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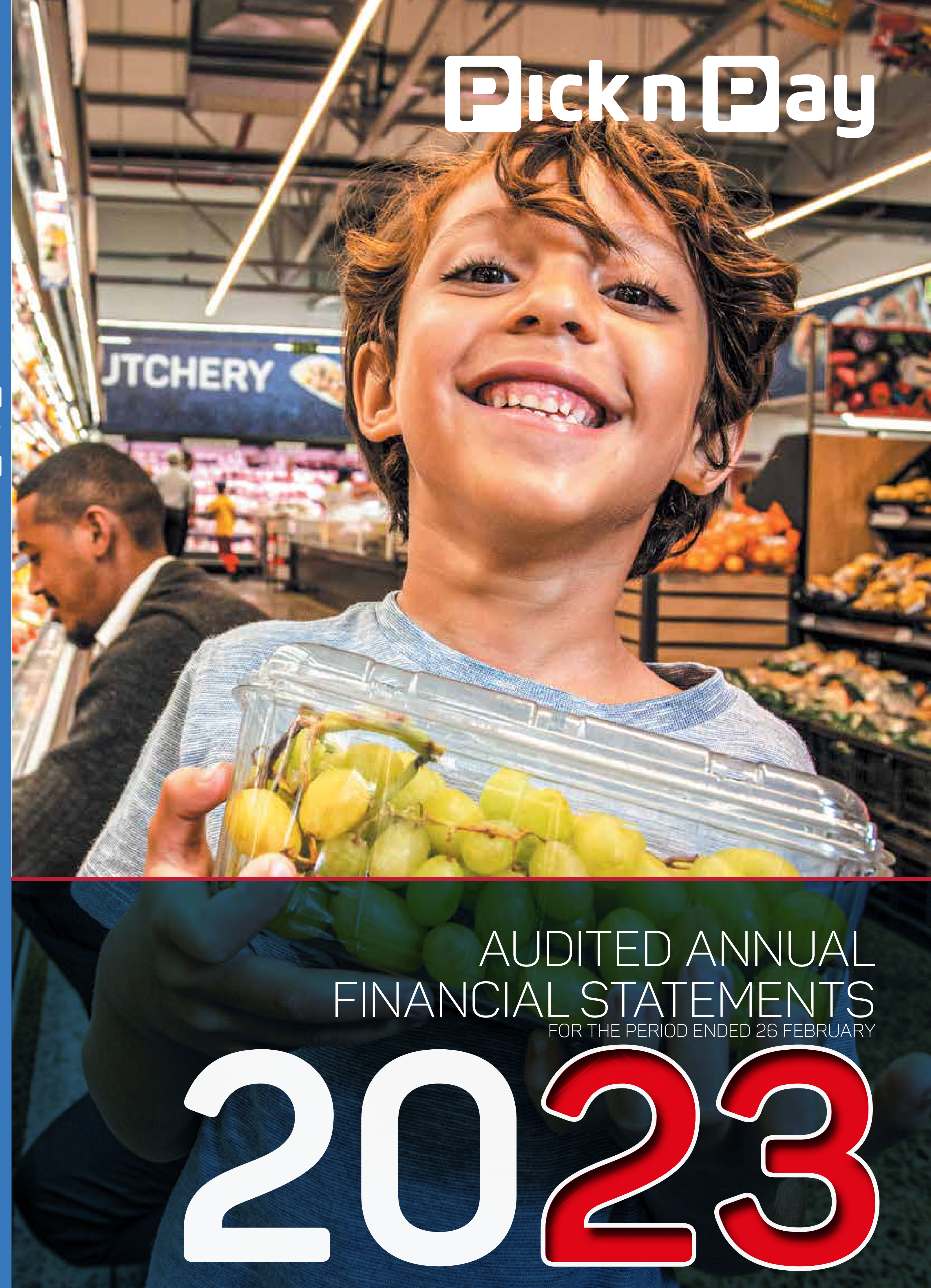
Pick n Pay

ANNUAL FINANCIAL STATEMNTS 2023



Pick n Pay

AUDITED ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 26 FEBRUARY

2023

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).

CONTENTS

1 Pick n Pay Stores Limited Group

Directors' responsibility statement 2
CEO/CFO internal financial control responsibility statement 3
Company Secretary's certificate 3
Directors' report 4
Independent auditor's report 6
Audit, risk and compliance committee report 10
Review of operations 16
Pro forma earnings performance 22
Dividend declaration 24

2 Group annual financial statements

Statement of comprehensive income 26
Statement of financial position 27
Statement of changes in equity 28
Statement of cash flows 29
Notes to the annual financial statements 30

3 Company annual financial statements

Statement of comprehensive income 88
Statement of financial position 89
Statement of changes in equity 90
Statement of cash flows 91
Notes to the annual financial statements 92

4 Additional information

Appendix 1 – Pro forma information 99
Appendix 2 – Additional information 102
Appendix 3 – Pro forma headline earnings 103
Analysis of ordinary shareholders 104
Analysis of B shareholders 105
Corporate information IBC

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 26 February 2023, 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), as amended, 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 3 May 2023 and signed by:

Gareth Ackerman
Chairman

Pieter Boone
Chief Executive Officer

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 26 to 105, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;

b) to the best of our knowledge and belief, 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;

d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls

e) where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls, and have taken steps to remedy the deficiencies; and

f) we are not aware of any fraud involving directors.

Pieter Boone
Chief Executive Officer

Lerena Olivier
Chief Finance Officer

3 May 2023

COMPANY SECRETARY'S CERTIFICATE

Pick n Pay Stores Limited Group

In my capacity as Company Secretary, I certify that for the period ended 26 February 2023, Pick n Pay Stores Limited 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.

Penelope Gerber
Company Secretary

3 May 2023

DIRECTORS' REPORT

Pick n Pay Stores Limited Group

Nature of business

Pick n Pay Stores Limited is an investment holding company that is domiciled and incorporated in the Republic of South Africa and listed on the JSE and A2X, the recognised securities exchanges in South Africa. The Group comprises subsidiaries and an associate that retail food, clothing, general merchandise 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 29 of the Group Annual Financial Statements.

Overview of financial results and activities

Refer to the review of operations on pages 16 to 21 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 during this financial year. These insurance recoveries relate to the civil unrest losses suffered by the Group in the prior reporting period and were included in the prior period pro forma earnings. 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 economic environment, which has been severely impacted by the load-shedding crisis experienced in South Africa during the current financial period. In line with standard governance practice, the Board has assessed the Group's solvency and liquidity and is satisfied as to the Group's ability to continue as 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 before any dividend payment and provision of financial assistance.

Shareholder distribution

The directors have declared a final dividend (dividend 110) of 140.30000 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. The Group will change from its 1.3 times cover to a range of between 1.5 times and 1.8 times cover effective from the 2024 financial year. The new policy will contribute towards the Group having the necessary balance sheet flexibility to support the elevated capital expenditure required by the Ekuseni strategy. For further information on the dividend declaration, refer to page 24.

Share capital

At period end, 5 367 653 shares (2022: 5 517 150 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, 7 012 500 shares (2022: 7 707 650 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). 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. Refer to note 5 of the Group Annual Financial Statements.

Borrowings

The Group's overall level of debt (including bank overdraft and overnight borrowings) is at R5 699.4 million.

The Group's net funding position (defined as overall debt net of cash and cash equivalents) increased by R3 293.8 million, as a result of higher levels of capital investment under the Group's long-term Ekuseni strategy. Refer to the review of operations 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 2023 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 26 July 2022, the Company's shareholders approved the following special resolutions as tabled in the notice to the annual general meeting:

Directors' fees for the 2023 and 2024 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 the JSE, provided further that acquisitions of shares in the Company by the Company and its subsidiaries may not, in the aggregate, exceed in any one financial year 5% of the Company's issued share capital of the class of repurchased shares.

Replacement of the Company's Memorandum of Incorporation (MOI)

The Group's previous MOI was replaced at the annual general meeting (AGM) on 26 July 2022 with an updated MOI to ensure alignment with recent changes in the Companies Act. The Group was in compliance with the MOI during the period under review.

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 2023 financial year.

Hugh Herman resigned as a director at the AGM on 26 July 2022.

The non-executive directors listed below retire by rotation, and being eligible, they offer themselves for re-election at the 2023 annual general meeting (AGM) on 19 July 2023:

- Gareth Ackerman
- Haroon Bhorat
- Mariam Cassim
- David Friedland
- Audrey Mothupi

Jeff van Rooyen will retire at the 2023 AGM.

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

Jonathan Ackerman retired as an executive director on 31 March 2023 and served as a non-executive director from that date and is to be proposed for formal shareholder election at the 2023 AGM.

James Formby was appointed to the Board as an independent non-executive director on 10 October 2022 and is to be proposed for formal shareholder election at the 2023 AGM.

The Company Secretary is Penelope Gerber.

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
Chair

Pieter Boone
Chief Executive Officer

3 May 2023

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 26 to 97, which comprise of the consolidated and separate statements of financial position as at 26 February 2023, 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 26 February 2023, 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
Allowance for impairment of franchise debtors The current socio-economic conditions in Southern Africa continue to put pressure on customers with the added impacts of loadshedding further constraining franchisee' finances and their ability to meet payment terms. Pick n Pay has franchise owners throughout South Africa, Botswana, Namibia, Lesotho and eSwatini; resulting in a significant amount of trade receivables from franchise fees and sales to franchisees with a gross debt balance of R4 003 million (2022: R3 787 million). In assessing the recoverability of franchise debtors and raising the estimated allowance for impairment of these franchise debtors in the consolidated annual financial statements of Pick n Pay Stores Limited, management exercised significant judgement. Management judgement included consideration of the lifetime expected credit loss from individual franchisees after taking into account their creditworthiness; whether the individual franchisee has financial difficulties; experience of default or delinquency in interest or principal payments and revised repayment terms; the age analysis of the outstanding debt; and, if applicable, the fair value of collateral provided by franchisees. The judgements applied by management are subjective and have a significant impact on determining the level of provision required for trade receivables. The allowance for impairment of franchise debtors is R195 million (2022: R141 million). Due to the materiality of the amount and the significant judgement applied by management; we considered this a key audit matter in the current year. The disclosures related to the allowance for credit losses on franchise debtors are reflected in notes 1.6, 1.19 and note 17 of the financial statements.	Our audit procedures, amongst others, included the following procedures to assess the adequacy of the allowance for impairment of franchise debtors: • We obtained an understanding of management's controls and processes for identifying, quantifying and impairing franchise debtors. • We assessed and tested the design and operating effectiveness of the controls over the franchise debtors' data by testing on a sample basis: – The approval of credit limits for franchise debtors, – The aging of franchise debtors, – Confirmations from franchise debtors of the outstanding balance. • We recalculated a sample of individual expected credit losses making up the provision, considering various factors influencing the calculation, including: – Historical data adjusted for current market conditions, – Guarantees provided by the franchisee, – Subsequent receipts in our roll-forward testing period, – Stock balances, – VAT adjustments, – Variation agreements, – Loyalty fees deductible, – Conversion of foreign currency into Rands, – Together with our quantitative advisory specialists, we recalculated the probability given default and the loss given default for franchise debtors. • We also considered the sensitivity of the collective provisions to changes in modelling assumptions.
Goodwill and store impairments Goodwill for the Group has a carrying value of R952.8 million at 26 February 2023 (2022: R624.7 million). Goodwill originated from the purchase of subsidiaries in prior years, and the purchase of individual stores in the current and prior years. Disclosures relating to goodwill is included in notes 1.6, 1.7 and note 9 of the financial statements. The group also considers each store to be a separate cash generating unit (CGU). The disclosures of the impairment of property, plant and equipment and right of use assets is reflected in notes 1.6, 1.8, 1.10, 1.15 notes 10 and 11 of the financial statements. In assessing the recoverable amount of the goodwill and store cash generating unit, management applies judgement in determining the methodology used to determine which store cash generating units to test as well as assumptions and inputs to calculate the fair value less costs of disposal and value-in-use computations. We focused our attention on the assumptions applied and inputs used by management in forecasting cash flows as well as those used in the calculation of fair value less costs of disposal, including forecast growth rates for the explicit and terminal forecast periods and forecast trading margins. Furthermore, we focused our attention on the assumptions and inputs used in calculating discount rates, including the judgement involved in quantifying a specific risk premium for the increased number of stores to which the goodwill is attributable due to the significant increase in stores purchased compared to prior periods. Due to the difficult trading environment and deteriorating macro-economic conditions, the assessment of the reasonableness of assumptions relating to cash flow forecasts required robust dialogue and extensive use of internal valuation specialists. Accordingly, the matter has been considered a key audit matter.	With the assistance of our internal valuation specialists, our procedures relating to the goodwill and store impairment assessment, included, amongst others: • Evaluation of the methodology applied by management in determining the fair value less costs of disposal and value in use for cash generating units, with reference to the requirements of accounting standards and our knowledge of the business. • Evaluating the key assumptions and judgements in management's forecasts, including the revenue growth rates, trading margins, cost growth rate assumptions, working capital and capital expenditure cash flows, and the weighted average cost of capital used to discount the forecast cash flows, by assessing the reasonableness of key assumptions against historic performance and market information. • Assessing the discount rates against external market references and recalculating the discount rates used. • Assessing the assumptions and calculations of fair value less cost of disposal for cash generating units with reference to recent market transactions and to evaluate the reasonableness of management's assessments. • Recalculating management's discounted cash flow models for arithmetical accuracy. • In conjunction with our internal financial reporting specialists, we assessed the completeness and accuracy of the disclosures relating to the impairment assessments with reference to the requirements of IAS 36 Impairment of Assets.

Key audit matter	How the matter was addressed in the audit
Supplier rebates and other income earned from suppliers Refer to note 1.6 (Use of estimates and assumptions – Purchase rebates and other income earned from suppliers) of the group consolidated financial statements for the related disclosures. The Group earns significant amounts of rebates and other income and recognises the relevant portion of these as a reduction in the cost of inventory where the payments do not relate to a specific and genuine service. Management have applied significant judgement relating to the determination of these rebates and other income received as a reduction in the purchase price of inventory which has an impact on the measurement of inventory as at 26 February 2023. We had focused attention in this area due to the judgement required in assessing the accounting for various rebate and other income contracts, as well as the complexity of the calculation used in recognising the relevant portion of these as a reduction in the closing cost of inventory. In addition to the complexity of the calculation, we note that as a result of the volume and variety of rebate and other income agreements, for which the terms vary from period to period, there is significant audit effort required. This fact and the materiality of the impact to the valuation of the closing cost of inventory meant we considered this a key audit matter in the current period.	Our procedures relating to the effect of rebates and other income earned from suppliers as a reduction in the purchase price of inventories included, amongst others: • We inspected several major supplier agreements to understand their terms and conditions. • We assessed management's conclusion as to whether the rebate relates to a specific and genuine service, and consequently the treatment of the rebate in relation to the measurement of the cost of inventory at year end. • We assessed the systems used to calculate rebates as well as the controls implemented in the process of rebate calculation. • We recalculated and assessed the rebate amounts recognised and the period in which they were recognised. This was based on the inspection of contractual performance obligations on a sample of contracts with suppliers to assess the conditions required for supplier rebates to be recognised and whether these had been met. • We assessed the recognition and classification of the rebates and other income from suppliers and related costs in terms of the requirements of IAS 2 Inventories.
Accounting treatment of the Eastport transaction In the prior financial year, the Group entered into a head of agreement with Fortress REIT Limited for the development of the Eastport Distribution Centre ("DC"). We reviewed the agreement during the prior year audit; however, the core terms of the contract had not yet come into effect. During the period ended 26 February 2023, certain core terms came into effect including the leasing of the DC by the Group from Fortress. The effect of these terms resulted in the consideration of the following accounting standards: • IFRS 5: Non-Current Assets Held for Sale; and • IFRS 16 Leases. Given the complexity and materiality of the agreement additional effort was required in assessing the management's accounting treatment of the transaction. This matter was considered a key audit matter in our audit of the consolidated financial statements of the Group. The disclosures required by IFRS 16 Leases have been addressed in Notes 1.16, 1.18, notes 11 and 25 of the financial statements. The disclosures of non-current assets held for sale have been reflected in note 10 of the financial statements.	Our procedures relating to the accounting for the Eastport transaction, amongst others, included: • We obtained an understanding of the core terms of the contract. • We assessed management's accounting treatment of the transaction. • Our assessment involved our internal financial reporting specialists in assessing management's IFRS 5 and IFRS 16 considerations. • Applying the lease terms embedded in the heads of agreement, we recalculated management's computation of the lease liability and assessed the incremental borrowing rate. • In conjunction with our internal financial reporting specialists, we assessed the completeness and accuracy of disclosures with reference to the requirements of IFRS 16 Leases and IFRS 5 Non-current assets held for sale.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the 109-page document titled "Pick n Pay Group Annual Financial Statements for the period ended 26 February 2023," which includes the Directors' responsibility statement, Chief Executive Officer and Chief Finance Officer Internal Financial Control Responsibility Statement, Company Secretary's certificate, Directors' report, and the Audit, risk and compliance committee report as required by the Companies Act of South Africa and Review of operations, Dividend declaration, Pro Forma Earnings Performance, Analysis of ordinary shareholders, Analysis of B shareholders, Appendices 1 to 3, Number of Stores 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 8 years.

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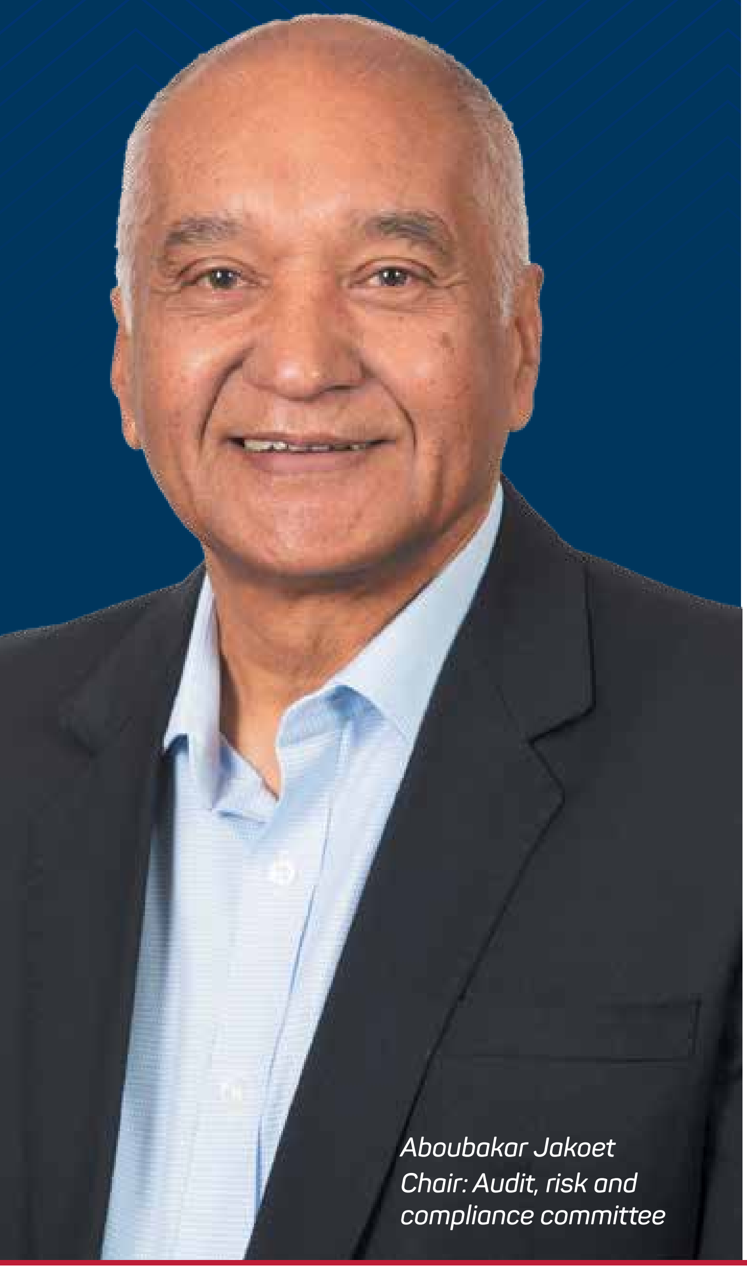
Ernst & Young Inc.
Director: Tina Lesley Rookledge Registered Auditor
Chartered Accountant (SA)

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

3 May 2023

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT



Aboubakar Jakoet
Chair: Audit, risk and compliance committee

The Audit, Risk and Compliance Committee is pleased to present its report for the financial year ended 26 February 2023. This report was prepared in accordance with the requirements of the Companies Act, the King IV™ Code of Governance for South Africa (King IV), the JSE Limited Listings Requirements, International Financial Reporting Standards (IFRS) and other applicable regulatory requirements.

Mandate of the Audit, Risk and Compliance Committee (the Committee)

The Board of directors (the Board) has delegated the statutory and regulatory duties arising from the Companies Act, No 71 of 2008, as amended (Companies Act), JSE Listings Requirements, and risk governance and legislative compliance to the Committee.

The mandate and responsibilities of the Committee are incorporated in the Committee's charter, which is reviewed annually and approved by the Board. The charter is contained within the Group's Corporate Governance Charter and can be viewed at www.picknpayinvestor.co.za/governance.php.

The Committee is a statutory committee responsible for fulfilling the responsibilities under section 94(7) of the Companies Act, including:

- to provide independent oversight of the effectiveness of the Group's framework of combined assurance, the integrity of external financial reporting and risk governance and compliance
- to consider the independence and effectiveness of the external auditor and recommend to shareholders the external auditor's appointment

The Committee's responsibilities

The Committee is responsible for developing, communicating and monitoring financial and risk management policies and processes across all Group divisions. It 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. It ensures that it dedicates sufficient time to assurance functions, financial reporting and risk governance and compliance. The Committee is authorised by the Board to investigate any activity within its terms of reference.

The Committee has the right to:

- Request and obtain unrestricted access to records and information
- Consult directly with the Group internal audit function, external auditor and senior management
- 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

The role and responsibility of the Board

The Board retains the overall responsibility to review and approve the Annual Financial Statements for the Group and the Company, and for Group-wide combined assurance, compliance and risk governance.

The Board acknowledges that it will be exposed to certain risks to achieve sustainable growth in the fast-moving consumer goods industry in South Africa and 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.

Governance and Committee members

The Committee is chaired by an independent non-executive director and comprises only independent non-executive directors. Members of the Committee are nominated for appointment annually by the Board for the ensuing financial period and are elected by shareholders at the annual general meeting (AGM).

All Committee members satisfy the requirements to serve as members of an audit committee, as provided in section 94 of the Companies Act, and have the necessary financial literacy skills and experience to execute their duties effectively. Independence on the Committee is assessed by the Board's annual independence review. The curriculum vitae of each Committee member will be made available to shareholders in the 2023 Notice of AGM.

The Committee follows a formal work plan designed to effectively deliver the execution of its responsibilities over the year.

The Committee meets formally twice a year with the Board Chair, the Chief Executive Officer, the Chief Finance Officer, the Head of Internal Audit, the Head of Risk and Compliance and the external auditor. Additional ad hoc meetings are held as required.

In addition, the Committee Chair meets with senior management, the Head of Risk and Compliance and the internal and external auditors whenever necessary. The Head of Risk and Compliance and the internal and external auditors have unfettered access to the Committee and its members throughout the year.

There is an open invitation to all Board members to attend Committee meetings, and all directors have access to the papers for each of the Committee's meetings. Other senior executives and professional advisors are invited to meetings when required to provide insight into specific matters. Formal minutes of meetings are made available to the Committee and are available on request to other Board members.

The Committee Chair reports to the Board at the quarterly Board meetings on the Committee's activities over the period, and highlights the key items deliberated and those requiring specific Board attention.

Meeting attendance

Aboubakar Jakoet was elected by shareholders to serve on the Committee at the AGM in June 2022. This was in line with the Board's succession planning, and followed his classification as an independent non-executive director. Aboubakar took over from Jeff van Rooyen as Chair on that date.

James Formby was appointed to the Board and the Committee on 10 October 2022, subject to formal election by shareholders at the 2023 AGM.

The committee's composition and meeting attendance for FY23 is set out below.

Members	Qualifications and experience	Attendance
Aboubakar Jakoet (Chair)	A chartered accountant with extensive experience in the retail industry, having previously served as the Group's Chief Finance Officer.	2/2
Haroon Bhorat	Professor of Economics and Director of the Development Policy Research Unit at the University of Cape Town. Haroon is a member of the Presidential Economic Advisory Council.	2/2
Mariam Cassim	A chartered accountant with broad auditing and business experience, Mariam is CEO of Vodacom Financial and Digital Services and a member of Vodacom Group's executive committee (telecommunications industry).	2/2
James Formby	A chartered accountant with a Master's in Philosophy in Management Studies. James retired as CEO of RMB after a successful 25-year career with the FirstRand Group (financial services industry).	2/2
David Friedland	A chartered accountant with expertise in auditing, risk and compliance. David had an extensive career as audit engagement partner with major audit companies.	2/2
Audrey Mothupi	An Honours graduate with business experience in financial services and in data and digital innovation. Audrey is the CEO of the Systemic Logic Group.	2/2
Jeff van Rooyen	A chartered accountant with experience across private and public sectors. Jeff's former involvement in the accounting profession includes as a Trustee of the IFRS Foundation, Chair of the Public Accountants and Auditors Board (now IRBA) and founding president of the Association for the Advancement of Black Accountants. Jeff is the founder CEO of Uranus Investment Holdings.	2/2

Specialist sub-committees

The Committee is supported by smaller sub-committees, including divisional Financial Review Committees, the Treasury Committee and the Franchise Committee. These sub-committees comprise executive and non-executive directors, meet at least twice a year and provide additional oversight, guidance and feedback in critical focus areas.

Committee's responsibilities and activities performed

Financial reporting, integrated reporting and the Group finance function

The Committee provides independent oversight and objective assessment of the effectiveness of the Group's finance function and the accuracy and integrity of the Group's internal and external financial reporting.

Key areas of activity during the year

Internal reporting	• Reviewed internal reports regarding the Group's financial performance, including divisional results, budgets, forecasts, capital expenditure and progress against financial targets of the Group's long-term Ekuseni strategy ("Ekuseni") • Monitored the significant operational and financial impact of accelerated levels of load-shedding • Reviewed treasury reports and cash flow forecasts, monitored liquidity and adherence to internal debt covenants and found all to be within the guidelines of treasury policy • Considered additional long-term funding proposals to support the capital investment requirements of Ekuseni • Received feedback on the Group's tax position and its tax compliance and are satisfied with the Group's status and compliance • Reviewed the reporting process and controls around the compilation of the financial information and found it to be effective, appropriate and responsive to business needs • Reviewed the Group's integrated reporting function and progress, considering factors and risks that could impact on the integrity of the Integrated Annual Report and the environmental, social and governance (ESG) disclosures provided
External reporting	• Reviewed the basis for determining materiality for external reporting • Reviewed the appropriateness of the Group's accounting policies and guided on increased segmental turnover disclosure in respect of the Group's operating divisions • Assessed and confirmed the appropriateness of the going concern assumption used in the Group's Annual Financial Statements • Reviewed the pro forma disclosures presented in order to ensure that shareholders are presented with appropriate financial information to understand the Group's underlying FY23 performance
Specific items	• Reviewed and guided on a proposal for a more prudent dividend policy from FY24 • Reviewed the effectiveness of the Group's capital structure, including the shareholder approvals required for a potential future equity raise, when and if appropriate • Confirmed that the listed company always had an independent sponsor during FY23 • Ensured that the appointment of the external auditor was included as a resolution for a shareholders' vote in the Notice of the 2023 AGM • 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
Outcome	**Reviewed and recommended to the Board for approval the Annual Financial Statements, interim results and preliminary results announcements and ensured all reports complied with IFRS, the Companies Act, the JSE Listings Requirements and King IV. The Integrated Annual Report and related suite of governance documents are separately reviewed and approved in June of each year.**

Internal audit

The Committee provides independent oversight and objective assessment of the effectiveness of the Group's internal audit function.

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

Key areas of activity during the year

Internal audit function	• Reviewed and approved the internal audit coverage plan • Considered and appointed the new Group Head of Internal Audit and confirmed appropriate expertise and experience for the role • Evaluated and confirmed the composition, experience, skill and independence of the internal audit function • Met with the Group Head of Internal Audit independently of management to confirm that they had received the full co-operation of management • Assessed the adequacy of the performance of the internal audit function and found it to be effective • Received confirmation that internal audit members conform to the recognised industry code of ethics and that the internal audit function had conformed to the key principles of the International Institute of Internal Auditors standards for professional practice of internal auditing
Reporting matters	• Considered internal audit reports on the Group's system of internal control, including financial controls, corporate governance and business risk management, and ensured ongoing progress in the integration of the Group's framework of combined assurance • Received assurance that proper and adequate accounting records were maintained, and that systems of internal control were adequate to prevent and/or detect fraud and safeguard assets • Maintained focus on the adequacy and effectiveness of controls over information systems and cybersecurity • Reviewed the approach of the internal audit function to develop and integrate data analytics and digital capability within internal audit processes and procedures • Reviewed significant issues raised by internal audit processes and monitored and challenged, where appropriate, the corrective action taken by management regarding adverse internal audit findings
Outcome	**The Committee considered the skill, experience and independence of the Group internal audit function and concluded that the internal audit function is appropriate and effective for the Group.**

External audit

The Committee provides independent oversight and objective assessment of the effectiveness of the Group's external audit function.

Following a tender process, Ernst & Young Inc. (EY) was appointed as external auditor to the Group in July 2015, bringing their tenure to eight years. The Committee annually considers whether a tender process should be adopted to appoint new external auditors. The Independent Regulatory Board for Auditors' (IRBA) rule on mandatory audit firm rotation was considered.

In terms of the rule, the Committee concluded that the external auditor firm would be rotated in the financial period ended 2026 (a maximum tenure of ten years). As such, a tender process was not required in FY23.

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 FY23, and was appointed on 5 August 2020. She was assessed to have the necessary competence, ability and independence required for this position.

Key areas of activity during the year

External audit process	• Approved the external audit plan and related scope of work for the FY23 annual audit to ensure adequate coverage of material matters and critical risk areas • Approved the audit fees for the FY23 external audit • Received confirmation from EY as to their internal governance processes that are in place to ensure independence and effectiveness • Requested and reviewed the information as per paragraph 22.15(h) of the JSE Limited Listings Requirements from EY when assessing their suitability for their appointment for FY23 • Met with management, independently of the external auditor, to discuss issues relevant to the audit and for purposes of evaluating the quality and effectiveness of the external audit function • Reviewed the independence of EY in accordance with the provisions of sections 90 and 94 of the Companies Act and assessed the performance and accreditation of EY and Tina Rookledge in terms of the JSE Limited Listings Requirements, applicable regulations and legislation, and the appropriate audit quality indicators, and concluded that it is satisfied with the external auditor's independence, JSE accreditation, and performance
Reporting matters	• Engaged directly with the Group and subsidiary designated audit partners and acted as a liaison between the external auditor and the Board • Dealt with questions arising from audit activities and reviewed EY's findings and recommendations, and confirmed that there were no material unresolved matters at the date that the Annual Financial Statements were approved • 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 matters concerning the Group's accounting policies, financial controls, records and reporting • Confirmed that no reportable irregularities were identified and reported by the external auditor in terms of the Auditing Profession Act, 26 of 2005 • Met separately with the external auditor to confirm that full co-operation was received by them from management • Monitored the effectiveness of the external auditor in terms of their audit quality, expertise and independence, as well as the content and execution of the audit plan
Outcome	**The Committee has concluded that it is satisfied with the level of service rendered by EY during FY23 and is satisfied with EY's independence and JSE accreditation. The Group will table a resolution at the 2023 AGM to be held on 19 July 2023 to re-appoint EY as the external auditor for the 2024 financial year.**

Risk management

The Committee provides independent oversight and objective assessment of the effectiveness of the Group's risk assurance function, focusing on material existing and emerging risks which could negatively impact on the Group's ability to create and protect stakeholder value.

The Group's risk assurance function is designed to ensure that the Group has adequate processes in place to identify, monitor and manage all significant business and financial risk areas. The function takes overall responsibility for ensuring that the Group's information and accounting systems are adequate, secure, well-controlled and continue to function effectively. The Group Risk function takes overall accountability for the Group's compliance with all relevant laws, regulations and codes of conduct.

The Chief Finance Officer serves as the Chief Risk Officer for the Group and, along with the Group Head of Risk and Compliance, attends all 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 Group Head of Risk.

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.

Key areas of activity during the year

Risk management processes	• Assisted management in identifying risk areas, including emerging risks, and evaluated the mitigation management had put in place to minimise the impact on the Group • Discharged all Risk and Compliance Committee responsibilities of all the Group's subsidiary companies • Together with Group Head of Risk, internal and external auditors and management, reviewed the findings of the Financial Review Committees of the Group's material operating divisions • Reviewed internal audit findings from a risk perspective • Reviewed the risk assurance report and findings and the corrective or mitigative action taken
Specific focus areas	• Considered and appointed the new Group Head of Risk and Compliance and confirmed the appropriate expertise and experience for the role • Evaluated and confirmed the composition, experience, skill and independence of the risk function • The material financial and operational impact of load-shedding on the business, including the related impact on water supply, and the mitigation plans put in place to minimise the impact • The security of supply chain and store operations, including plans to protect the safety of customers and employees and the security of assets during civil unrest • The maintenance of food safety and occupational health and safety policies • The Group's insurance covers, including considering ongoing challenges experienced in renewing business interruption covers post the July 2021 unrest and the impact of higher insurance premiums on the cost of doing business • Employee welfare, talent retention and the potential for labour disruption in a period of high inflation and low economic growth • The effectiveness of the franchise model, the security of franchise contributions to the Group and the recoverability of franchise debt • 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
Outcome	**The Committee has concluded that it is satisfied with the effectiveness of the Group's risk management function in identifying, evaluating and mitigating issues which may have a material impact on the Group's ability to protect and create sustainable stakeholder value.**

Policy on non-audit services

All non-audit services provided by the Group's external auditor are required to be pre-approved by the Committee. EY did not provide non-audit services during FY23. All non-audit services undertaken during the 2022 financial period were approved in accordance with this policy.

The nature and extent of non-audit services provided by the external auditor are reviewed to ensure that the fees for such services do not become so significant as to call into question their independence. In FY22, EY received R24 500 relating to agreed-upon non-audit procedures (0.2% of the audit fee).

Expertise and experience of Chief Finance Officer and the finance function

The Committee, together with the lead external audit partner, considered the composition, experience, resources and skills of the Group finance function. The Committee is satisfied that Lerena Olivier has the appropriate expertise and experience for her position. 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 complied with all applicable legal, regulatory and other responsibilities for the 2023 financial year.

Internal financial controls

The Committee examined the effectiveness of internal financial controls to assess if there were any significant weaknesses in the design, implementation or execution of internal financial controls that could result in material financial loss, fraud, corruption or error.

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 concluded that the design of internal financial controls is effective but will continue to be watchful.

Combined assurance

The Committee closely monitored the relationship between external and internal assurance providers and the Group. It ensured that the Group's combined assurance model adequately addressed the Group's significant risks.

The Committee was satisfied that the Group's combined assurance model had been effective in achieving transparent and accurate financial reporting, sound risk management and mitigation, and an effective level of residual risk.

King IV

The Group applies the principles of King IV, details of which will be reported in the 2023 Integrated Annual Report, which is expected to be published on or about 15 June 2023.

Significant matters

The Committee considered the key audit matters reported in the external audit report on page 6 and, after discussions with management and the external auditors, is satisfied that the Consolidated Annual Financial Statements appropriately address the critical judgements and key estimates pertaining to the key audit matters.

Other significant matters of focus included considering that the below items were appropriately dealt with in the Consolidated Annual Financial Statements:

- Consideration of the pro forma financial information provided in respect of insurance proceeds received in March 2022 related to the civil unrest of July 2021
- Accounting treatment of the Group's investment in its associate, TM Supermarkets (Pvt) Ltd, in a hyperinflationary economy
- Expanded division turnover information
- Classification of assets held for sale
- Consideration of the accounting treatment of material elements of the Group's Eastport transaction, including recognition of the long-term lease of the distribution centre

Annual Financial Statements

The Annual Financial Statements for the financial year ended 26 February 2023 were compiled under the supervision of the Chief Finance Officer, Lerena Olivier CA (SA).

Following its review of the consolidated Group and separate Company Annual Financial Statements for the financial year ended 26 February 2023, the Committee is of the opinion that, in all material respects, the financial statements comply with IFRS and the Companies Act and that they fairly present the financial position of the Group and Company for the 2023 financial year and the results of the operations and cash flows for the year then ended. The Committee recommended them for approval to the Board on 3 May 2023.

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. The 2023 Integrated Annual Report will be published in addition to these Annual Financial Statements.

Key focus areas for FY24

The Committee has set the following key areas of focus and monitoring:

- Financial and operating performance in line with the Ekuseni strategy objectives
- Project Future cost savings initiatives, including the effective implementation of the Group's Office of the Future programme
- Optimal capital allocation to ensure the prioritisation of investment returns
- Optimal capital allocation to advance energy resilience and ensure the prioritisation of mitigation plans to minimise the impact of load-shedding and disrupted water supply
- A balanced short-term and long-term debt portfolio to support growth, maintain a strong balance sheet, actively manage increased funding costs and achieve targeted gearing levels
- Increased focus on emerging and accelerated risks, including significant operational risk on the transition from the Longmeadow distribution centre to the Eastport distribution centre in Gauteng, increased cyber risk driven by the growth in online sales, and the potential for civil and labour unrest as a result of challenging socio-economic conditions in South Africa
- Further progress in integrated reporting, including in ESG disclosures

Committee evaluation and re-election

The Committee's performance and effectiveness are assessed on an annual basis by the Board, assisted by the Nominations and Corporate Governance Committee. The Board's assessment was positive, with no concerns raised, and the Board remains satisfied that the Committee has performed its duties effectively and that Committee members have the necessary skills and experience to discharge their duties effectively.

Committee members will be put to shareholders for formal election at the 2023 AGM to be held on 19 July 2023.

Appreciation

I extend sincere thanks to Jeff van Rooyen, who will retire from the Board at the 2023 AGM. Jeff has served on the Board for 16 years, with 15 years as Chair of this Committee. Jeff's rich history in private practice, including his leadership of the Financial Services Board alongside his broad experience with a number of large South African listed companies, has proved invaluable to the Committee. I am grateful to Jeff for his valuable guidance and wise counsel over the years, and particularly for his support and guidance when handing over the role of Chair.

The more difficult macro-economic environment has made for a challenging year, and the elevated levels of load-shedding in particular have had a significant impact on the 2023 financial results. I extend thanks to EY, the internal audit and risk management teams, and the executive management team for their regular, constructive and transparent engagement under trying circumstances.

The Committee is satisfied that it complied with, and discharged, all statutory duties in terms of section 94(7) of the Companies Act and the JSE Limited Listings Requirements, as well as with the functions and responsibilities assigned to it by the Board under its terms of reference and Committee mandate, for FY23.

Aboubakar Jakoet
Chair: Audit, Risk and Compliance Committee

3 May 2023

REVIEW OF OPERATIONS

Driving Ekuseni through unprecedented load shedding

KEY FINANCIAL INDICATORS	52 weeks to 26 February 2023 FY23	52 weeks to 27 February 2022 FY22	% change
Group turnover	R106.6 billion	R97.9 billion	8.9
Gross profit margin	19.6%	18.8%	
Trading expenses	R20.2 billion	R18.0 billion	11.9
Trading profit	R3 048.0 million	R2 886.5 million	5.6
Pro forma trading profit[1]	R2 902.8 million	R3 031.7 million	(4.3)
Pro forma trading profit margin	2.7%	3.1%	
Profit before tax and capital items	R1 800.2 million	R1 807.7 million	(0.4)
Pro forma profit before tax[1]	R1 678.4 million	R1 978.0 million	(15.1)
Pro forma profit before tax – South Africa[1]	R1 524.1 million	R1 859.0 million	(18.0)
Profit after tax	R1 169.9 million	R1 214.5 million	(3.7)
Headline earnings per share (HEPS)	259.25 cents	262.59 cents	(1.3)
Pro forma HEPS[1]	242.37 cents	289.64 cents	(16.3)
Total dividend per share	185.15 cents	221.15 cents	(16.3)

[1] *FY23 pro forma trading profit, profit before tax (PBT) and pro forma headline earnings per share (HEPS) exclude R145.2m (R104.5m net of tax) business interruption insurance proceeds received and accounted for in FY23, but previously included in FY22 pro forma earnings as it relates to losses incurred during FY22. In line with normal Group practice, pro forma earnings also exclude all non-cash hyperinflation gains and losses related to the Group's TM business in Zimbabwe. Pro forma HEPS is the Group's dividend driver.*

Results summary

The Group delivered a resilient performance in a heavily disrupted first year of its Ekuseni strategic plan. In addition to executing on the plan, the Group had to contend with the impacts of unprecedented levels of load shedding. Despite spending an incremental R522 million on diesel to run generators (R430 million net of electricity savings), and incurring planned costs in implementing the Ekuseni plan, the Group managed to hold year-on-year trading expense growth to just 11.9%, as a result of gains from Project Future cost-saving initiatives.

Group turnover increased by 8.9%, driven primarily by Boxer SA (+20.2%), while underlying gross profit margin remained flat at 19.6% (excluding the impact of the July 2021 civil unrest on the FY22 gross profit margin). Group pro forma profit before tax of R1 678.4 million declined 15.1% year-on-year. If one were to exclude the R430 million net incremental energy costs, underlying PBT would have been an estimated R2.1 billion, up 7% year-on-year.

Highlights from the year include:

- 17 May launch of the Ekuseni strategic plan
- 15 August launch of Pick n Pay QualiSave, serving lower-to-middle-income customers, providing the Group with three tailored banners of Pick n Pay, QualiSave, and Boxer
- Rebranding 118 supermarkets to QualiSave
- Fully revamping 131 Pick n Pay and QualiSave stores to the new customer value propositions (CVPs) via an accelerated refurbishment programme to differentiate the banners and improve the customer experience
- Market-leading SA sales growth of 20.2% from Boxer, with 60 new stores opened in FY23 vs. 36 in FY22
- 15.3% sales growth from stand-alone Pick n Pay Clothing stores, with 58 new stores opened in FY23, more than double the number of new stores opened in FY22
- Online sales growth of 72%, with on-demand sales growth well over 100%, driven by both asap! and the October launch of Pick n Pay groceries on Takealot's Mr D app
- Maintaining a flat underlying gross profit margin in a highly competitive market, despite higher diesel prices impacting logistics costs
- Reaching a multi-skilling agreement with our largest union, SACCAWU, and commencing implementation across the Pick n Pay store base to improve customer service and productivity
- R800 million Project Future savings, enabling Pick n Pay South Africa to restrict like-for-like cost growth to just 5.6%, despite the significant load shedding related expenditure incurred

Ekuseni strategic plan execution

Successful Pick n Pay QualiSave launch gives the Group a portfolio of 3 tailored grocery banners

The QualiSave banner was launched on 15 August, and 118 stores were converted to QualiSave by February 2023. QualiSave gives the Group a highly competitive low-price, great quality 8 000 SKU format tailored to lower-to-middle income customers. QualiSave sales growth has outpaced Pick n Pay sales growth since launch.

Pick n Pay, our banner targeting middle-to-upper-income customers is being revamped to ensure its customers get best quality at great value, a wide range of up to 18 000 products, and an improved in-store experience. The Group's portfolio of three supermarket banners (Pick n Pay, QualiSave, and Boxer), each optimised to meet their individual target customer needs, allows the Group to compete effectively across the full customer spectrum, which is particularly important in the diverse South African market.

131 stores fully upgraded to new CVP via accelerated store refurbishment

Following the completion of the first CVP upgrade in mid-May, the Group fully upgraded 41 stores by the end of H1, and fully upgraded 131 stores by the end of February 2023 (almost 40% of Pick n Pay South Africa's company-owned grocery estate). The CVP upgrades are the core element of an accelerated refurbishment programme for the Pick n Pay and QualiSave banners, bringing the stores in line with the new CVPs. The refurbishments entail a realignment of store layout to implement the optimised product counts and emphasise each banner's power categories, as well as upgraded energy-efficient fixtures and fittings to provide the banners with fresh new looks.

Customer response to the CVP converted stores has been positive, with weekly sales growth from converted stores significantly higher than sales in the remainder of the Pick n Pay estate. The refurbished stores have achieved a post-conversion sales uplift of >10%, well ahead of the 4.3% Pick n Pay South Africa growth.

Boxer's accelerated store roll-out puts it on track to achieve Ekuseni expansion targets

Boxer reported FY23 sales of R32.0 billion. Excluding its 9 eSwatini stores, Boxer reported South Africa sales of R31.3 billion (30.5% of the Group's South Africa sales) up 20.2% (7.3% like-for-like), driven by the store roll-out programme and its great value customer offer. Boxer SA's sales growth slowed from 27.2% in H1 FY23 to 14.4% in H2 as it lapped a stronger base caused by the impact of the July 2021 civil unrest on Boxer's promotional campaign timing in the base year.

Boxer opened 60 new stores in FY23, well ahead of the 36 new stores opened in FY22. The new stores took Boxer's total store estate to 428, delivering space growth of 14.4%. At the current roll-out rate, Boxer is well on its way to achieving the Ekuseni goal of opening 200 new Boxer stores between FY22 and FY26 and doubling sales in the process.

Driving an Online sales step-change via the Mr D launch

Online sales growth for the year was accelerated by the launch of Pick n Pay's food and grocery offer on the Takealot Group's Mr D app. This offer grew from a limited number of stores in early October to a nationwide offer by the end of the year. The offer benefits from a synergistic combination of Pick n Pay's extensive store network, stock-management system, fresh product offering, and in-store picking experience, and Mr D's strengths in user-interface design, a 2.5 million active customer base, and a delivery fleet of 15 000 scooters. Taken together with strong growth in sales from the highly popular Pick n Pay asap! offer, the Group achieved on-demand online sales growth for the year well in excess of 100%.

The Group achieved total online sales growth for the year of 72.0%, including its scheduled delivery service. The Group is working on improvements to its scheduled delivery service, to provide customers with wider choice and greater flexibility on delivery.

Pick n Pay Clothing store roll-out rate doubles, with strong profit growth

Pick n Pay Clothing is a casualwear-focused, value-oriented clothing format targeting family shoppers. While womenswear has traditionally underpinned the format's success, Pick n Pay Clothing is also gaining solid traction in childrenswear and menswear. During FY23 Pick n Pay Clothing gained market share across all market segments.[1] Locally sourced product accounts for 45% of sales, double the volume since the start of a localisation strategy in 2019.

Pick n Pay Clothing opened 58 new stores in FY23, over twice the 27 new store openings achieved in FY22. The new store roll-out resulted in an FY23 stand-alone Pick n Pay Clothing estate of 333 stores (adding 16.8% space growth), consisting of 311 corporate stores and 22 franchise stores.

Pick n Pay Clothing grew FY23 SA sales in stand-alone stores by 15.3% (5.6% like-for-like), and reported net profit growth of 11.6%. Clothing sales growth was driven by ramped-up new store roll-out (new stores are performing in line with budget) and positive like-for-like sales growth.

Project Future Phase 2

Project Future Phase 2 encompasses a range of projects focused on improving efficiency, increasing flexibility, and reducing costs by R3 billion between FY23 and FY25. R800 million of Project Future savings were achieved in FY23, captured in both gross profit margin and trading expenses. Key achievements over the period include:

- Greater efficiency in the Group's supply chain operations through a more optimised transport network, and greater labour productivity in Distribution Centres (DCs). The new Eastport DC in Gauteng opened in March 2023, with the transition from Longmeadow near completion. We expect Eastport's larger capacity, improved layout, and enhanced systems to drive further supply chain efficiencies. However, we anticipate approximately R120 million of duplicated costs in H1 FY24 due to the double-up on costs during the handover process.
- Better buying and collaboration with suppliers, as they demonstrate support for the Ekuseni strategy and its ability to deliver greater value for customers.
- Multi-skilling agreement signed, allowing Pick n Pay Supermarkets, for the first time, to schedule employees for more than one task within a single shift. Pick n Pay began to implement multi-skilling in H2 FY23, and we anticipate the customer service and efficiency benefits to come through from FY24.
- Announcing the consolidation of the Cape Town and Johannesburg support offices by December 2023.

[1] *According to RLC (Retailers' Liaison Committee) data.*

In March 2023, post our financial year-end, Pick n Pay commenced two new Project Future staffing initiatives which both impact the entire Group (excluding Boxer):

- A voluntary severance programme (VSP), aimed at delivering targeted benchmarks in terms of support office and store-level efficiency gains.
- A modernisation of Pick n Pay Junior Store Management structures, to reflect changing customer and operational needs, increase efficiency, and deliver better customer service. It is anticipated that some roles are likely to be lost through an S189 retrenchment process. However, the business is also creating a broadly equivalent number of new roles at a more junior level.

The Group will be in a position to comment on the financial impact of these initiatives once they are both complete.

Pick n Pay's response to unprecedented load shedding

The ongoing crisis in national electricity generation is having a profound impact on the Group and the country as a whole. All Pick n Pay and Boxer stores have backup power and are operational throughout load shedding. However, load shedding results in customer disruption, supply chain and procurement challenges, significant diesel expenditure costs to run generators, extra repairs and maintenance on generators running ahead of normal demands, and product spoilage in instances when generators break down and cannot be immediately replaced.

Diesel cost to run generators is the most significant challenge. The Group spent an incremental R522 million on diesel costs to run generators in FY23, resulting in net incremental energy costs of R430 million, after taking R92 million of associated electricity savings into account. The Group is working exceptionally hard to mitigate as much as possible of the additional cost pressure. The key elements of the Group's plan to reduce in-store diesel costs are:

- **Operating expenditure initiatives.** Energy usage reduction has multiple workstreams including further investment in energy-efficient LED lighting, installation of automated controls to switch off certain equipment during load shedding, reconsideration of the optimal refrigeration footprint, improved production planning e.g. minimising the use of bakery ovens during load shedding, and reviewing stores with above-average diesel usage.
- **Maximising usage of landlord supplied solar.** Negotiations with landlords are ongoing in support of maximising landlord solar installation and the purchase of renewable electricity from landlords.
- **Installing in-store battery energy storage solutions** to operate supermarkets sustainably through load shedding. The Group is in the process of trialling such solutions in a number of supermarkets and will critically assess the return on investment on these initiatives.

- **Making the case to government for diesel tax rebates.** The Group feels it is unconscionable to pay significant tax, including the Road Accident Fund levy, on diesel used to power generators to keep grocery stores open.

The Group is targeting FY24 diesel cost savings of at least R200 million, driven by the above-mentioned initiatives. The envisaged savings will be heavily oriented towards H2 FY24, as the various initiatives gain traction. FY24 diesel cost expenditure will ultimately be driven by the levels of load shedding experienced, which brings a high level of uncertainty to the outlook.

With respect to capital investment, the Group is prioritising energy cost mitigations in FY24 that do not require investment (i.e. reducing the energy load in stores during load shedding), or which are limited in cost, yet have a proven record of quick and sustainable returns, e.g. LED lighting. This should enable the Group to continue to focus its capital investment towards Ekuseni growth targets. However, the Group is assessing the potential for a large battery energy solution, including various funding mechanisms to limit the call on capital expenditure.

Detailed review of financial and operational performance

Turnover

Group sales growth for the year was 8.9%, with like-for-like sales growth of 4.8%. Internal selling price inflation for the period was 8.5%, well below Statistics SA Food CPI of 10.4% for the 12 months.

The Group's South Africa Segment (96.4% of Group sales) grew sales 8.7% to R102.7 billion, with like-for-like sales growth of 4.5%. South African sales growth was driven by Boxer, with South African sales growth of 20.2% to R31.3 billion. Pick n Pay South Africa (Pick n Pay and QualiSave banners combined) grew sales 4.3% to R71.4 billion.

	FY23 Rm	FY22 Rm	% change	Like-for-like % change
Pick n Pay SA sales	71 372.2	68 450.4	4.3	3.5
Boxer SA sales	31 349.1	26 084.8	20.2	7.3
SA total sales	102 721.3	94 535.2	8.7	4.5
Rest of Africa sales (inc. DSDs*)	5 086.5	4 438.8	14.6	
Total segment turnover	107 807.8	98 974.0	8.9	
Elimination of RoA DSDs	(1 246.0)	(1 101.2)	13.1	
Group turnover	106 561.8	97 872.8	8.9	4.8

* *DSDs included in Rest of Africa sales are in-country direct-to-store deliveries by Group suppliers to certain foreign franchisees that are not included in Group turnover as per IFRS requirements.*

Boxer consolidates its position as SA's leading soft-discounter

Boxer's market-leading 20.2% South Africa sales growth was driven by an aggressive ramp-up in space roll-out combined with robust 7.3% like-for-like sales growth. Extraordinarily strong 27.2% H1 sales growth moderated to a strong 14.4% in H2, with the slowdown driven by an H2 like-for-like sales moderation. The strong H1 like-for-like sales performance was driven by a disrupted base (Boxer was relatively highly impacted by the July 2021 civil unrest due to its skew towards KwaZulu-Natal). The H2 like-for-like sales slowdown was also driven by base effects: Boxer had a relatively strong H2 FY22 as sales promotions which typically happen in the first half were delayed to the second half of the year as a result of the civil unrest.

Pick n Pay and Pick n Pay QualiSave focus on like-for-like sales

The Pick n Pay and QualiSave banners grew sales 4.3% (like-for-like sales of 3.5%). The Ekuseni strategy is prioritising driving like-for-like sales growth ahead of new space for the large Pick n Pay store footprint. The 3.5% like-for-like sales growth was impacted by disruption from the 131 full CVP upgrades completed during the period. Sales growth slowed in H2 as the pace of CVP upgrades accelerated (90 CVP upgrades completed in H2 vs. 41 in H1) and as the base hardened (H1 FY22 sales negatively impacted by the July 2021 civil unrest and Covid-19 liquor trading restrictions). Notwithstanding the trade disruption caused, the Group is pleased with the early results from the upgraded stores, which are on aggregate delivering sales growth well ahead of the rest of the estate.

Pick n Pay owned and franchised South African food and grocery stores (excl. Clothing and Liquor) had 27 new store openings during FY23, and a net decline of four stores, to total 766. Including Liquor and Clothing, Pick n Pay South Africa opened 48 net new stores to a total of 1 599 stores at the end of FY23, including 621 liquor stores and 330 clothing stores.

Group liquor sales grew 20.4% for FY23 vs. 36.2% in H1 FY23 as the base effects of Covid-19 liquor trading restrictions normalised. The Group lost 66 days of liquor trading in the base period (FY22), of which 55 were in H1 FY22 and 11 in H2 FY22.

Gross profit

Gross profit rose 13.8% to R20.9 billion, with reported gross profit margin increasing to 19.6% from 18.8%. The FY22 gross margin was negatively impacted by the July 2021 civil unrest. If the impact of civil unrest is stripped out of the FY22 base, the underlying FY22 gross profit margin was 19.6%, indicating that the Group's underlying FY23 gross profit margin was flat year-on-year.

The Group regards the flat underlying gross margin performance as a solid performance in the context of higher fuel prices impacting logistics costs and an intensely competitive market. The stable margin was the net impact of the Group re-investing gains from better buying, logistics efficiencies and strategic inventory buy-ins into price investment to support under-pressure consumers. While the Group is doing its utmost to offset increased load shedding costs, it believes that it is inevitable that consumers will have to, over time, absorb some of these additional costs.

Other income

Other income declined 9.6% to R2.3 billion, primarily driven by insurance recoveries of R748.2 million from the July 2021 civil unrest included in the FY22 base. In addition to this, R145.2 million of insurance recoveries were received and accounted for in FY23 (but included in FY22 pro forma earnings and reciprocally excluded from FY23 pro forma earnings). Underlying other income, excluding all insurance recoveries from both periods, grew 14.1% year-on-year, from R1.8 billion to R2.0 billion.

Franchise fee income – the Group's royalty fee income, earned on franchise point of sale turnover, increased 4.5% to R447.7 million. This growth reflected the negative impacts of the civil unrest and liquor restrictions on franchise sales in the base period, offset by the conversion of a number of franchise stores to company-owned Pick n Pay and Boxer stores over the year. Strong franchise partners are a key growth driver for the Group, with 35 new franchise stores opened over the period.

Commissions and other income – this broad category 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, excluding insurance recoveries, increased 15.4% year-on-year to R1.4 billion. Value-added services, which includes Financial Services and Mobile, grew 19.8%. Financial services has shown strong growth, driven by banking services in stores and domestic money transfers. Our newly launched SmartSave Funeral Insurance has seen encouraging adoption, and we also have a wider range of finance solutions powered by RCS (PnP Store Cards) and Tyme Bank (More Tyme) which has increased our capability to assist with consumer affordability and financial inclusion. Digital and media income increased by 10.1% year-on-year.

Trading expenses

Trading expenses increased 11.9% year-on-year (7.9% like-for-like) to R20.2 billion. FY23 trading expenses included cost pressures from a range of costs related to the higher levels of load shedding experienced in FY23, and particularly H2 FY23. The greatest consequence of these was the R430 million net incremental energy costs to power our stores through generators (c. 80% of this spent in H2). FY23 trading expense growth excluding net incremental energy costs was a more moderate 9.5%, showing tight cost control in the context of broad inflationary pressures (particularly on rates and utility costs), the Boxer and Pick n Pay Clothing store roll-outs, and sharply higher insurance costs (a consequence of the July 2021 civil unrest). The Group's well-controlled underlying trading expense growth was largely driven by containing employee costs, our largest single cost line.

Trading expenses grew 13.1% in H2, after increasing by 10.6% in H1, driven by the greater impact of the Group's store roll-out in the second half, and the higher levels of load shedding experienced during H2. FY23 trading expenses include R111 million in restructuring costs (R83.7 million in H1), arising from the reorganisation of the Pick n Pay estate into two banners, the rebranding of QualiSave, some technical advisory services, and limited retrenchment costs.

Employee costs – increased 6.5% to R8.3 billion over the period (2.9% like-for-like). Growth in our largest expense line, employee cost, was well contained despite the aggressive Boxer and Clothing store roll-out, reflecting exceptionally tight employee cost control in Pick n Pay South Africa as this entity strives to hit targeted efficiency benchmarks.

Occupancy costs – increased 14.7% (8.2% like-for-like) to R3.1 billion. Occupancy cost growth was driven by both the accelerated Boxer and clothing store roll-outs and above-inflation increases in rates, security and insurance costs. Elevated occupancy cost growth is directly attributable to the July 2021 riots, which have resulted in additional security costs, and insurance premiums accelerating by 86%.

Operations costs – increased 18.7% (13.0% like-for-like) to R5.4 billion, driven by utilities costs more than doubling (increased fuel consumption to drive store generators and a higher fuel price) and higher electricity costs (due to tariff hikes, and despite the forced savings from load shedding).

Merchandising and administration costs – increased 13.0% year-on-year to R3.4 billion as the Group increased advertising spend in support of the drive to rejuvenate sales growth.

Net interest

Net interest paid, including implied interest charges under IFRS 16, increased 15% year-on-year to R1.3 billion.

Funding interest – The Group's net funding cost (net of trade receivables interest) increased from R21.4 million to R171.1 million, reflecting increased net gearing (driven by increased capital investment) and higher interest rates over the period (325 basis point repo rate rise between February 2022 and February 2023).

Lease interest – implied net interest charges under IFRS 16 increased 2% year-on-year to R1.2 billion, reflecting supply chain savings under Project Future, specifically related to a strategic change in contracted logistics services. Combined net lease interest and depreciation of right-of-use assets (the effective lease expense under IFRS16) increased 6.1% to R3.3bn, driven by new store roll-out.

Rest of Africa segment

The Group's Rest of Africa segment contributed R5.1 billion of segmental sales, up 14.6% year-on-year, and up 7.8% in constant currency terms. The Rest of Africa segment delivered pro forma profit before tax of R154.3 million (before the application of hyperinflation accounting) up 29.7% on the R119.0 million achieved in FY22. The underlying PBT growth from the Rest of Africa division was driven by an improved performance from consolidated Rest of Africa operations, with Zimbabwe earnings (excluding net monetary adjustments) broadly flat.

The performance of the Group's key African operations is summarised as follows:

- **Franchise operations:** Our 80 Pick n Pay franchise stores in Namibia, eSwatini, Botswana and Lesotho continue to trade well, notwithstanding challenging macro-economic conditions.
- **Zambia corporate stores:** Our 23 Pick n Pay corporate stores delivered a much-improved FY23 result. Management continues to implement and maintain robust operational standards to enhance the customer value proposition.
- **TM Supermarkets, Zimbabwe:** The 72 stores of our 49% associate-accounted investment delivered another resilient performance in a difficult economic environment. The Group's share of TM's earnings, before any hyperinflation net monetary adjustments, increased 1.8% year-on-year to R98.4 million. Sharp local currency devaluation during the year meant that hyperinflation and local currency translation into Rands negatively impacted the result. The Group received a R16.0 million dividend from TM in this period (R20.1 million in FY22).

Profit before tax – before hyperinflation and capital items (Pro forma PBT)

The Group's pro forma PBT declined 15.1% year-on-year to R1 678.4 million. Group pro forma PBT growth was driven by a 18.0% decrease in South African pro forma PBT to R1 524.1 million, together with 29.7% growth in Rest of Africa pro forma PBT to R154.3 million.

	FY23 Rm	FY22 Rm	% change
Profit before tax and capital items (PBT)	1 800.2	1 807.7	(0.4)
Non-cash hyperinflation net monetary loss	23.4	25.1	(6.8)
Insurance recoveries re-allocated	(145.2)	145.2	
Pro forma PBT[1]	1 678.4	1 978.0	(15.1)
South Africa	1 524.1	1 859.0	(18.0)
Rest of Africa	154.3	119.0	29.7

[1] *Pro forma PBT excludes Zimbabwe net monetary adjustments, and in FY23 exclude R145.2m (R104.5m net of tax) of business interruption insurance proceeds received and accounted for in this period, but relating to FY22.*

Tax

The Group's effective tax rate of 31.5% (31.1% in FY22) reflects improved but still relatively low 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% (27.0% from FY24 onwards) for the foreseeable future.

Earnings per share

Pro forma headline earnings per share (pro forma HEPS) – excludes the Group's share of non-cash hyperinflation accounting remeasurements in TM Supermarkets, and also excludes R145.2 million (R104.5 million net of tax) business interruption insurance proceeds received and accounted for in FY23, but previously included in FY22 pro forma HEPS. All impairment losses and other capital items are excluded from the calculation of pro forma headline earnings per share. Pro forma HEPS – the Group's primary measure in determining its dividend pay-out ratio – declined by 16.3% year-on-year to 242.37 cents per share reflecting the significant impact of load shedding on this result.

Headline earnings per share (HEPS) – declined by 1.3% to 259.25 cents per share and includes the Group's share of non-cash hyperinflation accounting remeasurements in TM Supermarkets, as well as R145.2 million (R104.5 million net of tax) business interruption insurance proceeds received in FY23. All related impairment losses and other capital items are excluded from the calculation of headline earnings per share.

Earnings per share (EPS) – declined by 3.9% to 243.37 cents per share and includes the Group's share of non-cash hyperinflation remeasurements in TM Supermarkets, all items of a capital nature, and R145.2 million (R104.5 million net of tax) business interruption insurance proceeds in FY23.

Detailed review of financial position

Gearing

Group net gearing (excluding leases) rose from R0.4 billion at February 2022, to R3.7 billion at February 2023 as the Group increased its capital investment in accordance with Ekuseni, and as working capital temporarily absorbed cash, driven by inventory. The Group is nearing closure on a R5.5 billion medium- and long-term debt package to rebalance its short-term debt portfolio towards a longer-term maturity profile more suited to higher levels of net gearing. The debt package will be unsecured and ESG linked.

	26 February 2023 Rm	28 August 2022 Rm	27 February 2022 Rm
Gross debt	5 669.4	6 693.0	6 803.1
Cash and cash equivalents	(1 997.8)	(5 253.6)	(6 425.3)
Net gearing	3 671.6	1 439.4	377.8

Working capital

The Group absorbed R968.2 million of liquidity from working capital during FY23, primarily as a result of increased inventory caused by multiple factors including inflation, strategic buy-ins, and the timing of Eastport commencing operations.

Inventory

Inventory increased 28.6% to R10.7 billion. The increased inventory is largely a function of high inflation, strategic inventory buy-ins, new stores (particularly in Boxer) and the Longmeadow to Eastport handover. The timing of the handover from Longmeadow to Eastport coinciding with financial year-end has resulted in the Group carrying an additional R400 million of inventory at balance sheet date, which the Group expects to be cleared by the end of May with the conclusion of the handover period and the exit of Longmeadow. Given still high food inflation, the Group has for the moment maintained the majority of its strategic inventory investment on a rolling basis.

While the majority of the inventory growth is attributable to specific factors funded by trade payables, the Group is targeting an improved FY24 inventory performance. The anticipated inventory benefit of the ongoing Pick n Pay and QualiSave range optimisation has begun to deliver results, and we expect this to have an increasingly positive impact on Group inventory as the range optimisation is completed in FY24.

Trade and other receivables

Trade and other receivables (current and non-current) increased 5.6% to R4.6 billion. Net franchise debt increased 4.4% to R3.8 billion. The Group raised the provision on franchise debt from 3.7% at February 2022 to 4.9% at February 2023, given the impact of the difficult trading environment, including load shedding costs borne by franchisees. The Group is confident in the quality of its debtors' book and the prudence of its impairments.

Creditors

Trade and other payables increased 13.0% year-on-year to R14.7 billion. Increased trade payables was partly driven by a corresponding increase in inventory as detailed previously.

Reported payables understates the Group's underlying payables position as suppliers on the Group's Fast Pay invoice financing platform are reported within net debt in terms of IFRS requirements. Including this fast-growing facility (+48.7% year-on-year to R599.4 million) gives total year-on-year payables growth of 14.1%.

Capital investment

The Group invested R4.0 billion in capital projects in FY23, an 87% increase on the R2.1 billion invested in FY22, in line with accelerated investment plans under Ekuseni. FY23 capital allocation was shifted in favour of the Group's high ROI growth engines, with Boxer capital investment up 104% to R1.3 billion, and Pick n Pay Clothing capital investment up 113% to R145 million.

Capital investment for FY24 is expected to be in the range of R3.5 to R4.5 billion.

Shareholder distribution

The Board declared a final dividend of 140.30 cents per share. This brings the total FY23 dividend to 185.15 cents per share, down 16.3% on last year in line with the decline in the Group's pro forma headline earnings per share, maintaining a divided cover of 1.3x pro forma earnings. The dividend will be paid on 5 June 2023. Please refer to the dividend declaration included with this announcement for detailed information.

Change to dividend policy from FY24

Taking into account the capital investment requirements of the Ekuseni Plan and the uncertainties brought about by the unprecedented levels of load shedding, the Board has resolved to amend the dividend policy from FY24. Going forward, the Group will change from its 1.3x cover (76% pay-out ratio) to a range of between 1.5x (67% pay-out) and 1.8x (56% pay-out). The new policy will contribute towards the Group having the necessary balance sheet flexibility to support the elevated capital expenditure required by the Ekuseni Plan. The cover will likely tend towards the upper end of the range over FY24 and FY25. The Group notes that the upper end of the cover range remains broadly in line with the FY22 (fixed) covers of its retail peers.

Changes to the Board during the period under review

Jonathan Ackerman retired as an executive director on 31 March 2023 and was appointed as a non-executive director from that date.

Summary and outlook

FY23 was an intensive period for the Group as it launched and began execution of its Ekuseni strategic plan, and simultaneously dealt with unprecedentedly high levels of load shedding during the second half. The results achieved in year one of the multi-year plan have been encouraging, particularly in respect of our growth engines, Boxer, omnichannel, and Pick n Pay Clothing. Extensive progress has been made within our core Pick n Pay supermarkets business, including the successful launch of QualiSave, and the full revamp of 131 supermarkets to their new CVPs via the accelerated refurbishment programme. While the results are not yet visible on the Pick n Pay top line, within this there are very encouraging signs from QualiSave and the CVP converted stores.

The Group has made substantial progress on Project Future Phase 2, saving R800 million within FY23. The groundwork has been laid for further efficiency gains in FY24 and FY25 via multi-skilling implementation, opening the new Eastport DC, preparing for the December 2023 support office consolidation, and the VSP and Junior Store Management restructurings which began in March 2023.

When taking account of the net generator diesel costs that enable us to continue serving customers during load shedding, FY23 underlying earnings were ahead of the broadly flat guidance that we had communicated to the market earlier in the year.

Looking forward, the Group recognises that much work remains to be done to deliver the Ekuseni plan in terms of sustaining the momentum of our growth engines, rejuvenating Pick n Pay supermarkets, and optimising our cost base. The Group will continue to drive its capital investment programme while carefully balancing investment against gearing levels. Unprecedently high levels of load shedding, particularly diesel costs to keep stores open, add to the operational challenge. The Group is working intensively to reduce monthly diesel costs, but the results will ultimately depend on the levels of load shedding experienced.

The Group will incur FY24 restructuring charges related to the VSP and Junior Store Management processes, after which associated efficiency gains will contribute from H2 FY24. The FY24 earnings outlook will largely be driven by load shedding diesel costs and increased finance charges from higher gearing, offset by savings from the multiple Project Future initiatives. Overall, FY24 earnings (before restructuring charges) may not exceed FY23 pro forma headline earnings, depending on the levels and frequency of load shedding experienced during the year. Turnover growth for the first eight weeks of FY24 was broadly in line with H2 FY23 for Boxer, and slightly softer for Pick n Pay, where we have adjusted promotional activity to a new calendar, while continuing to hold prices below CPI food.

We thank all Boxer and Pick n Pay colleagues, and our valued franchise partners, for their commitment and contribution, and for their dedication to customers and communities. In particular, we thank our colleagues and partners for the energy they are bringing towards realising the Ekuseni goals.

Gareth Ackerman
Chair

Pieter Boone
Chief Executive Officer

3 May 2023

PRO FORMA EARNINGS PERFORMANCE

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

The financial results for the 52 weeks ended 26 February 2023 includes the cash receipt of R145.2 million (R104.5 million net of tax) of insurance proceeds. These insurance recoveries relate directly to the losses suffered by the Group during the prior reporting period as a result of civil unrest, and which were accounted for in the prior period pro forma earnings presented. Refer to the 2022 audited Group annual financial statements at www.picknpayinvestor.co.za for further information. As a result, the Group has presented its earnings performance for the current period on a pro forma basis, excluding the insurance proceeds received.

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 26 February 2023 Rm	Insurance recoveries received* 52 weeks to 26 February 2023 Rm	Pro forma 52 weeks to 26 February 2023 Rm	% of turnover	% change	Pro forma# 52 weeks to 27 February 2022 Rm	% of turnover
Turnover	106 561.8	–	106 561.8		8.9	97 872.8	
Cost of merchandise sold	(85 625.2)	–	(85 625.2)			(79 476.7)	
Gross profit	20 936.6	–	20 936.6	19.6	13.8	18 396.1	18.8
Other income	2 265.3	(145.2)	2 120.1	2.0	(20.0)	2 650.3	2.7
Franchise fee income	447.7	–	447.7	0.4	4.5	428.3	0.4
Operating lease income	157.4	–	157.4	0.2	36.2	115.6	0.1
Commissions and other income	1 399.5	–	1 399.5	1.3	15.4	1 213.0	1.3
Insurance recoveries*	260.7	(145.2)	115.5	0.1		893.4	0.9
Trading expenses	(20 153.9)	–	(20 153.9)	18.9	11.9	(18 014.7)	18.4
Employee costs	(8 347.9)	–	(8 347.9)	7.8	6.5	(7 836.3)	8.0
Occupancy	(3 054.2)	–	(3 054.2)	2.9	14.7	(2 662.1)	2.7
Operations	(5 384.3)	–	(5 384.3)	5.0	18.7	(4 535.1)	4.6
Merchandising and administration	(3 367.5)	–	(3 367.5)	3.2	13.0	(2 981.2)	3.1
Trading profit	3 048.0	(145.2)	2 902.8	2.7	(4.3)	3 031.7	3.1
Net finance costs	(1 322.8)	–	(1 322.8)	1.2	15.0	(1 150.4)	1.2
Net funding	(171.1)	–	(171.1)	0.2		(21.4)	–
Leases	(1 151.7)	–	(1 151.7)	1.0		(1 129.0)	1.2
Share of associate's earnings excluding net monetary adjustments*	98.4	–	98.4		1.8	96.7	
Profit before tax, before capital items and before net monetary adjustments*	1 823.6	(145.2)	1 678.4	1.6	(15.1)	1 978.0	2.0
Share of associate's hyperinflation net monetary adjustments*	(23.4)	–	(23.4)			(25.1)	
Profit before tax before capital items*	1 800.2	(145.2)	1 655.0			1 952.9	
Loss on capital items	(92.6)	–	(92.6)			(46.2)	
(Loss)/profit on disposal of assets and insurance recoveries on scrapping of assets	(20.1)	–	(20.1)			241.8	
Loss from impairments and scrapping of assets	(66.8)	–	(66.8)			(273.6)	
Impairment loss on investment in associate	(5.7)	–	(5.7)			(14.4)	
Profit before tax	1 707.6	(145.2)	1 562.4	1.5	(18.1)	1 906.7	1.9
Tax	(537.7)	40.7	(497.0)	0.5	(15.4)	(587.7)	0.6
Profit for the period	1 169.9	(104.5)	1 065.4	1.0	(19.2)	1 319.0	1.3

	52 weeks to 26 February 2023 Rm	Insurance recoveries received* 52 weeks to 26 February 2023 Rm	Pro forma 52 weeks to 26 February 2023 Rm	% of turnover	% change	Pro forma# 52 weeks to 27 February 2022 Rm	% of turnover
South Africa operating segment**							
Sales from customers	102 721.3		102 721.3		8.7	94 535.2	
Profit before tax before capital items	1 669.3	(145.2)	1 524.1		(18.0)	1 859.0	
Rest of Africa operating segment**							
Sales from customers	5 086.5		5 086.5		14.6	4 438.8	
Profit before tax, before capital items and before net monetary adjustments*	154.3		154.3		29.7	119.0	
Earnings per share	Cents		Cents			Cents	
Basic earnings per share	243.37		243.37		(3.9)	253.34	
Diluted earnings per share	242.54		242.54		(3.9)	252.43	
Headline earnings per share	259.25		259.25		(1.3)	262.59	
Diluted headline earnings per share	258.36		258.36		(1.3)	261.65	
Pro forma headline earnings per share*	Cents	Cents	Cents			Cents	
Pro forma headline earnings per share	259.25	(16.88)	242.37		(16.3)	289.64	
Pro forma diluted headline earnings per share	258.36	(16.81)	241.55		(16.3)	288.59	

* *Profit before tax before capital items include non-cash hyperinflationary net monetary adjustments in respect of the Group's investment in associate attributable to the requirements of IAS 29. In order to present the underlying performance of the Group on a comparable basis, the share of associate's earnings has been separately disclosed between components including and excluding these non-cash hyperinflation net monetary adjustments. In addition, during the current period only, the Group has excluded insurance proceeds received which were accounted for in the pro forma earnings for the 2022 financial year. The Group has therefore presented pro forma profit before tax, before capital items which exclude non-cash hyperinflation net monetary adjustments and insurance proceeds received. Refer to Appendix 1 for further information.*

** *Refer to note 28 for further information on the Group's operating segment performance.*

Refer to Appendix 1 and the 2022 audited Group annual financial statements for the reconciliation of the prior period pro forma earnings information presented.

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 110) of 140.30000 cents per share out of income reserves.

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

The tax payable is 28.06000 cents per share, resulting in shareholders who are not exempt from dividends tax with a net dividend of 112.24000 cents per share.

Dividend dates

The last day of trade in order to participate in the dividend (CUM dividend) will be Tuesday, 30 May 2023.

The shares will trade EX dividend from the commencement of business on Wednesday, 31 May 2023 and the record date will be Friday, 2 June 2023. The dividend will be paid on Monday, 5 June 2023.

Share certificates may not be dematerialised or rematerialised between Wednesday, 31 May 2023 and Friday, 2 June 2023, both dates inclusive.

On behalf of the Board of directors

Penelope Gerber
Company Secretary

3 May 2023

GROUP ANNUAL FINANCIAL STATEMENTS

2

26 Statement of comprehensive income
27 Statement of financial position
28 Statement of changes in equity
29 Statement of cash flows
30 Notes to the annual financial statements

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the period ended

	Note	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm
Revenue	2	109 278.2	100 902.4
Turnover	2	106 561.8	97 872.8
Cost of merchandise sold		(85 625.2)	(79 476.7)
Gross profit		20 936.6	18 396.1
Other income		2 265.3	2 505.1
Franchise fee income	2	447.7	428.3
Operating lease income	2	157.4	115.6
Commissions and other income	2	1 399.5	1 213.0
Insurance recoveries	2	260.7	748.2
Trading expenses		(20 153.9)	(18 014.7)
Employee costs	3	(8 347.9)	(7 836.3)
Occupancy		(3 054.2)	(2 662.1)
Operations		(5 384.3)	(4 535.1)
Merchandising and administration*		(3 367.5)	(2 981.2)
Trading profit		3 048.0	2 886.5
Finance income	2	451.1	524.5
Finance costs	3	(1 773.9)	(1 674.9)
Share of associate's earnings	14	75.0	71.6
Profit before tax before capital items		1 800.2	1 807.7
Loss on capital items		(92.6)	(46.2)
(Loss)/profit on disposal of assets and insurance recoveries on scrapping of assets		(20.1)	241.8
Loss from impairments and scrapping of assets		(66.8)	(273.6)
Impairment loss on investment in associate	14	(5.7)	(14.4)
Profit before tax	3	1 707.6	1 761.5
Tax	6	(537.7)	(547.0)
Profit for the period		1 169.9	1 214.5
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss		(0.2)	25.4
Remeasurement in retirement scheme assets	22	(1.6)	35.3
Tax on items that will not be reclassified to profit or loss	13	1.4	(9.9)
Items that may be reclassified to profit or loss		(38.1)	16.2
Foreign currency translations		(67.3)	19.0
Movement in cash flow hedge		29.7	(0.2)
Tax on items that may be reclassified to profit or loss	13	(0.5)	(2.6)
Total comprehensive income for the period		1 131.6	1 256.1
Earnings per share		Cents	Cents
Basic earnings per share	7	243.37	253.34
Diluted earnings per share	7	242.54	252.43

* *Included in merchandising and administration expenses is expected credit loss allowances, related to the Group's trade and other receivables, of R198.9 million (2022: R89.7 million). Refer to note 17.*

GROUP STATEMENT OF FINANCIAL POSITION

	Note	As at 26 February 2023 Rm	As at 27 February 2022 Rm
ASSETS			
Non-current assets			
Intangible assets	9	1 424.4	987.1
Property, plant and equipment	10	8 893.2	7 150.5
Right-of-use assets	11	11 195.0	9 588.9
Net investment in lease receivables	12	1 949.1	2 069.0
Deferred tax assets	13	734.1	822.5
Investment in associate	14	72.4	106.0
Loans	15	117.8	85.9
Retirement scheme assets	22	68.6	122.0
Investment in insurance cell captive	30	71.3	47.4
Operating lease assets		8.9	7.9
Trade and other receivables	17	84.7	106.5
		24 619.5	21 093.7
Current assets			
Inventory	16	10 647.0	8 277.3
Trade and other receivables	17	4 472.0	4 207.6
Cash and cash equivalents	18	1 997.8	6 425.3
Net investment in lease receivables	12	333.4	319.1
Right-of-return assets	26	23.4	21.5
Derivative financial instruments	30	22.0	–
		17 495.6	19 250.8
Non-current asset held for sale	10	250.0	–
Total assets		42 365.1	40 344.5
EQUITY AND LIABILITIES			
Equity			
Share capital	19	6.0	6.0
Treasury shares	20	(643.8)	(702.1)
Retained earnings		4 685.2	4 717.3
Other reserves		20.1	(8.6)
Foreign currency translation reserve		(364.7)	(296.9)
Total equity		3 702.8	3 715.7
Non-current liabilities			
Lease liabilities	25	15 133.2	13 656.5
		15 133.2	13 656.5
Current liabilities			
Trade and other payables*	23	14 661.0	12 976.4
Lease liabilities	25	2 470.8	2 431.4
Deferred revenue	26	377.9	385.1
Bank overdraft and overnight borrowings	18	2 800.0	2 800.0
Borrowings	21	2 869.4	4 003.1
Current tax liabilities	6	269.8	279.8
Provisions*	24	80.2	88.8
Derivative financial instruments	30	–	7.7
		23 529.1	22 972.3
Total equity and liabilities		42 365.1	40 344.5

* *In order to improve disclosure, the Group has separately disclosed provisions previously recorded within trade and other payables*

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 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
Total comprehensive income for the period		–	–	1 169.7	29.7	(67.8)	1 131.6
Profit for the period		–	–	1 169.9	–	–	1 169.9
Foreign currency translations		–	–	–	–	(67.8)	(67.8)
Movement in cash flow hedge		–	–	–	29.7	–	29.7
Remeasurement in retirement scheme assets		–	–	(0.2)	–	–	(0.2)
Other reserve movements		–	–	–	(1.0)	–	(1.0)
Transactions with owners		–	58.3	(1 201.8)	–	–	(1 143.5)
Dividends paid		–	–	(1 112.8)	–	–	(1 112.8)
Share purchases	20	–	(90.1)	–	–	–	(90.1)
Net effect of settlement of employee share awards	20	–	148.4	(148.4)	–	–	–
Share-based payments expense	3	–	–	59.4	–	–	59.4
At 26 February 2023		6.0	(643.8)	4 685.2	20.1	(364.7)	3 702.8

GROUP STATEMENT OF CASH FLOWS

for the period ended

	Note	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm
Cash flows from operating activities			
Trading profit		3 048.0	2 886.5
Adjusted for non-cash items		3 626.3	3 391.5
Depreciation of property, plant and equipment	10	1 320.5	1 216.0
Depreciation of right-of-use assets	11	2 148.2	1 979.9
Amortisation of intangible assets	9	96.6	123.4
Share-based payments expense	3	59.4	149.0
Lease adjustments		(28.9)	(42.4)
Movement in operating lease assets		(1.0)	3.1
Movement in retirement scheme assets		51.8	(4.0)
Fair value and foreign exchange adjustments		(20.3)	(33.5)
Cash generated before movements in working capital		6 674.3	6 278.0
Movements in working capital		(968.2)	(563.6)
Movements in trade and other payables, provisions and deferred revenue		1 668.9	898.2
Movements in inventory and right-of-return assets		(2 338.2)	(1 074.2)
Movements in trade and other receivables		(298.9)	(387.6)
Cash generated from trading activities		5 706.1	5 714.4
Other interest received	2	251.7	300.1
Other interest paid	3	(431.4)	(341.0)
Interest received on net investment in lease receivables	12	191.9	203.7
Interest paid on lease liabilities	25	(1 446.0)	(1 364.4)
Cash generated from operations		4 272.3	4 512.8
Dividends received		16.0	20.1
Dividends paid		(1 112.8)	(959.6)
Tax paid	6	(458.4)	(403.9)
Cash generated from operating activities		2 717.1	3 169.4
Cash flows from investing activities			
Investment in intangible assets	9	(231.5)	(88.1)
Investment in property, plant and equipment	10	(3 401.9)	(1 990.1)
Purchase of operations	31	(329.7)	(55.7)
Proceeds on disposal of intangible assets		25.7	4.0
Proceeds on disposal of property, plant and equipment		42.6	135.9
Insurance proceeds on capital items		13.8	210.5
Principal net investment in lease receipts	12	299.1	251.6
Lease incentives received		89.6	52.0
Loans repaid		62.4	14.8
Loans advanced		(94.3)	(41.5)
Cash utilised in investing activities		(3 524.2)	(1 506.6)
Cash flows from financing activities			
Principal lease liability payments	25	(2 408.8)	(2 059.8)
Borrowings raised	21	6 804.8	6 020.4
Repayment of borrowings	21	(7 938.5)	(5 348.5)
Share purchases	20	(90.1)	(114.2)
Cash utilised in financing activities		(3 632.6)	(1 502.1)
Net (decrease)/increase in cash and cash equivalents		(4 439.7)	160.7
Net cash and cash equivalents at beginning of period		3 625.3	3 463.7
Foreign currency translations		12.2	0.9
Net cash and cash equivalents at end of period	18	(802.2)	3 625.3
Consisting of :			
Cash and cash equivalents		1 997.8	6 425.3
Overnight borrowings		(2 800.0)	(2 800.0)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

for the period ended 26 February 2023

Significant accounting policies

1.1 Reporting entities

The Group annual financial statements for the 52 weeks ended 26 February 2023 (2022: 52 weeks ended 27 February 2022) 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 33.

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.

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.

Significant accounting policies (continued)

1.5 Foreign currency transactions and translations (continued)

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.

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 1.21.

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 26.

Significant accounting policies (continued)

1.6 Use of estimates, judgements and assumptions (continued)

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 30.

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 26.

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.

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.

Significant accounting policies (continued)

1.6 Use of estimates, judgements and assumptions (continued)

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.

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.

Prior period considerations of the COVID-19 Pandemic

During the prior period under review, the COVID-19 pandemic placed strain on global economies, influenced customer trends and influenced trading activities of the Group. Where relevant, the subsequent impacts of the pandemic was considered in the prior period 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.

Significant accounting policies (continued)

1.7 Intangible assets (continued)

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	4 to 8 years
Licences	9 to 10 years

Impairment

Intangible assets are assessed for impairment as non-financial assets in accordance with note 1.15.

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.

Significant accounting policies (continued)

1.8 Property, plant and equipment (continued)

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	3 to 15 years
• Vehicles	4 to 8 years
Leasehold improvements	8 years
Aircraft and major components	10 to 20 years

Impairment

Property, plant and equipment are assessed for impairment as non-financial assets in accordance with note 1.15.

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 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met, only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such an asset or disposal group. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of the previous carrying amount and fair value less costs to sell, other than financial assets and deferred tax assets which continue to be measured in accordance with their relevant accounting standards. Property, plant and equipment are not depreciated or amortised once classified as held for sale.

1.10 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.

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 1.15.

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.

1.11 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 1.18) 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 1.15.

Significant accounting policies (continued)

1.11 Net investment in lease receivables (continued)

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.

1.12 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.

1.13 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.

1.14 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 26.

1.15 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 and net investment in lease receivables at an amount equal to lifetime ECLs. To measure lifetime ECLs, trade receivables and net investment in lease receivables 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.

Significant accounting policies (continued)

1.15 Impairment of assets (continued)

Non-financial assets (continued)

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.

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.

1.16 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.

1.17 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.

1.18 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.

Significant accounting policies (continued)

1.18 Leases Liabilities (continued)

Subsequent measurement (continued)

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.

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 asset 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.

1.19 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.

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.

Significant accounting policies (continued)

1.19 Financial instruments (continued)

Subsequent measurement (continued)

Financial assets at amortised cost (continued)

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 comprise housing and other employee loans and bridging finance to landlords. Short-term loans are recorded within current trade and other receivables.

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 1.18 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.

1.20 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.

Significant accounting policies (continued)

1.21 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, prepaid gift cards and refunds arising from virtual transactions) 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 26.

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 26.

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.

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.

1.22 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.

1.23 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.

Significant accounting policies (continued)

1.23 Taxes (continued)

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.

1.24 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.

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.

Significant accounting policies (continued)

1.24 Employee benefits (continued)

Retirement benefits (continued)

Defined-benefit plans (continued)

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.

1.25 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.

1.26 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.

1.27 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.

1.28 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.

1.29 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.

1.30 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

2.1 Revenue

	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm
Revenue from contracts with customers	108 409.0	99 514.1
Turnover (note 2.2)	106 561.8	97 872.8
Franchise fee income	447.7	428.3
Commissions and other income	1 399.5	1 213.0
Insurance recoveries**	260.7	748.2
Operating lease income	157.4	115.6
Finance income	451.1	524.5
Bank balances and investments	196.5	268.9
Trade receivables and other	63.8	50.7
Net investment in lease receivables (note 12)	190.8	204.9
	109 278.2	100 902.4

2.2 Disaggregation of turnover*

	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm
South Africa operating segment (note 28)	102 721.3	94 535.2
Pick n Pay	71 372.2	68 450.4
Boxer	31 349.1	26 084.8
Rest of Africa operating segment (note 28)	3 840.5	3 337.6
Pick n Pay	3 292.5	2 839.7
Boxer	548.0	497.9
	106 561.8	97 872.8

Revenue recognised during the period, recorded within turnover, from amounts included in deferred revenue at the beginning of the period amounted to R237.2 million (2022: R242.5 million). Refer to note 26.

* *In order to improve disclosure, the Group has disaggregated turnover by operating segments and further by brand. Refer to note 28 for further information.*

** *Insurance recoveries includes insurance proceeds of R145.2million received during the current year which related to the losses suffered in the prior year as a result of the civil unrest which occurred in South Africa during July 2021.*

	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm

3 Profit before tax

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

3.1 Employee costs

	2023 Rm	2022 Rm
Salaries and wages	7 594.6	6 996.8
Staff benefits and training	433.5	396.5
Share-based payments expense	59.4	149.0
Net expense recognised on defined-benefit plan (note 22.1)	6.8	1.0
Contributions to defined-contribution plans (note 22.2)	253.6	293.0
	8 347.9	7 836.3

3.2 Auditor's remuneration

	2023 Rm	2022 Rm
Assurance services – current year	11.5	10.7
Assurance services – prior period under provision	1.6	0.6
	13.1	11.3

3.3 Finance costs

	2023 Rm	2022 Rm
Lease liabilities (note 25)	1 342.5	1 333.9
Borrowings and other	431.4	341.0
	1 773.9	1 674.9

3.4 Foreign exchange (losses)/gains

	2023 Rm	2022 Rm
Leases liabilities	(6.2)	15.7
Other foreign exchange gains/(losses)	2.7	(2.8)
	(3.5)	12.9

3.5 Fair value gains

	2023 Rm	2022 Rm
Investment in insurance cell captive	23.9	14.7
Other fair value gains	2.6	3.1
	26.5	17.8

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[5] R'000	Total remuneration R'000	Long-term share awards charges – current year[6] R' 000
2023										
Non-executive directors	9 514.6	2 989.6	–	–	–	12 504.2	–	–	12 504.2	–
Gareth Ackerman	4 893.0	–	–	–	–	4 893.0	–	–	4 893.0	–
Suzanne Ackerman[1]	430.8	286.9	–	–	–	717.7	–	–	717.7	–
Haroon Bhorat	470.0	355.2	–	–	–	825.2	–	–	825.2	–
Mariam Cassim	470.0	156.3	–	–	–	626.3	–	–	626.3	–
James Formby[2]	235.0	78.1	–	–	–	313.1	–	–	313.1	–
David Friedland	470.0	253.4	–	–	–	723.4	–	–	723.4	–
Hugh Herman[3]	195.8	–	–	–	–	195.8	–	–	195.8	–
Aboubakar Jakoet[4]	470.0	383.6	–	–	–	853.6	–	–	853.6	–
Audrey Mothupi	470.0	514.7	–	–	–	984.7	–	–	984.7	–
David Robins	470.0	101.8	–	–	–	571.8	–	–	571.8	–
Annamarie van der Merwe	470.0	199.0	–	–	–	669.0	–	–	669.0	–
Jeff van Rooyen	470.0	660.6	–	–	–	1 130.6	–	–	1 130.6	–
Executive directors	–	–	17 336.1	1 751.3	3 893.1	22 980.5	14 062.8	1 512.0	38 555.3	10 815.9
Pieter Boone	–	–	10 707.0	968.5	3 200.0	14 875.5	9 814.8	–	24 690.3	5 817.8
Lerena Olivier	–	–	5 160.0	488.1	340.4	5 988.5	3 870.0	–	9 858.5	3 838.0
Jonathan Ackerman	–	–	1 217.1	271.2	324.5	1 812.8	378.0	1 512.0	3 702.8	1 098.7
Suzanne Ackerman[1]	–	–	252.0	23.5	28.2	303.7	–	–	303.7	61.4
Total remuneration	9 514.6	2 989.6	17 336.1	1 751.3	3 893.1	35 484.7	14 062.8	1 512.0	51 059.5	10 815.9

[1] *Suzanne Ackerman retired as an executive director on 31 March 2022, and was appointed as a non-executive director on that date.*
[2] *James Formby was appointed as non-executive director, effective 10 October 2022.*
[3] *Hugh Herman retired during July 2022.*
[4] *Aboubakar Jakoet replaced Jeff van Rooyen as Chair of the Audit, Risk and Compliance Committee in July 2022.*
[5] *Gratuities were paid on retirement of the director in recognition of their exemplary service to the Group.*
[6] *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 RSP 2020 awards, due to vest in June 2023, have not been fully met. As a result, and as directed by the Remuneration Committee, 50% of the RSP 2020 long-term share awards have been forfeited, and the related expense recouped by the Group in the 2023 financial year. This is in line with the remuneration committee's decision in the prior year to forfeit 50% of the FSP 2019 awards.*

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[2] R'000	Total remuneration R'000	Long-term share awards charges – current year[3] 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	457.0	345.5	–	–	–	802.5	–	–	802.5	–
Mariam Cassim	457.0	152.0	–	–	–	609.0	–	–	609.0	–
David Friedland	457.0	246.5	–	–	–	703.5	–	–	703.5	–
Hugh Herman	457.0	–	–	–	–	457.0	–	–	457.0	–
Aboubakar Jakoet	457.0	242.0	–	–	–	699.0	–	–	699.0	–
Audrey Mothupi	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[1]	–	–	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	–	–	3 024.0	281.6	291.5	3 597.1	1 008.0	3 024.0	7 629.1	2 153.4
Richard Brasher[1]	–	–	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[1]	–	–	1 784.5	154.5	506.5	2 445.5	–	–	2 445.5	–

[1] *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.*
[2] *Gratuities were paid on retirement of the director in recognition of their exemplary service to the Group.*
[3] *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 RSP 2020 awards, due to vest in June 2023, have not been fully met. As a result, and as directed by the Remuneration Committee, 50% of the RSP 2020 long-term share awards have been forfeited, and the related expense recouped by the Group in the 2023 financial year. This is in line with the remuneration committee's decision in the prior year to forfeit 50% of the FSP 2019 awards.*

4 Directors' remuneration and interest in shares (continued)

4.2 Directors' interest in ordinary shares

2023	How held[1]	Balance held at 27 February 2022	Additions/ grants	Disposals	Forfeits[6]	Balance held at 26 February 2023[11]	Beneficial/ non-beneficial interest[2]
Gareth Ackerman	direct	309	–	–	–	309	Beneficial
	indirect	1 713 106	17 920	–	–	1 731 026	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	2 812 000	38 000	–	–	2 850 000	Non-beneficial
Pieter Boone	direct – RSP	500 000	178 500	–	–	678 500	Beneficial
Lerena Olivier	direct	51 300	26 750	(14 000)	–	64 050	Beneficial
	direct – RSP/FSP	257 000	87 000	(50 000)	(60 000)	234 000	Beneficial
Suzanne Ackerman[8]	direct	120 528	–	–	–	120 528	Beneficial
	direct – RSP/FSP	122 500	–	(38 714)	(83 786)	–	Beneficial
	indirect	533 169	20 714	–	–	553 883	Beneficial
Jonathan Ackerman[9]	direct	122 888	–	–	–	122 888	Beneficial
	direct – RSP/FSP	61 000	–	(4 000)	(15 000)	42 000	Beneficial
	indirect	807 419	21 371	–	–	828 790	Beneficial
	indirect	2 161	–	–	–	2 161	Non-beneficial
Aboubakar Jakoet	direct	758 764	–	(750 000)	–	8 764	Beneficial
	indirect	–	750 000	–	–	750 000	Beneficial
	indirect	13 059	–	–	–	13 059	Non-beneficial
David Friedland	indirect	41 688	–	(7 500)	–	34 188	Beneficial
David Robins	direct	975	–	–	–	975	Beneficial
	indirect	90 436	–	–	–	90 436	Non-beneficial
James Formby[10]	direct	4 000	–	–	–	4 000	Beneficial
	indirect	13 625	13 100	–	–	26 725	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 in their capacities as trustees.*

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

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

6 *As a result of the disruptions experienced in the 2023 financial year, the Group did not fully achieve the three-year headline earnings per share performance target required for the successful delivery of the 2020 RSP award. As a result, and as directed by the Remuneration Committee, 50% of the RSP 2020 long-term share awards have been forfeited, and the related expense recouped by the Group in the 2023 financial year. The remaining shares will be delivered to participants at the end of June 2023.*

7 *The indirect non-beneficial interest in Mistral Trust represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman and Jonathan Ackerman in their capacity as trustees and/or potential beneficiaries.*

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

9 *Jonathan Ackerman retired as an executive director on 31 March 2023, and was appointed as a non-executive director on that date.*

10 *James Formby was appointed as non-executive director on 10 October 2022. The balance as at 27 February 2022 and the additions during the current year, reflects the interest and movement in shares prior to the non-executive director appointment.*

11 *There have been no changes in the directors' interest in ordinary shares since 26 February 2023 up to the date of approval of the 2023 audited Group annual financial statements.*

4 Directors' remuneration and interest in shares (continued)

4.2 Directors' interest in ordinary shares (continued)

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[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 in their capacities as trustees.*

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

5 *The indirect non-beneficial interest in Ackerman Investment Holdings Proprietary Limited represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman 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 and Jonathan Ackerman in their capacity as trustees and/or potential beneficiaries.*

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

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)

4.3 Directors' interest in B shares

2023	How held[1]	Balance held at 27 February 2022	Additions	Disposals	Balance held at 26 February 2023[7]	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[5]	direct	233 767	–	–	233 767	Beneficial
	indirect	926 084	–	–	926 084	Beneficial
Jonathan Ackerman[6]	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] *The indirect non-beneficial interest in Ackerman Investment Holdings Proprietary Limited represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman and Jonathan Ackerman.*
[4] *The indirect non-beneficial interest in Mistral Trust represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman and Jonathan Ackerman in their capacity as trustees and/or potential beneficiaries.*
[5] *Suzanne Ackerman retired as an executive director on 31 March 2022, and was appointed as a non-executive director on that date.*
[6] *Jonathan Ackerman retired as an executive director on 31 March 2023, and was appointed as a non-executive director on that date.*
[7] *There have been no changes in the directors' interest in shares since 26 February 2023 up to the date of approval of the 2023 audited Group annual financial statements.*

2022	How held[1]	Balance held at 28 February 2021	Additions	Disposals	Balance held at 27 February 2022	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[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] *The indirect non-beneficial interest in Ackerman Investment Holdings Proprietary Limited represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman and Jonathan Ackerman.*
[4] *The indirect non-beneficial interest in Mistral Trust represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman and Jonathan Ackerman in their capacity as trustees and/or potential beneficiaries.*
[5] *Suzanne Ackerman retired as an executive director on 31 March 2022, and was appointed as a non-executive director on that date.*

4 Directors' remuneration and interest in shares (continued)

4.4 Share awards granted to directors

2023	Calendar year granted	Award grant price R	Balance held at 27 February 2022	Forfeits[3]	Granted/ (exercised)	Exercise price R	Balance held at 26 February 2023	Available for take-up
Pieter Boone								
Restricted shares	2021	Nil	500 000	–	–	–	500 000	June 2024
	2022	Nil	–	–	178 500	–	178 500	June 2025
			500 000	–	178 500		678 500	
Lerena Olivier								
Share options	2019	58.05	80 000	–	–	–	80 000	Now
	2019	58.05	60 000	–	–	–	60 000	September 2024
	2019	58.05	60 000	–	–	–	60 000	September 2026
Forfeitable shares	2019	Nil	50 000	–	(50 000)	59.14	–	n/a
Restricted shares	2020	Nil	120 000	(60 000)	–	–	60 000	June 2023
	2021	Nil	87 000	–	–	–	87 000	June 2024
	2022	Nil	–	–	87 000	–	87 000	June 2025
			457 000	(60 000)	37 000		434 000	
Suzanne Ackerman[1]								
Forfeitable shares	2019	Nil	7 500	–	(7 500)	59.14	–	n/a
Restricted shares	2020	Nil	60 000	(28 786)	(31 214)	59.14	–	n/a
	2021	Nil	55 000	(55 000)	–	–	–	n/a
			122 500	(83 786)	(38 714)		–	
Jonathan Ackerman[2]								
Forfeitable shares	2019	Nil	4 000	–	(4 000)	59.14	–	n/a
Restricted shares	2020	Nil	30 000	(15 000)	–	–	15 000	June 2023
	2021	Nil	27 000	–	–	–	27 000	June 2024
			61 000	(15 000)	(4 000)		42 000	

[1] *Suzanne Ackerman retired as an executive director on 31 March 2022, and was appointed as a non-executive director on that date.*
[2] *Jonathan Ackerman retired as an executive director on 31 March 2023, and was appointed as a non-executive director on that date.*
[3] *As a result of the disruptions experienced in the 2023 financial year, the Group did not fully achieve the three-year headline earnings per share performance target required for the successful delivery of the 2020 RSP award. As a result, and as directed by the Remuneration Committee, 50% of the RSP 2020 long-term share awards have been forfeited, and the related expense recouped by the Group in the 2023 financial year. The remaining shares will be delivered to participants at the end of June 2023.*

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[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 retired as an executive director on 31 March 2022, and was appointed as a non-executive director on that date.*
[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.*

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 2021 financial period. The share option scheme remains in operation and all outstanding share options previously awarded under the scheme will be delivered to participants within the next 5 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 Employee Share Purchase Trust (the share trust) and its board of trustees. All options previously granted were in accordance with the rules of the Scheme, which have been 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, 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 and subsequent 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 (2022: 63.9 million) Pick n Pay Stores Limited (PIK) shares to manage the Group's employee share option and restricted share schemes, representing 13% (2022: 13%) of issued share capital.

5 Share-based payments (continued)

5.1 Outstanding share options

		52 weeks to 26 February 2023 Number of options 000's	52 weeks to 27 February 2022 Number of options 000's
Reconciliation of the total number of share options outstanding:			
At beginning of period		18 566.9	21 927.5
Options taken up		(4 428.7)	(1 963.6)
Options forfeited		(975.9)	(1 397.0)
At end of period		13 162.3	18 566.9
The weighted average grant price of outstanding share options are as follows:			
At beginning of period		R57.95	R56.53
Options taken up		R35.68	R37.20
Options forfeited		R66.06	R62.08
At end of period		R64.79	R57.95
Outstanding share options may be taken up during the following financial periods:		**000's**	**000's**
Year	**Average grant price**		
2024	R64.17	9 694.0	12 859.7
2025	R64.58	1 412.6	1 995.2
2026	R70.19	1 347.6	1 520.2
2027	R65.35	619.1	1 427.4
2028 and thereafter	R51.03	89.0	764.4
		13 162.3	18 566.9
Number of outstanding options as a percentage of issued shares		2.7%	3.8%

5.2 Outstanding restricted shares

	Number of restricted shares 000's	Number of restricted shares 000's
Reconciliation of the total number of restricted shares outstanding:		
At beginning of period	7 707.6	9 004.5
Shares granted	2 629.1	3 302.9
Shares delivered to participants (note 20)	(815.5)	(3 562.0)
Share awards forfeited	(2 508.7)	(1 037.8)
At end of period	7 012.5	7 707.6

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.

Vesting criteria in respect of the RSP 2020 awards, due to vest in June 2023, have not been fully met. As a result, and as approved by the remuneration committee, 50% of the RSP 2020 share awards have been forfeited.

Outstanding restricted shares vest during the following financial periods:		
2023	–	846.7
2024	1 549.5	3 600.0
2025	2 833.9	3 260.9
2026	2 629.1	–
	7 012.5	7 707.6
Number of restricted shares as a percentage of issued shares	1.4%	1.6%

5 Share-based payments (continued)

5.3 Total outstanding share awards

	52 weeks to 26 February 2023 Number of share awards 000's	52 weeks to 27 February 2022 Number of share awards 000's
Share options (note 5.1)	13 162.3	18 566.9
Restricted shares (note 5.2)	7 012.5	7 707.6
Total	20 174.8	26 274.5
Number of share awards as a percentage of issued shares	4.1%	5.5%

	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	43 718.0	37 618.3

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

6 Income tax

6.1 Tax recognised in profit or loss

	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm
Normal tax	448.4	479.4
– current period	431.0	510.7
– prior period under/(over) provision	17.4	(31.3)
Deferred tax (note 13)	89.3	67.6
	537.7	547.0

6.2 Tax paid

	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm
Owing – beginning of period	279.8	218.6
Recognised in profit or loss	448.4	479.4
Interest income	–	(14.3)
Owing – end of period	(269.8)	(279.8)
Total tax paid	458.4	403.9

6.3 Reconciliation of effective tax rate

	%	%
South African statutory tax rate	28.0	28.0
ETI allowances and other exempt income	(2.8)	(2.9)
Learnership and other allowances	(1.2)	(1.5)
Impact of foreign tax rates	1.2	2.3
Impact of fair value adjustments	(0.4)	(0.2)
Non-deductible impairment loss on intangible assets	0.1	0.1
Non-deductible leasehold improvement and property depreciation	4.7	3.8
Impact of share-based payments	0.3	1.5
Other non-deductible expenditure	0.4	0.5
Net prior period under/(over) provisions	0.3	(1.1)
Effect of reduction in South Africa tax rate	0.9	0.6
Effective tax rate	31.5	31.1

7 Basic, headline and diluted earnings per share

	52 weeks to 26 February 2023 Cents per share	52 weeks to 27 February 2022 Cents per share
Basic earnings per share	243.37	253.34
Diluted earnings per share	242.54	252.43
Headline earnings per share	259.25	262.59
Diluted headline earnings per share	258.36	261.65

7.1 Reconciliation between basic and headline earnings

	Rm	Rm
Profit for the period – basic earnings for the period	1 169.9	1 214.5
Adjustments:	76.3	44.4
Loss/(profit) on disposal of assets	33.9	(31.6)
Tax effect of (loss)/profit on disposal of assets	(9.5)	3.5
Loss from impairments and scrapping of assets	66.8	273.6
Tax effect of loss from impairments and scrapping of assets	(10.7)	(63.9)
Insurance recoveries on scrapping of assets due to civil unrest	(13.8)	(210.5)
Tax effect of insurance recoveries on scrapping of assets due to civil unrest	3.9	58.9
Impairment loss on investment in associate	5.7	14.4
Headline earnings for the period	1 246.2	1 258.9

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

	000's	000's
Number of ordinary shares in issue (note 19)	493 450.3	493 450.3
Weighted average number of ordinary shares in issue (excluding treasury shares)	480 702.1	479 389.3
Diluted weighted average number of ordinary shares in issue	482 344.2	481 128.4
Reconciliation of weighted average number of ordinary shares to diluted weighted average number of ordinary shares:		
Weighted average number of ordinary shares in issue (excluding treasury shares)	480 702.1	479 389.3
Dilutive effect of share awards	1 642.1	1 739.1
Diluted weighted average number of ordinary shares in issue	482 344.2	481 128.4

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.

8 Dividends

8.1 Dividends paid during the financial period

	52 weeks to 26 February 2023 Cents per share	52 weeks to 27 February 2022 Cents per share
Final dividend number 108 – declared 16 May 2022 – paid 6 June 2022 (2022: Number 106 – declared 20 April 2021 – paid 7 June 2021)	185.35	161.00
Interim dividend number 109 – declared 17 October 2022 – paid 5 December 2022 (2022: Number 107 – declared 19 October 2021 – paid 6 December 2021)	44.85	35.80
Total dividends per share for the period	230.20	196.80

8.2 Dividends declared related to the financial period

	52 weeks to 26 February 2023 Cents per share	52 weeks to 27 February 2022 Cents per share
Final dividend declared on 3 May 2023 – number 110 (2022: Final dividend declared on 16 May 2022 – number 108)	140.30	185.35
Interim dividend declared on 17 October 2022 – number 109 (2022: Interim dividend declared on 19 October 2021 – number 107)	44.85	35.80
	185.15	221.15

The directors have declared a final dividend (dividend 110) of 140.30000 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, 30 May 2023. The shares will trade EX dividend from the commencement of business on Wednesday, 31 May 2023 and the record date will be Friday, 2 June 2023. The dividends will be paid on Monday, 5 June 2023.

9 Intangible assets

	Goodwill Rm	Systems development* Rm	Licences Rm	Total Rm
52 weeks to 26 February 2023				
Carrying value	952.8	459.3	12.3	1 424.4
Cost	1 005.3	939.4	22.5	1 967.2
Accumulated amortisation and impairment losses	(52.5)	(480.1)	(10.2)	(542.8)
Reconciliation of carrying value				
At beginning of period	624.7	348.4	14.0	987.1
Additions	–	228.5	3.0	231.5
Expansion of operations	–	158.9	0.4	159.3
Maintaining operations	–	69.6	2.6	72.2
Amortisation	–	(92.2)	(4.4)	(96.6)
Impairment	(4.7)	–	–	(4.7)
Disposals	–	(25.4)	(0.3)	(25.7)
Purchase of operations (note 31)	332.8	–	–	332.8
At end of period	952.8	459.3	12.3	1 424.4
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				
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	–	(0.3)	–	(0.3)
Disposals	–	(3.8)	(0.2)	(4.0)
Purchase of operations (note 31)	27.8	–	–	27.8
Foreign currency translations	–	0.5	–	0.5
At end of period	624.7	348.4	14.0	987.1

* *Majority of additions to systems development assets during the current and prior periods are internally generated.*

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 (2022: 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 6.5% (2022: 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 15.3% (2022: 10.9%). 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 R817.8 million (2022: R489.7 million), relates to various acquisitions or conversions of underperforming franchise stores to owned stores. Goodwill recognised by the Boxer CGU amounts to R270.4million (2022: R178.4 million), and R113.2 million relates to the purchase of a single franchise store. The remaining purchases are immaterial in relation to the Group's total carrying amount of goodwill.

The value-in-use for each CGU was determined based on cash flow projections approved by management covering the relevant CGU's refurbishment cycles, which averages five years. The pre-tax discount rate applied to these cash flow projections was 16.7% (2022: 9.9%) in the South Africa operating segment and 16.0% (2022: 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 4.1% (2022: 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 R4.7 million (2022: R6.6 million) arose in one (2022: nine) 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.

During the period under review, the Group incurred R73.2 million on research activities, recorded as an expense within merchandising and administration in the statement of comprehensive income.

10 Property, plant and equipment

	Property Rm	Furniture, fittings, equipment and vehicles Rm	Leasehold improvements Rm	Aircraft Rm	Total Rm
52 weeks to 26 February 2023					
Carrying value	1 399.1	6 226.1	1 218.2	49.8	8 893.2
Cost	1 674.3	10 030.9	2 393.0	78.3	14 176.5
Accumulated depreciation and impairment losses	(275.2)	(3 804.8)	(1 174.8)	(28.5)	(5 283.3)
Reconciliation of carrying value					
At beginning of period	1 490.5	4 618.6	986.6	54.8	7 150.5
Additions	210.4	2 685.3	506.2	–	3 401.9
Expansion of operations	189.9	1 165.2	139.0	–	1 494.1
Maintaining operations	20.5	1 520.1	367.2	–	1 907.8
Depreciation	(40.0)	(1 019.9)	(255.6)	(5.0)	(1 320.5)
Impairment	–	(42.7)	(7.2)	–	(49.9)
Disposals	(11.8)	(52.9)	(11.8)	–	(76.5)
Purchase of operations (note 31)	–	30.0	–	–	30.0
Transfer to non-current asset held for sale	(250.0)	–	–	–	(250.0)
Foreign currency translations	–	7.7	–	–	7.7
At end of period	1 399.1	6 226.1	1 218.2	49.8	8 893.2
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					
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	–	(144.9)	(11.6)	–	(156.5)
Disposals	(57.1)	(48.9)	(4.5)	–	(110.5)
Purchase of operations (note 31)	–	27.9	–	–	27.9
Foreign currency translations	–	23.7	1.8	–	25.5
At end of period	1 490.5	4 618.6	986.6	54.8	7 150.5

Property includes land with an indefinite useful life, with a carrying value of R342.7 million (2022: R366.7 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 five years. The pre-tax discount rate applied to these cash flow projections was 16.7% (2022: 9.9%) in the South Africa operating segment and 16.0% (2022: 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 4.1% (2022: 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 R49.9 million (2022: R52.6 million) arose in 26 (2022: 21) 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.

Non-current asset held for sale

The Group's Longmeadow Distribution Centre, with a property carrying value of R250 million, previously disclosed as property, plant and equipment, has been reclassified to non-current assets held for sale within the South Africa segment, as it is in the process of being sold. The Group is in the final stages of concluding the sale, which is expected to occur within the next 12 months. The Group is replacing its Longmeadow Distribution Centre with the new Eastport Distribution Centre. At period-end, the property is recognised at carrying value, which is the lower of carrying value and fair value less costs to sell and the reclassification had no impact on the statement of comprehensive income. Refer to the review of operations for more information.

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 26 February 2023 Rm	52 weeks to 27 February 2022 Rm
Reconciliation of carrying value of right-of-use assets		
At beginning of period	9 588.9	10 050.6
Additions	3 849.7	2 299.9
Depreciation	(2 148.2)	(1 979.9)
Property	(1 806.1)	(1 654.6)
Equipment and vehicles	(342.1)	(325.3)
Other movements*	(87.8)	(747.2)
Impairment	(12.2)	(56.6)
Foreign currency translations	4.6	22.1
At end of period	11 195.0	9 588.9
Comprising of:		
Property	10 089.1	9 125.7
Equipment and vehicles	1 105.9	463.2

* *Other movements include 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 five years. The pre-tax discount rate applied to these cash flow projections was 16.7% (2022: 9.9%) in the South Africa operating segment and 16.0% (2022: 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 4.1% (2022: 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 R12.2 million (2022: R56.6 million) arose in five (2022: 12) 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.

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 25), 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% (2022: 8.2%).

12.1 Reconciliation of net investment in lease receivables

	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm
At beginning of period	2 388.1	2 411.2
New leases	273.4	270.7
Lease receipts	(506.0)	(483.9)
Principal lease receipts	(314.1)	(280.2)
Interest received	(191.9)	(203.7)
Finance income (note 2)	190.8	204.9
Other movements*	(70.7)	(7.1)
Foreign currency translations	6.9	(7.7)
At end of period	2 282.5	2 388.1
Net investment in lease receivables are presented in the statement of financial position as follows:		
Current	333.4	319.1
Non-current	1 949.1	2 069.0

* *Other movements include remeasurements and terminations of leases*

12.2 Lease receipts

	2023 Rm	2022 Rm
Lease receipts included in the measurement of net investment in lease receivables	506.0	483.9
Variable lease receipts not included in the measurement of net investment in lease receivables	12.0	11.0
	518.0	494.9

Certain property sub-leases contain variable receipts terms linked to sales generated from franchise stores, referred to as turnover rent. Turnover rent income averages 1.5% of turnover (2022: 1.7% of turnover) of franchise stores.

12.3 Maturity analysis

The undiscounted contractual maturities of lease receivables are as follows:

	2023 Rm	2022 Rm
Less than one year	494.7	494.1
One to two years	514.2	483.6
Two to three years	437.0	492.7
Three to four years	344.2	409.4
Four to five years	297.3	308.8
More than five years	898.3	1 039.7
Total undiscounted lease receivables	2 985.7	3 228.3
Unearned finance income	(703.2)	(840.2)
Net investment in lease receivables	2 282.5	2 388.1

13 Deferred tax

	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm
Deferred tax assets	734.1	822.5
The movement in net deferred tax assets are as follows:		
At beginning of period	822.5	902.6
Recognised in profit or loss (note 6)	(89.3)	(67.6)
Property, plant and equipment and intangible assets	(103.9)	(31.5)
Net operating lease assets	(0.2)	0.9
Retirement benefits and actuarial gains	13.9	(0.8)
Prepayments	(9.4)	9.3
Allowance for impairment losses	12.4	(0.7)
Deferred revenue	(3.1)	3.0
Income received in advance	1.5	(0.3)
Leases	(0.7)	26.6
Income and expense accruals	0.2	(74.1)
Recognised in other comprehensive income	0.9	(12.5)
Tax effect on items that will not be reclassified to profit or loss	1.4	(9.9)
Tax effect on items that may be reclassified to profit or loss	(0.5)	(2.6)
At end of period	734.1	822.5
Comprising of:		
Property, plant and equipment and intangible assets	(679.9)	(576.0)
Net operating lease assets	(2.4)	(2.2)
Retirement benefits and actuarial gains	(18.5)	(33.8)
Prepayments	(11.9)	(2.5)
Allowance for impairment losses	45.7	33.3
Deferred revenue	42.6	45.7
Income received in advance	19.6	18.1
Leases	1 108.2	1 108.9
Income and expense accruals	230.7	231.0
	734.1	822.5

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 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*.

Zimbabwe operates 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 0.020 ZWL$ (2022: 0.123 ZWL$) to the South African rand is not available for immediate settlement, as shortages of foreign currency results in the official exchange rate not being liquid, and is therefore not an appropriate rate to use when accounting for the Group's investment in associate. An estimated exchange rate of 0.019 ZWL$ (2022: 0.082 ZWL$) to the South African rand was used when translating the result of TM Supermarkets as at 26 February 2023. Inputs considered in this estimate include the official inflation rate, the in-country fuel price and the exchange rate applicable to dividends received from the Group's investment in associate during the period.

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.

	ZWL$: ZAR	USD : ZAR	USD : ZWL$
Closing rates at 26 February 2023			
Exchange rates used by management	0.019	18.22	966.00
Auction rate	0.020	18.22	889.10
Closing rates at 27 February 2022			
Exchange rates used by management	0.082	15.29	186.00
Auction rate	0.123	15.29	124.00

14 Investment in associate (continued)

14.3 Reconciliation of investment in associate

	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm
At beginning of period	106.0	69.7
Share of associate's earnings	75.0	71.6
Share of associate's earnings before net monetary adjustments	98.4	96.7
Share of associate's hyperinflation net monetary adjustments	(23.4)	(25.1)
Foreign currency translations	(86.9)	(0.8)
Impairment loss	(5.7)	(14.4)
Dividend declared and received	(16.0)	(20.1)
At end of period	72.4	106.0

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;
- 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 Reserve Bank of Zimbabwe; and
- The upward valuation of the assets of TM Supermarkets attributable to 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 R5.7 million (2022: 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 42.1% (2022: 44.9%).

Management believes that the carrying value of the Group's investment in associate of R72.4 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 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 26 February 2023.

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$: 0.0170 ZAR	Exchange rate applied by management 1.0 ZWL$: 0.0189 ZAR	-10% 1.0 ZWL$: 0.0208 ZAR	Auction rate* 1.0 ZWL$: 0.0205 ZAR
Impact on statement of comprehensive income				
Share of associate's earnings (Rm)	68.2	75.0	83.4	81.5
Impairment loss on investment in associate (Rm)	5.2	5.7	6.3	6.2
Impact on statement of financial position				
Investment in associate (Rm)	65.8	72.4	80.4	78.6

* *Calculated by applying the auction rate of 1 USD to 889.1 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 loss on)/reversal of impairment on investment in associate (Rm)	(22.7)	(5.7)	23.4
Impact on statement of financial position			
Investment in associate (Rm)	55.4	72.4	101.5

14.5.3 Growth rate applied in the assessment of the recoverable amount of the Group's 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 26 February 2023 Rm	52 weeks to 27 February 2022 Rm
Statement of comprehensive income (100%)		
Revenue	6 139.5	4 990.7
Profit for the period	159.4	150.6
Attributable to other owners of the Company	72.0	70.5
Attributable to the Group	75.0	71.6
Non-controlling interest	12.4	8.5
Statement of financial position (100%)		
Total assets	1 499.8	1 452.9
Current assets	689.8	619.4
Non-current assets	810.0	833.5
Total liabilities	738.6	630.4
Current liabilities	523.3	389.2
Non-current liabilities	215.3	241.2
Net assets (100%)	761.2	822.5
Attributable to other owners of the Company	361.9	390.9
Attributable to the Group	347.7	375.6
Non-controlling interest	51.6	56.0

15 Loans

	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm
Employees	56.1	50.2
Executive directors	0.2	0.2
Other employees	55.9	50.0
Other	61.7	35.7
	117.8	85.9

Loans to directors and employees bear interest at varying rates averaging at a rate of 4.7% (2022: 4.2%) per annum and have varying repayment terms. At period end, R37.5 million (2022: R38.4 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, averaging at a rate of 10.6% (2022: 7.3%).

	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm

16 Inventory

	2023 Rm	2022 Rm
Merchandise for resale	10 797.6	8 451.8
Provision for shrinkage, obsolescence and markdown of inventory	(244.6)	(255.7)
Consumables	94.0	81.2
	10 647.0	8 277.3

17 Trade and other receivables

	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm
Gross trade and other receivables	4 853.1	4 521.2
Trade receivables from contracts with customers	4 368.8	4 075.1
Prepayments	232.2	121.9
Other receivables	252.1	324.2
Allowance for impairment losses	(296.4)	(207.1)
Trade receivables from contracts with customers	(234.0)	(155.0)
Other receivables	(62.4)	(52.1)
Net trade and other receivables	4 556.7	4 314.1
Disclosed as:		
Non-current	84.7	106.5
Current	4 472.0	4 207.6

Current trade and other receivables are interest-free unless overdue and have payment terms ranging between 7 and 35 days (2022: 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 26 February 2023	Trade and other receivables Rm	Trade receivables from contracts with customers Rm	Other receivables Rm
At the beginning of the period	207.1	155.0	52.1
Irrecoverable debts written off	(109.6)	(109.3)	(0.3)
Additional impairment losses recognised	209.4	198.4	11.0
Prior allowances for impairment reversed	(10.5)	(10.1)	(0.4)
At end of period	296.4	234.0	62.4
52 weeks to 27 February 2022			
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

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.

Allowance for impairment on trade and other receivables increased during the current period under review, as a matter of prudence, due to the weakening in the general economic conditions, including load shedding costs borne by franchisees.

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 30.2 for the Group's credit risk management disclosure.

52 weeks to 26 February 2023	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
	4 620.9	3 723.9	236.9	660.1
Trade receivables from contracts with customers	4 368.8	3 622.7	236.9	509.2
Other receivables	252.1	101.2	–	150.9
52 weeks to 27 February 2022				
	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

18 Cash and cash equivalents

	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm
Cash and cash equivalents	1 997.8	6 425.3
Bank overdraft and overnight borrowings	(2 800.0)	(2 800.0)
Cash and cash equivalents at end of period	(802.2)	3 625.3

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 2.5% and 6.7% per annum (2022: 2.8% and 3.3% per annum). Refer to note 30.3.2.

Cash investments

The Group invested its surplus cash in money market accounts during the period. The interest rate on these accounts varied between 4.6% and 8.3% per annum (2022: 4.0% to 5.4% per annum). Refer to note 30.3.2.

Bank overdraft

The Group utilised its bank overdraft during the period. The overdraft interest rate varied between 6.3% and 9.5% per annum (2022: 5.5% to 6.3% per annum). Refer to note 30.3.2.

Overnight borrowings

The Group utilised overnight borrowings during the period. Interest rates varied between 4.6% and 8.5% per annum (2022: 4.1% and 4.9% per annum). Refer to note 30.3.2.

	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm

19 Share capital

19.1 Ordinary share capital

Authorised		
800 000 000 (2022: 800 000 000) ordinary shares of 1.25 cents each	10.0	10.0
Issued		
493 450 321 (2022: 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)	12 380.1	13 224.8
Shares held outside the Group	481 070.2	480 225.5
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 (2022: 24 672 516) shares. To date, 15 743 000 (2022: 15 743 000) shares have been issued, resulting in 8 929 516 (2022: 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-related awards granted by the Group.

	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm

19.2 B share capital

Authorised		
1 000 000 000 (2022: 1 000 000 000) unlisted, non-convertible, non-participating, no par value B shares	–	–
Issued		
259 682 869 (2022: 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.

	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm

20 Treasury shares

At beginning of period	702.1	873.4
Shares purchased during the period	90.1	114.2
Settlement of employee share awards	(148.4)	(285.5)
At end of period	643.8	702.1

	000's	000's
The movement in the number of treasury shares held is as follows:		
At beginning of period	13 224.8	15 268.6
Shares purchased during the period	1 617.9	2 200.0
Shares sold during the period pursuant to the take-up of share options by employees	(1 647.1)	(681.8)
Shares delivered to participants of restricted share plan (note 5.2)	(815.5)	(3 562.0)
At end of period	12 380.1	13 224.8

	R	R
Average purchase price of shares purchased during the period	55.7	51.9

	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm

21 Borrowings

Unsecured borrowings		
Short-term loans varying-maturities bearing interest ranging between 5.6% – 9.2% (2022: 5.1%) and repaid between 27 February 2023 and 12 June 2023 (2022: repaid between 10 March 2022 and 11 April 2022)	599.4	403.1
Three-month short-term loans bearing interest ranging between 8.0% – 8.4% (2022: 4.6% – 5.0%) and repaid between 27 February 2023 to 23 May 2023 (2022: repaid between 28 February 2022 and 24 May 2022)	1 470.0	1 650.0
Six-month short-term loans bearing interest at 8.2% (2022: 4.8% – 5.3%), repaid on 27 February 2023 (2022: repaid between 28 February 2022 and 18 August 2022)	800.0	1 000.0
Twelve-month short-term loans bearing interest ranging between 5.4%– 6.1% (2022: 5.0% – 5.1%) were repaid between 26 August 2022 and 27 August 2022	–	950.0
Total borrowings at end of period	2 869.4	4 003.1
Less: current portion (repayable within one year)	(2 869.4)	(4 003.1)
Non-current portion (repayable after one year)	–	–

21.1 Reconciliation of carrying value of borrowings

At beginning of period	4 003.1	3 331.2
Non-cash movements for the period	231.5	175.9
Finance costs	231.5	175.9
Cash movements for the period	(1 365.2)	496.0
Borrowings raised	6 804.8	6 020.4
Borrowings repaid	(7 938.5)	(5 348.5)
Interest paid	(231.5)	(175.9)
At end of period	2 869.4	4 003.1

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. Subsequent to period-end, it was agreed with members of the defined benefit plan to convert their retirement benefits to a defined contribution plan.

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.

	Pensioners' defined-benefit guarantee Rm	Retirement defined-benefit guarantee Rm	Total obligation 2023 Rm	Total obligation 2022 Rm
22.1 Defined-benefit obligations				
The amount recognised in the statement of financial position is as follows:				
Present value of funded obligations	763.1	223.3	986.4	828.5
Fair value of assets	(763.1)	(291.9)	(1 055.0)	(954.3)
Effect of asset ceiling	–	–	–	3.8
	–	(68.6)	(68.6)	(122.0)
Amounts recognised in the statement of comprehensive income are as follows:				
Current service cost – ordinary	–	8.1	8.1	8.1
Net interest on the obligation	9.3	(10.6)	(1.3)	(7.1)
Total included in employee costs	9.3	(2.5)	6.8	1.0
Asset ceiling				
Refund (employer surplus account)	–	68.6	68.6	122.0
	–	68.6	68.6	122.0
Effect of asset ceiling – beginning of period	–	3.8	3.8	–
Interest cost	–	0.4	0.4	–
Remeasurement	–	(4.2)	(4.2)	3.8
Effect of asset ceiling – end of period	–	–	–	3.8
Movement in the asset recognised on the statement of financial position is as follows:				
Net asset – beginning of period	–	(122.0)	(122.0)	(82.7)
Total included in employee costs in profit or loss	9.3	(2.5)	6.8	1.0
Amount recognised in other comprehensive income	(9.3)	10.9	1.6	(35.3)
Contributions	–	45.0	45.0	(5.0)
Contributions by employees	–	(2.5)	(2.5)	(2.5)
Contributions by employer	–	(2.5)	(2.5)	(2.5)
Contribution holiday	–	50.0	50.0	–
Net asset – end of period	–	(68.6)	(68.6)	(122.0)
Remeasurement recognised in other comprehensive income				
Actuarial loss/(gain) – liabilities	16.0	(21.5)	(5.5)	23.1
Actuarial (gain)/loss – assets	(25.3)	36.6	11.3	(62.2)
Effect of asset ceiling	–	(4.2)	(4.2)	3.8
Remeasurement recognised in other comprehensive income (before tax)	(9.3)	10.9	1.6	(35.3)

22 Retirement benefits (continued)

	Pensioners' defined-benefit guarantee Rm	Retirement defined-benefit guarantee Rm	Total obligation 2023 Rm	Total obligation 2022 Rm
22.1 Defined-benefit obligations (continued)				
Movement in the fund's obligations and plan assets recognised on the statement of financial position is as follows:				
Liability – beginning of period	571.3	257.2	828.5	822.3
Service cost – ordinary	–	8.1	8.1	8.1
Transfer	162.1	–	162.1	–
Interest cost	56.1	24.8	80.9	70.1
Actuarial loss/(gain) from experience	16.0	(21.5)	(5.5)	23.1
Benefits paid	(42.4)	(45.3)	(87.7)	(95.1)
Liability – end of period	763.1	223.3	986.4	828.5
Plan assets – beginning of period	571.3	383.0	954.3	905.0
Transfer	162.1	–	162.1	
Expected return	46.8	35.8	82.6	77.2
Actuarial gain/(loss) from experience	25.3	(36.6)	(11.3)	62.2
Contributions	–	(45.0)	(45.0)	5.0
Contributions by employees	–	2.5	2.5	2.5
Contributions by employer	–	2.5	2.5	2.5
Contribution holiday	–	(50.0)	(50.0)	–
Benefits paid	(42.4)	(45.3)	(87.7)	(95.1)
Plan assets – end of period	763.1	291.9	1 055.0	954.3
	%	%	%	%
Estimated return on plan assets	10.0	9.2	9.8	9.0
Composition of plan assets				
Equities	4.1	41.2	14.4	21.8
Fixed interest – bonds	1.6	15.4	5.4	54.4
Fixed interest – cash	24.3	2.1	18.2	1.5
Property	–	3.7	1.0	1.3
Global Absolute	–	2.2	0.6	0.9
Global Balanced	7.7	35.3	15.4	20.1
Liability driven investment	62.3	0.1	45.0	–
	100.0	100.0	100.0	100.0

The value of contributions expected to be paid in the next financial period is R4.8 million (2022: R5.2 million).

The weighted-average duration of the defined benefit obligation is 8 years (2022: 8 years).

	2023 % per annum Pensioners	2023 % per annum Executives	2022 % per annum Pensioners	2022 % per annum Executives
The principal actuarial assumptions at the last valuation date are:				
Discount rate	11.0	9.5	10.0	10.0
Future salary increases	n/a	6.5	n/a	7.3
Future pension increases	6.3	n/a	6.3	n/a

22 Retirement benefits (continued)

22.1 Defined-benefit obligations (continued

Sensitivity analysis

At 26 February 2023, 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% 8.5% Rm	As reported 9.5% Rm	+1% 10.5% Rm	-1% 5.5% Rm	As reported 6.5% Rm	+1% 7.5% Rm	-1% 5.3% Rm	As reported 6.3% Rm	+1% 7.3% Rm
Statement of comprehensive income									
Employee costs	(2.5)	(2.5)	(2.5)	(2.7)	(2.5)	(2.3)	n/a	n/a	n/a
Statement of financial position									
Asset at end of period	(67.6)	(68.6)	(68.6)	(68.6)	(68.6)	(62.3)	(68.6)	(68.6)	(68.6)

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.

22.2 Defined current contribution benefits

	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm
Current contributions (refer to note 3.1)	253.6	293.0

23 Trade and other payables*

	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm
Trade and other payables	14 661.0	12 976.4

Included in trade and other payables are leave pay obligations 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 30.

* *In order to improve disclosure, the Group has separately disclosed provisions previously recorded within trade and other payables. Refer to note 24.*

24 Provisions

	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm
At beginning of period	88.8	78.2
Additional provisions raised during the period	7.5	10.9
Reversals	(10.6)	–
Utilised amounts	(5.5)	(0.3)
At end of period	80.2	88.8

Provisions are short term in nature and relates to outstanding 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.

An amount of R9.3 million is included within trade and other receivables, relating to expected reimbursements for provisions raised.

25 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% (2022: 8.1%).

25.1 Reconciliation of lease liabilities

	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm
At beginning of period	16 087.9	16 359.4
New leases	4 123.1	2 570.6
Lease payments	(3 869.8)	(3 452.8)
Principal lease liability payments	(2 423.8)	(2 088.4)
Interest paid	(1 446.0)	(1 364.4)
Rent concessions	(0.4)	(13.1)
Finance costs (note 3)	1 342.5	1 333.9
Other movements*	(91.2)	(731.6)
Foreign currency translations	11.9	21.5
At end of period	17 604.0	16 087.9
Lease liabilities are presented in the statement of financial position as follows:		
Current	2 470.8	2 431.4
Non-current	15 133.2	13 656.5

* *Other movements include remeasurements and terminations of leases*

25.2 Lease payments

	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm
Lease payments included in the measurement of lease liabilities	3 869.8	3 452.8
Variable lease payments not included in the measurement of lease liabilities	67.1	117.5
Short-term and low value lease payments	61.8	32.2
	3 998.7	3 602.5

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 (2022: 1.7% of turnover).

25.3 Maturity analysis

The undiscounted contractual maturities of lease liabilities are as follows:

	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm
Less than one year	3 747.2	3 535.5
One year to five years	12 127.1	10 977.2
Five to ten years	6 760.9	6 875.2
More than ten years	1 057.3	944.1
Total undiscounted lease liabilities	23 692.5	22 332.0
Finance costs to be incurred in future	(6 088.5)	(6 244.1)
Lease liabilities	17 604.0	16 087.9

25.4 Lease terms

Lease terms include any non-cancellable periods and reasonably certain extension or termination options. Approximately 84% (2022: 68%) of the Group's portfolio of property leases contain extension options and approximately 16% (2022: 32%) 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:

	52 weeks to 26 February 2023	52 weeks to 27 February 2022
Property	11 years	11 years
Equipment and vehicles	6 years	6 years

	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm

26 Deferred revenue

	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm
Prepaid gift card liability	174.6	171.3
Smart Shopper loyalty programme liability	176.7	189.4
Refund liability	26.6	24.4
	377.9	385.1

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 5.0% (2022: 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 25.0% (2022: 20.0%).

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 that the Group is expected to refund to customers within the next financial period. In addition, the Group recognised a right-of-return asset of R23.4 million (2022: R21.5 million) for its right to recover goods returned by the customer.

27 Commitments

	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm
Authorised capital expenditure		
Contracted for	740.0	1 221.2
Not contracted for	3 260.0	2 778.8
Total commitments	4 000.0	4 000.0

The Group anticipates to spend R4 billion of capital expenditure to deliver on its Ekuseni strategic plan, balancing these investment requirements against what is needed to ensure we are energy resilient in light of the load shedding in South Africa. This will be funded through free cash flow generated and borrowings.

In addition to the commitments disclosed above, the Group has completed the development of Pick n Pay's new Eastport Distribution Centre in Gauteng in partnership with Fortress Reit Limited, replacing the Group's Longmeadow Distribution Centre. It is the intention to purchase 60% of the Eastport distribution centre at a projected value of R1.2bn, however the purchase is subject to conditions precedent in the sale agreement. The purchase will be funded by the proceeds from the sale of Longmeadow asset held for sale, and the Group is considering alternative financing arrangements for the 60% stake, including lease financing alternatives. As a result, the Group has made the commitment to lease any portion of the Eastport distribution centre that it will not own in the future.

28 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 periods under review, the CODM of the Group consisted of the Group executive directors. At period-end, the Group executive directors consisted 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 segmental profit before tax, as management believes that such information is most relevant in evaluating the results of the segments against each other and other entities that operate within the retail industry.

	South Africa Rm	Rest of Africa Rm	Total operations Rm
52 weeks to 26 February 2023			
Sales from customers	102 721.3	5 086.5	107 807.8
Turnover (note 2)	102 721.3	3 840.5	106 561.8
Direct deliveries*	–	1 246.0	1 246.0
Sales from customers disaggregated by brand	102 721.3	5 086.5	107 807.8
Pick n Pay	71 372.2	4 538.5	75 910.7
Boxer	31 349.1	548.0	31 897.1
Revenue	105 358.3	3 919.9	109 278.2
Revenue from contracts with customers (note 2)	104 553.6	3 855.4	108 409.0
Operating lease income (note 2)	155.2	2.2	157.4
Insurance recoveries (note 2)	245.0	15.7	260.7
Finance income (note 2)	404.5	46.6	451.1
Pro forma profit before tax, before capital items and before net monetary adjustments^**	1 524.1	154.3	1 678.4
Profit before tax before capital items	1 669.3	130.9	1 800.2
Hyperinflation net monetary adjustments	–	23.4	23.4
Insurance recoveries	(145.2)	–	(145.2)
Profit before tax**	1 596.5	111.1	1 707.6
Other information			
Statement of comprehensive income			
Depreciation and amortisation	3 491.3	74.0	3 565.3
Finance costs (note 3)	1 734.9	39.0	1 773.9
Share of associate's earnings (note 14)	–	75.0	75.0
Loss on disposal of assets and insurance recoveries on scrapping of assets	20.1	–	20.1
Loss from impairments and scrapping of assets	52.7	14.1	66.8
Impairment loss on investment in associate (note 14)	–	5.7	5.7
Statement of financial position			
Total assets	40 405.0	1 960.1	42 365.1
Total liabilities	37 681.3	981.0	38 662.3
Investment in associate (note 14)	–	72.4	72.4
Additions to non-current assets	7 745.5	100.4	7 845.9

* *Included in sales from customers, 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 sales, or turnover, in terms of IFRS but are included in sales from customers 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 turnover.*

** *"Segmental profit before tax" and "segmental pro forma profit before tax, before capital items and before net monetary adjustments" 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 and before net monetary adjustments", 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 attributable to the application of IAS 29 for the current and prior period and, for the current period only, excluding insurance recoveries received of R145.2 million. Refer to Appendix 1 for further information.*

28 Operating segments (continued)

	South Africa Rm	Rest of Africa Rm	Total operations Rm
52 weeks to 27 February 2022			
Sales from customers#	94 535.2	4 438.8	98 974.0
Turnover (note 2)	94 535.2	3 337.6	97 872.8
Direct deliveries*	–	1 101.2	1 101.2
Sales from customers disaggregated by brand#	94 535.2	4 438.8	98 974.0
Pick n Pay	68 450.4	3 940.9	72 391.3
Boxer	26 084.8	497.9	26 582.7
Revenue#	97 521.9	3 380.5	100 902.4
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
Pro forma profit before tax, before capital items and before net monetary adjustments^**	1 859.0	119.0	1 978.0
Profit before tax before capital items	1 713.8	93.9	1 807.7
Hyperinflation net monetary adjustments	–	25.1	25.1
Insurance recoveries	145.2	–	145.2
Profit before tax**	1 672.5	89.0	1 761.5
Other information			
Statement of comprehensive income			
Depreciation and amortisation	3 235.7	83.6	3 319.3
Finance costs (note 3)	1 641.3	33.6	1 674.9
Share of associate's earnings (note 14)	–	71.6	71.6
Profit on disposal of assets and insurance recoveries on scrapping of assets	237.3	4.5	241.8
Loss from impairments and scrapping of assets	235.7	37.9	273.6
Impairment loss on investment in associate (note 14)	–	14.4	14.4
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

* *Included in sales from customers, 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 sales, or turnover, in terms of IFRS but are included in sales from customers 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 turnover.*

** *"Segmental profit before tax" and "segmental pro forma profit before tax, before capital items and before net monetary adjustments" 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 and before net monetary adjustments", 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 attributable to the application of IAS 29 for the current and prior period, and for the prior period only, including insurance recoveries received post year-end of R145.2 million. Refer to Appendix 1 for further information.*

In line with improvements to current year disclosures, prior year disclosures were amended.

29 Related party transactions

29.1 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 Supply Chain Proprietary Limited, incorporated in South Africa
- Pick n Pay Zambia Limited, incorporated in Zambia
- Pick n Pay Namibia Proprietary Limited, incorporated in Namibia

29.2 Transactions with equity accounted associate

Refer to note 14 for further information.

29.3 Loans to executive directors

Loans to directors amount to R0.2 million at the end of the period (2022: R0.2 million). These loans are unsecured and interest free. For further information refer to note 15.

29.4 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 26 February 2023 Rm	52 weeks to 27 February 2022 Rm
Key management personnel remuneration comprises:		
Fees for board meetings, committee and other work	14.4	11.6
Base salary	50.3	66.8
Retirement and medical aid contributions	5.7	7.5
Fringe and other benefits	7.0	9.7
Fixed remuneration	77.4	95.6
Short term performance bonus, severance and retirement gratuities	31.5	48.1
Total remuneration	108.9	143.7
Expense relating to share awards granted	34.3	37.3

30 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, investment in insurance cell captive and derivatives designated as hedging instruments 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.

30.1 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 26 February 2023	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)	2 282.5	–	–	–	2 282.5
Loans (note 15)	117.8	–	–	–	117.8
Trade receivables from contracts with customers (note 17)	4 134.8	–	–	–	4 134.8
Other receivables (note 17)	189.7	–	–	–	189.7
Cash and cash equivalents (note 18)	1 997.8	–	–	–	1 997.8
Investment in insurance cell captive	–	71.3	–	–	71.3
Derivative financial instruments – forward exchange contracts (FEC)	–	–	22.0	–	22.0
	8 722.6	71.3	22.0	–	8 815.9
Financial liabilities					
Overnight borrowings (note 18)	–	–	–	2 800.0	2 800.0
Unsecured borrowings (note 21)	–	–	–	2 869.4	2 869.4
Trade and other payables	–	–	–	14 243.8	14 243.8
Lease liabilities (note 25)	–	–	–	17 604.0	17 604.0
Refund liability (note 26)	–	–	–	26.6	26.6
	–	–	–	37 543.8	37 543.8

30 Financial instruments (continued)

30.1 Financial assets and financial liabilities by category (continued)

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 25)	–	–	–	16 087.9	16 087.9
Refund liability (note 26)	–	–	–	24.4	24.4
Derivative financial instruments – forward exchange contracts (FEC)	–	–	7.7	–	7.7
	–	–	7.7	35 410.8	35 418.5

30.2 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 comprise employee loans, granted in line with the Group's remuneration policy, and other landlord loans. Loans are granted after reviewing the affordability of each debtor and, where appropriate, suitable forms of security are obtained. Majority of the loans are secured and are 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).

30 Financial instruments (continued)

30.3 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.

30.3.1 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, R1.0 million (2022: R1.8 million) was reclassified to cost of sales in the statement of comprehensive income.

Forward exchange contract assets/(liabilities)	Contract foreign currency m	Rand equivalent Rm	Average forward rate R	Fair value Rm
2023				
US Dollars	6.7	121.8	18.0	3.4
Euro	12.6	229.5	18.3	16.9
British Pound	0.1	1.0	19.5	0.1
Australian Dollar	0.1	0.8	13.1	–
Chinese Renminbi	0.9	2.3	2.4	0.2
Swedish Krone	13.3	22.2	1.7	1.4
		377.6		22.0
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)

30 Financial instruments (continued)

30.3 Market risk (continued)

30.3.1 Currency risk (continued)

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.

	Average spot rate		Closing rate	
The following significant foreign exchange rates applied during the period:	2023	2022	2023	2022
USD/ZAR	16.7	14.9	18.4	15.2
Euro/ZAR	17.4	17.4	19.5	17.1
GBP/ZAR	20.3	20.4	22.0	20.3
USD/ZMW	17.1	19.4	19.7	17.6
AUD/ZAR	11.5	11.0	12.4	11.0
ZAR/CNH	0.4	0.4	0.4	0.4
ZAR/SEK	0.6	n/a	0.6	n/a

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

	52 weeks to 26 February 2023 %	52 weeks to 27 February 2022 %
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)	2.5 – 8.3	2.8 – 5.4
Other loans (note 15)	10.6	7.3
Fixed-rate interest-bearing financial assets		
Net investment in lease receivables (note 12)	8.2	8.2
Employee loans (note 15)	4.7	4.2
Financial liabilities		
Variable-rate interest bearing liabilities		
Bank overdraft (note 18)	6.3 – 9.5	5.5 – 6.3
Overnight borrowings (note 18)	4.6 – 8.5	4.1 – 4.9
Unsecured loans (note 21)	5.4 – 9.2	4.6 – 5.3
Fixed-rate interest-bearing liabilities		
Lease liabilities (note 25)	8.1	8.1

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 26 February 2023, 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 R33 million (2022: R22 million).

30 Financial instruments (continued)

30.4 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 unutilised borrowing facilities (listed below) 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.

On average, trade and other receivables and inventory are realised within 30 days; and trade and other payables are settled within 60 days and lease liabilities are used to fund right-of-use assets and net investment in lease receivables. 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.

In support of the Group's increased gearing as it has entered a strategic investment cycle, the Group is nearing closure of R5.5 billion medium- and long-term debt packages. R1.0 billion of which was approved by the Board post the balance sheet date and the remaining R4.5 billion funded through a syndicated loan process currently being concluded and will be finalised by the end of May 2023. Refer to the subsequent events note 32 for more detail. This is in order to rebalance its short-term debt portfolio towards a longer term maturity profile more suited to higher levels of net gearing as the Group has entered a strategic investment cycle.

Under the terms of these new major borrowing facilities, the Group will be required to comply with the following financial covenants, calculated on the basis that IAS 17: Leases is still applied:

- The leverage ratio (net debt to earnings before interest, income tax, depreciation and amortisation (EBITDA)) must not exceed 2.75 times; and
- The net finance costs cover ratio (EBITDA divided by net finance costs) must be a minimum of 3.5 times.

As at the reporting date, these ratio's measured as follows:

	52 weeks to 26 February 2023 Times	52 weeks to 27 February 2022 Times
Leverage ratio	1.1	0.1
Net finance costs cover ratio	19.4	144.7
	Rm	Rm
Unutilised borrowing facilities		
Total available facilities	9 827.0	10 829.2
Total actual borrowings	(5 669.4)	(6 803.1)
Utilisation of FEC	(377.6)	(130.6)
Bilateral loan approved post balance sheet date (Refer note 32)	1 000.0	–
	4 780.0	3 895.5

The Group has drawn-down, on average during the year, 62% of its available facilities to strengthen liquidity. All surplus funds were invested in high yielding money market funds.

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 26 February 2023						
Overnight borrowings	2 800.0	2 800.0	2 800.0	–	–	–
Unsecured loans	2 869.4	2 869.4	2 869.4	–	–	–
Trade and other payables	14 243.8	14 243.8	14 243.8	–	–	–
Lease liabilities	17 604.0	23 692.5	3 747.2	12 127.1	6 760.9	1 057.3
Refund liabilities	26.6	26.6	26.6	–	–	–
Total financial obligations	37 543.8	43 632.3	23 687.0	12 127.1	6 760.9	1 057.3
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

30 Financial instruments (continued)

30.5 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 of input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – valuation techniques for which the lowest level of 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 26 February 2023 Rm	52 weeks to 27 February 2022 Rm
Financial assets at fair value through profit or loss		
Investment in insurance cell captive – Level 2	71.3	47.4
Derivative financial instruments (designated as hedging instruments)		
Forward exchange contract assets/(liabilities) – Level 2	22.0	(7.7)

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.

30.6 Capital management

The Group's capital management strategy is to maintain investor, creditor and market confidence and to sustain future development of the business. Capital is represented by total shareholders' equity as per the Statement of Financial Position. The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern in order to provide shareholder-returns, as well as benefits to all stakeholders. The Group aims to maintain an optimal capital structure to reduce the cost of capital. The Board of directors is ultimately responsible for capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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 borrowings (excluding lease liabilities):

	2023	2022
Return on capital employed	31.4%	39.1%
Weighted average cost of capital	11.3%	8.9%

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 of directors.

The Group's objective is to maintain a dividend cover based on pro forma headline earnings per share* of 1.3 times (2022: 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*

31 Purchase of operations

The Group converted 22 (2022: seven) franchise stores to Pick n Pay and Boxer company owned 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 26 February 2023 Rm	52 weeks to 27 February 2022 Rm
The net assets arising from these acquisitions were as follows:		
Identifiable net assets		
Property, plant and equipment (note 10)	30.0	27.9
Inventory	34.4	13.8
Total identifiable net assets at fair value	64.4	41.7
Goodwill		
Purchase price of acquisitions at fair value	397.2	69.5
Less: total identifiable net assets at fair value	(64.4)	(41.7)
Goodwill acquired (note 9)	332.8	27.8
Net cash paid in respect of acquisitions		
Purchase price of acquisitions at fair value	397.2	69.5
Less: amounts net settled against trade and other receivables	(67.5)	(13.8)
Net cash paid	329.7	55.7

32 Subsequent events

Restructuring programmes

Companies within the Pick n Pay Stores Limited Group formalised and communicated a Voluntary Severance Programme (VSP), and a junior store management s189 restructuring programme aimed at delivering targeted benchmarks in terms of support office and store-level efficiency gains, during March 2023. Both these processes are currently underway and the financial impact will be reflected in the 2024 financial year.

Long-term Funding

The Board approved an unsecured bilateral loan of R1 billion on 3 May 2023. The Group is currently in the final stages of concluding a syndicated loan process of R4.5 billion, with an expected completion date being the end of May 2023. Both of these loans are linked to our Environmental, Social and Governance (ESG) targets.

33 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:

- *Reference to the Conceptual Framework – (Amendments to IFRS 3)*
- *AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter*
- *AIP IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities*
- *AIP IAS 41 Agriculture – Taxation in fair value measurements*
- *Property, Plant and Equipment: Proceeds before Intended Use – (Amendments to IAS 16)*
- *Onerous Contracts – Costs of Fulfilling a Contract – (Amendments to IAS 37)*
- *IFRS 17 Insurance Contracts*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction – (Amendments to IAS 12)*
- *Disclosure of Accounting Policies – (Amendments to IAS 1 and IFRS Practice Statement 2)*
- *Definition of Accounting Estimates – (Amendments to IAS 8)*

COMPANY ANNUAL FINANCIAL STATEMENTS

88 Statement of comprehensive income
89 Statement of financial position
90 Statement of changes in equity
91 Statement of cash flows
92 Notes to the annual financial statements

3

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the period ended

	Note	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm
Revenue			
Finance income		0.1	0.1
Dividend income	8	1 146.1	982.7
		1 146.2	982.8
Administration expenses	2	(16.7)	(15.4)
Profit before tax		1 129.5	967.4
Tax	3	–	–
Profit for the period		1 129.5	967.4
Total comprehensive income for the period		1 129.5	967.4

COMPANY STATEMENT OF FINANCIAL POSITION

	Note	As at 26 February 2023 Rm	As at 27 February 2022 Rm
ASSETS			
Non-current assets			
Investments in subsidiaries	5	0.1	5.1
		0.1	5.1
Current assets			
Loan to subsidiary	8	932.4	934.4
Trade and other receivables		0.2	0.2
Cash and cash equivalents	6	1.7	3.5
		934.3	938.1
Total assets		934.4	943.2
EQUITY AND LIABILITIES			
Equity			
Share capital	7	6.2	6.2
Share premium		835.5	835.5
Retained earnings		89.2	95.6
Total equity		930.9	937.3
Current liabilities			
Trade and other payables	9	3.5	5.9
		3.5	5.9
Total equity and liabilities		934.4	943.2

COMPANY STATEMENT OF CHANGES IN EQUITY

for the period ended

	Note	Share capital Rm	Share premium Rm	Retained earnings Rm	Total equity Rm
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
Dividends paid	4.1	–	–	(971.1)	(971.1)
At 27 February 2022		6.2	835.5	95.6	937.3
Total comprehensive income for the period		–	–	1 129.5	1 129.5
Profit for the period		–	–	1 129.5	1 129.5
Dividends paid	4.1	–	–	(1 135.9)	(1 135.9)
At 26 February 2023		6.2	835.5	89.2	930.9

COMPANY STATEMENT OF CASH FLOWS

for the period ended

	Note	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm
Cash flows from operating activities			
Profit before tax		1 129.5	967.4
Adjusted for dividend income	8.1	(1 146.1)	(982.7)
Cash utilised before movements in working capital		(16.6)	(15.3)
Movements in working capital		(2.4)	(2.5)
Movements in trade and other payables		(2.4)	(2.5)
Cash utilised in operations		(19.0)	(17.8)
Dividends received	8.1	1 146.1	982.7
Dividends paid	4.1	(1 135.9)	(971.1)
Tax paid	3	–	–
Cash utilised in operating activities		(8.8)	(6.2)
Cash flows from investing activities			
Loan repaid by subsidiary	8	7.0	3.4
Cash generated from investing activities		7.0	3.4
Net movement in cash and cash equivalents		(1.8)	(2.8)
Cash and cash equivalents at beginning of period		3.5	6.3
Cash and cash equivalents at end of period	6	1.7	3.5

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

for the period ended 26 February 2023

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
2023			
Non-executive directors			
Gareth Ackerman	4 893.0	–	4 893.0
Suzanne Ackerman-Berman[2]	430.8	286.9	717.7
Haroon Bhorat	470.0	355.2	825.2
Mariam Cassim	470.0	156.3	626.3
James Formby[3]	235.0	78.1	313.1
David Friedland	470.0	253.4	723.4
Hugh Herman[4]	195.8	–	195.8
Aboubakar Jakoet[5]	470.0	383.6	853.6
Audrey Mothupi	470.0	514.7	984.7
David Robins	470.0	101.8	571.8
Annamarie van der Merwe	470.0	199.0	669.0
Jeff van Rooyen	470.0	660.6	1 130.6
Total remuneration	9 514.6	2 989.6	12 504.2
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[6]	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

[1] *Executive directors salaries are paid by a subsidiary company. Refer to note 4 of the Group annual financial statements.*
[2] *Suzanne Ackerman retired as an executive director on 31 March 2022, and was appointed as a non-executive director on that date.*
[3] *James Formby was appointed as non-executive director, effective 10 October 2022.*
[4] *Hugh Herman retired during July 2022.*
[5] *Aboubakar Jakoet replaced Jeff van Rooyen as Chair of the Audit, Risk and Compliance Committee in July 2022.*
[6] *Audrey Mothupi was appointed as Chairman of the Remuneration Committee effective 1 March 2021.*

	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm

3 Tax

3.1 Tax recognised in the statement of comprehensive income:

Normal tax – current period	–	–

3.2 Tax paid

Owing – beginning of period	–	–
Recognised in statement of comprehensive income	–	–
Owing – end of period	–	–
Total tax paid	–	–

3.3 Reconciliation of effective tax rate

	%	%
South African statutory tax rate	28.0	28.0
Exempt income – dividends received	(28.4)	(28.4)
Non-deductible holding company expenses	0.4	0.4
Effective tax rate	–	–

	52 weeks to 26 February 2023 Cents per share	52 weeks to 27 February 2022 Cents per share

4 Dividends

4.1 Dividends paid during the financial period

Final dividend number 108 – declared 16 May 2022 – paid 6 June 2022 (2022: Number 106 – declared 20 April 2021 – paid 7 June 2021)	185.35	161.00
Interim dividend number 109 – declared 17 October 2022 – paid 5 December 2022 (2022: Number 107 – declared 19 October 2021 – paid 6 December 2021)	44.85	35.80
Total dividends per share for the period	230.20	196.80
	Rm	Rm
Total value of dividends paid by the Company	1 135.9	971.1
	Cents per share	Cents per share

4.2 Dividends declared related to the financial period

Final dividend declared on 3 May 2023 – number 110 (2022: Final dividend declared on 16 May 2022 – number 108)	140.30	185.35
Interim dividend declared on 17 October 2022 – number 109 (2022: Interim dividend declared on 19 October 2021 – number 107)	44.85	35.80
	185.15	221.15

The directors have declared a final dividend (dividend 110) of 140.30000 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, 30 May 2023. The shares will trade EX dividend from the commencement of business on Wednesday, 31 May 2023 and the record date will be Friday, 2 June 2023. The dividends will be paid on Monday, 5 June 2023.

	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm

5 Investments in subsidiaries

Shares at cost	0.1	5.1
	0.1	5.1

During the period under review, the company sold its dormant subsidiary, Pick n Pay Holdings Proprietary Limited, to Pick n Pay Retailers Proprietary Limited at cost. This transaction had no impact on the Company's statement of comprehensive income, statement of changes in equity and statement of cash flows. Pick n Pay Retailers Proprietary Limited is the remaining wholly owned subsidiary of the Company.

	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm

6 Cash and cash equivalents

Cash and cash equivalents	1.7	3.5

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 30 of the Group annual financial statements.

	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm

7 Share capital

7.1 Ordinary share capital

Authorised		
800 000 000 (2022: 800 000 000) ordinary shares of 1.25 cents each	10.0	10.0
Issued		
493 450 321 (2022: 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 (2022: 24 672 516) shares. To date, 15 743 000 (2022: 15 743 000) shares have been issued, resulting in 8 929 516 (2022: 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 26 February 2023 Rm	52 weeks to 27 February 2022 Rm

7.2 B share capital

Authorised		
1 000 000 000 (2022: 1 000 000 000) unlisted, non-convertible, non-participating, no par value B shares	–	–
Issued		
259 682 869 (2022: 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 26 February 2023 Rm	52 weeks to 27 February 2022 Rm

8 Related party transactions

8.1 Dividends received

Pick n Pay Retailers Proprietary Limited	1 135.9	971.2
Pick n Pay Employee Share Purchase Trust	10.2	11.5
Total dividends received from related parties	1 146.1	982.7

8.2 Loan to subsidiary

Pick n Pay Retailers Proprietary Limited	932.4	934.4
	932.4	934.4

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 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 of the audited Group annual financial statements.

	52 weeks to 26 February 2023 %	52 weeks to 27 February 2022 %
Beneficial	1.1	1.1
Non-beneficial	26.6	26.6
	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 disclosed below. Refer to note 4.3 of the audited Group annual financial statements.

	52 weeks to 26 February 2023 %	52 weeks to 27 February 2022 %
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 30 of the Group annual financial statements.

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

	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm
Financial obligations at carrying value		
Trade and other payables (all contractual cash flows are repayable within 1 year)	3.5	5.9
	3.5	5.9

9.3 Capital management

The Company considers the management of capital with reference to Group policy, refer to note 30 of the Group annual financial statements.

9.4 Suretyships

The Company has provided suretyships in the ordinary course of business in respect of its subsidiary's operations for certain banking facilities. As at 26 February 2023 the total utilised facilities for which surety is provided is R6.0 billion (2022: R6.9 billion). No losses are expected to be incurred on these suretyships.

ADDITIONAL INFORMATION

4

99 Appendix 1 – Pro forma information
102 Appendix 2 – Additional information
103 Appendix 3 – Pro forma headline earnings
104 Analysis of ordinary shareholders
105 Analysis of B shareholders
IBC Corporate 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 26 February 2023 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 during the period under review

The financial result for the 52 weeks ended 26 February 2023 includes the cash receipt of R145.2 million (R104.5 million net of tax) of insurance proceeds. These insurance recoveries relate directly to the civil unrest losses suffered by the Group during the prior reporting period as a result of civil unrest, and which was accounted for in the pro forma earnings presented in the 52 weeks ended 27 February 2022. Refer to the 2022 audited Group annual financial statements.

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 insurance recoveries were included in prior year pro forma earnings. The Group has therefore presented its current period earnings on a pro forma basis, by excluding the R145.2 million insurance proceeds (R104.5 million, net of tax) received during the period.

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 accounted for under IAS 29 *Financial Reporting in Hyperinflationary Economies* (IAS 29), with the impact presented below.

	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm
Share of associate's earnings excluding net monetary adjustments	98.4	96.7
Share of associate's hyperinflation net monetary adjustments	(23.4)	(25.1)
Reported share of associate's earnings	75.0	71.6
Impairment loss on investment in associate as a result of hyperinflation accounting	(5.7)	(14.4)
	69.3	57.2

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 R23.4 million (2022: R25.1 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:
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 insurance recoveries received during the current year), which is available for inspection at the Company's (Pick n Pay Stores Limited) registered office.

52 weeks to 26 February 2023	As reported Rm	Remove Impact of IAS 29 Rm	Remove insurance recoveries received during the period Rm	Pro forma Rm
Group				
Other income	2 265.3	–	(145.2)	2 120.1
Trading profit	3 048.0	–	(145.2)	2 902.8
Profit before tax before capital items	1 800.2	23.4	(145.2)	1 678.4
Profit before tax	1 707.6	–	(145.2)	1 562.4
Tax	537.7	–	(40.7)	497.0
Profit for the period	1 169.9	–	(104.5)	1 065.4
Headline earnings (Appendix 3)	1 246.2	23.4	(104.5)	1 165.1
South Africa operating segment				
Profit before tax before capital items	1 669.3	–	(145.2)	1 524.1
Rest of Africa operating segment				
Profit before tax before capital items	130.9	23.4	–	154.3
	Cents	Cents	Cents	Cents
Headline earnings per share (Appendix 3)	259.25	4.87	(21.75)	242.37
Diluted headline earnings per share (Appendix 3)	258.36	4.85	(21.66)	241.55

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 (Appendix 3)	1 258.9	25.1	104.5	1 388.5
South Africa operating segment				
Profit before tax before capital items	1 713.8	–	145.2	1 859.0
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 (Appendix 3)	262.59	5.25	21.80	289.64
Diluted headline earnings per share (Appendix 3)	261.65	5.22	21.72	288.59

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

The average Zambia kwacha exchange rate to the South African rand for the 52 weeks ended 26 February 2023 was 1.02 (2022: 1.27) and the average Botswana pula exchange rate to the South African rand for the 52 weeks ended 26 February 2023 was 0.75 (2022: 0.75).

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 constant currency 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 to 26 February 2023	Increase reported currency	Increase constant currency
Group turnover (%)	8.9	8.6
Rest of Africa sales from customers (%)	14.6	7.8

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; and conversions in the current and previous reporting periods.

2 Underlying earnings metrics

The Group has presented underlying metrics for gross profit margin and profit before tax before capital items.

Underlying gross profit margin for the 52 weeks ended 27 February 2022, excludes management's best estimate of the impact of the civil unrest which occurred in July 2021 in South Africa on gross profit. Refer to the 2022 audited Group annual financial statements for more detail.

Underlying profit before tax before capital items for the 52 weeks ended 26 February 2023, exclude the R430 million of net incremental energy costs incurred in the current period related to loadshedding in South Africa. The R430 million reflects management's best estimate of the incremental costs of running diesel generators to power the Group's estate during loadshedding (R522 million), net of estimated electricity cost savings we would have incurred if there was no loadshedding (R92 million).

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 excluding R145.2 million (R104.5 million net of tax) of insurance proceeds received in the current period, but which related to the civil unrest losses suffered by the Group in the prior period. During the prior period the Group accounted for these insurance proceeds in pro forma earnings presented. Furthermore, the Group has excluded 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 26 February 2023 Cents per share	52 weeks to 27 February 2022 Cents per share
Earnings per share			
Basic earnings per share	(3.9)	243.37	253.34
Diluted earnings per share	(3.9)	242.54	252.43
Headline earnings per share	(1.3)	259.25	262.59
Diluted headline earnings per share	(1.3)	258.36	261.65
Pro forma headline earnings per share			
Pro forma headline earnings per share	(16.3)	242.37	289.64
Pro forma diluted headline earnings per share	(16.3)	241.55	288.59

	Rm	Rm
Reconciliation between basic and headline earnings		
Profit for the period – basic earnings for the period	1 169.9	1 214.5
Adjustments:	76.3	44.4
Loss/(profit) on disposal of assets	33.9	(31.6)
Tax effect of (loss)/profit on disposal of assets	(9.5)	3.5
Loss from impairments and scrapping of assets	66.8	273.6
Tax effect of loss from impairments and scrapping of assets	(10.7)	(63.9)
Insurance recoveries on scrapping of assets due to civil unrest	(13.8)	(210.5)
Tax effect of insurance recoveries on scrapping of assets due to civil unrest	3.9	58.9
Impairment loss on investment in associate	5.7	14.4
Headline earnings for the period (note 7)	1 246.2	1 258.9
Adjusted for hyperinflation net monetary adjustment (note 14)	23.4	25.1
Adjusted for insurance proceeds received (Appendix 1)	(145.2)	145.2
Adjusted for tax effect of insurance proceeds received (Appendix 1)	40.7	(40.7)
Pro forma headline earnings	1 165.1	1 388.5

The table below presents the Group's share information

	000's	000's
Number of ordinary shares in issue (note 19.1)	493 450.3	493 450.3
Weighted average number of ordinary shares in issue (excluding treasury shares)	480 702.1	479 389.3
Diluted weighted average number of ordinary shares in issue	482 344.2	481 128.4

ANALYSIS OF ORDINARY SHAREHOLDERS

as at 26 February 2023

SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	17 983	77.5	2 593 816	0.5
1 001 – 10 000 shares	4 006	17.2	12 903 485	2.6
10 001 – 100 000 shares	960	4.1	29 521 944	6.0
100 001 – 1 000 000 shares	235	1.0	63 663 715	12.9
1 000 001 shares and over	47	0.2	384 767 361	78.0
Total	23 231	100.0	493 450 321	100.0

PUBLIC/NON-PUBLIC SHAREHOLDERS	Number of shareholders	%	Number of shares	%
Non-public shareholders	16	0.1	144 380 835	29.3
Ackerman Investment Holdings Proprietary Limited	1	0.0	124 677 237	25.3
Pick n Pay Retailers Proprietary Limited	1	0.0	1 163 000	0.2
Shares held on behalf of FSP/RSP participants	1	0.0	7 012 500	1.4
Boxer Superstores Proprietary Limited	1	0.0	386 500	0.1
Pick n Pay Stores Employee Share Purchase Trust	1	0.0	3 818 153	0.8
Directors of Pick n Pay Stores Limited	8	0.0	4 371 544	0.9
The Mistral Trust	1	0.0	2 850 000	0.6
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	23 215	99.9	349 069 486	70.7
Total	23 231	100.0	493 450 321	100.0

BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE	Number of shares	%
Ackerman Investment Holdings Proprietary Limited	124 677 237	25.3
Government Employees Pension Fund	99 783 465	20.2
Fidelity Series Emerging Markets Opportunities Fund	25 960 299	5.3
J.P. Morgan Equities South Africa (Pty) Ltd.	16 430 669	3.3
Allan Gray Balanced Fund	15 228 723	3.1
Alexander Forbes Investments Limited	7 590 803	1.5
Shares held on behalf of FSP/RSP participants	7 012 500	1.4
FIAM Group Trust For Employee Benefit Plans	5 479 925	1.1
Vanguard Emerging Markets Stock Index Fund (US)	4 896 533	1.0
Allan Gray Stable Fund	4 832 365	1.0

ANALYSIS OF B SHAREHOLDERS

as at 26 February 2023

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	12	48.0	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#	10	40.0	5 991 019	2.3
Mistral Trust	1	4.0	5 349 559	2.0
Public shareholders	13	52.0	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

Includes direct and indirect holdings. Refer to note 4.3 of the audited Group annual financial statements for further information.

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

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CORPORATE INFORMATION

Pick n Pay Stores Limited
Registration number: 1968/008034/06
JSE and A2X share code: PIK
ISIN: ZAE000005443

Board of directors
Executive
Pieter Boone (CEO)
Lerena Olivier (CFO)

Non-executive
Gareth Ackerman (Chair)
Suzanne Ackerman[1]
Jonathan Ackerman[2]
David Robins

Independent non-executive
Haroon Bhorat
Mariam Cassim
James Formby[3]
David Friedland
Aboubakar Jakoet
Audrey Mothupi
Annamarie van der Merwe
Jeff van Rooyen

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JSE Limited sponsor
Investec Bank Limited
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Sandton 2196

Auditors
Ernst & Young Inc.

Principal transactional bankers
Absa Limited
First National Bank

Company Secretary
Penelope Gerber[4]
Email address: CompanySecretary@pnp.co.za

Promotion of Access to Information Act
informationofficer@pnp.co.za

Investor relations
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Website
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Pick n Pay Clothing: www.picknpayclothing.co.za
Investor relations: www.picknpayinvestor.co.za

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Boxer
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Online shopping
Tel +27 860 30 30 30
www.pnp.co.za

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[1] *Suzanne Ackerman retired as an executive director on 31 March 2022 and was appointed as a non-executive director on that date.*
[2] *Jonathan Ackerman retired as an executive director on 31 March 2023 and was appointed as a non-executive director from that date.*
[3] *James Formby was appointed as an independent non-executive director on 10 October 2022.*
[4] *Penelope Gerber was appointed as Company Secretary on 31 July 2022.*

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