



2019
AUDITED ANNUAL
FINANCIAL STATEMENTS

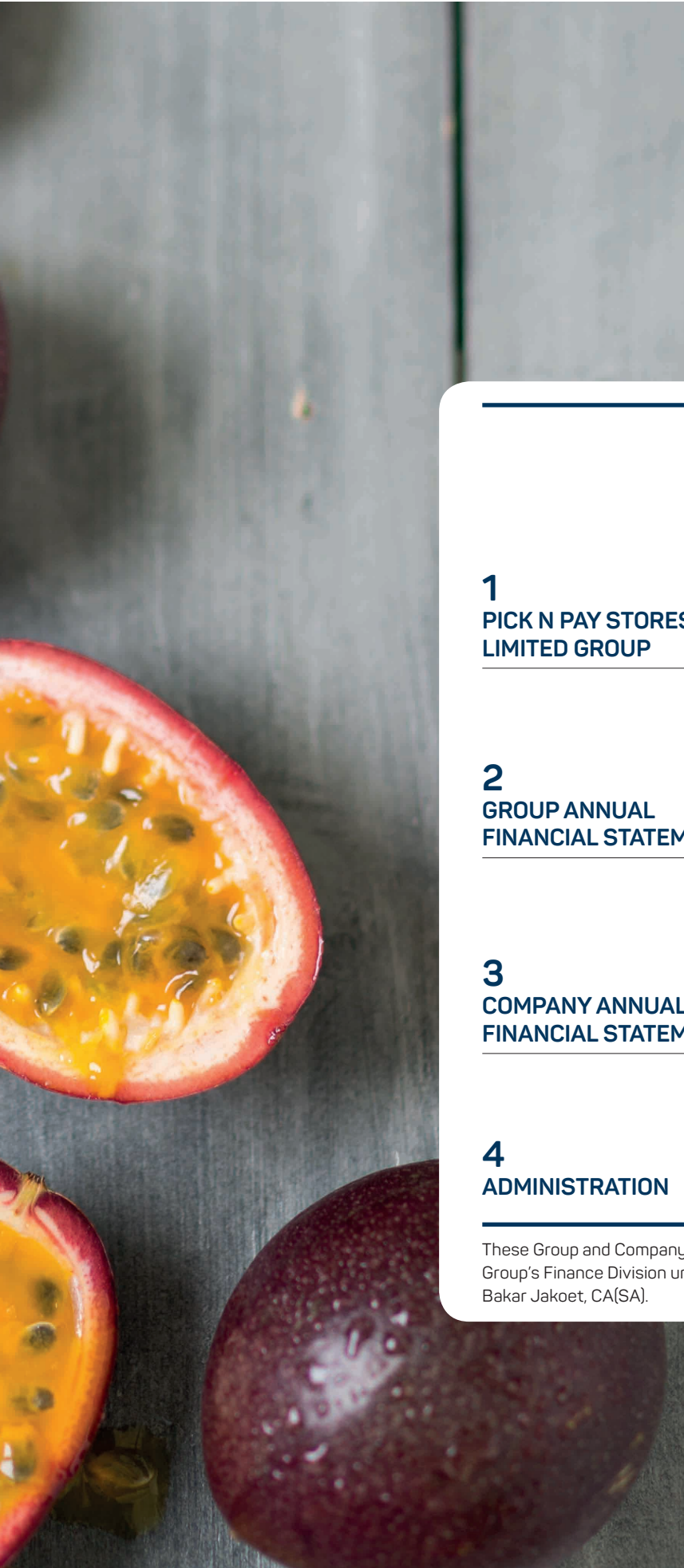
FOR THE PERIOD ENDED
3 MARCH 2019

Pick n Play

SOUTH
AFRICA'S MOST
INFLUENTIAL
BRAND



We are pleased to
provide our 2019 Audited
annual financial
statements to
our stakeholders



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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), Bakar Jakoet, 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 3 March 2019, and the statements of comprehensive income, changes in equity and cash flows for the period then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa No. 71 of 2008 (Companies Act) and the directors' report.

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

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

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

APPROVAL OF GROUP ANNUAL FINANCIAL STATEMENTS AND ANNUAL FINANCIAL STATEMENTS OF THE COMPANY

The Group annual financial statements and annual financial statements of Pick n Pay Stores Limited, as identified in the first paragraph, were approved by the Board of directors on 25 April 2019 and signed by:

Gareth Ackerman
Chairman

Richard Brasher
Chief Executive Officer



COMPANY SECRETARY'S CERTIFICATE

PICK N PAY STORES LIMITED GROUP

In my capacity as Company Secretary, I certify that for the period ended 3 March 2019, Pick n Pay Stores Limited and its subsidiaries has filed all returns and notices as required for a company in terms of section 88(2)(e) of the Companies Act No. 71 of 2008, as amended, and that such returns and notices are, to the best of my belief, true, correct and up to date.

Debra Muller
Company Secretary
25 April 2019



DIRECTORS' REPORT

PICK N PAY STORES LIMITED GROUP

NATURE OF BUSINESS

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

Significant subsidiaries held directly are presented in note 26 of the Group annual financial statements.

OVERVIEW OF FINANCIAL RESULTS AND ACTIVITIES

Refer to the review of operations on pages 16 to 22 for an overview of financial results and activities of the Group.

The Group manages its retail operations on a 52-week trading calendar where the reporting period will always end on a Sunday. To ensure calendar realignment, a 53rd-week of trading is required approximately every six years. The Group added a 53rd week of trading to the financial period under review, and accordingly the results for the financial year under review are for a 53 week period, ended 3 March 2019, compared to 52 weeks in the previous financial period. Refer to the annual financial statements presented on pages 26 to 83.

In order to provide useful and transparent comparative information, a 52-week period result for the current financial period has been presented for comparison against the corresponding 52-week result, as reported in the previous financial period. The 52-week financial information constitutes pro forma financial information. Refer to pages 100 to 103.

AUDIT AND RISK COMMITTEE

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

DIVIDENDS DECLARED

The directors have declared a final dividend (dividend 102) of 192.0 cents per share out of income reserves. Refer to page 23 for more information.

SHARE CAPITAL

During the period under review, 5 000 000 shares were issued to subsidiary companies within the Group as hedge against obligations under its employee share schemes. Refer to note 18 of the audited Group annual financial statements.

At period end, 9 576 550 shares (2018: 6 654 945 shares) of Pick n Pay Stores Limited were held within the Group. These shares are held to settle obligations of share options granted under the Group's employee share scheme.

In addition, 8 494 000 shares (2018: 6 853 500) of Pick n Pay Stores Limited are held within the Group in order to settle obligations under the Group's forfeitable share plan. Participants to the forfeitable share plan have non-forfeitable rights to the dividends on these shares.

GOING CONCERN

These financial statements have been prepared on the going concern basis.

The Board of directors (the Board) has performed a formal review of the Company and its subsidiaries' ability to continue trading as going concerns in the foreseeable future and, based on this review, considers that the presentation of the annual financial statements on this basis is appropriate.

The Group ensures that it complies with the liquidity and solvency requirements for any dividend payment and provision of financial assistance as per the requirements of the Companies Act.

LEGAL PROCEEDINGS

The Company and its subsidiaries are not involved, and have not in the 2019 financial period been involved, in any legal or arbitration proceedings which may have or have had a material effect on the financial position of the Group, nor is the Company aware of any such proceedings that are pending or threatened.

DIRECTORS' REPORT (continued)

SPECIAL RESOLUTIONS

On 30 July 2018, the Company's shareholders approved the following special resolutions as tabled in the notice to the annual general meeting:

DIRECTORS' FEES FOR THE 2019 AND 2020 ANNUAL FINANCIAL PERIOD

Shareholders approved the directors' fees.

PROVISION OF FINANCIAL ASSISTANCE TO RELATED OR INTER-RELATED COMPANIES AND OTHERS

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

GENERAL APPROVAL TO REPURCHASE COMPANY SHARES

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

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

DIRECTORS AND SECRETARY

Refer to note 4 of the Group annual financial statements for a list of directors of the Company for the 2019 financial year.

The directors listed below retire by rotation and they offer themselves for re-election:

Hugh Herman (non-executive)
 Jeff van Rooyen (non-executive)
 David Friedland (non-executive)
 Suzanne Ackerman-Berman (executive)
 Jonathan Ackerman (executive)

Lorato Phalatse resigned as a director of Pick n Pay Stores Limited on 31 August 2018.

The Company Secretary is Debra Muller.

DIRECTORS' INTEREST IN SHARES

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

BORROWINGS

The Group's overall level of debt (including overnight borrowings) increased by R796.2 million to R3 125.0 million, largely as a result of the impact on calendar cut off due to the addition of a 53rd week to the financial period as well as capital invested for expansion.

Gareth Ackerman
 Chairman

Richard Brasher
 Chief Executive Officer

25 April 2019

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 set out on pages 26 to 83 and 86 to 95, which comprise the consolidated and separate statements of financial position as at 3 March 2019, and 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 period then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Pick n Pay Stores Limited as at 3 March 2019, and its consolidated and separate financial performance and consolidated and separate cash flows for the period then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the company and group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA code) and other independence requirements applicable to performing the audit of the consolidated and separate financial statements of Pick n Pay Stores Limited. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of the consolidated and separate financial statements of Pick n Pay Stores Limited. 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 each 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 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 financial statements. We have determined that there are no key audit matters relating to the separate financial statements and the identified key audit matters relate only to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
INVENTORY VALUATION – REBATES AND PROVISIONS	
<p>The gross carrying value of inventory, provisions for shrinkage, obsolescence and mark downs against inventory are disclosed in note 15.</p>	<p>1. Our procedures relating to the effect of rebates and other income that has been received as a reduction in the purchase price of inventories on the valuation of inventory included, amongst others:</p>
<p>The two areas noted below relating to inventory valuation have been assessed as a key audit matter in the current year:</p>	<ul style="list-style-type: none"> • We reviewed a number of major supplier agreements to understand their terms;
<ol style="list-style-type: none"> 1. Rebates and other income that have been received as a reduction in the purchase price of inventories. 2. Provision for obsolete, redundant and slow-moving inventory items. 	<ul style="list-style-type: none"> • We assessed management's conclusion as to whether or not the rebate relates to a specific and genuine service, and consequently the treatment of the rebate in relation to the measurement of the cost of inventory at year end, through comparison to prior year treatment and evaluation of the types and terms of rebates received with reference to contractual terms;
<ol style="list-style-type: none"> 1. Rebates and other income that have been received as a reduction in the purchase price of inventories. 	<ul style="list-style-type: none"> • We assessed the systems used to calculate rebates as well as the controls implemented in the process of rebate calculation;
<p>The Group earns significant amounts of rebates and other income, and recognises the relevant portion of these as a reduction in the cost of inventory where the payments do not relate to a specific and genuine service. Management have applied significant judgement relating to the determining of these rebates and other income received as a reduction in the purchase price of inventory which has an impact on the measurement of inventory as at 3 March 2019.</p>	<ul style="list-style-type: none"> • We recalculated and assessed the rebate amounts recognised and the period in which they were recognised. This was based on the review of contractual performance obligations on a sample of contracts with suppliers to assess the conditions required for supplier rebates to be recognised and whether or not these had been met;
<p>Assessing the nature and amounts of the rebates and other income for recognition as a reduction in the purchase price of inventories and recognising the relevant portion of these as a reduction in the closing cost of inventory is an area of complexity requiring a detailed understanding of the contractual arrangements themselves and judgement to the extent these relate to the cost of inventory, which can vary from period to period. Accordingly, the matter has been considered a key audit matter.</p>	<ul style="list-style-type: none"> • We assessed the recognition and classification of the rebates and other income and related costs in terms of the requirements of IAS 2, Inventories.
<ol style="list-style-type: none"> 2. Provision for obsolete, redundant and slow-moving inventory items. 	<p>2. Our procedures relating to provisions against inventory included, amongst others:</p>
<p>Obsolete, redundant and slow-moving inventory items are identified on a regular basis by management across the procurement and supply chain channel and are written down to their estimated net realisable values, including for shrinkage and anticipated mark downs. This requires significant management judgement related to future trading expectations and the expectation of sales volumes of the products being considered. Changes in trading conditions each period and consumer behaviour as well as the composition of what inventory is on hand at period end all impact this assessment and thus require specific audit attention on an annual basis. The matter has been considered a key audit matter.</p>	<ul style="list-style-type: none"> • We evaluated the methodology, assumptions and judgements applied by management in determining the shrinkage, obsolescence and mark down provisions, by reviewing and testing historical information, and assessing data trends and ageing profiles; and • We evaluated the overall reasonableness of the provisions by performing analytical procedures on provisioning levels, including a comparison against historical experience and taking into account potential future trends. • We assessed the disclosures of the provisions in terms of IAS 2, Inventories.

INDEPENDENT AUDITOR'S REPORT (continued)

KEY AUDIT MATTER

HOW THE MATTER WAS ADDRESSED IN THE AUDIT

ACCOUNTING FOR INVESTMENT IN ASSOCIATE: TM SUPERMARKETS (PVT) LIMITED, ZIMBABWE

As disclosed in note 1.5, significant judgement has been applied in the reporting and translation of the investment in TM Supermarkets (Pvt) Limited which is accounted for as an associate in terms of IAS 28, Investments in associates and joint ventures.

The Reserve Bank of Zimbabwe ('RBZ'), effective October 2018, instructed banks in Zimbabwe to separate bank accounts into Nostro FCAs (foreign currency accounts, typically US Dollars ('USD')) and Real Time Gross Settlement FCAs (RTGS balances ('RTGS')). This resulted in the need for Pick n Pay to reassess the functional currency of the Zimbabwe associate in compliance with IAS 21, The Effects of Changes in Foreign Exchange Rates. Such reassessment concluded that the functional currency had changed to RTGS effective 1 October 2018.

The RBZ announcement on 22 February 2019 that the RTGS Dollar would be recognised as an official currency in Zimbabwe further evidenced a change in functional currency of the Zimbabwean associate.

As a result of a lack of an observable legal exchange rate from 1 October 2018 to 20 February 2019 and limited liquidity in the observable RTGS Dollar to foreign currencies to 3 March 2019, the directors have estimated the exchange rates at which to report and translate the Zimbabwean associate.

The directors have applied significant judgement in estimating the exchange rates to the RTGS and RTGS Dollar. The inputs considered in this estimate include;

- Fuel prices;
- The official inflation rate; and
- The premium at which Old Mutual and PPC shares trade on the Zimbabwe stock exchange versus the Johannesburg Stock Exchange.

Given the intricacies and significant judgments involved in the determination of the change in functional currency and estimation of the exchange rates used in the translation of the Zimbabwe associate, we consider this to be a key audit matter.

Our procedures included, amongst others:

- We evaluated the significant monetary and exchange control changes and economic developments in Zimbabwe, including the instructions by the RBZ to banks to separate USD bank accounts into Nostro FCA and RTGS FCA balances during October 2018 and the consequential impact on the functional currency of TM Supermarkets (Pvt) Limited in Zimbabwe;
- We considered the amendment to the Reserve Bank of Zimbabwe Act, introducing a new currency called RTGS Dollar, on 22 February 2019 and we consulted our IFRS experts on the following:
 - the appropriate functional currency for TM Supermarkets,
 - date of change in functional currency,
 - and accounting framework for the foreign currency transactions and translation impacts on the reported TM Supermarkets (Pvt) Limited's results;
- We considered the constrained exchangeability between the RTGS FCA and Nostro FCA, and the new RTGS Dollar from 22 February 2019 for immediate delivery by evaluating management's assessment of the appropriate foreign exchange rates to be applied to TM Supermarkets (Pvt) Limited. This evaluation included assessing management's methodology, assumptions and calculations and utilising our valuation experts to evaluate the exchange rates; and
- We assessed the disclosure relating to the investment in TM Supermarkets (Pvt) Limited in terms of IAS 21, The Effects of Changes in Foreign Exchange Rates and IAS 28, Investments in associates and joint ventures.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Company Secretary's certificate, Directors' report and the Audit, risk and compliance committee report as required by the Companies Act of South Africa and the Directors' responsibility statement, Review of operations, Dividend declaration, Analysis of ordinary shareholders, Analysis of B shareholders, Appendix of Proforma information and Corporate Information which we obtained prior to the date of this report, and the Integrated Annual Report and Corporate Governance Report, which is 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 on the other information obtained prior to the date of this auditor's report, 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. When we read the Integrated Annual Report and the Corporate Governance Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

INDEPENDENT AUDITOR'S REPORT (continued)

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Pick n Pay Stores Limited group's 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 Pick n Pay Stores Limited group or 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 Pick n Pay Stores Limited group's or 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 Pick n Pay Stores Limited group's or 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 or 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 Pick n Pay Stores Limited group or 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 Pick n Pay Stores Limited group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Pick n Pay Stores Limited 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 4 years.

Ernst & Young Inc.

Director: Malcolm Rapson

Registered Auditor

Chartered Accountant (SA)

Waterway House

3 Dock Road

V&A Waterfront

Cape Town

25 April 2019

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

PICK N PAY STORES LIMITED GROUP

INTRODUCTION

The Group operates in the fast-moving consumer goods industry on the African continent and recognises that it will be exposed to certain risks in order to achieve sustainable growth. The focus of the Group’s risk management is to ensure that an appropriate balance between risk and reward is maintained while protecting all stakeholders against avoidable risks, and mitigating the impact of unavoidable risks.

The Board is responsible for Group-wide risk governance by ensuring that adequate systems are in place to identify, evaluate and manage key business risks. The Board is assisted in this regard by the audit, risk and compliance committee, whose responsibility it is to develop, communicate and monitor the risk management process across all divisions in the Group.

The Board retains the overall responsibility to review and approve the annual financial statements for the Group and the Company.

COMPOSITION AND ACTIVITIES OF THE COMMITTEE

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

The committee meets formally twice a year with the Chairman, the Chief Executive Officer, the Chief Financial Officer, the head of the internal audit function and the external auditors in attendance. The committee has the right to invite other Board members, executives and external advisors to attend any meeting. Formal minutes are kept and are made available to all members of the committee, and are available on request to all members of the Board. The effectiveness of the committee is assessed as part of the annual Board and committee self-evaluation process.

The committee chairman meets with executives, and the internal and external auditors, whenever necessary. The internal and external auditors have unfettered access to the committee and its members throughout the year.

COMMITTEE MEMBERS AND ATTENDANCE AT MEETINGS HELD DURING THE 2019 FINANCIAL PERIOD

MEMBERS	QUALIFICATIONS AND EXPERIENCE	ATTENDANCE
Jeff van Rooyen (Chairman)	A chartered accountant with extensive experience in both the private and public sectors, Jeff is Chairman of the committee	2/2
Hugh Herman	An attorney and well-respected businessman, Hugh is honorary life president of the Investec Group	2/2
David Friedland	A chartered accountant, who enjoyed a long career as audit engagement partner and lead partner with major audit clients, David is well placed to assist the committee with his auditing experience	2/2
Audrey Mothupi	An Honours graduate with wide business experience in strategy, marketing and banking, Audrey is the CEO of the SystemicLogic Group	2/2

Full details of the members’ qualifications and experience are set out in the CVs section of the annual Corporate Governance Report on the Group’s website at www.picknpayinvestor.co.za.

RESPONSIBILITIES AND ACTIVITIES PERFORMED

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

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

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT (continued)

Full details of the role of the committee are set out in the annual Corporate Governance Report, available on the Group's website at www.picknpayinvestor.co.za.

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

The Group added a 53rd week of trading to the financial period under review. Accordingly, the results for the 2019 financial period are for a 53-week period, ended 3 March 2019. This compares to a 52-week period in the previous financial period.

In order to provide useful and transparent information, a 52-week comparable result has been prepared for illustrative purposes. Refer to the review of operations on pages 16 to 22 and the appendix on pages 100 to 103. The 52-week financial information constitutes pro forma information, as per the JSE Listings Requirements, and is the responsibility of the Board of directors. The Group's external auditor, in its capacity as reporting accountant, has issued a report on the 52-week information. The report is available for inspection at the Group's registered office.

INTEGRATED AND FINANCIAL REPORTING AND FINANCE FUNCTION

RESPONSIBILITIES	ACTIVITIES PERFORMED AND AREAS OF FOCUS
<ul style="list-style-type: none"> • Providing independent oversight and assessment of the effectiveness of the Group's assurance functions and services, with particular focus on combined assurance arrangements, including internal audit, external assurance service providers and the finance function • Providing independent oversight and assessment of the integrity of the annual financial statements and other external reports issued by the Group • Providing independent oversight and assessment of the management of financial and other risks that affect the integrity of external reports issued by the Group • Ensuring that the necessary internal controls and checks and balances are in place • Establishing that management are enforcing use of the controls • Overseeing any tender process adopted to establish whether new external auditors should be appointed • Acting as a liaison between the external auditors and the Board 	<ul style="list-style-type: none"> • Reviewed and recommended to the Board for approval the annual financial statements, interim results, preliminary results announcement, summarised financial statements and Integrated Annual Report • Ensured and recommended to the Board that financial and integrated reporting was reliable and was in conformity with International Financial Reporting Standards (IFRS), the Companies Act, the JSE Listing Requirements and the King IV Report on Corporate Governance™ for South Africa 2016 (King IV)¹ • Reviewed and approved the appropriateness of accounting policies, restatements, disclosure policies and the effectiveness of internal financial controls • Continued focus on ensuring that the Group's financial systems, processes and controls are operating effectively, meet the requirements of the Group and are responsive to changes in the environment and industry • Reviewed the sustainability disclosure in the Integrated Annual Report and ensured that it was consistent with financial information reported • Considered the expertise, experience and resources of the Group's finance function • Reviewed the Group's integrated reporting function and progress, considering factors and risks that could impact on the integrity of the Integrated Annual Report • Reviewed and considered representations by management on the going concern statement for the Group and recommended the adoption of the going concern concept to the Board • Reviewed and adopted the accounting processes required to reflect the inclusion of week 53 in the 2019 financial period • Ensured that additional pro forma financial information, prepared in accordance with IFRS and the JSE Listing Requirements, was provided to stakeholders on an equivalent 52-week basis, to assist stakeholders with their assessment of the Group's comparable performance • Reviewed and considered the approach planned by management in the adoption of new accounting standards that have an impact on future reporting, namely: <ul style="list-style-type: none"> – IFRS 16 relating to leases • Monitored the political and economic situation in Zimbabwe and the accounting treatment of the Group's investment in its associate, TM Supermarkets (Pvt) Ltd

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AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT (continued)

INTERNAL AUDIT

The internal audit function is independent of business operations and provides assurance on the adequacy and effectiveness of internal controls. In developing its annual combined assurance plan, the internal audit function follows a risk-based methodology to identify material business risks, which are then confirmed and addressed by the relevant individual divisional managers.

RESPONSIBILITIES	ACTIVITIES PERFORMED AND AREAS OF FOCUS
<ul style="list-style-type: none"> • Reviewing and approving the internal audit charter and audit plans • Evaluating the independence, effectiveness and performance of the internal audit function and compliance with its mandate • Reviewing the Group’s system of internal control, including financial controls, ensuring that management is adhering to and continually improving these controls • Reviewing significant issues raised by the internal audit process • Reviewing policies and procedures for preventing and detecting fraud 	<ul style="list-style-type: none"> • Reviewed the internal audit coverage plan • Considered and confirmed the composition, experience, resources, independence and skills of the internal audit function • Considered and confirmed that the head of the internal audit function has the appropriate expertise and experience for the position • Ensured continued progress in integration with the combined assurance model • Reviewed the effectiveness of internal financial controls • Met separately with the internal auditors to confirm that they received the full co-operation of management

EXTERNAL AUDIT

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

The committee annually considers whether a tender process should be adopted to establish whether new external auditors should be appointed. The Independent Regulatory Board for Auditors’ (IRBA) rule on mandatory audit firm rotation was taken into consideration. In terms of the rule, it would be mandatory to rotate the external auditor firm in the financial period ended 2027. The committee concluded that a new tender process was not required in the 2020 financial period.

In terms of section 92 of the Companies Act, no. 71 of 2008 as amended (the Act), the designated auditor of a company is required to be rotated after serving as a company’s auditor for five consecutive financial years. The Group’s designated audit partner will be rotated during the 2021 financial period.

The committee confirmed its satisfaction with the performance and level of service rendered by EY during the 2019 financial period.

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT (continued)

EXTERNAL AUDIT (continued)

RESPONSIBILITIES	ACTIVITIES PERFORMED AND AREAS OF FOCUS
<ul style="list-style-type: none"> · Acting as a liaison between the external auditors and the Board · Nominating the external auditor for appointment by shareholders · Determining annually the scope of audit and non-audit services that the external auditors may provide to the Group · Approving the remuneration of the external auditors and assess their performance · Assessing annually the independence of the external auditors · Ensuring a process is in place for the committee to be informed of any reportable irregularities identified by the external auditor 	<ul style="list-style-type: none"> · Ensured the appointment as external auditor a registered auditor, who, in the opinion of the committee, was independent of the Group and recommended approval for the re-appointment of EY as external auditors · Ensured that the re-appointment of the external auditor complied with relevant legislation · Assessed the competence of the designated audit partner · Ensured that the Group's designated audit partner would be rotated during the 2021 financial year, in compliance with section 92 of the Act · Reviewed IRBA's rule on the requirements of mandatory audit firm rotation · Determined the fees to be paid to the external auditor, as well as the terms of engagement · Pre-approved non-audit services provided by the Group's external auditors · Considered and confirmed the independence of the external auditors, taking into account all non-audit services performed and circumstances known to the committee · Reviewed the external audit coverage plan to ensure adequate coverage of critical risk areas and dealt with questions arising from audit activities · Met with management, independently of the auditors, to discuss issues relevant to the audit and for purposes of evaluating the quality and effectiveness of the external audit function · Evaluated the performance, and reviewed the reports, of the external auditors and ensured that the reporting was reliable, transparent and a fair representation for the use by stakeholders · Received and appropriately dealt with any complaints relating to the accounting practices of the Group, the content or auditing of its financial statements, the internal financial controls of the Group or to any related matter · Made submissions to the Board on any matter concerning the Group's accounting policies, financial controls, records and reporting · Met separately with both the external and internal auditors to confirm that full co-operation was received by them from management

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT (continued)

RISK MANAGEMENT

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

RESPONSIBILITIES	ACTIVITIES PERFORMED AND AREAS OF FOCUS
<ul style="list-style-type: none"> · Ensuring that the Group has adequate processes in place to identify, monitor and manage all significant business and financial risk areas · Assisting management to identify risk areas, and evaluates management in the handling of identified risks · Ensuring that the Group's assets are secure · Ensuring that the accounting system and controls are adequate and function effectively · Ensuring that the effectiveness of the internal control measures are continually evaluated · Ensuring that systems exist that adequately provide for the Group's conformance with all laws, regulations and codes 	<ul style="list-style-type: none"> · Discharged all audit, risk and compliance committee responsibilities of all the subsidiary companies in the Group · Together with the external auditors and management, reviewed the findings of the financial review committees of the material operating divisions in the Group · Pre-approved non-audit services provided by the Group's external auditors · Ensured that management's processes and procedures were adequate to identify, assess, manage and monitor enterprise-wide risks · Reviewed operational risks, in particular how they were managed · Met with management to review their progress on identifying and addressing material risk areas within the business · Chairman met regularly with key management to keep abreast of emerging issues which, during the 2019 financial period, included: <ul style="list-style-type: none"> - The inclusion of week 53 in the 2019 financial period - Continued monitoring of corporate governance failures and their implications on risk management and director responsibilities in oversight of management - The unfolding political and economic events in Zimbabwe and in other countries in Africa in which the Group is operating or considering operating - The impact of the imposition of a statutory minimum wage · Reviewed both global and local governance failures, to ensure that the Group's risk management remained robust and relevant

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT (continued)

POLICY ON NON-AUDIT SERVICES

All non-audit services provided by the Group's external auditors are required to be pre-approved by the committee. The nature and extent of non-audit services provided by the external auditors has been reviewed to ensure that the fees for such services do not become so significant as to call into question their independence. During the period under review, EY received R0.4 million (2018: R0.8 million) equating to 4.3% (2018: 8.8%) of the total audit remuneration. These services related to agreed-upon procedures. All non-audit services undertaken during the 2019 financial period were approved in accordance with this policy.

EXPERTISE AND EXPERIENCE OF CHIEF FINANCE OFFICER AND FINANCE FUNCTION

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

LEGAL REQUIREMENTS

The committee has complied with all applicable legal, regulatory and other responsibilities for the 2019 financial period.

EFFECTIVENESS OF THE DESIGN AND IMPLEMENTATION OF INTERNAL FINANCIAL CONTROLS

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

THE ARRANGEMENTS IN PLACE FOR COMBINED ASSURANCE AND THE COMMITTEE'S VIEW ON ITS EFFECTIVENESS

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

ANNUAL FINANCIAL STATEMENTS AND GOING CONCERN

Following review of the consolidated Group and separate Company annual financial statements for the financial period ended 3 March 2019, the committee is of the opinion that, in all material respects, the financial statements comply with International Financial Reporting Standards and the Companies Act and that they fairly present the financial position of the Group and Company for the 2019 financial period and the results of the operations and cash flows for the period then ended.

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

In compliance with the requirements of King IV, an Integrated Annual Report will be compiled for 2019 in addition to these annual financial statements.

APPROVAL OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

The committee confirms that it functioned in accordance with its charter for the 2019 financial period and that its report to shareholders was approved by the Board.

Jeff van Rooyen

Chairman: audit, risk and compliance committee

25 April 2019

REVIEW OF OPERATIONS

PICK N PAY STORES LIMITED GROUP

PICK N PAY DELIVERS IN A TOUGH MARKET

KEY FINANCIAL INDICATORS	53 weeks to 3 March 2019	52 weeks to 25 February 2018*	% change	Pro forma 52 weeks to 24 February 2019	Pro forma % change
Turnover	R88.3 billion	R80.5 billion	9.6	R86.3 billion	7.1
Gross profit margin	19.0	18.9		19.0	
Trading profit	R2 175.6 million	R1 819.9 million	19.5	R2 049.0 million	12.6
Trading profit margin	2.5	2.3		2.4	
Profit before tax	R2 199.8 million	R1 768.1 million	24.4	R2 073.2 million	17.3
Profit before tax margin	2.5	2.2		2.4	
Profit before tax – South Africa	R1 945.5 million	R1 480.2 million	31.4	R1 831.9 million	23.8
Profit for the period, after tax	R1 649.5 million	R1 296.3 million	27.2	R1 554.6 million	19.9
Basic earnings per share	347.17 cents	273.64 cents	26.9	327.20 cents	19.6
Diluted earnings per share	342.85 cents	268.33 cents	27.8	323.12 cents	20.4
Headline earnings per share	346.69 cents	276.98 cents	25.2	326.71 cents	18.0
Diluted headline earnings per share	342.37 cents	271.61 cents	26.1	322.65 cents	18.8
Total annual dividend per share	231.10 cents	188.80 cents	22.4		

* The financial information presented for the prior year is on a restated basis, with the adoption of new accounting standards. Please refer to note 29 of the audited Group annual financial statements for further information.

The Group follows a 52-week retail financial calendar, which requires the inclusion of an additional week every six years. The 2019 financial year is a 53-week period, and its IFRS results disclosed in the table above are not directly comparable with 2018. Additional pro forma financial information is provided on an equivalent 52-week basis, to assist stakeholders with their assessment of the Group's comparable performance. Please refer to the appendix provided on pages 100 to 103 for the basis of preparation of this pro forma financial information. Unless specifically stated otherwise, the result commentary that follows, including like-for-like information, is on a comparable 52-week basis. For the equivalent 53-week IFRS information refer to the table above and the audited Group annual financial statements on pages 26 to 83.

RESULT HIGHLIGHTS

FOR THE PRO FORMA 52 WEEKS ENDED 24 FEBRUARY 2019

- Market-leading turnover growth of 7.1% with market share gains throughout the year
- Like-for-like turnover growth of 4.8% despite selling price deflation of 0.3% – giving exceptional value to customers was rewarded with volume growth of 5.1%
- Gross profit margin improved to 19.0% – cost-discipline and better buying supported the Group's more competitive price position
- Greater operating efficiency, with like-for-like trading expense growth contained at 5.3%
- Tight working capital management and a measured capital investment programme delivered a R665.0 million reduction in net funding over the year, and contributed to a 38.5% saving in net interest paid
- Group performance anchored by a strong result from the core South Africa division, with turnover growth of 7.4% (5.2% like-for-like) and profit before tax up 23.8%
- The South Africa performance mitigated some operating challenges experienced outside its borders. Earnings from the Rest of Africa division down 16.2% year-on-year, reflecting difficult economic conditions in Zambia and the once-off impact of currency devaluation in Zimbabwe
- Headline earnings and diluted headline earnings per share up 25.2% and 26.1% respectively for the 53-week period, and up 18.0% and 18.8% on a comparable 52-week basis
- The Board declared a final dividend of 192.00 cents per share. The total annual dividend of 231.10 cents per share is up 22.4% on last year, maintaining a dividend cover of 1.5 times headline earnings per share for the 53-week period

REVIEW OF OPERATIONS (continued)

In a challenging trading environment, the Group has maintained its focus on the objectives set out in its long-term plan: building a leaner and more cost-effective business which gives customers exceptional value, quality and innovation in grocery and retail services. Successful execution of this strategy has enabled the Group to report market-leading turnover growth of 7.1%, and like-for-like turnover growth of 4.8%. The core South Africa division – comprising Pick n Pay and Boxer – delivered turnover growth of 7.4%. The Group's commitment to giving hard-pressed customers even better value was demonstrated through selling price deflation of 0.3% for the year. The Group's volume growth of 5.1% represented its strongest underlying trading performance for many years.

Over the past six years, a relentless focus on improving cost and operating effectiveness has enabled the Group to invest in a winning customer offer through lower prices, more attractive promotions, better and more innovative products, compelling value-added services, and brighter and more modern stores – without sacrificing earnings growth. The Group delivered 18.0% growth in headline earnings per share over the comparable 52-week period, with solid returns from its capital investment programme, ongoing improvement in operating efficiency and strong working capital management. The growth in headline earnings per share for the 53-week period is 25.2%.

Performance highlights over the period include:

LOWER PRICES, BETTER VALUE

The Group's leaner cost base – underpinned by its work in recent years to centralise its supply chain, modernise its loyalty programme, streamline its labour force and implement an effective Buy Better programme – supported substantial price investment over the year.

Pick n Pay monitors at least 2 500 prices across the retail sector every week to ensure it remains price competitive. Pick n Pay has improved its relative price position by at least 3% across thousands of products, with many costing no more – and in some cases less – than they did a year ago. In addition, Pick n Pay refined its promotional calendar, significantly reducing the number of products promoted over the year, but with much deeper value on offer.

Fewer, more meaningful promotions are easier for customers to understand, simpler to administer, and provide greater opportunity for effective supplier collaboration. Targeted promotions delivered strong volume growth over the year. Boxer provided unbeatable deals on basic commodity lines, including through bulk offers, cementing its position as the fastest growing limited range discounter in South Africa. Pick n Pay and Boxer are building trust and loyalty by providing greater value at a time when customers need it the most.

The Group continues to build stronger supplier partnerships through its Buy Better programme to provide lower prices and added value for customers. Fact-based negotiation is supported by information from our loyalty and procurement platforms. Pick n Pay is able to provide its suppliers with insight into the sales performance of their products, and can demonstrate how personalised promotions can have a positive impact. Pick n Pay is more efficient in terms of its planning, replenishment and distribution, and is a more effective retail partner in driving product growth.

It unlocked more than R500 million of value through its Buy Better programme this year, supporting its more competitive price position, and driving volume growth.

GREATER REWARD FOR LOYALTY CUSTOMERS

Pick n Pay's improved price position is augmented by its Smart Shopper loyalty programme. Smart Shopper remains the most engaged and accessible loyalty programme in South Africa. Over seven million active loyalty customers receive a personal message each week, with discounts on the items that are most relevant to them. Pick n Pay offered members R6.6 billion in personalised value this year, and saw redemptions grow by almost 30%. Discounts are partly supplier-funded, with meaningful volume uplift providing returns on investment for the Group and its suppliers.

Pick n Pay leveraged its partnership with BP this year to offer loyalty points on fuel purchased at BP forecourts. Over one million people have earned Smart Shopper points on their fuel purchases since November 2018.

Convenience and ease of use remain paramount to the success of Smart Shopper. Pick n Pay continues to modernise its programme for customers, including through switch and spend functionality at point of sale, and cardless transactions directly through its mobile app.

OUR FRESH PROMISE

Customers judge the quality of a retailer by the quality of its fresh offer. Launched in May 2018, Pick n Pay's Fresh Promise delivers a substantially improved fresh offer, with better quality, more choice, and longer-lasting freshness across all categories. This has been achieved by building stronger, more focused and more rewarding relationships with fresh suppliers who are committed to long-term growth with the Company. Pick n Pay added new skill and experience to its fresh team, and introduced new produce, meat and bakery suppliers, with greater collaboration on technical specifications, packaging, ordering and waste management. Its stronger focus on fresh delivered a 20% increase in fresh availability, a 5% reduction in waste, and strong sales growth year-on-year.

Boxer complements its limited-range grocery offer with a small but compelling fresh offer. Greater focus on its fresh departments this year delivered strong double-digit turnover growth in butchery and bakery.

OWN BRAND INNOVATION

The Group's enhanced fresh offer is supported by a growing range of trusted own brand products. Own brand is an opportunity to develop smaller local suppliers and to drive innovation. It also provides the Group with greater control across the supply chain, and the ability to extract cost and efficiency savings, providing better value for customers. Pick n Pay redesigned and relaunched 700 of its existing own brand products this year, and introduced a further 500 new products, taking its own brand participation to 21% of participating categories. Pick n Pay partnered with more than 100 small businesses this year through its mentorship and business development programmes. Boxer grew its own brand sales by 61.3% year-on-year, with own brand participation now at 15.5% of participating categories.

REVIEW OF OPERATIONS (continued)

GREATER RELEVANCE

The Group's increasingly relevant customer offer is driven by its two formidable Pick n Pay and Boxer brands, which includes support from valuable franchise partners. The strength of the Pick n Pay brand is in its appeal across broad socio-economic demographics. Everyone is welcome in our stores, and this is one of the reasons why Pick n Pay has been recognised as South Africa's most influential brand. Pick n Pay is committed to an excellent in-store experience across its estate, with optimised ranges which are specifically tailored to meet the needs of the customers served. In many instances range optimisation has led to meaningful range reductions, with simplified administration, higher on-shelf availability, reduced waste and improved trading densities.

Boxer's limited range of grocery products – alongside its strong fresh meat offer – is a key strength. A limited range, tailored precisely to the needs of its customers, enables Boxer to keep costs low and thereby deliver market-beating prices and promotions to less-affluent communities.

GREATER EFFICIENCY ACROSS THE SUPPLY CHAIN

Greater levels of centralisation continue to unlock economies of scale and drive cost savings across the Group's distribution channels.

Pick n Pay's level of supply chain centralisation now stands at over 75%, up from 65% last year. Pick n Pay centralised over 400 new suppliers this year, including eight small suppliers mentored through its enterprise development programme. Progress includes the centralisation of ice-cream through our partnership with Vector Logistics, and positive steps in centralising liquor and fresh poultry in the Western Cape.

Pick n Pay opened a new distribution centre in KwaZulu-Natal in March 2018, taking centralisation in the region to 76% compared to 45% last year. Goods issued out of Pick n Pay distribution centres are up 13.6% on last year. Boxer continued to make good progress in delivering its plan to centralise more of its supply chain distribution, in particular by opening a new distribution centre in Gauteng in January 2019.

Boxer now has three distribution centres, including sites in KwaZulu-Natal and East London, with centralised supply in the business now over 40%.

A MODERN ESTATE, WITH A WIDER REACH

The Group continues to expand its reach, not only into geographic areas where it is under-represented, but through locations that provide greater opportunity for modern convenience. The Group opened 130 stores across all formats this year, including 16 Pick n Pay supermarkets on an owned and franchise basis and 13 Boxer supermarkets. New Pick n Pay supermarkets are smaller in size and all offer a modern, next generation shopping experience, with a greater emphasis on convenience. The Group opened 32 Pick n Pay Express stores this year, its forecourt convenience format in partnership with BP. Pick n Pay's business development programme with local retail entrepreneurs helps to deliver safe and affordable grocery shopping to communities in townships across Gauteng and the Western Cape, with 20 independently owned Market stores at year end.

Pick n Pay's hypermarket division delivered an improved contribution to Group performance. Refurbishments undertaken in the previous year continued to pay dividends, with Pick n Pay's Durban and Northgate hypermarkets each delivering double digit turnover growth. The Group completed a further four hypermarket mini-refurbishments this year, improving trading densities through more effective layouts, modern fixtures and fittings and a sharper focus on fresh, general merchandise, clothing and liquor. Six hypermarkets provided a bulk wholesale offer to over 300 independent traders and 100 franchisees, driving wholesale turnover up more than 20% year-on-year.

The Group's core grocery offer is complemented by its growing clothing and liquor businesses. The Group opened a net 17 standalone Pick n Pay clothing stores over the year, bringing its footprint to 217 stores on an owned and franchise basis. The clothing division delivered strong like-for-like sales growth over the year, anchored by a fresh look and feel as well as contributions from its womenswear, menswear and sleepwear categories.

The Group opened a net 33 standalone Pick n Pay and Boxer liquor stores during the year, on an owned and franchise basis.

The Group's liquor division delivered double-digit turnover growth, driven by an increased focus on wine and gin categories. The Pick n Pay wine club now boasts more than 100 000 members.

The Group executed a broad and impactful renewal programme over the 2019 financial year, touching more stores in a single year than ever before. The Group revamped 103 stores this year, 45 Pick n Pay and 31 Boxer company-owned stores across all formats, 20 franchise stores and 7 supermarkets in Zimbabwe. These stores are all lighter and brighter, with improved refrigeration, modern fixtures and fittings and greater innovation in respect of the display of fresh produce, health and beauty products and general merchandise.

Pick n Pay also worked to improve its stores by lowering shelf heights, creating wider aisles and adding stronger signage. This gave customers across the country stores that are easier to navigate and easier to shop.

The Group closed 20 under-performing stores during the year. Refurbishments and closures have an impact on top-line growth, but any disruption to trade has been mitigated by the improved like-for-like volume growth delivered by refurbished stores, which are delivering on the Group's return on investment requirements.

The Group's estate numbers 1 795 stores across all formats, including 719 franchise stores. We thank our franchise partners for the energy and effort they put into supporting the Pick n Pay brand. Closer collaboration over the past year has seen a greater alignment of store operating standards and product offer. The commitment of our franchisees to service excellence continues to set a high benchmark for the Group as a whole, and we are a stronger team because of them.

REVIEW OF OPERATIONS (continued)

LEADING ONLINE OFFER

Pick n Pay continues to enhance its online platform, providing greater convenience and innovation for digital customers. Although online remains a relatively small part of the business, the Group recognises that digital retail will be increasingly important in the future. The Group's new online website drove order volumes up 17%, with turnover growth of 24.3% year-on-year, including through the Group's Click n Collect option.

The Group's dedicated online distribution centres in Johannesburg and Cape Town continue to drive efficiency across the online channel, with solid improvements in stock availability, and the consistent achievement of on-time delivery rates of 98%. The Group has leveraged its online infrastructure, delivering small and single-pick orders from its distribution centres to its smaller format stores in Gauteng and the Western Cape, with issues to Express and Market stores up over 100% year-on-year, supporting growth in our smaller format platform.

STRONGER VALUE-ADDED SERVICES

The Group cemented its meaningful value-added services proposition with its industry-first partnership with TymeBank. TymeBank is South Africa's first digital-only bank, offering a simple, transparent and inexpensive banking proposition for customers, including many previously under-served by the banking sector. Pick n Pay and Boxer supermarkets effectively serve as a convenient and extensive branch network for TymeBank, and it takes less than five minutes to open an account in store. There are no monthly fees, most transactions are free and all purchases with a TymeBank card earn Smart Shopper points, with double points earned at Pick n Pay. Over 250 000 customers have opened a TymeBank account in just three months.

Customers taking advantage of Pick n Pay's low-cost store account grew by 25% over the year to 125 000. In addition to its low-cost banking partnerships, the Group grew its domestic and cross-border money transfer services, as well as its event and ticketing offer, by over 50%, driving a significant market share gain in value-added services.

GROWTH OUTSIDE SOUTH AFRICA

The Group has followed a measured approach to its investment outside of South Africa, building an additional engine of growth for the business, without placing the core South Africa business under undue strain.

The Group has an established presence in Botswana, Lesotho, Namibia, Eswatini, Zambia and Zimbabwe. Trading conditions in these regions have been challenging at times, particularly in Zambia, and more recently in Zimbabwe.

The Group continues to build a stronger and more resilient business in Zambia, and remains confident of the long-term growth prospects of this business, notwithstanding a currently difficult trading environment. The Group opened two new supermarkets in Zambia this year and one stand-alone liquor store, taking its footprint to 20 stores in the region.

Pick n Pay optimised its range in eight of its supermarkets in Zambia this year. Greater operating efficiency and tighter working capital has delivered a stronger price position and a greater value proposition.

The Group has a 49% interest in its associate TM Supermarkets (TM) in Zimbabwe. TM has 57 stores in the region, with 20 trading under the Pick n Pay banner. The year has seen political and economic challenges, culminating in a currency liquidity crisis, high levels of inflation, social unrest, and a significant consumer demand for basic commodity products.

A determined team ensured that TM and Pick n Pay stores remained open throughout the year, and traded successfully despite external difficulties. Hard work in building customer and supplier loyalty stood the business in good stead, and its in-stock position remained high. The estate was improved with a further seven renovations in the year. TM received a number of retail awards in Zimbabwe, including being recognised as the "Coolest Supermarket Brand" at the Generation Next Awards and the Marketers Association of Zimbabwe's (MAZ) "Superbrand of the Year" in the retail supermarkets sector.

TM delivered double digit volume and customer growth, with cost discipline and operating efficiency supporting solid earnings growth. However the Group's share of associate income was down 6.3% year-on-year, with the impact of a R42.1 million foreign exchange loss on TM's adoption of the newly recognised RTGS dollars as its functional currency, and a revaluation of relevant balance sheet items effective October 2018. Profits earned by TM since that date have been translated by the Group at a rate of 3.3 RTGS dollars to one US dollar.

REVIEW OF FINANCIAL PERFORMANCE

The 2019 financial year is a 53-week period, and the 53-week IFRS results are not directly comparable with those of the 52 weeks of 2018. Unless specifically stated otherwise, the result commentary that follows below is on a comparable 52-week basis. Please refer to the appendix provided for the basis of preparation of this pro forma 52-week financial information.

The prior year financial information presented is on a restated basis, with the adoption of new accounting standards: IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. For further information on the adoption of the new accounting standards during the period, refer to note 29 of the Group annual financial statements. The restatements had an insignificant impact on the profitability and financial position of the Group.

TURNOVER

Group turnover increased 7.1% to R86.3 billion, with like-for-like turnover growth of 4.8%. The Group delivered real volume growth of 5.1%, with selling price deflation at 0.3% year-on-year.

The Group's core South Africa division delivered turnover growth of 7.4%, with like-for-like turnover growth of 5.2%, and real volume growth of 5.5%. The Group's improved performance is anchored by strong performances from its stores serving the growing lower to middle income communities of South Africa, a more competitive price position and a substantively improved fresh offer. The Group is particularly pleased with the improved contribution from its company-owned Pick n Pay and Boxer stores.

The tough trading conditions in Zambia continued over the year, and the weak kwacha weighed on Group turnover growth. On a constant currency basis, Group turnover grew 7.3%.

REVIEW OF OPERATIONS (continued)

TURNOVER (continued)

The Group's investment in TM Supermarkets in Zimbabwe is recognised as an associate, and its sales are not included in Group turnover or revenue.

Refer to the appendix provided for further information on the Group's constant currency and like-for-like turnover calculations.

GROSS PROFIT

Gross profit increased 7.8% to R16.4 billion, with gross profit margin improving from 18.9% to 19.0%. The Group demonstrated tight gross profit margin management, with cost savings across the procurement and distribution channel allowing for greater investment in lower every day prices. Improved performances and increased participation from company-owned Pick n Pay and Boxer stores was positive for gross profit margin. The Group bought better on behalf of customers, and harnessed the benefits of greater levels of centralisation, optimised ranges and lower stock-holdings.

OTHER INCOME

Other income increased 6.1% to R1.9 billion and, at 2.2% of turnover, is in line with last year.

Franchise fee income – was down 2.5% on last year to R389.9 million. The decrease reflects a strategic change in the terms of our partnership with BP, designed to drive the growth of the Pick n Pay Express convenience format. The reduction in franchise fee income is offset by the benefits of a greater level of volume through the Pick n Pay supply chain. The Group opened 32 Pick n Pay Express stores over the year, against a net 8 stores last year, bringing its total footprint to 151 stores across South Africa. On a comparable basis, excluding the impact of the new agreement, franchise fee income grew 4.5% year-on-year.

Operating lease income – increased 18.3% to R527.8 million. The increase reflects the new head leases secured by the Group to protect the long-term tenancy of its strategic franchise sites. The increase in rental income is matched by a corresponding increase in occupancy costs.

Commissions and other income, including value-added services (VAS) – increased 3.9% to R972.2 million. Commissions and other income now includes all commission and incentive income that is not directly related to the sale of inventory. This broad category includes a relatively small but increasingly important contribution from value-added services. Income from value-added services grew 41.5% year-on-year, driven by sustained growth in commissions received from financial services, third party bill payments and the sale of prepaid electricity.

Customers are increasingly using our stores to perform financial services transactions, with 113 million transactions taking place in our stores during the year.

TRADING EXPENSES

Trading expenses grew 7.0% year-on-year to R16.3 billion, with like-for-like growth contained at 5.3%. The trading expense margin improved from 18.9% to 18.8% of turnover. The Group responded to a difficult trading environment by demonstrating exceptional cost discipline, restricting the growth in trading expenses to below that of turnover.

Employee costs – increased by 6.2% to R71 billion, driven by growth across the Group's store estate.

The Group built on the benefits of its voluntary severance programme (VSP) in the prior year, extracting labour efficiencies through greater levels of productivity and improved scheduling. Like-for-like employee costs, excluding the cost of the VSP last year and other non-comparable costs, grew 5.9%, notwithstanding salary and wage increases ahead of CPI. Labour costs improved from 8.3% to 8.2% of turnover.

Occupancy costs – grew 6.9% to R3.3 billion, with a net 51 company owned stores added over the past year, and the addition of a number of head leases in respect of strategic franchise sites. Occupancy costs increased 3.3% on a like-for-like basis, notwithstanding large increases in security and insurance costs. Occupancy costs remain at 3.8% of turnover. The Group is committed to reducing occupancy costs as a percentage of turnover, and is working with landlords to secure fair rental and escalation terms that reasonably reflect the economic environment in which we operate, and seek to sustain mutual growth.

Operations costs – increased by 8.9% to R3.5 billion, with a like-for-like increase of 6.1%. The largest drivers in this category are repairs and maintenance and depreciation. Repairs and maintenance is up 15% year-on-year, with targeted maintenance programmes across Pick n Pay and Boxer ensuring that the benefits of the Group's broad capital investment programme are sustained. Depreciation and amortisation costs are up 10.5%, reflecting the Group's capital expansion and improvement plans over a number of years.

Electricity costs have been extremely well managed year-on-year, down 1.8% on a like-for-like basis. Pick n Pay company-owned supermarkets use less energy in absolute terms today than we used ten years ago, notwithstanding the addition of over 100 supermarkets over that time. Pick n Pay installed an additional 4 megawatts of solar energy this year at selected sites, supplying between 20% and 40% of the energy requirements for each site. Pick n Pay and Boxer were well prepared for the recent rolling electricity blackouts in South Africa, referred to locally as "load-shedding", with all stores, distribution centres and offices benefitting from back-up power. Pick n Pay has had excellent results with its water-saving initiatives in the Western Cape, reducing overall water consumption by 20% in the region. These initiatives are being rolled out across the Group's South African estate.

Merchandising and administration costs – grew 7.0% to R2.4 billion, with like-for-like growth of 4.9%. Greater levels of advertising spend, related to the Group's impactful programme of promotions, was mitigated by the Group's ongoing discipline on professional fees and other administrative costs.

NET INTEREST

Net interest paid decreased 38.5% year-on-year, from R147.1 million to R90.5 million. The substantial interest savings of R56.6 million reflects the Group's lower average borrowings over the year. Increased profitability, improved working capital management and a measured capital investment programme have all contributed to a stronger net funding position. The Group's cost of borrowing is actively managed through an optimum mix of overnight and capital market funding.

REVIEW OF OPERATIONS (continued)

REST OF AFRICA SEGMENT

The Group's Rest of Africa division contributed R4.7 billion of segmental revenue this year, up 2.2% on last year, with negative like-for-like growth of 1.6%. The performance of the Rest of Africa division reflects difficult trading conditions in operating regions outside of South Africa, particularly the ongoing challenges in Zambia. Removing the impact of currency weakness, segmental revenue is up 5.3% in constant currency terms, and up 1.5% on a like-for-like basis.

The Group's share of its profits of its associate TM Supermarkets in Zimbabwe (TM) was down 6.3% year-on-year, and included a once-off foreign exchange loss of R42.1 million on TM's adoption of the newly recognised RTGS dollar as its functional currency, and a revaluation of relevant balance sheet items effective from October 2018. Profits earned by TM since that date have been translated at a rate of 3.3 RTGS dollars to 1.0 US dollar (4.3 ZAR to 1.0 RTGS dollars).

Rest of Africa segmental profit before tax is down 16.2% year-on-year, to R241.3 million.

CAPITAL ITEMS

The Group realised capital profits of R5.7 million during the period against capital losses of R21.0 million last year. Capital profits arose on the sale of land and the sale of assets on the conversion of company-owned stores to franchise stores. Capital items are added back in the calculation of headline earnings.

PROFIT BEFORE TAX AND BEFORE CAPITAL ITEMS

Profit before tax and before capital items was up 15.6% on last year to R2.1 billion, at a margin of 2.4% of turnover. Profit before tax and before capital items in the Group's core South Africa division was up 21.6% to R1.8 billion, improving from 2.0% to 2.2% of segmental turnover. Group profit before tax, after capital items, was up 17.3%.

TAX

The Group's tax rate of 25.0% reflects the impact of the timing of its tax deductions in respect of its employee share incentive schemes. The Group tax rate is sustainable over the medium-term, with marginal increases expected as the Group expands into the rest of Africa.

EARNINGS PER SHARE

Earnings per share (EPS) – increased by 19.6% to 327.20 cents per share over 52 weeks. EPS increased by 26.9% over the 53-week financial year, to 347.17 cents per share.

Headline earnings per share (HEPS) – increased by 18.0% to 326.71 cents per share over 52 weeks. HEPS increased by 25.2% over the 53-week financial year, to 346.69 cents per share.

Diluted headline earnings per share (DHEPS) – increased by 18.8% to 322.65 cents per share over 52 weeks. Diluted HEPS increased by 26.1% over the 53-week financial year, to 342.37 cents per share.

REVIEW OF FINANCIAL POSITION

The increase in the Group's net asset base reflects the success of its long-term strategy in delivering consistent and sustainable earnings growth in a tough market, and the positive impact of the Group's capital investment plan over the past six years. The Group has grown its store estate, centralised its distribution capacity and solidified its IT infrastructure in a measured and considered manner, delivering sustained returns on investment. The Group's net asset value for the 53 weeks ended 3 March 2019 increased 9.3% year-on-year impacted by a reduction in the foreign currency translation reserve of R290.2 million as a result of the recognition of our investment in TM Supermarkets in local RTGS dollar currency, and its subsequent translation at a rate of 3.3 RTGS dollars to 1.0 US dollar (4.3 ZAR to 1.0 RTGS dollars). The fair value of the Group's investment in TM exceeds its carrying value of R184.4 million and no impairment is required.

WORKING CAPITAL

As a result of the impact of the 53rd week, the Group's working capital position at 3 March 2019 is not comparable with that of 25 February 2018. The net working capital outflow reflects the impact of month-end supplier payments in line with the Group's normal trade terms, annual tax payments and a substantive increase in rental and other prepayments.

Tight working capital management, particularly in respect of inventory, contributed to stronger cash balances over the year, and the 38.5% reduction in net interest paid. On a comparable 52-week basis, excluding the impact of new stores and cost inflation, like-for-like inventory is down 10.5% on last year, notwithstanding the addition of a net 51 Company-owned stores over the year, and greater levels of centralisation across the Group, including the new Pick n Pay distribution centre in KwaZulu-Natal and the new Boxer distribution centre in Gauteng.

This clearly demonstrates the early benefits of in-store range optimisation and the Group's success in removing old and slow moving product lines from the business. Trade and other payables have been tightly managed alongside the Group's good work on inventory.

Trade and other receivables remain well controlled. The comparable 52-week increase year-on-year, excluding significant prepayments at year-end, reflects the addition of 59 net new franchise stores over the year and a growing wholesale debtors book in line with the growth in Pick n Pay's wholesale offer. The Group is satisfied with the overall quality of its debtors' book, with an impairment allowance of 2.7%.

REVIEW OF OPERATIONS (continued)

	3 March 2019 Rm	Unaudited 24 February 2019 Rm	25 February 2018 Rm
NET FUNDING			
Cash balances	1 503.2	1 090.3	1 129.1
Cost-effective overnight borrowings	(1 800.0)	(300.0)	(1 800.0)
Cash and cash equivalents	(296.8)	790.3	(670.9)
One-to-three month funding	(1 325.0)	(1 325.0)	(400.0)
Secured borrowings	-	-	(128.8)
Net funding position	(1 621.8)	(534.7)	(1 199.7)

The Group's net funding position at 3 March 2019 reflects the impact of the addition of week 53, with month-end supplier payments in line with the Group's normal trade terms, and annual tax payments. On a comparable 52-week calendar basis, the Group improved its net funding position by R665.0 million, driven by stronger cash generation, tighter working capital management and proceeds from the sale of land. The Group raised one-to-three month funding to take advantage of lower interest rates available in the capital markets, and optimally manage short-term liquidity. The Group no longer has long-term secured funding, and is efficiently and cost-effectively geared through short-term borrowings. The Group's liquidity position remains strong, with R4.3 billion of unutilised facilities at 3 March 2019.

CAPITAL INVESTMENT

The Group invested R1.5 billion in capital improvements over the year. The Group commits the majority of its spend on customer-facing initiatives, with R476 million invested in new stores, R620 million on refurbishments, and R377 million on supply chain capability and IT infrastructure. The Group will invest a further R2.0 billion next year, and is confident of its ability to meet its capital investment requirements through internally generated cash flow. The Group delivered return on capital employed of 39%, against a weighted average cost of capital of 12.4%.

SHARE CAPITAL

The Group issued five million shares in August 2018 under current shareholder approvals. These shares will fund the Group's employee share scheme obligations, which have increased as a result of share price growth over recent years. The shares are currently held as treasury shares.

SHAREHOLDER DISTRIBUTION

The Board declared a final dividend of 192.00 cents per share. This brings the total annual dividend to 231.10 cents per share, 22.4% up on last year, maintaining the Group's dividend cover of 1.5 times headline earnings per share over the 53-week financial year.

ACCOUNTING STANDARDS NOT YET ADOPTED – IFRS 16 LEASES (IFRS 16)

The Group will adopt IFRS 16 from 4 March 2019, the beginning of its 2020 financial year. IFRS 16 largely removes the classification of leases as either operating leases or finance leases as required by IAS 17: Leases, and requires lessees to account for all leases under a single on-balance sheet model.

The Group's extensive lease portfolio will mostly be capitalised on the statement of financial position – with underlying leases recognised as right-of-use assets, with a corresponding lease liability in respect of future rental obligations.

The application of IFRS 16 will have a material impact on the Group's statement of financial position, statement of comprehensive income and classifications in the statement of cash flows. Key balance sheet metrics such as gearing ratios and return on capital employed, and income statement metrics, such as earnings before interest, tax, depreciation and amortisation (EBITDA), will be impacted. IFRS 16 will have no impact on the cash generation of the Group.

To ensure the year-on-year comparability of financial information, the Group will adopt IFRS 16 on the full retrospective basis. Please refer to note 30 of the audited Group annual financial statements for further detailed information.

SUSTAINABLE GROWTH IN A TOUGH MARKET

Over the past six years, the Group has pursued a clear and consistent long-term plan focused on building a leaner and fitter business which delivers consistent turnover and earnings growth by providing customers with better value-for-money, improved quality, more innovation, and a genuine multi-channel platform with a strong online offer and attractive value-added financial services.

The Group's FY19 financial result – in which market-leading turnover growth was achieved without sacrificing earnings growth – underlines the effectiveness of the strategy and the team's ability to implement it.

Pick n Pay and Boxer serve customers across all social and income groups, and the Group is increasingly confident that it has the focus and flexibility to compete and pursue growth in the market. The Group has begun the 2020 financial year with great energy, and is committed to winning more customers in a tough market. We extend our sincere appreciation to our Pick n Pay and Boxer teams who have delivered an outstanding result, and who continue to build a modern and effective business.

Gareth Ackerman
Chairman

Richard Brasher
Chief Executive Officer

25 April 2019

DIVIDEND DECLARATION

PICK N PAY STORES LIMITED – TAX REFERENCE NUMBER: 9275/141/71/2

Number of shares in issue: 493 450 321

Notice is hereby given that the directors have declared a final gross dividend (number 102) of 192.00 cents per share out of income reserves.

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

The tax payable is 38.40 cents per share, leaving shareholders who are not exempt from dividends tax with a net dividend of 153.60 cents per share.

DIVIDEND DATES

The last day of trade in order to participate in the dividend (CUM dividend) will be Tuesday, 4 June 2019.

The shares will trade EX dividend from the commencement of business on Wednesday, 5 June 2019 and the record date will be Friday, 7 June 2019. The dividends will be paid on Monday, 10 June 2019.

Share certificates may not be dematerialised or rematerialised between Wednesday, 5 June 2019 and Friday, 7 June 2019, both dates inclusive.

On behalf of the Board of directors

Debra Muller

Company Secretary

25 April 2019





GROUP ANNUAL FINANCIAL STATEMENTS

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STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED

	Note	53 weeks to 3 March 2019 Rm	Restated* 52 weeks to 25 February 2018 Rm
Revenue	2	90 465.0	82 489.6
Turnover	2	88 293.2	80 523.5
Cost of merchandise sold		(71 539.3)	(65 294.6)
Gross profit		16 753.9	15 228.9
Other income		1 913.0	1 782.0
Franchise fee income	2	399.1	400.1
Operating lease income	2	527.8	446.1
Commissions and other income	2	986.1	935.8
Trading expenses		(16 491.3)	(15 191.0)
Employee costs	3	(7 238.9)	(6 688.7)
Occupancy		(3 326.8)	(3 086.6)
Operations		(3 515.5)	(3 178.8)
Merchandising and administration		(2 410.1)	(2 236.9)
Trading profit		2 175.6	1 819.9
Finance income	2	258.8	184.1
Finance costs	3	(349.3)	(331.2)
Share of associate's income	13	109.0	116.3
Profit before tax before capital items		2 194.1	1 789.1
Profit/(loss) on capital items		5.7	(21.0)
Profit/(loss) on sale of property, plant and equipment		11.0	(10.6)
Impairment loss on property, plant and equipment	10	-	(3.5)
Impairment loss on intangible assets	9	(5.3)	(6.9)
Profit before tax	3	2 199.8	1 768.1
Tax	6	(550.3)	(471.8)
Profit for the period		1 649.5	1 296.3
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss		(21.4)	(0.4)
Remeasurement in retirement scheme assets	21	(29.9)	(0.6)
Tax on items that will not be reclassified to profit or loss	12	8.5	0.2
Items that may be reclassified to profit or loss		(263.1)	(46.2)
Foreign currency translations		(281.6)	(49.8)
Movement in cash flow hedge		3.1	-
Tax on items that may be reclassified to profit or loss	12	15.4	3.6
Total comprehensive income for the period		1 365.0	1 249.7
		Cents	Cents
Earnings per share			
Basic	7	347.17	273.64
Diluted	7	342.85	268.33

* Prior period amounts restated for the adoption of new accounting standards, refer to note 29.

STATEMENT OF FINANCIAL POSITION

	Note	As at 3 March 2019 Rm	Restated* As at 25 February 2018 Rm
ASSETS			
Non-current assets			
Property, plant and equipment	10	6 189.3	6 054.4
Intangible assets	9	970.6	991.3
Operating lease assets	11	252.1	227.3
Deferred tax assets	12	303.4	194.8
Investment in associate	13	184.4	365.6
Loans	14	102.0	79.3
Retirement scheme assets	21	72.2	97.6
Investment in insurance cell captive	27	35.2	25.7
Trade and other receivables	16	82.3	105.4
		8 191.5	8 141.4
Current assets			
Inventory	15	5 697.2	5 944.1
Trade and other receivables	16	4 438.7	3 529.1
Cash and cash equivalents	17	1 503.2	1 129.1
Right of return asset	23	20.6	19.6
Derivative financial instruments	27	3.1	-
		11 662.8	10 621.9
Non-current asset held for sale	10	-	217.2
Total assets		19 854.3	18 980.5
EQUITY AND LIABILITIES			
Equity			
Share capital	18	6.0	6.0
Treasury shares	19	(993.7)	(863.4)
Retained earnings		5 647.4	4 951.7
Other reserves		(6.0)	-
Foreign currency translation reserve		(336.9)	(70.7)
Total equity		4 316.8	4 023.6
Non-current liabilities			
Operating lease liabilities	11	1 719.4	1 571.6
Deferred tax liabilities	12	14.2	13.7
Borrowings	20	-	79.5
		1 733.6	1 664.8
Current liabilities			
Trade and other payables	22	10 403.6	10 539.3
Deferred revenue	23	256.2	281.3
Overnight borrowings	17	1 800.0	1 800.0
Borrowings	20	1 325.0	449.3
Current tax liabilities	6	19.1	213.7
Derivative financial instruments	27	-	8.5
		13 803.9	13 292.1
Total equity and liabilities		19 854.3	18 980.5

* Prior period amounts restated for the adoption of new accounting standards, refer to note 29.

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 26 February 2017		6.0	(554.3)	4 428.5	-	(24.5)	3 855.7
Total comprehensive income for the period		-	-	1 295.9	-	(46.2)	1 249.7
Profit for the period		-	-	1 296.3	-	-	1 296.3
Foreign currency translations		-	-	-	-	(46.2)	(46.2)
Remeasurement in retirement scheme assets		-	-	(0.4)	-	-	(0.4)
Transactions with owners		-	(309.1)	(772.7)	-	-	(1 081.8)
Dividends paid		-	-	(866.5)	-	-	(866.5)
Share purchases	19	-	(423.4)	-	-	-	(423.4)
Net effect of settlement of employee share options	19	-	114.3	(112.4)	-	-	1.9
Share-based payments expense	3	-	-	206.2	-	-	206.2
At 25 February 2018 as published		6.0	(863.4)	4 951.7	-	(70.7)	4 023.6
Adoption of IFRS 9 Financial Instruments	29	-	-	(30.2)	-	-	(30.2)
Total comprehensive income for the period		-	-	1 628.1	3.1	(266.2)	1 365.0
Profit for the period		-	-	1 649.5	-	-	1 649.5
Foreign currency translations		-	-	-	-	(266.2)	(266.2)
Movement in cash flow hedge		-	-	-	3.1	-	3.1
Remeasurement in retirement scheme assets		-	-	(21.4)	-	-	(21.4)
Other reserve movements		-	-	-	(9.1)	-	(9.1)
Transactions with owners		-	(130.3)	(902.2)	-	-	(1 032.5)
Dividends paid		-	-	(938.0)	-	-	(938.0)
Share purchases	19	-	(311.2)	-	-	-	(311.2)
Net effect of settlement of employee share options	19	-	180.9	(180.6)	-	-	0.3
Share-based payments expense	3	-	-	216.4	-	-	216.4
At 3 March 2019		6.0	(993.7)	5 647.4	(6.0)	(336.9)	4 316.8

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED

	Note	53 weeks to 3 March 2019 Rm	52 weeks to 25 February 2018 Rm
Cash flows from operating activities			
Trading profit		2 175.6	1 819.9
Adjusted for non-cash items		1 518.4	1 419.7
Amortisation	9	175.4	174.1
Depreciation	10	1 026.1	913.5
Share-based payments expense	3	216.4	206.2
Movement in net operating lease liabilities		123.0	144.0
Movements in retirement scheme assets		(4.5)	(2.9)
Fair value gains		(18.0)	(15.2)
Cash generated before movements in working capital		3 694.0	3 239.6
Movements in working capital		(850.7)	(119.4)
Movements in trade and other payables and deferred revenue		(160.8)	322.3
Movements in inventory and right of return asset		238.6	(275.7)
Movements in trade and other receivables		(928.5)	(166.0)
Cash generated from trading activities		2 843.3	3 120.2
Interest received	2	258.8	184.1
Interest paid	3	(349.3)	(331.2)
Cash generated from operations		2 752.8	2 973.1
Dividends paid		(938.0)	(866.5)
Tax paid	6	(817.3)	(320.3)
Cash generated from operating activities		997.5	1 786.3
Cash flows from investing activities			
Investment in intangible assets	9	(151.5)	(101.4)
Investment in property, plant and equipment	10	(1 312.5)	(1 445.9)
Improvements to non-current asset held for sale		-	(4.4)
Proceeds on sale of non-current asset held for sale		217.2	-
Purchase of operations	28	(10.5)	(96.2)
Proceeds on disposal of intangible assets		0.3	0.6
Proceeds on disposal of property, plant and equipment		168.2	50.7
Loans (advanced)/repaid		(22.7)	5.8
Cash utilised in investing activities		(1 111.5)	(1 590.8)
Cash flows from financing activities			
Borrowings raised	20	4 700.0	445.3
Repayment of borrowings	20	(3 903.8)	(50.6)
Share purchases	19	(311.2)	(423.4)
Proceeds from employees on settlement of share options		0.3	1.9
Cash generated from/(utilised in) financing activities		485.3	(26.8)
Net increase in cash and cash equivalents		371.3	168.7
Net cash and cash equivalents at beginning of period		(670.9)	(838.1)
Foreign currency translations		2.8	(1.5)
Net cash and cash equivalents at end of period	17	(296.8)	(670.9)
Consisting of:			
Cash and cash equivalents		1 503.2	1 129.1
Overnight borrowings		(1 800.0)	(1 800.0)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 3 MARCH 2019

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Reporting entities

The Group annual financial statements for the 53 weeks ended 3 March 2019 (2018: 52 weeks ended 25 February 2018) comprise Pick n Pay Stores Limited and its subsidiaries and associate (the Group). Pick n Pay Stores Limited is referred to as the Company.

1.2 Statement of compliance

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

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 Group manages its retail operations on a 52-week trading calendar where the reporting period will always end on a Sunday. To ensure calendar realignment, a 53rd-week of trading is required approximately every six years. The Group added a 53rd week of trading to the financial period under review, and accordingly the results for the financial period under review are for a 53-week period, ended 3 March 2019, compared to 52 weeks in the previous financial period.

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 IFRIC (International Financial Reporting Interpretations Committee) interpretations and amendments that became effective during the period. The Group applied IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers for the first time in the annual reporting period commencing 26 February 2018. The impact of the adoption of these standards has been disclosed in notes 1.13, 1.14, 1.17 and 29.

The Group has not early adopted IFRS and IFRIC interpretations and amendments that are not yet effective for the Group. Refer to note 30.

1.4 Foreign currency transactions and translations

Functional and presentation currency

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

Transactions and balances

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

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

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

Foreign operations

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.5 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.

The 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.

The assumptions and estimates 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:

Income earned from suppliers

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

Rebates are accrued for as part of cost of merchandise sold when they are closely related to the purchase of inventory. Judgement is required by management to assess the nature of the rebates for recognition as a reduction in the purchase price of inventories and 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 thereby uses judgement in determining the amount of volume-related rebates recognised. As a result, the rebates actually received may vary 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 1.17.

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 that need to be 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 23.

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 23.

Measurements of share-based payments

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

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, taking into account factors such as the manner of recovery and relevant market information.

Measurements of the recoverable amounts of cash-generating units

The recoverable amount of cash-generating units (CGU) containing goodwill is determined by calculating the value in use. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model, future cash flows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for CGUs are disclosed in note 9.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued) 1.5 Use of estimates, judgements and assumptions (continued)

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 increases in healthcare rates. Refer to note 21.

Consolidation of the Group's share trust

The Group operates an employee share option scheme through the Employee Share Purchase Trust. According to management's judgement, 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 18 and 19.

Classification of leases

Judgements are applied when determining whether the risks and rewards of the underlying asset have been transferred in order to classify leases as either a finance lease or an operating lease, and are applied when assessing whether an arrangement should be treated as a lease. Refer to notes 11 and 20.

Income and deferred taxes

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

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted. Refer to notes 6 and 12.

Determination of the functional currency of foreign equity-accounted investee in Zimbabwe

Since the adoption of multiple currencies by the Zimbabwean Government in 2009, entities in Zimbabwe have been operating in a multi-currency regime. Historically, the US Dollar was designated as the functional and presentation currency for our associate in Zimbabwe.

Ongoing dollar shortages experienced in Zimbabwe have led to the increased use of electronic money through the Real Time Gross Settlement (RTGS) system. The increased reliance on RTGS as a settlement mechanism effectively resulted in RTGS becoming a de facto currency.

On 1 October 2018, the Reserve Bank of Zimbabwe (RBZ) directed all banks to ring-fence Nostro foreign currency accounts (FCAs) by separating them into two categories, namely nostro FCAs and RTGS FCAs. Authorities maintained that the US Dollar represented in the RTGS system was at a 1:1 exchange ratio, however there was growing consensus among market participants that this did not reflect the economic reality. In line with industry consensus on the matter, this event and industry discussion that followed led to a change in functional currency to RTGS for our associate in Zimbabwe, with effect from 1 October 2018.

On 20 February 2019, the RBZ announced that the RTGS would be recognised as an official currency and that an inter-bank foreign exchange market would be established to formalise trading in RTGS balances with other currencies. The official interbank exchange rate on 3 March 2019 was 2.5 RTGS Dollar to the US Dollar.

For the period under review, judgements have been applied in the estimation and application of an exchange rate of 3.3 RTGS Dollar to the US Dollar (RTGS rate). Management has assessed that the official interbank exchange rate of 2.5 RTGS Dollar to the US Dollar is not available for immediate settlement as shortages of foreign currency results in the official exchange rate not being liquid. The inputs considered in this estimate include the recent announcement to increase the fuel price for those settling in RTGS Dollar and the official inflation rate. In addition, the premium at which Old Mutual and PPC shares trade on the Zimbabwe stock exchange versus the JSE was taken into consideration as an approximate indicator of an appropriate exchange rate.

The application of the change in functional currency has been applied prospectively. For inclusion in the Group statement of comprehensive income and statement of cash flows, results from the Group's associate have been translated at the average US Dollar exchange rate for the period up to 30 September 2018, and at an estimated RTGS Dollar rate for the remainder of the financial period. For inclusion in the Group statement of financial position, results from our associate have been translated at the estimated closing RTGS Dollar rate as determined by management. Refer to note 13.

Impairment reviews of investment in associate

The recoverable amount of the Group's equity-accounted investee in Zimbabwe is determined as the higher of fair value less costs of disposal and value in use. Estimates of the future cash flows are used in the value in use calculation. Judgement is required in determining whether indicators of impairment exist, which includes consideration of currency repatriation out of Zimbabwe and takes into account the liquidity restrictions imposed by the Reserve Bank of Zimbabwe which could prevent the Group from realising its investment. Refer to note 13.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.5 Use of estimates, judgements and assumptions (continued)

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 15.

Provision for expected credit losses on loans and trade and other receivables

The Group has established a provision matrix that is based on historical credit loss experience and applicable credit insurance, adjusted for forward looking factors specific to trade and other receivables and the economic environment. At each reporting period, the historical observed default rates are updated and changes in forward looking estimates are analysed. The assessment of historical observed default rates and forward looking factors require significant judgement and estimates. The Group's historical credit loss experience and forecast economic conditions may therefore not be representative of the actual default in the future. Refer to notes 14, 16 and 27.

1.6 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 is not 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 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, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. 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 calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value.

1.7 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 item 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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued) 1.7 Property, plant and equipment (continued)

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 and 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 use. Leasehold improvements are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

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

Useful lives

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

Property

- Land Indefinite
- Buildings and major components 10 to 40 years

Furniture, fittings, equipment and vehicles

- Furniture and fittings 5 to 14 years
- Equipment 2 to 15 years
- Vehicles 4 to 5 years

- Leasehold improvements 3 to 8 years
- Aircraft and major components 7 to 20 years

Impairment

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

Derecognition

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected to flow to the Group from either their use or disposal.

Gains or losses on derecognition of an item of property, plant and equipment are determined by comparing the proceeds from disposal, if applicable, with the carrying amount of the item, and are recognised directly in the statement of comprehensive income.

Non-current asset held for sale

Non-current assets held for sale are stated at the lower of the carrying amount and fair value less cost to sell if their carrying amount will be recovered principally through a sale transaction rather than continued use, and this sale is considered highly probable.

1.8 Intangible assets

Intangible assets are held by the Group for the 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 the 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 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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.8 Intangible assets (continued)

Cost (continued)

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 and these are reviewed at each reporting date and adjusted, if appropriate. Any adjustments are accounted for prospectively as a change in estimate.

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

Useful lives

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

· Goodwill	Indefinite
· Systems development	7 years
· Licences	5 to 10 years

Impairment

Intangible assets are assessed for impairment as non-financial assets as per note 1.14.

Derecognition

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

1.9 Leases

Finance leases

A lease is classified, at the inception date, as a finance lease or an operating lease. Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred from the lessor to the Group as lessee.

Finance leases are capitalised at the commencement of the lease at the lower of the inception date fair value of the leased assets and the present value of the minimum lease payments, calculated using the interest rate implicit in the lease at the inception of the lease. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of comprehensive income.

Finance lease assets are carried at the initial recognised amount less accumulated depreciation and impairment losses. Any initial direct costs incurred are added to the amount recognised as an asset. Finance lease assets are depreciated over the shorter of the useful life of the asset and the lease term.

Finance lease liabilities are classified as non-current liabilities, with the exception of the portion with a maturity date of less than 12 months of the reporting date which is disclosed as current liabilities.

Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. The Group acts as both lessee and lessor. Rentals payable or receivable under operating leases are charged or 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 a liability for future lease expenses and an asset for future lease income on the statement of financial position. These operating lease liabilities and assets are classified as non-current liabilities or 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 liabilities or assets and are included under trade and other payables and trade and other receivables respectively.

This liability and asset reverses during the latter part of each lease term when the actual cash flow exceeds the straight-lined lease expense/income included in the statement of comprehensive income.

1.10 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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.10 Inventory (continued)

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.

1.11 Right of return assets and refund liabilities

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

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

For goods that are expected to be returned, the Group recognises a refund liability for the customer's right to a refund (and corresponding adjustment to turnover) which is measured at the amount the Group expects it will have to return to the customer. Refer to note 23.

1.12 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate and are classified as current or non-current liabilities depending on the underlying contractual maturities.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

1.13 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.

The Group adopted IFRS 9 Financial Instruments (IFRS 9) for the first time during the period under review using the modified retrospective approach. Prior period disclosures have not been restated. The accounting policies relating to financial instruments below have been disclosed based on the requirements of IFRS 9. Where applicable, prior period accounting policies under IAS 39 Financial Instruments Recognition and Measurement have been included.

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.

A financial instrument is 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 are 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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.13 Financial instruments (continued)

Initial recognition and measurement (continued)

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

Derecognition

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

Financial liabilities are derecognised if the Group's obligations specified in the contract expire, are discharged or 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 (previously categorised as loans and receivables)

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 on specified dates to cash flows 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 rate (EIR) 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 trade and other receivables, cash and cash equivalents and loans. Trade and other receivables mainly comprise franchisee receivables. Certain trade and other receivables are considered to be long term in nature and are recorded as non-current in the statement of financial position. Loans mainly comprise housing and other employee loans with maturity dates of more than 12 months after the reporting date.

Trade and other receivables and loans

Trade and other receivables and loans are measured at amortised cost, using the EIR method, less impairment losses. The EIR 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 EIR method, less accumulated impairments. The EIR 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.

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. Overnight borrowings are repayable on demand, managed on a daily basis and are considered an integral part of the Group's cash management.

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.

The Group's investment in the insurance cell captive 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 borrowings and trade and other payables.

Borrowings

Borrowings are measured at amortised cost using the EIR method. The EIR 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 EIR method. The EIR 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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.13 Financial instruments (continued)

Derivatives designated as hedging instruments

The Group holds derivative financial instruments, being forward exchange contracts (FEC's) that are defined 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 FEC's and the underlying inventory is classified as a cash flow hedge, as the FEC's are used to hedge the variability in cash flows attributable to the foreign currency risks of importing inventory. The Group qualified for the application of hedge accounting in terms of its first time adoption of IFRS 9.

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 FEC's 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 profit or loss 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 profit or loss for the period.

FEC's 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.

During the prior period, FEC's were classified as held for trading and measured at fair value with changes in fair value recognised in the statement of comprehensive income. The fair value was determined using market rates at the reporting date.

1.14 Impairment of assets

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

Financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. 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 at an amount equal to lifetime ECLs. To measure lifetime ECLs, trade 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 macroeconomic factors affecting the ability of the debtors to settle their receivables.

The Group has identified CPI inflation and internal selling price inflation to be the most relevant factors and accordingly adjusts the historical loss rates based on expected changes in these factors.

The Group applies a general approach for measuring impairment on other receivables and loans, at an amount equal to expected credit losses, taking into account past experience and future macro-economic factors.

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

Non-financial assets

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

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

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.14 Impairment of assets (continued)

Non-financial assets (continued)

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

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

1.15 Share capital

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

1.16 Treasury shares

Own equity instruments held by Group entities are classified as treasury shares in the consolidated financial statements. These shares are treated as a deduction from the weighted average number of shares in issue, and the cost price of the shares is deducted from equity in the statement of changes in equity.

When treasury shares are sold or reissued, the amount received is recognised as an increase 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.

1.17 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. Revenue is measured at the fair value of consideration received or receivable.

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 fair value of 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 sale of goods is due immediately when the customer purchases goods and takes delivery.

Turnover recognised through deferred revenue transactions (Smart Shopper loyalty programme and prepaid gift cards) is not recognised at the time of the initial transaction, but is deferred and recognised as a contract liability (deferred revenue) when the consideration is received, and recognised as turnover over time 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 need to be accounted for as a separate performance obligation.

The fair value of the consideration received under the Smart Shopper 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 management's judgement of expected redemption rates, is reviewed on a regular basis and any adjustments to the deferred revenue liability is recognised in turnover. Refer to note 23.

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 23.

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.

Operating lease income

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.17 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.

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 include 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 EIR 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.

1.18 Borrowing costs

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

1.19 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.

1.20 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. The accruals have been calculated at undiscounted amounts based on current wage and salary rates.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.20 Employee benefits (continued)

Share-based payment transactions

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

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

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

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

Retirement benefits

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

Defined-contribution plans

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

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

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

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

Defined-benefit plans

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

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

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

Remeasurements of the net defined-liability 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.

1.21 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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.22 Dividends distributed to shareholders

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

1.23 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, Chief Information Officer and Chief Financial Officer.

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

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

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

1.24 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 market value of property, divided by the number of shares held outside the Group.

1.25 Earnings per share

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

Dilutive earnings per share is calculated by adjusting the profit attributable to ordinary 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.

1.26 Pro forma information

Certain financial information presented in these Group annual financial statements constitutes pro forma financial information. The pro forma financial information is the responsibility of the Board of directors of the Company and is presented for illustrative purposes only. Because of its nature, the pro forma financial information may not fairly present the Group's financial position, changes in equity, result of operations or cash flows. The Group's external auditors has issued a reporting accountants report on the pro forma financial information, which is available for inspection at the Group's registered office. Refer to the appendix on pages 100 to 103 for further information.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

	53 weeks to 3 March 2019 Rm	Restated* 52 weeks to 25 February 2018 Rm
2 REVENUE		
Revenue from contracts with customers	89 678.4	81 859.4
Turnover	88 293.2	80 523.5
Franchise fee income	399.1	400.1
Commissions and other income	986.1	935.8
Operating lease income (note 11)	527.8	446.1
Finance income	258.8	184.1
Bank balances and investments	190.7	131.2
Trade and other receivables	65.5	50.4
Staff loans and other	2.6	2.5
Revenue	90 465.0	82 489.6

Revenue recognised during the period from amounts included in deferred revenue at the beginning of the period, amounted to R177.8 million (2018: R164.9 million). Refer to note 23.

Revenue from contracts with customers has been further disaggregated into geographical regions. Refer to note 25.

* Prior period amounts restated for the adoption of new accounting standards, refer to note 29.

	53 weeks to 3 March 2019 Rm	52 weeks to 25 February 2018 Rm
3 PROFIT BEFORE TAX		
Profit before tax is stated after taking into account the following expenses:		
3.1 Employee costs		
Salaries and wages	6 336.3	5 944.6
Staff benefits and training	357.4	319.3
Share-based payments expense	216.4	206.2
Leave pay	59.0	55.4
Net expense recognised on defined-benefit plan (note 21.1)	3.7	6.0
Contributions to defined-contribution plans (note 21.2)	266.1	157.2
	7 238.9	6 688.7
3.2 Auditor's remuneration		
Assurance services – current year	8.4	8.3
Assurance services – prior period under provision	0.5	–
Other services	0.4	0.8
	9.3	9.1
3.3 Finance costs		
Short term and overnight borrowings	341.9	317.3
Finance leases	5.1	11.9
Secured borrowings	2.3	2.0
	349.3	331.2
3.4 Foreign exchange (gain)/loss	(5.3)	4.6

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

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	Bonus and gratuity** R'000	Total remuneration R'000	Long-term share awards expense# R'000
2019									
Non-executive directors	7 122.5	1 697.0	-	-	-	8 819.5	-	8 819.5	-
Gareth Ackerman	4 438.0	-	-	-	-	4 438.0	-	4 438.0	-
David Friedland	413.0	223.0	-	-	-	636.0	-	636.0	-
Hugh Herman	413.0	497.0	-	-	-	910.0	-	910.0	-
Alex Mathole	413.0	90.0	-	-	-	503.0	-	503.0	-
Audrey Mothupi	413.0	268.0	-	-	-	681.0	-	681.0	-
Lorato Phalatse*	206.5	149.0	-	-	-	355.5	-	355.5	-
David Robins	413.0	-	-	-	-	413.0	-	413.0	-
Jeff van Rooyen	413.0	470.0	-	-	-	883.0	-	883.0	-
Executive directors	-	-	24 174.8	1 878.2	1 354.0	27 407.0	41 736.0	69 143.0	46 071.1
Richard Brasher	-	-	10 140.0	916.4	293.7	11 350.1	20 640.0	31 990.1	32 477.3
Bakar Jakoet	-	-	5 088.6	33.8	152.6	5 275.0	15 216.0**	20 491.0	4 628.4
Richard van Rensburg	-	-	4 720.5	408.8	323.6	5 452.9	4 800.0	10 252.9	4 628.4
Suzanne Ackerman-Berman	-	-	2 832.0	262.2	286.6	3 380.8	720.0	4 100.8	2 603.2
Jonathan Ackerman	-	-	1 393.7	257.0	297.5	1 948.2	360.0	2 308.2	1 733.8
Total remuneration	7 122.5	1 697.0	24 174.8	1 878.2	1 354.0	36 226.5	41 736.0	77 962.5	46 071.1

	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	Discretionary award*** R'000	Total remuneration R'000	Long-term share awards expense# R'000
2018									
Non-executive directors	6 917.0	1 583.5	-	-	-	8 500.5	-	8 500.5	-
Gareth Ackerman	4 187.0	-	-	-	-	4 187.0	-	4 187.0	-
David Friedland	390.0	210.0	-	-	-	600.0	-	600.0	-
Hugh Herman	390.0	469.0	-	-	-	859.0	-	859.0	-
Alex Mathole	390.0	42.5	-	-	-	432.5	-	432.5	-
Audrey Mothupi	390.0	253.0	-	-	-	643.0	-	643.0	-
Lorato Phalatse	390.0	165.0	-	-	-	555.0	-	555.0	-
David Robins	390.0	-	-	-	-	390.0	-	390.0	-
Jeff van Rooyen	390.0	444.0	-	-	-	834.0	-	834.0	-
Executive directors	7.5	-	22 933.4	1 840.9	1 786.0	26 567.8	1 911.5	28 479.3	41 770.5
Richard Brasher	1.5	-	9 474.0	857.1	288.5	10 621.1	800.0	11 421.1	23 618.5
Bakar Jakoet	1.5	-	4 605.0	34.6	389.0	5 030.1	400.0	5 430.1	5 882.4
Richard van Rensburg	1.5	-	4 423.5	383.1	547.6	5 355.7	375.5	5 731.2	5 882.4
Suzanne Ackerman-Berman	1.5	-	2 586.1	245.9	278.8	3 112.3	224.0	3 336.3	3 446.6
Jonathan Ackerman	1.5	-	1 844.8	320.2	282.1	2 448.6	112.0	2 560.6	2 940.6
Total remuneration	6 924.5	1 583.5	22 933.4	1 840.9	1 786.0	35 068.3	1 911.5	36 979.8	41 770.5

* Lorato Phalatse resigned as a director of Pick n Pay Stores Limited on 31 August 2018.

** A gratuity of R10.0 million was granted to Bakar Jakoet on his retirement, in appreciation of his outstanding contribution to the Pick n Pay Group over the 34 years of his career.

*** During the prior period, the Group did not meet the required performance measures set by the Remuneration Committee for the payment of a short-term annual bonus. However, the Remuneration Committee acknowledged that certain important strategic steps were taken during the comparative period to drive sustainable performance, but which had a negative impact on short-term profitability. The Remuneration Committee recognised the strategic action taken and progress delivered through the payment of an ex gratia award to executive directors and senior management.

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

4 DIRECTORS' REMUNERATION AND INTEREST IN SHARES (continued)

4.2 Directors' interest in ordinary shares

2019	How held*	Balance held at	Additions/		Balance held at	Beneficial/ non-beneficial interest
		25 February 2018	grants	Disposals	3 March 2019 [®]	
Gareth Ackerman	direct	309	-	-	309	Beneficial
	indirect	1 653 200	34 000	-	1 687 200	Beneficial
	indirect	19 762	-	-	19 762	Non-beneficial
Ackerman Pick n Pay Foundation**	indirect	101 900	-	-	101 900	Non-beneficial
Ackerman Investment Holdings Proprietary Limited***	indirect	124 677 238	-	-	124 677 238	Non-beneficial
Mistral Trust****	indirect	2 720 008	15 000	-	2 735 008	Non-beneficial
Richard Brasher	direct	604 770	220 000	(361 192)	463 578	Beneficial
	direct – FSP	850 000	1 000 000	(220 000)	1 630 000	Beneficial
Bakar Jakoet	direct	758 764	-	-	758 764	Beneficial
	direct – FSP	220 000	30 000	(35 000)	215 000	Beneficial
	indirect	13 059	-	-	13 059	Non-beneficial
Richard van Rensburg	direct	291 439	35 000	(35 000)	291 439	Beneficial
	direct – FSP	220 000	30 000	(35 000)	215 000	Beneficial
Suzanne Ackerman-Berman	direct	120 528	-	-	120 528	Beneficial
	direct – FSP	125 000	15 000	(20 000)	120 000	Beneficial
	indirect	554 356	53 313	(9 060)	598 609	Beneficial
Jonathan Ackerman	direct	122 888	-	-	122 888	Beneficial
	direct – FSP	85 000	8 000	(20 000)	73 000	Beneficial
	indirect	655 190	80 556	(9 060)	726 686	Beneficial
	indirect	11 039	-	-	11 039	Non-beneficial
David Friedland	direct	31 688	5 000	-	36 688	Beneficial
David Robins	direct	975	-	-	975	Beneficial
	indirect	90 436	-	-	90 436	Non-beneficial
Hugh Herman	direct	30 000	-	-	30 000	Beneficial
	indirect	256	-	-	256	Beneficial
Alex Mathole	direct	86	-	-	86	Beneficial

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

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

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

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

® There have been no changes in the directors' interest in shares since 3 March 2019 up to the date of approval of the 2019 audited Group annual financial statements.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

4 DIRECTORS' REMUNERATION AND INTEREST IN SHARES (continued)

4.2 Directors' interest in ordinary shares (continued)

2018	How held*	Balance held at 26 February 2017	Additions/ grants	Disposals	Balance held at 25 February 2018	Beneficial/ non-beneficial interest
Gareth Ackerman	direct	309	-	-	309	Beneficial
	indirect	1 653 200	-	-	1 653 200	Beneficial
	indirect	19 762	-	-	19 762	Non-beneficial
Ackerman Pick n Pay Foundation***	indirect	101 900	-	-	101 900	Non-beneficial
Ackerman Investment Holdings Proprietary Limited**	indirect	124 677 238	-	-	124 677 238	Non-beneficial
Mistral Trust****	indirect	2 700 967	19 041	-	2 720 008	Non-beneficial
Richard Brasher	direct	-	800 000	(195 230)	604 770	Beneficial
	direct – FSP	1 250 000	400 000	(800 000)	850 000	Beneficial
Bakar Jakoet	direct	621 880	250 000	(113 116)	758 764	Beneficial
	direct – FSP	330 000	140 000	(250 000)	220 000	Beneficial
	indirect	13 059	-	-	13 059	Non-beneficial
Richard van Rensburg	direct	41 439	250 000	-	291 439	Beneficial
	direct – FSP	330 000	140 000	(250 000)	220 000	Beneficial
Suzanne Ackerman-Berman	direct	120 528	150 000	(150 000)	120 528	Beneficial
	direct – FSP	195 000	80 000	(150 000)	125 000	Beneficial
	indirect	472 227	82 129	-	554 356	Beneficial
Jonathan Ackerman	direct	122 888	150 000	(150 000)	122 888	Beneficial
	direct – FSP	195 000	40 000	(150 000)	85 000	Beneficial
	indirect	573 061	82 129	-	655 190	Beneficial
	indirect	11 039	-	-	11 039	Non-beneficial
David Friedland	direct	31 688	-	-	31 688	Beneficial
David Robins	direct	975	-	-	975	Beneficial
	indirect	93 276	-	(2 840)#	90 436	Non-beneficial
Hugh Herman	direct	30 000	-	-	30 000	Beneficial
	indirect	256	-	-	256	Beneficial
Alex Mathole	direct	86	-	-	86	Beneficial

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

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

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

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

This disposal of shares relates to a minor child of the director becoming a major, and consequently, these shares are no longer indirectly held by the director.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

4 DIRECTORS' REMUNERATION AND INTEREST IN SHARES (continued)

4.3 Directors' interest in B shares

2019	How held*	Balance held at	Balance held at	Beneficial/ non-beneficial interest
		25 February 2018	3 March 2019	
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**	indirect	246 936 847	246 936 847	Non-beneficial
Mistral trust ***	indirect	5 349 559	5 349 559	Non-beneficial
Suzanne Ackerman-Berman	direct	233 767	233 767	Beneficial
	indirect	926 084	926 084	Beneficial
Jonathan Ackerman	direct	243 307	243 307	Beneficial
	indirect	1 135 009	1 135 009	Beneficial
	indirect	21 862	21 862	Non-beneficial
David Robins	direct	1 931	1 931	Beneficial
	indirect	179 118	179 118	Non-beneficial

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

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

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

2018	How held*	Balance held at		Balance held at	Beneficial/ non-beneficial interest
		26 February 2017	Disposal		
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**	indirect	246 936 847	-	246 936 847	Non-beneficial
Mistral trust***	indirect	5 349 559	-	5 349 559	Non-beneficial
Suzanne Ackerman-Berman	direct	233 767	-	233 767	Beneficial
	indirect	926 084	-	926 084	Beneficial
Jonathan Ackerman	direct	243 307	-	243 307	Beneficial
	indirect	1 135 009	-	1 135 009	Beneficial
	indirect	21 862	-	21 862	Non-beneficial
David Robins	direct	1 931	-	1 931	Beneficial
	indirect	184 742	(5 624)#	179 118	Non-beneficial

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

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

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

This disposal of shares relates to a minor child of the director becoming a major, and consequently, these shares are no longer indirectly held by the director.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 3 MARCH 2019

4 DIRECTORS' REMUNERATION AND INTEREST IN SHARES (continued)

4.4 Share awards granted to directors

2019	Calendar year granted	Award grant price R	Balance held at 25 February 2018	Granted/ (exercised)	Exercise price R	Balance held at 3 March 2019	Available for take-up
Richard Brasher							
Share options	2012	42.24	1 000 000	(1 000 000)	74.05	-	n/a
	2012	42.24	1 000 000*	(1 000 000)	74.05	-	n/a
Forfeitable shares	2015	Nil	220 000	(220 000)	78.38	-	n/a
	2016	Nil	230 000	-	-	230 000	Jun 2019
	2017	Nil	400 000	-	-	400 000	Jun 2020
	2018	Nil	-	1 000 000	-	1 000 000	Jun 2021
			2 850 000	(1 220 000)		1 630 000	
Richard van Rensburg							
Share options	2016	31.14	487 464	-	-	487 464	Now
Forfeitable shares	2015	Nil	35 000	(35 000)	78.38	-	n/a
	2016	Nil	45 000	-	-	45 000	Jun 2019
	2017	Nil	140 000	-	-	140 000	Jun 2020
	2018	Nil	-	30 000	-	30 000	Jun 2021
			707 464	(5 000)		702 464	
Bakar Jakoet							
Share options	2003	12.00	250 000	(250 000)	80.67	-	n/a
	2005	23.59	195	(195)	80.67	-	n/a
	2007	31.15	5 779	(5 779)	80.67	-	n/a
	2008	23.24	293	(293)	80.67	-	n/a
	2008	26.55	7 907	(7 907)	80.67	-	n/a
	2008	26.14	150 000	-	-	150 000	Now
	2009	28.20	12 413	(12 413)	80.67	-	n/a
	2010	32.82	195	(195)	80.67	-	n/a
	2010	42.28	1 799	(1 799)	80.67	-	n/a
	2011	41.70	500 000	-	-	500 000	Now
	2014	46.44	195	(195)	80.67	-	n/a
Forfeitable shares	2015	Nil	35 000	(35 000)	78.38	-	n/a
	2016	Nil	45 000	-	-	45 000	Jun 2019
	2017	Nil	140 000	-	-	140 000	Jun 2020
	2018	Nil	-	30 000	-	30 000	Jun 2021
			1 148 776	(283 776)		865 000	
Suzanne Ackerman-Berman							
Share options	2008	26.14	100 000	(100 000)	66.27	-	n/a
	2008	26.14	-	-	-	-	n/a
Forfeitable shares	2016	58.10	196	(196)	66.27	-	n/a
	2015	Nil	20 000	(20 000)	78	-	n/a
	2016	Nil	25 000	-	-	25 000	Jun 2019
	2017	Nil	80 000	-	-	80 000	Jun 2020
	2018	Nil	-	15 000	-	15 000	Jun 2021
			225 196	(105 196)		120 000	
Jonathan Ackerman							
Share options	2008	26.14	100 000	(100 000)	66.27	-	n/a
Forfeitable shares	2015	Nil	20 000	(20 000)	78.38	-	n/a
	2016	Nil	25 000	-	-	25 000	Jun 2019
	2017	Nil	40 000	-	-	40 000	Jun 2020
	2018	Nil	-	8 000	-	8 000	Jun 2021
			185 000	(112 000)		73 000	

* The exercising of these binary options were subject to specific performance criteria relating to the growth of the Company's share price over the term of the option. These performance criteria were met during the period under review.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

4 DIRECTORS' REMUNERATION AND INTEREST IN SHARES (continued)

4.4 Share awards granted to directors (continued)

	Calendar year granted	Award grant price R	Balance held at 26 February 2017	Granted/ (exercised) during the period	Exercise price R	Balance held at 25 February 2018	Available for take-up
2018							
Richard Brasher							
Share options	2012	42.24	1 000 000	-	-	1 000 000	Now
	2012	42.24	1 000 000*	-	-	1 000 000*	Now
Forfeitable shares	2014	Nil	800 000	(800 000)	60.30	-	n/a
	2015	Nil	220 000	-	-	220 000	Aug 2018
	2016	Nil	230 000	-	-	230 000	Aug 2019
	2017	Nil	-	400 000	-	400 000	Aug 2020
			3 250 000	(400 000)		2 850 000	
Bakar Jakoet							
Share options	2003	12.00	250 000	-	-	250 000	Now
	2005	23.59	195	-	-	195	Now
	2007	31.15	5 779	-	-	5 779	Now
	2008	23.24	293	-	-	293	Now
	2008	26.55	7 907	-	-	7 907	Now
	2008	26.14	150 000	-	-	150 000	Now
	2009	28.20	12 413	-	-	12 413	Now
	2010	32.82	195	-	-	195	Now
	2010	42.28	1 799	-	-	1 799	Now
	2011	41.70	500 000	-	-	500 000	Now
	2014	46.44	195	-	-	195	Now
Forfeitable shares	2014	Nil	250 000	(250 000)	60.30	-	n/a
	2015	Nil	35 000	-	-	35 000	Aug 2018
	2016	Nil	45 000	-	-	45 000	Aug 2019
	2017	Nil	-	140 000	-	140 000	Aug 2020
			1 258 776	(110 000)		1 148 776	
Richard van Rensburg							
Share options	2016	31.14	487 464	-	-	487 464	Now
Forfeitable shares	2014	Nil	250 000	(250 000)	60.30	-	n/a
	2015	Nil	35 000	-	-	35 000	Aug 2018
	2016	Nil	45 000	-	-	45 000	Aug 2019
	2017	Nil	-	140 000	-	140 000	Aug 2020
			817 464	(110 000)		707 464	
Suzanne Ackerman-Berman							
Share options	2008	26.14	75 000	-	-	75 000	Now
	2008	26.14	25 000	-	-	25 000	Aug 2018
	2016	58.10	196	-	-	196	Now
Forfeitable shares	2014	Nil	150 000	(150 000)	60.30	-	n/a
	2015	Nil	20 000	-	-	20 000	Aug 2018
	2016	Nil	25 000	-	-	25 000	Aug 2019
	2017	Nil	-	80 000	-	80 000	Aug 2020
			295 196	(70 000)		225 196	
Jonathan Ackerman							
Share options	2008	26.14	75 000	-	-	75 000	Now
	2008	26.14	25 000	-	-	25 000	Aug 2018
Forfeitable shares	2014	Nil	150 000	(150 000)	60.30	-	n/a
	2015	Nil	20 000	-	-	20 000	Aug 2018
	2016	Nil	25 000	-	-	25 000	Aug 2019
	2017	Nil	-	40 000	-	40 000	Aug 2020
			295 000	(110 000)		185 000	

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

5 SHARE-BASED PAYMENTS

The Group operates an employee share incentive scheme, the 1997 Employee Share Option Scheme (the Scheme), for the benefit of its executive directors, senior management and employees. The Scheme incentivises its executive directors, senior management and employees by providing them with an opportunity to acquire shares in Pick n Pay Stores Limited (PIK), thereby aligning interests with shareholders and encouraging employee retention.

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

All share options are granted at the volume-weighted average market price (VWAP) for the 20 trading days preceding the option grant date. No discount is applied.

The directors have received shareholder approval to utilise up to 63 892 844 (2018: 63 892 844) shares of the issued share capital of Pick n Pay Stores Limited for settling obligations under the employee share schemes.

The following share options have been issued to employees:

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

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

There are no performance conditions attached to these 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.

Retention share options – these share options specifically encourage the retention of key individuals and have longer vesting periods of up to 10 years.

Performance top-up options – employees may be eligible for a performance “top-up”, as recognition of their valuable contribution to the Group. These options vest in the same manner as status share options.

Binary share options (share options with performance conditions) – these are granted to key executives. These three to six year options may only be taken up when prescribed performance conditions linked to the growth of the PIK share price are met. If the conditions are not met, these options are automatically forfeited. Should further performance hurdles be achieved, discounted grant prices may apply.

Forfeitable share plan – the forfeitable share plan (FSP) recognises those key senior management who have a significant role to play in delivering the Group’s strategy and ensuring the growth and sustainability of the business in the future.

The award of shares under the FSP recognises the valuable contribution of existing senior management or the potential of prospective employees, and through the attachment of performance conditions, incentivises management to deliver earnings growth in the future.

Shares awarded under the FSP will always have performance conditions attached as well as a three-year service period. Performance conditions include a three-year compound annual growth rate of the Group’s headline earnings per share (HEPS). If the performance conditions are not met within the specified time period (the vesting period), the employee will forfeit the shares.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 3 MARCH 2019

		53 weeks to 3 March 2019 Number of options 000's	52 weeks to 25 February 2018 Number of options 000's
5	SHARE-BASED PAYMENTS (continued)		
5.1	Outstanding share options		
	Reconciliation of the total number of share options granted:		
	At beginning of period	29 597.7	32 126.4
	New options granted	6 473.3	6 182.5
	Options taken up	(6 824.2)	(5 922.4)
	Options forfeited	(1 474.2)	(2 788.8)
	At end of period	27 772.6	29 597.7
	The weighted average grant price of outstanding share options are as follows:		
	At beginning of period	R46.14	R39.75
	New options granted	R69.66	R65.08
	Options taken up	R36.61	R34.54
	Options forfeited	R56.37	R39.10
	At end of period	R53.43	R46.14
	Outstanding share options may be taken up during the following financial periods:		
	Year	Average grant price	
	2020	R37.67	14 334.5
	2021	R57.33	4 138.7
	2022	R58.61	2 334.8
	2023	R68.46	2 326.4
	2024 and thereafter	R67.74	6 463.3
		27 772.6	29 597.7
	Number of outstanding options as a percentage of issued shares	5.6%	6.1%

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 3 MARCH 2019

	53 weeks to 3 March 2019 Number of forfeitable shares 000's	52 weeks to 25 February 2018 Number of forfeitable shares 000's
5 SHARE-BASED PAYMENTS (continued)		
5.2 Outstanding forfeitable shares		
Movement in the total number of forfeitable shares granted is as follows:		
At beginning of period	6 853.5	9 336.5
Share awards granted	3 180.0	4 142.5
Shares delivered to participants (note 19)	(1 081.0)	(6 384.5)
Share awards forfeited	(458.5)	(241.0)
At end of period	8 494.0	6 853.5
Rights to FSP shares are issued with a grant price of zero. The fair value of these rights is the market price of the share on grant date.		
Outstanding forfeitable shares vest during the following financial periods:		
Year		
2019	-	1 081.0
2020*	1 531.5	1 665.0
2021	3 797.5	4 107.5
2022	3 165.0	-
	8 494.0	6 853.5
Number of forfeitable shares as a percentage of issued shares	1.7%	1.4%

* Performance hurdles relating to these forfeitable shares were met as at 3 March 2019. These will become unconditional when the service condition is met during June 2019.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

	53 weeks to 3 March 2019 Number of share awards 000's	52 weeks to 25 February 2018 Number of share awards 000's
5 SHARE-BASED PAYMENTS (continued)		
5.3 Total outstanding share awards		
Share options (note 5.1)	27 772.6	29 597.7
Forfeitable shares (note 5.2)	8 494.0	6 853.5
Total	36 266.6	36 451.2
Number of share awards as a percentage of issued shares	7.3%	7.5%
	000's	000's
Total shares authorised to be utilised, from issued share capital, for settling obligations under the employee share schemes	63 892.8	63 892.8
Shares remaining for utilisation under current authorisations	27 626.2	27 441.6
Refer to note 4 for details of share options held by directors and forfeitable share plan shares issued to directors.		
5.4 Shares held within the Group, reflected as treasury shares (note 19)		
As hedge against shares options granted	9 576.5	6 654.9
As hedge against shares issued under forfeitable share plan	8 494.0	6 853.5
	18 070.5	13 508.4

5.5 Fair value – equity-settled share options

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

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

Financial period of grant	Number of options granted 000's	Expected life of options years	Share price at grant date	Grant price	Expected volatility*	Expected dividend yield**	Risk-free rate***
2018	6 182.5	0–7	R56.80 – R79.35	R57.21 – R79.35	21.90 – 35.52	1.80 – 4.00	6.79 – 11.77
2019	6 473.3	0–7	R64.44 – R80.70	R53.07 – R80.70	21.94 – 27.38	1.83 – 4.77	6.44 – 8.75

* The expected volatility is determined based on the rolling historical volatility over the expected option term that prevailed at the grant date.

** The expected dividend yield is the best estimate of the forward looking dividend yield over the expected life of the option. This has been estimated by reference to the historical average dividend yield during the two year period preceding the grant, equal to the vesting period of the grant. For the forfeitable share plan the expected dividend yield is zero as all participants have an unforfeitable right to future dividends.

*** The risk-free rate is the yield on the zero-coupon Swap Curve, as compiled by the JSE, with a term corresponding with the estimated lifetime of the option.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 3 MARCH 2019

	53 weeks to 3 March 2019 Rm	52 weeks to 25 February 2018 Rm
6 INCOME TAX		
6.1 Tax recognised in profit or loss		
Normal tax	622.7	445.8
– current period	650.6	464.4
– prior period over provision	(27.9)	(18.6)
Deferred tax (note 12)	(72.4)	26.0
	550.3	471.8
6.2 Tax paid		
Owing – beginning of period	213.7	87.8
Recognised in profit or loss	622.7	445.8
Purchase of operations (note 28)	–	0.5
Foreign currency translations	–	(0.1)
Owing – end of period	(19.1)	(213.7)
Total tax paid	817.3	320.3
	%	%
6.3 Reconciliation of effective tax rate		
South African statutory tax rate	28.0	28.0
Exempt income – tax free allowances received and other tax free income	(1.6)	(1.0)
Impact of foreign tax rates	(0.5)	(0.3)
Non-deductible impairment loss on intangible assets	0.1	0.1
Non-deductible leasehold improvement and property depreciation	2.4	2.5
Impact of share options expense	(2.9)	(1.5)
Other non-deductible expenditure	0.5	0.2
Net prior period over provisions	(1.0)	(1.3)
Effective tax rate	25.0	26.7

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

	53 weeks to 3 March 2019 Cents per share	52 weeks to 25 February 2018 Cents per share
7 EARNINGS PER SHARE		
Basic	347.17	273.64
Diluted	342.85	268.33
Headline	346.69	276.98
Diluted headline	342.37	271.61
	Rm	Rm
7.1 Reconciliation between basic and headline earnings		
Profit for the period – basic earnings for the period	1 649.5	1 296.3
Adjustments:	(2.3)	15.8
(Profit)/loss on sale of property, plant and equipment	(11.0)	10.6
Tax effect of profit/(loss) on sale of property, plant and equipment	1.6	(3.0)
Impairment loss on property, plant and equipment	–	3.5
Tax effect of impairment loss on property, plant and equipment	–	(1.0)
Impairment loss on intangible assets	5.3	6.9
Impairment loss on property, plant and equipment of associate	2.8	1.2
Tax effect of impairment loss on property, plant and equipment of associate	(0.9)	(0.4)
Profit on sale of property, plant and equipment of associate	(0.1)	(3.1)
Tax effect of profit on sale of property, plant and equipment of associate	–	1.1
Headline earnings for the period	1 647.2	1 312.1
	53 weeks to 3 March 2019 000's	52 weeks to 25 February 2018 000's
7.2 Number of ordinary shares		
Number of ordinary shares in issue (note 18)	493 450.3	488 450.3
Weighted average number of ordinary shares (excluding treasury shares)	475 126.9	473 717.3
Diluted weighted average number of ordinary shares in issue	481 116.5	483 091.1
Reconciliation of weighted average number of ordinary shares to diluted weighted average number of ordinary shares:		
Weighted average number of ordinary shares (excluding treasury shares)	475 126.9	473 717.3
Dilutive effect of share awards	5 989.6	9 373.8
Diluted weighted average number of ordinary shares in issue	481 116.5	483 091.1

The outstanding forfeitable shares, granted in terms of the employee share scheme, that have not met performance hurdles, had no dilutive impact on the weighted average number of ordinary shares for the current and prior period.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

	53 weeks to 3 March 2019 Cents per share	52 weeks to 25 February 2018 Cents per share
8 DIVIDENDS		
8.1 Dividends paid		
Number 100 – declared 18 April 2018 – paid 11 June 2018 (2018: Number 98 – declared 18 April 2017 – paid 12 June 2017)	155.4	146.4
Number 101 – declared 15 October 2018 – paid 10 December 2018 (2018: Number 99 – declared 16 October 2017 – paid 11 December 2017)	39.1	33.4
Total dividends per share for the period	194.5	179.8
8.2 Dividends declared		
Interim dividend – number 101 (2018: number 99)	39.1	33.4
Final dividend – number 102 (2018: number 100)	192.0	155.4
	231.10	188.8

The directors have declared a final dividend (dividend 102) of 192.0 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 20%, where shareholders are subject to this tax. The last day to trade in order to participate in the dividend (CUM dividend) will be Tuesday, 4 June 2019. The shares will trade EX dividend from the commencement of business on Wednesday, 5 June 2019 and the record date will be Friday 7 June 2019. The dividends will be paid on Monday, 10 June 2019.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

	Goodwill Rm	Systems development Rm	Licences Rm	Total Rm
9 INTANGIBLE ASSETS				
53 weeks to 3 March 2019				
Carrying value	428.5	452.4	89.7	970.6
Cost	460.9	1 250.9	171.8	1 883.6
Accumulated amortisation and impairment losses	(32.4)	(798.5)	(82.1)	(913.0)
Reconciliation of carrying value				
Carrying value at beginning of period	425.1	485.0	81.2	991.3
Additions	-	132.1	19.4	151.5
Expansion of operations	-	65.4	19.4	84.8
Maintaining operations	-	66.7	-	66.7
Amortisation	-	(164.5)	(10.9)	(175.4)
Impairment	(5.3)	-	-	(5.3)
Disposals	-	(0.3)	-	(0.3)
Purchase of operations (note 28)	8.7	-	-	8.7
Foreign currency translations	-	0.1	-	0.1
Carrying value at end of period	428.5	452.4	89.7	970.6
52 weeks to 25 February 2018				
Carrying value	425.1	485.0	81.2	991.3
Cost	463.6	1 152.1	152.6	1 768.3
Accumulated amortisation and impairment losses	(38.5)	(667.1)	(71.4)	(777.0)
Reconciliation of carrying value				
Carrying value at beginning of period	372.1	548.3	63.9	984.3
Additions	-	101.4	-	101.4
Expansion of operations	-	53.2	-	53.2
Maintaining operations	-	48.2	-	48.2
Amortisation	-	(164.6)	(9.5)	(174.1)
Impairment	(6.9)	-	-	(6.9)
Disposals	-	(0.6)	-	(0.6)
Purchase of operations (note 28)	59.9	-	27.3	87.2
Reclassifications	-	0.5	(0.5)	-
Carrying value at end of period	425.1	485.0	81.2	991.3

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

Goodwill that is significant to the Group's total carrying amount of goodwill, with a carrying value of R135.0 million (2018: 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 two-year reporting period. Cash flows beyond these planning periods were extrapolated using an estimated growth rate of 7.0% (2018: 5.0%), derived from average industry retail sales growth. The growth rate does not exceed the long-term average growth rate for the business units in which this CGU operates in. The pre-tax discount rate applied to cash flow projections was 12.4% (2018: 12.0%). Management believes that any reasonably possible change in the key assumptions on which this CGU recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

The remaining goodwill, with a carrying value of R293.5 million (2018: R290.1 million), relates to various acquisitions or conversions of franchise stores to owned stores, none of which is significant in comparison to the Group's total carrying amount of goodwill. Of the remaining goodwill, R42.4 million (2018: R47.7 million) relates to goodwill recognised by the Boxer CGU. The value-in-use was determined based on cash flow projections approved by management covering the relevant CGU's refurbishment cycles, which averages between five and seven years. Cash flows beyond these planning periods were not extrapolated as significant cash investments in the CGUs would likely be required to generate future cash inflows. The pre-tax discount rate applied to these cash flow projections was 15.0% (2018: 15.0%). Management believes that any reasonable possible change in key assumptions on which these CGU's recoverable amounts are based would not result in any additional significant impairment losses.

The impairment charge in the current financial year of R5.3 million (2018: R6.9 million) arose in one (2018: two) CGU in the South Africa operating segment. The CGU is an individual owned store, 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.

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FOR THE PERIOD ENDED 3 MARCH 2019**

	Property Rm	Furniture, fittings, equipment and vehicles Rm	Leasehold improvements Rm	Aircraft Rm	Total Rm
10 PROPERTY, PLANT AND EQUIPMENT					
53 weeks to 3 March 2019					
Carrying value	1 352.5	3 871.6	930.1	35.1	6 189.3
Cost	1 715.3	8 081.4	1 573.4	59.5	11 429.6
Accumulated depreciation and impairment losses	(362.8)	(4 209.8)	(643.3)	(24.4)	(5 240.3)
Reconciliation of carrying value					
Carrying value at beginning of period	1 357.3	3 706.5	953.2	37.4	6 054.4
Additions	30.3	1 118.6	162.7	0.9	1 312.5
Expansion of operations	-	518.3	-	-	518.3
Maintaining operations	30.3	600.3	162.7	0.9	794.2
Depreciation	(23.5)	(816.6)	(182.8)	(3.2)	(1 026.1)
Disposals	(0.7)	(151.1)	(5.4)	-	(157.2)
Reclassifications	(10.9)	8.6	2.3	-	-
Foreign currency translations	-	5.6	0.1	-	5.7
Carrying value at end of period	1 352.5	3 871.6	930.1	35.1	6 189.3
52 weeks to 25 February 2018					
Carrying value	1 357.3	3 706.5	953.2	37.4	6 054.4
Cost	1 696.9	7 255.5	1 433.1	58.6	10 444.1
Accumulated depreciation and impairment losses	(339.6)	(3 549.0)	(479.9)	(21.2)	(4 389.7)
Reconciliation of carrying value					
Carrying value at beginning of period	1 334.6	3 374.5	861.4	13.1	5 583.6
Additions	31.0	1 136.4	252.0	26.5	1 445.9
Expansion of operations	8.4	588.5	-	-	596.9
Maintaining operations	22.6	547.9	252.0	26.5	849.0
Depreciation	(7.0)	(747.4)	(156.9)	(2.2)	(913.5)
Impairment	-	(1.7)	(1.8)	-	(3.5)
Disposals	(0.2)	(59.6)	(1.5)	-	(61.3)
Purchase of operations (note 28)	-	14.0	-	-	14.0
Reclassifications	(1.1)	0.3	0.8	-	-
Foreign currency translations	-	(10.0)	(0.8)	-	(10.8)
Carrying value at end of period	1 357.3	3 706.5	953.2	37.4	6 054.4

Property includes land with an indefinite useful life, with a carrying value of R269.4 million (2018: R343.4 million).

During the period under review, the Group settled its finance lease liabilities. At the end of the prior period, vehicles to the value of R117.2 million, included in furniture, fittings, equipment and vehicles, were secured by lease liabilities.

Non-current asset held for sale

Land with a carrying value of R217.2 million, previously classified as a non-current asset held for sale, was sold during the period under review. The property formed part of the South Africa operating segment.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

11 OPERATING LEASES

The Group entered into various operating lease agreements as the lessee of premises. Leases on premises are contracted for periods of between 1 and 20 years (2018: 1 and 20 years) with renewal options for a further 1 to 20 years (2018: 1 to 20 years). Rentals comprise minimum monthly payments and additional payments based on turnover levels. Turnover rentals, where applicable, average 1.5% (2018: 1.5%) of turnover. Rental escalations vary, averaging 6.5% (2018: 6.5%) per annum.

	53 weeks to 3 March 2019 Rm	52 weeks to 25 February 2018 Rm
Property – minimum lease payments	2 466.5	2 301.3
– turnover clause payments	15.5	25.0
Operating lease charges recognised in the statement of comprehensive income	2 482.0	2 326.3
<p>The Group entered into various operating lease agreements as the lessor of premises. Leases on premises are contracted for periods of between 1 and 20 years (2018: 1 and 20 years). Rentals comprise mainly minimum monthly receipts. Rental escalations vary between 6.5% and 10.0% (2018: 6.5% and 10.0%) per annum.</p>		
Operating lease income recognised in the statement of comprehensive income (note 2)	527.8	446.1
11.1 Operating lease assets*		
At beginning of period	227.3	198.3
Accrual	24.8	29.0
At end of period	252.1	227.3
At end of the period, future minimum rentals receivable from non-cancellable sublease contracts amount to:		
Cash flow due within one year	450.3	411.5
Cash flow due after one year but not more than five years	1 428.3	1 343.1
Cash flow due after more than five years	953.7	1 056.3
Total future cash flows	2 832.3	2 810.9
Less: Operating lease assets	(252.1)	(227.3)
Total operating lease receivable still to be recognised	2 580.2	2 583.6
11.2 Operating lease liabilities*		
At beginning of period	1 571.6	1 398.6
Accrual	147.8	173.0
At end of period	1 719.4	1 571.6
At end of the period, future non-cancellable minimum lease rentals are payable during the following financial periods:		
Cash flow due within one year	2 410.4	2 183.6
Cash flow due after one year but not more than five years	8 051.2	7 528.2
Cash flow due after more than five years	6 843.6	7 312.6
Total future cash flows	17 305.2	17 024.4
Less: Operating lease liabilities	(1 719.4)	(1 571.6)
Total operating lease payable still to be recognised	15 585.8	15 452.8

* IFRS 16 Leases is effective for the Group for the 2020 financial period, refer to note 30.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

	53 weeks to 3 March 2019 Rm	52 weeks to 25 February 2018 Rm
12 DEFERRED TAX		
Deferred tax assets	303.4	194.8
Deferred tax liabilities	(14.2)	(13.7)
Net deferred tax assets	289.2	181.1
The movement in net deferred tax assets are as follows:		
At beginning of period	181.1	203.4
Purchase of operations (note 28)	-	(0.1)
Recognised in profit or loss (note 6)	72.4	(26.0)
Property, plant and equipment and intangible assets	(57.8)	(139.6)
Net operating lease liabilities	33.2	75.7
Retirement benefits and actuarial gains	(1.4)	(0.8)
Prepayments	(8.1)	5.8
Allowance for impairment losses	(6.9)	(7.4)
Accumulated tax losses	(2.6)	(5.2)
Deferred revenue	(6.8)	(4.8)
Income received in advance	(0.5)	2.2
Investment in associate	(6.6)	(4.7)
Income and expense accruals	129.9	52.8
Recognised in other comprehensive income	23.9	3.8
Tax effect on items that will not be reclassified to profit or loss	8.5	0.2
Tax effect on items that may be reclassified to profit or loss	15.4	3.6
Recognised in statement of changes in equity on the adoption of IFRS 9 (note 29)	11.8	-
At end of period	289.2	181.1
Comprising of:		
Property, plant and equipment and intangible assets	(421.0)	(363.2)
Net operating lease liabilities	406.7	373.5
Retirement benefits and actuarial gains	(20.2)	(27.3)
Prepayments	(9.4)	(1.3)
Allowance for impairment losses	27.3	22.4
Accumulated tax losses	-	2.6
Deferred revenue	24.4	31.2
Income received in advance	13.7	14.2
Investment in associate	(3.6)	(12.4)
Income and expense accruals	271.3	141.4
	289.2	181.1

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

13 INVESTMENT IN ASSOCIATE

13.1 Accounting for investment in associate

The Group has a 49% investment in TM Supermarkets (Pvt) Limited (TM Supermarkets), a private company incorporated in Zimbabwe which operates supermarkets throughout Zimbabwe.

On 1 October 2018, TM Supermarkets adopted a new functional currency, namely the Real Time Gross Settlement Dollar (RTGS), the application of which was applied prospectively. Refer to note 1.5 for further information.

The table below summarises the exchange rates at which the results of TM Supermarkets have been translated into South African rand.

Financial period	Functional currency	Average rate	Closing rate
26 February 2018 to 30 September 2018	US Dollar	13.08	14.12
1 October 2018 to 3 March 2019	RTGS Dollar	4.29*	4.28**

* Calculated using the average US Dollar to rand exchange rate of R14.15 for the period 1 October 2018 to 3 March 2019 divided by the estimated RTGS Dollar rate of 3.3 to 1 US Dollar

** Calculated using the closing US Dollar to rand exchange rate of R14.12 at 3 March 2019 divided by the estimated RTGS Dollar rate of 3.3 to 1 US Dollar

	53 weeks to 3 March 2019 Rm	52 weeks to 25 February 2018 Rm
13.2 Reconciliation of investment in associate		
At beginning of period	365.6	309.7
Share of associate's income	109.0	116.3
Foreign currency translation	(290.2)	(37.6)
Dividend declared by associate	-	(22.8)
At end of period	184.4	365.6
13.3 Related party transactions		
<i>Sale of inventory</i>	57.8	78.0
The Group sold inventory to its associate, with the same terms and conditions as those entered into by other Group customers.		
<i>Trade receivable balances outstanding at the end of the period*</i>	109.9	70.3
The outstanding balances are priced on an arm's length basis and are to be settled in cash. No expense has been recognised in the current or prior periods for bad or doubtful debts in respect of amounts owing by the associate.		
<i>Dividend receivable from associate*</i>	23.0	21.7
During the prior period, TM Supermarkets declared a US Dollar denominated dividend to its shareholders. The dividend was subject to a withholding dividend tax of 5%.		

* All outstanding balances attracted interest of 7.65%, amounting to R8.7 million (2018: nil).

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

13 INVESTMENT IN ASSOCIATE (continued)

13.4 Summary financial information of associate

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

	53 weeks to 3 March 2019 Rm	52 weeks to 25 February 2018 Rm
Statement of comprehensive income (100%)		
Revenue	6 534.3	6 205.2
Profit for the period	223.4	237.8
Attributable to other owners of the Company	113.4	120.8
Attributable to the Group	109.0	116.3
Non-controlling interest	1.0	0.7
Statement of financial position (100%)		
Total assets	807.8	1 377.9
Current assets	466.1	670.3
Non-current assets	341.7	707.6
Total liabilities	408.8	567.6
Current liabilities	407.3	510.3
Non-current liabilities	1.5	57.3
Net assets (100%)	399.0	810.3
Attributable to other owners of the Company	191.9	380.2
Attributable to the Group	184.4	365.6
Non-controlling interest	22.7	64.5

13.5 Sensitivity analysis

The table below highlights the sensitivity of the impact of possible changes in the RTGS Dollar exchange rate on the statement of comprehensive income and statement of financial position of the Group. All accounting principles applied by management, as stated in note 13.1, remained consistent in the preparation of this sensitivity analysis, with the exception of the RTGS Dollar to US Dollar rate applied.

	RTGS : USD	As reported RTGS : USD	RTGS : USD
53 weeks to 3 March 2019	2.5 : 1	3.3 : 1	4.0 : 1
Investment in associate (Rm)	243.4	184.4	152.1
Share of associate's income (Rm)	137.2	109.0	94.0
Net asset value (cents per share)	1 115.3	1 056.3	1 024.1

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

	53 weeks to 3 March 2019 Rm	52 weeks to 25 February 2018 Rm
14 LOANS		
Employees	79.5	69.2
Executive directors	0.4	0.4
Other employees	79.1	68.8
Other	22.5	10.1
	102.0	79.3

Loans to directors and employees bear interest at varying rates averaging at a rate of 4.4% (2018: 4.5%) per annum and have varying repayment terms. At period end, R46.1 million (2018: R45.1 million) of employee loans were secured.

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

	53 weeks to 3 March 2019 Rm	Restated* 52 weeks to 25 February 2018 Rm
15 INVENTORY		
Merchandise for resale	5 835.0	6 030.9
Provision for shrinkage, obsolescence and mark down of inventory	(201.2)	(159.0)
Consumables	63.4	72.2
	5 697.2	5 944.1

* Prior period amounts restated for the adoption of new accounting standards, refer to note 29.

	53 weeks to 3 March 2019 Rm	52 weeks to 25 February 2018 Rm
16 TRADE AND OTHER RECEIVABLES		
Gross trade and other receivables	4 636.6	3 726.1
Trade receivables from contracts with customers	4 035.5	3 520.8
Prepayments	437.2	75.4
Other receivables	163.9	129.9
Allowance for impairment losses	(115.6)	(91.6)
Trade receivables from contracts with customers	(107.8)	(82.2)
Other receivables	(7.8)	(9.4)
Net trade and other receivables	4 521.0	3 634.5
Disclosed as:		
Non-current	82.3	105.4
Current	4 438.7	3 529.1

Current trade and other receivables are interest-free unless overdue and have payment terms ranging between 7 and 35 days (2018: 7 and 35 days). The carrying value approximates its fair value due to the short-term nature of the receivables.

**NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 3 MARCH 2019**

16 TRADE AND OTHER RECEIVABLES (continued)

16.1 Allowance for impairment losses

The Group applied IFRS 9 Financial Instruments during the current period under review for the first time. The application resulted in the Group applying the expected credit loss (ECL) model in the measurement of impairment allowances on trade and other receivables. Refer to note 29.

During the prior period prior to the application of IFRS 9, under the incurred loss model, the Group made allowance for specific trade debtors which had clearly indicated financial difficulty and where the likelihood of repayment had become impaired. Such indicators included the inability to recover long overdue accounts and liquidity problems experienced by debtors.

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

Prior period disclosures have been expanded as a result of the adoption of IFRS 9 and IFRS 15.

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
53 weeks to 3 March 2019			
Balance at the beginning of the period	91.6	82.2	9.4
Adoption of IFRS 9 Financial Instruments (note 29)	42.0	42.0	-
Irrecoverable debts written off	(85.6)	(79.1)	(6.5)
Additional impairment losses recognised	76.1	70.1	6.0
Prior allowances for impairment reversed	(8.5)	(7.4)	(1.1)
At end of period	115.6	107.8	7.8
52 weeks to 25 February 2018			
Balance at the beginning of the period	124.8	118.5	6.3
Irrecoverable debts written off	(76.5)	(74.3)	(2.2)
Additional impairment losses recognised	51.1	41.8	9.3
Prior allowances for impairment reversed	(7.8)	(3.8)	(4.0)
At end of period	91.6	82.2	9.4

16.2 Credit risk exposure

Set out below is the credit risk exposure on the Group's trade and other receivables. Refer to note 27.2 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
53 weeks to 3 March 2019				
	4 199.5	3 185.9	127.8	885.7
Trade receivables from contracts with customers	4 035.6	3 093.4	127.8	814.4
Other receivables	163.9	92.5	-	71.3
52 weeks to 25 February 2018				
Gross receivables	3 650.7	2 843.9	79.2	727.6
Gross receivables without impairments	3 340.6	2 759.6	61.7	519.3
Gross receivables with impairments	310.1	84.3	17.5	208.3

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

	53 weeks to 3 March 2019 Rm	52 weeks to 25 February 2018 Rm
17 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	1 503.2	1 129.1
Overnight borrowings	(1 800.0)	(1 800.0)
Cash and cash equivalents at end of period	(296.8)	(670.9)

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, maintained its 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 5.8% and 6.1% per annum (2018: 6.1% and 6.3% per annum). Refer to note 27.3.2.

Overnight borrowings

The Group utilised overnight borrowings during the period. Interest rates varied between 7.1% and 8.8% per annum (2018: 7.3% and 8.2% per annum). Refer to note 27.3.2.

	53 weeks to 3 March 2019 Rm	52 weeks to 25 February 2018 Rm
18 SHARE CAPITAL		
18.1 Ordinary share capital		
Authorised		
800 000 000 (2018: 800 000 000) ordinary shares of 1.25 cents each	10.0	10.0
Issued		
493 450 321 (2018: 488 450 321) ordinary shares of 1.25 cents each	6.0	6.0
	000's	000's
The number of ordinary shares in issue at end of period is made up as follows:		
Treasury shares held as hedge against share options granted (note 19)	9 576.5	6 654.9
Treasury shares allocated under the forfeitable share plan (note 19)	8 494.0	6 853.5
Shares held outside the Group	475 379.8	474 941.9
Total shares in issue at end of period	493 450.3	488 450.3

The Company can issue new shares to settle the Group's obligations under its employee share schemes, but issues in this regard are limited, in aggregate, to 5% of total issued share capital or 24 672 516 (2018: 24 422 516) shares. During the period under review, 5 000 000 shares were issued to subsidiary companies within the Group as hedge against obligations under its employee share schemes. To date, 15 743 000 (2018: 10 743 000) shares have been issued, resulting in 8 929 516 (2018: 13 679 516) shares remaining for this purpose.

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

Certain ordinary shares are stapled to B shares and are subject to restrictions upon disposal. Refer to note 18.2.

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

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

**NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 3 MARCH 2019**

	53 weeks to 3 March 2019 Rm	52 weeks to 25 February 2018 Rm
18 SHARE CAPITAL (continued)		
18.2 B share capital		
Authorised		
1 000 000 000 (2018: 1 000 000 000) unlisted, non-convertible, non-participating, no par value B shares	-	-
Issued		
259 682 869 (2018: 259 682 869) unlisted, non-convertible, non-participating, no par value B shares	-	-

B shares are stapled to 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 18.1.

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

	53 weeks to 3 March 2019 Rm	52 weeks to 25 February 2018 Rm
19 TREASURY SHARES		
At beginning of period	863.4	554.3
Shares purchased during the period	311.2	423.4
Take-up of share options by employees	(180.9)	(114.3)
At end of period	993.7	863.4
	000's	000's
The movement in the number of treasury shares held is as follows:		
At beginning of period	13 508.4	15 868.3
Shares purchased during the period	4 249.6	6 809.4
Shares sold during the period pursuant to the take-up of share options by employees	(3 606.5)	(2 784.8)
Shares delivered to participants of forfeitable share plan (note 5.2)	(1 081.0)	(6 384.5)
Shares issued (note 18)	5 000.0	-
At end of period	18 070.5	13 508.4
Comprises:		
As hedge against share options granted (note 5.4)	9 576.5	6 654.9
Shares allocated under forfeitable share plan (note 5.4)	8 494.0	6 853.5
	R	R
Average purchase price of shares purchased during the period	73.2	62.2

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

	53 weeks to 3 March 2019 Rm	52 weeks to 25 February 2018 Rm
20 BORROWINGS		
Secured borrowings		
Secured loan in respect of property with a carrying value of R90.3 million bearing interest at a fixed rate of 11.4% was repaid on 28 October 2018.	-	8.8
Finance leases in respect of vehicles were settled during the period under review.	-	120.0
Unsecured borrowings		
Three month short term loan bearing interest at 7.8%, repaid on 21 May 2018.	-	400.0
Three month short term loan bearing interest ranging between 7.6% – 7.7% and repayable on 8 May 2019.	825.0	-
One month short term loan bearing interest at 7.6% and repayable on 4 March 2019.	500.0	-
Total borrowings at end of period	1 325.0	528.8
Less: Current portion (repayable within one year)	(1 325.0)	(449.3)
Non-current portion (repayable after one year)	-	79.5
20.1 Reconciliation of carrying value of borrowings		
At beginning of period	528.8	133.2
Cash movements for the period	788.8	381.2
Borrowings raised	4 700.0	445.3
Borrowing repaid	(3 903.8)	(50.6)
Interest paid	(7.4)	(13.5)
Non-cash movements for the period	7.4	14.4
Interest expense	7.4	13.5
Purchase of operations (note 28)	-	0.9
At end of period	1 325.0	528.8

21 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 the fact that the pensioners are paid by the Pick n Pay Paid-up Pension Fund, the Retirement scheme's liabilities may be broken down between those which are defined contribution in nature and those which are defined benefit in nature and for which the employer has an obligation to make additional contributions to ensure this element of the scheme is fully funded. The defined benefit and defined contribution plans are regulated by the Pensions 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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 3 MARCH 2019

	Pensioners' defined-benefit guarantee Rm	Retirement defined-benefit guarantee Rm	Total obligation 2019 Rm	Total obligation 2018 Rm
21 RETIREMENT BENEFITS (continued)				
21.1 Defined-benefit obligations				
The amount recognised in the statement of financial position is as follows:				
Present value of funded obligations	508.8	364.3	873.1	873.3
Fair value of assets	(508.8)	(436.5)	(945.3)	(982.0)
Effect of asset ceiling	-	-	-	11.1
	-	(72.2)	(72.2)	(97.6)
Amounts recognised in the statement of comprehensive income are as follows:				
Current service cost	-	12.2	12.2	13.5
Net interest on the obligation	-	(8.5)	(8.5)	(7.5)
Total included in employee costs	-	3.7	3.7	6.0
Asset ceiling				
Refund (employer surplus account)	-	82.5	82.5	97.6
	-	82.5	82.5	97.6
Effect of asset ceiling – beginning of period				
Interest cost	-	11.1	11.1	-
Remeasurement	-	0.9	0.9	-
	-	(12.0)	(12.0)	11.1
Effect of asset ceiling – end of period	-	-	-	11.1
Movement in the asset recognised on the statement of financial position is as follows:				
Net asset – beginning of period	-	(97.6)	(97.6)	(95.3)
Total included in employee costs in profit or loss	-	3.7	3.7	6.0
Amount recognised in other comprehensive income	-	29.9	29.9	0.6
Contributions	-	(8.2)	(8.2)	(8.9)
Net asset – end of period	-	(72.2)	(72.2)	(97.6)
Remeasurement recognised in other comprehensive income				
Actuarial gain – liabilities	(23.3)	(10.8)	(34.1)	(48.6)
Actuarial loss – assets	23.3	52.7	76.0	38.1
Effect of asset ceiling	-	(12.0)	(12.0)	11.1
Remeasurement recognised in other comprehensive income (before tax)	-	29.9	29.9	0.6
Movement in the fund's obligations and plan assets recognised on the statement of financial position is as follows:				
Liability – beginning of period	525.2	348.1	873.3	1 023.2
Service cost	-	12.2	12.2	13.5
Interest cost	46.4	30.4	76.8	82.3
Actuarial gain from experience	(23.3)	(10.8)	(34.1)	(48.6)
Benefits paid	(39.5)	(15.6)	(55.1)	(197.1)
Liability – end of period	508.8	364.3	873.1	873.3

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

	Pensioners' defined-benefit guarantee Rm	Retirement defined-benefit guarantee Rm	Total obligation 2019 Rm	Total obligation 2018 Rm
21 RETIREMENT BENEFITS (continued)				
21.1 Defined-benefit obligations (continued)				
Plan assets – beginning of period	525.2	456.8	982.0	1 118.5
Expected return	46.4	39.8	86.2	89.8
Actuarial loss from experience	(23.3)	(52.7)	(76.0)	(38.1)
Contributions	–	8.2	8.2	8.9
Benefits paid	(39.5)	(15.6)	(55.1)	(197.1)
Plan assets – end of period	508.8	436.5	945.3	982.0
	%	%	%	%
Estimated return on plan assets	7.6	9.3	8.4	5.7
Composition of plan assets				
Equities	5.0	47.5	24.6	24.3
Fixed interest – bonds	74.5	14.5	46.8	48.1
Fixed interest – cash	5.2	–	2.8	1.4
Property	–	4.9	2.3	1.7
Global Absolute	–	2.8	1.3	8.2
Global Balanced	15.3	30.3	22.2	16.3
	100.0	100.0	100.0	100.0

The value of contributions expected to be paid in the next financial period is R8.4 million (2018: R9.2 million).

The weighted-average duration of the defined benefit obligation is 8 years (2018: 7 years)

The principal actuarial assumptions at the last valuation date are:	% per annum Pensioners	% per annum Executives	% per annum Combined	% per annum Combined
Discount rate	9.0	9.0	9.0	8.8
Future salary increases	n/a	6.5	6.5	7.0
Future pension increases	5.5	n/a	5.5	6.0
Annual increase in health care costs	5.5	5.5	5.5	6.0

Sensitivity analysis

At 3 March 2019, if either the salary inflation, pension increase or discount rate had been 1% higher or 1% lower (with all other variables held constant), the impact on the financial statements would have been as follows:

	Discount rate effect			Salary inflation effect			Pension increase effect		
	-1%	As reported	+1%	-1%	As reported	+1%	-1%	As reported	+1%
	8.0%	9.0%	10.0%	5.5%	6.5%	7.5%	4.5%	5.5%	6.5%
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Statement of comprehensive income									
Employee costs	4.3	3.7	3.3	3.3	3.7	4.2	n/a	n/a	n/a
Statement of financial position									
Asset at end of period	56.8	72.2	72.2	72.2	72.2	58.1	72.2	72.2	72.2

The following assumptions were used in the sensitivity analysis:

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

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

	53 weeks to 3 March 2019 Rm	52 weeks to 25 February 2018 Rm
21.2 Defined current contribution benefits		
Current contributions (refer to note 3.1)	266.1	157.2

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 3 MARCH 2019

	53 weeks to 3 March 2019 Rm	Restated* 52 weeks to 25 February 2018 Rm
22 TRADE AND OTHER PAYABLES		
Trade and other payables	10 136.0	10 301.3
Leave pay obligations	267.6	238.0
	10 403.6	10 539.3

* Prior period amounts restated for the adoption of new accounting standards, refer to note 29.

	53 weeks to 3 March 2019 Rm	Restated* 52 weeks to 25 February 2018 Rm
23 DEFERRED REVENUE		
Prepaid gift card liability	136.1	138.0
Smart Shopper loyalty programme liability	96.9	121.3
Refund liability	23.2	22.0
	256.2	281.3

Prepaid gift card liability

Gift cards can be redeemed as cash against future purchases, are redeemable on demand and expire 3 years after last date used. The balance outstanding at period end represents the fair value of the revenue received in advance, adjusted for an expected forfeiture rate of 5.4% (2018: 5.4%).

Smart Shopper loyalty programme liability

Customers are rewarded with Smart Shopper loyalty points (reward credits) and personal Smart Shopper discounts which are effectively redeemed as cash against future purchases. Smart Shopper loyalty points and discounts are redeemable on demand and expire on average 12 months after its award date. The balance outstanding at period end represents the stand-alone selling prices of points and discounts granted and yet to be redeemed, adjusted for an expected forfeiture rate of 17.5% (2018: 12.9%).

Refund liability

Customers are entitled to return goods purchased within a specified period of time, for a full or partial refund of the amount paid. The refund liability represents the amount of consideration that the Group does not expect to be entitled to because it will be refunded to customers within the next financial period. In addition, the Group recognised a right of return asset of R20.6 million (2018: R19.6 million) for its right to recover goods returned by the customer.

* Prior period amounts restated for the adoption of new accounting standards, refer to note 29.

24 COMMITMENTS

24.1 Capital commitments

All capital expenditure will be funded from internal cash flows and through unlimited borrowing powers.

	53 weeks to 3 March 2019 Rm	52 weeks to 25 February 2018 Rm
Authorised capital expenditure		
Contracted for	41.4	231.0
Property	–	69.8
Furniture, fittings, equipment and vehicles	39.9	67.8
Intangible assets	1.5	93.4
Not contracted for	1 958.6	1 469.0
Property	39.5	20.0
Furniture, fittings, equipment and vehicles	1 829.2	1 417.2
Intangible assets	89.9	31.8
Total commitments	2 000.0	1 700.0

24.2 Operating lease commitments

Refer to note 11

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

25 OPERATING SEGMENTS

Operating segments are identified based on financial information regularly reviewed by the Chief Operating Decision Maker (CODM) of the Group, for performance assessments and resource allocations. The Group annually performs a detailed review of the executive, or group of executives, that could be considered the appropriate and relevant CODM of the Group. During the current and prior period under review, the CODM of the Group consisted of the Group executive committee, consisting of the Chief Executive Officer, Chief Financial Officer and Chief Information Officer.

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

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

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

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

	South Africa Rm	Rest of Africa Rm	Total operations Rm
53 weeks to 3 March 2019			
Total segment revenue	86 541.0	4 838.9	91 379.9
Revenue from contracts with customers (note 2)	85 774.5	3 903.9	89 678.4
Operating lease income (note 2)	518.4	9.4	527.8
Finance income (note 2)	248.1	10.7	258.8
Direct deliveries*	–	914.9	914.9
Segment external turnover	84 401.4	3 891.8	88 293.2
Profit before tax before capital items**	1 939.1	255.0	2 194.1
Profit before tax**	1 945.5	254.3	2 199.8
Other information			
Statement of comprehensive income			
Finance costs	347.8	1.5	349.3
Depreciation and amortisation	1 157.6	43.9	1 201.5
Profit on sale of property, plant and equipment	11.0	–	11.0
Impairment loss on intangible assets	4.6	0.7	5.3
Share of associate's income	–	109.0	109.0
Statement of financial position			
Total assets	18 462.8	1 391.5	19 854.3
Total liabilities	14 997.1	540.4	15 537.5
Investment in associate	–	184.4	184.4
Additions to non-current assets	1 438.2	34.5	1 472.7
52 weeks to 25 February 2018			
Total segment revenue#	78 703.5	4 648.1	83 351.6
Revenue from contracts with customers (note 2)	78 089.7	3 769.7	81 859.4
Operating lease income (note 2)	436.5	9.6	446.1
Finance income (note 2)	177.3	6.8	184.1
Direct deliveries*	–	862.0	862.0
Segment external turnover	76 765.6	3 757.9	80 523.5
Profit before tax before capital items**	1 501.2	287.9	1 789.1
Profit before tax**	1 480.2	287.9	1 768.1
Other information			
Statement of comprehensive income			
Finance costs	331.1	0.1	331.2
Depreciation and amortisation	1 044.2	43.4	1 087.6
Loss on sale of property, plant and equipment	(10.6)	–	(10.6)
Impairment loss on intangible assets	6.9	–	6.9
Impairment loss on property, plant and equipment	3.5	–	3.5
Share of associate's income	–	116.3	116.3
Statement of financial position			
Total assets	17 193.2	1 787.3	18 980.5
Total liabilities	14 354.1	602.8	14 956.9
Investment in associate	–	365.6	365.6
Additions to non-current assets	1 625.8	22.7	1 648.5

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

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

Prior period disclosures relating to segmental revenue, have been expanded in line with the adoption of IFRS 15 Revenue from Contracts with Customers. Refer to note 29.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

26 RELATED PARTY TRANSACTIONS

26.1 Transactions between Group subsidiaries

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

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

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

26.2 Transactions with equity accounted associate

Refer to note 13 for further information.

26.3 Loans to executive directors

Loans to directors amount to R0.4 million at the end of the period (2018: R0.4 million). These loans are unsecured and interest free. For further information refer to note 14.

26.4 Key management personnel

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

	53 weeks to 3 March 2019 Rm	52 weeks to 25 February 2018 Rm
Key management personnel remuneration comprises:		
Fees for board meetings, committee and other work	8.8	8.6
Base salary	73.5	63.1
Retirement and medical aid contributions	7.4	6.8
Fringe and other benefits	11.8	12.0
Fixed remuneration	101.5	90.5
Discretionary award*	-	6.1
Bonus and gratuity**	62.7	-
Total remuneration	164.2	96.6
Expense relating to share awards granted	105.9	89.8

* The Group did not meet the required performance measures set by the Remuneration Committee for the payment of a short-term annual bonus in the prior period. However, the Remuneration Committee acknowledged that certain important strategic steps were taken during the comparative period to drive sustainable performance, but which had a negative impact on short-term profitability. The Remuneration Committee recognised the strategic action taken and progress delivered through the payment of an ex gratia award to executive directors and senior management.

** A gratuity of R10.0 million was granted to Bakar Jakoet on his retirement, in appreciation of his outstanding contribution to the Pick n Pay Group over the 34 years of his career.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

27 FINANCIAL INSTRUMENTS

Overview

The Group's principal financial liabilities comprise borrowings, trade and other payables 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 loans, trade and other receivables, and cash and short-term deposits that derive directly from its operations. The Group also holds fair value through profit or loss financial instruments and enters into derivative transactions.

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

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

27.1 Financial assets and financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

	Derivatives designated as hedging instruments	Financial assets at fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
	Rm	Rm	Rm	Rm	Rm
53 weeks to 3 March 2019					
Financial assets					
Loans (note 14)	-	-	102.0	-	102.0
Trade receivables from contracts with customers (note 16)	-	-	3 927.7	-	3 927.7
Other receivables (note 16)	-	-	156.1	-	156.1
Cash and cash equivalents (note 17)	-	-	1 503.2	-	1 503.2
Investment in insurance cell captive	-	35.2	-	-	35.2
Forward exchange contracts (FEC)	3.1	-	-	-	3.1
	3.1	35.2	5 689.0	-	5 727.3
Financial liabilities					
Overnight borrowings (note 17)	-	-	-	1 800.0	1 800.0
Unsecured loans (note 20)	-	-	-	1 325.0	1 325.0
Trade and other payables	-	-	-	9 923.2	9 923.2
Refund liability (note 23)	-	-	-	23.2	23.2
	-	-	-	13 071.4	13 071.4

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

	Derivative financial instruments	Financial assets at fair value through profit and loss	Loans and receivables	Financial liabilities measured at amortised cost	Total
	Rm	Rm	Rm	Rm	Rm
52 weeks to 25 February 2018					
27 FINANCIAL INSTRUMENTS (continued)					
27.1 Financial assets and financial liabilities by category (continued)					
Financial assets					
Loans (note 14)	-	-	79.3	-	79.3
Trade receivables from contracts with customers (note 16)	-	-	3 438.5	-	3 438.5
Other receivables (note 16)	-	-	120.5	-	120.5
Cash and cash equivalents (note 17)	-	-	1 129.1	-	1 129.1
Investment in insurance cell captive	-	25.7	-	-	25.7
	-	25.7	4 767.4	-	4 793.1
Financial liabilities					
Overnight borrowings (note 17)	-	-	-	1 800.0	1 800.0
Secured loans (note 20)	-	-	-	128.8	128.8
Unsecured loans (note 20)	-	-	-	400.0	400.0
Trade and other payables	-	-	-	10 073.0	10 073.0
Refund liability (note 23)	-	-	-	22.0	22.0
Forward exchange contracts (FEC)	8.5	-	-	-	8.5
	8.5	-	-	12 423.8	12 432.3

The Group adopted IFRS 9 Financial Instruments for the first time during the period under review using the modified retrospective approach. Where applicable, opening balances at the date of application were restated for the cumulative impact of adoption. Prior period disclosures have therefore not been restated.

Derivatives designated as hedging instruments in the current period reflect the positive change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge firm commitments in respect of purchases of imported inventory.

Derivatives not designated as hedging instruments in the prior period reflect the positive change in fair value of those foreign exchange forward contracts that are not designated in hedge relationships, but are intended to reduce the level of foreign currency risk for expected purchases.

27.2 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 cash and cash equivalents, trade and other receivables and loans.

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 maintained its long-term rating of zaAA+ (refer to note 17).

Trade and other receivables

Trade and other receivables mainly relate to amounts owing by franchisees and are presented net of impairment losses (refer to note 16). Rigorous credit granting procedures are applied to assess the credit quality of the debtors, taking into account their financial position and credit rating. The Group obtains various forms of security from its debtors, including bank guarantees, notarial bonds over inventory and moveable assets and suretyships from shareholders. The total credit risk with respect to receivables from franchise debtors is further limited as a result of the dispersion amongst the individual franchisees and across different geographic areas. Consequently, the Group does not consider there to be any significant concentration or exposure to credit risk.

Loans

Loans mainly comprise employee loans granted in line with the Group's remuneration policy. Loans are granted after reviewing the affordability of each employee and, where appropriate, suitable forms of security are obtained. Refer to note 14. Majority of loans are secured and considered to have low credit risk.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

27 FINANCIAL INSTRUMENTS (continued)

27.3 Market risk management

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 loans and borrowings, 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.

27.3.1 Currency risk management

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

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 via a derivative contract (FEC). The Group does not use derivatives for speculative purposes.

The Group's FEC's qualified for hedge accounting during the period under review and have been designated as cash flow hedges of firm commitments in US dollar, GBP and Euro. 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, R9.1 million was reclassified to cost of sales in the statement of comprehensive income.

The following significant exchange rates applied during the period:	Average rate		Closing rate	
	2019	2018	2019	2018
USD/ZAR	13.5	13.0	14.2	11.6
Euro/ZAR	15.8	14.9	16.2	14.2
GBP/ZAR	17.8	16.8	18.8	16.1

Forward exchange contract assets/(liabilities)	Contract foreign currency m	Rand equivalent Rm	Average rate R	Fair value Rm
2019				
US Dollars	7.3	102.1	14.0	2.0
Euro	3.2	50.5	15.9	0.5
British Pound	0.7	12.9	18.2	0.6
		165.5		3.1
2018				
US Dollars	4.3	50.2	11.6	(4.1)
Euro	2.6	37.2	14.3	(3.9)
British Pound	0.3	6.0	16.1	(0.5)
		93.4		(8.5)

Foreign cash balances, trade and other receivables and trade and other payables

The Group has exposure to foreign currency translation risk through its foreign cash balances, trade and other receivables and trade and other payables 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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

27 FINANCIAL INSTRUMENTS (continued)

27.3.2 Interest rate risk management

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 borrowings, loans and cash and cash equivalents 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.

	53 weeks to 3 March 2019 %	52 weeks to 25 February 2018 %
The effective weighted average interest rates on financial instruments at end of period are:		
Financial assets		
Loans (note 14)	4.4	4.5
Cash and cash equivalents (note 17)	5.8 – 6.1	6.1 – 6.3
Financial liabilities		
<i>Variable-rate interest-bearing debt</i>		
Overnight borrowings (note 17)	7.1 – 8.8	7.3 – 8.2
Finance leases	–	8.9 – 9.8
<i>Fixed-rate interest-bearing debt</i>		
Secured loans (note 20)	–	11.4
Unsecured loans (note 20)	7.6 – 7.8	7.8

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. A sensitivity analysis is not presented as the estimated impact of the expected movement in the relevant interest rates is not material.

27.4 Liquidity risk

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

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

	53 weeks to 3 March 2019 Rm	52 weeks to 25 February 2018 Rm
Total available facilities	7 635.0	7 871.1
Total actual borrowings	(3 125.0)	(2 328.8)
Utilisation of FEC	(165.5)	(93.4)
Unutilised borrowing facilities	4 344.5	5 448.9

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

27 FINANCIAL INSTRUMENTS (continued)

27.4 Liquidity risk (continued)

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

	Carrying amount Rm	Contractual cash flows Rm	Within 1 year Rm	Within 2 – 5 years Rm
53 weeks to 3 March 2019				
Unsecured loans	1 325.0	1 337.2	1 337.2	–
Trade and other payables	9 923.2	9 923.2	9 923.2	–
Refund liabilities	23.2	23.2	23.2	–
Overnight borrowings	1 800.0	1 800.0	1 800.0	–
Total financial obligations	13 071.4	13 083.6	13 083.6	–
52 weeks to 25 February 2018				
Secured loans	128.8	140.4	53.5	87.0
Unsecured loans	400.0	410.0	410.0	–
Trade and other payables	10 073.0	10 073.0	10 073.0	–
Refund liabilities	22.0	22.0	22.0	–
Overnight borrowings	1 800.0	1 800.0	1 800.0	–
Total financial obligations	12 423.8	12 445.4	12 358.5	87.0

27.5 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 prices (unadjusted) in an active market for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

The fair values of financial assets and liabilities are as follows:

	53 weeks to 3 March 2019 Rm	52 weeks to 25 February 2018 Rm
Financial assets at fair value through profit or loss		
Investment in insurance cell captive – Level 2	35.2	25.7
Derivative financial instruments		
Forward exchange contract assets/(liabilities) – Level 2	3.1	(8.5)

**NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 3 MARCH 2019**

27 FINANCIAL INSTRUMENTS (continued)

27.5 Fair value of financial instruments (continued)

Basis for determining fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above.

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.

27.6 Capital management

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

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

The Group assesses the effectiveness of the use of capital in providing a return to shareholders using the ratio of return on capital employed which is calculated as headline earnings divided by average shareholders’ equity plus secured borrowings:

	2019	2018
Return on capital employed	38.9%	32.2%

The Group maintains a dividend cover based on headline earnings per share of 1.5 times (2018: 1.5 times) to ensure that sufficient capital is retained for expansion of the business.

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

28 PURCHASE OF OPERATIONS

During the current and prior period, the Group acquired various retail operations in South Africa, none of which are individually material to the Group. These acquisitions had no significant impact on the Group's results.

The goodwill arising from these acquisitions represent the acquired customer base and the value creation the Group expects to realise as a result of integration with the Group.

	53 weeks to 3 March 2019 Rm	52 weeks to 25 February 2018 Rm
The net assets arising from these acquisitions were as follows:		
Identifiable net assets		
Current tax liabilities (note 6)	-	(0.5)
Deferred tax liabilities (note 12)	-	(0.1)
Intangible assets (note 9)	-	27.3
Property, plant and equipment (note 10)	-	14.0
Inventory	1.8	4.0
Trade and other receivables	-	0.6
Cash and cash equivalents	-	8.4
Trade and other payables	-	(8.1)
Borrowings	-	(0.9)
Total identifiable net assets at fair value	1.8	44.7
Goodwill		
Cash paid in respect of acquisitions	10.5	104.6
Less: total identifiable net assets at fair value	(1.8)	(44.7)
Goodwill acquired (note 9)	8.7	59.9
Net cash paid in respect of acquisitions		
Cash paid in respect of acquisitions	10.5	104.6
Less cash and cash equivalents acquired	-	(8.4)
Net cash paid	(10.5)	(96.2)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

29 ADOPTION OF NEW ACCOUNTING STANDARDS AND PRIOR PERIOD RESTATEMENTS

29.1 Adoption of new accounting standards

The following new accounting standards have been applied in the 2019 financial period:

IFRS 9 Financial instruments

IFRS 9 Financial instruments (replacing IAS 39 Financial Instruments: Recognition and Measurement) is applicable to the Group for the 2019 annual financial period.

The objective of IFRS 9 is to establish principles for the classification and measurement of financial assets and liabilities, hedging and the introduction of the expected credit loss (ECL) model for the measurement of impairment allowances for financial assets.

The key impact of IFRS 9 for the Group relates to the application of the ECL model in the measurement of the impairment allowance of our trade and other receivables (through the application of the simplified approach). In terms of IAS 39, trade and other receivables were impaired when there was objective evidence of default. IFRS 9 dictates that the impairment is based on the lifetime expected credit losses on trade and other receivables. In general, the ECL model is expected to result in a higher impairment allowance than the historical incurred loss model, as provision rates must now reflect all possible future losses based on past experience as well as future economic factors.

To measure the ECLs, trade receivables are assessed on an individual basis. The ECL rates are based on historical credit loss experienced during the period, adjusted to reflect current and forward looking information on macro economic factors affecting the ability of the debtor to settle the receivable.

The Group applied IFRS 9 with an initial application date of 26 February 2018. The Group applied the standard retrospectively but has elected not to restate comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been made to the opening balances at the date of initial application. The impact for the Group is an additional impairment allowance of R42.0 million against opening retained earnings and an increase in deferred tax assets of R11.8 million, resulting in a R30.2m impact, net of tax.

IFRS 15 Revenue from contracts with customers

IFRS 15 Revenue from contracts with customers (replacing IAS 18 Revenue) is applicable to the Group for the 2019 annual financial period.

IFRS 15 relates to the measurement, classification and disclosure of revenue from contracts with customers and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised as the Group satisfies performance obligations and transfers control of goods or services to its customers as opposed to the application of the risks and rewards criteria under IAS 18.

The measurement of revenue is determined based on the amount to which the Group expects to be entitled, 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, as or when control of goods or services is transferred to the customer. The Group has applied IFRS 15 using the full retrospective method of adoption. The Group has not presented the impact of the adoption on the period under review, as the standard provides an optional practical expedient.

The key impacts of IFRS 15 for the Group relates to the following:

- The IFRS 15 principles dictate that revenue is recognised as and when the control over goods and services are transferred to customers. This impacted the Group's assessment of whether it is the agent or the principal when recognising revenue from certain value-added services. In certain instances, revenue from these value-added services previously recognised on a gross basis as turnover and cost of merchandise sold is now required to be recognised on a net basis in other income.
- IFRS 15 requires that all discounts, rebates or loyalty payments to customers should be deducted from revenue, unless it is directly funded by suppliers. All Group discounts and the related supplier funding were reviewed and, discounts are now adjusted against revenue only if there is no direct funding from suppliers.
- Right of return assets, previously disclosed as trade and other receivables, have been reclassified and presented separately on the statement of financial position. Refer to note 23.
- Deferred revenue, previously disclosed as trade and other payables, have been reclassified and presented separately on the statement of financial position. Refer to note 23.

Relevant prior period financial information has been restated and reclassified, with no impact on the Group's previously reported earnings and headline earnings. The Group has not disclosed the impact of the adoption on the period preceding the prior period, as the adoption of IFRS 15 had no material impact on previously reported earnings, headline earnings and the statement of financial position.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

	Restated 52 weeks to 25 February 2018 Rm	Impact of IFRS 15 Rm	As previously published 52 weeks to 25 February 2018 Rm
29 ADOPTION OF NEW ACCOUNTING STANDARDS AND PRIOR PERIOD RESTATEMENTS (continued)			
29.2 Impact of adoption of IFRS 15 on the statement of comprehensive income for the 52 weeks ended 25 February 2018			
Revenue	82 489.6	(1 015.2)	83 504.8
Turnover	80 523.5	(1 036.6)	81 560.1
Cost of merchandise sold	(65 294.6)	1 015.2	(66 309.8)
Gross profit	15 228.9	(21.4)	15 250.3
Other income	1 782.0	21.4	1 760.6
Commissions and other income	935.8	21.4	914.4
Profit for the period	1 296.3	-	1 296.3
	Restated As at 25 February 2018 Rm	Impact of IFRS 15 Rm	As previously published As at 25 February 2018 Rm
29.3 Impact of adoption of IFRS 15 on the statement of financial position as at 25 February 2018			
Inventory	5 944.1	(19.6)	5 963.7
Right of return asset	19.6	19.6	-
Trade and other payables	10 539.3	(281.3)	10 820.6
Deferred revenue	281.3	281.3	-

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

30 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED

International Financial Reporting Standards (IFRS)

There are a number of new standards, amendments to standards and interpretations that are applicable to the Group with an effective date after the date of these financial statements, and have not been applied in preparing these consolidated financial statements. The standard expected to have a key impact on the Group is IFRS 16 Leases.

IFRS 16 Leases (effective for the Group for the financial period ending February 2020)

The Group will adopt IFRS 16 from 4 March 2019, the start of its financial period ending 1 March 2020. IFRS 16 replaces IAS 17 Leases and requires lessees to account for all leases under a single on-balance sheet model, in a similar manner to finance leases under IAS 17. The only exceptions are short-term and low-value leases.

As a result most of the leases in the Group's extensive lease portfolio will now be brought onto the statement of financial position. Under IFRS 16, the leases of most retail premises in the Group will be recognised as an asset, representing the right to use the premises, with a corresponding lease liability representing the obligation to pay rent.

Changes to the statement of comprehensive income will result in the current operating lease payments being replaced by the amortisation of the right-of-use assets and the associated finance costs of the lease liability. The amortisation of the right-of-use assets is recorded on a straight-line basis over the lease term while the associated finance costs of the lease liability is front-loaded. IFRS 16 will therefore result in a higher upfront net charge (amortisation plus finance costs) for new and young leases when compared to the related operating lease expense recorded under IAS 17. The inverse would be true for more mature leases. This will have no impact on the cash flow of the Group, although some classifications in the statement of cash flow line items will be affected. The Group has an extensive portfolio of leases of various maturities. The Group's lease terms ranges between 1 and 20 years. Most of its stores are leased with non-cancellable operating lease commitments of R17.3 billion as at the reporting date (refer to note 11), representing the approximate undiscounted value of the lease liability under IFRS 16, without including any lease renewal periods. The application of IFRS 16 will have a material impact on the Group's statement of financial position, statement of comprehensive income and classifications in the statement of cash flows.

The Group also has numerous head lease arrangements where it sublets to its franchisees. In these instances, IFRS 16 requires the recognition of the obligation to pay rentals under the head lease as a lease liability, with a corresponding asset representing the rentals receivable from the franchisee under the sublease arrangement. In most instances the accounting for the head lease and the sublease under IFRS 16 has an equal and opposite impact on the statement of comprehensive income, similar to the net impact under IAS 17. Changes on the following line items will however occur: operating lease income, operating lease expenses, finance income and finance costs. More than a third of our franchise stores are subject to sublease arrangements with non-cancellable operating lease receivables of R2.8 billion as at the reporting date (refer to note 11) representing the approximate undiscounted value of the lease receivable under IFRS 16, without including any lease renewal periods.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

30 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED (continued)

To ensure year-on-year comparability of financial information, the Group will adopt IFRS 16 using the full retrospective approach. Given the complex nature and maturity of the Group's lease portfolio, an extensive project is in its final stages to determine the current and historical financial implications. First time disclosure of the IFRS 16 impacts will be made ahead of our interim result announcement in October 2019, once the impact has been assessed by our external auditors.

The application of IFRS 16 will result in changes to the statement of financial position, statement of comprehensive income and cash flow statement line items, including, but not limited to, property, plant and equipment, operating lease assets, operating lease liabilities, deferred tax, occupancy costs, operational costs, finance income and finance costs. More specifically, items such as amortisation, operating lease expenses and operating lease income will be impacted. Key balance sheet metrics such as leverage, finance ratios and debt covenants and income statement metrics, such as earnings before interest, taxes, depreciation and amortisation (EBITDA), will be impacted. IFRS 16 will have no impact on the cash generation of the Group.

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

- *Foreign currency transactions and advance consideration (IFRIC Interpretation 22)*
- *Investments in associates and joint ventures – clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice (amendments to IAS 28)*
- *Uncertainty over income tax treatments (IFRIC Interpretation 23)*
- *Prepayment features with negative compensation (amendments to IFRS 9)*
- *Long-term interests in associates and joint ventures (amendments to IAS 28)*
- *Plan amendment, curtailment or settlement (amendments to IAS 19)*
- *Accounting for acquisitions of interests in joint operations (amendments to IFRS 3)*
- *Accounting for acquisitions of Interests in joint arrangements (amendments to IFRS 11)*
- *Income tax consequences of payments on financial instruments classified as equity (amendments to IAS 12)*
- *Borrowing costs eligible for capitalisation (amendments to IAS 23)*
- *Definition of a business (amendments to IFRS 3)*
- *Definition of material (amendments to IAS 1 and IAS 8)*
- *Sale of contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)*



COMPANY ANNUAL FINANCIAL STATEMENTS

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STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED

	Note	53 weeks to 3 March 2019 Rm	52 weeks to 25 February 2018 Rm
Revenue			
Finance income		0.2	0.2
Dividend income	8	973.4	336.4
		973.6	336.6
Administration expenses	2	(15.2)	(13.9)
Profit before tax		958.4	322.7
Tax	3	(0.1)	-
Profit for the period		958.3	322.7
Other comprehensive income, net of tax		-	-
Total comprehensive income for the period		958.3	322.7

STATEMENT OF FINANCIAL POSITION

	Note	As at 3 March 2019 Rm	As at 25 February 2018 Rm
ASSETS			
Non-current assets			
Investments in subsidiaries	5	5.1	5.1
		5.1	5.1
Current assets			
Loan to subsidiary	8	901.8	525.8
Trade and other receivables		0.2	0.2
Cash and cash equivalents	6	3.7	2.6
		905.7	528.6
Total assets		910.8	533.7
EQUITY AND LIABILITIES			
Equity			
Share capital	7	6.2	6.1
Share premium		835.5	465.7
Retained earnings		61.1	54.8
Total equity		902.8	526.6
Current liabilities			
Trade and other payables		8.0	7.1
		8.0	7.1
Total equity and liabilities		910.8	533.7

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED

	Note	Share capital Rm	Share premium Rm	Retained earnings Rm	Total equity Rm
At 26 February 2017		6.1	465.7	610.3	1 082.1
Total comprehensive income for the period		-	-	322.7	322.7
Profit for the period		-	-	322.7	322.7
Other comprehensive income		-	-	-	-
Dividends paid	4.1	-	-	(878.2)	(878.2)
At 25 February 2018		6.1	465.7	54.8	526.6
Total comprehensive income for the period		-	-	958.3	958.3
Profit for the period		-	-	958.3	958.3
Other comprehensive income		-	-	-	-
Ordinary shares issued	7.1	0.1	369.8	-	369.9
Dividends paid	4.1	-	-	(952.0)	(952.0)
At 3 March 2019		6.2	835.5	61.1	902.8

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED

	Note	53 weeks to 3 March 2019 Rm	52 weeks to 25 February 2018 Rm
Cash flows from operating activities			
Profit before tax		958.4	322.7
Adjusted for dividend income	8.1	(973.4)	(336.4)
Cash utilised before movements in working capital			
Movements in working capital			
Movements in trade and other payables		0.9	0.6
Cash utilised in operations			
Dividends received	8.1	(14.1)	(13.1)
Dividends paid	4.1	973.4	336.4
Tax paid	3	(952.0)	(878.2)
		(0.1)	-
Cash generated from operating activities			
Cash flows from investing activities			
Loans (advanced to)/repaid by subsidiary	8.2	(376.0)	555.5
Cash generated (utilised in)/from investing activities			
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital	7.1	369.9	-
Cash generated from financing activities			
Net movement in cash and cash equivalents			
Cash and cash equivalents at beginning of period		1.1	0.6
		2.6	2.0
Cash and cash equivalents at end of period	6	3.7	2.6

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 3 MARCH 2019

1. ACCOUNTING POLICIES

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

1.1 Statement of compliance

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

1.2 Basis of preparation

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

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

1.3 Foreign currency transactions and translations

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

1.4 Revenue

Revenue is recognised when the Company satisfies performance obligations and transfers control of goods or services to its customers at an amount that reflects the consideration that the Company expects to be entitled to in exchange of these goods or services.

Revenue is measured based on the amount which the Company expects to be entitled to, 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, as or when the control of goods or services is transferred to the customer. Revenue is measured at the fair value of consideration received or receivable and is stated net of related rebates and discounts granted.

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.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

2. ADMINISTRATION EXPENSES

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

2.1 Directors' remuneration*

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
2019			
Non-executive directors			
Gareth Ackerman	4 438.0	–	4 438.0
David Friedland	413.0	223.0	636.0
Hugh Herman	413.0	497.0	910.0
Alex Mathole	413.0	90.0	503.0
Audrey Mothupi	413.0	268.0	681.0
Lorato Phalatse**	206.5	149.0	355.5
David Robins	413.0	–	413.0
Jeff van Rooyen	413.0	470.0	883.0
Total remuneration	7 122.5	1 697.0	8 819.5
2018			
Non-executive directors			
Gareth Ackerman	4 187.0	–	4 187.0
David Friedland	390.0	210.0	600.0
Hugh Herman	390.0	469.0	859.0
Alex Mathole	390.0	42.5	432.5
Audrey Mothupi	390.0	253.0	643.0
Lorato Phalatse	390.0	165.0	555.0
David Robins	390.0	–	390.0
Jeff van Rooyen	390.0	444.0	834.0
Total remuneration	6 917.0	1 583.5	8 500.5

* Executive directors salaries are paid by a subsidiary company. Refer to note 4 of the Group annual financial statements.

** Lorato Phalatse resigned as a director of Pick n Pay Stores Limited on 31 August 2018.

	53 weeks to 3 March 2019 Rm	52 weeks to 25 February 2018 Rm
3. TAX		
3.1 Tax recognised in the statement of comprehensive income:		
Normal tax	0.1	–
Current period	0.1	–
Tax recognised in the statement of comprehensive income	0.1	–
3.2 Tax paid		
Opening balance	–	–
Recognised in profit or loss	0.1	–
Owing at the end of the period	–	–
Tax paid for the year	0.1	–
3.3 Reconciliation of effective tax rate	%	%
South African statutory tax rate	28.0	28.0
Exempt income – dividends received	(28.4)	(29.2)
Non-deductible holding company expenses	0.4	1.2
Effective tax rate	–	–

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

	53 weeks to 3 March 2019 Cents per share	52 weeks to 25 February 2018 Cents per share
4. DIVIDENDS		
4.1 Dividends paid		
Number 100 – declared 18 April 2018 – paid 11 June 2018 (2018: Number 98 – declared 18 April 2017 – paid 12 June 2017)	155.4	146.4
Number 101 – declared 15 October 2018 – paid 10 December 2018 (2018: Number 99 – declared 16 October 2017 – paid 11 December 2017)	39.1	33.4
Total dividends per share for the period	194.5	179.8
	Rm	Rm
Total value of dividends paid by the Company	952.0	878.2
	Cents per share	Cents per share
4.2 Dividends declared		
Interim dividend – number 101 (2018: number 99)	39.1	33.4
Final dividend – number 102 (2018: number 100)	192.0	155.4
	231.1	188.8

The directors have declared a final dividend (dividend 102) of 192.0 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 20%, where shareholders are subject to this tax. The last day to trade in order to participate in the dividend (CUM dividend) will be Tuesday 4 June 2019. The shares will trade EX dividend from the commencement of business on Wednesday 5 June 2019 and the record date will be Friday 7 June 2019. The dividends will be paid on Monday 10 June 2019.

	53 weeks to 3 March 2019 Rm	52 weeks to 25 February 2018 Rm
5. INVESTMENTS IN SUBSIDIARIES		
Investments in subsidiaries		
Shares at cost	5.1	5.1
Total investments in subsidiaries	5.1	5.1

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

	53 weeks to 3 March 2019 Rm	52 weeks to 25 February 2018 Rm
6. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	3.7	2.6

Cash and cash equivalents represents a current bank account for administrative purposes, held at an institution which is in line with those used by the Group. Refer to note 17 and note 27 in the Group annual financial statements.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

	53 weeks to 3 March 2019 Rm	52 weeks to 25 February 2018 Rm
7. SHARE CAPITAL		
7.1 Ordinary share capital		
Authorised 800 000 000 (2018: 800 000 000) ordinary shares of 1.25 cents each	10.0	10.0
Issued 493 450 321 (2018: 488 450 321) ordinary shares of 1.25 cents each	6.2	6.1

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% (2018: 5%) of total issued share capital or 24 672 516 (2018: 24 422 516) shares. During the period under review, the Company issued 5 000 000 shares to cover obligations under the Group's employee share scheme. To date, 15 743 000 (2018: 10 743 000) shares have been issued, resulting in 8 929 516 (2018: 13 679 516) shares remaining for this purpose.

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

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

	53 weeks to 3 March 2019 Rm	52 weeks to 25 February 2018 Rm
7.2 B share capital		
Authorised 1 000 000 000 (2018: 1 000 000 000) unlisted, non-convertible, non-participating, no par value B shares	-	-
Issued 259 682 869 (2018: 259 682 869) unlisted non-convertible, non-participating, no par value B shares	-	-

B shares are stapled to 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.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

	53 weeks to 3 March 2019 Rm	52 weeks to 25 February 2018 Rm
8. RELATED PARTY TRANSACTIONS		
8.1 Dividends received		
Pick n Pay Retailers Proprietary Limited	953.0	325.0
Pick n Pay Employee Share Purchase Trust	13.3	11.4
Pick n Pay Holdings Proprietary Limited	7.1	-
Total dividends received from related parties	973.4	336.4
8.2 Loan to subsidiary		
Pick n Pay Retailers Proprietary Limited	901.8	525.8
Total loan to subsidiary	901.8	525.8

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

8.3 Ordinary shares held by directors

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

	53 weeks to 3 March 2019 %	52 weeks to 25 February 2018 %
Beneficial	1.5	1.3
Non-beneficial	26.4	26.5
	27.9	27.8

8.4 B shares held by directors

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

	53 weeks to 3 March 2019 %	52 weeks to 25 February 2018 %
Beneficial	2.2	2.2
Non-beneficial	97.2	97.2
	99.4	99.4

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 3 MARCH 2019

9. FINANCIAL INSTRUMENTS

Overview

The Company has limited exposure to risk in respect of financial instruments, as its only significant financial asset is its loan to a subsidiary (refer to note 8). There is minimal credit risk relating to this item as it is payable within the Group. Market risk is negated as financial assets and liabilities have no exposure to changes in exchange rates and have limited exposure to changes in interest rates.

9.1 Credit risk

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

9.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has unlimited access to the funds and facilities of the Group companies. The Company's liquidity risk is therefore linked to the liquidity of the Group companies. Refer to note 27 of the Group annual financial statements.

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

	53 weeks to 3 March 2019 Rm	52 weeks to 25 February 2018 Rm
Carrying amount*		
Non-derivative financial liabilities		
Trade and other payables	8.0	7.1
Total financial obligations	8.0	7.1

* All contractual cash flows repayable within 1 year

9.3 Capital management

The Company considers the management of capital with reference to Group policy, refer to note 27 of the Group annual financial statements.

9.4 Suretyships

The Company has provided suretyships in the ordinary course of business in respect of its subsidiaries operations, for certain banking facilities to a maximum of R1.0 billion (2018: R1.3 billion). No losses are expected to be incurred on these suretyships.





ADMINISTRATION

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ANALYSIS OF ORDINARY SHAREHOLDERS

PICK N PAY STORES LIMITED

SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	7 989	63.2	2 222 641	0.5
1 001 – 10 000 shares	3 330	26.4	10 764 220	2.2
10 001 – 100 000 shares	960	7.6	31 684 334	6.4
100 001 – 1 000 000 shares	287	2.3	86 745 963	17.6
1 000 001 shares and over	63	0.5	362 033 163	73.3
Total	12 629	100.0	493 450 321	100.0

PUBLIC/NON-PUBLIC SHAREHOLDERS	Number of shareholders	%	Number of shares	%
Non-public shareholders	16	0.1	150 556 998	30.5
Ackerman Investment Holdings (Pty) Ltd	1	0.0	124 677 238	25.3
Mistral Trust	1	0.0	2 735 008	0.6
Ackerman Pick n Pay Foundation	1	0.0	101 900	0.0
Directors	10	0.1	4 972 302	1.0
Shares held on behalf of FSP participants	1	0.0	8 494 000	1.7
Pick n Pay Retailers Proprietary Limited	1	0.0	155 000	0.0
The Pick 'n Pay Employee Share Purchase Trust	1	0.0	9 421 550	1.9
Public shareholders	12 613	99.9	342 893 323	69.5
Total	12 629	100.0	493 450 321	100.0

BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE	Number of shares	%
Ackerman Investment Holdings (Pty) Ltd	124 677 238	25.3
Public Investment Corporation Limited	56 339 744	11.4
Coronation Balanced Plus Fund	16 599 950	3.4
GIC Private Limited	11 867 648	2.4
Alexander Forbes Investments	11 991 423	2.4
The Pick 'n Pay Employee Share Purchase Trust	9 421 550	1.9
Shares held on behalf of FSP participants	8 494 000	1.7
Vanguard Emerging Markets Stock Index Fund (US)	6 608 089	1.3
Vanguard Total International Stock Index Fund	5 410 530	1.1

ANALYSIS OF B SHAREHOLDERS

PICK N PAY STORES LIMITED

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

PUBLIC/NON-PUBLIC SHAREHOLDERS	Number of shareholders		Number of shares	
		%		%
Non-public shareholders	6	23.1	258 295 007	99.5
Ackerman Investment Holdings Proprietary Limited	1	3.9	246 936 847	95.1
Directors	4	15.3	6 008 601	2.3
Mistral Trust	1	3.9	5 349 559	2.1
Public shareholders	20	76.9	1 387 862	0.5
Total	26	100.0	259 682 869	100.0

BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE	Number of shares	
		%
Ackerman Investment Holdings Proprietary Limited	246 936 847	95.1
Mistral Trust	5 349 559	2.1
Gareth Ackerman	3 228 383	1.2

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

APPENDIX

PICK N PAY STORES LIMITED GROUP

PRO FORMA INFORMATION

Certain financial information presented in these Group annual financial results constitutes pro forma financial information.

BASIS OF PREPARATION: 52-WEEK FINANCIAL INFORMATION

The Group manages its retail operations on a 52-week trading calendar where the reporting period will always end on a Sunday. To ensure calendar alignment, a 53rd week of trading is required approximately every six years and as a result, the current financial year includes a 53rd week.

In order to provide useful and transparent comparative information, a 52-week period result for the current financial period ("52-week financial information") is presented for comparison against the corresponding 52-week result, as reported in the previous financial year. The 52-week financial information constitutes pro forma financial information.

The 52-week financial information is presented for illustrative purposes only and is the responsibility of the Board of directors of the Group. Due to its nature, the 52-week financial information may not fairly represent the Group's financial position, changes in equity, results of operations and cash flows.

The Group's external auditor has issued a reporting accountants' report on the 52-week financial information as presented in the table on page 101, which is available for inspection at the Group's registered office.

The 52-week financial information for the 52 weeks ended 24 February 2019 as presented, consists of the audited Group results for the 53 weeks to 3 March 2019, less the impact of the week from 25 February 2019 to 3 March 2019 (the 53rd week). The Group's accounting policies as adopted in the audited Group annual financial statements for the financial period ended 3 March 2019, which have been prepared in accordance with International Financial Reporting Standards, have been used in the preparation of the 52-week financial information. The calculation of earnings per share, headline earnings per share and diluted headline earnings per share for the pro forma 52 weeks is based on the weighted average number of shares in issue over the full 53-week period.

The 53rd week financial impact was calculated as follows:

- Revenue and related cost of sales adjusted for the week of 25 February 2019 to 3 March 2019.
- Other income and expenses related to the week based on an assessment of management information.
- The relevant amounts for the 53rd week have been extracted and recalculated from the Group's accounting records.
- The tax rate applied is equal to the Group's effective tax rate for the 53 weeks ended 3 March 2019.

The 53rd week financial impact as calculated, in the opinion of the directors of the Group, fairly reflects the result of the week of 25 February 2019 to 3 March 2019.

APPENDIX (continued)

PRO FORMA INFORMATION (continued)

The table below presents the impact of week 53:

	As reported 53 weeks to 3 March 2019 ¹ Rm	Week 53 ² Rm	Pro forma 52 weeks to 24 February 2019 ³ Rm	As reported 52 weeks to 25 February 2018 ⁴ Rm
Revenue	90 465.0	2 045.1	88 419.9	82 489.6
Turnover	88 293.2	2 022.0	86 271.2	80 523.5
Cost of merchandise sold	(71 539.3)	(1 685.2)	(69 854.1)	(65 294.6)
Gross profit	16 753.9	336.8	16 417.1	15 228.9
Other income	1 913.0	23.1	1 889.9	1 782.0
Franchise fee income	399.1	9.2	389.9	400.1
Operating lease income	527.8	–	527.8	446.1
Commissions and other income	986.1	13.9	972.2	935.8
Trading expenses	(16 491.3)	(233.3)	(16 258.0)	(15 191.0)
Employee costs	(7 238.9)	(136.9)	(7 102.0)	(6 688.7)
Occupancy	(3 326.8)	(27.3)	(3 299.5)	(3 086.6)
Operations	(3 515.5)	(52.5)	(3 463.0)	(3 178.8)
Merchandising and administration	(2 410.1)	(16.6)	(2 393.5)	(2 236.9)
Trading profit	2 175.6	126.6	2 049.0	1 819.9
Net interest paid	(90.5)	–	(90.5)	(147.1)
Share of associate's income	109.0	–	109.0	116.3
Profit before tax before capital items	2 194.1	126.6	2 067.5	1 789.1
Profit/(loss) on capital items	5.7	–	5.7	(21.0)
Profit before tax	2 199.8	126.6	2 073.2	1 768.1
Tax	(550.3)	(31.7)	(518.6)	(471.8)
Profit for the period	1 649.5	94.9	1 554.6	1 296.3
Headline earnings	1 647.2	94.9	1 552.3	1 312.1
Earnings per share	Cents	Cents	Cents	Cents
Basic earnings per share	347.17	19.97	327.20	273.64
Diluted earnings per share	342.85	19.73	323.12	268.33
Headline earnings per share	346.69	19.98	326.71	276.98
Diluted headline earnings per share	342.37	19.72	322.65	271.61
South Africa operating segment	Rm	Rm	Rm	Rm
Total segment revenue	86 541.0	1 972.2	84 568.8	78 703.5
Segmental external turnover	84 401.4	1 949.5	82 451.9	76 765.6
Profit before tax before capital items	1 939.1	113.6	1 825.5	1 501.2
Profit before tax	1 945.5	113.6	1 831.9	1 480.2
Rest of Africa operating segment	Rm	Rm	Rm	Rm
Total segment revenue	4 838.9	89.5	4 749.4	4 648.1
Segmental external turnover	3 891.8	72.5	3 819.3	3 757.9
Profit before tax before capital items	255.0	13.0	242.0	287.9
Profit before tax	254.3	13.0	241.3	287.9

¹ Presents the audited Group result for the 53 weeks ended 3 March 2019

² Presents the financial impact of the week from 25 February 2019 to 3 March 2019 (the 53rd week)

³ Presents the 52-week financial information for the 52 weeks ended 24 February 2019

⁴ Presents the audited Group result for the 52 weeks ended 25 February 2018

APPENDIX (continued)

PRO FORMA INFORMATION (continued)

The table below presents the Group profit for the current and previous period on a comparable basis, after removing the impact of week 53.

	Pro forma 52 weeks to 24 February 2019 Rm	% of turnover	% change	As reported 52 weeks to 25 February 2018 Rm	% of turnover
Revenue	88 419.9		7.2	82 489.6	
Turnover	86 271.2		7.1	80 523.5	
Cost of merchandise sold	(69 854.1)		7.0	(65 294.6)	
Gross profit	16 417.1	19.0	7.8	15 228.9	18.9
Other income	1 889.9	2.2	6.1	1 782.0	2.2
Franchise fee income	389.9	0.5	(2.5)	400.1	0.5
Operating lease income	527.8	0.6	18.3	446.1	0.6
Commissions and other income	972.2	1.1	3.9	935.8	1.2
Trading expenses	(16 258.0)	18.8	7.0	(15 191.0)	18.9
Employee costs	(7 102.0)	8.2	6.2	(6 688.7)	8.3
Occupancy	(3 299.5)	3.8	6.9	(3 086.6)	3.8
Operations	(3 463.0)	4.0	8.9	(3 178.8)	3.9
Merchandising and administration	(2 393.5)	2.8	7.0	(2 236.9)	2.8
Trading profit	2 049.0	2.4	12.6	1 819.9	2.3
Net interest paid	(90.5)	0.1	(38.5)	(147.1)	0.2
Share of associate's income	109.0	0.1	(6.3)	116.3	0.1
Profit before tax before capital items	2 067.5	2.4	15.6	1 789.1	2.2
Profit/(loss) on capital items	5.7			(21.0)	
Profit before tax	2 073.2	2.4	17.3	1 768.1	2.2
Tax	(518.6)	0.6		(471.8)	0.6
Profit for the period	1 554.6	1.8	19.9	1 296.3	1.6
Earnings per share	Cents		% change	Cents	
Basic earnings per share	327.20		19.6	273.64	
Diluted earnings per share	323.12		20.4	268.33	
Headline earnings per share	326.71		18.0	276.98	
Diluted headline earnings per share	322.65		18.8	271.61	
South Africa operating segment	Rm		% change	Rm	
Total segment revenue	84 568.8		7.5	78 703.5	
Segmental external turnover	82 451.9		7.4	76 765.6	
Profit before tax before capital items	1 825.5		21.6	1 501.2	
Profit before tax	1 831.9		23.8	1 480.2	
Rest of Africa operating segment	Rm		% change	Rm	
Total segment revenue	4 749.4		2.2	4 648.1	
Segmental external turnover	3 819.3		1.6	3 757.9	
Profit before tax before capital items	242.0		(15.9)	287.9	
Profit before tax	241.3		(16.2)	287.9	

APPENDIX (continued)

PRO FORMA INFORMATION (continued)

BASIS OF PREPARATION: CONSTANT CURRENCY PRO FORMA INFORMATION

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

The constant currency pro forma information has been presented to illustrate the impact of changes in the Group's major foreign currencies, namely the Zambia kwacha and the Botswana pula, and has been presented on a 52-week basis for comparability purposes. 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 52-week turnover translated at the 52-week average exchange rates. The segmental revenue growth in constant currency is calculated by translating the prior period local currency segmental revenue at the current period 52-week average exchange rates on a country-by-country basis and then comparing that against the current period 52-week segmental revenue translated at the current period 52-week average exchange rates. The average Zambia kwacha exchange rate to the South African rand is 0.79 (2018: 0.72) and the average Botswana pula exchange rate to the South African rand is 0.76 (2018: 0.79).

The constant currency pro forma information, which is the responsibility of the Group's directors, has been presented for illustrative purposes and because of its nature may not fairly present the Group's financial position, changes in equity or results of operations.

The Group's external auditor has issued a reporting accountants' report on the constant currency pro forma information, which is available for inspection at the Group's registered office.

52 weeks to 24 February 2019	% increase reported currency	% increase constant currency
Rest of Africa segmental revenue	2.2	5.3
Group turnover	7.1	7.3

ADDITIONAL INFORMATION

LIKE-FOR-LIKE TURNOVER GROWTH COMPARISONS

Like-for-like turnover growth is a measure of the Group's comparable turnover growth, removing the impact of store openings and closures in the current and previous reporting periods.

CORPORATE INFORMATION

PICK N PAY STORES LIMITED

Registration number: 1968/008034/06

JSE share code: PIK

ISIN: ZAE000005443

BOARD OF DIRECTORS

EXECUTIVE

Richard Brasher (CEO)

Aboubakar (Bakar) Jakoet (CFO)

Richard van Rensburg (CIO)

Suzanne Ackerman-Berman

Jonathan Ackerman

NON-EXECUTIVE

Gareth Ackerman (Chairman)

David Robins

INDEPENDENT NON-EXECUTIVE

David Friedland

Hugh Herman

Alex Mathole

Audrey Mothupi

Lorato Phalatse (resigned during August 2018)

Jeff van Rooyen

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First National Bank

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