



Audited Annual 20
Financial Statements
for the period ended 25 February

24





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



Directors' responsibility statement

Pick n Pay Stores Limited Group

The directors are responsible for the preparation and fair presentation of the Group annual financial statements and annual financial statements of Pick n Pay Stores Limited (the Company), comprising the statements of financial position at 25 February 2024, 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 assessed the ability of the Group and Company to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the period ahead. Please refer to the Directors' report for further information.

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 26 May 2024 and signed by:

Gareth Ackerman
Chairman

Sean Summers
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 28 to 110, 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.

Sean Summers
Chief Executive Officer
26 May 2024

Lerena Olivier
Chief Finance Officer

Company secretary's certificate

Pick n Pay Stores Limited Group

In my capacity as Company Secretary, I certify that for the period ended 25 February 2024, 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.

Vaughan Pierce
Company Secretary
26 May 2024

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 are presented in note 30 of the Group Annual Financial Statements.

Overview of operations and financial results

The Group provides an overview of its operational and financial performance for the 2024 financial period (FY24) in the "Review of Operations" presented on pages 21 to 25 of the Group Annual Financial Statements.

Comparable earnings indicators are provided which remove the non-cash hyperinflation effects of IAS 29 Financial Reporting in Hyperinflationary Economies. Please refer to Appendix 2 for further information.

In addition, and in order to provide useful and transparent comparative information, the Group's financial commentary seeks to highlight significant operational and financial matters which may impact the year-on-year comparability of its financial results. In FY24, these matters included the duplication of supply chain costs on the transition from the Group's Longmeadow Distribution Centre to its new Eastport facility, the cost of a voluntary severance programme undertaken in Pick n Pay, an escalation in the cost of load-shedding in South Africa and significant impairments of assets in the Group's Pick n Pay supermarket business. Please refer to the Review of Operations for further information.

The Group manages its retail operations on a 52-week trading calendar basis where the financial reporting period always ends on a Sunday. To ensure calendar realignment, the inclusion of a 53rd week of trading is required approximately every six years. The Group will report on a 53-week basis in FY25.

Going concern

Background to going concern assessment

The Group raised additional long-term debt in FY24 to fund capital investment under its previous long-term strategy. Investment in the Group's Boxer and Pick n Pay Clothing businesses generated strong returns, however severe under-performance in the Group's core Pick n Pay Supermarket business resulted in negative investment returns and a substantial trading loss in the Pick n Pay division of R1.5 billion and an overall loss for the period at Group level, including impairments, of R3.2 billion.

The FY24 loss reflects the combined impact of muted sales growth, gross profit margin contraction and higher operating costs in the Pick n Pay segment, partially offset by a strong performance from the Group's Boxer segment. In addition, the Group's losses were compounded by a significant escalation in interest charges, driven by the additional funding raised and an increase in underlying interest rates over the period.

The decline in Pick n Pay earnings alongside the escalation in the Group's net debt position from R3.7 billion at February 2023 to R6.1 billion at February 2024 placed significant pressure on the Group's long-term debt covenants, with net debt increasing from 1.1 to 6.3 times EBITDA.

As a result of the losses incurred, management reviewed the fair value of the underlying Pick n Pay supermarket assets and identified the need for impairments totalling R2.8 billion. Please refer to note 12 of the Group annual financial statements for further information.

The significant decline in Pick n Pay earnings and subsequent asset impairment, alongside the escalation in the Group's funding position placed pressure on Group liquidity and solvency.

The Board undertook a number of key steps to safeguard Group liquidity, maintain the Group's ability to continue trading as a going concern and to strengthen the underlying performance of the Pick n Pay supermarket business, including the appointment of new CEO Sean Summers to lead the Pick n Pay turnaround strategy and the restructuring of senior leadership and operational structures ("Pick n Pay Turnaround Plan").

Alongside the immediate action taken at an operational level, the Board prioritised the development of a sustainable capital structure for the Group, which would reduce debt levels, provide sufficient support for investment in the turnaround of Pick n Pay and unlock shareholder value. To this end, the Group announced its two-step Recapitalisation Plan on SENS and ANS on 22 February 2024.

The Recapitalisation Plan consists of a Rights Offer of up to R4.0 billion to existing shareholders intended for the middle of 2024 ("Rights Offer"); and the listing of the Group's Boxer business on the Main Board of the Johannesburg Stock Exchange ("IPO") towards the end of 2024, with the retention of a majority stake in Boxer. Further details of the proposed rights offer are provided below.

In addition to the steps outlined above, the Group engaged closely with its long-term lenders and was able to secure a full financial covenant waiver at the end of February 2024 and relaxed financial covenants for the measurement period ending August 2024. Furthermore, the Group was able to secure a multilateral Restructuring Support Agreement (the "RSA") with all its short-term and long-term lenders in May 2024 to secure the availability of its debt facilities until 1 September 2025. One of the key terms of the RSA is that the Company is required to meet certain milestones, including the release of the Rights Offer declaration announcement by no later than 16 July 2024 (or such later date as the lenders may agree). Please refer to notes 34 and 35 of the Group annual financial statements for further information.

The valuable support from Group lenders has provided the Board with sufficient time and flexibility to strategically assess the Group's optimal gearing position and advance the strategic action required to correct the capital structure of the Group.

Going concern assessment

In preparation of these financial statements, the Board performed a formal assessment of the Company and its subsidiaries' ability to continue trading as going concerns in the foreseeable future.

The Board's assessment of going concern focused on three principal areas:

- The liquidity of the Group for the next 12 months and beyond, considering the extent to which the Group has sufficient liquidity, together with its available unutilised facilities, to discharge its obligations in the ordinary course of business;
- The solvency of the Group, namely whether the fair value of assets exceeds the fair value of liabilities, and the ability to settle all debt as they fall due; and
- The ability of the Group to continue trading as a going concern in the foreseeable future.



The Board's detailed going concern assessment included a review of the Group's economic and trading environment, interrogation of the key assumptions underlying financial forecasts (financial performance, financial position, and cash flows), consideration of the strength and reasonableness of the new strategic plan, the adequacy of the Group's insurance covers and the availability of borrowing facilities under the RSA and current trading trends.

The Board formally assessed the Group's solvency and liquidity position based on all the information available and, whilst there are inherent uncertainties, the Board is satisfied that no material uncertainties exist and that the action taken to protect Group liquidity and advance balance sheet recapitalisation will allow the Group to continue trading as a going concern for the foreseeable future and that the presentation of the Group and Company annual financial statements on a going concern basis is appropriate.

The Board and the management team are resolutely focused on delivering both the Recapitalisation Plan and the Pick n Pay Turnaround Plan in order to reduce overall gearing, implement a sustainable capital structure and to preserve and subsequently create shareholder value.

Solvency and liquidity

The Board ensures that it complies with the liquidity and solvency requirements of the Companies Act before any provision of financial assistance or dividend payment.

Shareholder distribution

The Group's dividend policy is to maintain a dividend cover range of between 1.5 times and 1.8 times headline earnings per share. As a result of the loss incurred, the Board has not declared a dividend in FY24 and has suspended all dividend payments until such time that the Board believes that there is sufficient cash generation to review the dividend policy.

Share capital

	FY24	FY23
Listed Ordinary shares, par value of 1.25 cents per share		
Authorised	800 000 000	800 000 000
Issued	493 450 321	493 450 321
Unlisted B shares, no par value		
Authorised	1 000 000 000	1 000 000 000
Issued	259 682 869	259 682 869

Proposed Rights Offer

The Group intends to raise up to R4.0 billion from its shareholders by way of the Rights Offer in the middle of 2024. Given the size of the proposed Rights Offer, the Company intends increasing its authorised ordinary shares from 800 000 000 (of which 493 450 321 shares are currently in issue) to 10 000 000 000 ordinary shares. In addition, the Company intends to increase its B shares from 1 000 000 000 to 5 300 000 000. The proposed increase will also provide the Company with additional headroom for any potential future share issues which the Company may require, whether for capital raises, share incentive schemes or otherwise.

In order to increase the Company's authorised ordinary share capital, the Company will need to convert its existing authorised and issued ordinary shares from par value ordinary shares of 1.25 cents each to no par value ordinary shares. The Company's Memorandum of Incorporation (MOI) will be amended to reflect this change.

The Company will seek shareholder approval for the resolutions required to advance the Rights Offer at an extraordinary general meeting (EGM) to be held on 26 June 2024. The EGM Notice and Circular will be published on 27 May 2024 and can be found on the Group's website at www.picknpayinvestor.co.za

Treasury Shares

At period end, 10 796 047 shares (2023: 12 380 153 shares) of Pick n Pay Stores Limited were held within the Group to settle future obligations under the Group's employee share schemes. Further details of the Group's share capital and treasury shares, including all movements for the period under review are disclosed in notes 5, 20 and 21 of the Group's annual financial statements.

Shareholders

Details of the Group's shareholder analysis as at 25 February 2024 are set out on pages 107 to 108.

Borrowings

Total borrowings

The Group's overall level of debt (including bank overdraft and overnight borrowings) increased from R5.7 billion in FY23 to R11.4 billion at the close of FY24.

Net funding

The Group's net funding position (defined as overall debt net of cash and cash equivalents) increased by R3.7 billion to R6.1 billion over the period as a result of higher levels of capital investment under the Group's previous long-term strategy and substantial losses in the Pick n Pay supermarket business.

The Group engaged closely with its lenders and was able to secure a full covenant waiver at February 2024, with relaxed covenants for August 2024. In addition, the Group was able to secure a multilateral Restructuring Support Agreement (RSA) to secure the availability of its debt facilities until 1 September 2025. Please refer to "Events Subsequent to the Reporting Date" below for further information, and to notes 22 and 35 of the Group annual financial statements for further information on the Group's borrowings.

Litigation statement

The Company and its subsidiaries have not been involved in any legal or arbitration proceedings which could have, or have had in the past 12 months, a material effect on the Group's financial position. Furthermore, the Board is not aware of any such proceedings that are pending or threatened.

Special resolutions

On 19 July 2023, the Company's shareholders approved the following special resolutions as tabled in the notice to the Annual General Meeting (AGM):

Directors fees for the 2024 and 2025 annual financial periods

Shareholders approved the non-executive directors' fees as proposed.

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 related company, inter-related company or member of a related or inter-related company on such terms and conditions as determined by the Board in the ordinary course of business and in accordance with the Company's MOI.

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 period 5% of the Company's issued share capital of the class of repurchased shares.

In addition to the above special resolutions tabled and approved at the 2023 AGM, the following ordinary resolution, which required 75% shareholder approval, was passed:

General but restricted authority to issue shares for cash

Shareholders resolved that the Company could, subject to the provisions of the Companies Act, the JSE Listings Requirements and its MOI, issue up to 5% of its ordinary share capital for cash.

Directors and prescribed officers

Details of the directors and prescribed officers who served on the Board during the period and any changes at reporting date are provided below. The biographical details of the current directors and prescribed officers, including Board committee membership, will be published in the Integrated Annual Report later in the year and are available on the Company's website at: www.picknpayinvestor.co.za

Name	Designation	Role Changes
Current Directors		
Gareth Ackerman	Non-executive Chairman	
Jonathan Ackerman	Non-executive	Resigned as executive director on 31 March 2023 Appointed as non-executive director on 1 April 2023
Suzanne Ackerman	Non-executive	
Haroon Bhorat	Independent non-executive	
Mariam Cassim	Independent non-executive	
James Formby	Lead independent non-executive	Appointed lead independent director on 19 July 2023
David Friedland	Independent non-executive	
Aboubakar Jakoet	Independent non-executive	
Audrey Mothupi	Independent non-executive	
Lerena Olivier	Executive – CFO	
David Robins	Non-executive	
Sean Summers	Executive – CEO	Appointed as CEO on 30 September 2023
Annamarie van der Merwe	Independent non-executive	
Previous Directors		
Pieter Boone	Executive – CEO	Resigned from the Board on 30 September 2023
Jeff van Rooyen	Lead independent non-executive	Resigned from the Board on 19 July 2023

Board and Board Committee Changes:

The Board advises of the following changes to the Board and its committees which were approved after financial period-end at a Board meeting held on 24 May 2024:

Retirement of Board Chair and Changes to his Committee Memberships

Gareth Ackerman will retire from his role as Chairman of the Board following the release of the Company's FY25 results in 2025. In addition, Gareth Ackerman has stepped down from the Nominations and Corporate Governance Committee and Treasury Committee with immediate effect. The Board extends its sincere thanks to Gareth for his invaluable contribution as Chairman of the Board over the past 14 years and appreciates the support he will provide to management over the coming months. The Board will announce his successor as Chairperson of the Board in due course.

Retirement of Non-Executive Director

David Robins will retire as a non-executive director at the Company's 2024 Annual General Meeting ("AGM"). The Board extends heartfelt gratitude to David for his unwavering commitment to the Group for over thirty years and for his incredible 22-year contribution to the Board.

Other changes in Committee Memberships

Nominations and Corporate Governance Committee

Suzanne Ackerman, Haroon Bhorat and David Friedland retired from the Nominations and Corporate Governance Committee with immediate effect. The Board appointed lead independent director James Formby to the Nominations and Corporate Governance Committee and named Annamarie van der Merwe as the Chair of the committee. Current membership comprises Annamarie van der Merwe (Chair), James Formby, Aboubakar Jakoet and Audrey Mothupi.



Social, Ethics and Transformation Committee

David Robins retired from the Social, Ethics and Transformation Committee and the Board appointed independent non-executive director Haroon Borhat to the committee. The committee now comprises Suzanne Ackerman (Chair), Jonathan Ackerman, Haroon Borhat and Annamarie van der Merwe.

Finance and Investment Committee

The Treasury Committee – an advisory sub-committee to the Audit, Risk and Compliance Committee – has been constituted as a key standing committee and renamed as the Finance and Investment Committee. The renamed Finance and Investment Committee is chaired by lead independent director James Formby and includes independent non-executive directors Haroon Borhat, Mariam Cassim, David Friedland and Aboubakar Jakoet as members.

Independent Board Committee

The Corporate Finance Committee has been renamed as the Independent Board Committee and comprises only independent non-executive directors, chaired by the lead independent director James Formby.

This Committee is not a key standing committee and is convened only for major regulated transactions or investment decisions.

Director retirement and rotation

In addition to the changes detailed above, the Board will initiate a process for long-serving independent non-executive directors to rotate and retire in the ordinary course of board appointments over the next 12 – 18 months.

In terms of the Company's MOI, at least one-third of Board directors are required to retire by rotation at each Annual General Meeting (AGM) and may offer themselves to shareholders for re-election. In determining which director shall retire, the Board considers the requirements of the Companies Act, the Listings Requirements, the Board's Corporate Governance Charter and the length of time that each director has served since last election by shareholders.

It is noted that non-executive directors are required to retire after three years and, in terms of the corporate governance charter, long-serving directors who have served on the Board for more than nine years are required to retire annually.

The directors listed below offer themselves for election or re-election at the 2024 annual general meeting. Details of each director standing for election or re-election will be available in the Notice of AGM, expected to be published at the end of June 2024.

Executive

Sean Summers	Election, following Board appointment on 30 September 2023
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Non-executive

David Friedland	Retirement and re-election after a one-year term
Audrey Mothupi	Retirement and re-election after a one-year term
David Robins	Retirement and re-election after a three-year term
Annamarie van der Merwe	Retirement and re-election after a two-year term

Directors' interest in shares

Over the reporting period, the directors of the Company beneficially held ordinary shares in the Company. Details of the shareholding can be found in note 4 of the Group annual financial statements and note 8 of the Company annual financial statements.

There have been no further changes to the directors' interests between the end of the reporting period and the date of the Directors' Report. The remuneration paid to directors of the Company during the period under review is set out in note 4 of the Group annual financial statements and note 2 of the Company annual financial statements. During the period, no directors had any material interests in contracts with the Company or any of its subsidiaries that gave rise to a conflict of interest. Related party transactions, in terms of the International Financial Reporting Standards, between the Company or its subsidiaries, and the directors or their associates, are disclosed in note 30 of the Group annual financial statements.

Company secretary

Vaughan Pierce BA (LLB) (LLM) replaced Penelope Gerber CA (SA) as Company Secretary of the Pick n Pay Group with effect from 14 March 2024. Vaughan had served as Senior Legal Advisor for the Group for 13 years. During his tenure he performed a number of other key roles, including as Vice Chairperson of the Pick n Pay Medical Aid Scheme and as Trustee on the Ackerman Pick n Pay Foundation and Feed the Nation Foundation. Vaughan also leads the Group's Environmental, Social and Governance (ESG) division.

Audit, risk and compliance committee

We draw your attention to the Group Audit, Risk and Compliance Committee report on pages 14 to 20, where we set out the responsibilities of the Committee and how it has discharged these responsibilities during the period.

Events subsequent to the reporting date

As detailed above, the Group signed a multilateral Restructuring Support Agreement (RSA) with all its short-term and long-term lenders on 7 May 2024, which ensured that the Group's total debt facilities will remain in place until 1 September 2025 under relaxed terms and conditions. The Group, under the terms and conditions of the RSA, will repay all its debt with the proceeds of the planned Rights Offer and the Boxer IPO, except to the extent that lenders elect to provide ongoing working capital facilities. Please refer to notes 22 and 35 of the Group annual financial statements for further information.

Gareth Ackerman
Chair

26 May 2024

Sean Summers
Chief Executive Officer

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 27 to 101, which comprise of the consolidated and separate statements of financial position as at 25 February 2024, 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 material accounting policy information.

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 25 February 2024, 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, as issued by the International Accounting Standards Board, 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

Recognition and recoverability of deferred tax assets

The Group has recognised deferred tax assets of R2 133.5 million (2023: R734.1 million). The current year increase is mainly because of the estimated tax loss of Pick 'n Pay Retailers (Proprietary) Limited. Disclosure relating to the deferred tax asset is included in notes 1.6, 1.23, 6 and 14 of the consolidated financial statements.

The recognition of a deferred tax asset in respect of tax losses is permitted only to the extent that there is convincing evidence that sufficient future taxable income will be available against which the deferred tax asset can be utilised by the entity.

Given the Group's Pick n Pay segment's poor performance in the current year due to muted sales growth, gross profit margin contraction and higher operating costs, the risk exists that future profits will not be sufficient to fully recover the deferred tax assets.

Management supports the recoverability of the deferred tax assets primarily with income projections from the Corporate Turnaround Plan which contain judgement and complex estimates of future taxable income against which tax losses carried forward are expected to be utilized.

The key areas where we identified greater levels of management judgement in the Corporate Turnaround Plan and therefore increased levels of audit focus are:

- Forecasted profitability driven by key revenue growth, trading margins and trading expenses growth assumptions, opening of additional stores including the impact of the planned initiatives outlined in the Corporate Turnaround Plan.
- Terminal growth rate applied in the Corporate Turnaround Plan.
- Forecasted period for the utilisation of the deferred tax asset.

Due to the size of the deferred tax asset, the recoverability of deferred tax assets was a matter of most significance to the current year's audit and identified as a key audit matter.

The disclosures required per IAS12 – Income taxes relating to this balance are set out in the audited annual financial statements in note 14 – Deferred tax.

Our procedures, amongst others, included the following to assess the recoverability of the deferred tax asset:

- Understanding the process management have followed to make their assessment regarding the going concern assumption.
- Obtaining the Turnaround Corporate Plan which indicated the impact of key strategic initiatives as they relate to the operations of the core Pick n Pay Retailers business which are currently loss making to understand and identify the key assumptions requiring evidence.
- We held various discussions with management to understand the status of each of the key strategic initiatives contained in the Corporate Turnaround Plan.
 - > We inspected evidence supporting the status of the initiatives and their progress to date.
 - > We then recalculated the impact on the profitability of Pick 'n Pay Retailers (Proprietary) Limited by vouching the inputs to external data or audited amounts.
 - > Where an initiative could not be vouched or supported, we considered the impact on profit projections through our sensitivity testing.
- We performed sensitivity testing on the Corporate Turnaround Plan which included us setting up scenarios to flex management's projections in line with independent external data and the outcomes of our vouching to audited information.
 - > We also understood the nature of the once off items included in the FY24 financial year and the likelihood of occurrence in the future to establish an appropriate base for our sensitivity analysis.
- With the assistance of our internal valuation specialists, we reviewed the terminal growth rate applied by management.

Key audit matter

How the matter was addressed in the audit

Goodwill, stores CGUs and right of use asset impairments

Goodwill for the Group has a carrying value of R506.2 million at 25 February 2024 (2023: R952.8 million). Goodwill originated from the purchase of Tomis Group in the current year; subsidiaries in prior years; and the purchase of individual stores in the current and prior years. Property, plant and equipment has a carrying value of R9 190.6 at 25 February 2024 (2023: R8 893.2), and right of use assets have a carrying amount of R11 596.1 at 25 February (2023: R11 195.0).

Due to the difficult trading environment experienced in the Pick n Pay segment in the current year, the Group following IAS 36: Impairment of Assets (IAS 36) also considered the central assets and the assets in the store estate for impairment testing.

Disclosures relating to goodwill are included in notes 1.6, 1.7 and note 9 of the financial statements. The disclosures of the impairment of property, plant and equipment and right of use assets are reflected in notes 1.6, 1.7, 1.8, 1.10, 1.15 notes 10, 11 and 12 of the financial statements.

The Group considers each store to be a separate cash generating unit (CGU) per IAS 36 as these stores can generate their own independent cash flows. Corporate assets are assets other than goodwill that contribute to the future cash flows of both the CGUs under review and other CGUs.

Goodwill, store and right of use asset impairments

In terms of the Corporate Turnaround Plan, management has allocated stores between reset stores and remaining stores. The impairment methodology applied by management in calculating the recoverable amount of these store categories differed. For these categories our audit effort was focused on these specific assumptions:

- Where value in use was determined as the recoverable amount, assumptions were made around the discount rate, cash flow projections, growth rates and terminal values.
- Where fair value less cost of disposal was determined as the recoverable amount, assumptions were made around the earnings multiple and other relevant store factors.

Corporate assets

The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus are:

- Management's identification of corporate assets which (a) could be allocated to individual CGUs and (b) could not be allocated to individual CGUs.
- For corporate assets that could be allocated to individual CGUs, judgement is required in determining the basis of allocating the corporate assets to individual CGUs.
- For these assets that could not be allocated to individual CGUs, the assets were aggregated together with the other identified CGUs and assessed for impairment as part of a greater CGU. The valuation of these assets was then assessed with reference to the valuation of Pick n Pay Retailers (Pty) Ltd, which includes assumptions around the discount rate, cash flow projections, growth rates and terminal values.

Given the trading conditions and the outcomes shown in these financial statements and the current economic climate, significant audit effort was required to assess the assumptions with the assistance of the specialists in our team.

With the assistance of our internal valuation specialists, our audit procedures relating to the goodwill and store impairment assessment, included, amongst others:

Goodwill, stores and right of use asset impairments

- With reference to the requirements of accounting standards and our knowledge of the business, we evaluated the methodology used to calculate the recoverable amount of store reset and remaining stores.
- Where value in use was determined as the recoverable amount, we evaluated the key assumptions and judgements, discount rate, cash flow projections, growth rates and terminal values by reference to historic performance, independent external market information and the Corporate Turnaround Plan initiatives.
- Where fair value less cost of disposal was determined as the recoverable amount, we assessed the assumptions and calculations with reference to recent market transactions, adjusted industry norms and evidence obtained after the reporting date.

Corporate assets

- We obtained an understanding of the judgement applied by management in the identification of corporate assets which (a) could be allocated to individual CGUs and (b) could not be allocated to individual CGUs. We validated management's judgements applied by management with reference to our understanding of the business and audit evidence obtained.
- For the corporate assets that could be allocated to an individual CGU, we assessed the reasonableness of management's allocation basis and the arithmetical accuracy of the allocation. These assets were then assessed as part of the individual store impairments referred to above.
- For these assets that could not be allocated to individual CGUs, the assets were aggregated together with the other identified CGUs and assessed for impairment as part of a greater CGU. We reviewed management's rationale for determining why these assets could not be allocated to individual CGU's based on our understanding of the business and audit evidence obtained.
- We reviewed the recoverable amount of the CGUs where the assets could not be allocated to individual CGU with reference to the valuation of the Pick n Pay Retailers (Proprietary) Limited business.



Key audit matter

How the matter was addressed in the audit

Liquidity and loan covenants

As disclosed in Note 19 and 22 prior to year-end, the Group engaged with its bilateral lenders to secure a full covenant waiver as at 25 February 2024 of the syndicated and bilateral loans amounting to R4.5 billion. Subsequent to year end, the Group entered into a Restructure Support Agreement ("RSA") with its short term and long-term lenders ("lenders"). This RA is fundamental to the going concern assumption as it provides a standstill on all debt repayments (other than interest payments) until 1 September 2025, relaxes or waives the loan covenants, details the recapitalization activities (as disclosed in note 34) and reduces the overall gearing of the Group.

Using the Corporate Turnaround Plan, approved by the Board, management with the assistance of its financial advisors, prepared a cashflow forecast for the Group.

Specific auditor attention was required to assess whether the judgements and assumptions applied by management in the Corporate Turnaround Plan and cash flow forecasts were reasonable and supported by evidence or are based on future events with different degrees of probability.

The primary areas of audit focus concerning the forecasted cash flows related to understanding the various terms and conditions of the RSA and considering what different scenarios may arise and how these interact with the RSA. Ultimately understanding how these scenarios impact the cashflow forecasts was a key area of focus given that the cash flow assumptions affect our audit work on the two Key Audit Matters above and also impact management's disclosures in the financial statements.

Our audit procedures included:

- We obtained an understanding of the process around developing the Corporate Turnaround Plan and cashflow forecast and key initiatives.
- We obtained an understanding of the key salient terms of the RSA agreement including the termination events, the cession of the Boxer shares and the guarantees provided by Boxer Superstores and how this impacts various scenarios and the Group's ability to pay the debt.
- With the support of our internal valuation and restructuring specialists, we assessed whether management's assumptions in the cashflow forecasts were reasonable and appropriately severe. Such stress testing is intended to test the sensitivity of management's current forecasted plan to any possible downside factors which may arise during the forecast period with a specific focus on revenue growth, trading margins and trading expenses.
- Using our sensitized cashflows we recalculated the forecasted August 2024 and February 2025 covenants, including assessing any mitigation measures that are in place as security for the total debt.
- We evaluated the future initiative assumptions per the Corporate Turnaround Plan and considered the impact on the overall results of the business and the related cash flow impacts in order to assess the Group's ability to continue meeting its obligations.
- We inspected the covenant waiver of the syndicated and bilateral lenders to ensure that the waiver was received before year end.
- We inspected minutes of the Board meeting evidencing that the Directors have assessed the Companies Act requirements in relation to the solvency, liquidity and going concern of the Group.
- Obtained and inspected evidence for the availability of facilities at the reporting and after the reporting date.
- With the assistance of our financial reporting specialists we assessed the adequacy of the disclosures in the financial statements.



Other Information

The directors are responsible for the other information. The other information comprises the information included in the 111-page document titled "Pick n Pay Group Annual Financial Statements for the period ended 25 February 2024," 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, as issued by the International Accounting Standards Board, 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 9 years.

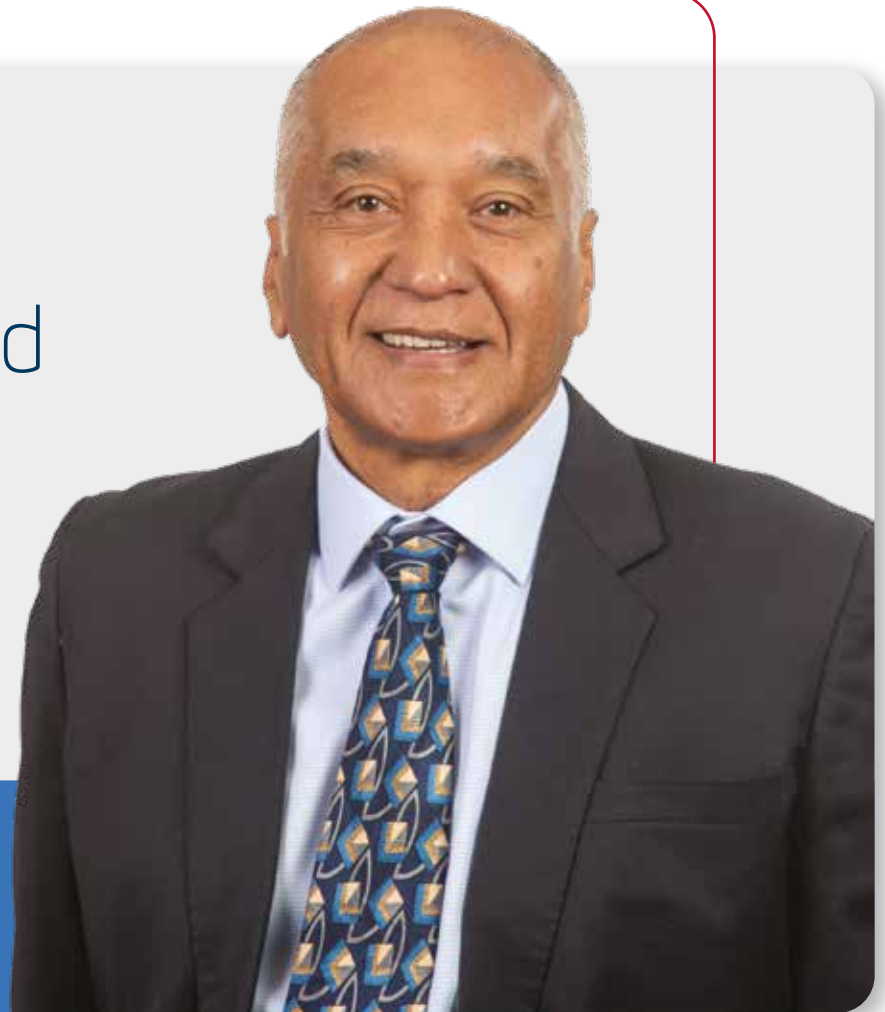
Ernst & Young Inc.

Director: Tina Lesley Rookledge
Registered Auditor
Chartered Accountant (SA)

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

26 May 2024

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 period ended 25 February 2024 (FY24). This report was prepared in accordance with the requirements of the Companies Act, No 71 of 2008, as amended (the Companies Act), the King IV™ Report on Corporate Governance for South Africa and King Code of Governance Principles (King IV), the JSE Limited Listings Requirements (Listings Requirements), International Financial Reporting Standards (IFRS) and other applicable regulatory requirements.

Mandate of the Group Audit, Risk and Compliance Committee ("GARCC" or "the Committee")

The board of directors of the Company (**the Board**) has delegated the statutory and regulatory duties arising from the Companies Act, 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 Committee charter is included in 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 the Group's governance of risk and compliance
- Consider the independence and effectiveness of the external auditor and recommend the external auditor's appointment to shareholders



Committee Chair Statement

The Group experienced one of the most challenging periods of its history in FY24. The substantial strategic investment into the Group's core Pick n Pay supermarket business did not generate the required returns targeted under its previous long-term strategy. A rapid deterioration in the performance of that business led to operating losses, higher levels of gearing and placed severe pressure on the Group's liquidity and ability to meet debt covenants.

These difficult circumstances required decisive remedial action by the Board to stabilise the Group's balance sheet and provide adequate capital for long-term sustainable growth, including:

- Changing executive and senior leadership
- Revising the Group's strategy and improving strategic execution
- Implementing a strong recapitalisation plan

The Committee provided invaluable support in navigating these difficulties. In particular, it leveraged the skill and experience of its Treasury sub-Committee to provide significant guidance in the:

- Engagement with lenders
- Evaluation and appointment of independent corporate finance advisors
- Deliberation of capital raise alternatives for the Group and the recommendation of a two-step Recapitalisation Plan, comprising a Rights Offer to existing shareholders and the listing of the Group's Boxer business
- Methodical steps taken to secure liquidity and sustain the Group's ability to continue operating as a going concern for the foreseeable future

The FY24 financial performance and the Group's more difficult financial position necessitated a greater focus on the reasonableness of financial budgeting and forecasts, accuracy of cash flow forecasts, improvement of working capital management, assurance of adequate borrowing facilities and the strength of financial and other internal controls. In particular, the Committee performed a detailed evaluation of the Group's ability to operate as a going concern over the foreseeable future. This included thorough assessments of the adequacy of Group liquidity and solvency, the adequacy and reasonableness of the Group's new strategic plan to significantly improve Pick n Pay's performance, and all the underlying potential risks within the Recapitalisation Plan. Please refer to Note 35 of the Group Annual Financial Statements for further information.

The Committee remained mindful of the strain on the Group's executive management and finance and operational teams and worked closely with management to retain key skills and talent during this period of upheaval.

The Committee's focus areas and the activities undertaken are set out in this report.

The Committee's responsibilities

The Committee is responsible for monitoring financial, risk and compliance policies and processes across the Group. It discharges this responsibility by overseeing 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 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, senior management and the external auditor
- Obtain outside legal or other professional advice
- Have access to the resources it needs to fulfil its responsibilities

The Board's role and responsibility

The Board remains responsible for reviewing and approving the Annual Financial Statements for the Group and Company, and for Group-wide combined assurance, compliance and risk governance.

The Board acknowledges that the Group will be exposed to certain risks in the fast-moving consumer goods industry in South Africa and the rest of the African continent. The Board aims to maintain 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 comprises of only independent non-executive directors. The Board nominates members annually for the ensuing financial period and they are elected by shareholders at the annual general meeting (AGM).

All Committee members satisfy the requirements to serve as a member of an audit committee, as provided in section 94 of the Companies Act. They have the necessary financial literacy skills and experience to execute their duties effectively. The Board's annual independence review assesses the independence of the Committee. The curriculum vitae of each Committee member will be included in the 2024 Notice of AGM.

Fees paid to members are approved by shareholders each year and are set out in the Group's Remuneration Report.

The Committee follows a formal work plan designed to execute its responsibilities over the period. It meets formally twice a year, with ad hoc meetings when needed. Formal Committee meetings are held over two days and include the following invitees: Board Chair; Chief Executive Officer (CEO); Chief Finance Officer (CFO); Head of Internal Audit; Head of Risk and Compliance; Chief Information Security Officer (CISO); external auditor; and other relevant members of executive management.

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, 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.

Specialist subcommittees

The Committee is supported by smaller sub-committees, including the Treasury Committee, the Franchise Committee and divisional Financial Review Committees (when applicable). These subcommittees comprise executive and non-executive directors who provide additional oversight, guidance and feedback in critical focus areas.

The Treasury Committee provided particularly valuable oversight and guidance in FY24.

The Treasury Committee

Chair: James Formby

Members: Gareth Ackerman, Haroon Borhat, David Friedland, Bakar Jakoet, Lerena Oliver, Sean Summers

This Committee oversees the management of the Group's balance sheet, including the Group's liquidity management, capital investment allocation and the effectiveness of its treasury function. Its responsibilities include cash flow and working capital monitoring, ensuring compliance with financial policies and regulations, reviewing borrowing and investment strategies, management of the Group's property portfolio and advising on strategic financial decisions to support the Group's long-term financial health and sustainability.

The Committee also plays a key role in assessing and mitigating financial risk, maintaining relationships with strategic lenders and other financial institutions, and providing oversight of all treasury-related activities to safeguard the Group's assets and support its financial performance.

The Treasury Committee meets at least four times a year, at the end of each financial quarter. In FY24, it met six times to address the Group's sustainable capital structure, sources of funding and liquidity constraints faced by the Group. In particular, the Treasury Committee played a valuable advisory role in the development of the Group's two-step recapitalisation plan and in the engagement with lenders to secure debt covenant waivers and the Restructuring Support Agreement. Please refer to Note 35 of the Group Annual Financial Statements for further information.

The Nominations and Corporate Governance Committee recognised the increasingly valuable role played by the Treasury sub-Committee. It recommended to the Board that it be constituted as a full Board Committee in FY25 under a formal Board mandate and Terms of Reference. The Committee will be renamed the Finance and Investment Committee and committee fees will be subject to shareholder approval.

Further details will be provided in the 2024 Corporate Governance Report.

Meeting attendance and minutes of meetings

Formal minutes of Committee and sub-Committee meetings are made available to all Committee and Board members through a secure online Board reporting platform. The Committee and sub-Committee Chairs report to the Board at each quarterly Board meeting. They report on each Committee's activities over the period and highlight key items deliberated and those requiring specific Board attention or approval.

GARCC composition and meeting attendance for FY24

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 CFO.	3/3
Haroon Borhat	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.	3/3
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).	2/3
James Formby	A chartered accountant with a Master's in Philosophy in Management Studies. James had a successful 25-year career with the FirstRand Group (financial services industry), retiring as CEO of Rand Merchant Bank in 2022.	3/3
David Friedland	A chartered accountant with expertise in auditing, risk and compliance. David had an extensive career as audit engagement partner with major retail companies.	3/3
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.	3/3

Committee's responsibilities and activities performed in FY24

1. THE GROUP FINANCE FUNCTION AND FINANCIAL AND INTEGRATED REPORTING

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 and integrated reporting.

Key areas of activity

Internal reporting

- Reviewed internal reports regarding the Group's financial performance, including divisional results, budgets, forecasts and capital investment
- Interrogated the underperformance in the Pick n Pay supermarket business, including its volume and profit margin contraction
- Monitored cost increases across the business, including incremental energy costs related to load-shedding and sustained increases in insurance and security costs and the initiatives undertaken to mitigate the cost pressure
- Monitored the Group's move from its Longmeadow distribution centre to the new Eastport facility, including the supply chain costs duplicated over the transition period
- Received feedback on the Group's tax position and its tax compliance and were satisfied with the Group's status and compliance
- Reviewed the financial reporting process and controls over 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



Liquidity and balance sheet stability

- Reviewed treasury reports, cash flow forecasts, capital allocations and investment returns and monitored liquidity and performance against debt covenants
- Oversaw all steps taken to bolster Group liquidity, including the sale of the Longmeadow distribution centre and two non-core shopping centres, and the efforts to reduce high levels of inventory
- Oversaw engagements with long-term and short-term lenders
- Reviewed the structure of all borrowing facilities, including the terms and conditions of the covenant waivers received ahead of the FY24 year-end, the debt Restructuring Support Agreement concluded in May 2024 and all related inter-Group financial assistance under s45 of the Companies Act
- Appointed corporate finance advisors (through a formal request for proposal process) to advise on an appropriate recapitalisation plan for the Group and recommended to the Board a two-step plan, comprising a rights offer to existing shareholders and listing the Boxer business on the JSE's main board, subject to shareholder and other regulatory approvals

External reporting and technical IFRS elements

- Reviewed the basis for determining materiality for external reporting
- Reviewed the appropriateness of the Group's accounting policies and guided on increased segmental disclosures in respect of the Group's Pick n Pay and Boxer segments
- Reviewed the adequacy of inventory and debtor provisions
- Reviewed the impairment of Pick n Pay Supermarkets' assets necessitated by the operating losses incurred and the Group's long-term plan to re-set the store estate, and all related deferred tax implications
- Assessed and confirmed the appropriateness of the going concern assumption used in the Group's Annual Financial Statements
- Reviewed comparable earnings disclosures to ensure that shareholders were presented with appropriate financial information to understand the Group's underlying FY24 performance

Other specific items

- Confirmed that the listed Company had an JSE independent sponsor during FY24
- Ensured that the appointment of the external auditor was included as a resolution for a shareholders' vote in the Notice of 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 of the Committee's oversight in respect of the Group's finance function and financial reporting

The Committee reviewed and recommended to the Board, for approval, the Group's Annual Financial Statements prepared on a going concern basis, interim and final results announcements, all sales and trading updates and ensured all external reports complied with IFRS, the Companies Act, the Listings Requirements and King IV as relevant. The Integrated Annual Report and related suite of corporate governance documents are separately reviewed and approved in June of each year.

2. 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

Internal reporting

- Reviewed and approved the internal audit coverage plan and budget for the ensuing financial period
- Evaluated and confirmed the necessary expertise and experience of the Head of Internal Audit and the composition, experience, skill and independence of the internal audit team
- Met with the Head of Internal Audit independently of management to confirm they had received the full co-operation of management in the undertaking of their duties
- Assessed the adequacy of the performance of the internal audit function and found it to be effective
- Confirmed 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 the 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, while recognising the need for improvements in certain areas to ensure the proper maintenance of accounting records and to strengthen systems of internal control
- 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 of the Committee's oversight in respect of internal audit:

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.

3. EXTERNAL AUDIT

The Committee provides independent oversight and objective assessment of the effectiveness of the Group's external audit function. Ernst & Young Inc. (EY) was appointed as external auditor to the Group in July 2015, following a formal tender process. EY has served as the Group's external auditor for nine financial periods. The Committee annually considers whether a tender process should be adopted to appoint new external auditors.

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 periods. Tina Rookledge was appointed on 5 August 2020 and has been the designated audit partner since then. Tina will be rotated as audit partner in the financial period ended 2026.

Key areas of activity

External audit process	<ul style="list-style-type: none"> Approved the external audit plan and related scope of work for the FY24 annual audit to ensure adequate coverage of material matters and critical risk areas Approved the audit fees for the FY24 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 Listings Requirements from EY when assessing their suitability for their appointment for FY24 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 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	<ul style="list-style-type: none"> 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 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 of the Committee's oversight in respect of external audit:

The Committee concluded that it was satisfied with the level of service rendered by EY during FY24 and was satisfied with EY's independence and JSE accreditation. The Committee concluded that Tina Rookledge has the necessary competence, ability and independence required for the position of designated external audit partner.

The Group will table a resolution at the 2024 AGM to re-appoint EY as the external auditor for FY25.

4. RISK AND COMPLIANCE

The Committee provides independent oversight and objective assessment of the effectiveness of the Group's management of risk, 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 function is responsible for overseeing the implementation of risk management processes by management. This includes reviewing, challenging, and monitoring management's identification of business, financial and ESG risks and the controls that have been implemented. The combined assurance plan is a structured and integrated approach for coordinating the various assurance activities over the most significant risks to the Group. The Group's compliance function is responsible for overseeing and monitoring compliance to all relevant laws, regulations and standards.

The CFO serves as the Chief Risk Officer for the Group. The day-to-day responsibility for identifying, evaluating and managing risk and compliance remains the responsibility of senior management, under the guidance of the Group Head of Risk and Compliance.

During the period, PwC was appointed to support the Group in improving the maturity of its risk and compliance frameworks, as well as the implementation thereof.

Key areas of activity

Risk and compliance management processes	<ul style="list-style-type: none"> Assisted management in identifying risk areas, including emerging risks, and evaluated the mitigation steps which management had put in place to minimise the impact on the Group Discharged all Risk and Compliance Committee responsibilities of all 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 Reviewed all revisions to the Group's compliance framework, including the Group's Code of Ethics and all related ethics policies
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Specific focus areas

- Considered and confirmed that the Group Head of Risk and Compliance had the appropriate expertise and experience for the role
- Evaluated and confirmed the composition, experience, skill and independence of the risk and compliance function
- The material financial and operational impact of load-shedding, 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 and the impact of higher insurance premiums
- Employee welfare, talent attraction and 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

Outcome of the Committee's oversight in respect of risk and compliance:

The Committee concluded that it is satisfied with the effectiveness of the Group's risk and compliance 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 approved by the Committee prior to the work being undertaken. All non-audit services undertaken during the FY24 were approved in accordance with this policy. EY did not provide non-audit services during FY23.

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 FY24, EY received R28 500 relating to agreed-upon non-audit procedures (0% of the audit fee).

Expertise and experience of the CFO and the finance function

The Committee 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 continued appointment as CFO. 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 FY24.

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 was effective, notwithstanding the opportunity for improvement in certain areas of policy maintenance and implementation, and the Committee would continue to be vigilant in its oversight.

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 King IV™ principles. The details will be reported in the Group's 2024 Integrated Annual Report, Corporate Governance Report and King IV application register, expected to be published by 30 June 2024.

Significant matters

The Committee considered the key audit matters reported in the external audit report on pages 8 to 13. After discussions with management and the external auditors, it is satisfied that the Group Annual Financial Statements appropriately address the critical judgements and key estimates pertaining to the key audit matters.

Annual Financial Statements

The Annual Financial Statements for the financial period ended 25 February 2024 were compiled under the supervision of the CFO, Lerena Olivier CA (SA).

The Committee reviewed the Consolidated Group and separate Company Annual Financial Statements for the financial period ended 25 February 2024. 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 2024 financial period and the results of the operations and cash flows for the period then ended. The Committee recommended them for approval to the Board on 26 May 2024. The Committee reviewed and considered representations by management on the going concern statement for the Group and recommended the adoption of the going concern principle to the Board.

The 2024 Integrated Annual Report will be published in addition to these Annual Financial Statements.

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. 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 2024 AGM to be held later in the year.

Key focus areas for FY25

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

- The Group's financial and operating performance under the new strategic turnaround plan
- The effectiveness of the Group's cost savings and efficiency initiatives
- Optimal capital allocation to advance business stability and prioritise investment returns
- Group liquidity and compliance with the terms and conditions of the Restructuring Support Agreement
- The successful implementation of the two-step Recapitalisation Plan including project risk management and statutory compliance
- Increased focus on emerging and accelerated risks, including increased cyber risk driven by the growth in online sales, and the potential for civil and labour unrest in South Africa
- Further progress in integrated reporting, including in ESG disclosures

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 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 FY24.

Aboubakar Jakoet

Chair: Group Audit, Risk and Compliance Committee

26 May 2024



Review of operations

Financial results for the 52 weeks ended 25 February 2024 (FY24)

Key financial indicators	52 weeks to 25 February 2024 FY24	52 weeks to 26 February 2023 FY23	% change
Group turnover	R112.3 billion	R106.6 billion	5.4
Gross profit margin	18.1%	19.6%	
Trading expenses	R22.6 billion	R20.2 billion	11.9
Trading profit	R385.0 million	R3 048.0 million	(87.4)
Trading profit margin	0.3%	2.9%	
(Loss)/profit before tax & capital items	(R1 423.6 million)	R1 800.2 million	(179.1)
Comparable (loss)/profit before tax & capital items ¹	(R1 672.7 million)	R1 823.6 million	(191.7)
(Loss)/profit after tax	(R3 190.1 million)	R1 169.9 million	(372.7)
Headline (loss)/earnings per share (HEPS)	(203.06 cents)	259.25 cents	(178.3)
Comparable HEPS ¹	(254.72 cents)	264.12 cents	(196.4)
Total dividend per share	0.00 cents	185.15 cents	

¹ Comparable earnings exclude all non-cash hyperinflation gains and losses related to the Group's TM business in Zimbabwe. The Group's view is that Comparable HEPS provides the clearest view of underlying profit performance on a year-on-year basis.

Result summary

The Group delivered a weak FY24 result, driven by a substantial trading loss in the Group's Pick n Pay business, which more than offset a strong performance from the Group's Boxer business. The result was further impacted by a significantly higher interest charge resulting from increased gearing, and a R2.8 billion non-cash store asset impairment in the Group's Pick n Pay business.

Group turnover increased 5.4%, driven by strong growth from Boxer (+17.3%) and Pick n Pay Clothing standalone stores (+17.0%). Gross profit margin declined 1.5% to 18.1%, while gross profit in Rand terms declined 3.1% year-on-year. Other income grew 17.1%. Trading expenses increased 11.9%, driven by substantially higher debtors provisioning and R307 million of employee restructuring costs.

Trading profit declined 87.4% to R385.0 million, reflecting a R1.5 billion trading loss for Pick n Pay (a sharp reversal versus FY23's R1.3 billion profit), and a R1.9 billion trading profit for Boxer (R1.8 billion profit in FY23). The Pick n Pay trading loss was primarily driven by flat (+0.3%) Pick n Pay sales, trading expense growth exceeding sales growth, and gross profit margin contraction in that business.

The result was further impacted by a 198.8% increase in net interest paid to R701.8 million, as a result of higher gearing and increased interest rates. The cumulative result of the above factors was a loss before tax and capital items of R1.4 billion. Additionally, the trading loss reported by the Pick n Pay business triggered a R2.8 billion non-cash impairment on the assets of Pick n Pay company-owned stores, which resulted in the Group reporting an overall after-tax loss for the period of R3.2 billion.

The disappointing Pick n Pay operational performance resulted in Group net debt increasing to R6.1 billion at year end (vs. R3.7 billion at February 2023), which contributed to the Group's February 2024 announcement of a two-step equity capital raise plan to recapitalise the Group, unlock the underlying value of the Group's Boxer business, and allow management to focus on improved operational execution within the Pick n Pay business.

Highlights from the period include:

- Boxer, SA's leading soft-discounter, delivered total sales growth of 17.3%, with 50 new stores opened to take the portfolio to 477 stores. Boxer reported trading profit increased 9.4% year-on-year to R1.9 billion with underlying trading profit growing substantially faster.

- Pick n Pay Clothing opened 58 company-owned stores, and delivered market-leading sales growth of 17.0% from standalone stores.
- Online sales growth of 74.4%, driven by 102.3% year-on-year growth in our on-demand platforms asap! and Pick n Pay groceries on Takealot's Mr D app.
- January 2024 launch of CEO Sean Summers' strategic plan to return the Group's Pick n Pay business to profitability.
- Announcement of a two-step recapitalisation plan, consisting of a rights offer and a listing of the Group's Boxer business on the Main Board of the JSE.

Recapitalisation plan progress

The Group announced on SENS on 22 February 2024 that the Board had approved a two-step recapitalisation plan. This plan comprises a R4.0 billion rights offer, followed by an offering and listing of the Group's Boxer business on the Main Board of the Johannesburg Stock Exchange ("IPO") expected towards the end of 2024. The Group is well advanced with the two-step recapitalisation plan. The shareholder approvals required for the rights offer will be sought at an extraordinary general meeting (EGM) on 26 June 2024.

The Group has received a firm commitment from its controlling shareholder Ackerman Investment Holdings (AIH) that, subject to its reasonable satisfaction with the terms and conditions of the rights offer, it will vote in favour of the resolutions necessary to implement the rights offer and follow its rights up to a maximum amount of R1.025 billion. The Group is pleased to announce that it has concluded a standby underwriting agreement with ABSA Bank Limited, Rand Merchant Bank, and The Standard Bank of South Africa Limited (the "Joint Underwriters") in terms of which they have agreed, subject, *inter alia*, to the conclusion of an underwriting agreement on customary terms, to underwrite the R4 billion rights offer in equal proportions.

The total size of the two-step capital raise has not yet been finally determined. This will ultimately be decided by the Board, in conjunction with its independent advisors. The Group indicatively guides the total size of the two-step capital raise at between R10 billion and R12 billion, implying a potential Boxer IPO capital raise of between R6 billion and R8 billion. The final decision on IPO size will be influenced by a range of factors including:

- Repayment of Group debt. The Group will pay down all debt immediately subsequent to the IPO, except to the extent that lenders elect to provide ongoing working capital facilities beyond the IPO.

- Restructuring costs to be borne on execution of the Pick n Pay strategic plan, as well as capital investment to continue the rejuvenation of the Pick n Pay company-owned store estate.
- Boxer's proposed capital structure at IPO.

The Group's intention is to appropriately address its capital requirements whilst simultaneously minimising the portion of Boxer sold, thus maximising post IPO Boxer value accruing to Pick n Pay and its shareholders. The Group anticipates retaining a majority stake in Boxer post the IPO.

Pick n Pay supermarkets store asset impairment

The severe FY24 deterioration in the trading profit of the Pick n Pay business (R1.5 billion loss versus R1.3 billion profit the previous year) has required the Group to recognise a R2.8 billion non-cash impairment of Pick n Pay Supermarkets store assets. The impairment, which covers tangible and intangible assets, including right-of-use and physical store assets, has two components:

- R1.8 billion impairment of assets of selected loss-making company-owned Pick n Pay stores which will be closed or

converted to Pick n Pay franchises or Boxer stores under the Group's strategic plan. These closures and conversions will enhance the store estate and reduce the impact of loss-making company-owned Pick n Pay stores on ongoing Group profitability.

- R1.0 billion impairment of selected under-performing company-owned stores that will remain open. This reflects the revaluation of the assets of stores where the current profitability is below the value of assets, but where the Group has chosen to retain the stores and drive improved performance over time.

Detailed review of financial and operational performance

Turnover

Group turnover growth for the period was 5.4%, with like-for-like sales growth of 2.9%. Internal selling price inflation for the period was 7.3%, well below Statistics SA Food CPI of 9.7% for the period, as the Group maintained its commitment to delivering low prices for customers.

	FY24 Rm	FY23 Rm	% change	Like-for-like % change
Pick n Pay sales (SA and Rest of Africa)	74 875.5	74 664.7	0.3	0.7
Pick n Pay SA sales	71 264.0	71 372.2	(0.2)	0.2
Boxer sales (SA and Rest of Africa)	37 419.3	31 897.1	17.3	8.1
Group turnover	112 294.8	106 561.8	5.4	2.9

Boxer continues to deliver on store rollout and like-for-like sales growth

Boxer's 17.3% sales growth was driven by 8.1% like-for-like sales growth (11.6% like-for-like in H2) and its store opening programme. Boxer opened 50 new stores in FY24, slightly below the 60 new stores opened in FY23. 18 of the new openings were supermarkets, while 32 were liquor stores. The estate now totals 477 stores. Boxer remains on track to achieve the previously announced goal of opening 200 new stores between FY22 and FY26 and doubling sales in the process.

Boxer's outstanding performance continues to be underpinned by its great value branded and confined label grocery range, its basic commodities focus, and its quality butchery, bakery and fresh produce offer.

Pick n Pay growth muted, with company-owned stores underperforming franchise

Pick n Pay grew FY24 sales 0.3%, with like-for-like sales of 0.7%. Pick n Pay South Africa was more disappointing, with sales declining -0.2% (+0.2% like-for-like). The soft performance was particularly evident in Hypermarkets and company-owned Pick n Pay supermarkets, with franchise stores performing somewhat better (although still not at levels the Group would consider satisfactory). The total number of company-owned food and grocery supermarkets reduced by a net three stores in FY24, while franchised food and grocery supermarkets reduced by a net eleven stores.

Pick n Pay asap! and Mr D continue to drive online sales momentum

The Group reported total online sales growth for FY24 of 74.4%, maintaining its strong online momentum (FY23 sales up 72.0%). Growth was driven by 102.3% year-on-year increase in the Group's on-demand services, Pick n Pay asap!, via its flagship app, as well as via its partnership with Mr D. Pick n Pay has established itself as the #2 on-demand grocery service amongst South African consumers.

The asap! application was relaunched with enhanced functionality in October 2023 and continues to be improved through the latest advancements in AI, such as AI Search and Alternatives, personalisation, and a faster and more reliable app. The business has

spent substantial resources to ensure its architecture is scalable, cost-effective and future-proof, using the latest cloud-based technology and engineering practices. This has been accompanied by a sizeable investment in store operations and logistics, which has improved the efficiency of store picking and delivery operations. The goal is to ensure customers get everything they ordered, delivered fast and fresh. As a result, the customer's online experience continues to be enhanced, including a 30% improvement in delivery time.

Pick n Pay asap! has a range of over 28,000 items and is now available in 541 stores across the company-owned and franchise estate. The business is poised to capture further growth in FY25, maintaining its high growth rates by further improving its service and in-app experience.

Pick n Pay Clothing continues to drive market share growth

Pick n Pay Clothing's casualwear proposition for value-oriented family shoppers continues to deliver strong results. Clothing sales growth from standalone stores was 17.0% (7.7% like-for-like) for the period. During FY24 Pick n Pay Clothing gained market share across all market segments, with the highest gains in menswear and kidswear, including schoolwear. Pick n Pay Clothing opened 58 company-owned stores in the period (55 new stores and three franchise conversions), to bring the total estate to 385 stores.

Liquor sales growth driven by Boxer

Group liquor sales grew 8.9% for the period, with the addition of 19 net new stores (32 Boxer net additions and 13 Pick n Pay net closures) taking the Group's liquor estate to 675 stores.

Franchise model modernisation impact on gross profit and franchise income

During FY24 the Group embarked on a collaborative journey with our franchisees to modernise the franchise agreement and ensure we continue to offer the best franchise model in South Africa. The core element of the new model is a higher purchasing rebate to our franchisees to encourage them to increase purchases through our chain (loyalty) in exchange for a higher franchisee royalty. The objective of the model change is the creation of a win-win situation



through an increased franchisee loyalty rate whereby franchisees gain (through a reduced purchase price from Pick n Pay) and can thus operate more profitably, and Pick n Pay also gains (due to extra volumes through its system and a higher royalty fee).

The purchasing rebate is recorded against sales and the royalty fee in other income. As a result of the model change, FY24 gross profit margin has decreased, with an offsetting increase on franchise income, recorded within other income. The initial phase of the new franchise model was implemented with effect from June 2023. The impact of the changed model on Group profit for this period was broadly neutral with benefits expected to come into the future.

Gross profit

Gross profit declined 3.1% to R20.3 billion, with reported gross profit margin declining 1.5% to 18.1%. Excluding the 0.5% impact from the franchise model change (offset by increased franchise income) and the one-off duplicated logistics costs from the Longmeadow to Eastport DC transition (0.1% gross profit margin impact), underlying FY24 gross profit margin declined 0.9% year-on-year.

Underlying gross profit margin pressure was more pronounced in the second half of the financial period (H2) vs. the 0.4% decline in the first half (H1), as a consequence of both lower supplier incentives received in H2, and steadily increasing promotional participation as under-pressure consumers increasingly shop promotions.

Other income

Reported other income increased 17.1% to R2.7 billion. Year-on-year growth was positively impacted by the change to the terms of our franchise model in FY24, which increased other income in this period by R564 million. In addition, growth was negatively impacted by insurance recoveries of R261 million in the FY23 base relating to the FY22 civil unrest. Excluding the net effect of these two factors, underlying other income growth was 4.2%.

Franchise fee income – the Group's royalty fee income, earned on franchise point of sale turnover, increased 128.2% to R1.0 billion. Growth was boosted by the change to the franchise model. Excluding this franchise model change, franchise fee income would have increased 2.2%. As detailed above, when taking into account the negative impact on gross profit margin, the impact of the changed franchise model on FY24 Group profit was broadly neutral.

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 grew 8.5% year-on-year to R1.5 billion. Within this category, value added services grew 13.0% year-on-year as the Group drives to maximise this opportunity. Financial services, especially retail banking, gained traction in Cash In and Out services and in-store money transfers. We now offer the widest range of digital payment options, including Crypto transactions, Store Cards, MobiCred, and PayJustNow, enhancing affordability for non-food items. Additionally, the expansion of cellular handsets into our Hyper and Clothing stores has been successful, with 3 Hybers and 21 Clothing stores now offering a wider, diverse range of cellular devices to meet customer demands.

Trading expenses

Trading expenses increased 11.9% year-on-year to R22.6 billion. Excluding the R434.8 million credit loss allowance increase and the R307 million employee restructuring cost incurred during the period, underlying expense growth was 8.2%, and like-for-like expense growth was 5.5%.

Employee costs – increased 7.8% to R9.0 billion over the period. Excluding the restructuring costs from the VSP and Junior Management restructuring, underlying employee costs growth was 4.5% (1.7% like-for-like). Group employee cost growth was well contained despite the aggressive Boxer and Clothing store rollout, reflecting tight employee cost control, especially in Pick n Pay South Africa.

Occupancy costs – increased 12.6% (9% like-for-like) to R3.4 billion. Occupancy cost growth was driven by both the accelerated Boxer and Clothing store rollouts, and increased security costs (+14% year on year) and rates costs (+14.9% year on year). Insurance costs, which spiked post the July 2021 civil unrest, are now in-the-base, having increased low single-digits in FY24.

Operations costs – This category, which includes energy costs, repairs and maintenance, as well as depreciation and amortisation, increased 13.6% to R6.1 billion (9.1% like-for-like). Energy costs (including diesel to run generators and electricity) increased by 10.3% in FY24, following a 43.1% increase in FY23, as the high costs of loadshedding are now largely in the base. The Group incurred total diesel costs to run generators of R698 million in FY24, an increase of 71% on FY23's R652 million. Energy saving initiatives resulted in annual savings of R226 million. Key drivers of cost growth within Operations included repairs and maintenance (+18.2%) as the Group focussed on maintaining the store estate, and depreciation and amortisation (+14.4%).

Merchandising and administration costs – increased 6.0% year-on-year to R3.4 billion, as the Group carefully controlled variable expenses, while focussing on ensuring we increase the effectiveness of our voice to market, specifically in Pick n Pay.

Expected credit loss allowance – increased by R434.8 million (+218.6%) to R633.7 million partly due to a R201 million provision increase on the Botswana franchise, and additional provisioning across the Group's franchise book, considered prudent in the current economic climate.

Trading profit

Group trading profit declined 87.4% to R385.0 million, being the combined result of:

- Boxer trading profit increasing 9.4% year-on-year to R1.9 billion. Boxer's FY24 trading profit margin was 5.2%, versus a margin of 5.5% for FY23. The 0.3% reported FY24 trading margin contraction was the result of R170 million of civil unrest insurance recoveries in the FY23 base relating to FY22. Excluding these insurance recoveries, Boxer's underlying FY24 trading profit increased 21.1% and the underlying trading margin improved by 0.2%.
- Pick n Pay reported a FY24 trading loss of R1.5 billion, which represents a sharp reversal from the R1.3 billion FY23 trading profit. Pick n Pay's trading loss was due to a confluence of factors, primarily (a) the soft 0.3% sales growth falling well below underlying operating cost growth and thus driving negative operating leverage, (b) gross profit margin contraction (including duplicated costs incurred during the Longmeadow to Eastport handover), (c) the employee restructuring costs, and (d) the increase in the franchise debtors provision.

	FY24			FY23		
	Pick n Pay	Boxer	Group	Pick n Pay	Boxer	Group
Sales	74 875.5	37 419.3	112 294.8	74 664.7	31 897.1	106 561.8
Trading profit/(loss)	(1 543.7)	1 928.7	385.0	1 285.2	1 762.8	3 048.0
Trading margin	(2.1%)	5.2%	0.3%	1.7%	5.5%	2.9%
Depreciation and Amortisation*	2 873.7	1 154.9	4 028.6	2 554.3	1 011.1	3 565.3
Net lease finance expense**	1 074.3	337.0	1 411.3	860.8	290.9	1 151.7
Impairments	3 080.5	11.3	3 091.8	66.3	6.2	72.5
Tangible and intangible assets	2 758.9	11.3	2 770.2	60.6	6.2	66.8
Investment in TM Supermarkets	253.6	-	253.6	5.7	-	5.7
Properties	68.0	-	68.0	-	-	-

* Depreciation & Amortisation includes depreciation of RoU assets.

** As per the Income Statement. Lease finance expense less lease finance income, which is income received from sub-leases where the Group holds head leases.

Note: Ahead of the planned Boxer IPO, the Group is working on finalising transfer pricing between Pick n Pay and Boxer, which may ultimately result in some adjustments to segmental trading profit as reported.

Net finance costs

Net finance costs, including implied interest charges under IFRS 16, increased 52.7% year-on-year to R2.0 billion.

Funding interest – The Group's net funding cost (net of trade receivables interest received) increased 255.8% year-on-year from R171.1 million to R608.8 million, reflecting increased gearing and higher interest rates over the period (100 basis point repo rate rise between February 2023 and February 2024). Excluding interest received on trade receivables, net debt service costs increased by R466.9 million to R701.8 million.

Lease interest – implied net interest charges under IFRS 16 increased 22.5% year-on-year to R1.4 billion. The increase was driven by both the Boxer and Pick n Pay Clothing store rollouts, as well as the commencement of operations at the leased Eastport DC (the Longmeadow DC, which Eastport replaced, was owned by the Group).

Associate earnings – TM Supermarkets, Zimbabwe

Reported associate income from TM Supermarkets, the Group's 49% associate-accounted investment in Zimbabwe, increased 182.0% to R211.5 million. The increase in reported income was driven by a R249.1 million non-cash hyperinflation net monetary gain under the requirements of hyperinflation accounting, which does not present the true underlying performance of the business. Excluding this adjustment, the Group reported an underlying loss from TM Supermarkets of R37.6 million, vs. a profit of R98.4 million in FY23.

As a consequence of the more negative economic conditions in Zimbabwe and hyperinflation accounting, the Group required an impairment of R253.6 million, which resulted in TM Supermarket's book value being impaired to zero. The Group received a R6.6 million dividend from TM in FY24 (R16.0 million in FY23).

Profit before tax – before hyperinflation and capital items (Comparable PBT)

The Group's PBT before capital items declined 179.1% to a loss of R1.4 billion. Removing the R249.1 million non-cash hyperinflation gain included with this number provides a comparable pre-tax loss before capital items of R1.7 billion, a 191.7% year-on-year decline.

	FY24 Rm	FY23 Rm	% change
(Loss)/Profit before tax and capital items (PBT)	(1 423.6)	1 800.2	(179.1)
Non-cash hyperinflation net monetary gain/(loss)	249.1	(23.4)	
Comparable PBT before¹ capital items	(1 672.7)	1 823.6	(191.7)

¹ Comparable PBT excludes Zimbabwe net monetary adjustments.

Tax

The Group's effective tax rate of 23.0% (31.5% in FY23) reflects the impact of the impairments in the current period.

Earnings per share

Comparable headline earnings per share (comparable HEPS) – excludes the Group's share of non-cash hyperinflation accounting remeasurements in TM Supermarkets. All impairment losses and other capital items are excluded from the calculation of comparable headline earnings per share. Comparable HEPS declined 196.4% year-on-year to a loss of 254.72 cents per share.

Headline earnings per share (HEPS) – declined 178.3% to a loss of 203.06 cents per share and includes the Group's share of non-cash hyperinflation accounting remeasurements in TM Supermarkets. All related impairment losses and other capital items are excluded from the calculation of headline earnings per share.

Earnings per share (EPS) – declined by 371.9% to a loss of 661.67 cents per share and includes the Group's share of non-cash hyperinflation remeasurements in TM Supermarkets, and all items of a capital nature including impairments.

Detailed review of financial position

Gearing

Group net debt (excluding leases) increased from R3.7 billion at February 2023 to R6.1 billion at February 2024. The increase, combined with lower EBITDA, resulted in the Group breaching its previous February 2024 Net debt/EBITDA and Interest cover covenants on its syndicated and bilateral loans. The Group successfully renegotiated these covenants, resulting in the February 2024 covenants being waived and the August 2024 covenants relaxed.

The Group has subsequently reached agreement with both its short-term and long-term lenders on a debt restructuring which secures the Group's liquidity and funding up to 1 September 2025. In terms of this restructuring, the rights offer and IPO proceeds from the Group's recapitalisation plan will be used to repay all Group debt, except to the extent that lenders elect to provide ongoing working capital lines beyond the IPO. As of 7 May 2024, all of the Group's debt is guaranteed by Boxer and secured by the Group's shareholding in Boxer. The guarantee and security will be released prior to the IPO to facilitate the IPO process.



	25 February 2024 Rm	27 August 2023 Rm	26 February 2023 Rm
Gross debt	11 445.6	8 466.3	5 669.4
Cash and cash equivalents	(5 383.2)	(4 627.9)	(1 997.8)
Net gearing	6 062.4	3 838.4	3 671.6

Working capital

The Group released R1.1 billion of liquidity from working capital during FY24, representing the combined impact of an inventory reduction, a trade creditors increase, and a receivables reduction. Working capital absorbed R1.0 billion of cash in H2 FY24, after releasing R2.1 billion in H1 FY24. The reversal in the second half of the period was the result of normal seasonality (H1 typically releases cash from working capital), and that H1 trade creditors was flattered by a R600 million period-end timing difference, which unwound at the beginning of H2.

Inventory

Inventory declined 4.3% year-on-year to R10.2 billion, releasing R494.8 million of liquidity. Boxer inventory increased by R0.4 billion during the year (a consequence of new stores and the opening of a new DC), while Pick n Pay inventory declined by R0.9 billion (primarily due to efficiencies, but also due to the R0.4 billion duplicate stock unwind related to the opening of the Eastport DC). While the Group held excess stock at December 2023, as a result of below-expectation November and December sales within the Pick n Pay business, a substantial portion of this inventory was cleared by the end of February 2024.

Trade and other receivables

Trade and other receivables (current and non-current) decreased by 6.6% year-on-year to R4.3 billion. Gross trade receivables (predominantly franchisees) rose 1.2% to R4.4 billion, while net trade receivables declined 7.7% to R3.8 billion as a result of the increased trade receivables provision. The credit loss allowance included in the income statement equated to 13.9% of gross trade receivables, versus an average of 3.6% over the prior four years.

Creditors

Trade and other payables increased 3.6%, to R15.2 billion, releasing R289.8 million of liquidity.

Capital investment

The Group invested R3.8 billion in capital projects in FY24, a 3.8% decrease on the R4 billion invested in FY23. Net capital investment (i.e. net of proceeds from asset disposals) was R2.8 billion, a 29.2% decline from the R4 billion invested in FY23. Included in the R3.8 billion capital investment for the period is R1.1 billion for Boxer (R1.3 billion for FY23) and R0.2 billion for Clothing (R0.2 billion for FY23). Asset disposals for the year totalled R1.0 billion, including R0.5 billion proceeds from the Longmeadow DC sale and R0.5 billion from the sale of two of the Group's retail properties. Gross capital investment for full year FY25 is likely to be approximately R2.2 billion, including approximately R1.3 billion for Boxer.

Shareholder distribution

Owing to the comparable loss declared for the period, the Board has not declared a FY24 dividend. The Group does not expect to declare any dividends until the two-step recapitalisation plan has been executed on to deliver a sustainable capital structure, and the Group has returned to sustainable profitability.

Strategic plan and outlook

FY24 was a particularly difficult period for the Group. While its Boxer, Pick n Pay Clothing and online businesses continued to deliver strong results, Pick n Pay supermarkets struggled to gain sales traction while contending with gross profit margin pressure and load shedding costs, and consequently reported a substantial trading loss alongside a material asset impairment. This was exacerbated by sharply higher interest costs due to elevated gearing.

Despite these challenges, the Group looks forward with cautious optimism:

- New experienced leadership at CEO, Group Executive, Regional and Commercial management levels has re-energised the Pick n Pay supermarkets business;
- Implementation of CEO Sean Summers strategic plan is underway, with encouraging early results;
- The two-step recapitalisation plan is making good progress, with the rights offer about to be launched. Successful implementation of the two-step plan will see a sharp reduction of interest costs and generate resources to drive the Pick n Pay turnaround;
- The Boxer IPO is set to unlock the value of the Boxer asset for Pick n Pay and its shareholders, and will allow Boxer to achieve its long-term growth potential.

The strategic plan is operationally focussed on the turnaround of Pick n Pay supermarkets and hypermarkets, with particular focus on eliminating losses incurred by specific loss-making company owned stores, and improving the performance of the remainder of the estate. Over 100 loss making supermarkets will either be closed or converted to Pick n Pay franchise or Boxer stores. Improving the performance of the remainder of the estate will be achieved via initiatives to drive like-for-like sales growth and optimise the operating model. The plan is underpinned by renewed customer focus, re-energised employees, and improved execution at store level.

Sean indicated on his return that restoring the Group's Pick n Pay business to meaningful profitability would be a multi-year process. Given the extent of the FY24 loss reported by Pick n Pay, management has no illusions about the magnitude of this task. However, given that Pick n Pay has previously consistently traded at a profit, and the turnaround initiatives already in flight, the Group is confident this can be achieved over the medium-term.

The Group expects to improve its financial performance over the next two years. The improvement is expected to be derived from (a) execution of the strategic plan in Pick n Pay Supermarkets; (b) continued strong profit growth from Boxer and Pick n Pay Clothing; and (c) significantly reduced interest charges from the debt reduction post the planned recapitalisation.

Group total sales growth for the first 12 weeks of FY25 was 4.2%, slightly below FY24's 5.4%, but like-for-like sales growth, also at 4.2%, was ahead of FY24's 2.9%. Boxer's total sales growth for this 12 week period was in-line with H1 FY24, while Pick n Pay's total sales for the period declined slightly as a result of store closures. Importantly, like-for-like sales growth for Pick n Pay is up on FY24, driven by sequential monthly improvements in company-owned stores, as execution of the strategy gains traction.

We thank all our Pick n Pay and Boxer colleagues, and our valued franchise partners, for their commitment and contribution, as well as their dedication to customers and communities. We also thank our business partners, including suppliers and landlords, for their ongoing commitment to the Group.

Gareth Ackerman
Chairman

Sean Summers
Chief Executive Officer

26 May 2024

Comparable earnings performance

The table below presents the Group's earnings performance for the current and previous period on a comparable basis. Comparable earnings excludes hyperinflation net monetary adjustments in respect of the Group's investment in associate attributable to IAS 29 Financial Reporting in Hyperinflationary Economies (IAS 29).

	52 weeks to 25 February 2024 Rm	% of turnover	% change	52 weeks to 26 February 2023 Rm	% of turnover
Turnover	112 294.8		5.4	106 561.8	
Cost of merchandise sold	(92 014.9)			(85 625.2)	
Gross profit	20 279.9	18.1	(3.1)	20 936.6	19.6
Other income	2 653.5	2.4	17.1	2 265.3	2.1
Franchise fee income	1 021.8	0.9	128.2	447.7	0.4
Operating lease income	112.5	0.1	(28.5)	157.4	0.2
Commissions, dividend and other income	1 519.2	1.4	8.6	1 399.5	1.3
Insurance recoveries*	-	-		260.7	0.2
Trading expenses	(22 548.4)	20.1	11.9	(20 153.9)	18.9
Employee costs	(9 000.0)	8.0	7.8	(8 347.9)	7.8
Occupancy	(3 439.1)	3.1	12.6	(3 054.2)	2.9
Operations	(6 117.5)	5.4	13.6	(5 384.3)	5.0
Merchandising and administration	(3 358.1)	3.0	6.0	(3 168.6)	3.0
Expected credit loss allowance [^]	(633.7)	0.6	218.6	(198.9)	0.2
Trading profit	385.0	0.3	(87.4)	3 048.0	2.9
Net finance costs	(2 020.1)	1.8	52.7	(1 322.8)	1.2
Net funding	(608.8)	0.5		(171.1)	0.2
Leases	(1 411.3)	1.3		(1 151.7)	1.0
Share of associate's earnings excluding net monetary adjustments*	(37.6)		(138.2)	98.4	
Comparable (loss)/profit before tax, before capital items and before net monetary adjustments*	(1 672.7)	1.5	(191.7)	1 823.6	1.7
Share of associate's hyperinflation net monetary adjustments*	249.1			(23.4)	
(Loss)/profit before tax before capital items*	(1 423.6)			1 800.2	
Loss on capital items	(2 723.1)			(92.6)	
Net profit/(loss) on disposal of assets	368.7			(20.1)	
Loss from impairments of assets	(2 838.2)			(66.8)	
Impairment loss on investment in associate	(253.6)			(5.7)	
(Loss)/profit before tax	(4 146.7)	3.7	(342.8)	1 707.6	1.6
Tax	956.6	0.9	(277.9)	(537.7)	0.5
(Loss)/profit for the period	(3 190.1)	2.8	(372.7)	1 169.9	1.1
Pick n Pay segment**					
Turnover	74 875.5		0.3	74 664.7	
Trading (loss)/profit	(1 543.7)		(220.1)	1 285.2	
Boxer segment**					
Turnover	37 419.3		17.3	31 897.1	
Trading profit	1 928.7		9.4	1 762.8	
Earnings per share	Cents			Cents	
Basic (loss)/earnings per share	(661.67)		(371.9)	243.37	
Diluted (loss)/earnings per share	(659.98)		(372.1)	242.54	
Headline (loss)/earnings per share	(203.06)		(178.3)	259.25	
Diluted headline (loss)/earnings per share	(202.54)		(178.4)	258.36	
Comparable headline earnings per share*	Cents			Cents	
Comparable headline (loss)/earnings per share	(254.72)		(196.4)	264.12	
Comparable diluted (loss)/headline earnings per share	(254.07)		(196.5)	263.21	


* Profit/(loss) 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, the Group has presented comparable profit/(loss) metrics for the current and prior period. Refer to Appendix 2 for further information on comparable earnings.

** Refer to note 29 for further information on the Group's operating segment performance.

[^] Expected credit loss allowances, related to the Group's trade and other receivables, previously recorded within merchandising and administration expenses have now been separately disclosed.

Group annual financial statements

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Group statement of comprehensive income

for the period ended

	Note	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
Revenue	2	115 370.8	109 278.2
Turnover	2	112 294.8	106 561.8
Cost of merchandise sold		(92 014.9)	(85 625.2)
Gross profit		20 279.9	20 936.6
Other income		2 653.5	2 265.3
Franchise fee income	2	1 021.8	447.7
Operating lease income	2	112.5	157.4
Commissions, dividend and other income	2	1 519.2	1 399.5
Insurance recoveries	2	-	260.7
Trading expenses		(22 548.4)	(20 153.9)
Employee costs	3	(9 000.0)	(8 347.9)
Occupancy		(3 439.1)	(3 054.2)
Operations		(6 117.5)	(5 384.3)
Merchandising and administration		(3 358.1)	(3 168.6)
Expected credit loss allowance*	18	(633.7)	(198.9)
Trading profit		385.0	3 048.0
Finance income**	2	422.5	451.1
Funding finance income		227.4	260.3
Leases finance income		195.1	190.8
Finance costs**	3	(2 442.6)	(1 773.9)
Funding finance expense		(836.2)	(431.4)
Leases finance expense		(1 606.4)	(1 342.5)
Share of associate's earnings	15	211.5	75.0
(Loss)/profit before tax before capital items		(1 423.6)	1 800.2
Loss on capital items		(2 723.1)	(92.6)
Net profit/(loss) on disposal of assets		368.7	(20.1)
Loss from impairments of assets	12	(2 838.2)	(66.8)
Impairment loss on investment in associate	15	(253.6)	(5.7)
(Loss)/profit before tax	3	(4 146.7)	1 707.6
Tax	6	956.6	(537.7)
(Loss)/profit for the period		(3 190.1)	1 169.9
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss		37.0	(0.2)
Remeasurement in retirement scheme assets	23	50.7	(1.6)
Tax on items that will not be reclassified to profit or loss	14	(13.7)	1.4
Items that may be reclassified to profit or loss		(43.9)	(38.1)
Foreign currency translations		(23.5)	(67.3)
Movement in cash flow hedge		(20.3)	29.7
Tax on items that may be reclassified to profit or loss	14	(0.1)	(0.5)
Total comprehensive (loss)/income for the period		(3 197.0)	1 131.6
Earnings per share		Cents	Cents
Basic (loss)/earnings per share	7	(661.67)	243.37
Diluted (loss)/earnings per share	7	(659.98)	242.54

* Expected credit loss allowances, related to the Group's trade and other receivables, previously recorded within merchandising and administration expenses have now been separately disclosed.

** In order to support expanded segmental disclosure, the Group has now presented finance income and finance costs split between funding and leasing. Refer to note 29 for further information.



Group statement of financial position

	Note	As at 25 February 2024 Rm	As at 26 February 2023 Rm
ASSETS			
Non-current assets			
Intangible assets	9	1 076.0	1 424.4
Property, plant and equipment	10	9 190.6	8 893.2
Right-of-use assets	11	11 596.1	11 195.0
Net investment in lease receivables	13	1 901.9	1 949.1
Deferred tax assets	14	2 133.5	734.1
Investment in associate	15	-	72.4
Loans	16	170.4	117.8
Retirement scheme assets	23	50.8	68.6
Investment in insurance cell captive	31	61.1	71.3
Operating lease assets		6.2	8.9
Trade and other receivables	18	1.7	84.7
		26 188.3	24 619.5
Current assets			
Inventory	17	10 186.6	10 647.0
Trade and other receivables	18	4 255.3	4 472.0
Cash and cash equivalents	19	5 383.2	1 997.8
Net investment in lease receivables	13	417.8	333.4
Right-of-return assets	27	24.0	23.4
Derivative financial instruments	31	1.7	22.0
		20 268.6	17 495.6
Non-current asset held for sale	10	56.0	250.0
Total assets		46 512.9	42 365.1
EQUITY AND LIABILITIES			
Equity			
Share capital	20	6.0	6.0
Treasury shares	21	(556.8)	(643.8)
Retained earnings		756.0	4 685.2
Other reserves		0.5	20.1
Foreign currency translation reserve		(388.3)	(364.7)
Total equity		(182.6)	3 702.8
Non-current liabilities			
Lease liabilities	26	16 464.8	15 133.2
Borrowings	22	4 500.0	-
		20 964.8	15 133.2
Current liabilities			
Trade and other payables	24	15 184.1	14 661.0
Lease liabilities	26	2 904.3	2 470.8
Deferred revenue	27	323.7	377.9
Bank overdraft and overnight borrowings	19	5 178.7	2 800.0
Borrowings	22	1 766.1	2 869.4
Current tax liabilities	6	272.9	269.8
Provisions	25	100.9	80.2
		25 730.7	23 529.1
Total equity and liabilities		46 512.9	42 365.1

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 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	21	-	(90.1)	-	-	-	(90.1)
Net effect of settlement of employee share awards	21	-	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
Total comprehensive income for the period		-	-	(3 153.1)	(20.3)	(23.6)	(3 197.0)
Loss for the period		-	-	(3 190.1)	-	-	(3 190.1)
Foreign currency translations		-	-	-	-	(23.6)	(23.6)
Movement in cash flow hedge		-	-	-	(20.3)	-	(20.3)
Remeasurement in retirement scheme assets		-	-	37.0	-	-	37.0
Other reserve movements		-	-	-	0.7	-	0.7
Transactions with owners		-	87.0	(776.1)	-	-	(689.1)
Dividends paid		-	-	(686.9)	-	-	(686.9)
Net effect of settlement of employee share awards	21	-	87.0	(87.0)	-	-	-
Share-based payments	3	-	-	(2.2)	-	-	(2.2)
At 25 February 2024		6.0	(556.8)	756.0	0.5	(388.3)	(182.6)



Group statement of cash flows

for the period ended

	Note	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
Cash flows from operating activities			
Trading profit		385.0	3 048.0
Adjusted for dividend income	2	(25.0)	-
Adjusted for non-cash items		4 073.2	3 626.3
Depreciation of property, plant and equipment	10	1 521.9	1 320.5
Depreciation of right-of-use assets	11	2 395.2	2 148.2
Amortisation of intangible assets	9	111.5	96.6
Share-based payments	3	(2.2)	59.4
Lease adjustments		(39.2)	(28.9)
Movement in operating lease assets		2.7	(1.0)
Movement in retirement scheme assets		68.5	51.8
Fair value and foreign exchange adjustments		14.8	(20.3)
Cash generated before movements in working capital		4 433.2	6 674.3
Movements in working capital		1 087.4	(968.2)
Movements in trade and other payables, provisions and deferred revenue		289.8	1 668.9
Movements in inventory and right-of-return assets		494.8	(2 338.2)
Movements in trade and other receivables		302.8	(298.9)
Cash generated from trading activities		5 520.6	5 706.1
Other interest received	2	225.3	251.7
Other interest paid	3	(728.7)	(431.4)
Interest received on net investment in lease receivables	13	195.0	191.9
Interest paid on lease liabilities	26	(1 625.1)	(1 446.0)
Cash generated from operations		3 587.1	4 272.3
Dividends received		31.6	16.0
Dividends paid		(686.9)	(1 112.8)
Tax paid	6	(453.5)	(458.4)
Cash generated from operating activities		2 478.3	2 717.1
Cash flows from investing activities			
Investment in intangible assets	9	(269.5)	(231.5)
Investment in property, plant and equipment	10	(3 174.3)	(3 401.9)
Purchase of operations	32	(307.5)	(329.7)
Proceeds on disposal of intangible assets		23.6	25.7
Proceeds on disposal of property, plant and equipment		1 030.4	42.6
Insurance proceeds on capital items		-	13.8
Principal net investment in lease receipts	13	350.0	299.1
Lease incentives received		49.5	89.6
Loans repaid		101.8	62.4
Loans advanced		(154.4)	(94.3)
Cash utilised in investing activities		(2 350.4)	(3 524.2)
Cash flows from financing activities			
Principal lease liability payments	26	(2 515.6)	(2 408.8)
Borrowings raised	22	15 606.5	6 804.8
Repayment of borrowings	22	(12 209.8)	(7 938.5)
Share purchases	21	-	(90.1)
Cash generated from/(utilised in) financing activities		881.1	(3 632.6)
Net increase/(decrease) in cash and cash equivalents		1 009.0	(4 439.7)
Net cash and cash equivalents at beginning of period		(802.2)	3 625.3
Foreign currency translations		(2.3)	12.2
Net cash and cash equivalents at end of period	19	204.5	(802.2)
Consisting of:			
Cash and cash equivalents		5 383.2	1 997.8
Overnight borrowings		(5 178.7)	(2 800.0)

Notes to the group annual financial statements

for the period ended 25 February 2024

Significant accounting policies

1.1 Reporting entities

The Group annual financial statements for the 52 weeks ended 25 February 2024 (2023: 52 weeks ended 26 February 2023) 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), as issued by the International Accounting Standards Board, 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 37.

The Group has prepared its financial statements on the going concern assumption. Refer to note 35 for further information.

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 15.

1.5 Foreign currency transactions and translations

Functional and presentation currency

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

Transactions and balances

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





Significant accounting policies (continued)

1.5 Foreign currency transactions and translations (continued)

Transactions and balances (continued)

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:

Going concern

The Board has based its going concern assumption on financial plans and forecasts, available funding facilities under the Restructure Support Agreement, and the Group's strategy for a turnaround plan. Estimation uncertainty exists in the assumptions used. Refer to note 35 for further information.

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.

Determination and measurement of recoverable amount of cash-generating units

The Group has identified a store (or trading site) as a separate CGU for impairment testing of intangible assets, property, plant and equipment and right-of-use assets, as stores are able to generate cash flows largely and independently from other groups of assets (refer note 1.15).

When an asset is tested for impairment, the recoverable amount of CGUs is determined as the higher of value in use or fair value less cost of sales. The determination of the recoverable amount is sensitive to a number of key assumptions, including the discount rate, future cash flows and the growth rate used for extrapolation purposes.

In assessing value in use, the estimated future cash flows of a CGU are discounted to their present value using an appropriate pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset. Cash flow forecasts are based on financial budgets approved by management, which is informed by experience, planned initiatives and the expected performance in the retail market in the relevant areas, and do not include restructuring activities that the Group is not yet committed to.

Cash flow forecast for the Group's Pick n Pay segment are aligned to the Board approved Pick n Pay Turnaround Plan (refer to the Review of Operations for more information) are based on the segment's intention to continue trading the store, or its intention to either close the store or convert the store to a different owner or brand, aligned to the intentions of the Pick n Pay Turnaround Plan.

- Where the Group intends to continue trading the store, the Group determined cash flows forecasts over 5 years. Cash flows beyond this period were extrapolated using an appropriate growth rate. The growth rate was determined taking into account formalised data relating to the South African population growth estimates in support of future volume growths in the formal grocery market, as well as forward looking food inflation estimates.
- Where the Group intends to either close or convert the store, cash flow forecasts were based on the remaining lease period.

Significant accounting policies (continued)

1.6 Use of estimates, judgements and assumptions (continued)

Determination and measurement of recoverable amount of cash-generating units (continued)

Fair value less costs to sell for CGU's was determined based on management's best estimate of the selling price that could be obtained from the sale of the CGU in an active market, based on experience, adjusted for the current economic environment, specifically taking into account the current macro pressures on the overall retail operating model in South Africa as detailed above. In assessing the fair value for CGU's in the Group's Pick n Pay segment, the Group considered the current profitability of the store, taking into account the material lease terms and conditions, the age of the assets in the store, the location of the store, market related turnover multiples and sale values for remaining items of plant and equipment, when estimating an appropriate selling price.

The key assumptions used to determine the recoverable amount of CGUs, including the discount rate and growth rate applied for extrapolation purposes are disclosed in note 12.

Determination and measurement of recoverable amount of corporate assets

The Group operates on both a company owned and franchised model, with both models trading in South Africa and Rest of Africa and has an integrated overhead structure of support offices, systems and distribution centres servicing a diverse geographical footprint across both franchisees and owned stores. The strategic direction and decision making around the utilisation of these corporate assets are controlled centrally and are done for the Pick n Pay segment as a whole and the Boxer segment as a whole. Given this integrated nature in servicing the overall segment, the Group determined that the support office assets, central IT infrastructure and distribution centre assets are unable to generate cash flows that are largely independent from other assets and are therefore considered to be corporate assets.

When a corporate asset is tested for impairment, the corporate asset is assessed together with the CGU's it supports (refer note 1.15).

Corporate assets are tested for impairment by either allocating the corporate assets to the underlying CGU's it supports, if this can be done on a consistent and reasonable basis, or alternatively if the allocation cannot be done on a reasonable and consistent basis, it is tested for impairment by aggregating the assets with the CGU's that it supports. Given the integrated nature in servicing the overall segment, the Group determined that the support office assets, central IT infrastructure and distribution centre assets cannot be allocated to the CGUs that it supports on a reasonable and consistent basis. As a result, these corporate assets were considered for impairment when grouped together with all CGUs it supports.

The Group determined that the central omnichannel assets can be allocated on a reasonable and consistent basis to CGU's, based on the online sales participation of each store. Central omnichannel assets were considered for impairment on an individual CGU basis where applicable.

The determination of the recoverable amount for the purposes of impairment testing is sensitive to a number of key assumptions, including the discount rate, future cash flows and the growth rate used for extrapolation purposes.

Impairment indicator of non-financial assets of the Pick n Pay segment

Adverse macroeconomic factors and pressure on operating costs resulted in a sharp decline in operating performance of the Group's Pick n Pay segment and increased gearing for the Group. South African consumers have faced several challenges affecting consumer spending including high interest rates, load-shedding, elevated inflation, a fall in real wage growth and high levels of unemployment driving down consumer confidence. These factors contributed to significant pressure on household expenditure and indebtedness, resulting in a decrease in discretionary and non-discretionary spend directly impacting the Group's performance. The weak result delivered by the Group for the period under review, was driven by a substantial trading loss reported in the Pick n Pay segment of the Group, which more than offset a strong performance by the Boxer segment. Refer to the Review of Operations for further information. The Pick n Pay segment trading loss of R1.5 billion is a significant decline from the trading profit of R1.4 billion in the comparative financial period (refer note 29), this triggered an indicator of impairment of the total assets of the Pick n Pay segment. As a result, in addition to the annual goodwill impairment assessment performed, the Group assessed all the assets in the Pick n Pay segment for impairment.

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 African rand (ZAR) exchange rate.

Prior to December 2023, Zimbabwe operated a formal market based foreign exchange trading system to establish formalised trading in ZWL\$ with other currencies, where trading took place both at an auction rate and an interbank rate. During December 2023, Zimbabwe ceased the use of the auction rate system, leaving only the interbank foreign exchange market system.

During the current period, management assessed that the closing interbank rate of 0.001 ZWL\$ to the South African rand was an appropriate rate to use when accounting for the Group's 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. Refer to note 15.

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. Significant judgement was applied in determining that no reliable source of information is available that would support the accurate assessment of the recoverable amount of the Group's investment in associate. Refer to note 15.

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

The Group assesses debtors on an individual basis and places reliance 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 Group's historical credit loss experience and forecast economic conditions may therefore not be representative of the actual default in the future. Refer to note 13, 16, 18 and 31.



Significant accounting policies (continued)

1.6 Use of estimates, judgements and assumptions (continued)

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 matters based on estimates of the taxes that are likely to become due.

Deferred tax assets represent the amount of income tax recoverable in future periods in respect of deductible temporary differences, the carry forward of unused tax losses and the carry forward of unused tax credits. These assets are recognised to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and to the extent that it is probable that future taxable income will be available in future against which the unused tax losses and tax credits can be utilised. Convincing evidence must be available to support this assertion.

Assessing the recoverability of deferred tax assets requires the Group to make significant estimates relating to expectations of future taxable income. Estimates of future taxable income are based on forecasted business plans and the application of existing tax laws in each jurisdiction. Estimates of future taxable income include estimates and assumptions regarding economic growth, interest rates, inflation, and competitive forces. The delivery and success of the Pick n Pay Turnaround Plan (refer note 35), aimed to improve the performance of the Pick n Pay segment, has specifically been considered in the assessment of future taxable income. The starting base of the forecasted taxable income was the Pick n Pay Turnaround Plan, after which further periods were projected. Judgment was applied in terms of the length of period to support the existence of future taxable income. Where relevant, key assumptions of the Pick n Pay Turnaround Plan were stress tested to ensure that future taxable income exists.

To the extent that future cash flows and taxable income differs significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted. Refer to note 6 and note 14.

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 27.

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.

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 17.

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 27.

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.

Significant accounting policies (continued)

1.6 Use of estimates, judgements and assumptions (continued)

Estimates of lease terms of lease agreements (continued)

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.

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 23.

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 20 and 21.

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.

Segmental reporting

Operating segments requires an entity to identify its operating segments and determine its reportable segments. Reportable segments may comprise single operating segments or an aggregation of operating segments. Aggregation of one or more operating segments into a single reportable segment is permitted where certain conditions are met; the principal conditions being that the operating segments should have similar economic characteristics and the operating segments are similar in respect of the products and services offered, nature of production processes, type or class of customers, distribution methods, and regulatory environment. Judgement is required in determining the aggregation of operating segments.

The Group has assessed the above-mentioned aggregation criteria and believe that it has been satisfied that the nature of products offered in each are similar with categories such as liquor and clothing sold in both standalone and retail stores, across the owned and franchise network which operate on similar retail economic operating models. The Group has however considered its strategic plan (comprising of the Pick n Pay Turnaround Plan and the Recapitalisation Plan), and has elected to establish two reportable segments, namely Pick n Pay and Boxer. Refer to note 29.

1.7 Intangible assets

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

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

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

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

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

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

Cost

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

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

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

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

Amortisation

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

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



Significant accounting policies (continued)

1.7 Intangible assets (continued)

Amortisation (continued)

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.

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.

Significant accounting policies (continued)

1.10 Right-of-use assets (continued)

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 the 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 3 to 30 years
- Equipment and vehicles 3 to 10 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.

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.



Significant accounting policies (continued)

1.14 Right-of-return assets and refund liabilities (continued)

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 27.

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 such as CPI inflation, interest rates and cost pressures such as the impact of loadshedding affecting the ability of the debtors to settle their receivables.

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.

Based on historical trends, 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. Internal information includes assessing debtors' ability to repay based on their performance over time. 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.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is determined based on the higher of value in use or fair value, less costs to sell. 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 testing of these non-financial assets is performed on a cash generating unit (CGU) level. A CGU is the smallest group of assets that generates cash flows that is largely independent from other cash flows. The Group has assessed all assets to identify the lowest aggregation of assets that generate cash flows that are largely independent.

The following CGU's have been identified; this is also the level to which goodwill has been allocated where applicable:

- Owned trading stores (or sites)
- Franchised trading stores (or sites)
- Company-owned properties
- The recently acquired Tomis Abattoir business

If a non-financial asset (or group of these assets) does not generate largely independent cash flows, these assets are classified as corporate assets. The following corporate assets have been identified (per segment) as they do not generate independent cash flows, other than those generated in the relevant segment's trading sites:

- Support office assets – supporting all trading sites (franchised and owned) and company-owned property
- Central omnichannel support assets – supporting trading sites (franchised and owned) that generates online sales
- Central IT infrastructure – supporting all trading sites (franchised and owned) and company owned property
- Distribution centres – supporting all trading sites (franchised and owned)

A corporate asset is assessed for impairment together with the CGU's it supports. Corporate assets are tested for impairment by either allocating the corporate assets to the underlying CGU's it supports, if this can be done on a consistent and reasonable basis, or alternatively if the allocation cannot be done on a reasonable and consistent basis, it is tested for impairment by aggregating the assets with the CGU's that it supports. Refer to note 1.6 for the significant estimates and judgements included in the application of allocation of corporate assets for the purposes of impairment testing.



Significant accounting policies (continued)

1.15 Impairment of assets (continued)

Non-financial assets (continued)

In assessing value in use for trading sites, the estimated future cash flows of a CGU are discounted to their present value using an appropriate pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset. Cash flow forecasts are based on financial budgets approved by management, which is informed by experience, future plans and the expected performance on the retail market in the relevant areas. Refer to note 1.6 for the significant estimates and judgements included in the determination of the value in use for the purposes of impairment testing.

Fair value less costs to sell for CGU's was determined based on management's best estimate of the selling price that could be obtained from the sale of the CGU in an active market, based on experience, adjusted for the current economic environment, specifically taking into account the current macro pressures on the overall retail operating model in South Africa as detailed above. In assessing the fair value for CGU's in the Group's Pick n Pay segment, the Group considered the current profitability of the store, taking into account the material lease terms and conditions, the age of the assets in the store, the location of the store, market related turnover multiples and sale values for remaining items of plant and equipment, when estimating an appropriate selling price. Refer to note 1.6 for the significant estimates and judgements included in the determination of fair value for the purposes of impairment testing.

Company-owned properties are tested for impairment individually. The recoverable amount for each property is determined as the fair value less costs to sell. This is based on a forward net rental yield basis with the yield used driven by recent offers received, recent sales of our properties or market related yields achievable. Property specific factors such as location, size, age of property is taken into account when determining the yield used for the impairment test.

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.

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 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. Refer to note 12 for a further information on impairment losses during the current period under review.

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.



Significant accounting policies (continued)

1.18 Leases Liabilities (continued)

Initial recognition (continued)

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

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

Subsequent measurement

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

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

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

Derecognition

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

Variable lease payments

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

Leasing of low-value assets and short-term leases

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

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

1.19 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.



Significant accounting policies (continued)

1.19 Financial instruments (continued)

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.

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.



Significant accounting policies (continued)

1.19 Financial instruments (continued)

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 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.

The Group recognises a provision for the estimated cost of settling all outstanding public liability claims at period-end, which is based on management's best estimate of the value required to settle the third-party public liability claim.

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 27.

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 27.

Franchise fee income

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

Lease income

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

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

Significant accounting policies (continued)

1.21 Revenue (continued)

Commissions and other income

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

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

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

Finance income

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

Dividend income

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

1.22 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.

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).



Significant accounting policies (continued)

1.24 Employee benefits (continued)

Share-based payment transactions (continued)

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

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

Retirement benefits

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

Defined-contribution plans

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

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

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

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

Defined-benefit plans

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

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

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

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

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

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

1.25 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.

Significant accounting policies (continued)

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 trading profit as management believes that such information is most relevant in evaluating the operating cash generation for the Group. Trading profit is the key driver of earnings before interest, tax, depreciation and amortisation (EBITDA), with EBITDA being the key driver of the Group's liquidity and cash generation which is a key area of focus for the Board.

Segmental trading profit is the reported measure used for evaluating the Group's operating segments' performance. This metric is equal to the Group's reported "loss/profit before tax", before net finance costs, share of associate's earnings and capital items.

Operating segments that display similar economic characteristics are aggregated for reporting purposes.

The Group has two operating segments, namely Pick n Pay and Boxer, with no individual customer accounting for more than 10% of turnover.

The Pick n Pay operating segment includes all retail operations under the Pick n Pay, Pick n Pay Clothing, Pick n Pay Liquor, Pick n Pay Express and Pick n Pay QualiSave brands operating under and owned or franchise model, selling products such as groceries, general merchandise, clothing and liquor.

The Boxer operating segment includes all retail operations under the Boxer, Boxer Build and Boxer Liquor brands selling products such as groceries, general merchandise and liquor.

These segments were identified and grouped together using a combination of the products and services offered by the segments and the geographical areas in which they operate.

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 an independent auditor's 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.



	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
2 Revenue		
Revenue from contracts with customers	114 810.8	108 409.0
Turnover	112 294.8	106 561.8
Franchise fee income*	1 021.8	447.7
Commissions and other income	1 494.2	1 399.5
Insurance recoveries	–	260.7
Operating lease income	112.5	157.4
Dividend income from investment in insurance cell captive	25.0	–
Finance income	422.5	451.1
Bank balances and investments	134.4	196.5
Trade receivables and other	63.0	63.8
Net investment in lease receivables (note 13)	195.1	190.8
	115 370.8	109 278.2

Revenue recognised during the period, recorded within turnover, from amounts included in deferred revenue at the beginning of the period amounted to R251.7 million (2023: R237.2 million). Refer to note 27.

* During the current period, a new franchise model was trialled by the Group, resulting in a higher purchasing rebate to our franchisees in exchange for a higher franchise royalty fee. Refer to the Appendix 3 for further information.

	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
3 Loss/profit before tax		
Loss/profit before tax is stated after taking into account the following expenses:		
3.1 Employee costs		
Salaries and wages	8 247.5	7 594.6
Staff benefits and training	464.8	433.5
Share-based payments	(2.2)	59.4
Net expense recognised on defined-benefit plan (note 23.1)	20.5	6.8
Contributions to defined-contribution plans (note 23.2)	269.4	253.6
	9 000.0	8 347.9
3.2 Auditor's remuneration		
Assurance services – current period	28.6	11.5
Assurance services – prior period under provision	2.0	1.6
	30.6	13.1
3.3 Finance costs		
Lease liabilities (note 26)	1 606.4	1 342.5
Borrowings and other	836.2	431.4
	2 442.6	1 773.9
3.4 Foreign exchange (losses)/gains		
Lease liabilities losses	(4.6)	(6.2)
Other foreign exchange gains	4.3	2.7
	(0.3)	(3.5)
3.5 Fair value (losses)/gains		
Investment in insurance cell captive	(10.3)	23.9
Other fair value gains	–	2.6
	(10.3)	26.5

4 Directors' remuneration and interest in shares

4.1 Directors' remuneration

	Fees for board meetings R'000	Fees for committee and other work R'000	Base salary R'000	Retirement and medical contributions R'000	Fringe and other benefits R'000	Total fixed remuneration R'000	Short-term performance bonus R'000	Gratuity ⁴ R'000	Total remuneration R'000	Long-term share awards charges – current period ⁵ R'000
2024										
Non-executive directors	10 779.0	2 775.8	-	-	-	13 554.8	-	-	13 554.8	-
Gareth Ackerman	4 893.0	-	-	-	-	4 893.0	-	-	4 893.0	-
Jonathan Ackerman ¹	445.5	105.3	-	-	-	550.8	-	-	550.8	-
Suzanne Ackerman	486.0	323.0	-	-	-	809.0	-	-	809.0	-
Haroon Bhorat	486.0	405.3	-	-	-	891.3	-	-	891.3	-
Mariam Cassim	486.0	200.0	-	-	-	686.0	-	-	686.0	-
James Formby [*]	990.0	83.3	-	-	-	1 073.3	-	-	1 073.3	-
David Friedland	486.0	300.0	-	-	-	786.0	-	-	786.0	-
Aboubakar Jakoet	486.0	525.3	-	-	-	1 011.3	-	-	1 011.3	-
Audrey Mthupi	486.0	523.0	-	-	-	1 009.0	-	-	1 009.0	-
David Robins	486.0	105.3	-	-	-	591.3	-	-	591.3	-
Annamarie van der Merwe	486.0	205.3	-	-	-	691.3	-	-	691.3	-
Jeff van Rooyen ^{2*}	562.5	-	-	-	-	562.5	-	-	562.5	-
Executive directors	-	-	23 689.7	814.5	1 281.1	25 785.3	-	15 776.0	41 561.3	(12 888.4)
Sean Summers ³	-	-	10 000.0	-	-	10 000.0	-	-	10 000.0	-
Lerena Olivier	-	-	5 683.4	267.1	35.6	5 986.1	-	-	5 986.1	(1 413.0)
Jonathan Ackerman ¹	-	-	126.0	15.5	118.8	260.3	-	-	260.3	141.0
Pieter Boone ³	-	-	7 880.3	531.9	1 126.7	9 538.9	-	15 776.0	25 314.9	(11 616.4)
Total remuneration	10 779.0	2 775.8	23 689.7	814.5	1 281.1	39 340.1	-	15 776.0	55 116.1	(12 888.4)

¹ Jonathan Ackerman retired as an executive director on 31 March 2023, and was appointed as a non-executive director on that date.

² Jeff van Rooyen retired on 19 July 2023.

³ Sean Summers replaced Pieter Boone as CEO, effective 30 September 2023.

⁴ Termination settlement in terms of contract of employment.

⁵ The long-term share awards expense or recoupment is determined in accordance with IFRS 2 Share-Based Payments, and reflects the current period's charge recorded or recoupment 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 awards, due to vest in June 2024 and June 2025, have not been fully met. As a result, and as directed by the Remuneration Committee, a portion of RSP long-term share awards have been forfeited, and the related expense recouped by the Group in the 2024 financial period.

* Includes fee as lead independent director.



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	Gratuity ⁵ remuneration R'000	Total R'000	Long-term share awards charges – current period ⁶ R'000
2023										
Non-executive directors										
Gareth Ackerman	9 514.6	2 989.6	-	-	-	12 504.2	-	-	12 504.2	-
Suzanne Ackerman ¹	4 893.0	-	-	-	-	4 893.0	-	-	4 893.0	-
Haron Bhorat	430.8	286.9	-	-	-	717.7	-	-	717.7	-
Mariam Cassim	470.0	355.2	-	-	-	825.2	-	-	825.2	-
James Formby ²	470.0	156.3	-	-	-	626.3	-	-	626.3	-
David Friedland	235.0	78.1	-	-	-	313.1	-	-	313.1	-
Hugh Herman ³	470.0	253.4	-	-	-	723.4	-	-	723.4	-
Aboubakar Jakoet ⁴	195.8	-	-	-	-	195.8	-	-	195.8	-
Audrey Mthupi	470.0	383.6	-	-	-	853.6	-	-	853.6	-
David Robins	470.0	514.7	-	-	-	984.7	-	-	984.7	-
Annamarie van der Merwe	470.0	101.8	-	-	-	571.8	-	-	571.8	-
Jeff van Rooyen	470.0	199.0	-	-	-	669.0	-	-	669.0	-
	470.0	660.6	-	-	-	1 130.6	-	-	1 130.6	-
Executive directors										
Pieter Boone	-	-	17 336.1	1 751.3	3 893.1	22 980.5	14 062.8	1 512.0	38 555.3	10 815.9
Lerena Olivier	-	-	10 707.0	968.5	3 200.0	14 875.5	9 814.8	-	24 690.3	5 817.8
Jonathan Ackerman	-	-	5 160.0	488.1	340.4	5 988.5	3 870.0	-	9 858.5	3 838.0
Suzanne Ackerman ¹	-	-	1 217.1	271.2	324.5	1 812.8	378.0	1 512.0	3 702.8	1 098.7
	-	-	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 a non-executive director, effective 10 October 2022.

³ Hugh Herman retired on 26 July 2022.

⁴ Aboubakar Jakoet replaced Jeff van Rooyen as Chair of the Audit, Risk and Compliance Committee on 26 July 2022.

⁵ Retirement gratuity in recognition of 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 period's charge recorded or recoupment 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 awards, due to vest in June 2024 and June 2025, have not been fully met. As a result, and as directed by the Remuneration Committee, a portion of RSP long-term share awards have been forfeited, and the related expense recouped by the Group in the 2024 financial period.

4 Directors' remuneration and interest in shares (continued)

4.2 Directors' interest in ordinary shares

2024	How held ¹	Balance held at 26 February 2023	Additions/ grants	Disposals	Forfeits ⁶	Balance held at 25 February 2024 ¹⁰	Beneficial/ non-beneficial interest ²
Gareth Ackerman	direct	309	-	-	-	309	Beneficial
	indirect	1 731 026	17 750	-	-	1 748 776	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	2 850 000	150 000	-	-	3 000 000	Non-beneficial
Pieter Boone ⁸	direct – RSP	678 500	-	-	(678 500)	-	Beneficial
Lerena Olivier	direct	64 050	32 100	-	-	96 150	Beneficial
	direct – RSP/FSP	234 000	-	(60 000)	(139 200)	34 800	Beneficial
Suzanne Ackerman	direct	120 528	-	-	-	120 528	Beneficial
	indirect	553 883	-	-	-	553 883	Beneficial
Jonathan Ackerman ⁹	direct	122 888	-	-	-	122 888	Beneficial
	direct – RSP/FSP	42 000	-	(30 865)	(11 135)	-	Beneficial
	indirect	828 790	36 265	-	-	865 055	Beneficial
	indirect	2 161	-	-	-	2 161	Non-beneficial
Aboubakar Jakoet	direct	8 764	-	-	-	8 764	Beneficial
	indirect*	750 000	-	-	-	750 000	Beneficial
	indirect	13 059	-	-	-	13 059	Non-beneficial
David Friedland	indirect	34 188	-	-	-	34 188	Beneficial
David Robins	direct	975	-	-	-	975	Beneficial
	indirect	90 436	-	-	-	90 436	Non-beneficial
James Formby	direct	4 000	-	-	-	4 000	Beneficial
	indirect	26 725	-	-	-	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 Vesting criteria in respect of the RSP awards, due to vest in June 2024 and June 2025, have not been fully met. As a result, and as directed by the Remuneration Committee, a portion of RSP long-term share awards have been forfeited, and the related expense recouped by the Group in the 2024 financial period. The remaining shares will be delivered at the end of June 2025, subject to the attainment of performance conditions.

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 Sean Summers replaced Pieter Boone as CEO, effective 30 September 2023.

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

¹⁰ There have been no changes in the directors' interest in ordinary shares since 25 February 2024 up to the date of approval of the 2024 audited Group annual financial statements.

* Defined as an indirect beneficial shareholding in terms of JSE classifications. However, the director only has a 10% shareholding in the company which holds these shares, does not exercise any control over the shares, and receives no direct benefit.



4 Directors' remuneration and interest in shares (continued)

4.2 Directors' interest in ordinary shares (continued)

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 period, 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 period. The remaining shares were 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 period, 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)

4.3 Directors' interest in B shares

2024	How held ¹	Balance held at 26 February 2023	Additions	Disposals	Balance held at 25 February 2024 ⁶	Beneficial/ non-beneficial interest ²
Gareth Ackerman	direct	522	-	-	522	Beneficial
	indirect	3 227 861	-	-	3 227 861	Beneficial
	indirect	39 140	-	-	39 140	Non-beneficial
Ackerman Investment Holdings Proprietary Limited ³	indirect	246 936 847	-	-	246 936 847	Non-beneficial
Mistral trust ⁴	indirect	5 349 559	-	-	5 349 559	Non-beneficial
Suzanne Ackerman	direct	233 767	-	-	233 767	Beneficial
	indirect	926 084	-	-	926 084	Beneficial
Jonathan Ackerman ⁵	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 Jonathan Ackerman retired as an executive director on 31 March 2023, and was appointed as a non-executive director on that date.

⁶ There have been no changes in the directors' interest in shares since 25 February 2024 up to the date of approval of the 2024 audited Group annual financial statements.

2023	How held ¹	Balance held at 27 February 2022	Additions	Disposals	Balance held at 26 February 2023	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 ⁵	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.



4 Directors' remuneration and interest in shares (continued)

4.4 Share awards granted to directors

2024	Calendar year granted	Award grant price R	Balance held at 26 February 2023	Forfeits ³	Granted/ (exercised)	Exercise price R	Balance held at 25 February 2024	Available for take-up
Pieter Boone¹								
Restricted shares	2021	Nil	500 000	(500 000)	-	-	-	n/a
	2022	Nil	178 500	(178 500)	-	-	-	n/a
			678 500	(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
Restricted shares	2020	Nil	60 000	-	(60 000)	37.75	-	n/a
	2021	Nil	87 000	(87 000)	-	-	-	n/a
	2022	Nil	87 000	(52 200)	-	-	34 800	June 2025
			434 000	(139 200)	(60 000)	-	234 800	
Jonathan Ackerman²								
Restricted shares	2020	Nil	15 000	-	(15 000)	37.75	-	n/a
	2021	Nil	27 000	(11 135)	(15 865)	37.75	-	n/a
			42 000	(11 135)	(30 865)	-	-	

¹ Sean Summers replaced Pieter Boone as CEO, effective 30 September 2023.

² Jonathan Ackerman retired as an executive director on 31 March 2023, and was appointed as a non-executive director on that date.

³ Vesting criteria in respect of the RSP awards, due to vest in June 2024 and June 2025, have not been fully met. As a result, and as directed by the Remuneration Committee, a portion of RSP long-term share awards have been forfeited, and the related expense recouped by the Group in the 2024 financial period. The remaining shares will be delivered to participants at the end of June 2024 and June 2025.

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 Ackerman¹								
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 Ackerman²								
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 period, 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 period. The remaining shares were delivered to participants at the end of June 2023.

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 4 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 comprise personal key performance indicators and financial conditions linked to the Group's growth in comparable headline earnings per share. Financial performance conditions are subject to a further 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.

Amendments to equity share capital

In the event of a corporate action which alters the Group's equity share capital, participant rights are protected under the rules of the Group's two share incentive schemes to ensure that the value delivered under the scheme is not diminished as a direct result of the action taken.

Funding of employee share incentive schemes

Shareholders have authorised the Board to utilise up to 63.9 million (2023: 63.9 million) Pick n Pay Stores Limited (PIK) shares to manage the Group's employee share option and restricted share schemes, representing 13% (2023: 13%) of issued share capital.



	52 weeks to 25 February 2024	52 weeks to 26 February 2023
	Number of options 000's	Number of options 000's

5 Share-based payments (continued)

5.1 Outstanding share options

Reconciliation of the total number of share options outstanding:

At beginning of period	13 162.3	18 566.9
Options taken up	(5.7)	(4 428.7)
Options forfeited	(1 252.5)	(975.9)
At end of period	11 904.1	13 162.3

The weighted average grant price of outstanding share options are as follows:

At beginning of period	R64.79	R57.95
Options taken up	R35.44	R35.68
Options forfeited	R66.44	R66.06
At end of period	R64.64	R64.79

Outstanding share options may be taken up during the following financial periods:

Year	Average grant price	000's	000's
2025	R64.08	10 103.7	9 694.0
2026	R70.14	1 147.5	1 412.6
2027	R65.32	574.7	1 347.6
2028	R50.95	78.2	619.1
2029 and thereafter	-	-	89.0
		11 904.1	13 162.3

Number of outstanding options as a percentage of issued shares

	52 weeks to 25 February 2024	52 weeks to 26 February 2023
	Number of restricted shares 000's	Number of restricted shares 000's

5.2 Outstanding restricted shares

Reconciliation of the total number of restricted shares outstanding:

At beginning of period	7 012.5	7 707.6
Shares granted	-	2 629.1
Shares delivered to participants (note 21)	(1 582.4)	(815.5)
Share awards forfeited	(3 269.1)	(2 508.7)
At end of period	2 161.0	7 012.5

Rights to RSP shares are awarded at a zero strike price.

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 awards, due to vest in June 2024 and June 2025, have not been fully met. As a result and as approved by the remuneration committee, certain long-term share awards have been forfeited, ahead of vesting date.

Outstanding restricted shares vest during the following financial periods:

2024	-	1 549.5
2025	850.4	2 833.9
2026	1 310.6	2 629.1
	2 161.0	7 012.5

Number of restricted shares as a percentage of issued shares

	0.4%	1.4%
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	52 weeks to 25 February 2024 Number of share awards 000's	52 weeks to 26 February 2023 Number of share awards 000's
5 Share-based payments (continued)		
5.3 Total outstanding share awards		
Share options (note 5.1)	11 904.1	13 162.3
Restricted shares (note 5.2)	2 161.0	7 012.5
Total	14 065.1	20 174.8
Number of share awards as a percentage of issued shares	2.9%	4.1%
	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	49 827.7	43 718.0

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

	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
6 Income tax		
6.1 Tax recognised in profit or loss		
Normal tax	456.6	448.4
– current period	467.9	431.0
– prior period (over)/under provision	(11.3)	17.4
Deferred tax (note 14)	(1 413.2)	89.3
	(956.6)	537.7
6.2 Tax paid		
Owing – beginning of period	269.8	279.8
Recognised in profit or loss	456.6	448.4
Owing – end of period	(272.9)	(269.8)
Total tax paid	453.5	458.4
	%	%
6.3 Reconciliation of effective tax rate		
South African statutory tax rate	27.0	28.0
ETI allowances and other exempt income	0.5	(2.8)
Learnership and other allowances	0.5	(1.2)
Impact of foreign tax rates	–	1.2
Impact of fair value adjustments	(0.1)	(0.4)
Non-deductible impairment loss on intangible assets	(2.9)	0.1
Non-deductible leasehold improvement and property depreciation	(3.3)	4.7
Impact of sale of properties	1.4	–
Impact of share based payments	–	0.3
Other non-deductible expenditure	(0.1)	0.4
Net prior period over/under provisions	0.1	0.3
Effect of reduction in South Africa tax rate	–	0.9
Effective tax rate	23.1	31.5

During the prior period under review, the South African Revenue Services announced an amendment to the Income Tax rate applicable to companies from 28% to 27%. This amendment was effective for the Group during the 2024 financial period.



	52 weeks to 25 February 2024	52 weeks to 26 February 2023
	Cents per share	Cents per share
7 Basic, headline and diluted earnings per share		
Basic (loss)/earnings per share	(661.67)	243.37
Diluted (loss)/earnings per share	(659.98)	242.54
Headline (loss)/earnings per share	(203.06)	259.25
Diluted headline (loss)/earnings per share	(202.54)	258.36
	Rm	Rm

7.1 Reconciliation between basic and headline earnings

(Loss)/profit for the period – basic earnings for the period	(3 190.1)	1 169.9
Adjustments:	2 211.1	76.3
(Profit)/Loss on disposal of assets	(368.7)	33.9
Tax effect of profit/(loss) on disposal of assets	53.3	(9.5)
Loss from impairments of assets	2 838.2	66.8
Tax effect of loss from impairments of assets	(565.3)	(10.7)
Insurance recoveries on scrapping of assets due to civil unrest	-	(13.8)
Tax effect of insurance recoveries on scrapping of assets due to civil unrest	-	3.9
Impairment loss on investment in associate	253.6	5.7
Headline (loss)/earnings for the period	(979.0)	1 246.2

For comparable headline earnings per share and comparable diluted headline earnings per share, refer to Appendix 2.

	52 weeks to 25 February 2024	52 weeks to 26 February 2023
	000's	000's

7.2 Number of ordinary shares

Number of ordinary shares in issue (note 20)	493 450.3	493 450.3
Weighted average number of ordinary shares in issue (excluding treasury shares)	482 131.8	480 702.1
Diluted weighted average number of ordinary shares in issue	483 361.6	482 344.2
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)	482 131.8	480 702.1
Dilutive effect of share awards	1 229.8	1 642.1
Diluted weighted average number of ordinary shares in issue	483 361.6	482 344.2

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

	52 weeks to 25 February 2024	52 weeks to 26 February 2023
	Cents per share	Cents per share

8 Dividends

8.1 Dividends paid during the financial period

Final dividend number 110 – declared 3 May 2023 – paid 5 June 2023 (2023: Number 108 – declared 16 May 2022 – paid 6 June 2022)	140.30	185.35
2023: Interim dividend number 109 – declared 17 October 2022 – paid 5 December 2022	-	44.85
Total dividends per share for the period	140.30	230.20

8.2 Dividends declared related to the financial period

2023: Final dividend declared on 3 May 2023 – number 110	-	140.30
2023: Interim dividend declared on 17 October 2022 – number 109	-	44.85
	-	185.15

During the period under review, the Group has suspended all dividend payments until such time that the Board believes that there is sufficient cash generation to review the dividend policy. Refer to note 31.6 for further information.

9

Intangible assets

52 weeks to 25 February 2024

	Goodwill Rm	Systems development* Rm	Licences Rm	Total Rm
Carrying value	506.2	553.6	16.2	1 076.0
Cost	1 035.8	1 045.4	42.1	2 123.3
Accumulated amortisation and impairment losses	(529.6)	(491.8)	(25.9)	(1 047.3)
Reconciliation of carrying value				
At beginning of period	952.8	459.3	12.3	1 424.4
Additions	-	260.2	9.3	269.5
Expansion of operations	-	201.8	9.3	211.1
Maintaining operations	-	58.4	-	58.4
Amortisation	-	(107.7)	(3.8)	(111.5)
Impairment (note 12)	(497.0)	(34.7)	(1.5)	(533.2)
Disposals	-	(23.5)	(0.1)	(23.6)
Purchase of operations (note 32)	50.4	-	-	50.4
At end of period	506.2	553.6	16.2	1 076.0

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 (note 12)	(4.7)	-	-	(4.7)
Disposals	-	(25.4)	(0.3)	(25.7)
Purchase of operations (note 32)	332.8	-	-	332.8
At end of period	952.8	459.3	12.3	1 424.4

Goodwill that is significant to the Group's total carrying amount of goodwill, with a carrying value of R135.0 million (2023: R135.0 million), relates to the acquisition of the CGU trading as Boxer. The value-in-use was determined based on cash flow projections approved by management covering a five-year reporting period. Cash flows beyond these planning periods were extrapolated using an estimated growth rate of 7.0% (2023: 6.5%), 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 14.5% (2023: 15.3%). Management believes that any reasonable possible change in the key assumptions on which this CGU's recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

The remaining goodwill, with a carrying value of R371.2 million (2023: R817.8 million), largely relates to various acquisitions or conversions of franchise stores to owned stores, none of which are significant in comparison to the Group's total carrying amount of goodwill, of which R252.4 million (2023: R270.4 million) is recorded within the Boxer segment.

The impairment charge in the current financial period of R497.0 million (2023: R4.7 million) arose in 39 (2023: one) 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. Refer to note 12 for further information on the key assumptions applied in the testing of impairment.

During the period under review, the Group purchased the Tomis Abattoir business and recognised goodwill of R20.5 million. Impairment assessments at period end concluded that no impairment of the goodwill purchased was required.

During the period under review, the Group incurred R0.3 million (2023: R73.2 million) on research activities, recorded as an expense within merchandising and administration in the statement of comprehensive income.

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



10 Property, plant and equipment

52 weeks to 25 February 2024

	Property Rm	Furniture, fittings, equipment and vehicles Rm	Leasehold improvements Rm	Aircraft Rm	Total Rm
Carrying value	1 430.7	6 598.1	1 116.8	45.0	9 190.6
Cost	1 713.7	11 066.3	2 353.2	68.2	15 201.4
Accumulated depreciation and impairment losses	(283.0)	(4 468.2)	(1 236.4)	(23.2)	(6 010.8)
Reconciliation of carrying value					
At beginning of period	1 399.1	6 226.1	1 218.2	49.8	8 893.2
Additions	225.7	2 475.7	472.9	-	3 174.3
Expansion of operations	199.9	932.9	157.3	-	1 290.1
Maintaining operations	25.8	1 542.8	315.6	-	1 884.2
Depreciation	(12.0)	(1 207.5)	(297.6)	(4.8)	(1 521.9)
Impairment (note 12)	(68.0)	(921.7)	(247.5)	-	(1 237.2)
Disposals	(288.1)	(57.7)	(28.8)	-	(374.6)
Purchase of operations (note 32)	230.0	84.1	-	-	314.1
Transfer to non-current asset held for sale	(56.0)	-	-	-	(56.0)
Foreign currency translations	-	(0.9)	(0.4)	-	(1.3)
At end of period	1 430.7	6 598.1	1 116.8	45.0	9 190.6

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 (note 12)	-	(42.7)	(7.2)	-	(49.9)
Disposals	(11.8)	(52.9)	(11.8)	-	(76.5)
Purchase of operations (note 32)	-	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

Property includes land with an indefinite useful life, with a carrying value of R312.0 million (2023: R342.7 million).

Non-current asset held for sale

Property with a carrying value of R56.0 million (2023: R250 million), previously disclosed as property, plant and equipment, has been reclassified to non-current assets held for sale within the Pick n Pay operating segment, as it is in the process of being sold. The Group is in its final stages of the sale process which is expected to be complete within the next 12 months. The property is recognised at carrying value, which is the lower of carrying value and fair value less costs to sell. The reclassification had no impact on the statement of comprehensive income.

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 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
Reconciliation of carrying value of right-of-use assets		
At beginning of period	11 195.0	9 588.9
Additions	3 924.6	3 849.7
Depreciation	(2 395.2)	(2 148.2)
Property	(2 072.8)	(1 806.1)
Equipment and vehicles	(322.4)	(342.1)
Other movements*	(50.0)	(87.8)
Impairment (note 12)	(1 067.8)	(12.2)
Foreign currency translations	(10.5)	4.6
At end of period	11 596.1	11 195.0
Comprising of:		
Property	10 585.3	10 089.1
Equipment and vehicles	1 010.8	1 105.9

* Other movements include lease incentives received, remeasurements and termination of leases.



12 Impairments of non-financial assets

Adverse macroeconomic factors and pressure on operating costs resulted in a sharp decline in operating performance of the Group's Pick n Pay segment and increased gearing for the Group. South African consumers have faced several challenges affecting consumer spending including high interest rates, load-shedding, elevated inflation, a fall in real wage growth and high levels of unemployment driving down consumer confidence. These factors contributed to significant pressure on household expenditure and indebtedness, resulting in a decrease in discretionary and non-discretionary spend directly impacting the Group's performance. The weak result delivered by the Group for the period under review, was driven by a substantial trading loss reported in the Pick n Pay segment of the Group, which more than offset a strong performance by the Boxer segment, resulting in significant impairment losses recorded by the Group. Refer to the Review of Operations for further information.

The table below sets out the impairment losses recognised by the Group during the current and prior periods under review.

	Note	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
Impairments on non financial assets			
Intangible assets	9	533.2	4.7
Goodwill		497.0	4.7
Systems development		34.7	-
Licences		1.5	-
Property, plant and equipment	10	1 237.2	49.9
Property		68.0	-
Equipment, furniture and fittings		921.7	42.7
Leasehold improvements		247.5	7.2
Right of use assets	11	1 067.8	12.2
Total impairments on non financial assets		2 838.2	66.8
Pick n Pay segment – trading stores	12.1.1	2 758.9	60.6
Pick n Pay segment – properties	12.1.2	68.0	-
Boxer segment – trading stores	12.2	11.3	6.2

12.1 Pick n Pay segment

12.1.1 Trading store impairments

The Pick n Pay segment trading loss of R1.5 billion is a significant decline from the trading profit of R1.4 billion reported in the prior period (refer to note 29). This triggered an indicator of impairment of the total assets of the Pick n Pay segment. As a result, the Group assessed all the assets in the Pick n Pay segment for impairment, recording an impairment loss of R2 758.9 million.

For the purposes of impairment testing, in line with the Pick n Pay segment's Turnaround Plan, the Pick n Pay segment's trading stores (CGU's) have been classified into two strategic categories:

Category 1: Reset stores – these stores are intended to either be closed, converted to the Boxer segment or franchised

Through a strategic review under the leadership of a new Chief Executive Officer, 112 loss making stores have been earmarked to be converted to Boxer, franchised or closed, in accordance with the Pick n Pay Turnaround Plan. The reset timeline is a maximum of two years. An impairment loss of R1 734.6 million was recorded relating to these stores.

Category 2: Remaining stores – these stores are intended to continue trading and to benefit from the Pick n Pay Turnaround Plan initiatives

All remaining underperforming stores that have not been classified as a reset store, as it is not financially viable to close, convert or franchise, will benefit from the trading initiatives from the Pick n Pay Turnaround Plan. The plan calls for a steady return to profitability, however certain underperforming stores still require an impairment under these trading plans. An impairment loss of R1 024.3 million was recorded relating to 82 of these stores. Although these stores are being impaired, management will remain focused on turning these into performing stores.

The recoverable amount for each CGU was determined based on the higher of value-in-use calculations and fair value less costs of disposals. Where the carrying value of all non-financial assets allocated to each CGU (including goodwill and an allocation of central omni-channel assets based on online sales participation) exceeded the determined recoverable amount, an impairment loss was recognised.

The following assumptions were considered when assessing trading sites and related corporate assets for impairment within the Pick n Pay segment during the current period under review. Please also refer to note 1.6 for more detail on the estimates and judgements used during this process.

12 Impairments of non-financial assets (continued)

12.1 Pick n Pay segment (continued)

12.1.1 Trading store impairments (continued)

Value in use calculations

When a value-in-use measurement was determined as the recoverable amount, the value-in-use calculations for these stores were calculated using a pre-tax discount rate of 14.5%. Where the Group intends to either convert or close the store, or the Group intends to continue trading the store but the store is currently loss making, cash flow projections were based on the remaining lease period, with a terminal value of zero. Cashflow projections for stores the Group intends to convert or close was based on actual cash flows for the 2024 financial period. Where the Group intends to continue trading the store and the store is profitable, cash flow projections were based on a period of 5 years, with cash flow projections beyond this period extrapolated using a zero growth rate. Cash flow projections for stores the Group intends to continue trading were based on management approved budgets for the 2025 financial period.

Fair Value less costs of disposals

When a fair value less costs of disposal measurement was determined as the recoverable amount, the Group determined fair value based on an industry accepted sales multiple technique, adjusted for factors, where relevant, such as the current profitability of the store taking into account the material lease terms and conditions subjected, the age of the assets in the store, the location of the store, market related turnover multiples and projected sale values for remaining items of plant and equipment. The estimated fair value falls within level 3 of the fair value hierarchy in terms of IFRS 13 Fair Value Measurements, where the lowest level of input that is significant to the fair value measurement is unobservable.

Sensitivity Analysis

The following table represents the sensitivity analysis performed by management on the significant judgement applied in the accounting for the Group's impairments for the 52 weeks ended 25 February 2024.

	Increase	As reported Rm	Decrease
Discount rate applied in value in use measurement	1%		(1%)
Impact on statement of comprehensive income			
Impairment losses on property, plant and equipment, intangible assets and right of use assets	2 729	2 759	2 790
Terminal growth rate applied in value in use measurement	1%		(1%)
Impact on statement of comprehensive income			
Impairment losses on property, plant and equipment, intangible assets and right of use assets	2 759	2 759	2 759
Market related turnover multiples applied in fair value measurement	10%		(10%)
Impact on statement of comprehensive income			
Impairment losses on property, plant and equipment, intangible assets and right of use assets	2 706	2 759	2 811
Cash flows applied in the value in use measurement	10%		(10%)
Impact on statement of comprehensive income			
Impairment losses on property, plant and equipment, intangible assets and right of use assets	2 681	2 759	2 823

During the prior period under review the Group recorded impairments on property, plant and equipment, intangible assets and right of use assets of R66.8 million across 26 trading sites (25 in the Pick n Pay segment and one in the Boxer segment). The value in use were determined using a pre-tax discount rate of 16.7% and cashflows beyond the forecast period extrapolated by 4.1% where applicable.

12.1.2 Pick n Pay property impairments

Properties are considered on an individual basis, as it generates cash flows that are largely independent of other assets. Properties are therefore tested for impairment individually.

The recoverable amount for each property is determined as the fair value less costs to sell, calculated on a forward net rental yield basis, with the yield used driven by recent offers received, recent sales of our properties or market related yields achievable. Property specific factors such as location, size, age of property are taken into account when determining the yield used for the impairment test.

The impairment charge in the current period of R68.0 million related to 3 properties in the Pick n Pay segment reflecting the relatively flat growth in the commercial property sector. Fair value less costs to sell was based on a forward net rental yield, ranging between 7.75% and 9.0%. Sensitivity analysis on the key assumptions applied is not presented as the impact is considered to be immaterial.

12.1.3 Corporate assets impairments

Corporate assets, other than central omnichannel assets, were aggregated together with the assets of CGU's that it supports, and was assessed to support the Pick n Pay segment as a whole. All other corporate assets were therefore tested for impairment by determining a recoverable amount of the Pick n Pay segment, which was assessed to be a fair value measurement using a discounted cash flow technique. The value in use was determined based on cash flow projections approved by management aligned to the Pick n Pay Turnaround Plan covering a period of 3 years. Cash flow projections for a further 7 years were based on an estimated sales growth rate of 6% and improving operating margins to historic levels. Cash flow projections beyond these planning periods were extrapolated using an estimated growth of 6%. The growth rate applied to the terminal value represents the South African expected volume growth rate and food inflation rate. The pre-tax discount rate applied to cash flow projections was 14.5%.



12 Impairments of non-financial assets (continued)

12.1 Pick n Pay segment (continued)

12.1.3 Corporate assets impairments (continued)

The Pick n Pay Turnaround Plan is operationally focused on the turnaround of the Pick n Pay supermarkets, with particular focus on eliminating losses incurred by specific loss-making company owned stores, and improving the performance of the remainder of the estate through initiatives such as driving like-for-like sales growth and optimising the operating model. The plan is underpinned by renewed customer focus, re-energised employees, and improved execution at store level.

The Group assessed that no impairment of corporate assets was required. Sensitivity analysis on the key assumptions applied is not presented as the impact is considered to be immaterial.

12.2 Boxer trading store impairments

During the current period under review, one CGU (2023: one CGU) was impaired within the Boxer segment for R11.3 million (2023: R6.2 million). Impairment considerations and sensitivity analysis is not presented as these were considered to be immaterial.

13 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 26) 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 8.4% (2023: 8.2%).

	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
13.1 Reconciliation of net investment in lease receivables		
At beginning of period	2 282.5	2 388.1
New leases	392.8	273.4
Lease receipts	(545.0)	(506.0)
Principal lease receipts	(350.0)	(314.1)
Interest received	(195.0)	(191.9)
Finance income (note 2)	195.1	190.8
Other movements*	(7.8)	(70.7)
Foreign currency translations	2.1	6.9
At end of period	2 319.7	2 282.5
Net investment in lease receivables are presented in the statement of financial position as follows:		
Current	417.8	333.4
Non-current	1 901.9	1 949.1

* Other movements include remeasurements and terminations of leases.

13.2 Lease receipts

Lease receipts included in the measurement of net investment in lease receivables	545.0	506.0
Variable lease receipts not included in the measurement of net investment in lease receivables	11.2	12.0
	556.2	518.0

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 (2023: 1.5% of turnover) of franchise stores.

13.3 Maturity analysis

The undiscounted contractual maturities of lease receivables are as follows:

Less than one year	602.7	494.7
One to two years	524.0	514.2
Two to three years	425.8	437.0
Three to four years	387.3	344.2
Four to five years	317.2	297.3
More than five years	874.5	898.3
Total undiscounted lease receivables	3 131.5	2 985.7
Unearned finance income	(811.8)	(703.2)
Net investment in lease receivables	2 319.7	2 282.5

	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
14 Deferred tax		
Deferred tax assets	2 133.5	734.1
The movement in net deferred tax assets are as follows:		
At beginning of period	734.1	822.5
Recognised in profit or loss (note 6)	1 413.2	(89.3)
Property, plant and equipment and intangible assets	202.9	(103.9)
Net operating lease assets	0.7	(0.2)
Retirement benefits and actuarial gains	18.5	13.9
Prepayments	(0.6)	(9.4)
Allowance for impairment losses	61.4	12.4
Deferred revenue	(17.2)	(3.1)
Income received in advance	0.8	1.5
Leases	355.0	(0.7)
Income and expense accruals	6.7	0.2
Impact of tax losses	785.0	-
Recognised in other comprehensive income	(13.8)	0.9
Tax effect on items that will not be reclassified to profit or loss	(13.7)	1.4
Tax effect on items that may be reclassified to profit or loss	(0.1)	(0.5)
At end of period	2 133.5	734.1
Comprising of:		
Property, plant and equipment and intangible assets	(477.3)	(679.9)
Net operating lease assets	(1.7)	(2.4)
Retirement benefits and actuarial gains	(13.7)	(18.5)
Prepayments	(12.5)	(11.9)
Allowance for impairment losses	107.1	45.7
Deferred revenue	25.4	42.6
Income received in advance	20.4	19.6
Leases	1 463.3	1 108.2
Income and expense accruals	237.5	230.7
Impact of tax losses	785.0	-
	2 133.5	734.1

At period end, the Group had estimated unused tax losses of R2.9 billion that arose in the Pick n Pay segment, that are available indefinitely for offsetting against future taxable profits of the companies in which those losses arose. Significant judgement and estimates were applied in the determination that it is probable that future taxable profits will be available against which these unused losses can be utilised. As a result, the Group recognised a deferred tax asset of R785.0 million relating to these unused tax losses.



15 Investment in associate

15.1 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 buying power of the Zimbabwe dollar (ZWL\$), the currency adopted by the country at 25 February 2024, 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.

Previously, the ZWL\$ consumer price index (CPI) was used to restate previously published financial information and revalue assets and liabilities to reflect current buying power. During the period under review, the government of Zimbabwe gazetted SI 27 of 2023 which led to the discontinued publication of the ZWL\$ CPI and replaced this with the weighted average CPI (blended index). The weighted average CPI does not comply with IAS 29 which requires the use of a general price index of the hyperinflationary currency (ZWL\$) as a basis of restatement. The institute of Chartered Accountants of Zimbabwe (ICAZ) issued guidance to its members on how to determine the general price index. Following ICAZ guidance the Group estimated the general price index for the period by adjusting the last published ZWL\$ CPI based on the monthly movement of the total consumption poverty line (TCPL) published by the Zimbabwe National Statistics Agency (ZIMSTATS).

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 net asset value balance after applying IAS 29 and the balance previously recorded by the Group, and resulting differences in any accumulated impairments recognised by the Group, is recognised in other comprehensive income in the current period, as part of foreign currency translations.

15.2 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*.

Prior to December 2023, Zimbabwe operated a formal market based foreign exchange trading system to establish formalised trading in ZMW\$ with other currencies, where trading took place both at an auction rate and an interbank rate. During December 2023, Zimbabwe ceased the use of the auction rate system, leaving only the interbank foreign exchange market system. During April 2024, subsequent to the period end, Zimbabwe adopted a new currency referred to as Zimbabwe Gold (ZiG). The information presented below is based on the currency and systems adopted by the country at the relevant reporting date of the Group.

During the current period, management assessed that the closing interbank rate of 0.001 ZWL\$ to the South African rand was an appropriate rate to use when translating the result of TM Supermarkets as at 25 February 2024. During the prior period, management assessed that the closing auction rate of 0.020 ZWL\$ to the South African rand was not available for immediate settlement, as shortages of foreign currency resulted in the official exchange rate at the time not being liquid, and was therefore not an appropriate rate to use. An estimated exchange rate of 0.019 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 food poverty line and TCPL published by ZIMSTATS, 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 the prior period. During the current period, the closing ZWL\$ to ZAR exchange rate was calculated using the official USD to ZAR exchange rate divided by the interbank rate.

	ZWL\$: ZAR	USD : ZAR	USD : ZWL\$
Closing rates at 25 February 2024			
Exchange rates used by management	0.001	19.17	14 499.40
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

	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
15 Investment in associate (continued)		
15.3 Reconciliation of investment in associate		
At beginning of period	72.4	106.0
Dividend declared and received	(6.6)	(16.0)
Share of associate's earnings	211.5	75.0
Share of associate's earnings before net monetary adjustments	(37.6)	98.4
Share of associate's hyperinflation net monetary adjustments	249.1	(23.4)
Foreign currency translations	(23.7)	(86.9)
Impairment loss on investment in associate	(253.6)	(5.7)
At end of period	-	72.4
Gross investment in associate	528.8	347.7
Accumulated impairments	(528.8)	(275.3)

15.4 Impairment of investment in associate

The Zimbabwean economy has experienced significant economic challenges, including regular changes to government policies and fiscal currency adopted in country. The country operates in a hyperinflationary environment and has been experiencing currency devaluation for several years.

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:

- Currency shortages and currency devaluation, which led to significant challenges by TM Supermarkets to secure supply of stock leading to a significant decrease in availability of stock in its stores and resulting in TM Supermarkets reporting an underlying loss for the period under review
- High levels of food and other inflation, straining consumer spending and placing significant cost pressure on TM Supermarkets
- No dividend was declared by TM Supermarkets for the 2024 financial period
- The devaluation and illiquidity of currency in Zimbabwe and the resultant impact on the Zimbabwean economy
- The introduction of a new currency in Zimbabwe during April 2024, ZiG, and the lack of reliable sources of foreign exchange rate information. The ZiG is the 6th currency introduced by Zimbabwe since 2008
- Significant increases in Zimbabwe's TCPL published by ZIMSTATS, resulting in the upward valuation of assets of TM Supermarkets attributable to the application of hyperinflation accounting in terms of IAS29

Management has determined that due to the above factors the recoverable amount of the Group's investment in the associate is assessed at nil, as it is expected that returns on this investment in the form of dividends is highly unlikely due to the loss making nature of the entity and any future profits generated is expected to be minimal.

As a result, an impairment expense of R253.6 million was reported during the period. The significant impairment was necessitated in spite of a prior period investment value of R72.4 million. Hyperinflation accounting has required the write up of the investment through a non cash net monetary gain of R249.1 million and therefore requires the impairment of R253.6 million to bring the investment value down to zero as per Group's assessment.

Refer to the 2023 Group Annual Financial Statements for details of prior period assessment of impairment of the Group's investment in associate.

15.5 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 25 February 2024.

15.5.1 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\$: 0.0012 ZAR	Exchange rate applied by management 1.0 ZWL\$: 0.0013 ZAR	-10% 1.0 ZWL\$: 0.0015 ZAR
Impact on statement of comprehensive income			
Share of associate's earnings (Rm)	192.3	211.5	235.0
Impairment loss on investment in associate (Rm)	230.4	253.6	281.6
Impact on statement of financial position			
Investment in associate (Rm)	-	-	-



	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
15 Investment in associate (continued)		
15.6 Summary financial information of associate		
The summary financial information has been presented in South African rand, the presentation currency of the Group.		
Statement of comprehensive income (100%)		
Revenue	13 728.0	6 139.5
Profit for the period	443.7	159.4
Attributable to other owners of the Company	220.1	72.0
Attributable to the Group	211.5	75.0
Non-controlling interest	12.1	12.4
Statement of financial position (100%)		
Total assets	2 153.4	1 499.8
Current assets	1 247.6	689.8
Non-current assets	905.8	810.0
Total liabilities	1 008.8	738.6
Current liabilities	590.2	523.3
Non-current liabilities	418.6	215.3
Net assets (100%)	1 144.6	761.2
Attributable to other owners of the Company	550.4	361.9
Attributable to the Group	528.8	347.7
Non-controlling interest	65.4	51.6

	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
16 Loans		
Employees	46.0	56.1
Executive directors	-	0.2
Other employees	46.0	55.9
Other	124.4	61.7
	170.4	117.8

Loans to directors and employees bear interest at varying rates averaging at a rate of 4.8% (2023: 4.7%) per annum and have varying repayment terms. At period end, R31.6 million (2023: R37.5 million) of employee loans were secured.

Other loans relates to bridging finance for landlords with repayment terms between 2 and 15 years and an average interest rate of 12.0% (2023: 10.6%).

Other loans have increased in line with the expansion of the Group's Boxer segment, funding support is given to landlords to secure trading sites.

	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
17 Inventory		
Merchandise for resale	10 511.1	10 797.6
Provision for shrinkage, obsolescence and markdown of inventory	(431.7)	(244.6)
Consumables	107.2	94.0
	10 186.6	10 647.0

	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
18 Trade and other receivables		
Gross trade and other receivables	4 946.7	4 853.1
Trade receivables from contracts with customers	4 421.8	4 368.8
Prepayments	241.8	232.2
Other receivables	283.1	252.1
Allowance for impairment losses	(689.7)	(296.4)
Trade receivables from contracts with customers	(607.4)	(234.0)
Other receivables	(82.3)	(62.4)
Net trade and other receivables	4 257.0	4 556.7
Disclosed as:		
Non-current	1.7	84.7
Current	4 255.3	4 472.0

Current trade and other receivables are interest-free unless overdue and have payment terms ranging between 7 and 35 days (2023: 7 and 35 days). The carrying value approximates its fair value due to the short-term nature of the receivables.

18.1 Allowance for impairment losses

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

	Trade and other receivables Rm	Trade receivables from contracts with customers Rm	Other receivables Rm
52 weeks to 25 February 2024			
At the beginning of the period	296.4	234.0	62.4
Irrecoverable debts written off	(240.4)	(239.6)	(0.8)
Additional impairment losses recognised	646.8	624.6	22.2
Prior allowances for impairment reversed	(13.1)	(11.6)	(1.5)
At end of period	689.7	607.4	82.3
52 weeks to 26 February 2023			
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

During the current period under review, trade receivables from contracts with customers exceeding payment terms by more than 14 days increased from R509.2 million in 2023 to R818.3 million this period (refer to note 18.2). Challenges in the macroeconomic and competitive environment has resulted in pressure on the overall retail model in South Africa. In response to this, the Group is working on modernising the franchise model to increase the profitability for franchisee and franchisor. As a result of the increased credit risk exposure, the ECL provision on these balances has been increased accordingly. Furthermore during the period under review, the trading results of the master franchisee in Botswana deteriorated, resulting in a year-on-year movement of R201.0 million recorded in the related ECL allowance in the statement of comprehensive income. Refer to the review of operations for further information on the bad debts expense recognised by the Group.

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 written off against the financial asset. Included within the Group's write offs are amounts which are still subject to enforcement activity by legal experts (R65.2 million). Once all internal measures have been exhausted to collect outstanding debt, the Group engages with legal experts to secure payments. However, based on historical experience, the expected recovery of amounts written off has been minimal and these balances have therefore been written off. Impairment losses are included in the statement of comprehensive income.



18 Trade and other receivables (continued)

18.2 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 31.2 for the Group's credit risk management disclosure.

	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
52 weeks to 25 February 2024				
	4 704.9	3 520.2	229.6	955.1
Trade receivables from contracts with customers	4 421.8	3 373.9	229.6	818.3
Other receivables	283.1	146.3	-	136.8
52 weeks to 26 February 2023				
	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 25 February 2024 Rm	52 weeks to 26 February 2023 Rm

19 Cash and cash equivalents

Cash and cash equivalents	5 383.2	1 997.8
Bank overdraft and overnight borrowings	(5 178.7)	(2 800.0)
Cash and cash equivalents at end of period	204.5	(802.2)

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 3.6% and 7.6% per annum (2023: 2.5% and 6.7% per annum). Refer to note 31.3.2.

Cash investments

The Group invested its surplus cash in money market accounts during the period. The interest rate on these accounts varied between 8.5% and 9.9% per annum (2023: 4.6% and 8.3% per annum). Refer to note 31.3.2.

Bank overdraft

The Group utilised its bank overdraft during the period. The overdraft interest rate varied between 9.5% and 10.5% per annum (2023: 6.3% and 9.5% per annum). Refer to note 31.3.2.

Overnight borrowings

The Group utilised overnight borrowings during the period. Interest rates varied between 8.1% and 11.8% per annum (2023: 4.6% and 8.5% per annum). Refer to note 31.3.2.

Subsequent to period end, on 7 May 2024, the Group entered into a Restructuring Support Agreement with all its lenders, both short-term and long-term lenders (refer to note 22) as well as those that offer bank overdraft and overnight facilities (as detailed above). Through this Restructuring Support Agreement all these facilities are now guaranteed by Pick n Pay Stores Limited and Boxer Superstores Proprietary Limited, and secured by the pledge of the shares of Boxer Superstores Proprietary Limited. Refer to the Restructuring Support Agreement section in note 35 of the Group annual financial statements and note 9 of the Company annual financial statements for further information.

	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
20 Share capital		
20.1 Ordinary share capital		
Authorised		
800 000 000 (2023: 800 000 000) ordinary shares of 1.25 cents each	10.0	10.0
Issued		
493 450 321 (2023: 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 21)	10 796.0	12 380.1
Shares held outside the Group	482 654.3	481 070.2
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 (2023: 24 672 516) shares. To date, 15 743 000 (2023: 15 743 000) shares have been issued, resulting in 8 929 516 (2023: 8 929 516) shares remaining for this purpose.

In addition, the Company can issue new shares for cash as and when suitable situations arise. Issues in this regard are limited to 5% of the ordinary issued share capital excluding treasury shares, as at the date of shareholder approval, resulting in a limit of 24 053 508 ordinary shares.

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

Certain ordinary shares are stapled to B shares and are subject to restrictions upon disposal. Refer to note 20.2.

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 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
20.2 B share capital		
Authorised		
1 000 000 000 (2023: 1 000 000 000) unlisted, non-convertible, non-participating, no par value		
B shares	-	-
Issued		
259 682 869 (2023: 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 20.1.

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

	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
21 Treasury shares		
At beginning of period	643.8	702.1
Shares purchased during the period	-	90.1
Settlement of employee share awards	(87.0)	(148.4)
At end of period	556.8	643.8
	000's	000's
The movement in the number of treasury shares held is as follows:		
At beginning of period	12 380.1	13 224.8
Shares purchased during the period	-	1 617.9
Shares sold during the period pursuant to the take-up of share options by employees	(1.7)	(1 647.1)
Shares delivered to participants of restricted share plan (note 5.2)	(1 582.4)	(815.5)
At end of period	10 796.0	12 380.1
	R	R
Average purchase price of shares purchased during the period	-	55.7





	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
22 Borrowings		
Unsecured borrowings		
Long-term		
Bilateral loan bearing interest ranging between 9.9% – 10.0% and repayable on 13 July 2028	1 000.0	–
Syndicated Loan A loan bearing interest at 9.6% and repayable on 13 July 2026	1 300.0	–
Syndicated Loan B loan bearing interest at 9.8% and repayable on 13 July 2028	2 200.0	–
Short-term		
Short-term loans with varying-maturities, bearing interest ranging between 8.4% – 9.4% (2023: 5.6% – 9.2%) and repayable between 26 February 2024 and 10 June 2024 (2023: repaid between 27 February 2023 and 12 June 2023)	416.1	599.4
Three-month short-term loans bearing interest ranging between 9.3% – 9.6% (2023: 8.0% – 8.4%) and repayable between 29 February 2024 and 8 March 2024 (2023: repaid between 27 February 2023 and 23 May 2023)	1 350.0	1 470.0
Six-month short-term loans bearing interest at 8.2%, repaid on 27 February 2023	–	800.0
Total borrowings at end of period (refer below)	6 266.1	2 869.4
Less: current portion (repayable within one year)	(1 766.1)	(2 869.4)
Non-current portion (repayable after one year)	4 500.0	–

22.1 Reconciliation of carrying value of borrowings

At beginning of period	2 869.4	4 003.1
Non-cash movements for the period	353.1	231.5
Finance costs	353.1	231.5
Cash movements for the period	3 043.6	(1 365.2)
Borrowings raised	15 606.5	6 804.8
Borrowings repaid	(12 209.8)	(7 938.5)
Interest paid	(353.1)	(231.5)
At end of period	6 266.1	2 869.4

All long-term borrowings are secured by both Pick n Pay Stores Limited and Boxer Superstores Proprietary Limited (Boxer). All short-term borrowings are secured by Pick n Pay Stores Limited only.

During the period under review, the Group raised long-term borrowings consisting of a bilateral loan of R1.0 billion and syndicated loans of R4.5 billion. The bilateral loan of R1 billion and R3.5 billion of the syndicated loans were drawn down during the period.

Under the terms of these long-term borrowings, the Group was required to comply with the following financial covenants measured on a 12-month rolling basis at the end of August and the end of February each year, calculated on the basis that IAS17: Leases 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

The weak financial performance of the Group during the period resulted in a risk that the Group may breach these financial covenants in February 2024. This sub-par performance was driven by a substantial trading loss in the Pick n Pay segment, partially offset by a strong performance in the Boxer segment of the Group. The result was further impacted by significantly higher interest rates and charge, resulting from the increased gearing, and a R2.8 billion non-cash store asset impairment in the Pick n Pay segment. Refer to the Review of Operations for further information on the Group's financial performance. Management engaged with the Group's long-term lenders prior to the closure of the 2024 financial period and amended its long-term borrowings agreements to waive the February 2024 financial covenants, relax the August 2024 covenants and to provide additional security in the form of a pledge of 100% shareholding of Boxer. Refer to note 35 for further detail.

Subsequent to period end on 7 May 2024, the Group entered into a Restructuring Support Agreement with all its lenders, both short-term and long-term lenders as well as those that offer bank overdraft and overnight facilities. Through this Restructuring Support Agreement all these facilities are now guaranteed by Pick n Pay Stores Limited and Boxer, and secured by the pledge of the shares of Boxer. Refer to the Restructuring Support Agreement section in note 35 for further information

23 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. During the current period under review, it was agreed with members of the defined benefit plan to convert their retirement benefits to the 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 2024 Rm	Total obligation 2023 Rm
23.1 Defined-benefit obligations				
The amount recognised in the statement of financial position is as follows:				
Present value of funded obligations	703.3	-	703.3	986.4
Fair value of assets	(703.3)	(50.8)	(754.1)	(1 055.0)
	-	(50.8)	(50.8)	(68.6)
Amounts recognised in the statement of comprehensive income are as follows:				
Current service cost – ordinary	-	3.1	3.1	8.1
Current service cost – settlement	-	16.3	16.3	-
Net interest on the obligation	7.3	(6.2)	1.1	(1.3)
Total included in employee costs	7.3	13.2	20.5	6.8
Asset ceiling				
Refund (employer surplus account)	-	50.8	50.8	68.6
	-	50.8	50.8	68.6
Effect of asset ceiling – beginning of period				
Interest cost	-	-	-	3.8
Remeasurement	-	-	-	0.4
	-	-	-	(4.2)
Effect of asset ceiling – end of period				
	-	-	-	-
Movement in the asset recognised on the statement of financial position is as follows:				
Net asset – beginning of period	-	(68.6)	(68.6)	(122.0)
Total included in employee costs in profit or loss	7.3	13.2	20.5	6.8
Amount recognised in other comprehensive income	(7.3)	(43.4)	(50.7)	1.6
Contributions	-	48.0	48.0	45.0
Contributions by employees	-	(1.0)	(1.0)	(2.5)
Contributions by employer	-	(1.0)	(1.0)	(2.5)
Contribution holiday	-	50.0	50.0	50.0
Net asset – end of period	-	(50.8)	(50.8)	(68.6)
Remeasurement recognised in other comprehensive income				
Actuarial (gain)/loss – liabilities	(89.5)	(10.2)	(99.7)	(5.5)
Actuarial loss/(gain) – assets	82.2	(33.2)	49.0	11.3
Effect of asset ceiling	-	-	-	(4.2)
Remeasurement recognised in other comprehensive income (before tax)	(7.3)	(43.4)	(50.7)	1.6



23 Retirement benefits (continued)

23.1 Defined-benefit obligations (continued)

Movement in the fund's obligations and plan assets recognised on the statement of financial position is as follows:

	Pensioners' defined-benefit guarantee Rm	Retirement defined-benefit guarantee Rm	Total obligation 2024 Rm	Total obligation 2023 Rm
Liability – beginning of period	763.1	223.3	986.4	828.5
Service cost – ordinary	–	3.1	3.1	8.1
Service cost – settlement	–	16.3	16.3	–
Transfer	3.8	–	3.8	162.1
Interest cost	84.5	10.7	95.2	80.9
Actuarial loss/(gain) from experience	(89.5)	(10.2)	(99.7)	(5.5)
Benefits settlement	–	(234.1)	(234.1)	–
Benefits paid	(58.6)	(9.1)	(67.7)	(87.7)
Liability – end of period	703.3	–	703.3	986.4
Plan assets – beginning of period	763.1	291.9	1 055.0	954.3
Transfer	3.8	–	3.8	162.1
Expected return	77.2	16.9	94.1	82.6
Actuarial (loss)/gain from experience	(82.2)	33.2	(49.0)	(11.3)
Contributions	–	(48.0)	(48.0)	(45.0)
Contributions by employees	–	1.0	1.0	2.5
Contributions by employer	–	1.0	1.0	2.5
Contribution holiday	–	(50.0)	(50.0)	(50.0)
Benefits settlement	–	(234.1)	(234.1)	–
Benefits paid	(58.6)	(9.1)	(67.7)	(87.7)
Plan assets – end of period	703.3	50.8	754.1	1 055.0
	%	%	%	%
Estimated return on plan assets	10.0	9.0	10.0	9.8
Composition of plan assets				
Equities	7.3	35.9	9.2	14.4
Fixed interest – bonds	12.0	14.6	12.2	5.4
Fixed interest – cash	0.1	2.1	0.2	18.2
Property	0.5	3.6	0.7	1.0
Global Absolute	–	3.0	0.2	0.6
Global Balanced	12.0	40.8	14.0	15.4
Liability driven investment	68.1	–	63.5	45.0
	100.0	100.0	100.0	100.0

At the end of the current financial period, the defined benefit liability is nil, resulting in no further expected contribution payments.

The principal actuarial assumptions at the last valuation date are:	2024		2023	
	% per annum Pensioners	% per annum Executives	% per annum Pensioners	% per annum Executives
Discount rate	9.8	n/a	11.0	9.5
Future salary increases	n/a	n/a	n/a	6.5
Future pension increases	5.5	n/a	6.3	n/a

Sensitivity analysis

At the end of the current financial period, the defined benefit liability is nil, and the remaining pensioner liability is matched with the value of the asset. Therefore a sensitivity analysis has not been presented.

23.2 Defined current contribution benefits

	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
Current contributions (refer to note 3.1)	269.4	253.6

	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
24 Trade and other payables		
Trade and other payables	15 184.1	14 661.0

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, on average, within 60 days. Refer to note 31.

	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
25 Provisions		
At beginning of period	80.2	88.8
Additional provisions raised during the period	24.5	7.5
Reversals	-	(10.6)
Utilised amounts	(3.8)	(5.5)
At end of period	100.9	80.2

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 R9.2 million (2023: R9.3 million) is included within trade and other receivables, relating to expected reimbursements for provisions raised.

The Group is not aware of any current or pending litigation which is considered likely to have a material adverse effect on the Group.

26 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 8.8% (2023: 8.1%).

	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
26.1 Reconciliation of lease liabilities		
At beginning of period	17 604.0	16 087.9
New leases	4 317.5	4 123.1
Lease payments	(4 140.7)	(3 869.8)
Principal lease liability payments	(2 515.6)	(2 423.8)
Interest paid	(1 625.1)	(1 446.0)
Rent concessions	-	(0.4)
Finance costs (note 3)	1 606.4	1 342.5
Other movements*	(6.3)	(91.2)
Foreign currency translations	(11.8)	11.9
At end of period	19 369.1	17 604.0
Lease liabilities are presented in the statement of financial position as follows:		
Current	2 904.3	2 470.8
Non-current	16 464.8	15 133.2

* Other movements include remeasurements and terminations of leases



	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
26 Lease liabilities (continued)		
26.2 Lease payments		
Lease payments included in the measurement of lease liabilities	4 140.7	3 869.8
Variable lease payments not included in the measurement of lease liabilities	178.3	67.1
Short-term and low value lease payments	107.6	61.8
	4 426.6	3 998.7

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 (2023: 1.7% of turnover).

26.3 Maturity analysis

The undiscounted contractual maturities of lease liabilities are as follows:

Less than one year	4 500.4	3 747.2
One year to five years	14 873.2	12 127.1
Five to ten years	6 459.4	6 760.9
More than ten years	1 722.4	1 057.3
Total undiscounted lease liabilities	27 555.4	23 692.5
Finance costs to be incurred in future	(8 186.3)	(6 088.5)
Lease liabilities	19 369.1	17 604.0

26.4 Lease terms

Lease terms include any non-cancellable periods and reasonably certain extension or termination options. Approximately 72% (2023: 84%) of the Group's portfolio of property leases contain extension options and approximately 28% (2023: 16%) 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 25 February 2024	52 weeks to 26 February 2023
Property	11 years	11 years
Equipment and vehicles	6 years	6 years

	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
Property	184.2	174.6
Smart Shopper loyalty programme liability	112.1	176.7
Refund liability	27.4	26.6
	323.7	377.9

27 Deferred revenue

Prepaid gift card liability	184.2	174.6
Smart Shopper loyalty programme liability	112.1	176.7
Refund liability	27.4	26.6
	323.7	377.9

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 13.3% (2023: 5.0%).

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 28.0% (2023: 25.0%).

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 R24.0 million (2023: R23.4 million) for its right to recover goods returned by the customer.

	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
28 Commitments		
Authorised capital expenditure		
Contracted for	1 064.0	740.0
Not contracted for	1 136.0	3 260.0
Total commitments	2 200.0	4 000.0

The commitments above are expected to be funded through free cash flow generation, debt funding and the Group's Recapitalisation Plan (refer to note 35 for further information).

29 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, which comprised of the Chief Executive Officer and Chief Finance Officer.

During the current period under review, the CODM amended its measure of profit or loss for its operating segments, from profit before tax to trading profit. Trading profit is the key driver of earnings before interest, tax, depreciation and amortisation (EBITDA), with EBITDA being the key driver of the Group's liquidity and cash generation. The Group's liquidity and cash generation is a key focus area of the CODM.

During October 2023, the board appointed a new CEO to address the underperformance of the Pick n Pay Supermarkets business, and to assess ways in which the Group can unlock value for Shareholders from the Group's broader business. The new CEO and his management team developed a strategic plan to return the Group back to profitability. The key pillars of this plan is the Pick n Pay Turnaround Plan and a recapitalisation plan, consisting of a rights offer and a listing of the Group's Boxer business on the Main Board of the Johannesburg Stock Exchange ("JSE"). Refer to the Review of Operations for more detail on the underperformance of the Pick n Pay Supermarket segment.

As a result, the CODM has concluded that the Pick n Pay and Boxer businesses are now defined as separate reportable segments and will be disclosed as such going forward.

Accordingly, the Group has restated its prior period information to reflect current period decisions.

Reportable segments	Pick n Pay Rm	Boxer Rm	Group Rm
52 weeks to 25 February 2024			
Financial Performance			
Revenue (note 2)	77 590.9	37 779.9	115 370.8
Turnover	74 875.5	37 419.3	112 294.8
Franchise fee income	1 021.8	-	1 021.8
Commissions, dividend and other income	1 261.0	258.2	1 519.2
Operating lease income	101.7	10.8	112.5
Finance income	330.9	91.6	422.5
Turnover split between geographical area	74 875.5	37 419.3	112 294.8
South Africa	71 264.0	36 820.5	108 084.5
Rest of Africa	3 611.5	598.8	4 210.3
Trading (loss)/profit*	(1 543.7)	1 928.7	385.0
Depreciation and amortisation	2 873.7	1 154.9	4 028.6
Net leases interest costs	(1 074.3)	(337.0)	(1 411.3)
Lease finance income	195.1	-	195.1
Lease finance costs	(1 269.4)	(337.0)	(1 606.4)
Impairments on property, plant and equipment, intangible and right-of-use assets	2 826.9	11.3	2 838.2
Impairment loss on investment in associate (note 15)	253.6	-	253.6
Financial Position			
Total assets	35 178.4	11 334.5	46 512.9
Total liabilities	37 346.8	9 348.7	46 695.5
Investment in associate (note 15)	-	-	-
Additions to non-current assets	5 639.5	2 093.4	7 732.9
Geographical information	South Africa Rm	Rest of Africa Rm	Group Rm
52 weeks to 25 February 2024			
Revenue (note 2)	111 103.7	4 267.1	115 370.8
Turnover	108 084.5	4 210.3	112 294.8
Franchise fee income	1 005.3	16.5	1 021.8
Commissions and other income	1 519.2	-	1 519.2
Operating lease income	112.5	-	112.5
Finance income	382.2	40.3	422.5
Total non-current assets	26 007.8	236.5	26 244.3

* "Segmental trading loss/profit" is the reported measure used for evaluating the performance of the Group's operating segments. This metric is equal to the Group's reported "loss/profit before tax", before net finance costs, share of associate's earnings and capital items.



Reportable segments	Restated Pick n Pay Rm	Restated Boxer Rm	Restated Group Rm
29 Operating segments (continued)			
52 weeks to 26 February 2023[^]			
Financial Performance			
Revenue (note 2)	76 909.8	32 368.4	109 278.2
Turnover	74 664.7	31 897.1	106 561.8
Franchise fee income	447.7	–	447.7
Commissions and other income	1 205.9	193.6	1 399.5
Insurance recoveries	90.7	170.0	260.7
Operating lease income	104.2	53.2	157.4
Finance income	396.6	54.5	451.1
Turnover split between geographical area	74 664.7	31 897.1	106 561.8
South Africa	71 372.2	31 349.1	102 721.3
Rest of Africa	3 292.5	548.0	3 840.5
Trading Profit*	1 285.2	1 762.8	3 048.0
Depreciation and amortisation	2 554.3	1 011.0	3 565.3
Net leases interest costs	(860.8)	(290.9)	(1 151.7)
Lease finance income	190.8	–	190.8
Lease finance costs	(1 051.6)	(290.9)	(1 342.5)
Impairments on property, plant and equipment, intangible and right-of-use assets	60.6	6.2	66.8
Impairment loss on investment in associate (note 15)	5.7	–	5.7
Financial Position			
Total assets	32 281.2	10 083.9	42 365.1
Total liabilities	30 514.5	8 147.8	38 662.3
Investment in associate (note 15)	72.4	–	72.4
Additions to non-current assets	5 743.2	2 102.7	7 845.9

Geographical information	Restated South Africa Rm	Restated Rest of Africa Rm	Restated Group Rm
52 weeks to 26 February 2023			
Revenue (note 2)	105 358.3	3 919.9	109 278.2
Turnover	102 721.3	3 840.5	106 561.8
Franchise fee income	432.8	14.9	447.7
Commissions and other income	1 399.5	–	1 399.5
Insurance recoveries	245.0	15.7	260.7
Operating lease income	155.2	2.2	157.4
Finance income	404.5	46.6	451.1
Total non-current assets	24 602.1	267.4	24 869.5

* "Segmental trading loss/profit" is the reported measure used for evaluating the performance of the Group's operating segments. This metric is equal to the Group's reported "loss/profit before tax", before net finance costs, share of associate's earnings and capital items.

[^] Comparative information has been restated to align with the current period change in operating segments.

30 Related party transactions

30.1 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
- Socius Trading Proprietary Limited, incorporated in South Africa.

30.2 Transactions with equity accounted associate

Refer to note 15 for further information.

30 Related party transactions (continued)

30.3 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 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
Key management personnel remuneration comprises:		
Fees for board meetings, committee and other work	13.6	14.4
Base salary	55.1	50.3
Retirement and medical aid contributions	3.5	5.7
Fringe and other benefits	2.8	7.0
Fixed remuneration	75.0	77.4
Short term performance bonus, severance and retirement gratuities	46.8	31.5
Total remuneration	121.8	108.9
Share awards	(17.2)	34.3

31 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, a sub committee of the Group Audit, Risk and Compliance Committee, 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.

31.1 Financial assets and financial liabilities by category

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

	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
52 weeks to 25 February 2024					
Financial assets					
Net investment in lease receivables (note 13)	2 319.7	-	-	-	2 319.7
Loans (note 16)	170.4	-	-	-	170.4
Trade receivables from contracts with customers (note 18)	3 814.4	-	-	-	3 814.4
Other receivables (note 18)	200.8	-	-	-	200.8
Cash and cash equivalents (note 19)	5 383.2	-	-	-	5 383.2
Investment in insurance cell captive	-	61.1	-	-	61.1
Derivative financial instruments – forward exchange contracts (FEC)	-	-	1.7	-	1.7
	11 888.5	61.1	1.7	-	11 951.3
Financial liabilities					
Overnight borrowings (note 19)	-	-	-	5 178.7	5 178.7
Unsecured borrowings (note 22)	-	-	-	6 266.1	6 266.1
Trade and other payables	-	-	-	14 658.9	14 658.9
Lease liabilities (note 26)	-	-	-	19 369.1	19 369.1
Refund liability (note 27)	-	-	-	27.4	27.4
	-	-	-	45 500.2	45 500.2



31 Financial instruments (continued)

31.1 Financial assets and financial liabilities by category (continued)

	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
52 weeks to 26 February 2023					
Financial assets					
Net investment in lease receivables (note 13)	2 282.5	–	–	–	2 282.5
Loans (note 16)	117.8	–	–	–	117.8
Trade receivables from contracts with customers (note 18)	4 134.8	–	–	–	4 134.8
Other receivables (note 18)	189.7	–	–	–	189.7
Cash and cash equivalents (note 19)	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 19)	–	–	–	2 800.0	2 800.0
Unsecured borrowings (note 22)	–	–	–	2 869.4	2 869.4
Trade and other payables	–	–	–	14 243.8	14 243.8
Lease liabilities (note 26)	–	–	–	17 604.0	17 604.0
Refund liability (note 27)	–	–	–	26.6	26.6
	–	–	–	37 543.8	37 543.8

31.2 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 13 and 18). 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 in South Africa. Consequently, the Group does not consider there to be any significant concentration or exposure to credit risk in South Africa. During the period under review a group of franchisees exited their franchise agreements as a collective and all exposure on this matter has been fully provided for with repayments received after financial period-end. The Group operates as a franchisor in Botswana, Eswatini, Lesotho and Namibia and has a master franchisee arrangement in each of these countries. These arrangements result in a concentration risk in these jurisdictions, and are managed on an active basis with regular engagement with the master franchisee and active debt management. During the period under review, the trading results of the master franchisee in Botswana deteriorated, resulting in a year-on-year movement of R201.0 million recorded in the related ECL allowance in the statement of comprehensive income.

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 16.

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 19).

31.3 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.

31 Financial instruments (continued)

31.3 Market risk (continued)

31.3.1 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, R0.7 million (2023: R1.0 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
2024				
US Dollars	0.9	16.9	19.1	0.3
Euro	3.8	78.7	20.7	1.2
British Pound	0.1	1.9	22.7	0.1
Swedish Krone	1.7	3.2	1.8	0.1
		100.7		1.7
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

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

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

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

The following significant foreign exchange rates applied during the period:	Average spot rate		Closing rate	
	2024	2023	2024	2023
USD/ZAR	18.7	16.7	19.3	18.4
Euro/ZAR	20.3	17.4	20.9	19.5
GBP/ZAR	23.4	20.3	24.5	22.0
USD/ZMW	21.5	17.1	23.0	19.7
AUD/ZAR	12.3	11.5	12.7	12.4
ZAR/CNH	0.4	0.4	0.4	0.4
ZAR/SEK	0.6	0.6	0.5	0.6



31 Financial instruments (continued)

31.3 Market risk (continued)

31.3.2 Interest rate risk

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

	52 weeks to 25 February 2024 %	52 weeks to 26 February 2023 %
The effective weighted average interest rates on financial instruments at end of period are:		
Financial assets		
<i>Variable-rate interest-bearing financial assets</i>		
Cash and cash equivalents and cash investments (note 19)	3.6 – 9.9	2.5 – 8.3
Other loans (note 16)	12.0	10.6
<i>Fixed-rate interest-bearing financial assets</i>		
Net investment in lease receivables (note 13)	8.4	8.2
Employee loans (note 16)	4.8	4.7
Financial liabilities		
<i>Variable-rate interest bearing liabilities</i>		
Bank overdraft (note 19)	9.5 – 10.5	6.3 – 9.5
Overnight borrowings (note 19)	8.1 – 11.8	4.6 – 8.5
Unsecured loans (note 22)	8.2 – 10.0	5.4 – 9.2
<i>Fixed-rate interest-bearing liabilities</i>		
Lease liabilities (note 26)	8.8	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 25 February 2024, 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 R74 million (2023: R33 million).

31.4 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 the risk by maintaining adequate reserves and unutilised borrowing facilities (listed below) and by continuously monitoring forecast and actual cash flows, ensuring that the maturity profiles of financial assets and liabilities do not expose the Group to liquidity risk.

On average, inventory, trade and other and trade and other payables are settled within 40, 45 and 60 days respectively, 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 of and draw down of any loan facility.

In response to the weak trading conditions faced by the Group's Pick n Pay segment, the increased net funding position and the decline in the net asset value of the Group, the Group performed liquidity risk assessments and noted that the Group is in a net current liability position. The Group has mitigated this risk through the following actions:

- The Group has intensified its process around liquidity management, including robust and regular forecasting of monthly liquidity requirements, including stress testing of cash forecast scenarios
- The Group has strengthened the Treasury Committee by appointing its Lead Independent Director with formidable experience in the banking and funding sector as the Chairperson, providing the necessary support to the Board and management in managing this risk
- After period end, the Group restructured its borrowings and entered into a Restructuring Support Agreement (RSA) with its lenders, thereby securing available funding over the next 12 months, and beyond. To further address the net current liability risk, all current funding facilities have been reset to long-term liabilities (effective 7 May 2024, shortly after financial period-end) through the RSA. The Group's borrowings are subject to certain covenants, guarantees and security. Refer to note 35 for further information
- The Group announced its Recapitalisation Plan, intended to deleverage and strengthen the Group's balance sheet. Refer note 35 for further detail.

As a result, the Group does not anticipate any cash shortfalls for the next 12 months (or beyond).

31 Financial instruments (continued)

31.4 Liquidity risk (continued)

	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
Reconciliation of unutilised borrowing facilities		
Total available facilities	14 251.5	9 827.0
Committed and uncommitted facilities (note 35)	13 582.7	9 551.7
FEC facilities	668.8	275.3
Total utilised facilities	(11 545.4)	(6 047.0)
Committed and uncommitted facilities (note 35)	(11 444.8)	(5 669.4)
FEC facilities	(100.6)	(377.6)
Bilateral loan approved post balance sheet date	-	1 000.0
Total available facilities	2 706.1	4 780.0

The Group has drawn-down, on average during the period, 81% (2023: 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 25 February 2024						
Overnight borrowings*	5 178.7	5 178.7	5 178.7	-	-	-
Unsecured loans*	6 266.1	8 071.6	2 230.8	5 840.8	-	-
Trade and other payables	14 658.9	14 658.9	14 658.9	-	-	-
Lease liabilities	19 369.1	27 555.4	4 500.4	14 873.2	6 459.4	1 722.4
Refund liabilities	27.4	27.4	27.4	-	-	-
Total financial obligations	45 500.2	55 492.0	26 596.2	20 714.0	6 459.4	1 722.4
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

* Subsequent to period end, the Group entered into a Restructuring Support Agreement with its short-term and long-term lenders. As a result, all outstanding loans and borrowings will mature on 1 September 2025.

31.5 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.



31 Financial instruments (continued)

31.5 Fair value of financial instruments (continued)

The fair values of financial instruments are as follows:

	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
Financial assets at fair value through profit or loss		
Investment in insurance cell captive – Level 2	61.1	71.3
Derivative financial instruments (designated as hedging instruments)		
Forward exchange contract assets – Level 2	1.7	22.0

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.

31.6 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 shareholder's equity 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 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 management.

The Group assesses the effectiveness of the use of capital in providing a return to shareholders using the ratios of return on invested capital (ROIC) and return of capital employed (ROCE). The Group is in the process of transitioning towards ROIC as it views ROIC as a more comprehensive measure. ROIC is calculated as taxed normalised trading profit divided by average invested capital, where invested capital is the sum of equity, net debt and net lease liabilities. ROCE is calculated as comparable headline earnings divided by average shareholders' equity plus long-term borrowings.

Due to the weak trading performance of the Group's Pick n Pay segment during the period under review, the Group delivered a negative ROIC, well below the Group's WACC. This sub-par performance was driven by a substantial trading loss in the Pick n Pay segment, partially offset by a strong performance in the Boxer segment of the Group. The result was further impacted by a significantly higher charge resulting from the increased gearing, and a R2.8 billion non-cash store asset impairment in the Pick n Pay segment. Refer to the Review of Operations for further detail on the Group's financial performance. As a result, the Group reported a negative shareholders' equity position.

	52 weeks to 25 February 2024 %	52 weeks to 26 February 2023 %
Return on capital employed	(30.6)	31.4
WACC (excluding leases)	14.2	13.4
Return on invested capital (including IFRS16)	2.6	9.8
WACC (including leases)	10.9	10.3

As a result of the Group's ROIC being well below its WACC, the Group adjusted its approach to capital management by both (a) launching a new strategic plan to strengthen returns in the Pick n Pay segment of the business, and (b) recapitalise the Group.

The Board embarked on a Recapitalisation Plan, underpinned by a planned Rights Offer and a planned listing of the Group's Boxer business ("Boxer IPO") on the main board of the JSE. The objective is to allocate the proceeds of this plan to repay all debt, except to the extent that lenders elect to provide ongoing working capital facilities beyond the IPO. The overall objective would be for the Group to have minimal net debt post the Boxer IPO.

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 net funding. The Group has suspended all dividend payments until such time that the Board believes that there is sufficient cash generation to review the dividend policy.

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 in terms of an official mandate and levels of authority set by the Board. No shares were purchased during the period under review.

32 Purchase of operations

32.1 Acquisition and Conversion of stores

The Group converted 10 (2023: 22) 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. Any goodwill arising from these acquisitions represents the value creation that the Group expects to realise in the future.

	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
Identifiable net assets		
Property, plant and equipment (note 10)	7.8	30.0
Inventory	13.2	34.4
Total identifiable net assets at fair value	21.0	64.4
Goodwill		
Purchase price of acquisitions at fair value	50.9	397.2
Less: total identifiable net assets at fair value	(21.0)	(64.4)
Goodwill acquired (note 9)	29.9	332.8
Net cash paid in respect of acquisitions		
Purchase price of acquisitions at fair value	50.9	397.2
Less: amounts net settled against trade and other receivables	(31.6)	(67.5)
Net cash paid	19.3	329.7

32.2 Acquisition of Tomis Group

The Group acquired 100% of the business operations of the Tomis Abattoir Business, effective 1 October 2023. Tomis is a state-of-the-art abattoir and meat processing and packaging business, supplying lamb, beef and other quality fresh meat products to wholesalers and retailers, including Pick n Pay. The acquisition is driven by synergies expected to arise. Meat and butchery is a key product category for the Group, and for the Group strategy.

As a result of this acquisition, the Group will significantly enhance its fresh meat offer to customers, provide a higher quality, more consistent, reduced cost for the red meat offer which is a category that is a key element of the Group's customer value proposition and provide sales growth opportunities, with the potential to supply Pick n Pay franchisees, Boxer, and other retailers and wholesalers. Furthermore, the transaction led to the Group acquiring a 15 000m² under-roof lamb feedlot, lamb and beef abattoirs, and a meat packaging plant.

The Group incurred acquisition related costs of R5.2 million recorded within trading expenses in the Statement of Comprehensive income.

Since acquisition, the Tomis Group has contributed R252.6 million in turnover for the Group. The abattoir operations have provided synergy benefits through its procurement and supply chain model, which is included in the Group's performance for the current period under review.

The table below presents the net assets arising from this acquisition, based on provisional values and is expected to be finalised during the 2025 financial period. The Group has assessed that any changes will not have a significant impact.

	52 weeks to 25 February 2024 Rm
Identifiable net assets	
Property, plant and equipment (note 10)	306.3
Inventory	21.1
Trade receivables	32.6
Trade payables	(52.5)
Total identifiable net assets at fair value	307.5
Goodwill	
Purchase price of acquisitions at fair value	328.0
Less: total identifiable net assets at fair value	(307.5)
Goodwill acquired (note 9)	20.5
Net cash paid in respect of acquisitions	
Purchase price of acquisitions at fair value	328.0
Less: purchase price payable (recorded within trade and other payables)	(39.8)
Net cash paid	288.2



33 Significant items

33.1 Eastport distribution centre

The Group has now completed the development of the new Eastport distribution centre in Gauteng in partnership with Fortress Reit Limited, replacing the Longmeadow distribution centre. The financing arrangements for this development has been finalised during the current period under review and the Group has entered into a lease arrangement for 100% of the property, with a lease commencement date of 1 June 2023 and an initial lease term of 15 years. The Group will pay rental based on an initial yield of 8.5% on total development cost (estimated to be R2.1 billion), with a rental escalation of 6% per annum and an incremental borrowing rate of 11.1%.

The impact of the Eastport distribution centre property lease for the current period has been presented below:

	52 weeks to 25 February 2024 Rm
Statement of comprehensive income	
Depreciation expense	(100.2)
Finance costs	(162.7)
Statement of financial position	
Right-of-use asset	1 717.5
Lease liability	1 849.4

33.2 Sale of properties

During the current period under review, the Group sold three of its properties, within the Pick n Pay operating segment, which were previously recognised as non-current assets held for sale.

The properties were sold for a selling price of R1 007.3 million resulting in a profit on disposal of R484 million. Two of the properties are subject to sale and leaseback conditions which accounts for a deferral of profit of R37.1 million, resulting in a net profit on disposal of R446.9 million.

34 Planned corporate actions

Rights offer

The Group intends to raise up to R4.0 billion from its shareholders by way of a Rights Offer in the middle of 2024. Given the size of the proposed Rights Offer, the Company intends increasing its authorised ordinary shares from 800 000 000 ordinary shares (of which 493 450 321 shares are currently in issue) to 10 000 000 000 ordinary shares. In addition, the Company intends to increase B shares from 1 000 000 000 to 5 300 000 000. The proposed increase will also provide the Company with additional headroom for any potential future share issues which the Company may require, whether for capital raises, share incentive schemes or otherwise. In order to increase the Company's authorised ordinary share capital, the Company will need to convert its existing authorised and issued ordinary shares from par value ordinary shares of 1.25 cents each to no par value ordinary shares. The Company's Memorandum of Incorporation (MOI) will be amended to reflect this change.

The Company will seek shareholder approval for the resolutions required to advance the Rights Offer at an extraordinary general meeting (EGM) to be held on 26 June 2024. The EGM Notice and Circular will be published on 27 May 2024 and can be found on the Group's website at www.picknpayinvestor.co.za

Initial Public Offering (IPO)

The Group intends to raise capital by an offering and listing of the Boxer business on the main board of the JSE by the end of 2024. The Group has engaged with 4 investment banks, who have agreed to jointly manage the proposed Boxer IPO. Boxer is a high growth, cash generative asset and the Board is of the opinion that significant shareholder value would be unlocked by listing its shares on the JSE (with the Group retaining a majority stake). The final quantum and terms of the Boxer IPO will only be determined once the outcome of the above mentioned rights offer is known. Refer to note 35 for further information.

35 Going concern, liquidity position and capital management

In preparation of these financial statements, the Board has performed a formal review of the Company and its subsidiaries (the Group) to confirm that it will continue trading as a going concern for the foreseeable future.

The Board's assessment of going concern has focused on three principal areas, namely:

- The liquidity of the Group for the next 12 months and beyond, considering the extent to which the Group has sufficient liquidity, together with unutilised available facilities, to discharge its obligations in the ordinary course of business
- The solvency of the Group, namely whether the fair value of assets exceeds the fair value of liabilities, and the ability to settle all debt as they fall due
- The sustainability of the Group, or its ability to continue trading as a going concern in the foreseeable future. This assessment has included the impact of the Group's turnaround plan, current trading trends, key assumptions underpinning forecasts and the impact of stress testing these forecasts.

As part of this assessment, the Board has considered the following:

1. Financial performance and financial position of the Group for the 52 weeks ended 25 February 2025,
2. The Pick n Pay Turnaround Plan, and
3. The Group's Recapitalisation Plan

Through the above-mentioned considerations, the Board has confirmed its intention to continue trading as a going concern. The Board, together with management, are focused on restructuring the Group through its recapitalisation plan to deleverage the financial position, to preserve and subsequently create shareholder value. The Board, together with management, are also focused on delivering on the Pick n Pay Turnaround Plan.

1. Financial performance and financial position of the Group

Adverse macroeconomic environment factors and pressure on operating costs have resulted in a decline in operating performance in the Pick n Pay segment of the Group. South African consumers have faced several challenges affecting consumer spending including high interest rates, load-shedding, elevated inflation, a fall in real wage growth and high levels of unemployment ultimately driving down consumer confidence. These factors contributed to significant pressure on household expenditure and indebtedness, resulting in a decrease in discretionary and non-discretionary spend directly impacting the Group's performance.

The Group delivered a weak result in the 2024 financial period under review, reporting a net loss after tax of R3.2 billion driven by a substantial trading loss in the Pick n Pay segment, which was offset partially by a strong performance in the Boxer segment of the Group. The result was further impacted by significantly higher interest rates and charge resulting from increased gearing, and a R2.8 billion non-cash store asset impairment in the Pick n Pay segment. Refer to the Review of Operations for further detail on the Group's financial performance.

This sub-par operational performance resulted in the Groups' net funding position increasing to R6.1 billion, compared to R3.7 billion at the end of the prior period, and resulted in a negative Group net asset value of R0.2 billion.

2. The Pick n Pay Turnaround Plan

In October 2023, the Board appointed Sean Summers as its new CEO to address the underperformance of the Pick n Pay Supermarkets business, and to assess ways in which the Group could unlock value for shareholders from the Group's broader business.

The new CEO and his management team developed a strategic plan ("Pick n Pay Turnaround Plan"), to return the Group's Pick n Pay business back to profitability. This strategic plan is operationally focused on the turnaround of the Pick n Pay Supermarkets business, with particular focus on eliminating losses incurred by specific loss-making company owned stores, and improving the performance of the remainder of the estate. Where appropriate, loss-making supermarkets will either be closed or converted to Pick n Pay franchise or Boxer. Improving the performance of the remainder of the estate will be achieved through initiatives such as to drive like-for-like sales and optimise the operating model. The plan is underpinned by renewed customer focus, re-energised employees and improved execution at store level.

A key pillar of the of this plan is a two-step recapitalisation plan ("**Recapitalisation Plan**"), consisting of a rights offer and a listing of the Group's Boxer segment (refer Operating Segment note 29) on the Main Board of the JSE to address the Group's current unsustainable net funding position of R6.1 billion as at 25 February 2024, especially in light of the pressures on operational cash generation of the Group. Some areas of the Group, including Pick n Pay Clothing and Boxer, continues to deliver strong results, however the Pick n Pay Supermarkets business has underperformed expectations.

3. The Group's Recapitalisation Plan

The Group announced on SENS on 22 February 2024 that the Board had approved a two-step recapitalisation plan. The Recapitalisation Plan aims to strengthen the balance sheet by reducing risk and establishing a long-term, sustainable capital structure.

The Recapitalisation Plan seeks to achieve the following objectives:

- A. Raise capital through a Rights Offer to existing shareholders of the Pick n Pay Stores Limited Company of up to R4.0 billion ("**Rights Offer**") with planned implementation towards the latter part of the first half of the 2025 financial period.
- B. Raise capital by an offering and listing of the Group's Boxer segment on the Main Board of the JSE ("**Boxer IPO**") by the end of 2024. The final quantum and terms of the Boxer IPO will only be determined once the outcome of the Rights Offer is known.
- C. Reach agreement with the Group's lenders to provide ongoing access to unutilised facilities, waive and relax existing covenants, and the deferral of capital payments ("**Restructuring Support Agreement**") until the two capital transactions above are implemented
- D. Appropriately address the Group's capital requirements whilst simultaneously minimising the portion of Boxer sold and thus maximise post IPO Boxer value accruing to Pick n Pay and its shareholders. The Group anticipates retaining a majority stake in Boxer post the IPO.



35 Going concern, liquidity position and capital management (continued)

3. The Group's Recapitalisation Plan (continued)

The Board believes that the successful execution of the Recapitalisation Plan is fundamental to the ability of the Group to continue as a going concern.

A. Completion of the Rights Offer

Pick n Pay Stores Limited has engaged with three investment banks, who have agreed to jointly manage the proposed Rights Offer. A signed standby volume underwriting agreement has also been secured for the full R4.0 billion contemplated.

Considering precedent rights offers contemplated on the JSE, the execution of the standby volume underwriting agreement, and the significant work performed to date by the investment banks advising Pick n Pay Stores Limited on the Rights Offer, management and the Board is confident that the Rights Offer will be successful within the time frame, and the requisite level of capital will be raised.

The Company has concluded a standby underwriting agreement with Absa Bank Limited, Rand Merchant Bank (A division of FirstRand Bank Limited) and The Standard Bank of South Africa Limited in terms of which they have agreed, subject, *inter alia*, to the conclusion of an underwriting agreement on customary terms, to underwrite the Rights Offer amount in equal proportions.

B. Completion of the Boxer IPO

The Group has engaged with four investment banks, who have agreed to jointly manage the proposed Boxer IPO. Boxer is a high growth; cash generative asset and the Board is of the opinion that significant shareholder value would be unlocked by listing its shares on the JSE (with the Group retaining a majority stake).

The key risk relating to the Boxer IPO is that unexpected and unfavourable macroeconomic conditions may prevail at the time of the IPO, thereby delaying the process.

A delay in the Boxer IPO does not trigger a default in the Restructuring Support Agreement (detail set out below). The Group and lenders recognise that, depending on the extent of the delay, covenants as of February 2025 may need to be revised and the process of doing so is provided for in the Restructuring Support Agreement. A Boxer valuation covenant would also come into effect, but the Board and management is confident that there is adequate headroom, and management's forecast do not suggest that this headroom would reduce in the period to May 2025 or beyond.

Management and the Board are therefore confident that the risk related to the Boxer IPO has been appropriately managed.

C. Restructuring Support Agreement

During July 2023, the Group secured long-term funding facilities of R5.5 billion to rebalance its short-term debt portfolio towards a longer-term maturity profile more suited to higher levels of net gearing as the Group entered a strategic investment cycle.

Under the terms of these debt packages, the Group was required to comply with the following financial covenants measured on a 12-month rolling basis at the end of August and the end of February each year, calculated on the basis that IAS17: Leases 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

The financial performance of the Group during the period under review resulted in a risk that the Group may breach these financial covenants in February 2024. Management engaged with the Group's long-term lenders, prior to the closure of the 2024 financial period, who agreed to waive the February 2024 financial covenants in full.

Over the past six months, the Group has been proactively engaging with its long-term and short-term lenders. On 7 May 2024, subsequent to period end, the Group concluded a Restructuring Support Agreement with all lenders, which provides for:

- All existing facilities that were in place on 25 February 2024 will continue to be in place under similar terms (except as set out below) until the earlier of the Boxer IPO and 1 September 2025
- A deferral of scheduled capital repayments on all facilities until the earlier of the Boxer IPO and 1 September 2025
- An additional facility of R500 million provided by the long-term lenders, which is repaid through the Rights Offer and/or the Boxer IPO
- The relaxing of the August leverage ratio covenant, to 5.5 times, with no change to the leverage ratio definition
- A full waiver of the August 2024 interest cover covenant attached to the long-term debt, with no change to the interest cover definition. The interest cover covenant will be tested at the end of February 2025, based on the original 3.5 times level outlined above
- A commitment to reduce the level of Group gearing by applying part of the Rights Offer proceeds to repaying debt and sufficient proceeds of the Boxer IPO to fully repay debt (other than working capital financing requirements)
- Security provided to all lenders that comprise of a cession and pledge of the shares held in Boxer and a guarantee from Pick n Pay Stores Limited and Boxer Superstores Proprietary Limited in favour of all lenders. This Boxer security and guarantee will be released prior to the Boxer IPO, to allow for a successful IPO execution

35 Going concern, liquidity position and capital management (continued)

3. The Group's Recapitalisation Plan (continued)

C. Restructuring Support Agreement (continued)

The conditions precedent in the Restructuring Support Agreement have been met and the terms above are now in effect.

The facilities as of 25 February 2024 were as follows:

	25 February 2024 Rm
Group available facilities	
Available facilities:	13 583
Committed	7 804
Uncommitted	5 779
Utilised facilities:	(11 445)
Committed	(6 550)
Uncommitted	(4 895)
Total unutilised facilities	2 138
Reconciliation of net funding position:	Rbn
Total utilised facilities (note 31.4)	(11.5)
Cash and cash equivalents	5.4
Net funding position	(6.1)

The revised facilities and terms of the Restructuring Support Agreement provide adequate headroom and management forecasts indicate continued headroom to May 2025 (and beyond).

The revised debt terms have financial covenants attached to the original long-term debt that have been aligned to management forecasts and the Recapitalisation Plan. A new covenant has also been included under the Restructuring Support Agreement, which compares the fair value of Boxer shares to the outstanding value of debt on a quarterly basis. This covenant only comes into effect if the Rights Offer does not occur and/or the Boxer IPO is delayed.

The relaxed financial covenants are set out in the table below:

Group relaxed covenants	25 February 2024	31 August 2024	Thereafter¹
Long-term debt covenants:			
Leverage ratio (Net debt to EBITDA)	Waived	5.50x	2.75x
Net finance cost cover ratio (EBITDA divided by net finance costs)	Waived	Waived	3.50x

¹ No covenants would be in place following the Boxer IPO as all long-term debt will have been paid.

As outlined previously, a key term of the Restructuring Support Agreement involves the Group's commitment to de-gearing through the Rights Offer and Boxer IPO. The Board has considered the actions in place to ensure these transactions occur as planned.



35 Going concern, liquidity position and capital management (continued)

Liquidity

Management's cash flow forecasts demonstrate adequate cash headroom in the period to May 2025 (and beyond). This headroom has been stress tested to model the impact of delays in the Recapitalisation Plan and the impact of worsening trading conditions. Adequate cash headroom remains in these scenarios.

Solvency

On a consolidated basis, the fair value of assets significantly exceeds the fair value of liabilities. In assessing solvency, the directors have considered the impairments outlined in note 12 and the market value of Boxer shares, which represents a material uplift in the net asset value of Boxer on a fair value basis from the carrying value.

Conclusion

The events, conditions, judgements, and assumptions described above inherently include uncertainty on the timing and success of the Recapitalisation Plan.

The Board has also considered various scenarios, including the impact of delays in the Recapitalisation Plan, either the Rights Offer and or the Boxer IPO, and has concluded that these would unlikely result in an adverse event due to the mitigations available to the Group in the Restructuring Support Agreement. The Restructuring Support Agreement is underpinned by a security pledge of a Boxer guarantee and surety over the Group's investment in Boxer and lenders are in support of the execution of the full Recapitalisation Plan over the extended time period until 1 September 2025 in order to be repaid in full.

Based on these factors and assessments, whilst there are inherent uncertainties, the Board has assessed the Group's liquidity and solvency and is of the opinion there is no material uncertainty and that the going concern assumption is appropriate in the preparation of the Group and Company annual financial statements.

36 Subsequent events

Restructure Support Agreement

The Group entered into a Restructuring Support Agreement with its lenders to provide ongoing access to unutilised facilities, waiver and relaxation of loan covenants, and the deferral of capital payments until the corporate transactions referred to in note 34 has been implemented. Refer to note 35 for further information.

37 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:

- International Tax Reform – Pillar Two Model Rules – (Amendments to IAS 12)
- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback – (Amendments to IFRS 16)
- Disclosures: Supplier Finance Arrangements – (Amendments to IAS 7 and IFRS 7)

Company annual financial statements

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Company Statement of comprehensive income

for the period ended

	Note	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
Revenue			
Finance income		0.1	0.1
Dividend income	8.1	697.7	1 146.1
<hr/>			
Administration expenses	2	(20.2)	1 146.2
Expected credit loss allowance	9	(186.9)	(16.7)
<hr/>			
Profit before tax		490.7	1 129.5
Tax	3	-	-
<hr/>			
Profit for the period		490.7	1 129.5
<hr/>			
Total comprehensive income for the period		490.7	1 129.5

Company Statement of financial position

	Note	As at 25 February 2024 Rm	As at 26 February 2023 Rm
Assets			
Non-current assets			
Investments in subsidiaries	5	0.1	0.1
		0.1	0.1
Current assets			
Loan to subsidiary	8.2	917.4	932.4
Trade and other receivables		0.2	0.2
Cash and cash equivalents	6	1.3	1.7
		918.9	934.3
Total assets		919.0	934.4
Equity and liabilities			
Equity			
Share capital	7	6.2	6.2
Share premium		835.5	835.5
Retained earnings		(112.4)	89.2
Total equity		729.3	930.9
Current liabilities			
Trade and other payables	10.2	2.8	3.5
Provision for financial guarantee contracts	9	186.9	-
		189.7	3.5
Total equity and liabilities		919.0	934.4



Company Statement of changes in equity

for the period ended

	Note	Share capital Rm	Share premium Rm	Retained earnings Rm	Total equity Rm
At 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
Total comprehensive income for the period		-	-	490.7	490.7
Profit for the period		-	-	490.7	490.7
Dividends paid	4.1	-	-	(692.3)	(692.3)
At 25 February 2024		6.2	835.5	(112.4)	729.3

Company Statement of cash flows

for the period ended

	Note	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
Cash flows from operating activities			
Profit before tax		490.7	1 129.5
Adjusted for dividend income	8.1	(697.7)	(1 146.1)
		(207.0)	(16.6)
Adjusted for non-cash items			
Expected credit loss allowance	9	186.9	-
Cash utilised before movements in working capital			
Movements in working capital			
Movements in trade and other payables		(0.7)	(2.4)
Cash utilised in operations			
Dividends received	8.1	697.7	1 146.1
Dividends paid	4.1	(692.3)	(1 135.9)
Tax paid	3	-	-
Cash utilised in operating activities			
Cash flows from investing activities			
Loan repaid by subsidiary	8.2	15.0	7.0
Cash generated from investing activities			
Net movement in cash and cash equivalents			
Cash and cash equivalents at beginning of period		1.7	3.5
Cash and cash equivalents at end of period	6	1.3	1.7



Notes to the company annual financial statements

for the period ended 25 February 2024

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.

During the period under review, management applied significant judgements and estimates in its assessment of the recoverability of loan receivables and the valuation of financial guarantees provided to subsidiary companies. Refer to notes 1, 6, 9 and 10.

The Group has prepared its financial statements on the going concern assumption. Refer to note 35 of the Group annual financial statements for further information.

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.

1.6 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the entity becomes a party to an irrevocable commitment. Financial guarantee contracts are initially measured at fair value and amortised over the life of the guarantee. The fair value is determined based on the probability of default of the Borrower, thereby estimating the value that the company may be liable for.

Subsequent to initial recognition the financial guarantee is remeasured at period end and subsequently stated at the higher of the amount determined by the lifetime expected credit loss (ECL) model under the principles of IFRS 9: Financial Instruments, and the amortised carrying amount of the guarantee. Any difference between the redemption value guarantee obligation and the amount paid is recognised in the income statement.

2 Administration expenses

Administration expenses are stated after considering the following expenses:

2.1 Directors' remuneration¹

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
2024			
Non-executive directors			
Gareth Ackerman	4 893.0	–	4 893.0
Jonathan Ackerman ⁶	445.5	105.3	550.8
Suzanne Ackerman-Berman	486.0	323.0	809.0
Haroon Bhorat	486.0	405.3	891.3
Mariam Cassim	486.0	200.0	686.0
James Formby*	990.0	83.3	1 073.3
David Friedland	486.0	300.0	786.0
Aboubakar Jakoet	486.0	525.3	1 011.3
Audrey Mothupi	486.0	523.0	1 009.0
David Robins	486.0	105.3	591.3
Annamarie van der Merwe	486.0	205.3	691.3
Jeff van Rooyen ^{7*}	562.5	–	562.5
Total remuneration	10 779.0	2 775.8	13 554.8
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 ⁵	235.0	78.1	313.1
David Friedland	470.0	253.4	723.4
Hugh Herman ³	195.8	–	195.8
Aboubakar Jakoet ⁴	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

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 Hugh Herman retired on 26 July 2022.

⁴ Aboubakar Jakoet replaced Jeff van Rooyen as Chair of the Audit, Risk and Compliance Committee on 26 July 2022.

⁵ James Formby was appointed as non-executive director, effective 10 October 2022.

⁶ Jonathan Ackerman retired as an executive director on 31 March 2023, and was appointed as a non-executive director on that date.

⁷ Jeff van Rooyen retired on 19 July 2023.

* Includes fee as lead independent director.



	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 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	27.0	28.0
Exempt income – dividends received	(38.4)	(28.4)
Non-deductible holding company expenses – administration expenses	1.1	0.4
Non-deductible holding company expenses – expected credit loss allowance	10.3	-
Effective tax rate	-	-

The Company mainly earns exempt income and, therefore the expenditure of the Company may not be claimed as a tax deduction.

	52 weeks to 25 February 2024 Cents per share	52 weeks to 26 February 2023 Cents per share
4 Dividends		
4.1 Dividends paid during the financial period		
Final dividend number 110 – declared 3 May 2023 – paid 5 June 2023 (2023: Number 108 – declared 16 May 2022 – paid 6 June 2022)	140.30	185.35
2023: Interim dividend number 109 – declared 17 October 2022 – paid 5 December 2022	-	44.85
Total dividends per share for the period	140.30	230.20
	Rm	Rm
Total value of dividends paid by the Company	692.3	1 135.9
	Cents per share	Cents per share
4.2 Dividends declared related to the financial period		
2023: Final dividend declared on 3 May 2023 – number 110	-	140.30
2023: Interim dividend declared on 17 October 2022 – number 109	-	44.85
	-	185.15

The Group has suspended all dividend payments until such time that the Board believes that there is sufficient cash generation by the Group to review the dividend policy. Refer to note 31.6 of the Group annual financial statements for further information.

	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
5 Investments in subsidiaries		
Shares at cost	0.1	0.1
	0.1	0.1

	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
6 Cash and cash equivalents		
Cash and cash equivalents	1.3	1.7

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 19 and note 31 of the Group annual financial statements.

	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
7 Share capital		
7.1 Ordinary share capital		
Authorised		
800 000 000 (2023: 800 000 000) ordinary shares of 1.25 cents each	10.0	10.0
Issued		
493 450 321 (2023: 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 (2023: 24 672 516) shares. To date, 15 743 000 (2023: 15 743 000) shares have been issued, resulting in 8 929 516 (2023: 8 929 516) shares remaining for this purpose.

In addition, the Company can issue new shares for cash as and when suitable situations arise. Issues in this regard are limited to 5% of the ordinary issued share capital excluding treasury shares, as at the date of shareholder approval, resulting in a limit of 24 053 508 ordinary shares.

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

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 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
7.2 B share capital		
Authorised		
1 000 000 000 (2023: 1 000 000 000) unlisted, non-convertible, non-participating, no par value B shares	-	-
Issued		
259 682 869 (2023: 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 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
8 Related party transactions		
8.1 Dividends received		
Pick n Pay Retailers Proprietary Limited	692.3	1 135.9
Pick n Pay Employee Share Purchase Trust	5.4	10.2
Total dividends received from related parties	697.7	1 146.1
8.2 Loan to subsidiary		
Pick n Pay Retailers Proprietary Limited	917.4	932.4
	917.4	932.4

The loan to subsidiary is unsecured, interest-free, and repayable on demand. The fair value of the loan approximates its carrying value. Refer to note 10.1 for further information regarding the credit risk exposure of this loan.

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 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
Beneficial	0.9	1.1
Non-beneficial	26.5	26.6
	27.4	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 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
Beneficial	2.2	2.2
Non-beneficial	97.2	97.2
	99.4	99.4

9 Provision for financial guarantee contracts

The table below presents the values that the Company has guaranteed in favour of the debt facilities of its subsidiary, Pick n Pay Retailers Property Limited ("Retailers"). The expected credit loss allowance (ECL) of these guarantees is estimated at R186.9 million (2023: nil). The maximum potential exposure to credit risk under financial guarantee contracts is R11.0 billion (2023: R6.0 billion). All guarantees are classified as stage 2 of the ECL model.

	52 weeks to 25 February 2024 Maximum exposure Rm	52 weeks to 25 February 2024 ECL Rm	52 weeks to 26 February 2023 Maximum exposure Rm	52 weeks to 26 February 2023 ECL Rm
Financial guarantee contracts in favour of subsidiary				
Short-term debt	6 500.0	186.9	6 000.0	-
Long-term debt	4 500.0	-	-	-
Total guarantees	11 000.0	186.9	6 000.0	-

Short-term debt guarantees in favour of subsidiary

Short-term debt facilities provided to Retailers are solely secured by the guarantee from the Company. At initial recognition, the fair value of these guarantees was valued at zero as the funding terms had been assessed to be no different to the borrower with or without the Company's guarantee. As a result of a significant increase in the credit risk of Retailers during the period under review, significant judgement was applied in determining a lifetime expected loss allowance relating to these guarantees of R186.9 million. Estimates were based on the probability of default of Retailers and likelihood of these guarantees being called upon, and were informed by the financial performance and position of Retailers and its Turnaround Plan. Refer to note 35 of the audited Group annual financial statements for further information.

Long-term debt guarantees in favour of subsidiary

Long-term debt facilities are secured by shared guarantees, by both the Company and Boxer Superstores Proprietary Limited ("Boxer"), and are subject to loan covenants required to be met by Retailers. Refer to note 22 of the audited Group annual financial statements for further information. Due to the shared nature of guarantees in place over Retailers long-term debt, the Company assessed that lenders of the long-term debt would call upon Boxer to settle the debt, and thereafter, any remaining debt not settled by Boxer will be settled by the Company. At initial recognition, during July 2023, the fair value of these guarantees were valued at zero as the funding terms had been assessed to be no different to the borrower with or without the Company's guarantee.

Due to the weak performance of Retailers during the period under review, a risk of Retailers breaching covenants became evident. Prior to period end, Retailers amended its long term debt facilities terms to waive February 2024 covenants and to provide additional security in the form of a pledge of 100% shareholding of Boxer. As a result of the significant increase in credit risk in Retailers, significant judgement was applied in determining a lifetime expected credit loss allowance relating to these guarantees as zero. Due to the shared nature of the guarantees in place, and the pledge of shareholding of Boxer as security, the Company assessed that lenders would call upon the pledge of the shareholding of Boxer first, and thereafter, any remaining debt not settled by this pledge will be settled by Boxer, after which any remaining debt will then be settled by the Company. As a result, the ECL on this guarantee was considered to be insignificant.

10 Financial instruments

Overview

The Company is exposed to risk in respect of financial instruments, namely the loan to subsidiary, trade and other receivables, cash and cash equivalents, trade and other payables and provision for financial guarantee contracts. 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. The company has limited exposure in respect of its provision for financial guarantee contracts, due to the shared nature of guarantees provided, and other forms of security provided to lenders of this guarantee.

10.1 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.

Credit risk of loan to subsidiary

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. Management has assessed that the loan receivable from Pick n Pay Retailers Limited is fully recoverable, supported by a full repayment subsequent to period-end. Based on these factors, the credit risk is considered to be low, and no impairment losses have been recognised.

Credit risk of financial guarantee contracts

The maximum exposure to counterparty (Pick n Pay Retailers Proprietary Limited) credit risk of financial guarantee contracts is R11.0 billion (2023: R6.0 billion). Refer to note 9 for further information.





10 Financial instruments (continued)

10.2 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 31 of the Group annual financial statements.

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

	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
Financial obligations measured at carrying value		
Trade and other payables (all contractual cash flows are repayable within 1 year)	2.8	3.5
Financial obligations measured at stage 2 of ECL model		
Financial guarantee contracts (maturity more than one year) (note 9)	11 000.0	
	11 002.8	3.5

The Company issued financial guarantees in favour of Retailers lenders for the repayment of the R4.5 billion long-term debt (a shared guarantee with Boxer) as well as the R6.5 billion short-term and ancillary facilities.

10.3 Capital management

The Company considers the management of capital with reference to Group policy, refer to note 31 of the Group annual financial statements.

11 Planned corporate actions

Rights offer

The Group intends to raise up to R4.0 billion from its shareholders by way of a Rights Offer in the middle of 2024. Given the size of the proposed Rights Offer, the Company intends increasing its authorised ordinary shares from 800 000 000 ordinary shares (of which 493 450 321 shares are currently in issue) to 10 000 000 000 ordinary shares. In addition, the Company intends to increase B shares from 1 000 000 000 to 5 300 000 000. The proposed increase will also provide the Company with additional headroom for any potential future share issues which the Company may require, whether for capital raises, share incentive schemes or otherwise. In order to increase the Company's authorised ordinary share capital, the Company will need to convert its existing authorised and issued ordinary shares from par value ordinary shares of 1.25 cents each to no par value ordinary shares. The Company's Memorandum of Incorporation (MOI) will be amended to reflect this change.

The Company will seek shareholder approval for the resolutions required to advance the Rights Offer at an extraordinary general meeting (EGM) to be held on 26 June 2024. The EGM Notice and Circular will be published on 27 May 2024 and can be found on the Group's website at www.picknpayinvestor.co.za

Additional information

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Appendix 1

Pro forma information

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

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 25 February 2024 is 1.14 (2023: 1.02) and the average Botswana pula exchange rate to the South African rand for the 52 weeks ended 25 February 2024 is 0.72 (2023: 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 an independent auditor'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.

	Increase in reported currency	Increase in constant currency
52 weeks to 25 February 2024		
Group turnover (%)	5.4	5.5
Rest of Africa sales from customers (%)	10.1	12.5

Appendix 2

Comparable year-on-year earnings performance

The Group's earnings performance for the current and previous period has been presented on a comparable basis. Comparable earnings excludes hyperinflation net monetary adjustments in respect of the Group's investment in associate attributable to IAS 29 *Financial Reporting in Hyperinflationary Economies (IAS 29)*.

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.

Hyperinflation net monetary adjustments impact:

	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
Share of associate's earnings excluding net monetary adjustments	(37.6)	98.4
Share of associate's hyperinflation net monetary adjustments	249.1	(23.4)
Reported share of associate's earnings	211.5	75.0
Impairment loss on investment in associate as a result of hyperinflation accounting	(253.6)	(5.7)
	(42.1)	69.3

Reported profit/loss before tax and reported headline earnings include the impact of hyperinflation accounting attributable to the Group's investment in associate in the Rest of Africa Pick n Pay operating segment. 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 comparable basis, by excluding the Group's share of associate's hyperinflation net monetary adjustment of R249.1 million (2023: R23.4 million), with no impact on tax.

The tables below presents the key changes to items presented on a comparable basis:

	As reported Rm	Remove Impact of IAS 29 Rm	Comparable Rm
52 weeks to 25 February 2024			
Group			
Loss before tax before capital items	(1 423.6)	(249.1)	(1 672.7)
Loss before tax	(4 146.7)	-	(4 146.7)
Tax income	(956.6)	-	(956.6)
Loss for the period	(3 190.1)	-	(3 190.1)
Headline loss	(979.0)	(249.1)	(1 228.1)
South Africa operating segment			
Loss before tax before capital items	(1 547.8)	-	(1 547.8)
Rest of Africa operating segment			
Profit before tax before capital items	124.2	(249.1)	(124.9)
	Cents	Cents	Cents
Headline loss per share	(203.06)	(51.66)	(254.72)
Diluted headline loss per share	(202.54)	(51.53)	(254.07)



Comparable year-on-year earnings performance (continued)

The tables below presents the key changes to items presented on a comparable basis: (continued)

	As reported Rm	Remove Impact of IAS 29 Rm	Comparable Rm
52 weeks to 26 February 2023			
Group			
Other income	2 265.3	–	2 265.3
Trading profit	3 048.0	–	3 048.0
Profit before tax before capital items	1 800.2	23.4	1 823.6
Profit before tax	1 707.6	–	1 707.6
Tax expense	537.7	–	537.7
Profit for the period	1 169.9	–	1 169.9
Headline earnings	1 246.2	23.4	1 269.6
South Africa operating segment			
Profit before tax before capital items	1 669.3	–	1 669.3
Rest of Africa operating segment			
Profit before tax before capital items	130.9	23.4	154.3
	Cents	Cents	Cents
Headline earnings per share	259.25	4.87	264.12
Diluted headline earnings per share	258.36	4.85	263.21

Reconciliation of the Group's earnings per share on a comparable basis:

	% change	52 weeks to 25 February 2024 Cents per share	52 weeks to 26 February 2023 Cents per share
Earnings per share			
Basic (loss)/earnings per share	(371.9)	(661.67)	243.37
Diluted (loss)/earnings per share	(372.1)	(659.98)	242.54
Headline (loss)/earnings per share	(178.3)	(203.06)	259.25
Diluted headline (loss)/earnings per share	(178.4)	(202.54)	258.36
Comparable headline earnings per share			
Comparable headline (loss)/earnings per share	(196.4)	(254.72)	264.12
Comparable diluted headline (loss)/earnings per share	(196.5)	(254.07)	263.21

	Rm	Rm
Reconciliation between basic and headline earnings		
(Loss)/profit for the period – basic earnings for the period	(3 190.1)	1 169.9
Adjustments:	2 211.1	76.3
(Profit)/Loss on disposal of assets	(368.7)	33.9
Tax effect of profit/(loss) on disposal of assets	53.3	(9.5)
Loss from impairments of assets	2 838.2	66.8
Tax effect of loss from impairments of assets	(565.3)	(10.7)
Insurance recoveries on scrapping of assets due to civil unrest	–	(13.8)
Tax effect of insurance recoveries on scrapping of assets due to civil unrest	–	3.9
Impairment loss on investment in associate	253.6	5.7
Headline (loss)/earnings for the period (note 7)	(979.0)	1 246.2
Adjusted for hyperinflation net monetary adjustment (note 15)	(249.1)	23.4
Comparable headline (loss)/earnings	(1 228.1)	1 269.6

The table below presents the Group's share information

	000's	000's
Number of ordinary shares in issue	493 450.3	493 450.3
Weighted average number of ordinary shares in issue (excluding treasury shares)	482 131.8	480 702.1
Diluted weighted average number of ordinary shares in issue	483 361.6	482 344.2

Appendix 3

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 growth comparisons remove the impact of store openings, closures and conversions in the current and previous reporting periods, and in the current period removes the impact of the new franchise model trialled by the Group. This franchise model offers a higher purchasing rebate to our franchisees (recorded against turnover) in exchange for a higher franchise royalty fee (recorded in other income). New or closed liquor stores are treated as like-for-like sales for the Group as all liquor sales are regarded as incremental to the Group's like-for-like turnover regardless if it is in the existing owned stores or stand-alone liquor stores, as this is the manner in which the Group manages its store base. Refer to review of operations for further detail.

Like-for-like expense growth comparisons remove the impact of store openings, closures and conversions in the current and previous reporting periods, and removes the impact of once-off employee restructuring programmes (refer below for further information) and incremental increase in ECL provisioning.

2 Abnormal costs incurred in the current and previous reporting periods

2.1 Employee restructuring programmes

Companies within the Pick n Pay Stores Limited Group formalised and concluded 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 the period under review. The current period reported earnings for the Group therefore include a once-off cost of R307 million relating to these restructuring programmes.

2.2 Duplicated logistics costs

The Group sold its Longmeadow distribution centre during the current period under review, and entered into its newly leased Eastport distribution centre. During the transition phase, the Group incurred duplicated logistics costs of R116 million, which is included in the reported earnings for the current period.



Analysis of ordinary shareholders

as at 25 February 2024

Shareholder Spread	Number of shareholders	%	Number of Shares	%
1 – 1 000 shares	23 656	78.9	3 092 282	0.6
1 001 – 10 000 shares	4 846	16.2	16 071 284	3.3
10 001 – 100 000 shares	1 151	3.8	34 521 860	7.0
100 001 – 1 000 000 shares	268	0.9	75 227 882	15.2
1 000 001 shares and over	54	0.2	364 537 013	73.9
Total	29 975	100.0	493 450 321	100.0

Public/Non-Public Shareholders	Number of shareholders	%	Number of Shares	%
Non-Public Shareholders	16	0.1	143 032 844	29.0
Ackerman Investment Holdings Proprietary Limited	1	0.0	124 677 237	25.3
Pick n Pay Retailers Proprietary Limited	1	0.0	4 408 135	0.9
Shares held on behalf of FSP/RSP participants	1	0.0	2 160 960	0.4
Boxer Superstores Proprietary Limited	1	0.0	410 500	0.1
Pick n Pay Stores Employee Share Purchase Trust	1	0.0	3 816 452	0.8
Directors of Pick n Pay Stores Ltd	8	0.0	4 457 659	0.9
The Mistral Trust	1	0.0	3 000 000	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	29 959	99.9	350 417 477	71.0
Total	29 975	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	77 201 147	15.6
Fidelity Series Emerging Markets Opportunities Fund	23 245 699	4.7
Allan Gray Balanced Fund	15 426 835	3.1
Alexforbes Investments Solution Limited	13 904 456	2.8
Fiam Group Trust For Employee Benefit Plans	6 045 225	1.2
Norges Bank Investment Management (NBIM)	5 265 769	1.1
Vanguard Emerging Markets Stock Index Fund (US)	4 910 192	1.0

Analysis of B shareholders

as at 25 February 2024

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 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.

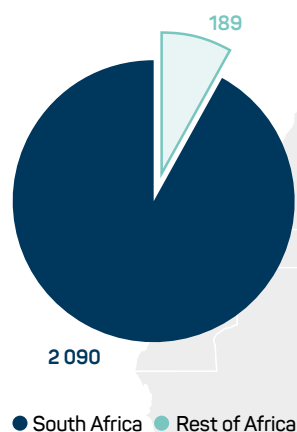


The Group has a flexible and dynamic business model, operates company-owned stores, collaborates with skilled and experienced franchisees, and invests in partnerships with established businesses.

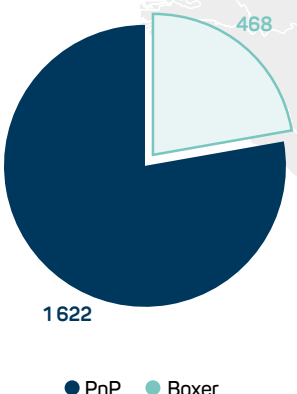
This allows Pick n Pay to follow the most effective and appropriate operating model for the different regions in which it trades. Evolving customer demographics creates opportunities for the Group to expand its footprint and increase sales without cannibalising its existing market. Our expansion programme focuses on opening stores that reflect the changing habits and needs of customers, bringing new customers and communities into the Pick n Pay and Boxer family. This strategy includes developing smaller, convenience-focused stores and expanding our online presence.

The Group's operating flexibility ensures successful adaptation across diverse locations. We critically assess store performance on an ongoing basis and will convert stores between brands and operating models when needed. Such conversions are strategically aimed at maximising site profitability by aligning with local market demands and optimising operational efficiency.

Number of stores – 2 279



Stores split between Pick n Pay and Boxer



	Pick n Pay		Boxer	TM	Total
	Owned	Franchise	Owned	Associate	
Formats:					
Hypermarkets	21	-	-	-	21
Supermarkets	325	473	296	61	1 155
Clothing	366	19	-	-	385
Liquor	295	230	150	12	687
Build	-	-	31	-	31
	1 007	722	477	73	2 279
Country:					
South Africa	982	640	468	-	2 090
Zimbabwe	-	-	-	73	73
Namibia	-	36	-	-	36
eSwatini	-	23	9	-	32
Zambia	23	-	-	-	23
Botswana	-	19	-	-	19
Lesotho	-	4	-	-	4
Nigeria	2	-	-	-	2
	1 007	722	477	73	2 279

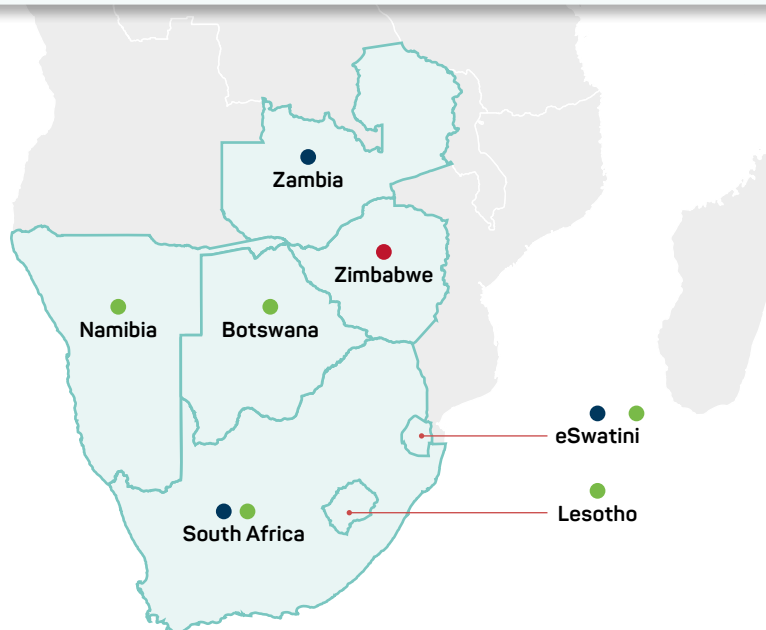
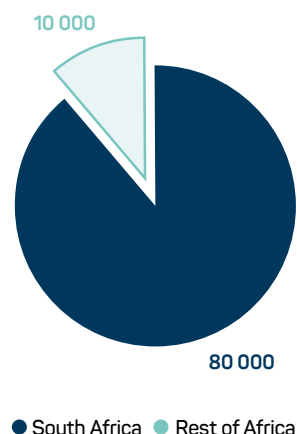
Geographic footprint

- Company-owned stores
- Franchise stores
- Business investment

South African footprint

Hypermarkets	Supermarkets	Clothing	Liquor	Build	Total South African stores
21	1 020	382	636	31	2 090

Geographic split of our 90 000 employees across owned, franchised and partner operations



For the comprehensive analysis of our store footprint, refer to page 110.

Number of stores

Company-owned	26 February 2023	Opened	Closed	Converted openings	Converted closures	25 February 2024
Pick n Pay	957	62	(20)	11	(3)	1 007
Hypermarkets	21	–	(1)	1	–	21
Supermarkets	328	3	(8)	4	(2)	325
Clothing	311	55	(3)	3	–	366
Liquor	297	4	(8)	3	(1)	295
Boxer	428	50	–	–	(1)	477
Supermarkets	279	18	–	–	(1)	296
Build	31	–	–	–	–	31
Liquor	118	32	–	–	–	150
Total company-owned	1 385	112	(20)	11	(4)	1 484
Franchise						
Pick n Pay						
Supermarkets	272	3	(5)	2	(3)	269
Market	21	–	(11)	–	(1)	9
Express	191	8	(4)	–	–	195
Clothing	22	1	(1)	–	(3)	19
Liquor	241	3	(12)	1	(3)	230
Total franchise	747	15	(33)	3	(10)	722
Associate						
TM Supermarkets	72	1	–	–	–	73
Total Group stores	2 204	128	(53)	14	(14)	2 279
African footprint						
– included in total stores above	186	3	–	–	–	189
Pick n Pay company-owned	25	–	–	–	–	25
Boxer company-owned	9	–	–	–	–	9
Pick n Pay franchise	80	2	–	–	–	82
TM Supermarkets – associate	72	1	–	–	–	73
African footprint						
– by country	186	3	–	–	–	189
Botswana	19	–	–	–	–	19
Lesotho	4	–	–	–	–	4
Namibia	35	1	–	–	–	36
eSwatini	31	1	–	–	–	32
Zambia	23	–	–	–	–	23
Nigeria	2	–	–	–	–	2
Zimbabwe	72	1	–	–	–	73



Corporate information

Pick n Pay Stores Limited

Registration number: 1968/008034/06
 JSE and A2X share code: PIK
 ISIN: ZAE000005443

Board of directors

Executive

Sean Summers (CEO)¹
 Lerena Olivier (CFO)

Non-executive

Gareth Ackerman (Chair)
 Suzanne Ackerman
 Jonathan Ackerman³
 David Robins

Independent non-executive

Haroon Borat
 Mariam Cassim
 James Formby
 David Friedland
 Aboubakar Jakoet
 Audrey Mothupi
 Annamarie van der Merwe

Registered office

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 101 Rosmead Avenue
 Kenilworth
 Cape Town 7708
 Tel +27 21 658 1000
 Fax +27 (0)86 675 1475

Postal address

PO Box 23087
 Claremont
 Cape Town 7735

Registrar

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

Postal address

Private Bag X9000
 Saxonwold 2132

JSE Limited sponsor

Investec Bank Limited
 100 Grayston Drive
 Sandton 2196

Auditors

Ernst & Young Inc.

Principal transactional bankers

Absa Limited
 Nedbank Limited

Corporate advisors

Rand Merchant Bank

Company Secretary

Vaughan Pierce²
 Email address: CompanySecretary@pnp.co.za

Promotion of access to information act

informationofficer@pnp.co.za

Investor relations

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

Website

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

Customer careline

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

Boxer

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

Online shopping

Tel +27 860 30 30 30
www.pnp.co.za

Engage with us on



¹ Sean Summers replaced Pieter Boone as CEO, effective 30 September 2023.

² Vaughan Pierce was appointed as Company Secretary on 13 March 2024.

³ Jonathan Ackerman retired as an executive director on 31 March 2023 and was appointed as a non-executive director on that date.



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