in Gauteng – in partnership with Fortress REIT Limited (Fortress) – began in July 2021. Eastport will replace the Group's Longmeadow distribution centre and is on track to open in March 2023. The facility, at just over 150 000m², will be 45% larger than Longmeadow and – with 50% more capacity and enhanced systems and layout – targeting a 12% decrease in the cost-per-case per delivered over the next 5 years. The Eastport DC will complete Pick n Pay's supply chain centralisation in Gauteng and will support the Group's growth ambitions for the next 15 years. The Group will purchase 60% of the Eastport facility from Fortress on completion of the development in FY24, at a projected value of R1.2 billion, and will enter into a long-term lease for the 40% balance. The capital investment will be funded through highly cost-effective long-term debt already secured from a local funding partner.

Boxer plans to begin construction on its second distribution centre in Gauteng by the end of May 2022. This distribution centre will add 30 000m² of capacity, and ultimately service more than 100 stores. It will open early in FY24 and is an important element of Boxer's accelerated growth strategy. In addition, Boxer is currently extending its existing facility in Gauteng by a further 5 000m² to a total size of 19 000m².

Other income

Other income of R2.5 billion includes insurance recoveries of R748.2 million in respect of losses suffered as a result of the civil unrest. Further detail is provided below. Other income, excluding the insurance recoveries, increased 11.1% to R1.8 billion.

Franchise fee income – the Group's royalty fee income earned on franchise point of sale turnover, increased 3.8% to R428.3 million. The moderate increase reflects the combined impact of the Covid-19 liquor restrictions and the civil unrest on our franchise partners – notwithstanding a strong recovery in the second half of the year – as well as the conversion of 41 franchise supermarkets and liquor stores to company-owned Pick n Pay and Boxer stores over the past two years.

Operating lease income – decreased 18.9% year-on-year, from R142.5 million to R115.6 million, reflecting the impact of conversions of franchise stores to company-owned stores, as well as the impact the civil unrest had on income received from in-store kiosks and other retail tenants.

Commissions and other income – this broad category of income includes income from value-added services and all other commission and incentive income not directly related to the sale of inventory. Commissions and other income increased 18.3% year-on-year to R1.2 billion, with a solid recovery in all services disrupted by Covid-19 restrictions in the prior period.

Income from value-added services – grew 25.0% year-on-year, with solid performances across travel and event ticketing, store vouchers and banking and insurance services. Providing a secure and convenient platform for banking and other financial transactions is an increasingly important part of the Group's value-added offer. The Group processed 74.8 million cash withdrawals this year with a value of R39.8 billion, facilitated 5.1 million local and cross-border money transfers, extended the reach of TymeBank to 3.6 million Pick n Pay and Boxer customers, and introduced mini Standard Bank kiosks into 27 of its Pick n Pay Supermarkets. Customers are now able to renew their vehicle licence discs in over 500 Pick n Pay supermarkets – with close to 50 000 registered customers since the launch of the service in January 2022. The Group provides an important service in the monthly distribution of South African Social Security Agency (SASSA) grants through its Pick n Pay and Boxer supermarkets and in September 2021 were the first retailers to be selected as collection points for the South African government's Social Relief of Distress (SRD) grant.

Insurance recoveries

The Group incurred material damage losses (stock, assets and other costs) of R958.7 million as a result of the July 2021 civil unrest. The Group recovered these losses in full in FY22 under its SASRIA riot insurance covers. Of these recoveries, R748.2 million have been recorded within other income (the value of stock and other costs recovered), with the balance related to items of a capital nature. Further information is provided in note 31 of the Group annual financial statements. The Group's business interruption (loss of profits) claims remain open, as 16 of the damaged stores have not yet re-opened for trade. The Group provided business interruption insurers with interim submissions setting out the earnings lost as a result of the unrest up to and including end October 2021. The Group received interim payments of R145.2 million from insurers in respect of these interim submissions in March 2022 (post year-end).

Trading expenses

Trading expenses increased 4.2% year-on-year (2.4% like-for-like) to R18.0 billion. Excluding once-off staff costs in the prior year of R250 million, like-for-like trading expenses increased by 4.0%. Strong cost discipline – particularly driven by greater staff productivity and operational efficiency – contained like-for-like expense growth below that of like-for-like sales growth, notwithstanding significant cost pressures directly related to the civil unrest, including the cost of heightened security measures, the reinstatement of insurance covers, and essential repairs and maintenance.

Employee costs – decreased 1.5% to R7.8 billion over the period (-3.8% like-for-like). Employee costs in the prior year included R250 million of once-off costs – R200 million arising from a voluntary severance programme and other strategic staff restructuring decisions, and an appreciation bonus of R50 million paid to frontline staff during the Level 5 Covid-19 lockdown last year. Excluding the impact of these once-off costs, employee costs increased just 1.7% year-on-year, reflecting the realisation of significant staff productivity and efficiency benefits under the Group's Project Future programme and a reduction in share-based payment costs.

Occupancy costs – increased 9.7% to R2.7 billion (5.2% like-for-like), driven primarily by an escalation in security costs after the civil unrest, with stronger security measures implemented across the Group's estate, particularly in respect of key supply chain infrastructure. In addition, the Group reinstated its riot covers post the unrest, at significant cost. The cost of security and insurance are expected to remain elevated, with the reduced insurance capacity related to riot risk in South Africa considered a risk for all businesses. The Group is focused on reducing cash property rentals (excluding IFRS 16) as a percentage of turnover and has worked closely with landlords to secure fair and reasonable rentals and escalation terms which can sustain mutual growth over the long term.

Operations costs – increased 9.4% to R4.5 billion (6.3% like-for-like), largely driven by increased repairs and maintenance costs – due in part to structural repairs necessitated by the civil unrest, and in part by the resumption of a standard programme of repairs and maintenance at store level, deferred last year as a result of the Covid-19 pandemic. The increase in the Group's operating costs also reflects higher electricity tariffs in the second half of the year, and the cost of load shedding in South Africa – including the cost of running and maintaining diesel generators (exacerbated by the higher cost of fuel). The Group continues to enforce stringent health and hygiene protocols as result of the Covid-19 pandemic, repeating the majority of the related costs incurred in the prior year.

The Group's Project Future initiatives have delivered strategic savings in combined depreciation and amortisation charges – up just 1.5% year-on-year (excluding IFRS 16 right-of-use assets). Savings have been achieved through the careful management of capital investment, a more targeted repairs and maintenance programme and a move away from software ownership to strategic software service providers. While these savings have been partially off-set by an increase in repairs and maintenance and professional fees, this has been an important area of cost control and efficiency gains.

Merchandising and administration costs – increased 7.8% year-on-year to R3.0 billion (12.2% like-for-like), driven by the Group's deliberate investment in a strengthened marketing campaign this year, to drive the recovery in sales volumes post the Covid-19 pandemic and the civil unrest. The Group has made good progress in strengthening its voice in the market and in improving Pick n Pay's price perception, but there is still more to do, which remains a priority under the Group's new Strategic Plan.

The Group's year-on-year increase in trading expenses also reflects the impact of its store conversion programme, with the conversion of 41 franchise stores into company-owned stores over the past two years. The conversion programme has added operating costs for the Group – particularly for its Boxer business – but is driving greater investment returns through improved sales growth and operating margins.

Project Future, supported by extensive internal and external benchmarking, has identified further significant and quantifiable opportunities for cost savings and efficiency gains across the Group's procurement, supply chain, store operations and support office structures. The Group is seeking R3.0 billion in cost savings over the next three years. Execution of this second phase of Project Future will be crucial to addressing cost pressures across the value chain and to ensure the Group is able to deliver on its promise of better value for customers. Further details will be provided in the presentation of the Group's Strategic Plan.

Net finance costs

Net finance costs, including implied interest charges under IFRS 16, decreased 6.7% year-on-year to R1.1 billion.

Net funding interest – the Group maintained high levels of liquidity over the year, through disciplined control over capital investment, operating costs and working capital. The Group's cost of net bank funding decreased 23.8% year-on-year, from R94.6 million to R72.1 million, supported by underlying like-for-like improvements in working capital, lower average interest rates over the year and the strategic investment of surplus funds into high-yield money market funds.

Lease interest – implied net interest charges under IFRS 16 decreased 4.1% year-on-year to R1.1 billion, with ongoing stability in the Group's broad lease portfolio. Combined IFRS 16 implied interest and depreciation charges are up 4.7% year-on-year, reflecting the Group's focus on reducing its cash cost of occupancy.

South Africa has returned to a cycle of interest rate hikes, with the South African Reserve Bank (SARB) steadily increasing interest rates over the past six months to contain headline consumer price inflation within its target range of 3% – 6%. The SARB increased interest rates by 50 basis points from November 2021 to January 2022. The Russian invasion of Ukraine has further fuelled global and domestic inflation concerns, driving large increases in the prices of commodity products, including wheat and cooking oil. SARB implemented a further 25 basis point increase in March 2022, with further increases, estimated at around 100 – 125 basis points, expected over the balance of the 2022 calendar year. The Group will actively manage the impact on its cost of funding, through an optimal mix of short-term and longer-term funding.

Rest of Africa segment

The Group's Rest of Africa segment contributed R4.5 billion of segmental revenue, up 5.1% on last year. Segmental revenue increased 8.4%[1] in constant currency terms, and 10.8% on a like-for-like basis. The Rest of Africa division delivered pro forma profit before tax and capital items of R119.0 million (before the application of hyperinflation accounting) down R29.1 million (-19.6%) on last year.

The Group operates franchise operations across Botswana, eSwatini, Namibia and Lesotho. These businesses have demonstrated resilience over the course of the Covid-19 pandemic, notwithstanding increasingly difficult trading conditions across southern Africa. The Group opened its first Pick n Pay Express store in Namibia this year, alongside one new clothing store in eSwatini and one supermarket and one liquor store in Botswana – the first new stores in the region in five years.

In partnership with AG Leventis, Pick n Pay opened a small supermarket in Lagos, Nigeria in March 2021. This pilot store had a challenging start as a result of Covid-19 trading restrictions. The store's sales performance has improved as restrictions have eased, and as brand awareness has grown, and the initiative continues to provide the Group with valuable learnings in the region, at limited risk. The Group's approach to investment in Nigeria remains cautious.

Zambia – lower earnings in the Rest of Africa segment was largely attributable to the persistently difficult trading conditions in Zambia, particularly over the first half of the year. Stronger sales growth in the region was driven by high levels of inflation, which also resulted in significant cost and margin pressure. Underlying volume growth remained weak over the first half of the year, exacerbated by the economic impact of the Covid-19 pandemic.

The team delivered an encouraging recovery in the second half of the year, supported by strong promotions over the festive season and a revitalised fresh meat and produce offer. The Group countered inflationary cost pressures through improved operating efficiency and tight working capital management, with a meaningful reduction in stock cover, alongside improvements in in-store execution and on-shelf availability.

The Group opened one new store and closed four under-performing stores in Zambia over the year. The management team progressed in its efforts to reduce rental costs, working closely with landlords to introduce a greater level of variable turnover-based rentals, and reduce its exposure to US dollar-based rentals. The political and economic environment stabilised post the elections held in August 2021, and the Group expects trading conditions to improve in FY23, driven by a firmer local kwacha currency, lower levels of inflation and the stronger copper price.

Zimbabwe – TM Supermarkets (TM), the Group's 49%-owned associate in Zimbabwe, delivered another resilient sales and earnings performance. Sustained market share gains drove underlying volume growth up 23.5% year-on-year, supported by the successful refurbishments of our Newlands, Zengeza and Makoni stores. Earnings in local currency grew 95.8% year-on-year, as the management team countered inflationary cost pressures with highly-disciplined cost and working capital management. The local Zimbabwe dollar weakened significantly over the second half of the year and, as a result, the Group's share of TM's operating profits (trading result) fell to R96.7 million, from R109.2 million last year, on translation to the South African rand. The Group recognised a non-cash net monetary loss on the revaluation of TM assets and liabilities of R25.1 million (FY21: R29.2 million) under the provisions of hyperinflation accounting in Zimbabwe, which is excluded from pro forma headline earnings per share, the Group's main dividend driver.

	Investment in TM Supermarkets	
	27 February 2022 Rm	**28 February 2021 Rm**
Opening balance	69.7	50.4
Share of TM's earnings, excluding net monetary adjustments	96.7	109.2
Hyperinflation accounting – net monetary adjustments	(25.1)	(29.2)
Dividends received	(20.1)	–
Foreign translation recorded in equity	(0.8)	20.9
Impairment on fair value assessment	(14.4)	(81.6)
Closing balance	**106.0**	69.7

The Group re-assessed the fair value of its investment in TM Supermarkets at R106.0 million, from R69.7 million last year. The increase in the value of the investment recognises TM's strong underlying FY22 operating performance, high levels of liquidity in the business, minimal exposure to foreign debt and the successful remittance of R20.1 million of dividends to South Africa.

TM added three new stores during the year, including its first Pick n Pay Express store, taking its store footprint to 64 stores in Zimbabwe (56 supermarkets, one Pick n Pay Express and seven liquor stores) with 32 stores trading under the Pick n Pay brand.

Profit before tax and capital items (PBT)

	FY22 Rm	FY21 Rm	% change
Profit before tax and capital items (PBT)	1 807.7	1 554.2	16.3%
Non-cash hyperinflation net monetary loss[1]	25.1	29.2	
Comparable PBT[1]	**1 832.8**	1 583.4	**15.8%**
Insurance recoveries received post year-end	145.2	-	
Pro forma PBT[2]	**1 978.0**	1 583.4	**24.9%**
South Africa	1 859.0	1 435.3	29.5%
Rest of Africa	119.0	148.1	(19.6%)

[1] *In line with normal Group practice, comparable PBT excludes all non-cash hyperinflation net monetary adjustments recognised in respect of the Group's investment in its associate in Zimbabwe, under the requirements of IAS 29 Financial Reporting in Hyperinflationary Economies (IAS 29).*

[2] *Pro forma PBT and pro forma HEPS exclude all non-cash hyperinflation net monetary adjustments related to the Group's investment in its associate in Zimbabwe and, in FY22, include R145.2 million (R104.5 million net of tax) of business interruption insurance proceeds received post year-end in respect of the civil unrest. Refer to Appendix 1.*

Pro forma PBT increased 24.9% year-on-year to R1 978.0 million. The Group's resilient earnings performance against a backdrop of significant trade and operational disruption over the past two years is testament to targeted improvements in the Pick n Pay and Boxer customer offer, alongside sustained cost and operational discipline under the Group's Project Future modernisation programme. The strength of the Group's FY22 performance is particularly evidenced by the results of its South African segment, with pro forma PBT up 29.5% year-on-year. Please refer to note 27 for further information on the Group's segmental performance and to Appendix 1 for further information relating to pro forma PBT.

Capital losses

The Group incurred capital losses of R46.2 million this year, against a R145.9 million charge in the prior year. Net capital losses include R85.5 million related to the sale, closure or impairment of under-performing stores, a net capital gain of R53.7 million on the recovery of insured assets at replacement value, and a R14.4 million impairment loss on the Group's assessment of the fair value of its investment in TM Supermarkets (please refer to note 14 for further information). Net capital losses are added back in the calculation of headline earnings and pro forma headline earnings.

Tax

The Group's effective tax rate of 31.1% is in line with last year (FY21: 31.3%) and reflects lower levels of profitability in operations outside of South Africa. The Group expects its tax rate to remain above South Africa's statutory tax rate of 28.0% for the foreseeable future.

Earnings per share

Pro forma headline earnings per share (HEPS) – is the primary measure in determining the Group's dividend pay-out ratio. Pro forma HEPS includes R145.2 million of business interruption insurance proceeds (R104.5 million net of tax) received in March 2022 (post year-end) related to the July 2021 civil unrest.

In line with normal Group practice, pro forma HEPS also excludes the Group's share of non-cash hyperinflation accounting remeasurements in TM Supermarkets and all impairment losses and other capital items. Pro forma HEPS increased by 23.0% year-on-year to 289.64 cents per share. Please refer to Appendices 1 and 3 for further detail.

Headline earnings per share (HEPS) – does not recognise the insurance proceeds received after year-end and includes the Group's share of non-cash hyperinflation accounting remeasurements in TM Supermarkets, in line with the technical requirements of International Financial Reporting Standards. All related impairment losses and other capital items are excluded in the calculation of HEPS, which increased by 14.5% to 262.59 cents per share.

Earnings per share (EPS) – does not recognise insurance proceeds received after year-end and includes the Group's share of non-cash hyperinflation remeasurements in TM Supermarkets and all items of a capital nature. EPS increased by 25.1% to 253.34 cents per share.

[1] *For further information on pro forma constant currency disclosures, users are referred to Appendix 1 of the Group Annual Financial Statements for the 52 weeks ended 27 February 2022.*

Detailed review of financial position

The Group has consistently executed a phased long-term turnaround plan, with the initial stages designed to stabilise the business and improve operational effectiveness, followed by plans to enhance the customer offer and drive long-term sustainable growth. Notwithstanding the impact of severe disruption over the past two years, the Group's liquidity remains strong, reflecting the success of its long-term plan, and the achievement of sustainable investment returns within carefully considered risk parameters. The Group's balance sheet provides a solid foundation from which to accelerate strategic investment.

Net funding and liquidity

The Group manages its operating and working capital requirements through short-term and cost-effective ZAR-denominated funding facilities. The Group has drawn down approximately two thirds of its available borrowing facilities to protect against potential short-term market liquidity risks as a result of the Covid-19 pandemic and civil unrest. Surplus funds have been invested in high-yield money market accounts. In addition, the Group has extended shorter-dated debt into six-month and 12-month funding.

Net funding position	27 February 2022 Rm	28 February 2021 Rm
Cash balances	1 425.3	1 915.1
Cash investments	5 000.0	3 500.0
Cost-effective overnight funding	(2 800.0)	(1 951.4)
Net cash and cash equivalents	3 625.3	3 463.7
One to three-month funding	(1 650.0)	(1 640.0)
Six to 12-month funding	(1 950.0)	(1 450.0)
Net cash	25.3	373.7
Working capital – invoice financing facility	(403.1)	(241.2)
Net funding position	(377.8)	132.5

The Group's maintained its net cash position, which reduced by R348.4 million year-on-year to R25.3 million, reflecting the cash impact of the trade disruptions over the year, alongside an expanded capital investment programme and strategic inventory investments at year-end. The Group has utilised its supply chain finance programme – borrowings on the platform increased to R403.1 million – to take advantage of early settlement discounts from suppliers where the cost of the Group's funding is less than the supplier incentive income received. The Group's liquidity position is strong, supported by careful management of capital and operational spend.

The Group's new Strategic Plan will set out to deliver more ambitious change in order to deliver long-term growth. The Group will continue to work closely with strategic funders to ensure that its short and long-term borrowings remain within targeted risk parameters, that it does not place the business or its stakeholders at any undue risk, and that capital investments generate sustainable investment returns ahead of the Group's weighted average cost of capital.

Working capital

Inventory

Inventory at R8.3 billion increased 15.1% on last year. The increase was primarily driven by R900 million of strategic stock buy-ins at year-end – including investment into essential food and grocery products ahead of anticipated price increases, alongside investment into certain clothing and general merchandise lines to protect against delays experienced in global supply chains. Excluding strategic investment, inventory increased 2.6% year-on-year, with the addition of a net 72 new company-owned stores and increased levels of centralisation across our Boxer business. The Group continued to work closely with suppliers to tailor its customer offer across its estate – and delivered further progress in reducing duplicate, slow moving and uneconomic lines in the business.

Trade and other receivables

Trade and other receivables (current and non-current) increased by 10.3% on last year to R4.3 billion.

The Group's net franchise debt increased 7.7% year-on-year to R3.9 billion. The increase reflects extended payment terms provided to franchisees affected by the civil unrest, largely secured by insurance receivables and repaid post the financial year-end. The Group worked closely with its franchise partners to rebuild and re-open its damaged franchise estate as quickly as possible and provided support in quantifying insurance claims and expediting recoveries. At the time of publication, seven of the 58 damaged stores remain closed. The Group expects all affected franchise stores to re-open, except for one smaller market store. The Group converted seven franchise stores (FY21: 34) to company-owned stores during the period, targeting improved trading densities and store profitability going forward.

The Group wrote off R82.3 million of irrecoverable debt during the year (FY21: R130.2 million) and has reduced its impairment provision to 4.7% of the value of the debtors' book (FY21: 5.0%). The Group is confident in the quality of its debtors' book and in the prudence of its impairments, supported by the agility of its franchise partners in navigating the operational challenges of the past two years.

Trade creditors

Trade and other payables increased by 7.1% on last year to R13.1 billion, notwithstanding the impact of strategic inventory buy-ins at year-end. The Group continues to unlock gross profit margin benefits through cash and early settlement discounts, with the cost-effective use of its supply chain financing programme and has made good progress in improving its working capital efficiency through the rationalisation of supplier payment days.

Capital investment

The Group invested R2.1 billion in capital projects this year, delivering solid progress against its FY22 growth ambitions, notwithstanding the redirection of capital spend to restore distribution and store infrastructure in KwaZulu-Natal and Gauteng. Capital commitments at year-end of R0.4 billion are in respect of projects planned for FY22 that were delayed into next year as a result of the civil unrest. Capital investment included R715.4 million on new stores, R888.5 million on refurbishments and R530.2 million in the maintenance and expansion of supply chain capability and systems infrastructure and technology.

The Group will accelerate and expand its capital investment programme to deliver its new Strategic Plan – with a FY23 capital investment target of R3.5 billion. The investment targets a stronger and expanded Pick n Pay customer value proposition (R1.7 billion); an acceleration in the roll-out of our Boxer estate (R1.4 billion) and R400 million into systems and digital innovation. In addition, the Group will invest R500 million in supply chain equipment at the new Pick n Pay Eastport distribution centre in FY23, ahead of its scheduled opening in FY24.

Shareholder distribution

The Board declared a final dividend of 185.35 cents per share. This brings the total FY22 dividend to 221.15 cents per share, up 23.0% on last year in line with the increase in Group's pro forma headline earnings per share, maintaining a dividend cover of 1.3 times related earnings. The dividend will be paid on 6 June 2022, please refer to the dividend declaration included with this announcement for further information.

In summary

The Group is proud of the achievements of our colleagues across the Pick n Pay and Boxer businesses over the past year. Our operations recovered very rapidly from the violence in July 2021. This was vital in restoring consumer confidence. The Group also made progress on improving its customer offer, and the efficiency of its operations. We have entered the FY23 year with good trading momentum, delivering sales growth of 9.9% over the first eight weeks of FY23.

Looking to the future, our management team has developed a strong Strategic Plan to bring Pick n Pay closer to the customer and accelerate the progress of our key growth engines, including the expansion of our Boxer, Clothing and Omnichannel businesses. As part of the Strategic Plan, the Group will seek to unlock further operating efficiencies through Project Future Phase 2. This Strategic Plan will be presented to investors and other stakeholders immediately after publication and presentation of these financial results.

Greater efficiency will be key in a year when the Group expects to see potentially significant inflationary and other cost pressures. These are already evident in the operating environment, and reflect both international factors – in particular the invasion of Ukraine and its consequences – and local factors, including higher insurance and security costs following the civil unrest, and costs required to mitigate the impact of load shedding. The Group will therefore guide that stakeholders should not expect immediate returns from its Strategic Plan, but should expect an acceleration from FY24, as the benefits from the plan materialise.

Gareth Ackerman
Chair

Pieter Boone
Chief Executive Officer

16 May 2022

PRO FORMA EARNINGS PERFORMANCE

The table alongside presents the Group's earnings performance on a pro forma basis.

The financial result for the 52 weeks ended 27 February 2022 was impacted by the civil unrest which occurred in parts of South Africa in July 2021. Many stores were closed for trade, resulting in significant business interruption (loss of profits). For further information on the impact of the civil unrest, refer to the review of operations. The Group's related business interruption claims remain open, as not all affected stores have re-opened for trade as at the date of this report. During the financial period under review, the Group provided business interruption insurers with interim claims submissions setting out the earnings lost as a result of the unrest up to and including October 2021. The Group received payments of R145.2 million from business interruption insurers in respect of these submissions in March 2022 (post year-end).

In line with technical requirements of International Financial Reporting Standards, these business interruption insurance recoveries have not been accounted for in the Group's 2022 financial results. These insurance recoveries directly relate to the losses suffered by the Group during the 2022 financial year. The Group has therefore presented its earnings performance for the current period on a pro forma basis, including the insurance proceeds received post year-end.

In addition, in line with normal Group practice, the Group has excluded hyperinflation net monetary adjustments from earnings for the current and prior periods under review in respect of the Group's investment in associate attributable to IAS 29 *Financial Reporting in Hyperinflationary Economies* (IAS 29).

Refer to Appendix 1 for further information.

	52 weeks to 27 February 2022 Rm	Insurance recoveries received post year-end* 52 weeks to 27 February 2022 Rm	Pro forma 52 weeks to 27 February 2022 Rm	% of turnover	% change	52 weeks to 28 February 2021 Rm	% of turnover
Turnover	97 872.8	–	97 872.8		5.2	93 078.8	
Cost of merchandise sold	(79 476.7)	–	(79 476.7)			(74 657.1)	
Gross profit	18 396.1	–	18 396.1	18.8	(0.1)	18 421.7	19.8
Other income	2 505.1	145.2	2 650.3	2.7	67.6	1 580.9	1.7
Franchise fee income	428.3	–	428.3	0.4	3.8	412.7	0.4
Operating lease income	115.6	–	115.6	0.1	(18.9)	142.5	0.2
Commissions and other income	1 213.0	–	1 213.0	1.3	18.3	1 025.7	1.1
Insurance recoveries*	748.2	145.2	893.4	0.9	–	–	
Trading expenses	(18 014.7)	–	(18 014.7)	18.4	4.2	(17 294.8)	18.6
Employee costs	(7 836.3)	–	(7 836.3)	8.0	(1.5)	(7 959.0)	8.6
Occupancy	(2 662.1)	–	(2 662.1)	2.7	9.7	(2 427.1)	2.6
Operations	(4 535.1)	–	(4 535.1)	4.6	9.4	(4 144.4)	4.5
Merchandising and administration	(2 981.2)	–	(2 981.2)	3.1	7.8	(2 764.3)	3.0
Trading profit	2 886.5	145.2	3 031.7	3.1	12.0	2 707.8	2.9
Net finance costs	(1 150.4)	–	(1 150.4)	1.2	(6.7)	(1 233.6)	1.3
Net funding	(21.4)	–	(21.4)	–	(61.7)	(55.9)	0.1
Leases	(1 129.0)	–	(1 129.0)	1.2	(4.1)	(1 177.7)	1.3
Share of associate's earnings excluding net monetary adjustments*	96.7	–	96.7		(11.4)	109.2	
Profit before tax before capital items excluding net monetary adjustments*	1 832.8	145.2	1 978.0	2.0	24.9	1 583.4	1.7
Share of associate's hyperinflation net monetary loss*	(25.1)	–	(25.1)			(29.2)	
Profit before tax before capital items*	1 807.7	145.2	1 952.9			1 554.2	
Loss on capital items	(46.2)	–	(46.2)			(145.9)	
Profit/(loss) on sale of assets and insurance recoveries on scrapping of assets*	241.8	–	241.8			(21.4)	
Loss from impairments and scrapping of assets*	(273.6)	–	(273.6)			(42.9)	
Impairment loss on investment in associate	(14.4)	–	(14.4)			(81.6)	
Profit before tax	1 761.5	145.2	1 906.7	1.9	35.4	1 408.3	1.5
Tax	(547.0)	(40.7)	(587.7)	0.6	33.2	(441.2)	0.5
Profit for the period	1 214.5	104.5	1 319.0	1.3	36.4	967.1	1.0
South Africa operating segment							
Turnover	94 535.2		94 535.2		5.1	89 919.2	
Profit before tax before capital items	1 713.8	145.2	1 859.0		29.5	1 435.3	
Rest of Africa operating segment							
Total segmental revenue	4 481.7		4 481.7		5.1	4 264.1	
Profit before tax before capital items excluding net monetary adjustments*	119.0		119.0		(19.6)	148.1	
Earnings per share	Cents		Cents			Cents	
Basic earnings per share	253.34		253.34		25.1	202.52	
Diluted earnings per share	252.43		252.43		25.6	200.93	
Headline earnings per share	262.59		262.59		14.5	229.31	
Diluted headline earnings per share	261.65		261.65		15.0	227.51	
Pro forma headline earnings per share*	Cents	Cents	Cents			Cents	
Pro forma headline earnings per share	262.59	27.05	289.64		23.0	235.42	
Pro forma diluted headline earnings per share	261.65	26.94	288.59		23.6	233.57	

* *Profit before tax and capital items, headline earnings, headline earnings per share (HEPS) and diluted headline earnings per share (DHEPS) includes hyperinflationary net monetary adjustments in respect of the Group's investment in associate under the requirements of IAS 29. In order to present the underlying operating performance of the Group on a comparable basis, the share of associate's earnings has been separately disclosed between components including and excluding hyperinflation net monetary adjustments, and the Group has included insurance proceeds received post year-end relating to civil unrest. The Group has therefore presented pro forma profit before tax before capital items, pro forma headline earnings, pro forma HEPS and pro forma DHEPS, which excludes non-cash hyperinflation net monetary adjustments and includes insurance proceeds related to civil unrest received post year-end. Refer to Appendix 1 and note 31 for further information.*

Pick n Pay Stores Limited
Incorporated in the Republic of South Africa
Registration number: 1968/008034/06
ISIN: ZAE000005443
JSE share code: PIK

DIVIDEND DECLARATION

Tax reference number: 9275/141/71/2
Number of shares in issue: 493 450 321

Notice is hereby given that the directors have declared a final gross dividend (number 108) of 185.35 cents per share out of income reserves.

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

The tax payable is 37.07 cents per share, resulting in shareholders who are not exempt from dividends tax with a net dividend of 148.28 cents per share.

Dividend dates

The last day of trade in order to participate in the dividend (CUM dividend) will be Tuesday, 31 May 2022.

The shares will trade EX dividend from the commencement of business on Wednesday, 1 June 2022 and the record date will be Friday, 3 June 2022. The dividends will be paid on Monday, 6 June 2022.

Share certificates may not be dematerialised or rematerialised between Wednesday, 1 June 2022 and Friday, 3 June 2022, both dates inclusive.

On behalf of the Board of directors

Debra Muller
Company Secretary

16 May 2022

02

GROUP ANNUAL FINANCIAL STATEMENTS

For the period ended 27 February 2022

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the period ended

	Note	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
Revenue	2	100 902.4	95 108.6
Turnover	2	97 872.8	93 078.8
Cost of merchandise sold		(79 476.7)	(74 657.1)
Gross profit		18 396.1	18 421.7
Other income		2 505.1	1 580.9
Franchise fee income	2	428.3	412.7
Operating lease income	2	115.6	142.5
Commissions, dividend and other income	2	1 213.0	1 025.7
Insurance recoveries	2	748.2	–
Trading expenses		(18 014.7)	(17 294.8)
Employee costs	3	(7 836.3)	(7 959.0)
Occupancy		(2 662.1)	(2 427.1)
Operations		(4 535.1)	(4 144.4)
Merchandising and administration		(2 981.2)	(2 764.3)
Trading profit		2 886.5	2 707.8
Finance income	2	524.5	448.9
Finance costs	3	(1 674.9)	(1 682.5)
Share of associate's earnings	14	71.6	80.0
Profit before tax before capital items		1 807.7	1 554.2
Loss on capital items		(46.2)	(145.9)
Profit/(loss) on sale of assets and insurance recoveries on scrapping of assets		241.8	(21.4)
Loss from impairments and scrapping of assets		(273.6)	(42.9)
Impairment loss on investment in associate	14	(14.4)	(81.6)
Profit before tax	3	1 761.5	1 408.3
Tax	6	(547.0)	(441.2)
Profit for the period		1 214.5	967.1
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss		25.4	7.8
Remeasurement in retirement scheme assets	22	35.3	10.9
Tax on items that will not be reclassified to profit or loss	13	(9.9)	(3.1)
Items that may be reclassified to profit or loss		16.2	12.5
Foreign currency translations		19.0	28.4
Movement in cash flow hedge		(0.2)	(16.9)
Tax on items that may be reclassified to profit or loss	13	(2.6)	1.0
Total comprehensive income for the period		1 256.1	987.4
		Cents	**Cents**
Earnings per share			
Basic earnings per share	7	253.34	202.52
Diluted earnings per share	7	252.43	200.93

GROUP STATEMENT OF FINANCIAL POSITION

	Note	As at 27 February 2022 Rm	As at 28 February 2021 Rm
ASSETS			
Non-current assets			
Intangible assets	9	987.1	1 006.0
Property, plant and equipment	10	7 150.5	6 642.6
Right-of-use assets	11	9 588.9	10 050.6
Net investment in lease receivables	12	2 069.0	2 134.1
Deferred tax assets	13	822.5	912.7
Investment in associate	14	106.0	69.7
Loans	15	85.9	59.2
Retirement scheme assets	22	122.0	82.7
Investment in insurance cell captive	29	47.4	32.7
Operating lease assets		7.9	11.0
Trade and other receivables	17	106.5	166.7
		21 093.7	21 168.0
Current assets			
Inventory	16	8 277.3	7 193.3
Trade and other receivables	17	4 207.6	3 743.7
Cash and cash equivalents	18	6 425.3	5 415.1
Net investment in lease receivables	12	319.1	277.1
Right-of-return assets	25	21.5	19.3
		19 250.8	16 648.5
Total assets		40 344.5	37 816.5
EQUITY AND LIABILITIES			
Equity			
Share capital	19	6.0	6.0
Treasury shares	20	(702.1)	(873.4)
Retained earnings		4 717.3	4 573.5
Other reserves		(8.6)	(6.6)
Foreign currency translation reserve		(296.9)	(313.3)
Total equity		3 715.7	3 386.2
Non-current liabilities			
Lease liabilities	24	13 656.5	14 312.6
Deferred tax liabilities	13	–	10.1
		13 656.5	14 322.7
Current liabilities			
Trade and other payables	23	13 065.2	12 198.8
Lease liabilities	24	2 431.4	2 046.8
Deferred revenue	25	385.1	353.3
Bank overdraft and overnight borrowings	18	2 800.0	1 951.4
Borrowings	21	4 003.1	3 331.2
Current tax liabilities	6	279.8	218.6
Derivative financial instruments	29	7.7	7.5
		22 972.3	20 107.6
Total equity and liabilities		40 344.5	37 816.5

GROUP STATEMENT OF CHANGES IN EQUITY

for the period ended

	Note	Share capital Rm	Treasury shares Rm	Retained earnings Rm	Other reserves Rm	Foreign currency translation reserve Rm	Total equity Rm
At 1 March 2020		6.0	(961.7)	4 303.2	5.3	(342.7)	3 010.1
Total comprehensive income for the period		–	–	974.9	(16.9)	29.4	987.4
Profit for the period		–	–	967.1	–	–	967.1
Foreign currency translations		–	–	–	–	29.4	29.4
Movement in cash flow hedge		–	–	–	(16.9)	–	(16.9)
Remeasurement in retirement scheme assets		–	–	7.8	–	–	7.8
Other reserve movements		–	–	–	5.0	–	5.0
Transactions with owners		–	88.3	(704.6)	–	–	(616.3)
Dividends paid		–	–	(934.7)	–	–	(934.7)
Net effect of settlement of employee share awards	20	–	88.3	(88.3)	–	–	–
Share-based payments expense	3	–	–	318.4	–	–	318.4
At 28 February 2021		**6.0**	**(873.4)**	**4 573.5**	**(6.6)**	**(313.3)**	**3 386.2**
Total comprehensive income for the period		**–**	**–**	**1 239.9**	**(0.2)**	**16.4**	**1 256.1**
Profit for the period		**–**	**–**	**1 214.5**	**–**	**–**	**1 214.5**
Foreign currency translations		**–**	**–**	**–**	**–**	**16.4**	**16.4**
Movement in cash flow hedge		**–**	**–**	**–**	**(0.2)**	**–**	**(0.2)**
Remeasurement in retirement scheme assets		**–**	**–**	**25.4**	**–**	**–**	**25.4**
Other reserve movements		**–**	**–**	**–**	**(1.8)**	**–**	**(1.8)**
Transactions with owners		**–**	**171.3**	**(1 096.1)**	**–**	**–**	**(924.8)**
Dividends paid		**–**	**–**	**(959.6)**	**–**	**–**	**(959.6)**
Share purchases	20	**–**	**(114.2)**	**–**	**–**	**–**	**(114.2)**
Net effect of settlement of employee share awards	20	**–**	**285.5**	**(285.5)**	**–**	**–**	**–**
Share-based payments expense	3	**–**	**–**	**149.0**	**–**	**–**	**149.0**
At 27 February 2022		**6.0**	**(702.1)**	**4 717.3**	**(8.6)**	**(296.9)**	**3 715.7**

GROUP STATEMENT OF CASH FLOWS

for the period ended

	Note	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
Cash flows from operating activities			
Trading profit		**2 886.5**	2 707.8
Adjusted for dividend income	2	**–**	(40.0)
Adjusted for non-cash items		**3 391.5**	3 404.7
Depreciation on property, plant and equipment	10	**1 216.0**	1 187.3
Depreciation on right-of-use assets	11	**1 979.9**	1 793.0
Amortisation on intangible assets	9	**123.4**	131.9
Share-based payments expense	3	**149.0**	318.4
Lease adjustments		**(42.4)**	(91.2)
Movement in operating lease assets		**3.1**	2.0
Movement in retirement scheme assets		**(4.0)**	(3.1)
Fair value and foreign exchange adjustments		**(33.5)**	66.4
Cash generated before movements in working capital		**6 278.0**	6 072.5
Movements in working capital		**(563.6)**	591.5
Movements in trade and other payables and deferred revenue		**898.2**	998.1
Movements in inventory and right-of-return assets		**(1 074.2)**	(645.9)
Movements in trade and other receivables		**(387.6)**	239.3
Cash generated from trading activities		**5 714.4**	6 664.0
Other interest received	2	**300.1**	240.4
Other interest paid	3	**(341.0)**	(296.3)
Interest received on net investment in lease receivables	12	**203.7**	205.9
Interest paid on lease liabilities	24	**(1 364.4)**	(1 519.4)
Cash generated from operations		**4 512.8**	5 294.6
Dividends received		**20.1**	57.1
Dividends paid		**(959.6)**	(934.7)
Tax paid	6	**(403.9)**	(425.2)
Cash generated from operating activities		**3 169.4**	3 991.8
Cash flows from investing activities			
Investment in intangible assets	9	**(88.1)**	(81.2)
Investment in property, plant and equipment	10	**(1 990.1)**	(1 204.0)
Purchase of operations	30	**(55.7)**	(199.5)
Proceeds on disposal of intangible assets		**4.0**	0.7
Proceeds on disposal of property, plant and equipment		**135.9**	14.7
Insurance proceeds on capital items		**210.5**	–
Principal net investment in lease receipts	12	**251.6**	254.4
Lease incentives received		**52.0**	42.8
Loans repaid		**14.8**	34.9
Loans advanced		**(41.5)**	(7.5)
Cash utilised in investing activities		**(1 506.6)**	(1 144.7)
Cash flows from financing activities			
Principal lease liability payments	24	**(2 059.8)**	(1 677.0)
Borrowings raised	21	**6 020.4**	7 540.3
Repayment of borrowings	21	**(5 348.5)**	(5 144.1)
Share purchases	20	**(114.2)**	–
Cash (utilised in)/generated from financing activities		**(1 502.1)**	719.2
Net increase in cash and cash equivalents		**160.7**	3 566.3
Net cash and cash equivalents at beginning of period		**3 463.7**	(102.7)
Foreign currency translations		**0.9**	0.1
Net cash and cash equivalents at end of period	18	**3 625.3**	3 463.7
Consisting of:			
Cash and cash equivalents		**6 425.3**	5 415.1
Overnight borrowings		**(2 800.0)**	(1 951.4)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

for the period ended 27 February 2022

Significant accounting policies

1.1 Reporting entities

The Group annual financial statements for the 52 weeks ended 27 February 2022 (2021: 52 weeks ended 28 February 2021) comprise Pick n Pay Stores Limited and its subsidiaries and associate (the Group). Pick n Pay Stores Limited is referred to as the Company.

1.2 Statement of compliance

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

1.3 Basis of preparation

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

All financial information has been rounded to the nearest million, unless otherwise stated.

The accounting policies set out below have been applied consistently to all periods presented in these Group annual financial statements and to all companies in the Group, except where the Group has adopted IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations and amendments that became effective during the period. Several new standards, amendments to standards and interpretations became applicable to the Group during the current period and have been applied in the preparation of these Group annual financial statements. New standards, amendments to standards and interpretations did not have a significant impact on the Group.

The Group has not early adopted any other IFRS and IFRIC interpretations and amendments that are not yet effective for the Group. Refer to note 32.

1.4 Basis of consolidation

Investment in subsidiaries

The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the Group annual financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

Interest in equity-accounted investees

Associates are those entities over which the Group exercises significant influence but not control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not provide control or joint control over those policies. The Group's interest in equity-accounted investees comprises its interests in associates.

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

The aggregate of the Group's share of profit or loss of an associate is shown in the statement of comprehensive income and represents profit or loss after tax and after non-controlling interests in the subsidiaries of the associate. Where there are changes recognised directly in the other comprehensive income (OCI) or equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of other comprehensive income and statement of changes in equity, respectively. Any dividends received by the Group is credited against the investment in associate.

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

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

After application of the equity method, and at each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group determines whether it is necessary to recognise an impairment loss, and calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value. Refer to note 14.

Significant accounting policies (continued)

1.5 Foreign currency transactions and translations

Functional and presentation currency

The Group annual financial statements are presented in South African rand. Certain individual companies (foreign operations) in the Group have functional currencies that differ to that of the presentation currency of the Group and are translated on consolidation.

Transactions and balances

Transactions denominated in foreign currencies are translated to the respective functional currencies of Group entities at the rates of exchange ruling on the dates of the transactions. Differences arising on settlement or translation of monetary items are recognised in the statement of comprehensive income.

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

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

Foreign operations

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

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

1.6 Use of estimates, judgements and assumptions

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

Purchase rebates and other income earned from suppliers

The Group enters into various agreements with suppliers and these agreements provide for various purchase rebates and other income.

Purchase rebates are accrued for as part of cost of inventory sold when they are closely related to the purchase of inventory. Management uses judgement when assessing the nature of the rebates earned for recognition as a reduction in the purchase price of inventories and when recognising the relevant portion as a reduction in the cost of inventory.

Taking into account cumulative purchases of inventory to date, as well as historical and forecasted performance, management uses judgement to estimate the probability of meeting contractual obligations and in determining the amount of volume-related rebates recognised. Rebates received may therefore differ from that which has been accrued.

Significant accounting policies (continued)

1.6 Use of estimates, judgements and assumptions (continued)

Purchase rebates and other income earned from suppliers (continued)

Other income earned from suppliers is recognised in revenue, within other income, when services are provided to suppliers that are not closely related to the purchase of inventory and when the Group can reasonably estimate the fair value of the service. Management uses judgement in determining whether the services provided to suppliers are sufficiently separable from the purchase of inventory, by determining if the supplier could have entered into an agreement with a party, other than a purchaser of its inventory, in order to receive those services. Refer to note 1.20.

Estimating variable consideration for returns

The Group estimates variable consideration to be included in the transaction price for the sale of goods where customers are entitled to a right of return within a specified time frame. The Group uses statistical projection methods for forecasting sales returns which is based on historical return data. Any significant changes in experience as compared to historical return patterns will impact the expected return percentages estimated by the Group. Estimated return percentages are updated regularly and the refund liability is adjusted accordingly. Refer to note 25.

Measurements of share-based payments

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

Provision for expected credit losses on net investment in lease receivables, loans and trade and other receivables

The Group has established a provision matrix that is based on historical credit loss experience and applicable credit insurance, adjusted for forward looking factors specific to net investment in lease receivables, loans and trade and other receivables and the economic environment. At each reporting period, the historical observed default rates are updated and changes in forward looking estimates are analysed. The assessment of historical observed default rates and forward-looking factors require significant judgement and estimates. The Group's historical credit loss experience and forecast economic conditions may therefore not be representative of the actual default in the future. Refer to notes 12, 15, 17 and 29.

Inventory net realisable value allowances

The Group evaluates its inventory to ensure that it is carried at the lower of cost and net realisable value. Allowances are made against slow moving, obsolete and damaged items. Damaged inventories are identified and written down through inventory verification processes. Allowance for slow moving and obsolete inventories are assessed continuously. Obsolescence is assessed based on a comparison of the level of inventory holding and the projected likely future sales, taking into account factors existing at the reporting date. Refer to note 16.

Measurement of deferred revenue in respect of customer loyalty programme and prepaid gift cards

Reward credits (loyalty points) granted to customers participating in the Group's Smart Shopper loyalty programme and prepaid gift cards provide rights to customers which are accounted for as separate performance obligations. The consideration allocated to unredeemed loyalty points and unredeemed gift cards are measured by reference to its stand-alone selling prices adjusted for an expected forfeiture rate. The Group applies statistical projection methods in its estimation of forfeiture rates by using customers' historical redemption patterns as the main input, and is therefore subject to uncertainty. The expected forfeiture rate is updated regularly and the liabilities for unredeemed loyalty points and unredeemed gift cards are adjusted accordingly. Refer to note 25.

Estimates of useful lives and residual values of intangible assets

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

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

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

Estimates of useful lives of right-of-use assets

Right-of-use assets are depreciated over their useful lives and are directly linked to the lease term of the underlying lease agreement that has been accounted for in the measurement of the corresponding lease liabilities. Useful lives are reviewed at each reporting date, considering factors such as lease term extension and termination options.

Measurements of the recoverable amounts of cash-generating units

The recoverable amount of cash-generating units (CGU) containing goodwill is determined by calculating its value in use. The Group treats a store as a separate CGU for impairment testing of intangible assets, property, plant and equipment and right-of-use assets. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model, future cash flows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount of CGUs are disclosed in note 9, 10 and 11.

Significant accounting policies (continued)

1.6 Use of estimates, judgements and assumptions (continued)

Classification of leases

Judgement is applied when assessing whether an arrangement should be treated as a lease. Where the Group acts as lessor, judgement is applied in determining whether the risks and rewards of the underlying asset have been transferred in order to classify leases as either finance leases or operating leases.

Estimates of lease terms of lease agreements

Lease terms applicable to lease agreements, relating to the Group's net investment in lease receivables and lease liabilities, are negotiated on an individual basis and contain a wide range of various terms and conditions. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. Management exercises judgement in determining the reasonable certainty of exercising termination or extension options in determining the lease term, including considerations of the age of the lease, the nature of the leased asset and the expected return on the underlying cash generating unit to which the leased asset belongs.

Subsequent to the commencement date of lease agreements, lease terms are reassessed when there is a significant event or change in circumstances that is within the Group's control and affects its ability to exercise or not to exercise the option to renew or to terminate. Significant events could include a change in the Group's assessment of whether it is reasonably certain to exercise a renewal or termination option, the incurrences of unanticipated significant leasehold improvements or the negotiation of unanticipated lease incentives.

Estimates of incremental borrowing rates applied in the measurement of lease liabilities

Incremental borrowing rates applied in the measurement of lease liabilities are specific to the country, term, currency and start date of the applicable lease agreement. Incremental borrowing rates are based on a series of inputs including the prime lending rate, the repo rate, a credit risk adjustment and a country specific adjustment.

Foreign currency translations of equity-accounted investee in Zimbabwe

Significant judgement was applied in the estimation and application of the Zimbabwe Dollar (ZWL$) to South Africa rand (ZAR) exchange rate.

Effective 1 June 2020, Zimbabwe implemented a formal market-based foreign exchange trading system to establish formalised trading in ZWL$ with other currencies (referred to as the auction rate). The intention of this auction rate system is expected to bring transparency and efficiency in the trading of foreign currency in the economy.

In line with prior period assessments, management assessed that the closing auction exchange rate to the South African rand is not available for immediate settlement, as shortages of foreign currency results in the official exchange rate not being liquid and was therefore not an appropriate rate to use when accounting for the Group's investment in associate. An estimated exchange rate was used when translating the results of TM Supermarkets during the period under review. Inputs considered in this estimate include the official inflation rate and the in-country fuel price.

The share of associate's income and net asset value of TM Supermarkets have been translated into the Group's presentation currency at the closing rate in accordance with the hyperinflationary provisions of IAS 21. Refer to note 14.

Impairment reviews of investment in associate

Judgement is required in determining whether indicators of impairment exist, which includes the liquidity and devaluation of Zimbabwean currency, currency shortages experienced in-country, rapid increases in Zimbabwe inflation rates and the liquidity restrictions imposed by the Reserve Bank of Zimbabwe which could prevent the Group from realising its investment. The recoverable amount of the Group's equity-accounted investee in Zimbabwe is determined as the higher of fair value less costs of disposal and value in use. Estimates of the future cash flows are used in the value in use calculation and are sensitive to the discount rate used for the discounted cash flow model and the growth rate used for extrapolation purposes. Refer to note 14.

Income and deferred taxes

The Group is subject to income tax in numerous jurisdictions. Significant judgement is required in determining the provision for tax as there are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of the taxes that are likely to become due.

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted. Refer to notes 6 and 13.

Measurements of post-retirement defined-benefit obligations

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

Significant accounting policies (continued)

1.6 Use of estimates, judgements and assumptions (continued)

Consolidation of the Group's share trust

The Group operates an employee share option scheme through the Pick n Pay Employee Share Purchase Trust. Judgement is applied in determining that the Group controls the trust as it has exposure or rights to variable returns from its involvement with the investee and has the ability to affect returns from the trust through its power over the trust. The Group has therefore consolidated the trust into its results. Refer to notes 19 and 20.

Insurance claims receivable

Judgement is required in assessing the virtual certainty of the recoverability of insurance claims, which is supported by the insurer's validation of the progress in the claims assessment process and payments received to date.

COVID-19 Pandemic

The COVID-19 pandemic has placed strain on global economies, has influenced customer trends and has influenced trading activities of the Group. At period end, uncertainty remains on the longevity of the virus and its impact on future trading activities. This uncertainty has been considered in the key assumptions, estimates and judgements made by management when assessing the carrying value of property, plant and equipment, intangible assets, right-of-use assets, retirement scheme assets, deferred tax assets, investment in associate, net investment in lease receivables, deferred tax assets, trade and other receivables, inventory, and lease liabilities.

1.7 Intangible assets

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

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

Intangible asset development consists of two phases; research phase and development phase. Expenditure incurred during the research phase is expensed as incurred.

Intangible assets that are developed are initially recognised at cost if the cost can be measured reliably, the intangible assets are technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete the development. If not, the development expenses are recognised in the statement of comprehensive income when they are incurred.

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

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

Cost

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

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Amortisation

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

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

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

Useful lives

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

Goodwill	Indefinite
Systems development	7 years
Licences	5 to 10 years

Significant accounting policies (continued)

1.7 Intangible assets (continued)

Impairment

Intangible assets are assessed for impairment as non-financial assets in accordance with note 1.14.

Derecognition

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

1.8 Property, plant and equipment

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

Cost

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

The Group recognises in the carrying amount of property, plant and equipment subsequent expenditure, including the cost of replacing part of such an item, when that cost is incurred, if it is probable that the future economic benefits embodied within the cost will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as day-to-day servicing costs, are recognised in the statement of comprehensive income as an expense when incurred.

Depreciation

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

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

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

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

Useful lives

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

Property	
• Land	Indefinite
• Buildings and major components	10 to 40 years
Furniture, fittings, equipment and vehicles	
• Furniture and fittings	5 to 14 years
• Equipment	2 to 14 years
• Vehicles	3 to 8 years
Leasehold improvements	8 years
Aircraft and major components	4 to 20 years

Impairment

Property, plant and equipment are assessed for impairment as non-financial assets in accordance with note 1.14.

Derecognition

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

1.9 Right-of-use assets

The Group enters into various lease agreements as the lessee of property, equipment and vehicles. Where leases convey the right to control the use of the underlying leased assets, the Group classifies these leases as right-of-use assets in a consistent manner to its property, plant and equipment. Right-of-use assets are initially recognised at cost at the date in which the Group gains control of the right to use the leased asset, referred to as the commencement date of lease agreements, and are subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

Cost

The cost of right-of-use assets include the initial measurement of the corresponding lease liabilities, any initial direct costs less any lease incentives received and less any dismantling or restoration costs expected to be incurred in order to restore the asset or the site on which it is located.

Significant accounting policies (continued)

1. 9 Right-of-use assets (continued)

Depreciation

Depreciation is based on the cost of the right-of-use asset over its useful life. At the commencement date of lease agreements, management determines useful lives as the lease term of corresponding lease liabilities. These lease terms are reviewed at each reporting date and adjusted, if appropriate. Any adjustments are accounted for prospectively as a change in estimate.

Depreciation is recognised as an expense in the statement of comprehensive income, within occupancy costs, on a straight-lined basis over the estimated useful lives of the right-of-use assets.

Useful lives

The estimated useful lives, per category of right-of-use assets, are as follows:

- Property 5 to 30 years
- Equipment and vehicles 5 to 11 years

Impairment

Right-of-use assets are assessed for impairment as non-financial assets in accordance with note 1.14.

Derecognition

Right-of-use assets are derecognised upon the loss of control by the Group of the right to use the leased assets. Gains or losses on derecognition are determined by comparing the value of corresponding lease liabilities, with the carrying amount of right-of-use assets and are recognised directly in the statement of comprehensive income.

1.10 Net investment in lease receivables

In addition to its primary property lease portfolio, the Group holds head-leases over strategic franchise sites. These sites are sub-let to franchisees, with the franchisees holding the right to control the use of the leased assets. Where the Group does not retain the right to control the use of leased assets, due to the leased asset being subjected to a sub-lease, right-of-use assets are not recognised by the Group. The Group recognises the present value of future lease payments under head leases as lease liabilities (refer to note 1.17) and capitalises the present value of future lease receivables under sub-leases as net investment in lease receivables.

Initial measurement

At the date when the franchisee gains the right to control the use of leased assets, referred to as the commencement date of sub-lease agreements, the Group measures the net investment in lease receivable at the present value of the lease payments to be received over the lease term, discounted using the rate implicit in the sub-lease. If the rate implicit in the sub-lease cannot be readily determined, the Group applies the same rate applied in accounting for the corresponding lease liability.

The Group determines the lease term of the net investment in lease receivable as the non-cancellable period of the lease, and determines the incremental borrowing rate as the rate applicable to the corresponding head lease liability.

Subsequent measurement

Net investment in lease receivables are subsequently measured at amortised cost using the effective interest method, reduced by future lease receipts net of interest earned.

Impairment

Net investment in lease receivables are assessed for impairment as financial assets in accordance with note 1.14.

Derecognition

Net investment in lease receivables are derecognised when the Group regains the right to control the use of leased assets. Gains or losses on derecognition are determined by comparing the carrying value of corresponding lease liabilities with the carrying value of net investment in lease receivables, and are recognised directly in the statement of comprehensive income.

1.11 Operating lease assets

Leases where the lessor retains the right to control the use of underlying leased assets are classified as operating leases. Operating leases include leases for kiosk space within retail owned sites provided to third parties.

Rentals receivable under operating leases are credited to the statement of comprehensive income on a straight-line basis over the term of the relevant lease. This results in the raising of an asset for future lease income on the statement of financial position. Operating lease assets are classified as non-current assets, with the exception of the portion with a maturity date of less than 12 months of the reporting date which are disclosed as current assets and are included under trade and other receivables. The asset reverses during the latter part of each lease term when the actual cash flow exceeds the straight-lined lease income included in the statement of comprehensive income.

1.12 Inventory

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

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

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

The carrying amount of inventories sold is recognised as an expense in the statement of comprehensive income.

Significant accounting policies (continued)

1.13 Right-of-return assets and refund liabilities

For the sale of goods where customers are entitled to a right of return within a specified period of time, the Group recognises a right-of-return asset (and corresponding adjustment to cost of sales) which is representative of the Group's right to recover the goods expected to be returned by customers.

The asset is measured at the carrying amount of inventory estimated to be returned using the expected value method, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Group updates the measurement of the asset recorded for any revisions to its estimated level of returns, as well as any additional decreases in the value of the returned products.

For goods that are expected to be returned, the Group recognises a refund liability for the customer's right to a refund (and corresponding adjustment to turnover) which is measured at the amount the Group expects it will have to return to the customer. Refer to note 25.

1.14 Impairment of assets

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

Financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group applies a simplified approach for measuring impairment on trade receivables, net investment in lease receivables and operating lease assets at an amount equal to lifetime ECLs. To measure lifetime ECLs, trade receivables, net investment in lease receivables and operating lease assets are assessed on an individual basis. The ECL rates are based on historical credit loss experienced during the period, adjusted to reflect current and forward-looking information on macro-economic factors affecting the ability of the debtors to settle their receivables. The Group has identified CPI inflation and internal selling price inflation to be the most relevant factors and accordingly adjusts the historical loss rates based on expected changes in these factors.

The Group applies a general approach for measuring impairment on other receivables and loans, at an amount equal to expected credit losses, taking into account past experience and future macro-economic factors. The loss allowance is measured at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at reporting date, the credit risk has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to 12-month expected credit losses. The Group considers credit risk to have increased significantly since initial recognition, if there has been a significant change in the counterparty's ability to meet its obligations. In addition, changes in the general economic or market conditions, changes in internal and external credit ratings and changes in the amount of financial support available to the counterparty are considered.

The Group considers a financial asset in default when contractual payments are one to two weeks past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Non-financial assets

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

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

Goodwill acquired in a business combination is allocated to CGUs that are expected to benefit from the synergies of the combination and, for the purposes of impairment testing, are evaluated at the lowest level at which goodwill is monitored for internal reporting purposes. The units or group of units are not larger than the operating segments identified by the Group.

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

Significant accounting policies (continued)

1.14 Impairment of assets (continued)

Non-financial assets (continued)

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

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

1.15 Share capital

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

1.16 Treasury shares

Own equity instruments held by Group entities are classified as treasury shares in the Group annual financial statements, is treated as a reduction of equity at its cost price and is disclosed as a separate component in the statement of changes in equity. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Amounts received when treasury shares are sold or re-issued is recognised directly in equity, and the resulting surplus or deficit on the transaction is transferred to or from retained earnings.

Dividends received on treasury shares are eliminated on consolidation.

Treasury shares are treated as a deduction from the weighted average number of shares in issue.

1.17 Leases Liabilities

The Group enters into various lease agreements as the lessee of property, equipment and vehicles. Where lease agreements convey the right to control the use of underlying leased assets, the Group recognises the present value of future lease payments under the lease as lease liabilities.

Initial recognition

At the date when the Group gains the right to control the use of underlying leased assets, referred to as the commencement date, the Group measures the lease liability at the present value of the lease payments to be made over the lease term, discounted at an applicable discount rate.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised. Judgement is applied in determining the likelihood of exercising extension or termination options in determining the lease period.

Lease payments included in the measurement of the lease liability consist of fixed payments (including in substance fixed payments), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised or termination options reasonably certain not to be exercised. Variable lease payments are initially measured using the index or rate at the commencement date.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used. The incremental borrowing rate is the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The discount rate used for the Group's commercial vehicle fleet is the interest rate implicit in the lease agreement. All other lease payments are discounted using the Group's incremental borrowing rate specific to the lease term, country, currency and commencement date of the lease. Incremental borrowing rates are based on a series of inputs including the prime rate, the repo rate, credit risk adjustments and country specific adjustments.

The Group accounts for non-lease components together with the lease component to which it relates as a single lease component.

Subsequent measurement

Lease liabilities are subsequently measured at amortised cost using the effective interest method, reduced by future lease payments net of interest charged. Interest costs are recorded in the statement of comprehensive income.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments of lease payments based on an index or rate take effect, the lease liability is re-measured with a corresponding adjustment to the right-of-use asset. Further re-measurements occur when there is a change in future lease payments resulting from a rent review.

Lease terms are reassessed when there is a significant event or change in circumstance that is within the Group's control and affects the Group's ability to exercise or not to exercise the option to renew or to terminate. Significant events may include a change in the Group's assessment of whether it is reasonably certain to exercise a renewal or termination options, the occurrence of unanticipated significant leasehold improvements or the negotiation of unanticipated lease incentives. Upon the occurrence of the significant event, lease liabilities are re-measured with a corresponding adjustment to corresponding right-of-use assets.

Significant accounting policies (continued)

1.17 Leases Liabilities (continued)

Derecognition

Lease liabilities are derecognised upon the Group's loss of control of the right to use leased assets, or if the Group's obligations specified in the lease agreement expire, are discharged or cancelled. Gains or losses on derecognition are determined by comparing the carrying value of corresponding right-of-use assets with the carrying value of lease liabilities and are recognised directly in the statement of comprehensive income.

Variable lease payments

Certain property leases contain variable payment terms linked to sales generated from retail owned and franchise stores, referred to as turnover rent expense. Turnover rent expense is recognised in the statement of comprehensive income within occupancy costs, in the period in which the event or condition that triggers the payment occurs.

Leasing of low-value assets and short-term leases

The Group elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying assets is of low value (low-value assets).

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

1.18 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition and measurement

The classification of the Group's financial instruments at initial recognition depends on the financial instrument's contractual cash flow characteristics and the Group's model for managing them. The Group manages its financial assets in order to generate cash flows, by determining whether cash flows will result from collecting cash flows, selling the financial asset, or both, and whether the contractual cash flows are solely payments of principal amounts and interest.

The Group classifies its financial instruments into the following categories: financial assets at amortised cost, financial instruments at fair value through profit or loss, financial liabilities at amortised cost and derivatives designated as hedging instruments.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. Where there is no active market, the Group uses valuation techniques that are appropriate under the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

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

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

Derecognition

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

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

Offsetting

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

Subsequent measurement

Financial assets at amortised cost

The Group measures financial assets at amortised cost if both the following conditions are met:

- The financial asset is held with the objective to hold the financial asset in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Significant accounting policies (continued)

1.18 Financial instruments (continued)

Subsequent measurement (continued)

Financial assets at amortised cost (continued)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include net investment in lease receivables, trade and other receivables, cash and cash equivalents and loans. Net investment in lease receivables and trade and other receivables mainly comprise franchisee receivables. Certain net investment in lease receivables and trade and other receivables are considered to be long-term in nature and are recorded as non-current in the statement of financial position. Loans mainly comprise housing and other employee loans.

Net investment in lease receivables, trade and other receivables and loans

Net investment in lease receivables, trade and other receivables and loans are measured at amortised cost using the effective interest method, less impairment losses. The effective interest amortisation is included in finance income in the statement of comprehensive income.

Cash and cash equivalents and overnight borrowings

Cash and cash equivalents and overnight borrowings are measured at amortised cost, using the effective interest method, less accumulated impairments. The effective interest amortisation is included in finance income or costs in the statement of comprehensive income. Cash and cash equivalents comprise cash on hand and amounts held on short-term deposit at financial institutions. Overnight borrowings include short-term borrowings repayable on demand. Overnight borrowings are repayable on demand, managed on a daily basis and are considered an integral part of the Group's cash management.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits net of outstanding overnight borrowings.

Financial instruments at fair value through profit or loss

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

Financial assets are classified and measured at amortised cost or fair value through OCI, if it gives rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's investment in the insurance cell captive is measured at fair value through profit or loss as cash flows are not solely payments of principal and interest. In addition, the Group manages this investment and evaluates performance based on its fair value in accordance with the Group's documented risk management or investment strategy. Any fair value gains or losses as a result of subsequent measurement are recognised in the statement of comprehensive income.

Financial liabilities at amortised cost

Financial liabilities at amortised cost mainly comprise of lease liabilities, borrowings and trade and other payables.

Lease liabilities

Refer to note 1.17 for further information.

Borrowings

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

Trade and other payables

Trade and other payables are measured at amortised cost using the effective interest method. The effective interest amortisation is included in finance costs in the statement of comprehensive income. Trade and other payables mainly comprise trade payables for merchandise for resale and are all short-term in nature.

Derivatives designated as hedging instruments

The Group holds derivative financial instruments, being forward exchange contracts (FECs) that are designated as hedging instruments, in order to mitigate the risks associated with the firm commitment of purchasing imported inventory, defined as the hedged item.

The relationship between the FECs and the underlying inventory is classified as a cash flow hedge, as the FECs are used to hedge the variability in cash flows attributable to the foreign currency risks of importing inventory.

The hedge is deemed to be highly effective as the terms of the FEC match the terms of the purchase of imported inventory. The effective portion of the change in fair value of the FECs are recognised in other comprehensive income and accumulated in the cash flow hedging reserve within equity. The accumulated amount in the reserve is released to the statement of comprehensive income when the underlying inventory is sold. Where a forecast transaction is no longer expected to occur, the cumulative unrealised gain or loss is recognised immediately in the statement of comprehensive income.

FECs are measured at fair value and are carried as derivative financial assets when the fair value is positive and as derivative financial liabilities when the fair value is negative.

Significant accounting policies (continued)

1.19 Provisions

Provisions are recognised within trade and other payables when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. The Group has discounted provisions to their present value where the effect of the time value of money is material. The notional interest charge representing the unwinding of the provision discounting is included in the statement of comprehensive income.

Provision for insurance liability

The Group recognises a provision for the estimated direct cost of settling all outstanding claims at year-end, which includes a provision for the cost of claims incurred but not yet reported (IBNR) at year-end as well as for the cost of claims reported but not yet settled at year-end. The IBNR provision is determined by using established claims patterns. Full provision is made for the cost of claims reported but not yet settled at year-end by using the best information available.

1.20 Revenue

Revenue is recognised when the Group satisfies performance obligations and transfers control of goods or services to its customers at an amount that reflects the consideration the Group expects to be entitled to in exchange for these goods or services, allocated to each specific performance obligation.

Turnover

Revenue from the sale of goods, or turnover, comprises sales to customers through its owned stores and the Group's supply arrangements. All turnover is stated exclusive of value added tax.

Turnover is recognised at a point in time when the Group transfers control of goods to its customer at the point of sale and is measured at the consideration received or receivable, net of returns, trade discounts, loyalty discounts and volume rebates. Discounts, rebates or loyalty payments to customers are deducted from turnover, unless it is directly funded by suppliers. Payment of the transaction price in respect of the sale of goods is due immediately when the customer purchases goods and takes delivery.

Turnover recognised through deferred revenue transactions (Smart Shopper loyalty programme and prepaid gift cards) is not recognised at the time of the initial transaction, but is deferred and recognised as a contract liability (deferred revenue) when the consideration is received and recognised as turnover over time, as and when the Group's obligations are fulfilled.

Smart Shopper loyalty programme

The Group has a customer loyalty programme in South Africa, Smart Shopper, whereby customers are awarded with reward credits (loyalty points) which are effectively used as cash back against future purchases. Loyalty points granted to customers participating in the Smart Shopper loyalty programme provide rights to customers that are accounted for as separate performance obligations.

The consideration received under the Smart Shopper loyalty programme is allocated between the sale of goods supplied and the loyalty points granted. The consideration allocated to the loyalty points is measured by reference to their relative stand-alone selling price which is calculated as the amount for which the loyalty points could be separately sold, adjusted for an expected forfeiture rate. Such consideration is not recognised as turnover at the time of the sales transaction, but is recognised as a deferred revenue liability until the loyalty points have been redeemed or forfeited. The likelihood of redemption, based on judgement applied when determining the expected redemption rates, is reviewed on a regular basis and any adjustments to the deferred revenue liability is recognised in turnover. Refer to note 25.

Prepaid gift cards

Gift cards represent a prepaid value card which effectively can be redeemed as cash consideration against future purchases. The consideration allocated to prepaid gift cards is measured at the fair value of the consideration received in advance, adjusted for an expected forfeiture rate. Such consideration is not recognised as turnover at the time of the initial transaction, but is recognised as a deferred revenue liability until the prepaid gift card has been redeemed or when the Group's obligations have been fulfilled. The Group updates its estimates of forfeiture on a regular basis and any adjustments to the deferred revenue liability are recognised in turnover. Refer to note 25.

Franchise fee income

Income from franchisees, calculated as a percentage of the sale of goods by franchisees through their point of sale to their customers, in accordance with the substance of the relevant franchise agreement, is recognised at a point in time, as franchisee fee income, when the sale that gives rise to the income takes place.

Lease income

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

Certain property sub-leases contain variable payment terms linked to sales generated from franchise stores, referred to as turnover rent income. Turnover rent income is recognised in the statement of comprehensive income in the period in which the event or condition that triggers the payment occurs.

Significant accounting policies (continued)

1.20 Revenue (continued)

Commissions and other income

The Group acts as a payment office for the services provided by a variety of third parties to the Group's customers, such as bill payments, sale of electricity and travel tickets. The related agent's commission received is recognised as income at a point in time, when the transaction that gives rise to the income takes place.

Commissions relating to the sale of third-party services are recognised over time, based on the stage of completion by reference to services performed to date as a percentage of total services to be performed. Commissions related to the sale of third-party products are recognised at a point in time, when the underlying third-party product is sold to the customer.

Other income is recognised as and when the Group satisfies its obligations in terms of the contract and includes income earned from the sale of Smart Shopper analytical data and the sale of advertising space through the Group's various advertising mediums.

Finance income

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

Dividend income

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

1.21 Finance costs

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

1.22 Taxes

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

Current tax

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

Deferred tax

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

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

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

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

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

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

Dividends withholding tax

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

1.23 Employee benefits

Short-term employee benefits

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

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

Significant accounting policies (continued)

1.23 Employee benefits (continued)

Share-based payment transactions

The share ownership programme enables Group employees to acquire shares in Pick n Pay Stores Limited (PIK), thereby treating them as equity-settled share-based payment transactions in the Group.

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

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

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

Retirement benefits

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

Defined-contribution plans

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

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

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

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

Defined-benefit plans

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

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

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

Remeasurements of the net defined-benefit liabilities or assets, which comprise actuarial gains or losses, the return on plan assets (excluding amounts included in net interest on the net defined-benefit liability) and the effect of the asset ceiling (if any, excluding amounts included in net interest on the net defined-benefit liability) are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined-benefit liability or asset for the period by applying the discount rate used to measure the defined-benefit obligation at the beginning of the period to the then net defined-benefit liability or asset, taking into account any changes in the net defined-benefit liability or asset during the period as a result of contributions and benefit payments. Net interest expense or income and other expenses related to defined-benefit plans are recognised in the statement of comprehensive income.

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

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

1.24 Expenses

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

Expenditure relating to advertising and promotional activities are recognised as an expense when the Group has received such services.

Significant accounting policies (continued)

1.25 Dividends distributed to shareholders

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

1.26 Operating segments

The Group discloses segmental financial information which is used internally by the entity's Chief Operating Decision-Maker (CODM) in order to assess performance and allocate resources. The Group annually performs a detailed review of the 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 comprised the group executive committee, which consisted of the Chief Executive Officer and Chief Finance Officer.

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

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

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

1.27 Net asset value per share

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

1.28 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the Group for the period by the weighted average number of shares in issue (excluding treasury shares).

Dilutive earnings per share is calculated by adjusting the profit attributable to ordinary equity holders of the Group, and the weighted average number of shares in issue, for the effects of all dilutive potential ordinary shares. Share options held by participants in the Group's employee share schemes and forfeitable shares have dilutive potential.

1.29 Pro forma information

Certain financial information presented in these Group annual financial statements constitutes pro forma financial information. The pro forma financial information is the responsibility of the Board of directors of the Company and is presented for illustrative purposes only. Because of its nature, the pro forma financial information may not fairly present the Group's financial position, changes in equity, result of operations or cash flows. The Group's external auditors has issued a reporting accountants report on the pro forma financial information, which is available for inspection at the Group's registered office. Refer to the Appendix 1 for further information.

2 Revenue

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
Revenue from contracts with customers	**99 514.1**	94 477.2
Turnover	**97 872.8**	93 078.8
Franchise fee income	**428.3**	412.7
Commissions and other income	**1 213.0**	985.7
Insurance recoveries (note 31)	**748.2**	–
Operating lease income	**115.6**	142.5
Dividend income from investment in insurance cell captive*	**–**	40.0
Finance income	**524.5**	448.9
Bank balances and investments	**268.9**	201.7
Trade receivables and other	**50.7**	38.7
Net investment in lease receivables (note 12)	**204.9**	208.5
	100 902.4	95 108.6

Revenue recognised during the period from amounts included in deferred revenue at the beginning of the period, amounted to R242.5 million (2021: R221.3 million). Refer to note 25.

Revenue from contracts with customers is further disaggregated into geographical regions. Refer to note 27.

* *Reserves declared out of the insurance cell captive in the prior year was offset by a corresponding decrease in the fair value of the investment insurance cell captive recorded within trading expenses. Refer to note 3.5.*

3 Profit before tax

Profit before tax is stated after taking into account the following expenses:

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
3.1 Employee costs		
Salaries and wages	**6 996.8**	6 988.2
Staff benefits and training	**396.5**	365.6
Share-based payments expense	**149.0**	318.4
Net expense recognised on defined-benefit plan (note 22.1)	**1.0**	2.7
Contributions to defined-contribution plans (note 22.2)	**293.0**	284.1
	7 836.3	7 959.0
3.2 Auditor's remuneration		
Assurance services – current year	**10.7**	9.8
Assurance services – prior period under provision	**0.6**	1.4
Other services	**–**	0.2
	11.3	11.4
3.3 Finance costs		
Lease liabilities (note 24)	**1 333.9**	1 386.2
Borrowings and other	**341.0**	296.3
	1 674.9	1 682.5
3.4 Foreign exchange gains/(losses)		
Leases liabilities	**15.7**	(45.9)
Other foreign exchange losses	**(2.8)**	(22.6)
	12.9	(68.5)
3.5 Fair value gains/(losses)		
Investment in insurance cell captive	**14.7**	(22.2)
Other fair value gains	**3.1**	1.7
	17.8	(20.5)

4 Directors' remuneration and interest in shares

4.1 Directors' remuneration

	Fees for board meetings R'000	Fees for committee and other work R'000	Base salary R'000	Retirement and medical contributions R'000	Fringe and other benefits R'000	Total fixed remuneration R'000	Short-term performance bonus R'000	Retirement gratuity[7] R'000	Total remuneration R'000	Long-term share awards charges – current year[8] R'000	Long-term share awards charges – accelerated on retirement R'000
2022											
Non-executive directors	9 006.0	2 562.5	–	–	–	11 568.5	–	–	11 568.5	–	–
Gareth Ackerman	4 893.0	–	–	–	–	4 893.0	–	–	4 893.0	–	–
Haroon Bhorat[1]	457.0	345.5	–	–	–	802.5	–	–	802.5	–	–
Mariam Cassim[1]	457.0	152.0	–	–	–	609.0	–	–	609.0	–	–
David Friedland	457.0	246.5	–	–	–	703.5	–	–	703.5	–	–
Hugh Herman[2]	457.0	–	–	–	–	457.0	–	–	457.0	–	–
Aboubakar Jakoet	457.0	242.0	–	–	–	699.0	–	–	699.0	–	–
Audrey Mothupi[2]	457.0	500.5	–	–	–	957.5	–	–	957.5	–	–
David Robins	457.0	99.0	–	–	–	556.0	–	–	556.0	–	–
Annamarie van der Merwe	457.0	193.5	–	–	–	650.5	–	–	650.5	–	–
Jeff van Rooyen	457.0	783.5	–	–	–	1 240.5	–	–	1 240.5	–	–
Executive directors	–	–	20 754.5	2 028.3	5 260.7	28 043.5	15 616.9	3 024.0	46 684.4	14 163.0	–
Pieter Boone[3]	–	–	8 922.5	799.1	2 759.5	12 481.1	10 492.9	–	22 974.0	5 798.6	–
Lerena Olivier	–	–	5 070.0	478.5	336.4	5 884.9	3 612.0	–	9 496.9	5 577.7	–
Jonathan Ackerman	–	–	1 512.0	268.9	322.6	2 103.5	504.0	–	2 607.5	633.3	–
Suzanne Ackerman-Berman[4]	–	–	3 024.0	281.6	291.5	3 597.1	1 008.0	3 024.0	7 629.1	2 153.4	–
Richard Brasher[3]	–	–	1 806.0	163.8	1 522.1	3 491.9	–	–	3 491.9	–	–
Richard van Rensburg	–	–	420.0	36.4	28.6	485.0	–	–	485.0	–	–
Total remuneration	9 006.0	2 562.5	20 754.5	2 028.3	5 260.7	39 612.0	15 616.9	3 024.0	58 252.9	14 163.0	–
Prescribed Officer											
Pieter Boone[3]	–	–	1 784.5	154.5	506.5	2 445.5	–	–	2 445.5	–	–

1 Haroon Bhorat and Mariam Cassim was appointed during May 2020.
2 Hugh Herman retired as Chairman of the Remuneration Committee effective 28 February 2021, and Audrey Mothupi was appointed as Chairman of the Remuneration Committee effective 1 March 2021.
3 Richard Brasher retired as CEO at the end of April 2021 and Pieter Boone was appointed as CEO on 20 April 2021. Pieter Boone was a prescribed officer up until his date of appointment.
4 Suzanne Ackerman-Berman retired as an executive director on 31 March 2022, and was appointed as a non-executive director from 1 April 2022.
5 Alex Mathole retired during August 2020.
6 Annamarie van der Merwe was appointed during August 2020.
7 Gratuities were paid on retirement of the director in recognition of their exemplary service to the Group.
8 The long-term share awards expense or recoupment is determined in accordance with IFRS 2 Share-Based Payments, and reflects the current year's charge recorded in the Group's statement of comprehensive income and statement of changes in equity. The fair value of share awards are determined at grant date, and are recognised in the statement of comprehensive income and statement of changes in equity over the period during which the employee becomes unconditionally entitled to the award (the vesting period). Long-term share awards will vest in the future only if all the vesting criteria set out in the rules of the 1997 Employee Share Options Scheme and the Restricted Share Plan (RSP), previously named Forfeitable Share Plan (FSP) are met. Dependent on the nature of the vesting criteria, long-term share awards expense may be reversed and recouped by the Group if the vesting criteria are not met. Vesting criteria in respect of the FSP 2019 awards, due to vest in June 2022, have not been fully met. As a result, and as directed by the Remuneration Committee, 50% of the FSP 2019 long-term share awards have been forfeited, and the related expense recouped by the Group in the 2022 financial year.

4 Directors' remuneration and interest in shares (continued)

4.1 Directors' remuneration (continued)

	Fees for board meetings R'000	Fees for committee and other work R'000	Base salary R'000	Retirement and medical contributions R'000	Fringe and other benefits R'000	Total fixed remuneration R'000	Short-term performance bonus R'000	Retirement gratuity[7] R'000	Total remuneration R'000	Long-term share awards charges – current year[8] R'000	Long-term share awards charges – accelerated on retirement R'000
2021											
Non-executive directors	8 430.1	2 478.4	–	–	–	10 908.5	–	–	10 908.5	–	–
Gareth Ackerman	4 660.0	–	–	–	–	4 660.0	–	–	4 660.0	–	–
Haroon Bhorat[1]	362.5	107.6	–	–	–	470.1	–	–	470.1	–	–
Mariam Cassim[1]	362.5	120.8	–	–	–	483.3	–	–	483.3	–	–
David Friedland	435.0	235.0	–	–	–	670.0	–	–	670.0	–	–
Hugh Herman	435.0	387.0	–	–	–	822.0	–	–	822.0	–	–
Aboubakar Jakoet	435.0	231.0	–	–	–	666.0	–	–	666.0	–	–
Alex Mathole[5]	181.3	76.9	–	–	–	258.2	–	–	258.2	–	–
Audrey Mothupi	435.0	371.5	–	–	–	806.5	–	–	806.5	–	–
David Robins	435.0	94.5	–	–	–	529.5	–	–	529.5	–	–
Annamarie van der Merwe[6]	253.8	107.6	–	–	–	361.4	–	–	361.4	–	–
Jeff van Rooyen	435.0	746.5	–	–	–	1 181.5	–	–	1 181.5	–	–
Executive directors	–	–	24 572.0	2 368.2	1 540.0	28 480.2	30 360.0	10 000.0	68 840.2	86 955.5	46 575.9
Richard Brasher[3]	–	–	10 836.0	981.6	310.9	12 128.5	20 000.0	5 000.0	37 128.5	74 611.1	41 251.4
Lerena Olivier	–	–	4 160.0	398.4	337.2	4 895.6	4 000.0	–	8 895.6	4 822.8	–
Richard van Rensburg	–	–	5 040.0	436.5	327.6	5 804.1	3 360.0	5 000.0	14 164.1	5 310.9	5 324.5
Suzanne Ackerman-Berman	–	–	3 024.0	281.0	285.7	3 590.7	2 000.0	–	5 590.7	1 451.7	–
Jonathan Ackerman	–	–	1 512.0	270.7	278.6	2 061.3	1 000.0	–	3 061.3	759.0	–
Total remuneration	8 430.1	2 478.4	24 572.0	2 368.2	1 540.0	39 388.7	30 360.0	10 000.0	79 748.7	86 955.5	46 575.9
Prescribed Officer											
Pieter Boone[3]	–	–	1 784.5	154.5	506.5	2 445.5	–	–	2 445.5	–	–

1 Haroon Bhorat and Mariam Cassim was appointed during May 2020.
2 Hugh Herman retired as Chairman of the Remuneration Committee effective 28 February 2021, and Audrey Mothupi was appointed as Chairman of the Remuneration Committee effective 1 March 2021.
3 Richard Brasher retired as CEO at the end of April 2021 and Pieter Boone was appointed as CEO on 20 April 2021. Pieter Boone was a prescribed officer up until his date of appointment.
4 Suzanne Ackerman-Berman retired as an executive director on 31 March 2022, and was appointed as a non-executive director from 1 April 2022.
5 Alex Mathole retired during August 2020.
6 Annamarie van der Merwe was appointed during August 2020.
7 Gratuities were paid on retirement of the director in recognition of their exemplary service to the Group.
8 The long-term share awards expense or recoupment is determined in accordance with IFRS 2 Share-Based Payments, and reflects the current year's charge recorded in the Group's statement of comprehensive income and statement of changes in equity. The fair value of share awards are determined at grant date, and are recognised in the statement of comprehensive income and statement of changes in equity over the period during which the employee becomes unconditionally entitled to the award (the vesting period). Long-term share awards will vest in the future only if all the vesting criteria set out in the rules of the 1997 Employee Share Options Scheme and the Restricted Share Plan (RSP), previously named Forfeitable Share Plan (FSP) are met. Dependent on the nature of the vesting criteria, long-term share awards expense may be reversed and recouped by the Group if the vesting criteria are not met. Vesting criteria in respect of the FSP 2019 awards, due to vest in June 2022, have not been fully met. As a result, and as directed by the Remuneration Committee, 50% of the FSP 2019 long-term share awards have been forfeited, and the related expense recouped by the Group in the 2022 financial year.

4 Directors' remuneration and interest in shares (continued)

4.2 Directors' interest in ordinary shares

2022	How held[1]	Balance held at 28 February 2021	Additions/ grants	Disposals	Forfeits[6]	Balance held at 27 February 2022[9]	Beneficial/ non-beneficial interest[2]
Gareth Ackerman	direct	309	–	–	–	309	Beneficial
	indirect	1 713 106	–	–	–	1 713 106	Beneficial
	indirect	19 762	–	–	–	19 762	Non-beneficial
Ackerman Pick n Pay Foundation[3]	indirect	101 900	–	–	–	101 900	Non-beneficial
Ackerman Family Investment Holdings Proprietary Limited[4]	indirect	1	–	–	–	1	Non-beneficial
Ackerman Investment Holdings Proprietary Limited[5]	indirect	124 677 237	–	–	–	124 677 237	Non-beneficial
Mistral Trust[7]	indirect	2 800 000	12 000	–	–	2 812 000	Non-beneficial
Pieter Boone	direct – RSP	–	500 000	–	–	500 000	Beneficial
Lerena Olivier	direct	40 500	10 800	–	–	51 300	Beneficial
	direct – RSP/FSP	240 000	87 000	(20 000)	(50 000)	257 000	Beneficial
Suzanne Ackerman-Berman[8]	direct	120 528	–	–	–	120 528	Beneficial
	direct – RSP/FSP	90 000	55 000	(15 000)	(7 500)	122 500	Beneficial
	indirect	625 069	8 100	(100 000)	–	533 169	Beneficial
Jonathan Ackerman	direct	122 888	–	–	–	122 888	Beneficial
	direct – RSP/FSP	46 000	27 000	(8 000)	(4 000)	61 000	Beneficial
	indirect	799 419	8 000	–	–	807 419	Beneficial
	indirect	2 161	–	–	–	2 161	Non-beneficial
Aboubakar Jakoet	direct	758 764	–	–	–	758 764	Beneficial
	indirect	13 059	–	–	–	13 059	Non-beneficial
David Friedland	indirect	51 688	–	(10 000)	–	41 688	Beneficial
David Robins	direct	975	–	–	–	975	Beneficial
	indirect	90 436	–	–	–	90 436	Non-beneficial
Hugh Herman	direct	30 000	–	–	–	30 000	Beneficial
	indirect	256	–	–	–	256	Beneficial

1 Direct interests represent a holding in the director's personal capacity. Indirect interests represent a holding by a trust (of which the director is a trustee), a spouse or minor children of directors.
2 Beneficial interest represents an interest in shares in which a person is entitled to receive income payable in respect to that shareholding and obtain any benefit as a result of holding those shares. Non-beneficial interest represents an interest in shares in which a person will not benefit directly as a result of holding those shares.
3 The indirect non-beneficial interest in the Ackerman Pick n Pay Foundation represents the holdings of Gareth Ackerman and Suzanne Ackerman-Berman in their capacities as trustees.
4 Ackerman Investment Holdings Proprietary Limited changed its name to Ackerman Family Investment Holdings Proprietary Limited. The indirect non-beneficial interest in Ackerman Family Investment Holdings Proprietary Limited represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman.
5 Newshelf 1321 Proprietary Limited changed its name to Ackerman Investment Holdings Proprietary Limited. The indirect non-beneficial interest in Ackerman Investment Holdings Proprietary Limited represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman.
6 As a result of the trade disruptions experienced in the 2022 financial year, the Group did not fully achieve the three-year headline earnings per share performance target required for the successful delivery of the 2019 FSP award. As a result, and as directed by the Remuneration Committee, 50% of the FSP 2019 long-term share awards have been forfeited, and the related expense recouped by the Group in the 2022 financial year. The remaining shares will be delivered to participants at the end of June 2022.
7 The indirect non-beneficial interest in Mistral Trust represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman in their capacity as trustees and/or potential beneficiaries.
8 Suzanne Ackerman-Berman retired as an executive director on 31 March 2022, and was appointed as a non-executive director from 1 April 2022.
9 There have been no changes in the directors' interest in ordinary shares since 27 February 2022 up to the date of approval of the 2022 audited Group annual financial statements.

4 Directors' remuneration and interest in shares (continued)

4.2 Directors' interest in ordinary shares (continued)

2021	How held[1]	Balance held at 1 March 2020	Additions/ grants	Disposals	Forfeits[5]	Balance held at 28 February 2021	Beneficial/ non-beneficial interest[2]
Gareth Ackerman	direct	309	–	–	–	309	Beneficial
	indirect	1 704 200	8 906	–	–	1 713 106	Beneficial
	indirect	19 762	–	–	–	19 762	Non-beneficial
Ackerman Pick n Pay Foundation[3]	indirect	101 900	–	–	–	101 900	Non-beneficial
Ackerman Investment Holdings Proprietary Limited[3]	indirect	1	–	–	–	1	Non-beneficial
Newshelf 1321 Proprietary Limited[4]	indirect	124 677 237	–	–	–	124 677 237	Non-beneficial
Mistral Trust[6]	indirect	2 768 000	32 000	–	–	2 800 000	Non-beneficial
Richard Brasher	direct	–	64 800	–	–	64 800	Beneficial
	direct – RSP/FSP	1 400 000	1 200 000	(120 000)	(280 000)	2 200 000	Beneficial
Lerena Olivier	direct	8 100	32 400	–	–	40 500	Beneficial
	direct – RSP/FSP	180 000	120 000	(60 000)	–	240 000	Beneficial
Richard van Rensburg	direct – RSP/FSP	320 000	–	(42 000)	(98 000)	180 000	Beneficial
Suzanne Ackerman-Berman	direct	120 528	–	–	–	120 528	Beneficial
	direct – RSP/FSP	110 000	60 000	(24 000)	(56 000)	90 000	Beneficial
	indirect	612 109	12 960	–	–	625 069	Beneficial
Jonathan Ackerman	direct	122 888	–	–	–	122 888	Beneficial
	direct – RSP/FSP	56 000	30 000	(12 000)	(28 000)	46 000	Beneficial
	indirect	765 886	33 533	–	–	799 419	Beneficial
	indirect	14 495	–	(12 334)[7]	–	2 161	Non-beneficial
Aboubakar Jakoet	direct	758 764	–	–	–	758 764	Beneficial
	indirect	13 059	–	–	–	13 059	Non-beneficial
David Friedland	indirect	41 688	10 000	–	–	51 688	Beneficial
David Robins	direct	975	–	–	–	975	Beneficial
	indirect	90 436	–	–	–	90 436	Non-beneficial
Hugh Herman	direct	30 000	–	–	–	30 000	Beneficial
	indirect	256	–	–	–	256	Beneficial

1 Direct interests represent a holding in the director's personal capacity. Indirect interests represent a holding by a trust (of which the director is a trustee), a spouse or minor children of directors.
2 Beneficial interest represents an interest in shares in which a person is entitled to receive income payable in respect to that shareholding and obtain any benefit as a result of holding those shares. Non-beneficial interest represents an interest in shares in which a person will not benefit directly as a result of holding those shares.
3 The indirect non-beneficial interest in the Ackerman Pick n Pay Foundation (now known as Ackerman Family Investment Holdings Proprietary Limited) represents the holdings of Gareth Ackerman and Suzanne Ackerman-Berman in their capacities as trustees.
4 The indirect non-beneficial interest in Newshelf 1321 Proprietary Limited (now known as Ackerman Investment Holdings Proprietary Limited) represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman.
5 The remuneration committee forfeited approximately 70% of the 2017 FSP award, as the three year headline earnings per share performance target required for the successful delivery of the award was not met.
6 The indirect non-beneficial interest in Mistral Trust represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman in their capacity as trustees and/or potential beneficiaries.
7 The disposal of shares relates to minor children of the director becoming a major. These shares are therefore no longer indirectly held by the director.

4 Directors' remuneration and interest in shares (continued)

4.3 Directors' interest in B shares

2022	How held[1]	Balance held at 28 February 2021	Additions	Disposals	Balance held at 27 February 2022[6]	Beneficial/ non-beneficial interest[2]
Gareth Ackerman	direct	522	–	–	522	Beneficial
	indirect	3 227 861	–	–	3 227 861	Beneficial
	indirect	39 140	–	–	39 140	Non-beneficial
Ackerman Investment Holdings Proprietary Limited[3]	indirect	246 936 847	–	–	246 936 847	Non-beneficial
Mistral trust[4]	indirect	5 349 559	–	–	5 349 559	Non-beneficial
Suzanne Ackerman-Berman[5]	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	4 280	–	–	4 280	Non-beneficial
David Robins	direct	1 931	–	–	1 931	Beneficial
	indirect	179 118	–	–	179 118	Non-beneficial

1 *Direct interests represent a holding in the director's personal capacity. Indirect interests represent a holding by a trust (of which the director is a trustee), a spouse or minor children of directors.*
2 *Beneficial interest represents an interest in shares in which a person is entitled to receive income payable in respect to that shareholding and obtain any benefit as a result of holding those shares. Non-beneficial interest represents an interest in shares in which a person will not benefit directly as a result of holding those shares.*
3 *Newshelf 1321 Proprietary Limited changed its name to Ackerman Investment Holdings Proprietary Limited. The indirect non-beneficial interest in Ackerman Investment Holdings Proprietary Limited represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman.*
4 *The indirect non-beneficial interest in Mistral Trust represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman in their capacity as trustees and/or potential beneficiaries.*
5 *Suzanne Ackerman-Berman retired as an executive director on 31 March 2022, and was appointed as a non-executive director from 1 April 2022*
6 *There have been no changes in the directors' interest in shares since 27 February 2022 up to the date of approval of the 2022 audited Group annual financial statements.*

2021	How held[1]	Balance held at 1 March 2020	Additions	Disposals	Balance held at 28 February 2021	Beneficial/ non-beneficial interest[2]
Gareth Ackerman	direct	522	–	–	522	Beneficial
	indirect	3 227 861	–	–	3 227 861	Beneficial
	indirect	39 140	–	–	39 140	Non-beneficial
Newshelf 1321 Proprietary Limited[3]	indirect	246 936 847	–	–	246 936 847	Non-beneficial
Mistral trust[4]	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	–	(17 582)[5]	4 280	Non-beneficial
David Robins	direct	1 931	–	–	1 931	Beneficial
	indirect	179 118	–	–	179 118	Non-beneficial

1 *Direct interests represent a holding in the director's personal capacity. Indirect interests represent a holding by a trust (of which the director is a trustee), a spouse or minor children of directors.*
2 *Beneficial interest represents an interest in shares in which a person is entitled to receive income payable in respect to that shareholding and obtain any benefit as a result of holding those shares. Non-beneficial interest represents an interest in shares in which a person will not benefit directly as a result of holding those shares.*
3 *The indirect non-beneficial interest in Newshelf 1321 Proprietary Limited (now known as Ackerman Investment Holdings Proprietary Limited) represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman.*
4 *The indirect non-beneficial interest in Mistral Trust represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman in their capacity as trustees and/or potential beneficiaries.*
5 *The disposal of shares relates to minor children of the director becoming a major. These shares are therefore no longer indirectly held by the director.*

4 Directors' remuneration and interest in shares (continued)

4.4 Share awards granted to directors

2022	Calendar year granted	Award grant price R	Balance held at 28 February 2021	Forfeits[2]	Granted/ (exercised)	Exercise price R	Balance held at 27 February 2022	Available for take-up
Pieter Boone								
Restricted shares	2021	Nil	–	–	500 000	–	500 000	June 2024
			–	–	500 000	–	500 000	
Lerena Olivier								
Share options	2019	58.05	80 000		–	–	80 000	September 2022
	2019	58.05	60 000	–	–	–	60 000	September 2024
	2019	58.05	60 000	–	–	–	60 000	September 2026
Forfeitable shares	2018	Nil	20 000	–	(20 000)	51.71	–	n/a
	2019	Nil	100 000	(50 000)	–	–	50 000	June 2022
Restricted shares	2020	Nil	120 000	–	–	–	120 000	June 2023
	2021	Nil	–	–	87 000	–	87 000	June 2024
			440 000	(50 000)	67 000		457 000	
Suzanne Ackerman-Berman[1]								
Forfeitable shares	2018	Nil	15 000	–	(15 000)	51.71	–	n/a
	2019	Nil	15 000	(7 500)	–	–	7 500	June 2022
Restricted shares	2020	Nil	60 000	–	–	–	60 000	June 2023
	2021	Nil	–	–	55 000	–	55 000	June 2024
			90 000	(7 500)	40 000		122 500	
Jonathan Ackerman								
Forfeitable shares	2018	Nil	8 000	–	(8 000)	51.71	–	n/a
	2019	Nil	8 000	(4 000)	–	–	4 000	June 2022
Restricted shares	2020	Nil	30 000	–	–	–	30 000	June 2023
	2021	Nil	–	–	27 000	–	27 000	June 2024
			46 000	(4 000)	19 000		61 000	

1 *Suzanne Ackerman-Berman retired as an executive director on 31 March 2022, and was appointed as a non-executive director from 1 April 2022.*
2 *As a result of the trade disruptions experienced in the 2022 financial year, the Group did not fully achieve the three-year headline earnings per share performance target required for the successful delivery of the 2019 FSP award. As a result, and as directed by the Remuneration Committee, 50% of the FSP 2019 long-term share awards have been forfeited, and the related expense recouped by the Group in the 2022 financial year. The remaining shares will be delivered to participants at the end of June 2022.*

4 Directors' remuneration and interest in shares (continued)

4.4 Share awards granted to directors (continued)

2021	Calendar year granted	Award grant price R	Balance held at 1 March 2020	Forfeits[1]	Granted/ (exercised)	Exercise price R	Balance held at 28 February 2021	Shares and share options delivered post 28 February 2021[2]	Available for take-up
Richard Brasher									
Forfeitable shares	2017	Nil	400 000	(280 000)	(120 000)	51.81	–	–	n/a
	2018	Nil	1 000 000	–	–	–	1 000 000	(1 000 000)	June 2021
	2020	Nil	–	–	1 200 000	–	1 200 000	(1 200 000)	June 2021
			1 400 000	(280 000)	1 080 000		2 200 000	(2 200 000)	
Lerena Olivier									
Share options	2019	58.05	80 000	–	–	–	80 000	–	September 2022
	2019	58.05	60 000	–	–	–	60 000	–	September 2024
	2019	58.05	60 000	–	–	–	60 000	–	September 2026
Forfeitable shares	2017	Nil	60 000	–	(60 000)	51.81	–	–	n/a
	2018	Nil	20 000	–	–	–	20 000	(20 000)	June 2021
	2019	Nil	100 000	–	–	–	100 000	–	June 2022
Restricted shares	2020	Nil	–	–	120 000	–	120 000	–	June 2023
			380 000	–	60 000		440 000	(20 000)	
Richard van Rensburg									
Share options	2016	31.14	487 464	–	–	–	487 464	(487 464)	Now
Forfeitable shares	2017	Nil	140 000	(98 000)	(42 000)	51.81	–	–	n/a
	2018	Nil	30 000	–	–	–	30 000	(30 000)	June 2021
	2019	Nil	150 000	–	–	–	150 000	(150 000)	June 2021
			807 464	(98 000)	(42 000)		667 464	(667 464)	
Suzanne Ackerman-Berman									
Forfeitable shares	2017	Nil	80 000	(56 000)	(24 000)	51.81	–	–	n/a
	2018	Nil	15 000	–	–	–	15 000	(15 000)	June 2021
	2019	Nil	15 000	–	–	–	15 000	–	June 2022
Restricted shares	2020	Nil	–		60 000	–	60 000	–	June 2023
			110 000	(56 000)	36 000		90 000	(15 000)	
Jonathan Ackerman									
Forfeitable shares	2017	Nil	40 000	(28 000)	(12 000)	51.81	–	–	n/a
	2018	Nil	8 000	–	–	–	8 000	(8 000)	June 2021
	2019	Nil	8 000	–	–	–	8 000	–	June 2022
Restricted shares	2020	Nil	–	–	30 000	–	30 000	–	June 2023
			56 000	(28 000)	18 000		46 000	(8 000)	

[1] *The remuneration committee forfeited approximately 70% of the 2017 FSP award, as the three year cumulative growth rate of 10% set for the Group headline earnings per share hurdle was not met. In line with the discretion provided with the scheme rules, the remuneration committee allowed approximately 30% of the allocation to vest in recognition of the South African's division market leading performance over the past three years.*

[2] *The Group delivered its three-year performance target for the successful delivery of the 2018 FSP award. All shares were delivered to participants at the end of June 2021. Furthermore, the 2019 and 2020 share awards held by Richard Brasher and Richard van Rensburg were delivered in June 2021 as part of their agreed retirement package with the Group.*

5 Share-based payments

Share options

The Group's legacy share option scheme (the 1997 Employee Share Option Scheme) was replaced by a cash retention scheme during the prior period. The scheme remains in operation and all outstanding share options previously awarded under the scheme will be delivered to participants over the next 3, 5 and 7 years, under the original terms and conditions of the awards. Share option awards ceased in August 2020 and no further share options will be awarded under this scheme.

The Scheme is administered by the Pick n Pay Employee Share Purchase Trust (the share trust) and its board of trustees. All options were granted in accordance with the rules of the Scheme, which were approved by shareholders and the Johannesburg Stock Exchange (JSE).

Share options were granted at the volume-weighted average market price (VWAP) for the 20 trading days preceding the option grant date. No discount was applied. There are no performance conditions attached to outstanding share options. Vesting is only dependent on the employee meeting the service requirement of remaining in the employ of the Group over the specified vesting period. If the employee leaves before the vesting period is complete, all the unvested share options will lapse.

Restricted Share Plan (RSP)

The RSP recognises executive and senior management employees who have a significant role to play in delivering Group strategy and ensuring the growth and sustainability of the Group. Through the attachment of performance conditions, the RSP incentivises participating employees to deliver long-term earnings growth in line with the objectives set out in the Group's long-term strategic plan. An award of shares may also be used to attract talented prospective employees.

Shares awarded under the RSP have performance conditions attached. Performance conditions include a three-year compound annual growth rate of the Group's pro forma headline earnings per share (HEPS), and a gatekeeper clause which specifies that the Group's return on capital employed (ROCE) must be greater than its weighted average cost of capital (WACC) over the vesting period. Vesting is dependent on service and performance conditions being met, subject to the discretion of the Group's remuneration committee, within the RSP scheme rules.

The RSP is a modernisation of the Group's (previously named) Forfeitable Share Plan (FSP), following shareholder approval received at the AGM in August 2020 for the remuneration committee to utilise greater discretion in respect of dividend rights granted to participants. In issuing the 2020 RSP awards, the remuneration committee exercised its discretion and dividends will only be paid to participants on the successful vesting of the scheme, in direct proportion to the number of shares which vest. Going forward, the remuneration committee will annually consider if dividends will be withheld on shares which ultimately do not vest.

Funding of employee share incentive schemes

Shareholders have authorised the Board to utilise up to 63.9 million (2021: 63.9 million) Pick n Pay Stores Limited (PIK) shares to manage the Group's employee share option and restricted share schemes, representing 13% of issued share capital.

5 Share-based payments (continued)

5.1 Outstanding share options

	52 weeks to 27 February 2022 Number of options 000's	52 weeks to 28 February 2021 Number of options 000's
Reconciliation of the total number of share options granted:		
At beginning of period	21 927.5	23 501.9
New options granted	–	539.3
Options taken up	(1 963.6)	(613.6)
Options forfeited	(1 397.0)	(1 500.1)
At end of period	18 566.9	21 927.5
The weighted average grant price of outstanding share options are as follows:		
At beginning of period	R56.53	R56.48
New options granted	–	R51.15
Options taken up	R37.20	R37.95
Options forfeited	R62.08	R61.38
At end of period	R57.95	R56.53

Outstanding share options may be taken up during the following financial periods:		000's	000's
Year	Average grant price		
2023	R53.73	12 859.7	13 284.6
2024	R69.15	1 995.2	2 426.4
2025	R64.69	1 520.2	2 170.3
2026	R70.06	1 427.4	1 675.9
2027 and thereafter	R63.61	764.4	2 370.3
		18 566.9	21 927.5
Number of outstanding options as a percentage of issued shares		3.8%	4.4%

5.2 Outstanding restricted shares

	Number of restricted shares 000's	Number of restricted shares 000's
Movement in the total number of restricted shares granted is as follows:		
At beginning of period	9 004.5	7 630.0
Share awards granted	3 302.9	4 918.0
Shares delivered to participants (note 20)	(3 562.0)	(1 379.3)
Share awards forfeited	(1 037.8)	(2 164.2)
At end of period	7 707.6	9 004.5

Rights to RSP shares are issued with a grant price of zero.

The fair value of rights to RSP shares is the market price of the share at grant date adjusted for the expected dividend yield, which is the best estimate of the forward looking dividend yield over the life of the RSP. Estimates are based on the historical average dividend yield during the two year period preceding the grant.

The fair value of rights to FSP shares is the market price of the share on grant date. The expected dividend yield is zero, as all participants have an unforfeitable right to future dividends.

Vesting criteria in respect of the FSP 2019 awards, due to vest in June 2022, have not been fully met. As a result and as directed by the remuneration committee, 50% of the FSP 2019 long-term share awards have been forfeited.

Outstanding restricted shares vest during the following financial periods:		
Year		
2022	–	3 552.0
2023	846.7	1 751.5
2024	3 600.0	3 701.0
2025	3 260.9	–
	7 707.6	9 004.5
Number of restricted shares as a percentage of issued shares	1.6%	1.8%

5 Share-based payments (continued)

5.3 Total outstanding share awards

	52 weeks to 27 February 2022 Number of share awards 000's	52 weeks to 28 February 2021 Number of share awards 000's
Share options (note 5.1)	18 566.9	21 927.5
Restricted shares (note 5.2)	7 707.6	9 004.5
Total	26 274.5	30 932.0
Number of share awards as a percentage of issued shares	5.5%	6.3%

	000's	000's
Total shares authorised to be utilised, from issued share capital, for settling obligations under the employee share schemes	63 892.8	63 892.8
Shares remaining for utilisation under current authorisations	37 618.3	32 960.8

Refer to note 4 for details of share awards held by and granted to directors.

5.4 Fair value – equity-settled share options

The fair value of equity settled share options granted to employees are valued at the grant date and expensed through the statement of comprehensive income over the vesting period of the option.

The fair value of each option granted in PIK has been estimated on the grant date using an actuarial binomial option pricing model. The assumptions used in determining the fair value of the options granted in each financial period are as follows:

Financial period of grant	Number of options granted 000's	Expected life of options years	Share price at grant date	Grant price	Expected volatility*	Expected dividend yield**	Risk-free rate***
2021	539.3	0-7	R45.04 – R58.00	R46.87 – R59.44	25.2 – 28.4	3.0 – 3.2	4.5 – 8.5
2022^	N/A	N/A	N/A	N/A	N/A	N/A	N/A

^ *There were no new share options granted in the period under review.*
* *The expected volatility is determined based on the rolling historical volatility over the expected option term that prevailed at the grant date.*
** *The expected dividend yield is the best estimate of the forward looking dividend yield over the expected life of the option. This has been estimated by reference to the historical average dividend yield during the two year period preceding the grant, equal to the vesting period of the grant.*
*** *The risk-free rate is the yield on the zero-coupon Swap Curve, as compiled by the JSE, with a term corresponding with the estimated lifetime of the option.*

6 Income tax

6.1 Tax recognised in profit or loss

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
Normal tax	479.4	595.9
– current period	510.7	609.5
– prior period over provision	(31.3)	(13.6)
Deferred tax (note 13)	67.6	(154.7)
	547.0	441.2

6.2 Tax paid

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
Owing – beginning of period	218.6	47.9
Recognised in profit or loss	479.4	595.9
Interest income	(14.3)	–
Owing – end of period	(279.8)	(218.6)
Total tax paid	403.9	425.2

6.3 Reconciliation of effective tax rate

	2022 %	2021 %
South African statutory tax rate	28.0	28.0
Exempt income – dividends received	–	(0.8)
ETI allowances and other exempt income	(2.9)	(2.2)
Learnership and other allowances	(1.5)	(0.7)
Impact of foreign tax rates	2.3	2.6
Impact of fair value adjustments	(0.2)	0.4
Non-deductible impairment loss on intangible assets	0.1	0.2
Non-deductible leasehold improvement and property depreciation	3.8	4.6
Impact of share based payments	1.5	1.6
Other non-deductible expenditure	0.5	0.4
Net prior period over provisions	(1.1)	(2.8)
Effect of reduction in South Africa tax rate	0.6	–
Effective tax rate	31.1	31.3

7 Basic, headline and diluted earnings per share

	52 weeks to 27 February 2022 Cents per share	52 weeks to 28 February 2021 Cents per share
Basic earnings per share	253.34	202.52
Diluted earnings per share	252.43	200.93
Headline earnings per share	262.59	229.31
Diluted headline earnings per share	261.65	227.51

7.1 Reconciliation between basic and headline earnings

	2022 Rm	2021 Rm
Profit for the period – basic earnings for the period	1 214.5	967.1
Adjustments:	44.4	127.9
(Profit)/loss on sale of property, plant and equipment	(31.6)	21.4
Tax effect of profit/(loss) on sale of property, plant and equipment	3.5	(6.0)
Loss from impairments and scrapping of property, plant and equipment	209.1	18.1
Tax effect of loss from impairments and scrapping of property, plant and equipment	(48.7)	(5.1)
Loss from impairments and scrapping of intangible assets	7.9	10.7
Tax effect of loss from impairments and scrapping of intangible assets	(0.1)	(3.0)
Impairment loss on right-of-use assets	56.6	14.1
Tax effect of impairment loss on right-of-use assets	(15.1)	(3.9)
Impairment loss on investment in associate	14.4	81.6
Insurance recoveries on scrapping of assets due to civil unrest	(210.5)	–
Tax effect of insurance recoveries on scrapping of assets due to civil unrest	58.9	–
Headline earnings for the period	1 258.9	1 095.0

For pro forma headline earnings per share and pro forma diluted headline earnings per share, refer to Appendix 3.

7.2 Number of ordinary shares

	2022 000's	2021 000's
Number of ordinary shares in issue (note 19)	493 450.3	493 450.3
Weighted average number of ordinary shares (excluding treasury shares)	479 389.3	477 524.8
Diluted weighted average number of ordinary shares	481 128.4	481 304.5
Reconciliation of weighted average number of ordinary shares to diluted weighted average number of ordinary shares:		
Weighted average number of ordinary shares (excluding treasury shares)	479 389.3	477 524.8
Dilutive effect of share awards	1 739.1	3 779.7
Diluted weighted average number of ordinary shares	481 128.4	481 304.5

Any outstanding restricted shares granted in terms of the Group's executive restricted share plan that have not yet met required performance hurdles, have no dilutive impact on the weighted average number of shares in issue.

	52 weeks to 27 February 2022 Cents per share	52 weeks to 28 February 2021 Cents per share
8 Dividends		
8.1 Dividends paid during the financial period		
Final dividend number 106 – declared 20 April 2021 – paid 4 June 2021 (2021: Number 104 – declared 19 October 2020 – paid 7 December 2020)	161.00	173.06
Interim dividend number 107 – declared 19 October 2021 – paid 6 December 2021 (2021: Number 105 – declared 19 October 2020 – paid 7 December 2020)	35.80	18.74
Total dividends per share for the period	196.80	191.80
8.2 Dividends declared related to the financial period		
Final dividend declared on 16 May 2022 – number 108 (2021: Final dividend declared on 20 April 2021 – number 106)	185.35	161.00
Interim dividend declared on 19 October 2021 – number 107 (2021: Interim dividend declared on 19 October 2020 – number 105)	35.80	18.74
	221.15	179.74

The directors have declared a final dividend (dividend 108) of 185.35 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 20%, where shareholders are subject to this tax. The last day to trade in order to participate in the dividend (CUM dividend) will be Tuesday, 31 May 2022. The shares will trade EX dividend from the commencement of business on Wednesday, 1 June 2022 and the record date will be Friday, 3 June 2022. The dividends will be paid on Monday, 6 June 2022.

9 Intangible assets

	Goodwill Rm	Systems development Rm	Licences Rm	Total Rm
52 weeks to 27 February 2022				
Carrying value	624.7	348.4	14.0	987.1
Cost	678.0	765.2	19.8	1 463.0
Accumulated amortisation and impairment losses	(53.3)	(416.8)	(5.8)	(475.9)
Reconciliation of carrying value				
Carrying value at beginning of period	603.5	382.3	20.2	1 006.0
Additions	–	88.1	–	88.1
Expansion of operations	–	30.4	–	30.4
Maintaining operations	–	57.7	–	57.7
Amortisation	–	(117.4)	(6.0)	(123.4)
Impairment	(6.6)	(1.0)	–	(7.6)
Scrapping of assets – civil unrest (note 31)	–	(0.3)	–	(0.3)
Disposals	–	(3.8)	(0.2)	(4.0)
Purchase of operations (note 30)	27.8	–	–	27.8
Foreign currency translations	–	0.5	–	0.5
Carrying value at end of period	624.7	348.4	14.0	987.1
52 weeks to 28 February 2021				
Carrying value	603.5	382.3	20.2	1 006.0
Cost	650.2	748.9	84.0	1 483.1
Accumulated amortisation and impairment losses	(46.7)	(366.6)	(63.8)	(477.1)
Reconciliation of carrying value				
Carrying value at beginning of period	444.1	396.6	24.7	865.4
Additions	–	81.0	0.2	81.2
Expansion of operations	–	19.4	0.2	19.6
Maintaining operations	–	61.6	–	61.6
Amortisation	–	(127.2)	(4.7)	(131.9)
Impairment	(10.5)	(0.2)	–	(10.7)
Disposals	–	(0.7)	–	(0.7)
Purchase of operations (note 30)	169.9	33.0	–	202.9
Foreign currency translations	–	(0.2)	–	(0.2)
Carrying value at end of period	603.5	382.3	20.2	1 006.0

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

Goodwill that is significant to the Group's total carrying amount of goodwill, with a carrying value of R135.0 million (2021: R135.0 million), relates to the acquisition of the CGU trading as Boxer. The value-in-use was determined based on cash flow projections approved by management covering a five-year reporting period. Cash flows beyond these planning periods were extrapolated using an estimated growth rate of 7.0% (2021: 7.0%), derived from average industry retail sales growth. The growth rate does not exceed the long-term average growth rate for the business units in which this CGU operates. The pre-tax discount rate applied to cash flow projections was 10.9% (2021: 10.3%). Management believes that any reasonable possible change in the key assumptions on which this CGU's recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

The remaining goodwill, with a carrying value of R489.7 million (2021: R468.5 million), relates to various acquisitions or conversions of underperforming franchise stores to owned stores, none of which is significant in comparison to the Group's total carrying amount of goodwill. Of the remaining goodwill, R178.4 million (2021: R164.4 million) relates to goodwill recognised by the Boxer CGU. The value-in-use was determined based on cash flow projections approved by management covering the relevant CGU's refurbishment cycles, which averages between five and seven years. The pre-tax discount rate applied to these cash flow projections was 9.9% (2021: 10.3%) in the South Africa operating segment and 16.0% in the Rest of Africa operating segment. Cash flows for CGUs in the South Africa operating segment beyond these planning periods were extrapolated using an estimated growth rate of 4.8%. Management believes that any reasonable possible change in key assumptions on which these CGU's recoverable amounts are based would not result in any additional significant impairment losses.

The impairment charge in the current financial year of R6.6 million (2021: R10.5 million) arose in nine (2021: two) CGUs. These CGUs are individual owned stores, which is not material to the Group's overall portfolio of stores. This impairment was as a result of a significant reduction in the future expected revenue of the CGU due to a weakening in the general economic conditions in which the CGU operates.

10 Property, plant and equipment

	Property Rm	Furniture, fittings, equipment and vehicles Rm	Leasehold improvements Rm	Aircraft Rm	Total Rm
52 weeks to 27 February 2022					
Carrying value	1 490.5	4 618.6	986.6	54.8	7 150.5
Cost	1 928.1	8 527.2	1 918.6	78.3	12 452.2
Accumulated depreciation and impairment losses	(437.6)	(3 908.6)	(932.0)	(23.5)	(5 301.7)
Reconciliation of carrying value					
Carrying value at beginning of period	1 357.1	4 277.9	947.6	60.0	6 642.6
Additions	226.3	1 485.3	278.5	–	1 990.1
Expansion of operations	202.6	568.3	98.6	–	869.5
Maintaining operations	23.7	917.0	179.9	–	1 120.6
Depreciation	(35.8)	(953.4)	(221.6)	(5.2)	(1 216.0)
Impairment	–	(49.0)	(3.6)	–	(52.6)
Scrapping of assets – civil unrest (note 31)	–	(144.9)	(11.6)	–	(156.5)
Disposals	(57.1)	(48.9)	(4.5)	–	(110.5)
Purchase of operations (note 30)	–	27.9	–	–	27.9
Foreign currency translations	–	23.7	1.8	–	25.5
Carrying value at end of period	1 490.5	4 618.6	986.6	54.8	7 150.5
52 weeks to 28 February 2021					
Carrying value	1 357.1	4 277.9	947.6	60.0	6 642.6
Cost	1 792.9	8 263.1	1 773.9	78.3	11 908.2
Accumulated depreciation and impairment losses	(435.8)	(3 985.2)	(826.3)	(18.3)	(5 265.6)
Reconciliation of carrying value					
Carrying value at beginning of period	1 352.7	4 189.6	1 014.8	65.3	6 622.4
Additions	17.8	1 017.7	168.5	–	1 204.0
Expansion of operations	0.8	728.2	24.5	–	753.5
Maintaining operations	17.0	289.5	144.0	–	450.5
Depreciation	(35.6)	(938.4)	(208.0)	(5.3)	(1 187.3)
Impairment	–	(16.5)	(1.6)	–	(18.1)
Disposals	–	(31.1)	(5.0)	–	(36.1)
Purchase of operations (note 30)	–	72.4	–	–	72.4
Reclassifications	22.2	(1.1)	(21.1)	–	–
Foreign currency translations	–	(14.7)	–	–	(14.7)
Carrying value at end of period	1 357.1	4 277.9	947.6	60.0	6 642.6

Property includes land with an indefinite useful life, with a carrying value of R366.7 million (2021: R269.4 million).

The Group treats each store as a separate CGU for impairment testing of property, plant and equipment. The recoverable amount of each CGU is the higher of its value-in-use and its fair value less costs of disposal. Each CGU is tested for impairment at the reporting date to determine if any indicators of impairment have been identified. Impairment loss indicators include loss-making stores.

The recoverable amount for each CGU was determined based on value-in-use calculations. The value-in-use calculations discount cash flow forecasts at an appropriate pre-tax rate that reflects the specific risks of the relevant CGU. Cash flow forecasts are based on financial budgets (informed by past experience and the expected performance on the retail market in the relevant areas) approved by management.

The value-in-use was determined based on cash flow projections approved by management covering the relevant CGU's refurbishment cycles, which averages between five and seven years. The pre-tax discount rate applied to these cash flow projections was 9.9% (2021: 10.3%) in the South Africa operating segment and 16.0% in the Rest of Africa operating segment. Cash flows for CGUs in the South Africa operating segment beyond these planning periods were extrapolated using an estimated growth rate of 4.8%. Management believes that any reasonable possible change in key assumptions on which these CGU's recoverable amounts are based would not result in any additional significant impairment losses.

The impairment charge in the current financial year of R52.6 million (2021: R18.1 million) arose in 21 (2021: 11) CGUs. These CGUs are individual owned stores, which are not material to the Group's overall portfolio of stores. This impairment was as a result of a significant reduction in the future expected revenue of the CGU due to a weakening in the general economic conditions in which the CGU operates.

11 Right-of-use assets

The Group enters into various lease agreements as the lessee of property, equipment and vehicles. Where leases convey the right to control the use of the underlying leased assets, the Group classifies these leases as right-of-use assets in a consistent manner to its property, plant and equipment.

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
Reconciliation of carrying value of right-of-use assets		
Carrying value at beginning of period	10 050.6	9 880.6
Additions	2 299.9	2 148.2
Depreciation	(1 979.9)	(1 793.0)
Property	(1 654.6)	(1 496.9)
Equipment and vehicles	(325.3)	(296.1)
Other movements*	(747.2)	(120.7)
Impairment	(56.6)	(14.1)
Foreign currency translations	22.1	(50.4)
Carrying value at end of period	9 588.9	10 050.6
Comprising of:		
Property	9 125.7	8 558.3
Equipment and vehicles	463.2	1 492.3

* *Includes lease incentives received, remeasurements and termination of leases.*

The Group treats each store as a separate CGU for impairment testing of right-of-use assets. The recoverable amount of each CGU is the higher of its value-in-use and its fair value less costs of disposal. Each CGU is tested for impairment at the reporting date to determine if any indicators of impairment have been identified. Impairment loss indicators include loss-making stores.

The recoverable amount for each CGU was determined based on value-in-use calculations. The value-in-use calculations discount cash flow forecasts at an appropriate pre-tax rate that reflects the specific risks of the relevant CGU. Cash flow forecasts are based on financial budgets (informed by past experience and the expected performance on the retail market in the relevant areas) approved by management.

The value-in-use was determined based on cash flow projections approved by management covering the relevant CGU's refurbishment cycles, which averages between five and seven years. The pre-tax discount rate applied to these cash flow projections was 9.9% (2021: 10.3%) in the South Africa operating segment and 16.0% in the Rest of Africa operating segment. Cash flows for CGUs in the South Africa operating segment beyond these planning periods were extrapolated using an estimated growth rate of 4.8%. Management believes that any reasonable possible change in key assumptions on which these CGU's recoverable amounts are based would not result in any additional significant impairment losses.

The impairment charge in the current financial year of R56.6 million (2021: R14.1 million) arose in 12 (2021: two) CGUs. These CGUs are individual owned stores, which are not material to the Group's overall portfolio of stores. This impairment was as a result of a significant reduction in the future expected revenue of the CGU due to a weakening in the general economic conditions in which the CGU operates.

12 Net investment in lease receivables

In addition to its primary property lease portfolio, the Group holds head leases over strategic franchise sites. These sites are sub-let to franchisees, with the franchisees holding the right to control the use of leased assets. Where the Group does not retain the right to control the use of leased assets due to the leased asset being subjected to a sub-lease, right-of-use assets are not recognised on the statement of financial position. The Group recognises the present value of future lease payments under head leases as lease liabilities (note 24), and capitalises the present value of future lease receivables under sub-leases as net investment in lease receivables. Future lease payments are discounted at an average borrowing rate of 8.2% (2021: 8.5%).

12.1 Reconciliation of net investment in lease receivables

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
At beginning of period	2 411.2	2 350.9
New leases	270.7	434.2
Lease receipts	(483.9)	(460.3)
Principal lease receipts	(280.2)	(254.4)
Interest received	(203.7)	(205.9)
Finance income (note 2)	204.9	208.5
Other movements*	(7.1)	(111.5)
Foreign currency translations	(7.7)	(10.6)
At end of period	2 388.1	2 411.2
Net investment in lease receivables are presented in the statement of financial position as follows:		
Current	319.1	277.1
Non-current	2 069.0	2 134.1

* *Includes remeasurements and terminations of leases.*

12.2 Lease receipts

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
Lease receipts included in the measurement of net investment in lease receivables	483.9	460.3
Variable lease receipts not included in the measurement of net investment in lease receivables	11.0	11.5
	494.9	471.8

Certain property sub-leases contain variable receipts terms linked to sales generated from franchise stores, referred to as turnover rent. Turnover rent income averages 1.7% of turnover (2021: 1.5% of turnover) of franchise stores.

12.3 Maturity analysis

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
The undiscounted contractual maturities of lease receivables are as follows:		
Less than one year	494.1	467.6
One to two years	483.6	463.7
Two to three years	492.7	450.7
Three to four years	409.4	449.1
Four to five years	308.8	360.6
More than five years	1 039.7	1 163.4
Total undiscounted lease receivables	3 228.3	3 355.1
Unearned finance income	(840.2)	(943.9)
Net investment in lease receivables	2 388.1	2 411.2

13 Deferred tax

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
Deferred tax assets	822.5	912.7
Deferred tax liabilities	–	(10.1)
Net deferred tax assets	822.5	902.6
The movement in net deferred tax assets are as follows:		
At beginning of period	902.6	750.0
Recognised in profit or loss (note 6)	(67.6)	154.7
Property, plant and equipment and intangible assets	(31.5)	(41.8)
Net operating lease assets	0.9	0.6
Retirement benefits and actuarial gains	(0.8)	(0.8)
Prepayments	9.3	(1.4)
Allowance for impairment losses	(0.7)	8.2
Deferred revenue	3.0	11.7
Income received in advance	(0.3)	0.9
Leases	26.6	79.3
Income and expense accruals	(74.1)	98.0
Recognised in other comprehensive income	(12.5)	(2.1)
Tax effect on items that will not be reclassified to profit or loss	(9.9)	(3.1)
Tax effect on items that may be reclassified to profit or loss	(2.6)	1.0
At end of period	822.5	902.6
Comprising of:		
Property, plant and equipment and intangible assets	(576.0)	(541.9)
Net operating lease assets	(2.2)	(3.1)
Retirement benefits and actuarial gains	(33.8)	(23.1)
Prepayments	(2.5)	(11.8)
Allowance for impairment losses	33.3	34.0
Deferred revenue	45.7	42.7
Income received in advance	18.1	18.4
Leases	1 108.9	1 082.3
Income and expense accruals	231.0	305.1
	822.5	902.6

14 Investment in associate

14.1 Accounting for investment in associate

The Group has a 49% investment in TM Supermarkets (Pvt) Limited (TM Supermarkets), a private company incorporated in Zimbabwe, and which operates supermarkets throughout Zimbabwe. The Group accounts for its investment in associate under the equity method of accounting in accordance with IAS 28 *Investment in Associates and Joint Ventures*.

In accordance with the provisions of IAS 29 *Financial Reporting in Hyperinflationary Economies* (IAS 29), entities operating in Zimbabwe have been assessed to be operating in a hyperinflationary economy. The equity accounted results of TM Supermarkets included in this Group result have therefore been prepared in accordance with IAS 29, with the following key accounting principles applied within the results of TM Supermarkets:

- All previously published financial information was restated to reflect the current buying power of the Zimbabwe dollar (ZWL$), and
- All assets and liabilities were revalued to reflect current values, which resulted in a non-cash net monetary adjustment recognised in the statement of comprehensive income of TM Supermarkets.

As the Group's presentation currency is not that of a hyperinflationary economy, the comparative information of the Group's financial results related to TM Supermarkets is not restated. Any difference between the Group's share of the TM Supermarkets adjusted equity balance after applying IAS 29 and the balance previously recorded by the Group as at 28 February 2021 is recognised in other comprehensive income in the current period, as part of foreign currency translations.

14.2 Exchange rates applied in translating the results of investment in associate

The share of associate's income and net asset value of TM Supermarkets have been translated into the Group's presentation currency at the closing rate in accordance with the hyperinflationary provisions of IAS 21 *The Effects of Changes in Foreign Exchange Rates*.

Effective 1 June 2020, Zimbabwe implemented a formal market-based foreign exchange trading system to establish formalised trading in ZWL$ with other currencies (referred to as the auction rate). The intention of this auction rate system is expected to bring transparency and efficiency in the trading of foreign currency in the economy.

In line with prior period assessments, management assessed that the closing auction rate of 0.12 ZWL$ (2021: 0.18 ZWL$) to the South African rand is not available for immediate settlement, as shortages of foreign currency results in the official exchange rate not being liquid, and is therefore not an appropriate rate to use when accounting for the Group's investment in associate. An estimated exchange rate of 0.08 ZWL$ (2021: 0.13 ZWL$) to the South African rand was used when translating the result of TM Supermarkets as at 27 February 2022. Inputs considered in this estimate include the official inflation rate, the in-country fuel price, the exchange rate applicable to dividends received from the Group's investment in associate during the period and trends in the Zimbabwean Retail industry of permanent discounts being applied to the auction rate to attract settlement in USD.

The table below summarises the exchange rates at which the results of TM Supermarkets have been translated into South African rand, for the relevant periods under review. The closing ZWL$ to ZAR exchange rate was calculated using the official USD to ZAR exchange rate divided by the management estimated USD to ZWL$ exchange rate. For comparative informational purposes, exchange rates based on the USD to ZWL$ auction rate have also been presented.

	1.0 ZWL$: 1.0 ZAR	1.0 USD : 1.0 ZAR	1.0 USD : 1.0 ZWL$
Closing rates at 27 February 2022			
Exchange rates used by management	0.08	15.29	186.00
Auction rate	0.12	15.29	124.00
Closing rates at 28 February 2021			
Exchange rates used by management	0.13	15.08	115.00
Auction rate	0.18	15.08	83.90

14 Investment in associate (continued)

14.3 Reconciliation of investment in associate

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
At beginning of period	69.7	50.4
Share of associate's earnings	71.6	80.0
Share of associate's earnings before net monetary adjustments	96.7	109.2
Share of associate's hyperinflation net monetary loss	(25.1)	(29.2)
Foreign currency translations	(0.8)	20.9
Impairment loss on investment in associate	(14.4)	(81.6)
Dividend declared and received	(20.1)	–
At end of period	106.0	69.7

14.4 Impairment of investment in associate

During the period under review, significant judgement was applied by management in determining that the following impairment indicators of the Group's investment in associate exist:

- The devaluation and illiquidity of currency in Zimbabwe and the resultant impact on the Zimbabwean economy – the jurisdiction in which TM Supermarkets trades in,
- Currency shortages and currency devaluation led to high levels of food and other inflation,
- The economy was subjected to increases in Zimbabwe inflation rates as published by the RBZ; and
- The upward valuation of the assets of TM Supermarkets as a result of the application of hyperinflation accounting in terms of IAS 29.

Impairment reviews were performed and the Group concluded that the carrying value of its investment in associate exceeded its recoverable amount, resulting in an impairment loss of R14.4 million recognised by the Group.

The recoverable amount of TM Supermarkets was determined based on value-in-use calculations. The calculation discounts future cash flow forecasts at an appropriate pre-tax rate that reflects the specific risks and challenges relating to TM Supermarkets. Management-approved future cash flow forecasts, over a period of five years, were based on past experience and the expected performance of the retail market in Zimbabwe. Cash flows beyond this period were extrapolated by applying a nil growth rate. The pre-tax discount rate applied to cash flow projections was 44.9%.

Management believes that the carrying value of the Group's investment in associate of R106.0 million is reflective of the value of its investment in TM Supermarkets and that any reasonable possible change in key assumptions on which the recoverable amounts are based would not result in any additional significant impairment losses. Refer to note 14.5.

14 Investment in associate (continued)

14.5 Sensitivity analysis

The following tables represent the sensitivity analysis performed by management on the significant judgements applied in the accounting of the Group's investment in associate for the 52 weeks ended 27 February 2022.

14.5.1 Exchange rates applied in the translation of the results of the Group's investment in associate

If the exchange rate applied by management had been 10% higher or 10% lower, or the auction rate was applied, with all other variables held constant, the impact on the statement of comprehensive income and statement of financial position would have been as follows:

	+10% 1.0 ZWL$: 0.07 ZAR	Exchange rate applied by management 1.0 ZWL$: 0.08 ZAR	-10% 1.0 ZWL$: 0.09 ZAR	Auction rate* 1.0 ZWL$: 0.12 ZAR
Impact on statement of comprehensive income				
Share of associate's earnings (Rm)	65.2	**71.6**	79.7	107.5
Impairment on investment in associate (Rm)	13.1	**14.4**	16.0	21.6
Impact on statement of financial position				
Investment in associate (Rm)	96.4	**106.0**	117.8	159.0

* *Calculated by applying the official auction rate of 1 USD to 124 ZWL$.*

14.5.2 Discount rate applied in the assessment of the recoverable amount of the Group's investment in associate

If the discount rate had been 10% higher or 10% lower, with all other variables held constant, the impact on the statement of comprehensive income and statement of financial position would have been as follows:

	+10%	As reported	-10%
Impact on statement of comprehensive income			
Impairment/(reversal of impairment) on investment in associate (Rm)	35.8	**14.4**	(22.3)
Impact on statement of financial position			
Investment in associate (Rm)	84.6	**106.0**	142.7

14.5.3 Growth rate applied in the assessment of the recoverable amount of investment in associate

The sensitivity of the Group's exposure to the growth rate risk is estimated by assessing the impact of a reasonable expected movement in the relevant growth rates on our investment in TM Supermarkets. A sensitivity analysis is not presented as the estimated impact is not considered to be material.

14 Investment in associate (continued)

14.6 Summary financial information of associate

The summary financial information has been presented in South African rand, the presentation currency of the Group.

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
Statement of comprehensive income (100%)		
Revenue	**4 990.7**	3 587.0
Profit for the period	**150.6**	164.5
Attributable to other owners of the Company	**70.5**	83.3
Attributable to the Group	**71.6**	80.0
Non-controlling interest	**8.5**	1.2
Statement of financial position (100%)		
Total assets	**1 452.9**	1 164.8
Current assets	**619.4**	424.2
Non-current assets	**833.5**	740.6
Total liabilities	**630.4**	452.9
Current liabilities	**389.2**	243.6
Non-current liabilities	**241.2**	209.3
Net assets (100%)	**822.5**	711.9
Attributable to other owners of the Company	**390.9**	338.2
Attributable to the Group	**375.6**	324.9
Non-controlling interest	**56.0**	48.8

15 Loans

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
Employees	**50.2**	46.1
Executive directors	**0.2**	0.2
Other employees	**50.0**	45.9
Other	**35.7**	13.1
	85.9	59.2

Loans to directors and employees bear interest at varying rates averaging at a rate of 4.2% (2021: 3.8%) per annum and have varying repayment terms. At period end, R38.4 million (2021: R35.1 million) of employee loans were secured.

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

16 Inventory

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
Merchandise for resale	8 451.8	7 336.1
Provision for shrinkage, obsolescence and markdown of inventory	(255.7)	(228.8)
Consumables	81.2	86.0
	8 277.3	7 193.3

17 Trade and other receivables

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
Gross trade and other receivables	4 521.2	4 110.1
Trade receivables from contracts with customers	4 075.1	3 796.6
Prepayments	121.9	104.0
Other receivables	324.2	209.5
Allowance for impairment losses	(207.1)	(199.7)
Trade receivables from contracts with customers	(155.0)	(156.4)
Other receivables	(52.1)	(43.3)
Net trade and other receivables	4 314.1	3 910.4
Disclosed as:		
Non-current	106.5	166.7
Current	4 207.6	3 743.7

Current trade and other receivables are interest-free unless overdue and have payment terms ranging between 7 and 35 days (2021: 7 and 35 days). The carrying value approximates its fair value due to the short-term nature of the receivables.

17.1 Allowance for impairment losses

Set out below is the movement in the allowance for impairment on trade and other receivables.

52 weeks to 27 February 2022	Trade and other receivables Rm	Trade receivables from contracts with customers Rm	Other receivables Rm
Balance at the beginning of the period	199.7	156.4	43.3
Irrecoverable debts written off	(82.3)	(81.5)	(0.8)
Additional impairment losses recognised	92.8	80.1	12.7
Prior allowances for impairment reversed	(3.1)	–	(3.1)
At end of period	207.1	155.0	52.1
52 weeks to 28 February 2021			
Balance at the beginning of the period	134.3	117.2	17.1
Irrecoverable debts written off	(130.2)	(129.9)	(0.3)
Additional impairment losses recognised	205.2	174.2	31.0
Prior allowances for impairment reversed	(9.6)	(5.1)	(4.5)
At end of period	199.7	156.4	43.3

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

17 Trade and other receivables (continued)

17.2 Credit risk exposure

Set out below is the credit risk exposure on the Group's trade and other receivables. The expected credit loss (ECL) relating to trade and other receivables within payment terms, and relating to trade and other receivables exceeding payment terms by less than 14 days, is insignificant as a result of the credit quality of these debtors, stringent credit-granting policies and the various forms of security and collateral held by the Group. Refer to note 29.2 for the Group's credit risk management disclosure.

52 weeks to 27 February 2022	Gross receivables Rm	Within payment terms Rm	Exceeding payment terms by less than 14 days Rm	Exceeding payment terms by more than 14 days Rm
	4 399.3	3 421.8	99.8	877.7
Trade receivables from contracts with customers	4 075.1	3 282.9	99.8	692.4
Other receivables	324.2	138.9	–	185.3
52 weeks to 28 February 2021				
	4 006.1	3 162.7	56.9	786.5
Trade receivables from contracts with customers	3 796.6	3 120.6	56.9	619.1
Other receivables	209.5	42.1	–	167.4

18 Cash and cash equivalents

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
Cash and cash equivalents	6 425.3	5 415.1
Bank overdraft and overnight borrowings	(2 800.0)	(1 951.4)
Cash and cash equivalents at end of period	3 625.3	3 463.7

Cash and cash equivalents

Cash and cash equivalents includes cash floats at stores as well as the Group's current account balances. The Group's primary banker, which at period-end, had a long-term credit rating of zaAA, facilitates the collection of cash at stores, provides general banking facilities and facilitates the payment of suppliers via an electronic banking platform. The interest rate on the current account varied between 2.8% and 3.3% per annum (2021: 2.8% and 5.6% per annum). Refer to note 29.3.2.

Cash investments

The Group invested its surplus cash in money market accounts during the period. The interest rate on these accounts varied between 4.0% and 5.4% per annum (2021: 4.2% to 5.6% per annum). Refer to note 29.3.2.

Bank overdraft

The Group utilised its bank overdraft during the period. The overdraft interest rate varied between 5.5% and 6.3% per annum (2021: 5.5% to 8.3% per annum). Refer to note 29.3.2.

Overnight borrowings

The Group utilised overnight borrowings during the period. Interest rates varied between 4.1% and 4.9% per annum (2021: 4.3% and 7.5% per annum). Refer to note 29.3.2.

19 Share capital

19.1 Ordinary share capital

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
Authorised		
800 000 000 (2021: 800 000 000) ordinary shares of 1.25 cents each	10.0	10.0
Issued		
493 450 321 (2021: 493 450 321) ordinary shares of 1.25 cents each	6.0	6.0

	000's	000's
The number of shares in issue is made up as follows:		
Treasury shares (note 20)	13 224.8	15 268.6
Shares held outside the Group	480 225.5	478 181.7
Total shares in issue at end of period	493 450.3	493 450.3

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 24 672 516 (2021: 24 672 516) shares. To date, 15 743 000 (2021: 15 743 000) shares have been issued, resulting in 8 929 516 (2021: 8 929 516) shares remaining for this purpose.

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

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

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

Refer to note 5 for details of share awards granted by the Group.

19.2 B share capital

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
Authorised		
1 000 000 000 (2021: 1 000 000 000) unlisted, non-convertible, non-participating, no par value B shares	–	–
Issued		
259 682 869 (2021: 259 682 869) unlisted, non-convertible, non-participating, no par value B shares	–	–

B shares are stapled to certain 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. Refer to note 19.1.

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

20 Treasury shares

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
At beginning of period	873.4	961.7
Shares purchased during the period	114.2	–
Settlement of employee share awards	(285.5)	(88.3)
At end of period	702.1	873.4

	000's	000's
The movement in the number of treasury shares held is as follows:		
At beginning of period	15 268.6	16 115.2
Shares purchased during the period	2 200.0	–
Shares forfeited during the period pursuant to employee share schemes	–	696.1
Shares sold during the period pursuant to the take-up of share options by employees	(681.8)	(163.4)
Shares delivered to participants of restricted share plan (note 5.2)	(3 562.0)	(1 379.3)
At end of period	13 224.8	15 268.6

	R	R
Average purchase price of shares purchased during the period	51.9	–

21 Borrowings

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
Unsecured borrowings		
One-month short-term loans bearing interest at 5.1% (2021: 4.7%) and repaid between 10 March 2022 and 11 April 2022 (2021: repaid on 18 March 2021)	403.1	700.0
Three-month short-term loans bearing interest ranging between 4.6% – 5.0% (2021: 4.3% – 4.6%) and repayable between 28 February 2022 to 24 May 2022 (2021: repaid between 10 March 2021 to 26 May 2021)	1 650.0	1 181.2
Six-month short-term loans bearing interest ranging between 4.8% – 5.3% (2021: 4.6% – 4.7%) and repayable between 28 February 2022 to 18 August 2022 (2021: repaid between 18 August 2021 to 26 August 2021)	1 000.0	800.0
Twelve-month short-term loans bearing interest ranging between 5.0% – 5.1% (2021: 4.9%) and repayable on 26 August 2022 and 27 August 2022 (2021: repaid on 27 August 2021)	950.0	650.0
Total borrowings at end of period	4 003.1	3 331.2
Less: current portion (repayable within one year)	(4 003.1)	(3 331.2)
Non-current portion (repayable after one year)	–	–

21.1 Reconciliation of carrying value of borrowings

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
At beginning of period	3 331.2	935.0
Non-cash movements for the period	175.9	129.4
Finance costs	175.9	129.4
Cash movements for the period	496.0	2 266.8
Borrowings raised	6 020.4	7 540.3
Borrowings repaid	(5 348.5)	(5 144.1)
Interest paid	(175.9)	(129.4)
At end of period	4 003.1	3 331.2

22 Retirement benefits

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

The Group's largest defined-contribution fund is the Pick n Pay Contributory Provident Fund. Certain members of this fund were guaranteed that should their defined-contribution benefit be less than their previous defined-benefit guarantee (under the previous Pick n Pay Retirement Fund) they would retain the latter. Due to this guarantee, and that the pensioners are paid by the Pick n Pay Paid-up Pension Fund, the Retirement scheme's liabilities may be broken down between those which are defined contribution in nature and those which are defined benefit in nature and for which the employer has an obligation to make additional contributions to ensure this element of the scheme is fully funded. The defined benefit and defined-contribution plans are regulated by the Pension Funds Act, 1956 (of South Africa) and is governed by a board of trustees of the Pick n Pay Contributory Provident Fund and Pick n Pay Paid-up Pension Fund, in line with governance policies set in terms of the PF130 circulars. The board of trustees of the Pick n Pay Contributory Provident Fund comprises 6 employer-appointed and 6 member-elected trustees and for the Pick n Pay Paid-up Pension Fund it comprises of 2 employer-appointed and 2 member-elected trustees.

22.1 Defined-benefit obligations

	Pensioners' defined-benefit guarantee Rm	Retirement defined-benefit guarantee Rm	Total obligation 2022 Rm	Total obligation 2021 Rm
The amount recognised in the statement of financial position is as follows:				
Present value of funded obligations	571.3	257.2	828.5	822.3
Fair value of assets	(571.3)	(383.0)	(954.3)	(905.0)
Effect of asset ceiling	–	3.8	3.8	–
	–	(122.0)	(122.0)	(82.7)
Amounts recognised in the statement of comprehensive income are as follows:				
Current service cost	–	8.1	8.1	8.8
Net interest on the obligation	–	(7.1)	(7.1)	(6.1)
Total included in employee costs	–	1.0	1.0	2.7
Asset ceiling				
Refund (employer surplus account)	–	122.0	122.0	83.1
	–	122.0	122.0	83.1
Effect of asset ceiling – beginning of period	–	–	–	–
Remeasurement	–	3.8	3.8	–
Effect of asset ceiling – end of period	–	3.8	3.8	–
Movement in the asset recognised on the statement of financial position is as follows:				
Net asset – beginning of period	–	(82.7)	(82.7)	(68.7)
Total included in employee costs in profit or loss	–	1.0	1.0	2.7
Amount recognised in other comprehensive income	–	(35.3)	(35.3)	(10.9)
Contributions	–	(5.0)	(5.0)	(5.8)
Contributions by employees	–	(2.5)	(2.5)	(2.8)
Contributions by employer	–	(2.5)	(2.5)	(3.0)
Net asset – end of period	–	(122.0)	(122.0)	(82.7)
Remeasurement recognised in other comprehensive income				
Actuarial loss/(gain) – liabilities	34.9	(11.8)	23.1	(64.2)
Actuarial (gain)/loss – assets	(34.9)	(27.3)	(62.2)	53.3
Effect of asset ceiling	–	3.8	3.8	–
Remeasurement recognised in other comprehensive income (before tax)	–	(35.3)	(35.3)	(10.9)

22 Retirement benefits (continued)

22.1 Defined-benefit obligations (continued)

	Pensioners' defined-benefit guarantee Rm	Retirement defined-benefit guarantee Rm	Total obligation 2022 Rm	Total obligation 2021 Rm
Movement in the fund's obligations and plan assets recognised on the statement of financial position is as follows:				
Liability – beginning of period	533.0	289.3	822.3	863.1
Service cost	–	8.1	8.1	8.8
Interest cost	45.7	24.4	70.1	76.6
Actuarial loss/(gain) from experience	34.9	(11.8)	23.1	(64.2)
Benefits paid	(42.3)	(52.8)	(95.1)	(62.0)
Liability – end of period	571.3	257.2	828.5	822.3
Plan assets – beginning of period	533.0	372.0	905.0	931.8
Expected return	45.7	31.5	77.2	82.7
Actuarial gain/(loss) from experience	34.9	27.3	62.2	(53.3)
Contributions	–	5.0	5.0	5.8
Contributions by employees	–	2.5	2.5	2.8
Contributions by employer	–	2.5	2.5	3.0
Benefits paid	(42.3)	(52.8)	(95.1)	(62.0)
Plan assets – end of period	571.3	383.0	954.3	905.0
	%	%	%	%
Estimated return on plan assets	8.4	9.9	9.0	8.0
Composition of plan assets				
Equities	5.0	47.0	21.8	22.4
Fixed interest – bonds	79.3	17.3	54.4	52.7
Fixed interest – cash	1.2	2.1	1.5	0.1
Property	–	3.2	1.3	2.0
Global Absolute	–	2.3	0.9	0.9
Global Balanced	14.5	28.1	20.1	21.9
	100.0	100.0	100.0	100.0

The value of contributions expected to be paid in the next financial period is R5.2 million (2021: R5.9 million).

The weighted-average duration of the defined benefit obligation is 8 years (2021: 7 years)

The principal actuarial assumptions at the last valuation date are:	2022 % per annum Pensioners	2022 % per annum Executives	2022 % per annum Combined	2021 % per annum Combined
Discount rate	10.0	10.0	10.0	8.8
Future salary increases	n/a	7.3	7.3	6.3
Future pension increases	6.3	n/a	6.3	5.3

22 Retirement benefits (continued)

22.1 Defined-benefit obligations (continued)

Sensitivity analysis

At 27 February 2022, if either the discount rate, salary inflation or pension increase had been 1% higher or 1% lower (with all other variables held constant), the impact on the financial statements would have been as follows:

	Discount rate effect			Salary inflation effect			Pension increase effect		
	-1% 9.0% Rm	As reported 10.0% Rm	+1% 11.0% Rm	-1% 6.3% Rm	As reported 7.3% Rm	+1% 8.3% Rm	-1% 5.3% Rm	As reported 6.3% Rm	+1% 7.3% Rm
Statement of comprehensive income									
Employee costs	1.4	1.0	0.6	0.6	1.0	1.3	n/a	n/a	n/a
Statement of financial position									
Asset at end of period	114.7	122.0	122.0	122.0	122.0	115.6	122.0	122.0	122.0

The following assumptions were used in the sensitivity analysis:

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

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

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
22.2 Defined current contribution benefits		
Current contributions (refer to note 3.1)	293.0	284.1

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
23 Trade and other payables		
Trade and other payables	13 065.2	12 198.8

Included in trade and other payables are leave pay obligations, provisions for outstanding legal claims and value-added tax (VAT) payables which are not considered to be financial instruments. Trade and other payables considered as financial instruments are settled within 60 days. Refer to note 29.

Provisions relating to outstanding legal claims amounted to R88.8 million (2021: R78.2 million), are short-term in nature and relates to claims and legal disputes arising in the ordinary course of business. In management's opinion, any adverse outcome of pending claims will not have a material adverse effect on the financial condition or future operations of the Group. The Group reviewed its estimate of direct costs required to settle outstanding claims and recognised an additional provision of R10.6 million.

24 Lease liabilities

The Group enters into various lease agreements as the lessee of property, equipment and vehicles. Where leases convey the right to control the use of underlying leased assets, the Group recognises the present value of future lease payments under the lease contract as lease liabilities. Future lease payments are discounted at an average borrowing rate of 8.1% (2021: 8.6%).

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
24.1 Reconciliation of lease liabilities		
At beginning of period	16 359.4	15 905.2
New leases	2 570.6	2 582.4
Lease payments	(3 452.8)	(3 196.4)
Principal lease liability payments	(2 088.4)	(1 677.0)
Interest paid	(1 364.4)	(1 519.4)
Rent concessions	(13.1)	(54.9)
Finance costs (note 3)	1 333.9	1 386.2
Other movements*	(731.6)	(179.8)
Foreign currency translations	21.5	(83.3)
At end of period	16 087.9	16 359.4
Lease liabilities are presented in the statement of financial position as follows:		
Current	2 431.4	2 046.8
Non-current	13 656.5	14 312.6

* *Includes remeasurements and terminations of leases.*

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
24.2 Lease payments		
Lease payments included in the measurement of lease liabilities	3 452.8	3 196.4
Variable lease payments not included in the measurement of lease liabilities	117.5	50.9
Short-term and low value lease payments	32.2	31.7
	3 602.5	3 279.0

Certain property head leases contain variable payment terms linked to sales generated from retail owned stores, referred to as turnover rent. Turnover rent expense averages 1.7% of turnover (2021: 1.5% of turnover).

24.3 Maturity analysis

The undiscounted contractual maturities of lease liabilities are as follows:

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
Less than one year	3 535.5	3 310.5
One year to five years	10 977.2	11 673.7
Five to ten years	6 875.2	6 769.6
More than ten years	944.1	1 023.8
Total undiscounted lease liabilities	22 332.0	22 777.6
Finance costs to be incurred in future	(6 244.1)	(6 418.2)
Lease liabilities	16 087.9	16 359.4

24.4 Lease terms

Lease terms include any non-cancellable periods and reasonably certain extension or termination options. Approximately 68% (2021: 63%) of the Group's portfolio of property leases contain extension options and approximately 32% (2021: 21%) contain termination options. The majority of extension and termination options held are exercisable by the Group and not by the respective lessor.

The average lease term of the Group's portfolio of qualifying leases are:

	2022	2021
Property	11 years	11 years
Equipment and vehicles	6 years	7 years

25 Deferred revenue

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
Prepaid gift card liability	**171.3**	160.9
Smart Shopper loyalty programme liability	**189.4**	170.6
Refund liability	**24.4**	21.8
	385.1	353.3

Prepaid gift card liability

Gift cards can be redeemed as cash against future purchases, are redeemable on demand and expire three years after last date used. The balance outstanding at period end represents the fair value of the revenue received in advance, adjusted for an expected forfeiture rate of 5.4% (2021: 5.4%).

Smart Shopper loyalty programme liability

Customers are rewarded with Smart Shopper loyalty points (reward credits) and personal Smart Shopper discounts which are effectively redeemed as cash against future purchases. Smart Shopper loyalty points and discounts are redeemable on demand and expire, on average, 12 months after its award date. The balance outstanding at period end represents the stand-alone selling prices of points and discounts granted yet to be redeemed, adjusted for an expected forfeiture rate of 20.0% (2021: 15.0%).

Refund liability

Customers are entitled to return goods purchased within a specified period of time, for a full or partial refund of the amount paid. The refund liability represents the amount of consideration that the Group does not expect to be entitled to as it is expected to be refunded to customers within the next financial period. In addition, the Group recognised a right-of-return asset of R21.5 million (2021: R19.3 million) for its right to recover goods returned by the customer.

26 Commitments

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
Authorised capital expenditure		
Contracted for	**1 221.2**	383.4
Property	**208.3**	3.3
Furniture, fittings, equipment and vehicles	**1 007.1**	364.3
Intangible assets	**5.8**	15.8
Not contracted for	**2 778.8**	2 116.6
Property	**110.1**	232.9
Furniture, fittings, equipment and vehicles	**2 418.7**	1 810.4
Intangible assets	**250.0**	73.3
Total commitments	**4 000.0**	2 500.0

The above commitments relate to anticipated capital expenditure for the 52 weeks ended 26 February 2023. In addition, the Group will develop Pick n Pay's new Eastport distribution centre in Gauteng – in partnership with Fortress REIT Limited (Fortress). Eastport will replace the Group's Longmeadow distribution centre and is anticipated to open during the 2024 financial year. The Group will purchase 60% of the Eastport asset from Fortress on completion of the development, at a projected value of R1.2 billion, and will enter into a long-term lease for the 40% balance. This long term lease results in an estimated R1.4 billion of future rental payments over a 15 year lease term.

27 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 the Chief Executive Officer and Chief Finance Officer.

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.

27 Operating segments (continued)

	South Africa Rm	Rest of Africa Rm	Total operations Rm
52 weeks to 27 February 2022			
Total segment revenue	**97 521.9**	**4 481.7**	**102 003.6**
Revenue from contracts with customers (note 2)	**96 163.1**	**3 351.0**	**99 514.1**
Operating lease income (note 2)	**114.9**	**0.7**	**115.6**
Insurance recoveries (note 2)	**748.2**	**–**	**748.2**
Finance income (note 2)	**495.7**	**28.8**	**524.5**
Direct deliveries*	**–**	**1 101.2**	**1 101.2**
Segment external turnover (note 2)	**94 535.2**	**3 337.6**	**97 872.8**
Pro forma profit before tax before capital items^**	**1 859.0**	**119.0**	**1 978.0**
Profit before tax before capital items excluding net monetary adjustment	**1 713.8**	**119.0**	**1 832.8**
Insurance proceeds received post year-end^	**145.2**	**–**	**145.2**
**Profit before tax ** **	**1 672.5**	**89.0**	**1 761.5**
Other information			
Statement of comprehensive income			
Finance costs (note 3)	**1 641.3**	**33.6**	**1 674.9**
Depreciation and amortisation on property, plant and equipment and intangible assets	**1 305.0**	**34.4**	**1 339.4**
Depreciation on right-of-use assets (note 11)	**1 930.7**	**49.2**	**1 979.9**
Profit on sale and insurance recoveries on scrapping of assets	**237.3**	**4.5**	**241.8**
Loss from impairments and scrapping of property, plant and equipment (note 10)	**173.9**	**35.2**	**209.1**
Loss from impairments and scrapping of intangible assets (note 9)	**7.9**	**–**	**7.9**
Impairment loss of right-of-use assets (note 11)	**53.9**	**2.7**	**56.6**
Impairment loss on investment in associate (note 14)	**–**	**14.4**	**14.4**
Share of associate's earnings (note 14)	**–**	**71.6**	**71.6**
Statement of financial position			
Total assets	**38 735.1**	**1 609.4**	**40 344.5**
Total liabilities	**35 726.1**	**902.7**	**36 628.8**
Investment in associate (note 14)	**–**	**106.0**	**106.0**
Additions to non-current assets	**4 328.5**	**105.3**	**4 433.8**
52 weeks to 28 February 2021			
Total segment revenue	91 871.6	4 264.1	96 135.7
Revenue from contracts with customers (note 2)	91 304.7	3 172.5	94 477.2
Operating lease income (note 2)	141.6	0.9	142.5
Finance income (note 2)	425.3	23.6	448.9
Direct deliveries*	–	1 067.1	1 067.1
Segment external turnover (note 2)	89 919.2	3 159.6	93 078.8
Pro forma profit before tax before capital items^**	1 435.3	148.1	1 583.4
Profit before tax**	1 383.1	25.2	1 408.3
Other information			
Statement of comprehensive income			
Finance costs (note 3)	1 654.4	28.1	1 682.5
Depreciation and amortisation on property, plant and equipment and intangible assets	1 278.2	41.0	1 319.2
Depreciation on right-of-use assets (note 11)	1 754.7	38.3	1 793.0
Loss on sale of property, plant and equipment	20.1	1.3	21.4
Impairment loss on property, plant and equipment (note 10)	7.5	10.6	18.1
Impairment loss on intangible assets (note 9)	10.5	0.2	10.7
Impairment loss on right-of-use assets (note 11)	14.1	–	14.1
Impairment loss on investment in associate (note 14)	–	81.6	81.6
Share of associate's earnings (note 14)	–	80.0	80.0
Statement of financial position			
Total assets	36 346.2	1 470.3	37 816.5
Total liabilities	33 572.2	858.1	34 430.3
Investment in associate (note 14)	–	69.7	69.7
Additions to non-current assets	3 629.4	79.3	3 708.7

* *Included in segmental revenue, as reviewed by the CODM of the Group, are deliveries made directly to franchisees by in-country suppliers, in those countries where the Group does not have a statutory presence. These deliveries do not qualify as revenue in terms of IFRS but are included in segmental revenue for the purposes of the Group's review of operating segments. In those countries where the Group has a statutory presence, including South Africa, direct deliveries are included in the Group's reported revenue.*

** *"Segmental profit before tax" and "segmental pro forma profit before tax before capital items" are reported measures used for evaluating the performance of the Group's operating segments. On an overall basis, these metrics equal the Group's reported "profit before tax", and "pro forma profit before tax before capital items", respectively. These metrics, for the Rest of Africa segment, comprise the segment's trading result and directly attributable costs only. No allocations are made for indirect or incremental costs incurred by the South Africa segment relating to the Rest of Africa segment.*

^ *Calculated as profit before tax before capital items, excluding the Group's share of hyperinflation net monetary adjustments recognised by the Group's associate as a result of IAS 29 for the current and prior period, and including insurance recoveries received post year-end of R145.2 million for the current period. Refer to note 31 and the Appendix 1 for further information.*

28 Related party transactions

28.1 Transactions between Group subsidiaries

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

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

- Pick n Pay Retailers Proprietary Limited, incorporated in South Africa
- Boxer Superstores Proprietary Limited, incorporated in South Africa
- Pick n Pay Zambia Limited, incorporated in Zambia
- Pick n Pay Namibia Proprietary Limited, incorporated in Namibia

28.2 Transactions with equity accounted associate

Refer to note 14 for further information.

28.3 Loans to executive directors

Loans to directors amount to R0.2 million at the end of the period (2021: R0.2 million). These loans are unsecured and interest free. For further information refer to note 15.

28.4 Key management personnel

Key management personnel remuneration is set out below. Key management personnel had no interest in any contract with any Group company during the period under review.

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
Key management personnel remuneration comprises:		
Fees for board meetings, committee and other work	11.6	10.9
Base salary	66.8	67.7
Retirement and medical aid contributions	7.5	8.1
Fringe and other benefits	9.7	8.6
Fixed remuneration	95.6	95.3
Short term performance bonus, severance and retirement gratuities	48.1	78.8
Total remuneration	143.7	174.1
Expense relating to share awards granted	37.3	157.2

29 Financial instruments

Overview

The Group's principal financial liabilities comprise borrowings, trade and other payables, lease liabilities, refund liabilities and derivatives designated as hedging instruments. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include net investment in lease receivables, loans, trade and other receivables, cash and short-term deposits and investment in insurance cell captive that are derived directly from its operations. The Group holds fair value through profit or loss financial instruments and enters into derivative transactions which comprises of forward foreign exchange rate contracts (FEC) to hedge future foreign currency exposures. Where all relevant criteria are met, hedge accounting is applied, to remove the accounting mismatch between the hedging instrument and the hedged item.

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

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

29 Financial instruments (continued)

29.1 Financial assets and financial liabilities by category

The table below sets out the Group's financial assets and financial liabilities by category:

52 weeks to 27 February 2022	Financial assets at amortised cost Rm	Financial assets at fair value through profit and loss Rm	Derivatives designated as hedging instruments Rm	Financial liabilities at amortised cost Rm	Total Rm
Financial assets					
Net investment in lease receivables (note 12)	2 388.1	–	–	–	2 388.1
Loans (note 15)	85.9	–	–	–	85.9
Trade receivables from contracts with customers (note 17)	3 920.1	–	–	–	3 920.1
Other receivables (note 17)	272.1	–	–	–	272.1
Cash and cash equivalents (note 18)	6 425.3	–	–	–	6 425.3
Investment in insurance cell captive	–	47.4	–	–	47.4
	13 091.5	47.4	–	–	13 138.9
Financial liabilities					
Overnight borrowings (note 18)	–	–	–	2 800.0	2 800.0
Unsecured borrowings (note 21)	–	–	–	4 003.1	4 003.1
Trade and other payables	–	–	–	12 495.4	12 495.4
Lease liabilities (note 24)	–	–	–	16 087.9	16 087.9
Refund liability (note 25)	–	–	–	24.4	24.4
Derivative financial instruments – Forward exchange contracts (FEC)	–	–	7.7	–	7.7
	–	–	7.7	35 410.8	35 418.5

52 weeks to 28 February 2021	Financial assets at amortised cost Rm	Financial assets at fair value through profit and loss Rm	Derivatives designated as hedging instruments Rm	Financial liabilities at amortised cost Rm	Total Rm
Financial assets					
Net investment in lease receivables (note 12)	2 411.2	–	–	–	2 411.2
Loans (note 15)	59.2	–	–	–	59.2
Trade receivables from contracts with customers (note 17)	3 640.2	–	–	–	3 640.2
Other receivables (note 17)	166.2	–	–	–	166.2
Cash and cash equivalents (note 18)	5 415.1	–	–	–	5 415.1
Investment in insurance cell captive	–	32.7	–	–	32.7
	11 691.9	32.7	–	–	11 724.6
Financial liabilities					
Overnight borrowings (note 18)	–	–	–	1 951.4	1 951.4
Unsecured borrowings (note 21)	–	–	–	3 331.2	3 331.2
Trade and other payables	–	–	–	11 886.6	11 886.6
Lease liabilities (note 24)	–	–	–	16 359.4	16 359.4
Refund liability (note 25)	–	–	–	21.8	21.8
Derivative financial instruments – Forward exchange contracts (FEC)	–	–	7.5	–	7.5
	–	–	7.5	33 550.4	33 557.9

29 Financial instruments (continued)

29.2 Credit risk

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

Net investment in lease receivables and trade and other receivables

Net investment in lease receivables and trade and other receivables mainly relate to amounts owing by franchisees and are presented net of impairment losses (refer to note 12 and 17). Rigorous credit granting procedures are applied to assess the credit quality of debtors, taking into account their financial position and credit rating. The Group obtains various forms of security from its debtors, including bank guarantees, notarial bonds over inventory and moveable assets and suretyships from shareholders. The total credit risk with respect to receivables from franchise debtors is further limited as a result of the dispersion amongst the individual franchisees and across different geographic areas. Consequently, the Group does not consider there to be any significant concentration or exposure to credit risk.

Loans

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

Cash and cash equivalents

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

29.3 Market risk

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

29.3.1 Currency risk

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

Transactional currency risk – FEC's

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

The Group imports inventory from foreign countries and is exposed to fluctuations in foreign exchange rates. The Group uses FEC's to mitigate its foreign exchange risks from the import of inventory. It is the Group's policy to cover all foreign inventory purchases by utilising a derivative contract (FEC). The Group does not use derivatives for speculative purposes.

The Group's FEC's have been designated as cash flow hedges of firm commitments. All firm commitments are expected to be realised within 12 months. An economic relationship exists between the hedged items and the hedging instruments. The Group has established a hedge ratio of 1:1, as the terms of the FEC's match the terms of the firm commitments. To test hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve. During the period under review, R1.8 million (2021: R5.0 million) was reclassified to the statement of comprehensive income.

29 Financial instruments (continued)

29.3 Market risk (continued)

29.3.1 Currency risk (continued)

Forward exchange contract (liabilities)/assets	Contract foreign currency m	Rand equivalent Rm	Average forward rate R	Fair value Rm
2022				
US Dollars	13.2	202.9	15.4	(4.1)
Euro	3.5	64.1	17.9	(3.1)
British Pound	0.4	8.5	21.5	(0.4)
Australian Dollar	0.1	1.5	11.1	–
Chinese Renminbi	2.0	4.9	2.5	(0.1)
		281.9		(7.7)
2021				
US Dollars	6.9	111.5	16.1	(6.1)
Euro	2.9	54.4	19.1	(1.5)
British Pound	0.2	4.9	21.6	0.1
		170.8		(7.5)

Transactional currency risk – Foreign cash balances, trade and other receivables, trade and other payables and lease liabilities

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

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

The following significant foreign exchange rates applied during the period:	Average spot rate		Closing rate	
	2022	**2021**	**2022**	**2021**
USD/ZAR	14.9	16.5	15.2	15.1
Euro/ZAR	17.4	19.1	17.1	18.2
GBP/ZAR	20.4	21.3	20.3	21.0
USD/ZMW	19.4	19.3	17.6	21.7
AUD/ZAR	11.0	n/a	11.0	n/a
CNH/ZAR	2.3	n/a	2.4	n/a

29 Financial instruments (continued)

29.3 Market risk (continued)

29.3.2 Interest rate risk

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

	52 weeks to 27 February 2022 %	52 weeks to 28 February 2021 %
The effective weighted average interest rates on financial instruments at end of period are:		
Financial assets		
Variable-rate interest bearing financial assets		
Cash and cash equivalents and cash investments (note 18)	2.8 – 5.4	2.8 – 5.6
Fixed-rate interest bearing financial assets		
Net investment in lease receivables (note 12)	8.2	8.5
Loans (note 15)	4.2	3.8
Financial liabilities		
Variable-rate interest bearing liabilities		
Bank overdraft (note 18)	5.5 – 6.3	5.5 – 8.3
Overnight borrowings (note 18)	4.1 – 4.9	4.3 – 7.5
Unsecured loans (note 21)	4.6 – 5.3	4.3 – 4.9
Fixed-rate interest bearing liabilities		
Lease liabilities (note 24)	8.1	8.6

Sensitivity of the Group's exposure to interest rate risk is estimated by assessing the impact of a reasonable expected movement in the relevant interest rates on the statement of comprehensive income and statement of changes in equity of the Group. The Group performed a sensitivity analysis for financial instruments exposed to interest rate risk during the current financial period. As at 27 February 2022, a change of 1% in the applicable interest rates for the various financial instruments would have had an effect on net financing costs of approximately R22 million (2021: R25 million).

29.4 Liquidity risk

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

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

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
Total available facilities	10 829.2	10 118.2
Total actual borrowings	(6 803.1)	(5 081.1)
Utilisation of FEC	(130.6)	(170.8)
Unutilised borrowing facilities	3 895.5	4 866.3

The Group has drawn-down 64% of its available facilities to strengthen liquidity. All surplus funds were invested in high yielding money market funds.

29 Financial instruments (continued)

29.4 Liquidity risk (continued)

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

	Carrying amount Rm	Contractual cash flows Rm	Within 1 year Rm	Within 2 – 5 years Rm	Within 6 – 10 years Rm	More than 10 years Rm
52 weeks to 27 February 2022						
Overnight borrowings	2 800.0	2 800.0	2 800.0	–	–	–
Unsecured loans	4 003.1	4 003.1	4 003.1	–	–	–
Trade and other payables	12 495.4	12 495.4	12 495.4	–	–	–
Lease liabilities	16 087.9	22 332.0	3 535.5	10 977.2	6 875.2	944.1
Refund liabilities	24.4	24.4	24.4	–	–	–
Forward exchange contracts (FEC)	7.7	7.7	7.7	–	–	–
Total financial obligations	35 418.5	41 662.6	22 866.1	10 977.2	6 875.2	944.1
52 weeks to 28 February 2021						
Overnight borrowings	1 951.4	1 951.4	1 951.4	–	–	–
Unsecured loans	3 331.2	3 377.2	3 377.2	–	–	–
Trade and other payables	11 886.6	11 886.6	11 886.6	–	–	–
Lease liabilities	16 359.4	22 777.6	3 310.5	11 673.7	6 769.6	1 023.8
Refund liabilities	21.8	21.8	21.8	–	–	–
Forward exchange contracts (FEC)	7.5	7.5	7.5	–	–	–
Total financial obligations	33 557.9	40 022.1	20 555.0	11 673.7	6 769.6	1 023.8

29.5 Fair value of financial instruments

All financial instruments held by the Group are measured at amortised cost, with the exception of financial instruments at fair value through profit or loss and derivatives designated as hedging instruments.

Financial instruments measured at fair value are classified using a 3 level hierarchy to rank inputs used in measuring fair value. The levels are explained below:

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

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

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

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

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

The fair values of financial instruments are as follows:

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
Financial assets at fair value through profit or loss		
Investment in insurance cell captive – Level 2	47.4	32.7
Derivative financial instruments (designated as hedging instruments)		
Forward exchange contract liabilities – Level 2	7.7	7.5

29 Financial instruments (continued)

29.5 Fair value of financial instruments (continued)

Basis for determining fair values

The fair value of the investment in insurance cell captive is determined based on the net asset value of the underlying cell captive at the reporting date.

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

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

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

29.6 Capital management

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

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

The Group assesses the effectiveness of the use of capital in providing a return to shareholders using the ratio of return on capital employed which is calculated as pro forma headline earnings* divided by average shareholders' equity plus secured borrowings (excluding lease liabilities):

	2022	2021
Return on capital employed	39.1%	35.2%

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

The Group's objective is to maintain a dividend cover based on pro forma headline earnings per share of 1.3 times (2021: 1.3 times) to ensure that sufficient capital is retained for expansion of the business.*

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

* *Refer to Appendix 1 for further information.*

30 PURCHASE OF OPERATIONS

The Group converted seven (2021: 34) franchise stores to company-owned Pick n Pay and Boxer stores, none of which is individually material to the Group. These acquisitions had no significant impact on the Group's results, but are now delivering stronger store sales growth and improved store profitability. The goodwill arising from these acquisitions represents the value creation that the Group expects to realise in the future.

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
The net assets arising from these acquisitions were as follows:		
Identifiable net assets		
Property, plant and equipment (note 10)	27.9	72.4
Inventory	13.8	21.2
Intangible assets (note 9)	–	33.0
Total identifiable net assets at fair value	41.7	126.6
Goodwill		
Purchase price of acquisitions at fair value	69.5	296.5
Less: total identifiable net assets at fair value	(41.7)	(126.6)
Goodwill acquired (note 9)	27.8	169.9
Net cash paid in respect of acquisitions		
Purchase price of acquisitions at fair value	69.5	296.5
Less: amounts net settled against trade and other receivables	(13.8)	(97.0)
Net cash paid	55.7	199.5

31 Significant event – civil unrest in South Africa

During July 2021, the disruptive effects of civil unrest and looting in parts of South Africa had a significant impact on the Group's result for the 52 weeks ending 27 February 2022.

Across the Group, 212 stores were damaged by looting and destruction, with many stores requiring significant restoration before re-opening. In addition, 2 distribution centres in KwaZulu-Natal were looted of all inventory and suffered considerable damage to infrastructure. Furthermore, at the height of the unrest, an additional 551 stores were closed as a precautionary measure to ensure the safety of staff and customers.

The Group has made significant progress in rebuilding and re-opening stores. Damage to the Pick n Pay's distribution network was restored within two weeks, and at the date of this report, only 16 stores remain closed. These stores are in severely damaged shopping centres, where re-opening depends on the restoration of the centre as a whole.

The Group suffered material losses to its assets and material disruption to its business operations (loss of profits) as a result of looted inventory, destruction of infrastructure and lost sales from store closures, alongside increased operating costs. The result for the period under review includes stock write-off losses, capital losses related to the scrapping of assets, increased operating costs and related insurance recoveries.

The Group fully recovered material asset losses and related costs during the 2022 financial period under its SASRIA riot insurance policies.

Significant items relating to the civil unrest, recorded in the period under review, is tabled below.

Impact on statement of comprehensive income:	Rm
Cost of sales – inventory written off	627.8
Other income – insurance recovery of inventory, increased costs of operations and business interruption losses	748.2
Capital items – insurance recovery of material damages to assets	210.5
Capital items – loss of scrapping assets	(156.8)

	Rm
Contingent asset related to post year-end insurance receipts	145.2

The Group's business interruption claims (loss of profits) remains open, as not all affected stores have re-opened for trade. During the financial period under review, the Group provided business interruption insurers with interim claim submissions setting out the earnings lost as a result of the unrest up to and including end October 2021. The Group received interim payments of R145.2 million from business interruption insurers, in respect of its interim submissions, in March 2022 (post year-end). In line with insurance recovery recognition criteria as set out by IFRS, these recoveries have not been accounted for in the 2022 financial year, however, a contingent asset exists at 27 February 2022. At that date, the Group had a right to a possible asset whose existence would be confirmed by the future settlement of these insurance claims.

Refer to Appendix 1 for pro forma disclosures relating to the Group's 2022 pro forma financial performance, taking into account these post year-end insurance recoveries.

32 Standards and interpretation issued but not yet adopted

International Financial Reporting Standards (IFRS)

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

- Comparative information – (Amendment to IFRS 9)
- The Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- Classification of Liabilities as Current or Non-current – Amendments to IAS 1
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – (Amendments to IFRS 1 and IAS 12)
- Covid-19-Related Rent Concessions beyond 30 June 2021 – (Amendment to IFRS 16)
- Disclosure of Accounting Policies – (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates – (Amendments to IAS 8)

03

COMPANY ANNUAL FINANCIAL STATEMENTS

For the period ended 27 February 2022

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the period ended

	Note	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
Revenue			
Finance income		0.1	0.2
Dividend income	8	982.7	957.7
		982.8	957.9
Administration expenses	2	(15.4)	(18.5)
Profit before tax		967.4	939.4
Tax	3	–	(0.1)
Profit for the period		967.4	939.3
Other comprehensive income, net of tax		–	–
Total comprehensive income for the period		967.4	939.3

COMPANY STATEMENT OF FINANCIAL POSITION

	Note	As at 27 February 2022 Rm	As at 28 February 2021 Rm
ASSETS			
Non-current assets			
Investments in subsidiaries	5	5.1	5.1
		5.1	5.1
Current assets			
Loan to subsidiary	8	934.4	937.8
Trade and other receivables		0.2	0.2
Cash and cash equivalents	6	3.5	6.3
		938.1	944.3
Total assets		943.2	949.4
EQUITY AND LIABILITIES			
Equity			
Share capital	7	6.2	6.2
Share premium		835.5	835.5
Retained earnings		95.6	99.3
Total equity		937.3	941.0
Current liabilities			
Trade and other payables	9	5.9	8.4
		5.9	8.4
Total equity and liabilities		943.2	949.4

COMPANY STATEMENT OF CHANGES IN EQUITY

for the period ended

	Note	Share capital Rm	Share premium Rm	Retained earnings Rm	Total equity Rm
At 1 March 2020		6.2	835.5	105.4	947.1
Total comprehensive income for the period		–	–	939.3	939.3
Profit for the period		–	–	939.3	939.3
Other comprehensive income		–	–	–	–
Dividends paid	4.1	–	–	(945.4)	(945.4)
At 28 February 2021		**6.2**	**835.5**	**99.3**	**941.0**
Total comprehensive income for the period		**–**	**–**	**967.4**	**967.4**
Profit for the period		**–**	**–**	**967.4**	**967.4**
Other comprehensive income		**–**	**–**	**–**	**–**
Dividends paid	4.1	**–**	**–**	**(971.1)**	**(971.1)**
At 27 February 2022		**6.2**	**835.5**	**95.6**	**937.3**

COMPANY STATEMENT OF CASH FLOWS

for the period ended

	Note	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
Cash flows from operating activities			
Profit before tax		**967.4**	939.4
Adjusted for dividend income	8.1	**(982.7)**	(957.7)
Cash utilised before movements in working capital		**(15.3)**	(18.3)
Movements in working capital		**(2.5)**	0.5
Movements in trade and other payables		**(2.5)**	0.5
Cash utilised in operations		**(17.8)**	(17.8)
Dividends received	8.1	**982.7**	957.7
Dividends paid	4.1	**(971.1)**	(945.4)
Tax paid	3	**–**	(0.1)
Cash utilised in operating activities		**(6.2)**	(5.6)
Cash flows from investing activities			
Loan repaid by subsidiary	8	**3.4**	6.7
Cash generated from investing activities		**3.4**	6.7
Net movement in cash and cash equivalents		**(2.8)**	1.1
Cash and cash equivalents at beginning of period		**6.3**	5.2
Cash and cash equivalents at end of period	6	**3.5**	6.3

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

for the period ended 27 February 2022

1 Accounting policies

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

1.1 Statement of compliance

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

1.2 Basis of preparation

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

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

1.3 Foreign currency transactions and translations

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

1.4 Revenue

Revenue is recognised when the Company satisfies its performance obligations relating to revenue transactions, at an amount that reflects the consideration that the Company expects to be entitled to.

Revenue is measured based on the amount which the Company expects to be entitled to and is allocated to each specific performance obligation. Depending on whether certain criteria are met, revenue is recognised either over time or at a point in time. Revenue is measured at the value of consideration received or receivable.

Dividend income

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

Finance income

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

1.5 Investments in subsidiaries

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

2 Administration expenses

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

2.1 Directors' remuneration[1]

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

	Fees for board meetings R'000	Fees for committee and other work R'000	Total remuneration R'000
2022			
Non-executive directors			
Gareth Ackerman	4 893.0	–	4 893.0
Haroon Bhorat	457.0	345.5	802.5
Mariam Cassim	457.0	152.0	609.0
David Friedland	457.0	246.5	703.5
Hugh Herman	457.0	–	457.0
Aboubakar Jakoet	457.0	242.0	699.0
Audrey Mothupi[5]	457.0	500.5	957.5
David Robins	457.0	99.0	556.0
Annamarie van der Merwe	457.0	193.5	650.5
Jeff van Rooyen	457.0	783.5	1 240.5
Total remuneration	9 006.0	2 562.5	11 568.5
2021			
Non-executive directors			
Gareth Ackerman	4 660.0	–	4 660.0
Haroon Bhorat[2]	362.5	107.6	470.1
Mariam Cassim[2]	362.5	120.8	483.3
David Friedland	435.0	235.0	670.0
Hugh Herman[3]	435.0	387.0	822.0
Aboubakar Jakoet	435.0	231.0	666.0
Alex Mathole[4]	181.3	76.9	258.2
Audrey Mothupi[5]	435.0	371.5	806.5
David Robins	435.0	94.5	529.5
Annamarie van der Merwe[6]	253.8	107.6	361.4
Jeff van Rooyen	435.0	746.5	1 181.5
Total remuneration	8 430.1	2 478.4	10 908.5

[1] *Executive directors salaries are paid by a subsidiary company. Refer to note 4 of the Group annual financial statements.*
[2] *Haroon Bhorat and Mariam Cassim was appointed during May 2020.*
[3] *Hugh Herman retired as Chairman of the Remuneration Committee effective 28 February 2021.*
[4] *Alex Mathole retired August 2020.*
[5] *Audrey Mothupi was appointed as Chairman of the Remuneration Committee effective 1 March 2021.*
[6] *Annamarie van der Merwe was appointed during August 2020.*

3 Tax

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
3.1 Tax recognised in the statement of comprehensive income:		
Normal tax – current period	–	0.1
3.2 Tax paid		
Owing – beginning of period	–	–
Recognised in statement of comprehensive income	–	0.1
Owing – end of period	–	–
Total tax paid	–	0.1
3.3 Reconciliation of effective tax rate	%	%
South African statutory tax rate	28.0	28.0
Exempt income – dividends received	(28.4)	(28.6)
Non-deductible holding company expenses	0.4	0.6
Effective tax rate	–	–

4 Dividends

	52 weeks to 27 February 2022 Cents per share	52 weeks to 28 February 2021 Cents per share
4.1 Dividends paid during the financial period		
Final dividend number 106 – declared 20 April 2021 – paid 4 June 2021 (2021: Number 104 – declared 19 October 2020 – paid 7 December 2020)	161.00	173.06
Interim dividend number 107 – declared 19 October 2021 – paid 6 December 2021 (2021: Number 105 – declared 19 October 2020 – paid 7 December 2020)	35.80	18.74
Total dividends per share for the period	196.80	191.80
	Rm	Rm
Total value of dividends paid by the Company	971.10	945.40

	Cents per share	Cents per share
4.2 Dividends declared related to the financial period		
Final dividend declared on 16 May 2022 – number 108 (2021: Final dividend declared on 20 April 2021 – number 106)	185.35	161.00
Interim dividend declared on 19 October 2021 – number 107 (2021: Interim dividend declared on 19 October 2020 – number 105)	35.80	18.74
	221.15	179.74

The directors have declared a final dividend (dividend 108) of 185.35 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 20%, where shareholders are subject to this tax. The last day to trade in order to participate in the dividend (CUM dividend) will be Tuesday, 31 May 2022. The shares will trade EX dividend from the commencement of business on Wednesday, 1 June 2022 and the record date will be Friday 3 June 2022. The dividends will be paid on Monday, 6 June 2022.

5 Investments in subsidiaries

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
Shares at cost	5.1	5.1
	5.1	5.1

All subsidiaries owned by the Company are wholly-owned, with the most noteworthy investment being Pick n Pay Retailers Proprietary Limited.

6 Cash and cash equivalents

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
Cash and cash equivalents	3.5	6.3

Cash and cash equivalents represents a current bank account held for administrative purposes, at an institution which is in line with those used by the Group. Refer to note 18 and note 29 of the Group annual financial statements.

7 Share capital

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
7.1 Ordinary share capital		
Authorised		
800 000 000 (2021: 800 000 000) ordinary shares of 1.25 cents each	10.0	10.0
Issued		
493 450 321 (2021: 493 450 321) ordinary shares of 1.25 cents each	6.2	6.2

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 24 672 516 (2021: 24 672 516) shares. To date, 15 743 000 (2021: 15 743 000) shares have been issued, resulting in 8 929 516 (2021: 8 929 516) 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 7.2.

Refer to note 8.3 and 8.4 for details of directors' interest in shares.

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
7.2 B share capital		
Authorised		
1 000 000 000 (2021: 1 000 000 000) unlisted, non-convertible, non-participating, no par value B shares	–	–
Issued		
259 682 869 (2021: 259 682 869) unlisted non-convertible, non-participating, no par value B shares	–	–

B shares are stapled to certain 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.

Refer to note 8.3 and 8.4 for details of directors' interest in shares.

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm

8 Related party transactions

8.1 Dividends received

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
Pick n Pay Retailers Proprietary Limited	971.2	947.0
Pick n Pay Employee Share Purchase Trust	11.5	10.7
Total dividends received from related parties	982.7	957.7

8.2 Loan to subsidiary

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
Pick n Pay Retailers Proprietary Limited	934.4	937.8
	934.4	937.8

The loan to subsidiary is unsecured, interest-free and repayable on demand. The fair value of the loan approximates its carrying value.

8.3 Ordinary shares held by directors

The percentage of ordinary shares held by directors of Pick n Pay Stores Limited at the reporting date are as disclosed below. This percentage is their effective shareholding in the Company (excluding treasury shares), which includes shares held under the Group's restricted share plan. Refer to note 4.2 in the Group annual financial statements.

	52 weeks to 27 February 2022 %	52 weeks to 28 February 2021 %
Beneficial	1.1	1.5
Non-beneficial	26.6	26.2
	27.7	27.7

8.4 B shares held by directors

The percentage of B shares held by directors of Pick n Pay Stores Limited at the reporting date are as disclosed below. Refer to note 4.3 in the Group annual financial statements.

	52 weeks to 27 February 2022 %	52 weeks to 28 February 2021 %
Beneficial	2.2	2.2
Non-beneficial	97.2	97.2
	99.4	99.4

9. FINANCIAL INSTRUMENTS

Overview

The Company has limited exposure to risk in respect of financial instruments, as its only significant financial asset is its loan to a subsidiary. Market risk is negated as financial assets and liabilities have no exposure to changes in exchange rates and have limited exposure to changes in interest rates.

9.1 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Financial assets, which potentially subject the Company to credit risk, consist of the loan to a subsidiary. Refer to note 8.2.

The Company applies a general approach for measuring impairment losses on the loan to subsidiary, at an amount equal to expected credit losses, taking into account past experience and future macro-economic factors, including estimated profits and cash forecasts. Based on these factors, the credit risk is considered to be low and no impairment losses have been recognised.

9.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has unlimited access to the funds and facilities of companies within the Group. The Company's liquidity risk is therefore linked to the liquidity of Group companies. Refer to note 29 of the Group annual financial statements.

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

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
Financial obligations at carrying value		
Trade and other payables (all contractual cash flows are repayable within 1 year)	5.9	8.4
	5.9	8.4

9.3 Capital management

The Company considers the management of capital with reference to Group policy, refer to note 29 of the Group annual financial statements.

9.4 Suretyships

The Company has provided suretyships in the ordinary course of business in respect of its subsidiaries operations for certain banking facilities. As at 27 February 2022 the total utilised facilities for which surety is provided is R6.9 billion (2021: R5.3 billion). No losses are expected to be incurred on these suretyships.

04 ADDITIONAL INFORMATION

APPENDIX 1

Pro forma information

Certain financial information presented in the audited Group annual financial statements constitutes pro forma financial information.

1. Pro forma earnings metrics

The pro forma earnings information, presented in accordance with the JSE Listing Requirements and the SAICA guide on Pro forma Financial Information, is the responsibility of the Board of directors of the Group and is presented for illustrative purposes only. Because of its nature, the pro forma earnings information may not fairly present the Group's financial position, changes in equity, results of operations or cash flows. The pro forma earnings information is based on the audited financial information of the Group for the period ended 27 February 2022 and has been prepared using the accounting policies of the Group which comply with IFRS and are consistent with those applied in the audited financial information.

Insurance proceeds received post year-end

During the period under review, the Group submitted interim business interruption insurance claims to its insurers related to losses suffered as a result of the civil unrest which occurred during July 2021 in parts of South Africa. At 27 February 2022, the Group had potential rights to insurance receivables, the existence of which would be confirmed on the future settlement of these insurance claims by insurers. Refer to note 31 of the 2022 audited Group annual financial statements.

Subsequent to year-end, during March 2022, the Group received payments of R145.2 million from insurers related to these interim business interruption claims. These insurance recoveries directly relate to the losses suffered by the Group during the 2022 financial year. In management's view, these losses and insurance recoveries should be viewed together. Recording the losses in one financial year and the recoveries in the next financial year does not provide users with an accurate assessment of the Group's comparable year-on-year earnings performance. As a result, the Group has presented its earnings for the current period on a pro forma basis, by including the R145.2 million insurance proceeds (net of tax, R104.5 million) received post year-end.

Hyperinflation net monetary adjustments

Zimbabwe is classified as a hyperinflationary economy. The equity accounted earnings of the Group's investment in associate operating in Zimbabwe is, therefore, accounted for under IAS 29 *Financial Reporting in Hyperinflationary Economies* (IAS 29), with the impact presented below.

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
Share of associate's earnings excluding net monetary adjustments	96.7	109.2
Share of associate's hyperinflation net monetary loss	(25.1)	(29.2)
Reported share of associate's earnings	71.6	80.0
Impairment loss on investment in associate as a result of hyperinflation accounting	(14.4)	(81.6)
	57.2	(1.6)

Reported profit before tax and reported headline earnings include the impact of hyperinflation accounting attributable to the Group's investment in associate. In management's view, this impact of hyperinflation accounting does not provide stakeholders with an accurate assessment of the Group's comparable year-on-year earnings performance. As a result, the Group has presented its earnings for the current and prior period on a pro forma basis, by excluding the Group's share of associate's hyperinflation net monetary loss of R25.1 million (2021: R29.2 million), with no impact on tax. Refer to note 14 of the audited Group annual financial statements for more information.

Pro forma information (continued)

1. Pro forma earnings metrics (continued)

The table below presents the key changes to items presented on a pro forma basis:

52 weeks to 27 February 2022	**As reported Rm**	**Remove Impact of IAS 29 Rm**	**Add insurance recoveries received post year-end Rm**	**Pro forma Rm**
Group				
Other income	2 505.1	–	145.2	2 650.3
Trading profit	2 886.5	–	145.2	3 031.7
Profit before tax before capital items	1 807.7	25.1	145.2	1 978.0
Profit before tax	1 761.5	–	145.2	1 906.7
Tax	(547.0)	–	(40.7)	(587.7)
Profit for the period	1 214.5	–	104.5	1 319.0
Headline earnings	1 258.9	25.1	104.5	1 388.5
Rest of Africa operating segment				
Profit before tax before capital items	93.9	25.1	–	119.0
	Cents	**Cents**	**Cents**	**Cents**
Headline earnings per share	262.59	5.25	21.80	289.64
Diluted headline earnings per share	261.65	5.22	21.72	288.59

The Group's external auditor, Ernst & Young Inc., has issued an independent reporting accountant's assurance report on the pro forma adjustments made by the Group (namely, removing the impact of IAS 29 and adding insurance recoveries received post year-end), which is available for inspection at the Company's (Pick n Pay Stores Limited) registered office.

52 weeks to 28 February 2021	**As reported Rm**	**Remove Impact of IAS 29 Rm**	**Rm**
Group			
Profit before tax before capital items	1 554.2	29.2	1 583.4
Headline earnings	1 095.0	29.2	1 124.2
Rest of Africa operating segment			
Profit before tax before capital items	118.9	29.2	148.1
	Cents	**Cents**	**Cents**
Headline earnings per share	229.31	6.11	235.42
Diluted headline earnings per share	227.51	6.06	233.57

Pro forma information (continued)

2. Constant currency disclosures

Constant currency information constitutes pro forma information. The Group discloses constant currency information in order to report on the Group's turnover and the Group's Rest of Africa segmental revenue results, excluding the impact of foreign currency fluctuations (collectively the "constant currency pro forma information").

The constant currency pro forma information has been presented to illustrate the impact of changes in the Group's major foreign currencies, namely the Zambia kwacha and the Botswana pula.

The Group's turnover growth in constant currency is calculated by translating the prior period local currency turnover at the current period average exchange rates on a country-by-country basis and then comparing that against the current period turnover translated at current period average exchange rates.

The segmental revenue growth in constant currency is calculated by translating the prior period local currency segmental revenue at the current period average exchange rates on a country-by-country basis and then comparing that against the current period segmental revenue translated at the current period average exchange rates.

The average Zambia kwacha exchange rate to the South African rand for the 52 weeks ended 27 February 2022 is 1.27 (2021: 1.18) and the average Botswana pula exchange rate to the South African rand for the 52 weeks ended 27 February 2022 is 0.75 (2021: 0.69).

The constant currency pro forma information, is presented in accordance with JSE Listings Requirements, is the responsibility of the Board of directors of the Group and is presented for illustrative purposes only. Because of its nature, the pro forma financial information may not fairly present the Group's financial position, changes in equity, results of operations or cash flows.

The Group's external auditor has issued a reporting accountant's report on the constant currency pro forma information, which is available for inspection at the Company's (Pick n Pay Stores Limited) registered office.

52 weeks ended 27 February 2022	Increase in reported currency	Increase in constant currency
Group turnover (%)	5.2	5.3
Rest of Africa segmental revenue (%)	5.1	8.4

APPENDIX 2

Additional information

Additional information may not represent a defined term under IFRS and, as a result, it may not be comparable with similarly titled measures reported by other companies. Additional information is the responsibility of the Board of directors of the Group, is presented for illustrative purposes only and has not been reviewed nor reported on by the Group's auditors.

1. Like-for-like turnover and expense growth comparisons

Like-for-like turnover and expense growth comparisons remove the impact of store openings, closures (including damaged and looted stores closed due to civil unrest) and conversions in the current and previous reporting periods.

2. Turnover analysis excluding the impact of trade disruptions during the current reporting period

During the period under review, the Group's South African operations were significantly impacted by trade disruptions arising from the civil unrest in KwaZulu-Natal and parts of Gauteng (referred to as civil unrest); and by the resumption of government imposed trade restrictions on the sale of liquor during the period (referred to as Covid-19 liquor restrictions). Refer to the Result Summary and note 31 of the 2022 audited Group annual financial statements for further information.

Estimated lost turnover: Civil unrest

Management estimates that the Group lost approximately R1 775 million of turnover during this reporting period related to the civil unrest from both stores closed due to damage and looting as well as stores closed preventatively. This estimation is based on approved internal financial budgets per affected store, and supported by recent turnover trends in the relevant stores. Where it was noted that turnover transferred to existing operating stores, that positive impact was also taken into account in the lost turnover assessment, reducing the loss in turnover estimate. Furthermore, these estimations align to methodologies applied in the Group's business interruption (loss of profits) insurance claims.

Estimated lost turnover: Covid-19 liquor restrictions

Management estimates that the Group lost approximately R925 million (2021: R2 503 million) of turnover during the current reporting period as a result of the 66 trading days (2021: 209 trading days) lost on the resumption of the Covid-19 liquor trading restrictions. This estimation is based on management's best estimate of the lost turnover during the restricted trading days, net of the increase in liquor sales on days surrounding the restricted days. This estimation is based on approved internal financial budgets per affected store and supported by recent turnover trends in the relevant stores.

APPENDIX 3

The table below presents the Group's earnings performance on a pro forma basis.

The Group has presented its earnings on a pro forma basis, by including R145.2 million (R104.5 million net of tax) in the current year related to insurance proceeds received post year-end, and by excluding hyperinflation net monetary adjustments attributable to IAS 29 from the current and prior periods. Refer to Appendix 1 for further information.

	% change	52 weeks to 27 February 2022 Cents per share	52 weeks to 28 February 2021 Cents per share
Earnings per share			
Basic earnings per share	25.1	**253.34**	202.52
Diluted earnings per share	25.6	**252.43**	200.93
Headline earnings per share	14.5	**262.59**	229.31
Diluted headline earnings per share	15.0	**261.65**	227.51
Pro forma headline earnings per share			
Pro forma headline earnings per share	23.0	**289.64**	235.42
Pro forma diluted headline earnings per share	23.6	**288.59**	233.57

	Rm	Rm
Reconciliation between basic and headline earnings		
Profit for the period – basic earnings for the period	1 214.5	967.1
Adjustments:	44.4	127.9
(Profit)/loss on sale of property, plant and equipment	(31.6)	21.4
Tax effect of profit/(loss) on sale of property, plant and equipment	3.5	(6.0)
Loss from impairments and scrapping of property, plant and equipment	209.1	18.1
Tax effect of loss from impairments and scrapping of property, plant and equipment	(48.7)	(5.1)
Loss from impairments and scrapping of intangible assets	7.9	10.7
Tax effect of loss from impairments and scrapping of intangible assets	(0.1)	(3.0)
Impairment loss on right-of-use assets	56.6	14.1
Tax effect of impairment loss on right-of-use assets	(15.1)	(3.9)
Impairment loss on investment in associate	14.4	81.6
Insurance recoveries on scrapping of assets due to civil unrest	(210.5)	–
Tax effect of insurance recoveries on scrapping of assets due to civil unrest	58.9	–
Headline earnings for the period (note 7)	1 258.9	1 095.0
Adjusted for hyperinflation net monetary loss (note 14)	25.1	29.2
Adjusted for insurance proceeds received post year-end (note 31)	145.2	–
Adjusted for tax effects of insurance proceeds received post year-end	(40.7)	–
Pro forma headline earnings	1 388.5	1 124.2

The table below presents the Group's share information

	000's	000's
Number of ordinary shares in issue	493 450.3	493 450.3
Weighted average number of ordinary shares in issue (excluding treasury shares)	479 389.3	477 524.8
Diluted weighted average number of ordinary shares in issue	481 128.4	481 304.5

ANALYSIS OF ORDINARY SHAREHOLDERS

as at 27 February 2022

SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	16 704	75.5	2 591 946	0.5
1 001 – 10 000 shares	4 082	18.4	12 986 536	2.6
10 001 – 100 000 shares	1 033	4.7	32 649 201	6.6
100 001 – 1 000 000 shares	266	1.2	73 759 465	14.9
1 000 001 shares and over	47	0.2	371 463 173	75.4
Total	22 132	100.0	493 450 321	100.0

PUBLIC/NON-PUBLIC SHAREHOLDERS	Number of shareholders	%	Number of shares	%
Non-public shareholders	17	0.1	145 222 163	29.4
Ackerman Investment Holdings Proprietary Limited*	1	0.0	124 677 237	25.3
Pick n Pay Retailers Proprietary Limited	1	0.0	809 000	0.2
Shares held on behalf on FSP/RSP participants	1	0.0	7 707 650	1.5
Boxer Superstores Proprietary Limited	1	0.0	172 750	0.0
Pick n Pay Employee Share Purchase Trust	1	0.0	4 535 405	0.9
Directors of Pick n Pay Stores Limited	8	0.0	4 305 820	0.9
Mistral Trust	1	0.0	2 812 000	0.6
Pick n Pay Non Contributory Provident Fund	1	0.0	100 400	0.0
Ackerman Pick n Pay Foundation	1	0.0	101 900	0.0
Ackerman Family Investment Holdings Proprietary Limited**	1	0.0	1	0.0
Public shareholders	22 115	99.9	348 228 158	70.6
Total	22 132	100.0	493 450 321	100.0

BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE	Number of shares	%
Ackerman Investment Holdings Pty Ltd*	124 677 237	25.3
Government Employees Pension Fund	81 449 655	16.5
Fidelity Series Emerging Markets Opportunities Fund	37 857 599	7.7
Allan Gray Balanced Fund	11 860 508	2.4
Norges Bank Investment Management (NBIM)	8 268 678	1.7
Shares held on behalf on FSP/RSP participants	7 707 650	1.5
FIAM Group Trust For Employee Benefit Plans	7 323 225	1.5
Alexander Forbes Investments Limited	7 310 398	1.5
Old Mutual Life Assurance Company SA	6 861 095	1.4
Vanguard Emerging Markets Stock Index Fund (US)	4 957 879	1.0

* *Ackerman Investment Holdings Proprietary Limited was previously named Newshelf 1321 Proprietary Limited.*
** *Ackerman Family Investment Holdings Proprietary Limited was previously named Ackerman Investment Holdings Proprietary Limited.*

ANALYSIS OF B SHAREHOLDERS

as at 27 February 2022

SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	1	4.0	522	0.0
1 001 – 10 000 shares	7	28.0	43 599	0.0
10 001 – 100 000 shares	8	32.0	181 479	0.1
100 001 – 1 000 000 shares	4	16.0	1 582 276	0.6
1 000 001 shares and over	5	20.0	257 874 993	99.3
Total	25	100.0	259 682 869	100.0

PUBLIC/NON-PUBLIC SHAREHOLDERS	Number of shareholders	%	Number of shares	%
Non-public shareholders	6	24.0	258 277 425	99.4
Ackerman Investment Holdings Proprietary Limited*	1	4.0	246 936 847	95.1
Directors of Pick n Pay Stores Limited	4	16.0	5 991 019	2.3
Mistral Trust	1	4.0	5 349 559	2.0
Public shareholders	19	76.0	1 405 444	0.6
Total	25	100.0	259 682 869	100.0

BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE	Number of shares	%
Ackerman Investment Holdings Proprietary Limited*	246 936 847	95.1
Mistral Trust	5 349 559	2.1
Gareth Ackerman (Director of Pick n Pay Stores Limited)	3 228 383	1.2

* *Ackerman Investment Holdings Proprietary Limited was previously named Newshelf 1321 Proprietary Limited.*

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.

NOTES

NOTES

CORPORATE INFORMATION

Pick n Pay Stores Limited

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

Board of directors

Executive directors

Pieter Boone (CEO)
Lerena Olivier (CFO)
Jonathan Ackerman

Non-executive

Gareth Ackerman (Chairman)
Suzanne Ackerman-Berman*
David Robins

Independent non-executive

Haroon Bhorat
Mariam Cassim
David Friedland
Hugh Herman
Aboubakar Jakoet
Audrey Mothupi
Annamarie van der Merwe
Jeff van Rooyen

Registered office

Pick n Pay Office Park
101 Rosmead Avenue
Kenilworth
Cape Town 7708
Tel: +27 21 658 1000
Fax: +27 (0)86 675 1475

Postal address

PO Box 23087
Claremont
Cape Town 7735

Registrar

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank 2196
Tel: +27 11 370 5000

Postal address

Private Bag X9000
Saxonwold 2132

JSE Limited sponsor

Investec Bank Limited
100 Grayston Drive
Sandton 2196

Auditors

Ernst & Young Inc.

Attorneys

Edward Nathan Sonnenbergs

Principal transactional bankers

Absa Limited
First National Bank

Company secretary

Debra Muller
Email address: demuller@pnp.co.za

Promotion of access to information act

informationofficer@pnp.co.za

Investor relations

Stephen Carrott
Email address: StephenCarrott@pnp.co.za

Website

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

Customer careline

Pick n Pay
Tel: +27 860 30 30 30
Email address: customercare@pnp.co.za

Boxer
Tel: +27 860 02 69 37
Email address: customercare@boxer.co.za

Online shopping

Tel: +27 860 30 30 30
www.picknpay.com

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* *Suzanne Ackerman-Berman retired as an executive director on 31 March 2022 and was appointed as a non-executive director on that date.*

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