AUDITED ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED
25 FEBRUARY 2018

These Group and Company annual financial statements have been prepared by the Pick n Pay 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, comprising the statements of financial position at 25 February 2018, 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 and the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of 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 18 April 2018, 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 25 February 2018, 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 (Companies Act), 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

18 April 2018

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, a 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 and indirectly are presented in note 25 of the Group annual financial statements.

OVERVIEW OF FINANCIAL RESULTS AND ACTIVITIES

Refer to the review of operations on pages 15 to 25 for an overview of financial results and activities of the Group.

AUDIT, RISK AND COMPLIANCE COMMITTEE

We draw your attention to the audit, risk and compliance committee report on pages 10 to 14 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 100) of 155.40 cents per share out of income reserves. Refer to page 26 for more information.

SHARE CAPITAL

At period-end, 6 654 945 shares (2017: 6 531 853 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, 6 853 500 shares (2017: 9 336 500) of Pick n Pay Stores Limited are held within the Group in order 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 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 2018 financial period been involved, in any legal or arbitration proceedings which may have or have had a material effect on the financial position of the Group, nor is the Company aware of any such proceedings that are pending or threatened.

SPECIAL RESOLUTIONS

On 31 July 2017, the Company's shareholders approved the following special resolutions as tabled in the notice to the annual general meeting:

DIRECTORS' FEES FOR THE 2018 AND 2019 ANNUAL FINANCIAL PERIOD

Shareholders approved the directors' fees.

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

The 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.

DIRECTORS' REPORT (continued)

SPECIAL RESOLUTIONS (continued)

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.

REPLACEMENT OF THE COMPANY'S MEMORANDUM OF INCORPORATION

Shareholders resolved to replace the existing Memorandum of Incorporation of the Company with a new Memorandum of Incorporation. The new Memorandum of Incorporation reflects the number of B shares that were authorised following the unbundling of Pick n Pay Holdings Limited RF.

In addition, the new Memorandum of Incorporation reflects the Company's adoption of the 4-4-5 Retail Calendar, where the 52-week financial period begins on a Monday and ends on a Sunday at the end of February or the beginning of March in each year.

DIRECTORS AND SECRETARY

Refer to note 4 to the Group annual financial statements for a list of directors of the Company for the 2018 financial year.

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

Hugh Herman (independent non-executive)
Jeff van Rooyen (independent non-executive)
Audrey Mothupi (independent non-executive)
David Robins (non-executive)

The Company Secretary is Debra Muller.

DIRECTORS' INTEREST IN SHARES

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

BORROWINGS

The Group's overall level of debt (including bank overdrafts and overnight borrowings) increased by R395.6 million to R2 328.8 million, as capital invested for expansion is funded by cost-effective short-term borrowings.

Gareth Ackerman
Chairman

Richard Brasher
Chief Executive Officer

18 April 2018

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 28 to 87 and 90 to 100, which comprise the consolidated and separate statements of financial position as at 25 February 2018, and the consolidated and separate statements of profit or loss and other 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 25 February 2018, 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 Pick n Pay Stores Limited 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 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 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
Accounting for rebates and other income in the costing of inventory	
The gross carrying value of inventory is disclosed in note 15. Management have applied significant judgement relating to determining the rebates and other income that have been received as a reduction in the purchase price of inventories and thus need to be taken into consideration in the measurement of the cost of inventory on hand at 25 February 2018, and those that are earned for a specific and genuine service to the supplier and are therefore not a reduction in the cost of inventory. 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. 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 cost of inventory, including adherence to contractual terms, 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. In addition, the Group restated its prior period cost of inventory after reassessing the recognition of rebates and other income in the cost of inventory. More detail is set out in note 28. As a result we focused on the recognition and accounting for rebates and other income in the costing of inventory in the current period and the restatement of cost of inventory for the prior period. Accordingly, the accounting for rebates and other income in the costing of inventory is considered to be a key audit matter.	Our procedures included: • Review of a number of major supplier agreements to understand the terms; • Considering the reasonableness of management's assumptions regarding which rebates and other income should be treated as a reduction in the purchase price of inventories and thus taken into account in the measurement of the cost of inventory on hand; • Assessing the systems used to calculate rebates as well as the controls implemented to ensure the accurate calculation of rebates and the rebate amounts to be applied against cost of inventories; and • For a sample of products recalculating the rebates to be applied against the cost of inventories. We further ensured the following: • The process used by management to determine the list of supplier rebates which were included in the cost of inventories was reasonable; • The assumptions used in calculating the supplier rebates applied to cost of inventory were reasonable and consistently applied; • The rebate amounts recognised were accurate and recorded in the correct period. 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; • That rebates and other income and related costs were appropriately classified; and • That appropriate costs, as required by IAS 2 *Inventories*, were capitalised to inventory. With respect to the prior period restatement impacting the cost of inventory, we performed the following additional procedures, apart from those noted above: • Ensuring the methodology and assumptions applied for the current period costing of inventories were consistently applied, as applicable, to the prior period inventory valuation; • Recalculated the amounts prepared by management that reflect the restatement, required to the cost of inventory; and • Considering the adequacy and accuracy of the related disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Provisions against inventory	
As disclosed in note 15, management have made provisions for shrinkage, obsolescence and mark downs against inventory. 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 thus the expectation of sales volumes of the products being considered. Changes each period in trading conditions and consumer behaviour as well as the composition of what is on hand at period end all impact this assessment and thus require specific audit attention on an annual basis. Given the level of judgement involved in management estimates that are required to determine these provisions and the potential quantitative materiality, we consider the provisions against inventory to be a key audit matter.	Our procedures included, amongst others: • Considering the methodology applied by management to determine the provisions and evaluating the reasonableness thereof across various inventory types; • Evaluating the 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 • Evaluating the overall reasonableness of the provisions by performing analytical procedures on provisioning levels, including against historical experience and potential future trends.

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 and Administration, 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.

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.

INDEPENDENT AUDITOR'S REPORT (continued)

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 3 years.

Ernst & Young Inc.
Director: Malcolm Rapson
Registered Auditor
Chartered Accountant (SA)

Waterway House
3 Dock Road
V&A Waterfront
Cape Town

18 April 2018

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

PICK N PAY STORES LIMITED GROUP

INTRODUCTION

The Group operates in the fast-moving consumer foods industry in Africa 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 committee does not and cannot replace the Board's overall responsibility to review and approve the Group's financial statements.

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 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 CEO, the CFO, 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 committee chairman meets with executives, and the external and internal auditors, whenever necessary. The effectiveness of the committee is assessed as part of the annual Board and committee self-evaluation process.

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 2018 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 Arthur Andersen and KPMG, 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

For full details of the members' qualifications and experience, refer to their CVs in the 2018 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 external auditors and Group internal audit services
- Obtain outside legal or other professional advice
- Have access to the resources it needs to fulfil its responsibilities
- Set and maintain an appropriate mandate for subsidiary company audit committees

The full details of the role of the committee are set out in the Corporate Governance Report, which is available for viewing on the Group's website at www.picknpayinvestor.co.za.

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT (continued)

INTEGRATED AND FINANCIAL REPORTING AND FINANCE FUNCTION

RESPONSIBILITIES	ACTIVITIES PERFORMED
• Providing independent oversight and assessment of the effectiveness of the Group's assurance functions and services, with particular focus on combined assurance arrangements, including external assurance service providers, internal audit 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	• Reviewed and recommended to the Board 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 Listing Requirements of the JSE and the King IV Report on Corporate Governance for South Africa (King IV) • Reviewed and approved the appropriateness of accounting policies, restatements, disclosure policies and the effectiveness of internal financial controls • 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

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
• Reviews and approve the internal audit charter and audit plans • Evaluates the independence, effectiveness and performance of the internal audit function and compliance with its mandate • Reviews the Group's system of internal control, including financial controls, ensuring that management is adhering to and continually improving these controls • Reviews significant issues raised by the internal audit process • Reviews policies and procedures for preventing and detecting fraud	• Reviewed the internal audit coverage plan • Considered and confirmed the composition, experience, resources, independence and skills of the internal audit function • Considered and confirmed that the head of the internal audit function has the appropriate expertise and experience for the position • Ensured continued progress in integration with the combined assurance model • Reviewed the effectiveness of internal financial controls • Met separately with the internal auditors to confirm that they received the full co-operation of management

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT (continued)

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 three years.

The committee annually considers whether a tender process should be adopted to establish whether new external auditors should be appointed. After consideration, the committee concluded that a new tender process was not required in the 2019 financial year.

The designated audit partner will be rotated in the event that EY is auditing the Group in the 2020 financial year.

The committee confirmed its satisfaction with the performance and level of service rendered by EY for the 2018 financial period.

RESPONSIBILITIES	ACTIVITIES PERFORMED
• Act as a liaison between the external auditors and the Board • Nominate the external auditor for appointment by shareholders • Determine annually the scope of audit and non-audit services that the external auditors may provide to the Group • Approve the remuneration of the external auditors and assess their performance • Assess annually the independence of the external auditors • Ensure a process is in place for the committee to be informed of any reportable irregularities identified by the external auditor	• Ensured the appointment as external auditor a registered auditor, who, in the opinion of the committee, was independent of the Group and recommended approval for the re-appointment of EY as external auditors • Ensured that the appointment of the external auditor complied with relevant legislation • 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

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT (continued)

RISK MANAGEMENT

The Chief Finance Officer serves as the Chief Risk Officer of 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
• Ensures 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 • Ensures that the Group's assets are secure • Ensures that the accounting system and controls are adequate and function effectively • Ensures that the effectiveness of the internal control measures are continually evaluated • Ensures that systems exist that adequately provide for the Group's conformance with all laws, regulations and codes	• 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 to the material operating divisions in the Group • Ensured that management's processes and procedures were adequate to identify, assess, manage and monitor enterprise-wide risks • Reviewed 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 2018 financial period, included: - Water crisis in the Western Cape, South Africa - Listeriosis outbreak in South Africa - Recent corporate governance failures in South Africa and their implications on risk management and director responsibilities in oversight of management

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 year, EY received R0.8 million (2017: R0.4 million) equating to 8.8% (2017: 4.2%) of the total audit remuneration. These services related mainly to agreed-upon procedures for third party confirmation and assurance. All non-audit services undertaken during the 2018 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 2018 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. This conclusion was reinforced by the Group receiving an award from the Institute of Risk Management of South Africa in the category *Wholesale & Retail Industry* in "recognition of outstanding contribution towards risk management".

ANNUAL FINANCIAL STATEMENTS AND GOING CONCERN

Following review of the consolidated Group and separate Company annual financial statements for the financial year ended 25 February 2018, 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 2018 financial year and the results of the operations and cash flows for the year 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 2018 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 2018 financial period and that its report to shareholders was approved by the Board.

Jeff van Rooyen
Chairman: audit, risk and compliance committee

18 April 2018

REVIEW OF OPERATIONS

PICK N PAY STORES LIMITED GROUP

LEANER, FITTER AND BETTER FOR CUSTOMERS

KEY FINANCIAL INDICATORS

	52 weeks to 25 February 2018	52 weeks to 26 February 2017*	% change
Turnover	R81.6 billion	R77.5 billion	5.3
Gross profit margin	18.7%	18.7%	
Trading profit	R1 819.9 million	R1 735.6 million	4.9
Trading profit margin	2.2%	2.2%	
Profit before tax, before capital items	R1 789.1 million	R1 723.3 million	3.8
Profit before tax	R1 768.1 million	R1 677.0 million	5.4
Profit for the period	R1 296.3 million	R1 216.0 million	6.6
Basic earnings per share ("EPS")	273.64 cents	250.98 cents	9.0
Diluted earnings per share ("DEPS")**	268.33 cents	244.65 cents	9.7
Headline earnings per share ("HEPS")	276.98 cents	258.65 cents	7.1
Diluted headline earnings per share ("DHEPS")**	271.61 cents	252.13 cents	7.7
Total annual dividend per share	188.80 cents	176.30 cents	7.1

* *The financial information presented above is on a restated basis. Please refer to note 28 of the audited Group annual financial statements for further information.*

** *Diluted earnings per share and diluted headline earnings per share reflect the dilution effect of share options held by participants in the Group's employee share schemes.*

RESULT SUMMARY

- An important and successful year in which Pick n Pay took decisive steps to become leaner, fitter and better for customers
- Action to reduce operating costs and increase productivity created headroom to invest in lower prices for customers
- Successful strategy demonstrated by strong sales growth in final quarter, generating real momentum for FY19 and beyond
- Action taken to reduce the cost of the Group's operating model included a voluntary severance programme (VSP) with a once-off severance cost of R250.0 million
- Including VSP payments, trading profit grew 4.9%, with margin maintained at 2.2%
- Excluding the VSP payments, trading profit for the year was up 19.3%, at 2.5% of turnover, a strong indication of the Group's sustainable profit improvement
- Headline earnings per share were up 7.1% on last year, with diluted HEPS up 7.7%
- Turnover growth for the year was up 5.3% (like-for-like 2.2%) with lower annual selling price inflation of 2.2%
- Market-beating sales growth of 8.0% in our South African segment in final quarter, with like-for-like growth of 5.3%, against 0.2% internal selling price inflation. Strong volume growth of 5.1%
- Gross profit margin maintained at 18.7%, with lower prices supported by better buying and strong discipline on cost

This was an important year for Pick n Pay. In the first half of the year, the Group initiated a number of substantial programmes to reduce costs and increase productivity in store operations, support office and buying. Their successful implementation enabled the Group in the second half of the year to put forward a more competitive offer for customers through lower prices and better promotions. The Group has also improved its offer to customers through an advanced store expansion and refurbishment programme, and improved fresh and own brand products.

This plan has set a new trajectory for the Group to increase its long-term sustainable earnings. We expect the fruits to be particularly evident in FY19 and beyond. However, in the year under review, the action to reduce operating costs had a once-off impact of R250.0 million in the form of payments to employees who left the Group through a voluntary severance programme (VSP).

Evidence that the Group has built a leaner, fitter operating model was demonstrated by the fact that, excluding the VSP payments, trading profit for the year was up 19.3%, with trading margin improving from 2.2% to 2.5%.

REVIEW OF OPERATIONS (continued)

RESULT SUMMARY (continued)

The Group's success in building a more competitive offer to customers was evident in an exceptional fourth quarter trading performance. In this quarter, the Group's South African segment delivered sales growth of 8.0%, with like-for-like growth of 5.3%. This was well ahead of the market and was achieved at a time when internal selling price inflation had fallen to just 0.2%.

The Group's overall annual turnover growth of 5.3% (like-for-like 2.2%) was delivered in a tough market, with some disruption from the voluntary severance programme (VSP) in the first half of the year. Selling price inflation at 2.2% was substantially lower than the 6.1% of last year. Positive volume growth of 1.5% in the second half of the year ameliorated the Group's negative volume growth of 1.8% of the first half.

Including the VSP payments, trading profit was up 4.9% on last year, headline earnings per share up 7.1%, and diluted HEPS up 7.7%.

The VSP costs will not recur in FY19. The Group is confident that the benefits of its structural changes and increased momentum achieved over the past year will be carried into the 2019 financial year and beyond.

REDUCING COSTS AND IMPROVING OPERATING EFFICIENCY

The Group made substantial progress in improving its operational effectiveness in 2018 through material cost savings across its support office, store operations and supply chain.

Achievements included:

A STREAMLINED AND EFFICIENT LABOUR FORCE

The Group completed its voluntary severance programme (VSP) in Pick n Pay in May 2017, reducing the size of its labour force by around 10%. The VSP improved the efficiency and productivity of staff by removing roles and functions that were no longer required due to improved ways of working. The cost of making compensation payments to colleagues who left the Group fell entirely within the first half of the year. This cost has been neutralised over the full year through related savings, and there is no further cost to come. The Group is reaping the benefits of a streamlined labour force both in terms of lower cost and greater productivity, which will support further investment in the customer offer. While the cost of the VSP has impacted profits in 2018, the Group is confident that the positive impact of the programme, both on sales and profit, will deliver further momentum in the 2019 financial year.

GREATER CENTRALISATION ACROSS THE SUPPLY CHAIN

Pick n Pay made further progress on its plan to have a fully centralised procurement and distribution channel. More products were taken through its distribution centres this year, with the total volume of centralised supply increasing to 68% (2017: 60%). The percentage of grocery volume centralised has reached 70% across the country, with the centralisation of fresh and perishable produce at 80%, and general merchandise at 40%.

Overall centralisation in the Western Cape region, serviced by the Group's Philippi distribution centre, has reached 78%, with centralised grocery volume at 90%. The Philippi distribution centre now delivers to all stores along the Garden Route of South Africa, improving availability across the region, and driving further cost savings and efficiencies along the 300 km coastal stretch into the Eastern Cape.

Centralisation in the Gauteng region of South Africa, serviced by the Longmeadow distribution centre, has grown to just over 70%, with grocery centralisation now at 75%.

Pick n Pay's new grocery distribution centre in KwaZulu-Natal is now fully operational and began delivering to stores in March 2018. The distribution centre covers 25 000 sqm, can accommodate 15 000 stock keeping units (SKU's) and has a fleet of 32 trucks, to service 94 company-owned and franchise stores across KwaZulu-Natal. Stores will benefit from fewer and more frequent deliveries and improved stock availability.

The growth in volumes issued out of our distribution centres is up 16% on last year. Green-light receiving is now complete for all company-owned stores, resulting in a more efficient back-door process and a reduced vehicle turnaround time.

The Group's Boxer business also delivered progress on its centralisation plans. Boxer's Cato Ridge distribution centre, outside Durban, now services all Boxer Superstores and Boxer Punch stores in KwaZulu-Natal. Boxer opened a second distribution centre in East London in the second half of the year to deliver groceries to its stores across the Eastern Cape. Boxer has demonstrated the same conviction as Pick n Pay in building a cost effective, fully centralised supply chain. The benefits of its maturing warehouse management system and improved demand planning and replenishment is evident in its reduced stock holding, improved on-shelf availability and exceptional waste management.

REVIEW OF OPERATIONS (continued)

A MODERN LOYALTY PROGRAMME

Pick n Pay modernised its Smart Shopper loyalty programme in March 2017, delivering a more modern programme offering greater relevance to customers. The new-look scheme places stronger emphasis on weekly personalised discounts, with a reduction in the automatic award of base points. The changes required a strong and clear engagement process with loyalty customers, and the response has been positive. The Group saw a 30% increase in the redemption of personalised vouchers by its seven million active loyalty customers. The Group offered R3 billion in personal discounts to its Smart Shoppers in 2018. The increase in product specific discounts has delivered stronger customer advocacy and enabled greater supplier participation and funding. The programme is now significantly cheaper for the Group to run, with cost savings reinvested in lower prices for customers.

BUYING FOR LESS

Pick n Pay's buy-for-less programme delivered meaningful savings for the Group and for customers, particularly in the last quarter of the year. The programme has focused on closer collaboration with suppliers to improve efficiencies and lower costs across the supply chain. It is supported by a dedicated IT platform and supplier portal within Pick n Pay. The platform provides comprehensive real-time product and supplier data to facilitate transparent fact-based engagement and accurate decision-making. The programme has strengthened relationships with over 3 000 suppliers, improved inventory management and provided greater value for customers.

DELIVERING MORE VALUE AND A BETTER SHOPPING EXPERIENCE FOR CUSTOMERS

The Group's determined focus on improving the efficiency and cost-effectiveness of its operations, including through the actions detailed above, enabled it to channel substantial investment into its customer offer over the year, in particular through lower prices, more value and an enhanced shopping experience.

Highlights include:

LOWER PRICES AND STRONGER PROMOTIONS

In March 2017 the Group invested R500 million in price cuts across 1 300 every day groceries items. In the second half of the year, the Group was able to extend this price investment to 2 000 lines, including unbeatable deals on fresh fruit and vegetable combos, and keen pricing on key butchery lines.

The Group has simplified its promotional calendar, and has strengthened its marketing. The Group has had great success with recent promotions, with a number of discounted lines growing in excess of 60% over the course of its campaigns.

Selling price inflation was restricted to 2.2% for the year (2017: 6.1%), well below CPI food inflation of 5.9%. Selling price inflation fell steadily from the 3.6% reported in the first half of the year, reaching just 0.2% in the last quarter.

Our work on pricing could not have come at a more important time. 84% of South African families survive on a household income of less than R20 000 per month. Pick n Pay and Boxer serve customers across all communities and income groups, and we are determined to meet the needs of all our customers, including the most vulnerable in our society. Notwithstanding the financial and other challenges faced, lower LSM (living standard measure) communities are resilient, dynamic and aspirational. Pick n Pay and Boxer are well positioned to capture the growth that a stronger South Africa will deliver to these and other communities. The Group's market-beating fourth quarter trading performance was under-pinned by exceptional growth in Pick n Pay and Boxer stores serving our lower- to middle-income customers.

The Group is particularly encouraged by the performance of its Boxer business, having spent a number of years repositioning Boxer into a lean and agile discount supermarket. Focusing on middle and lower-income customers, Boxer has accelerated its turnover growth in a highly contested market. It has continued to win customers in tough times through a compact and well-defined range, highly competitive prices and a compelling meat and fresh produce offer. Boxer is without doubt South Africa's leading limited range discount supermarket.

A FLEXIBLE ESTATE WITH A WIDER REACH

The Group's new space growth remains measured and considered, focused on sites which can deliver sustainable long-term returns. Changing customer demographics and needs provide good opportunities for the Group to grow sales and extend its reach without impacting on existing stores or trading densities.

The Group, excluding TM Supermarkets, opened 124 net new stores this year (153 additions, 29 closures), adding 3.3% to its total space. New stores contributed 3.1% to turnover growth. This included 72 new Pick n Pay company-owned stores and 22 Boxer stores across all formats.

REVIEW OF OPERATIONS (continued)

The Group opened 59 franchise stores during the year, including 7 supermarkets, 35 liquor stores, 9 express stores and 8 spaza shops. The Pick n Pay franchise model is an effective way for emerging entrepreneurs to build businesses leveraging the buying, distribution and systems capability of Pick n Pay.

The Group has led a collaborative programme with government and others to help revitalise township enterprises and contribute to inclusive growth. 14 local entrepreneurs have now been mentored by Pick n Pay staff in Soweto, Gugulethu and other areas. The partnership has helped the local shopkeepers to modernise their stores and their offer, benefiting from access to Pick n Pay's supply chain and product range. They are now bringing a safe, modern and high-quality grocery offer to previously under-served customers. Pick n Pay will continue to play a positive role in growing the informal retail market in South Africa, in order to transfer skills and ownership to economically marginalised entrepreneurs.

The Group opened 29 clothing stores during the year. Pick n Pay clothing provides exceptional quality and value, and customers continue to choose Pick n Pay for its strong range for the whole family. The Group's clothing division delivered turnover growth ahead of its peers in the apparel sector.

At the end of February, the Group had 1 685 stores, including 57 stores held through its investment in TM Supermarkets in Zimbabwe.

BETTER STORES

The Group refurbished 80 stores over the course of the year, 61 company-owned and 19 franchise. Major store refurbishments included Pick n Pay's flagship Constantia supermarket in the Western Cape, its Durban North Hypermarket in KwaZulu-Natal and the Northgate Hypermarket in Gauteng. These stores all demonstrate the ongoing development of the Group's Next Generation store format and operating model, with an improved store design, a more compact range and a strong fresh and convenience offer. The Next Generation model is tailored for each store, delivering an offer relevant to the customers it serves. As an example, our new Next Generation store in Polokwane offers an enhanced customer experience, with more focus on bulk commodity offers, grocery and produce combos, and delicious hot meal options. Our Next Generation stores continue to deliver like-for-like turnover growth ahead of the rest of the estate, giving the Group ongoing confidence in the merits of its investment.

The Group is encouraged by the performance of its two new-look Hypermarkets, which after major renovations, have been down-sized and redesigned to offer a light, bright and spacious shopping experience, with greater trading space, a stronger fresh produce range and a differentiated general merchandise offer. Both of these Hypermarkets are delivering double-digit turnover growth.

A COMPELLING OWN BRAND AND CONVENIENCE RANGE

The Group's strong range of own brand products and convenience meals is an important part of its differentiated customer offer. Pick n Pay introduced 730 new or refreshed own brand products over the year, including 25 products from its "Pick Local" supplier development programme. There is growing customer support for our own brand products, with a number of products growing at more than double the rate of independent, national brands in the same category. Pick n Pay was particularly proud of the recognition received for its range of convenience meals, which earned 20 first places in the Sunday Times Food Awards. Pick n Pay own brand participation is 19%, and the Group is confident that it can grow this to 30% over the medium-term. Boxer is also finding success with its own brand products, with strong growth in own brand staple commodity products like maize, maas and canned vegetables.

LEADING ONLINE OFFER

Pick n Pay is the leading online grocery retailer on the African continent. The Group continues to invest in its digital platform, providing customers with unbeatable convenience and ongoing innovation. Pick n Pay's online offer was boosted this year by a new mobile-enabled website, which makes online shopping easier than ever before.

These and other improvements have generated a 150% increase in online customer registrations, with a 70% increase in customers accessing Pick n Pay online from a mobile device. Our dedicated online distribution centres in the Western Cape and Gauteng are giving customers a broader range, better availability and consistently high standards of delivery. The Western Cape facility situated in our Brackenfell Hypermarket delivered 25% sales growth, with our "Click n Collect" option growing 23% year-on-year, and our Business to Business service growing 16%.

REVIEW OF OPERATIONS (continued)

FINANCIAL SERVICES

The Group's partnership with TymeDigital (a subsidiary of the Commonwealth Bank of Australia) is providing its customers with greater access to banking services at the lowest cost across the banking industry. The partnership leverages off Pick n Pay's extensive store and IT infrastructure and Commonwealth Bank of Australia's extensive digital banking expertise. During the year, its money transfer service attracted over 300 000 new customer registrations. The service enables real time, digital customer validation at an in-store kiosk, allowing customers to send money transfers from any till point once they are registered. Pick n Pay now has 160 money counters across the country.

The Group launched its first Pick n Pay Store account this year, in partnership with RCS, a local subsidiary of BnP Paribus Bank. It offers the most affordable form of credit in the market, with a 55 days free credit payment option, no joining fee, no hidden administration fees and the lowest monthly fee in the market. The account is accessed through the customer's Smart Shopper card, with the credit provider carrying all associated funding costs and credit risk. Since the launch in September, 56 000 store account holders have been approved and just over R1 billion total credit has been granted.

BUILDING A SECOND ENGINE OF GROWTH OUTSIDE SOUTH AFRICA

The Group has an established presence in Botswana, Lesotho, Namibia, Swaziland, Zambia and Zimbabwe (49% investment in its associate, TM Supermarkets). The Group's foreign operations contributed R4.6 billion of segmental revenue this year, up 9.3% in constant currency terms, notwithstanding difficult trading conditions in some of these regions. In Zambia, stronger operational efficiency and tight cost control tempered the impact of the tough trading environment on turnover growth.

Notwithstanding the challenges in Zambia, the Group remains confident about its long-term prospects and will continue to build scale in the region and drive growth through a competitive customer offer.

The Group's franchise operations performed well, particularly in Namibia and Swaziland, while the outstanding performer in the Rest of Africa segment was TM Supermarkets in Zimbabwe. TM is benefiting from a positive contribution from its Pick n Pay branded stores and increasing customer demand for Pick n Pay own brand products. The team demonstrated sound gross margin management and good expense control, to deliver strong profit growth. Pick n Pay's share of TM's profits is up 45% year-on-year, with 58.5% growth in local currency.

REVIEW OF FINANCIAL PERFORMANCE

ACCOUNTING RESTATEMENTS

The Group reclassified certain elements of supplier income received and advertising costs incurred, which impacted its inventory valuation methodology. Advertising costs and related recoveries are now recorded on a gross basis within trading expenses and gross profit respectively. Any supplier income received that is not directly related to the cost of merchandise sold is now recognised within other trading income.

The result is presented on a restated basis. For further information on the restatement of reported gross profit, other trading income, trading expenses and the value of inventory, refer to note 28 of the Group annual financial statements. The correction has not had a significant impact on either the profitability or the financial position of the Group.

THE UNBUNDLING OF PICK N PAY HOLDINGS LIMITED

The Group modernised its control structure in the first half of last year, with the unbundling of the Pick n Pay Holdings Limited RF Group (unbundling transaction). Although there were material non-recurring items in certain individual categories of other trading income and trading expenses, the transaction had no impact on trading profit or headline earnings in the prior year.

The result presented below excludes the non-recurring items related to the unbundling transaction. The result commentary is presented on a normalised basis. Please refer to the appendix provided for the principal differences between the Group's normalised and published results – "summary of non-recurring items".

TURNOVER

Group turnover increased 5.3% to R81.6 billion, with like-for-like turnover growth of 2.2%. Selling price inflation was kept to 2.2% for the year. The Group's South Africa division delivered turnover growth of 5.1% over the year, with like-for-like growth of 2.3%.

The Group's muted turnover growth reflects the pressure of an exceedingly challenging trading environment, particularly over the first three quarters of the year. However, the positive steps taken by the Group to invest in its customer offer found traction in the final quarter of the year, with a stronger trading performance across all formats. The Group delivered sales growth of 7.3% in quarter four, with like-for-like growth of 4.9%. This performance was underpinned by the performance of the South Africa division, which delivered 8.0% sales growth, (like-for-like 5.3%), and positive volume growth against 0.2% selling price inflation.

REVIEW OF OPERATIONS (continued)

On a constant currency basis, Group turnover was up 5.3%, with like-for-like turnover growth of 2.2%. Please refer to the appendix provided for further information on the constant currency and like-for-like calculations.

GROSS PROFIT

Gross profit increased by 5.5% to R15.3 billion (FY17: R14.5 billion). Gross profit margin remained unchanged at 18.7%. Greater price competitiveness was achieved without sacrificing margin through a combination of better buying, and strong discipline on operating and supply chain costs.

OTHER TRADING INCOME

Other trading income consists of franchise fee income, operating lease income, commissions, income from value-added services, and other supplier income. Other trading income increased 15.6% over the year to R1.8 billion (FY17: R1.5 billion).

Franchise fee income was up 14.4% to R400.1 million (FY17: R349.8 million), with 46 net new franchise stores added over the year. A number of legacy franchise agreements have been restructured to bring them in line with the standard terms and conditions of the Group's current franchise arrangements. Any increase in franchise fees received as a result of this alignment has been offset by higher royalty payments to franchisees on products purchased through the Group's supply chain (included within gross profit). On a comparable basis, franchise fee income increased by 4.3%.

Operating lease income increased by 29.2% to R446.1 million (FY17: R345.3 million), largely driven by new head leases added over the year. Strategic head leases safeguard the long-term tenancy of Pick n Pay franchise stores at key locations. The increase in rental income received is matched with an equal corresponding increase in rent paid (included within occupancy costs).

Commissions, income from value-added services (VAS), and other supplier income grew 10.5% to R914.4 million (FY17: R827.3 million). VAS income grew 30.1% year-on-year, driven by strong growth in income from financial services and commissions received on third party bill payments and prepaid electricity purchases.

On a comparable basis, excluding the impact of the restructure of certain franchise agreements and the impact of new head leases detailed above, other trading income increased by 8.4%.

TRADING EXPENSES

Trading expenses of R15.2 billion (FY17: R14.2 billion) were up 6.7% on the prior year, with like-for-like expense growth of 1.6%. Excluding the R250.0 million once-off cost of VSP compensation packages paid in the first half of the year, trading expenses were up 4.9%. This demonstrates the Group's ongoing success in improving the management of its operating costs.

Employee costs increased 4.3% to R6.7 billion, with like-for-like growth of -2.3%. Labour costs improved by 0.1 percentage point to 8.2% of turnover. Excluding the impact of VSP compensation payments detailed above, employee costs grew just 0.4% year-on-year, falling to 7.9% of turnover.

Occupancy costs were up 15.2% to R3.1 billion, driven by the 78 net new company-owned stores added to the estate over the year. Like-for-like occupancy costs increased 7.2%, driven by annual rental escalations, above-inflation regulatory increases in rates (up 20% year-on-year) and increases in security costs to ensure the safety of our customers and staff. Occupancy costs also reflect the addition of strategic head leases over a number of key franchise stores. The Group will continue to negotiate with landlords in order to secure competitive rentals and fair escalation terms, in order to reduce our occupancy costs as a percentage of turnover over time.

Operations costs increased 7.3% on last year to R3.2 billion, notwithstanding regulatory increases in electricity and utility charges which were well above inflation. Depreciation and amortisation costs are up 10.8% on last year, reflecting the Group's ongoing investment in the expansion and improvement of its estate. The severe drought in the Western Cape has led to a water crisis in the City of Cape Town, which has necessitated an increase in water tariffs.

The Group has taken substantive action to significantly reduce its water consumption in the region. We are confident that the contingency plans we have in place are sufficient to enable our stores to remain open for our customers in the event of any disruption to the water supply, and to operate in a safe and hygienic way.

Merchandising and administration costs at R2.2 billion, increased just 2.2% over the year, with like-for-like growth of 1.7%, demonstrating substantial savings in professional, legal and other support services over the year.

REVIEW OF OPERATIONS (continued)

TRADING PROFIT

Trading profit increased by 4.9% to R1.8 billion. The trading profit margin remains unchanged at 2.2% of turnover. Excluding the once-off impact of VSP compensation payments, trading profit is up 19.3% year-on-year, to 2.5% of turnover, a good indication of the Group's sustainable profit performance.

NET INTEREST

Net interest paid increased from R92.5 million to R147.1 million. The increased interest bill is as a result of lower net cash balances over the year, which reflect the Group's sustained investment in its store opening, refurbishment and centralisation programme over the last five years.

LOSSES ON CAPITAL ITEMS

The Group incurred capital losses of R21.0 million this year (2017: R32.4 million) in respect of the disposal or impairment of assets and goodwill, largely related to its refurbishment programme. A further impairment loss of R13.9 million was incurred in the prior year, arising on the unbundling of the Pick n Pay Holdings Limited RF Group. Capital items are added back in the calculation of headline earnings.

PROFIT BEFORE TAX

Profit before tax before capital items is up 3.8% to R1.8 billion, with the underlying margin maintained at 2.2% of turnover. Excluding the impact of the once-off VSP compensation payments, profit before tax before capital items is up 18.4% to 2.5% of turnover, demonstrating a marked improvement in the Group's sustainable profit margin.

Profit before tax is up 5.4%, with the underlying margin maintained at 2.2% of turnover.

REST OF AFRICA SEGMENT

Segmental revenue for the Rest of Africa division increased 7.7% year-on-year to R4.6 billion, with segmental revenue in constant currency up 9.3%, 1.4% on a like-for-like basis. Profit before tax was up 27.7% to R287.9 million, underpinned by a strong performance from the Group's associate in Zimbabwe, TM Supermarkets (TM). TM has continued to deliver a strong trading and profit performance in a difficult and complex operating environment. The Group's share of TM's earnings grew 45% on last year to R116.3 million.

TAX

The Group's effective tax rate is down from 27.5% in the prior year to 26.7% in 2018. The decrease is largely as a result of the greater contribution of our associate's (TM Supermarkets) after tax profits to the Group's net profit before tax. The Group is confident that its tax rate is sustainable at current levels over the foreseeable future.

EARNINGS PER SHARE

Basic earnings per share (EPS) – increased 9.0% from 250.98 to 273.64 cents per share.

Headline earnings per share (HEPS) – increased 7.1% from 258.65 to 276.98 cents per share.

The difference between the growth in headline earnings of 5.2% and the growth in headline earnings per share of 7.1% is due to the increase in the weighted average number of treasury shares held by the Group, with shares received under the unbundling transaction last year now fully weighted.

The difference between the growth in basic earnings per share and headline earnings per share relates to the effect of losses of a capital nature in the calculation of headline earnings. Capital losses of R15.8 million, net of tax, were taken into account in the calculation of headline earnings in the current period, against R37.2 million in the prior period.

Diluted headline earnings per share (DHEPS) – increased 7.7% from 252.13 to 271.61 cents per share. DHEPS reflects the dilution effect of share options held by participants in the Group's employee share schemes. The dilution decreased marginally year-on-year due to the delivery of shares to share scheme participants during the year, including the vesting of the first allocation of forfeitable plan shares.

REVIEW OF OPERATIONS (continued)

REVIEW OF FINANCIAL POSITION

The increase in the Group's assets reflects its capital investment programme, in particular its ongoing investment in new and refurbished stores, as well as additional capacity across its central supply chain. The net asset value per share increased 4.8% on last year, to 966.2 cents per share. The Group delivered return on capital employed of 32.6% (2017: 32.3%), against a weighted average cost of capital of 12.0%.

WORKING CAPITAL

The timing of the Group's financial calendar has a substantial impact on reported working capital and cash balances, depending on the timing of creditor payments over financial year-end. The Group's working capital reduced by R119.4 million over the year, against a R948.1 million reduction in the prior year, largely as a result of the timing of the Group's financial calendar cut-off.

Inventory – increased 4.9% on last year to R6.0 billion, including the impact of 78 net new company-owned stores over the year and the short-term impact of greater levels of centralisation across the Group. Removing the impact of new stores and inflation, like-for-like inventory is down 5.0% on last year. This reflects consistent improvement in the Group's forecast and replenishment processes, and solid progress on its plan to reduce its stock holding of slow moving products through its range rationalisation programme.

Trade and other payables – of R10.8 billion is up 3.1% on last year, with the positive impact of the Group's buy better programme reflected in lower supplier balances at year-end. The Group implemented its fully integrated 'Pick n Pay Fast Pay' platform this year, a supply chain finance programme that provides suppliers with the opportunity of immediate or early settlement of invoices. Key banking partners on this platform provide competitive funding for participating suppliers off the strength of the Group's balance sheet.

Trade and other receivables – increased 5.5% on last year to R3.6 billion, with 46 net new franchise stores added over the year, and an increase in the sales to franchisees through the Group's supply chain. The quality of the debtors' book improved on last year, with the impairment allowance reducing to 2.5% of the value of the debtors' book, from 3.5% last year.

CASH AND CASH EQUIVALENTS

	25 February 2018	26 February 2017
Cash balances	1 129.1	961.9
Cost-effective overnight borrowings	(1 800.0)	(1 800.0)
Cash and cash equivalents	(670.9)	(838.1)
Total borrowings	(528.8)	(133.2)
Net funding position	(1 199.7)	(971.3)

The Group's net funding position increased by R228.4 million over the year. The Group paid R866.5 million in dividends to shareholders, up 15% on last year, added a further R1.6 billion to its capital investment programme, and invested R423.4 million in its employee share incentive schemes. These important outlays resulted in increased gearing over the 2018 financial year, and an increased interest bill.

The Group remains cash generative, with cash generated before movements in working capital up 5.5% on last year. The Group raised R400.0 million of 3-month debt to take advantage of competitive interest rates. The Group's liquidity position remains strong, with R5.5 billion unutilised borrowing facilities at year-end.

CAPITAL INVESTMENT

Capital expenditure related to the Group's capital investment programme of R1.6 billion was in line with target. The Group continues to commit the majority of its capital investment on expansion and refurbishment in order to improve the customers' shopping experience. The Group will invest a further R1.7 billion next year. The Group is confident of its ability to meet its investment requirements through internal cash generation and cost-effective short-term borrowings.

SHAREHOLDER DISTRIBUTION

The Board declared a final dividend of 155.40 cents per share. This brings the total annual dividend for the year to 188.80 cents per share, 7.1% up on last year in line with the growth in headline earnings per share. The dividend cover of 1.5 times headline earnings per share was maintained.

REVIEW OF OPERATIONS (continued)

A BETTER OUTLOOK

South Africa is a significantly more positive country than it was a year ago. President Ramaphosa has committed to greater levels of economic transformation and growth, including through closer collaboration with the private sector to stimulate investment, greater employment, the elimination of corruption, and improved levels of service delivery.

In all areas of the economy, including business, optimism does not automatically translate into sustainable growth. Sustainable growth requires a successful plan, and hard work to deliver that plan. Over this past year, Pick n Pay has taken the most decisive action in its 50-year history to cut costs, become more resilient and give the savings back to our customers in the form of lower prices and better value. We have made our shops brighter and more vibrant, accelerated our own brand offer and taken real steps to become a true multi-channel retail business.

We are changing the trajectory of the Pick n Pay Group, and will build on this momentum in 2019. The Group will continue to invest in its strengthened customer offer. Across Pick n Pay and Boxer, the Group is confident that it will win customers across all levels of our economy. Pick n Pay will be South Africa's first genuine multi-channel business, with a substantive convenience and online presence and recognition as South Africa's most affordable and inclusive banking partner.

We would like to extend our thanks and sincere appreciation to the Pick n Pay and Boxer teams who have worked tirelessly over the past few years to build a strong and resilient business.

Gareth Ackerman
Chairman

Richard Brasher
Chief Executive Officer

18 April 2018

APPENDIX TO REVIEW OF OPERATIONS

SUMMARY OF NON-RECURRING ITEMS RELATING TO THE UNBUNDLING OF THE PICK N PAY HOLDINGS LIMITED RF GROUP

The table below presents the profit for the current and previous periods on a normalised basis, excluding all non-recurring items, as detailed overleaf:

	As reported 52 weeks to 25 February 2018 Rm	% of turnover	% change	Restated excluding non-recurring items 52 weeks to 26 February 2017 Rm	% of turnover	Non-recurring items 52 weeks to 26 February 2017 Rm	Restated* 52 weeks to 26 February 2017 Rm
Revenue	83 504.8		5.5	79 134.6		(412.3)	79 546.9
Turnover	81 560.1		5.3	77 486.1		–	77 486.1
Cost of merchandise sold	(66 309.8)		5.2	(63 029.5)		–	(63 029.5)
Gross profit	15 250.3	18.7	5.5	14 456.6	18.7		14 456.6
Other trading income	1 760.6	2.2	15.6	1 522.4	2.0	(412.3)	1 934.7
Dividend *in specie*	–			–		(412.3)	412.3
Franchise fee income	400.1	0.5	14.4	349.8	0.5	–	349.8
Operating lease income	446.1	0.5	29.2	345.3	0.4	–	345.3
Commissions, dividends received and other income	914.4	1.1	10.5	827.3	1.1	–	827.3
Trading expenses	(15 191.0)	18.6	6.7	(14 243.4)	18.4	412.3	(14 655.7)
Employee costs	(6 688.7)	8.2	4.3	(6 414.0)	8.3	205.8	(6 619.8)
Occupancy	(3 086.6)	3.8	15.2	(2 678.9)	3.4	–	(2 678.9)
Operations	(3 178.8)	3.9	7.3	(2 961.7)	3.8	–	(2 961.7)
Merchandising and administration	(2 236.9)	2.7	2.2	(2 188.8)	2.8	206.5	(2 395.3)
Trading profit	1 819.9	2.2	4.9	1 735.6	2.2	–	1 735.6
Finance income	184.1	0.2	46.0	126.1	0.2	–	126.1
Finance costs	(331.2)	0.4	51.5	(218.6)	0.3	–	(218.6)
Share of associate's income	116.3	0.1	45.0	80.2	0.1	–	80.2
Profit before tax before capital items	1 789.1	2.2	3.8	1 723.3	2.2	–	1 723.3
Losses on capital items	(21.0)			(46.3)		–	(46.3)
Loss on sale of property, plant and equipment	(10.6)			(20.4)		–	(20.4)
Impairment loss on property, plant and equipment	(3.5)			(5.9)		–	(5.9)
Impairment loss on intangible assets	(6.9)			(6.1)		–	(6.1)
Impairment loss on available-for-sale financial instruments	–			(13.9)		–	(13.9)
Profit before tax	1 768.1	2.2	5.4	1 677.0	2.2	–	1 677.0
Tax	(471.8)	0.6	2.3	(461.0)	0.6	–	(461.0)
Profit for the period	1 296.3	1.6	6.6	1 216.0	1.6	–	1 216.0
Earnings per share	**Cents**			**Cents**			**Cents**
Basic	273.64		9.0	250.98		–	250.98
Diluted	268.33		9.7	244.65		–	244.65
Headline	276.98		7.1	258.65		–	258.65
Diluted headline	271.61		7.7	252.13		–	252.13

* *Prior period amounts restated, refer to note 28.*

APPENDIX TO REVIEW OF OPERATIONS (continued)

The unbundling of the Pick n Pay Holdings Limited RF (PWK) Group is reflected in the 2017 annual financial period. The transaction did not have an impact on trading profit or headline earnings, however, there were material non-recurring items in certain individual categories of income and expense, as detailed below:

Other trading income – included a dividend *in specie* of R412.3 million, representing the value of the Pick n Pay Stores Limited shares (now held as treasury shares) received by the Group on the unbundling of Pick n Pay Holdings Limited RF.

Employee costs – the Group operates an employee share incentive scheme where eligible employees were granted share options in PWK. These share options were cancelled and replaced with Pick n Pay Stores Limited share options, in terms of shareholder approval received at the general meeting held on 25 July 2016. Employee costs included R205.8 million of share-based payment expenses related to the increase in the market value of PWK share options prior to the unbundling, as well as the cancellation and replacement cost of these options.

Merchandising and administration costs – included a net fair value loss of R206.5 million in respect of the Group's investment in Pick n Pay Holdings Limited RF. The fair value movement was as a result of the increased market value of PWK shares prior to the unbundling, and the subsequent write-off of the investment on the receipt of the dividend *in specie* distribution.

The dividend *in specie*, increase share-based payment costs and related fair value adjustments, relating to the unbundling, detailed above, had no impact on trading profit or headline earnings.

CONSTANT CURRENCY DISCLOSURES

The Group discloses constant currency information in order to report on the Group's Rest of Africa segmental revenue results, excluding the impact of foreign currency fluctuations. The segmental revenue growth in constant currency is calculated by translating the prior year local currency segmental revenue at the current year average exchange rates on a country-by-country basis and then comparing that against the current year segmental revenue translated at the current year average exchange rates. The major currencies that are contributing to the exchange rate movements is the Zambia kwacha and the Botswana pula.

February 2018	% increase reported currency	% increase constant currency
Rest of Africa segmental revenue	7.7	9.3
Group turnover	5.3	5.3

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 or previous reporting periods.

The information presented in this annexure has not been reviewed or reported on by the Group's auditors. The information presented is the responsibility of the Board of directors of the Company and is presented for illustrative purposes only. Due to its nature, the information may not fairly present the Group's financial position, changes in equity, results of operations or cash flows.

DIVIDEND DECLARATION

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

Number of shares in issue: 488 450 321

Notice is hereby given that the directors have declared a final gross dividend (number 100) of 155.40 cents per share out of income reserves.

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

The tax payable is 31.08 cents per share, leaving shareholders who are not exempt from dividends tax with a net dividend of 124.32 cents per share.

DIVIDEND DATES

The last day of trade in order to participate in the dividend (CUM dividend) will be Tuesday, 5 June 2018.

The shares will trade EX dividend from the commencement of business on Wednesday, 6 June 2018 and the record date will be Friday, 8 June 2018. The dividends will be paid on Monday, 11 June 2018.

Share certificates may not be dematerialised or rematerialised between Wednesday, 6 June 2018 and Friday, 8 June 2018, both dates inclusive.

On behalf of the Board of directors

Debra Muller
Company Secretary

18 April 2018

GROUP ANNUAL FINANCIAL STATEMENTS

CHAPTER 2

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED

	Note	52 weeks 25 February 2018 Rm	Restated* 52 weeks 26 February 2017 Rm
Revenue*	2	83 504.8	79 546.9
Turnover	2	81 560.1	77 486.1
Cost of merchandise sold*		(66 309.8)	(63 029.5)
Gross profit		15 250.3	14 456.6
Other trading income*	2	1 760.6	1 934.7
Trading expenses*		(15 191.0)	(14 655.7)
Employee costs	3	(6 688.7)	(6 619.8)
Occupancy		(3 086.6)	(2 678.9)
Operations		(3 178.8)	(2 961.7)
Merchandising and administration*		(2 236.9)	(2 395.3)
Trading profit*		1 819.9	1 735.6
Finance income	2	184.1	126.1
Finance costs	3	(331.2)	(218.6)
Share of associate's income	13	116.3	80.2
Profit before tax before capital items		1 789.1	1 723.3
Losses on capital items		(21.0)	(46.3)
Loss on sale of property, plant and equipment		(10.6)	(20.4)
Impairment loss on property, plant and equipment	10	(3.5)	(5.9)
Impairment loss on intangible assets	9	(6.9)	(6.1)
Impairment loss on available-for-sale financial instruments		–	(13.9)
Profit before tax*	3	1 768.1	1 677.0
Tax*	6	(471.8)	(461.0)
Profit for the period*		1 296.3	1 216.0
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss		(0.4)	1.5
Remeasurement in retirement scheme assets	21	(0.6)	2.1
Tax on remeasurement in retirement scheme assets	12	0.2	(0.6)
Items that may be reclassified to profit or loss		(46.2)	(96.9)
Foreign currency translations		(46.2)	(64.4)
Fair value gain on available-for-sale financial instruments		–	(32.5)
Total comprehensive income for the period*		1 249.7	1 120.6

	Note	Cents	Cents
Earnings per share*			
Basic*	7	273.64	250.98
Diluted*	7	268.33	244.65

* *Prior period amounts restated, refer to note 28.*

GROUP STATEMENT OF FINANCIAL POSITION

	Note	As at 25 February 2018 Rm	Restated* As at 26 February 2017 Rm	Restated* As at 28 February 2016 Rm
ASSETS				
Non-current assets				
Property, plant and equipment	10	6 054.4	5 583.6	4 950.9
Intangible assets	9	991.3	984.3	1 004.9
Operating lease assets	11	227.3	198.3	171.6
Financial instruments at fair value through profit or loss	26	25.7	13.7	232.1
Available-for-sale financial instruments		–	–	46.4
Investment in associate	13	365.6	309.7	285.5
Participation in export partnerships		–	–	14.1
Loans	14	79.3	85.1	96.4
Retirement scheme assets	21	97.6	95.3	90.8
Deferred tax assets	12	194.8	218.0	225.1
Trade and other receivables*	16	105.4	145.2	125.7
		8 141.4	7 633.2	7 243.5
Current assets				
Inventory*	15	5 963.7	5 684.0	4 879.6
Trade and other receivables*	16	3 529.1	3 299.9	3 200.5
Cash and cash equivalents	17	1 129.1	961.9	982.9
Derivative financial instruments		–	–	6.0
		10 621.9	9 945.8	9 069.0
Non-current asset held for sale	10	217.2	212.8	–
Total assets		18 980.5	17 791.8	16 312.5
EQUITY AND LIABILITIES				
Equity				
Share capital	18	6.0	6.0	6.0
Treasury shares	19	(863.4)	(554.3)	(63.5)
Fair value reserve		–	–	32.5
Retained earnings*		4 951.7	4 428.5	3 686.8
Foreign currency translation reserve		(70.7)	(24.5)	39.9
Total equity		4 023.6	3 855.7	3 701.7
Non-current liabilities				
Borrowings	20	79.5	84.0	83.0
Operating lease liabilities	11	1 571.6	1 398.6	1 239.6
Deferred tax liabilities	12	13.7	14.6	9.5
		1 664.8	1 497.2	1 332.1
Current liabilities				
Trade and other payables	22	10 820.6	10 490.2	10 500.6
Share-based payment liability		–	–	124.6
Bank overnight borrowings	17	1 800.0	1 800.0	100.0
Current borrowings	20	449.3	49.2	446.6
Current tax liabilities*	6	213.7	87.8	106.7
Provisions		–	–	0.2
Derivative financial instruments	26	8.5	11.7	–
		13 292.1	12 438.9	11 278.7
Total equity and liabilities		18 980.5	17 791.8	16 312.5

* *Prior period amounts restated, refer to note 28.*

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED

	Note	Share capital Rm	Treasury shares Rm	Fair value reserve Rm	Retained earnings* Rm	Foreign currency translation reserve Rm	Total equity* Rm
At 28 February 2016 as previously published		6.0	(63.5)	32.5	3 882.9	39.9	3 897.8
Prior period restatements*	28.3	–	–	–	(196.1)	–	(196.1)
At 28 February 2016 restated		6.0	(63.5)	32.5	3 686.8	39.9	3 701.7
Total comprehensive income for the period*		–	–	(32.5)	1 217.5	(64.4)	1 120.6
Profit for the period*		–	–	–	1 216.0	–	1 216.0
Remeasurement in retirement scheme assets		–	–	–	1.5	–	1.5
Foreign currency translations		–	–	–	–	(64.4)	(64.4)
Fair value gain on available-for-sale financial instruments		–	–	26.6	–	–	26.6
Reclassification to profit or loss		–	–	(59.1)	–	–	(59.1)
Transactions with owners		–	(490.8)	–	(475.8)	–	(966.6)
Dividends paid		–	–	–	(753.5)	–	(753.5)
B share capital issued	18	–	–	–	–	–	–
Shares received on unbundling	25	–	(412.3)	–	–	–	(412.3)
Share purchases	19	–	(345.4)	–	–	–	(345.4)
Net effect of settlement of employee share options	19	–	266.9	–	(259.5)	–	7.4
Share-based payments expense	3	–	–	–	537.2	–	537.2
At 26 February 2017 restated*		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
Remeasurement in retirement scheme assets		–	–	–	(0.4)	–	(0.4)
Foreign currency translations		–	–	–	–	(46.2)	(46.2)
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		6.0	(863.4)	–	4 951.7	(70.7)	4 023.6

* *Prior period amounts restated, refer to note 28.*

GROUP STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED

	Note	52 weeks 25 February 2018 Rm	Restated* 52 weeks 26 February 2017 Rm
Cash flows from operating activities			
Trading profit*		1 819.9	1 735.6
Adjusted for dividend income	2	–	(18.0)
Adjusted for non-cash items		1 419.7	1 354.3
Amortisation	9	174.1	160.6
Depreciation	10	913.5	820.9
Equity-settled share-based payment expense	3	206.2	537.2
Cash-settled share-based payment gain	3	–	(124.6)
Movement in net operating lease liabilities		144.0	132.3
Movement in provisions		–	(0.2)
Movements in retirement scheme assets**		(2.9)	(2.4)
Fair value (gain)/loss on financial instruments at fair value through profit or loss		(15.2)	242.8
Dividend *in specie* received on unbundling		–	(412.3)
Cash generated before movements in working capital		3 239.6	3 071.9
Movements in working capital		(119.4)	(948.1)
Movements in trade and other payables		322.3	(28.1)
Movements in inventory*		(275.7)	(801.1)
Movements in trade and other receivables		(166.0)	(118.9)
Cash generated from trading activities		3 120.2	2 123.8
Interest received	2	184.1	126.1
Interest paid	3	(331.2)	(218.6)
Cash generated from operations		2 973.1	2 031.3
Dividends received	2	–	18.0
Dividends paid		(866.5)	(753.5)
Tax paid	6	(320.3)	(469.2)
Cash generated from operating activities		1 786.3	826.6
Cash flows from investing activities			
Investment in intangible assets	9	(101.4)	(134.0)
Investment in property, plant and equipment	10	(1 445.9)	(1 736.0)
Improvements to non-current asset held for sale	10	(4.4)	–
Investment in financial instruments at fair value		–	(6.7)
Purchase of operations	27	(96.2)	1.8
Proceeds on disposal of intangible assets		0.6	–
Proceeds on disposal of property, plant and equipment		50.7	49.8
Repayments of loans advanced by the Group		5.8	11.3
Participation in export partnership		–	14.1
Cash utilised in investing activities		(1 590.8)	(1 799.7)
Cash flows from financing activities			
Borrowings raised	20	445.3	48.7
Repayment of borrowings	20	(50.6)	(445.1)
Share purchases	19	(423.4)	(345.4)
Proceeds from employees on settlement of share options		1.9	8.0
Cash utilised in financing activities		(26.8)	(733.8)
Net increase/(decrease) in cash and cash equivalents		168.7	(1 706.9)
Net cash and cash equivalents at beginning of period		(838.1)	882.9
Foreign currency translations		(1.5)	(14.1)
Net cash and cash equivalents at end of period	17	(670.9)	(838.1)
Consisting of :			
Cash and cash equivalents		1 129.1	961.9
Bank overdraft and overnight borrowings		(1 800.0)	(1 800.0)

* *Prior period amounts restated, refer to note 28.*

** *In order to improve comparability, prior period cash flows from retirement scheme assets have been reclassified from cash flows from investing activities to cash flows from operating activities.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 25 FEBRUARY 2018

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Reporting entities

The Group financial statements for the 52 weeks ended 25 February 2018 (2017: 52 weeks ended 26 February 2017) comprise Pick n Pay Stores Limited and its subsidiaries and associate (the Group). Pick n Pay Stores Limited is referred to as the Company.

1.2 Statement of compliance

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

1.3 Basis of preparation

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

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

The 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 to seven years.

The accounting policies set out below have been applied consistently to all periods presented in these Group financial statements and to all companies in the Group, except where the Group has adopted IFRS and IFRIC (IFRS Interpretations Committee) interpretations and amendments listed below that became effective during the period. These interpretations and amendments had no material impact on the reported results. Where applicable, additional disclosures for the current and comparative periods are provided.

IAS 7 *Statement of Cash Flows*

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments are intended to provide users with a better understanding of changes in an entity's debt. The amendment must be applied prospectively. Refer to note 20.

IAS 12 *Deferred tax*

The amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments must be applied retrospectively.

1.4 Foreign currency transactions and translations

Functional and presentation currency

The Group 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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 25 FEBRUARY 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.4 Foreign currency transactions and translations (continued)

Foreign operations (continued)

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

1.5 Use of estimates, judgements and assumptions

The preparation of 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:

Recognition of deferred revenue in respect of customer loyalty programme

Estimates are used in the measurement of deferred revenue. The consideration allocated to the award credits is measured by reference to their fair value which is calculated as the amount for which the award credits could be separately sold, adjusted for an expected forfeiture rate. The expected forfeiture rate (conversely the redemption rate) is based on historical experience and is subject to uncertainty. Refer to notes 2 and 22.

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.

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 trading 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, such that the supplier could have entered into an agreement with a party, other than a purchaser of its inventory, in order to receive those services.

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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.5 Use of estimates, judgements and assumptions (continued)

Income and deferred taxes

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

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.

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.

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.

The impairment reviews undertaken in respect of equity-accounted investees

The recoverable amount of all equity-accounted investees is determined as the higher of fair value less costs of disposal and value in use. Estimates of the future cash inflows 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 issued USD bond notes by the government in the country.

The estimation of the impairment allowance for loans and trade and other receivables

The recoverable amount of loans and trade and other receivables is estimated as the present value of future cash inflows discounted at a market-related interest rate. Estimation is required in the determination of future cash flows and the likelihood of repayment. Refer to note 16.

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.

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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.6 Basis of consolidation (continued)

Investment in subsidiaries (continued)

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 year are included in the Group 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 statement of comprehensive income reflects the Group's share of the total comprehensive income of the associate. Where there are changes recognised directly in the OCI or equity of those investees, the Group recognises its share of any changes, when applicable, in the statement of other comprehensive income and statement of changes in equity, respectively.

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 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. Any dividends received by the Group is credited against the investment in 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.

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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.7 Property, plant and equipment (continued)

Depreciation (continued)

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 1.12.

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 assets 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 through continued use, and this sale is considered highly probable.

1.8 Intangible assets

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

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

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.

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 of the acquisition date.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.8 Intangible assets (continued)

Cost (continued)

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 1.12.

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 assets and liabilities are classified as non-current assets or liabilities, with the exception of the portion with a maturity date of less than 12 months of the reporting date which are disclosed as current assets or liabilities and are included under trade and other receivables and trade and other payables 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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 period in which the related revenue is recognised.

1.11 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.

1.12 Financial instruments

Initial recognition and measurement

The Group classifies its financial instruments into the following categories: loans and receivables; financial instruments at fair value through profit or loss, available-for-sale financial assets and financial liabilities measured at amortised cost. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification at initial recognition and re-evaluates the designations when circumstances indicate that reclassification is required.

A financial instrument is recognised on trade date when the Group becomes a party to the contractual provisions of the instrument. These financial instruments 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.

The fair value of quoted instruments traded in an active market is determined with reference to closing prices at close of business at period-end. When 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 financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

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

Derecognition

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.12 Financial instruments (continued)

Derecognition (continued)

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

Loans and receivables and financial liabilities are measured at amortised cost.

Cash and cash equivalents and bank overdrafts

Cash and cash equivalents and bank overdrafts are measured at amortised cost, using the effective interest method, less accumulated impairments. The effective interest rate 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. Bank overdrafts and 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, as defined above, net of outstanding bank overdrafts, as they are considered an integral part of the Group's cash management.

Trade and other receivables and loans

Trade and other receivables and loans are measured at amortised cost, using the effective interest method, less impairment losses. The effective interest rate amortisation is included in finance income in the statement of comprehensive income. Trade and other receivables mainly comprise franchisee receivables. Loans mainly comprise housing and other employee loans with maturity dates of more than 12 months after the reporting date.

Borrowings

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

Trade and other payables

Trade and other payables are measured at amortised cost using the effective interest method. The effective interest rate 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.

Financial instruments at fair value through profit or loss

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

Financial instruments designated at fair value through profit or loss

The Group's investment in the insurance cell captive is designated as a financial asset at fair value through profit or loss, on initial recognition, as 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 profit or loss.

Financial guarantee contracts issued by the Group and Company are those contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. The maturity date is dependent on the contractual maturity of the relevant contract. Financial guarantee contracts are initially recognised at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation and included under trade and other payables in the statement of financial position.

Derivative financial instruments

Derivative financial instruments, being forward foreign exchange rate contracts (FECs) classified as held for trading, are measured at fair value with changes in fair value recognised in the statement of comprehensive income. The fair value is determined using market rates at the reporting date.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.12 Financial instruments (continued)

Financial instruments at fair value through profit or loss (continued)

Derivative financial instruments (continued)
The Group holds derivative financial instruments to hedge its foreign currency and market risk exposures. Attributable transaction costs are recognised in the statement of comprehensive income when incurred. The maturity date is dependent on the remaining contractual maturity of the individual contracts. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The Group does not apply hedge accounting.

1.13 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 carrying amounts of financial assets not carried at fair value through profit or loss 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.

A financial asset is considered to be impaired if objective evidence indicates that one or more events (loss events) have had a negative effect on the estimated future cash flows of the asset. Examples of loss events include financial difficulty and default on payment by the counterparty.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are recognised in the statement of comprehensive income.

Individually significant financial assets are tested for impairment on an individual basis. All the remaining financial assets are tested for impairment on an individual or collective basis. If no evidence of impairment exists for an individually assessed financial asset, whether significant or not, the financial asset is then included in a group of financial assets with similar credit risk characteristics and tested collectively.

An impairment loss for a financial asset is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The reversal is recognised in the statement of comprehensive income. Impairment losses for financial assets recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

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 25 FEBRUARY 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.13 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.

1.14 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.

1.15 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.

1.16 Revenue

Revenue is measured at the fair value of consideration received or receivable and is stated net of related rebates and discounts granted.

Turnover

Revenue from the sale of goods comprises retail sales to customers and wholesale sales to franchisees through the Group's supply arrangements and is defined as turnover. All turnover is stated exclusive of value added tax. Revenue from the sale of goods is measured at the fair value of consideration received or receivable, net of returns, trade discounts, loyalty discounts and volume rebates.

Turnover is recognised when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of turnover can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, the discount is recognised as a reduction of revenue as the sales are recognised.

The Group has a customer loyalty programme in South Africa, Smart Shopper, whereby customers are rewarded with Smart Shopper points (reward credits) which are effectively used as cash back against future purchases.

The fair value of the consideration received, under the Smart Shopper programme, is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value which is calculated as the amount for which the award credits could be separately sold, adjusted for an expected forfeiture rate. Such consideration is not recognised as revenue at the time of the initial sale transaction, but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled. Deferred revenue is also released to revenue in the statement of comprehensive income when it is no longer considered probable that the points will be redeemed, based on management's judgement of expected redemption rates.

Finance income

Finance income is recognised 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.

Other trading income

Franchise fee income
Income from franchisees, calculated as a percentage of franchise turnover in accordance with the substance of the relevant agreement, is recognised 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.

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. The related agent's commissions received are recognised as income.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.16 Revenue (continued)

Other trading income (continued)

Commissions and other income (continued)

Commissions relating to third-party services are recognised based on the stage of completion by reference to services performed to date as a percentage of the total services to be performed.

Commissions relating to third-party products are recognised when the underlying third-party payments take place.

Other income is recognised as the revenue is provided.

Dividend income

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

1.17 Borrowing costs

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

1.18 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.

1.19 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.

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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.19 Employee benefits (continued)

Share-based payment transactions (continued)

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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.20 Expenses

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

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

1.21 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.

1.22 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 Richard Brasher (CEO), Richard van Rensburg (deputy CEO) and Bakar Jakoet (CFO).

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.

1.23 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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

	52 weeks 25 February 2018 Rm	Restated* 52 weeks 26 February 2017 Rm
2. REVENUE		
Turnover	81 560.1	77 486.1
Finance income	184.1	126.1
Bank balances and investments	131.2	81.4
Trade and other receivables	50.4	40.3
Staff loans and other	2.5	4.4
Other trading income*	1 760.6	1 934.7
Dividend *in specie* received on unbundling (note 25)	–	412.3
Dividends received	–	18.0
Franchise fee income	400.1	349.8
Operating lease income (note 11)	446.1	345.3
Commissions and other income*	914.4	809.3
	83 504.8	79 546.9

The Group has a customer loyalty programme, Smart Shopper, whereby customers are rewarded with Smart Shopper points (reward credits) which are effectively redeemed as cash against future purchases. At period-end, the Group had deferred revenue of R121.3 million (2017: R137.4 million) which represented the fair value of the Smart Shopper points granted and yet to be redeemed, adjusted for an expected forfeiture rate of 12.9% (2017: 15.9%) (refer to note 22).

* *Prior period amounts restated, refer to note 28.*

	52 weeks 25 February 2018 Rm	52 weeks 26 February 2017 Rm
3. PROFIT BEFORE TAX		
Profit before tax is stated after taking into account the following expenses:		
3.1 Employee costs		
Salaries and wages	5 944.6	5 597.1
Staff benefits and training	319.3	322.5
Net expense recognised on defined-benefit plan (note 21.1)	6.0	7.2
Contributions to defined-contribution plans (note 21.2)	157.2	239.6
Equity-settled share-based payment expense	206.2	537.2
Cash-settled share-based payment gain	–	(124.6)
Leave pay	55.4	40.8
	6 688.7	6 619.8
3.2 Auditor's remuneration		
Assurance services – current year	8.3	7.6
Assurance services – prior period under provision	–	1.6
Other services	0.8	0.4
	9.1	9.6
3.3 Finance costs		
Finance leases	11.9	8.9
Bank overdrafts	317.3	189.4
Borrowings	2.0	20.3
	331.2	218.6
3.4 Foreign exchange loss	4.6	29.9

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 25 FEBRUARY 2018

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 contri-butions R'000	Fringe and other benefits R'000	Total fixed remune-ration R'000	Discre-tionary award** R'000	Total remune-ration 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
Richard van Rensburg	1.5	–	4 423.5	383.1	547.6	5 355.7	375.5	5 731.2	5 882.4
Bakar Jakoet	1.5	–	4 605.0	34.6	389.0	5 030.1	400.0	5 430.1	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
2017									
Non-executive directors	6 222.0	2 074.5	–	–	–	8 296.5	–	8 296.5	–
Gareth Ackerman	3 913.0	–	–	–	–	3 913.0	–	3 913.0	–
David Friedland	364.0	312.0	–	–	–	676.0	–	676.0	–
Hugh Herman	364.0	554.5	–	–	–	918.5	–	918.5	–
Alex Mathole*	125.0	–	–	–	–	125.0	–	125.0	–
Audrey Mothupi	364.0	352.5	–	–	–	716.5	–	716.5	–
Lorato Phalatse	364.0	270.0	–	–	–	634.0	–	634.0	–
David Robins	364.0	–	–	–	–	364.0	–	364.0	–
Jeff van Rooyen	364.0	585.5	–	–	–	949.5	–	949.5	–
Executive directors	7.5	–	21 656.5	2 345.5	1 514.4	25 523.9	–	25 523.9	43 679.6
Richard Brasher	1.5	–	8 945.9	781.7	302.7	10 031.8	–	10 031.8	23 754.3
Richard van Rensburg	1.5	–	4 027.2	350.1	328.2	4 707.0	–	4 707.0	6 794.1
Bakar Jakoet	1.5	–	3 892.7	587.1	324.2	4 805.5	–	4 805.5	6 001.0
Suzanne Ackerman-Berman	1.5	–	2 508.0	224.9	276.6	3 011.0	–	3 011.0	3 569.4
Jonathan Ackerman	1.5	–	2 282.7	401.7	282.7	2 968.6	–	2 968.6	3 560.8
Total remuneration	6 229.5	2 074.5	21 656.5	2 345.5	1 514.4	33 820.4	–	33 820.4	43 679.6

* *Alex Mathole was appointed on 24 October 2016.*

** *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 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 25 FEBRUARY 2018

4. DIRECTORS' REMUNERATION AND INTEREST IN SHARES (continued)

4.2 Directors' interest in ordinary shares

	How held*	Balance held at 26 February 2017	Additions/ grants	Disposals	Balance held at 25 February 2018@	Beneficial/ non-beneficial interest
2018						
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
Richard van Rensburg	direct	41 439	250 000	–	291 439	Beneficial
	direct – FSP	330 000	140 000	(250 000)	220 000	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
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 indirect non-beneficial interest in the Ackerman Pick n Pay Foundation represents the holdings of Gareth Ackerman and Suzanne Ackerman-Berman in their capacities as trustees.*

*** *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.*

\# *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.*

@ *There have been no changes in the directors' interest in shares since 25 February 2018 up to the date of approval of the 2018 audited Group annual financial statements.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 25 FEBRUARY 2018

4. DIRECTORS' REMUNERATION AND INTEREST IN SHARES (continued)

4.2 Directors' interest in ordinary shares (continued)

	How held*	Balance held at 28 February 2016	Additions/ (disposals)	Shares transferred on unbundling***	Balance held at 26 February 2017	Beneficial/ non-beneficial interest
2017						
Gareth Ackerman	direct	43	–	266	309	Beneficial
	indirect	–	23 467	1 629 733	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	2 700 967	Non-beneficial
Richard Brasher	direct – FSP	1 020 000	230 000	–	1 250 000	Beneficial
Richard van Rensburg	direct	–	–	41 439	41 439	Beneficial
	direct – FSP	285 000	45 000	–	330 000	Beneficial
Bakar Jakoet	direct	500 000	–	121 880	621 880	Beneficial
	direct – FSP	285 000	45 000	–	330 000	Beneficial
	indirect	530	–	12 529	13 059	Non-beneficial
Suzanne Ackerman-Berman	direct	2 500	–	118 028	120 528	Beneficial
	direct – FSP	170 000	25 000	–	195 000	Beneficial
	indirect	4 651	–	467 576	472 227	Beneficial
Jonathan Ackerman	direct	43	–	122 845	122 888	Beneficial
	direct – FSP	170 000	25 000	–	195 000	Beneficial
	indirect	–	–	573 061	573 061	Beneficial
	indirect	–	–	11 039	11 039	Non-beneficial
Jeff van Rooyen	direct	3 800	(3 800)	–	–	Beneficial
David Friedland	direct	–	–	31 688	31 688	Beneficial
David Robins	direct	–	–	975	975	Beneficial
	indirect	–	–	93 276	93 276	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.*

*** *As part of the unbundling of the Pick n Pay Holdings Limited RF Group, shareholders of Pick n Pay Holdings Limited RF were granted a dividend in specie, made up of shares in Pick n Pay Stores Limited. Refer to note 25 for more information.*

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

***** *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.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 25 FEBRUARY 2018

4. DIRECTORS' REMUNERATION AND INTEREST IN SHARES (continued)

4.3 Directors' interest in B shares

	How held*	Balance held at 26 February 2017	Additions/ (disposals)	Balance held at 25 February 2018	Beneficial/ non-beneficial interest
2018					
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 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.*

\# *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.*

	How held*	Balance held at 28 February 2016	Issued on unbundling**	Balance held at 26 February 2017	Beneficial/ non-beneficial interest
2017					
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	184 742	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.*

** *As part of the unbundling of Pick n Pay Holdings Limited RF Group in the prior period, a new class of unlisted voting shares (B shares) in Pick n Pay Stores Limited was created (refer to note 18.2). These shares were issued to existing controlling shareholders of Pick n Pay Holdings Limited RF so as to retain the control structure of the Group as before the unbundling. Refer to note 25 for more information.*

*** *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.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

4. DIRECTORS' REMUNERATION AND INTEREST IN SHARES (continued)

4.4 Share awards granted to directors

	Calendar year granted	Award grant price R	Balance held at 26 February 2017	Granted/ (exercised)	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	
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	
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	
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 25 FEBRUARY 2018

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 28 February 2016	Granted/ (exercised)	Exercise price R	Converted upon un-bundling***	Balance held at 26 February 2017	Available for take-up
2017								
Richard Brasher								
Share options	2012	42.24	1 000 000	–	–	–	1 000 000	Nov 2017
	2012	42.24	1 000 000*	–	–	–	1 000 000*	Nov 2017
Forfeitable shares	2014	Nil	800 000	–	–	–	800 000	Aug 2017
	2015	Nil	220 000	–	–	–	220 000	Aug 2018
	2016	Nil	–	230 000	–	–	230 000	Aug 2019
			3 020 000	230 000		–	3 250 000	
Richard van Rensburg								
Share options	2011	36.55	400 000**	(400 000)	73.79	–	–	n/a
	2016	31.14	–	–	–	487 464	487 464	Now
Forfeitable shares	2014	Nil	250 000	–	–	–	250 000	Aug 2017
	2015	Nil	35 000	–	–	–	35 000	Aug 2018
	2016	Nil	–	45 000	–	–	45 000	Aug 2019
			685 000	(355 000)		487 464	817 464	
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	Aug 2017
	2015	Nil	35 000	–	–	–	35 000	Aug 2018
	2016	Nil	–	45 000	–	–	45 000	Aug 2019
			1 212 898	45 000		878	1 258 776	
Suzanne Ackerman-Berman								
Share options	2008	26.14	50 000	–	–	–	50 000	Now
	2008	26.14	25 000	–	–	–	25 000	Aug 2017
	2008	26.14	25 000	–	–	–	25 000	Aug 2018
	2016	58.10	–	–	–	196	196	Now
Forfeitable shares	2014	Nil	150 000	–	–	–	150 000	Aug 2017
	2015	Nil	20 000	–	–	–	20 000	Aug 2018
	2016	Nil	–	25 000	–	–	25 000	Aug 2019
			270 000	25 000		196	295 196	
Jonathan Ackerman								
Share options	2008	26.14	50 000	–	–	–	50 000	Now
	2008	26.14	25 000	–	–	–	25 000	Aug 2017
	2008	26.14	25 000	–	–	–	25 000	Aug 2018
Forfeitable shares	2014	Nil	150 000	–	–	–	150 000	Aug 2017
	2015	Nil	20 000	–	–	–	20 000	Aug 2018
	2016	Nil	–	25 000	–	–	25 000	Aug 2019
			270 000	25 000		–	295 000	

* *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.*

** *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 that were met during the period under review.*

*** *As part of the unbundling of Pick n Pay Holdings Limited RF Group existing share options in Pick n Pay Holdings Limited RF shares were cancelled and replaced with share options in Pick n Pay Stores Limited shares. Refer to note 25 for more information.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

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.

All share options granted after 11 June 2008 will, at the time of exercise by the employee, be automatically net-settled. For all options granted prior to 11 June 2008, the employee can choose whether to net-settle the options, or whether to pay the purchase price in full to take up the total allotment of shares (gross settle).

The Group modernised its control ownership structure in the prior period, with the unbundling of the Pick n Pay Holdings Limited RF Group (PWK). All outstanding PWK share options granted in terms of the Group's share incentive scheme were cancelled and replaced with Pick n Pay Stores Limited share options, in terms of the shareholder approval received at a general meeting. As the Group had no further obligation in terms of outstanding PWK share options and cash-settled share-based payment arrangements, the share-based payment liability previously recognised was released to the statement of comprehensive income in the prior period. For more information, refer to note 25.

The directors have received shareholder approval to utilise up to 63 892 844 (2017: 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:

Long-service share options – were previously granted to all permanent employees who had been with the Group for five years, with further recognition for every five year period thereafter. During the period under review, the Group ceased to grant share options as a long service award, replacing options with a cash gratuity award.

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. 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 25 FEBRUARY 2018

5. SHARE-BASED PAYMENTS (continued)

5.1 Outstanding share options

	52 weeks 25 February 2018 Number of options 000's	52 weeks 26 February 2017 Number of options 000's
Reconciliation of the total number of share options granted:		
At beginning of period	32 126.4	30 562.8
New options granted	6 182.5	3 441.5
Options taken up	(5 922.4)	(7 908.5)
Options forfeited	(2 788.8)	(1 534.7)
Options converted on unbundling*	–	7 565.3
At end of period	29 597.7	32 126.4
The weighted average grant price of outstanding share options are as follows:		
At beginning of period	R39.75	R37.51
New options granted	R65.08	R64.48
Options taken up	R34.54	R35.24
Options forfeited	R39.10	R43.81
Options converted on unbundling*	n/a	R33.65
At end of period	R46.14	R39.75

* *As part of the unbundling of the Pick n Pay Holdings Limited RF Group in the prior period, all outstanding PWK share options were converted to share options in PIK shares. Refer to note 25.*

		52 weeks 25 February 2018 Number of options 000's	52 weeks 26 February 2017 Number of options 000's
Outstanding share options may be taken up during the following financial periods:			
Year	**Average grant price**		
2019	R35.41	14 334.5	17 249.6
2020	R41.94	4 138.7	5 255.9
2021	R56.38	2 334.8	3 518.5
2022	R57.96	2 326.4	2 315.9
2023 and thereafter	R64.70	6 463.3	3 786.5
		29 597.7	32 126.4
Number of outstanding options as a percentage of issued shares		6.1%	6.6%

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

5. SHARE-BASED PAYMENTS (continued)

5.2 Outstanding forfeitable shares

	52 weeks 25 February 2018 Number of forfeitable shares 000's	52 weeks 26 February 2017 Number of forfeitable shares 000's
Movement in the total number of forfeitable shares granted is as follows:		
At beginning of period	9 336.5	7 923.0
Share awards granted	4 142.5	1 763.5
Shares purchased during the period (note 19)	4 142.5	1 417.0
Utilisation of existing shares held within the Group	–	346.5
Shares delivered to participants (note 19)	(6 384.5)	–
Share awards forfeited	(241.0)	(350.0)
At end of period	6 853.5	9 336.5

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:	52 weeks 25 February 2018	52 weeks 26 February 2017
Year		
2018	–	6 425.0
2019*	1 081.0	1 168.0
2020	1 665.0	1 743.5
2021	4 107.5	–
	6 853.5	9 336.5
Number of forfeitable shares as a percentage of issued shares	1.4%	1.9%

* *Performance hurdles relating to these forfeitable shares were met as at 25 February 2018. These will become unconditional when the service condition is met during June 2018.*

5.3 Total outstanding share awards

	52 weeks 25 February 2018 Number of share awards 000's	52 weeks 26 February 2017 Number of share awards 000's
Share options	29 597.7	32 126.4
Forfeitable shares	6 853.5	9 336.5
Total	36 451.2	41 462.9
Number of share awards as a percentage of issued shares	7.5%	8.5%

	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	27 441.6	22 429.9

Refer to note 4 for details of share options held by directors and forfeitable share plan shares issued to directors.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

5. SHARE-BASED PAYMENTS (continued)

5.4 Shares held within the Group, reflected as treasury shares (note 19)

	52 weeks 25 February 2018 Number of share awards 000's	52 weeks 26 February 2017 Number of share awards 000's
As hedge against shares issued under forfeitable share plan	6 853.5	9 336.5
As hedge against shares options granted	6 654.9	6 531.8
	13 508.4	15 868.3

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 Pick n Pay Stores Limited (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	Number of options converted upon unbundling 000's	Expected life of options years	Share price at grant date	Grant price	Expected volatility*	Expected dividend yield**	Risk-free rate***
2017	3 441.5	7 565.3	0 – 7	R55.25 – R84.24	R26.62 – R79.86	18.82 – 29.88	1.79 – 4.33	5.65 – 10.33
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

* *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 25 FEBRUARY 2018

	52 weeks 25 February 2018 Rm	Restated* 52 weeks 26 February 2017 Rm
6. INCOME TAX		
6.1 Tax recognised in profit or loss		
Normal tax	445.8	446.5
Current period	464.4	414.5
Prior period (over)/under provision	(18.6)	32.0
Deferred tax (note 12)	26.0	14.5
	471.8	461.0
6.2 Tax recognised directly in statement of changes in equity		
Tax effect of share incentive transactions recorded directly in equity	–	0.6
6.3 Tax paid		
Owing – beginning of period*	87.8	106.7
Recognised in profit or loss	445.8	446.5
Purchase of operations (note 27)	0.5	3.6
Foreign currency translations	(0.1)	(0.4)
Recognised in statement of changes in equity	–	0.6
Owing – end of period*	(213.7)	(87.8)
Total tax paid	320.3	469.2

	%	%
6.4 Reconciliation of effective tax rate		
South African statutory tax rate	28.0	28.0
Exempt income – dividend *in specie*	–	(6.7)
Exempt income – dividends received	–	(0.3)
Exempt income – other	(1.0)	(0.8)
Impact of foreign tax rates	(0.3)	0.2
Impact of fair value adjustments	–	3.7
Non-deductible impairment loss on intangible assets	0.1	0.3
Non-deductible leasehold improvement and property depreciation	2.5	2.0
Impact of share options expense	(1.5)	0.3
Other non-deductible expenditure	0.2	0.1
Utilisation of previously unrecognised deferred tax	–	(0.3)
Net prior period (over)/under provisions	(1.3)	1.0
Effective tax rate	26.7	27.5

* *Prior period amounts restated, refer to note 28.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 25 FEBRUARY 2018

	52 weeks 25 February 2018 Cents per share	Restated* 52 weeks 26 February 2017 Cents per share
7. EARNINGS PER SHARE*		
Basic	273.64	250.98
Diluted	268.33	244.65
Headline	276.98	258.65
Diluted headline	271.61	252.13

	Rm	Rm
7.1 Basic and headline earnings		
Reconciliation between basic and headline earnings:		
Profit for the period*	1 296.3	1 216.0
Profit attributable to forfeitable share plan shares	–	(5.7)
Basic earnings for the period	1 296.3	1 210.3
Adjustments:	15.8	37.2
Loss on sale of property, plant and equipment	10.6	20.4
Tax effect of loss on sale of property, plant and equipment	(3.0)	(5.7)
Impairment loss on property, plant and equipment	3.5	5.9
Tax effect of impairment loss on property, plant and equipment	(1.0)	(1.7)
Impairment loss on intangible assets	6.9	6.1
Tax effect of impairment loss on intangible assets	–	(1.7)
Impairment loss on available-for-sale financial instruments	–	13.9
Impairment loss on property, plant and equipment of associate	1.2	–
Tax effect of impairment loss on property, plant and equipment of associate	(0.4)	–
Profit on sale of property, plant and equipment of associate	(3.1)	–
Tax effect of profit on sale of property, plant and equipment of associate	1.1	–
Adjustments attributable to forfeitable share plan shares	–	(0.2)
Headline earnings for the period*	1 312.1	1 247.3

	000's	000's
7.2 Number of ordinary shares		
Number of ordinary shares in issue (note 18)	488 450.3	488 450.3
Weighted average number of ordinary shares (excluding treasury shares)	473 717.3	482 237.5
Diluted weighted average number of ordinary shares in issue	483 091.1	494 709.6
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)	473 717.3	482 237.5
Dilutive effect of share awards	9 373.8	12 472.1
Diluted weighted average number of ordinary shares in issue	483 091.1	494 709.6

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.

* *Prior period amounts restated, refer to note 28.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

	52 weeks 25 February 2018 Cents per share	52 weeks 26 February 2017 Cents per share
8. DIVIDENDS		
8.1 Dividends paid		
Number 98 – declared 18 April 2017 – paid 12 June 2017 (2017: Number 96 – declared 25 April 2016 – paid 13 June 2016)	146.4	125.2
Number 99 – declared 16 October 2017 – paid 11 December 2017 (2017: Number 97 – declared 17 October 2016 – paid 12 December 2016)	33.4	29.9
Total dividends per share for the period	179.8	155.1
8.2 Dividends declared		
Interim dividend – number 99 (2017: number 97)	33.4	29.9
Final dividend – number 100 (2017: number 98)	155.4	146.4
	188.8	176.3

The directors have declared a final dividend (dividend 100) of 155.4 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, 5 June 2018. The shares will trade EX dividend from the commencement of business on Wednesday, 6 June 2018 and the record date will be Friday 8 June 2018. The dividends will be paid on Monday, 11 June 2018.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

	Goodwill Rm	Systems development Rm	Licences Rm	Total Rm
9. INTANGIBLE ASSETS				
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 27)	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
52 weeks to 26 February 2017				
Carrying value	372.1	548.3	63.9	984.3
Cost	407.1	1 081.9	181.1	1 670.1
Accumulated amortisation and impairment losses	(35.0)	(533.6)	(117.2)	(685.8)
Reconciliation of carrying value				
Carrying value at beginning of period	372.0	575.9	57.0	1 004.9
Additions	–	118.0	16.0	134.0
Expansion of operations	–	107.1	16.0	123.1
Maintaining operations	–	10.9	–	10.9
Amortisation	–	(144.5)	(16.1)	(160.6)
Impairment	(5.4)	–	(0.7)	(6.1)
Purchase of operations (note 27)	5.5	–	7.7	13.2
Foreign currency translations	–	0.1	–	0.1
Reclassifications to property, plant and equipment	–	(1.2)	–	(1.2)
Carrying value at end of period	372.1	548.3	63.9	984.3

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 (2017: 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 5.0% (2017: 5.0%), derived from 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 12.0% (2017: 13.0%). Management believes that any reasonably possible change in the key assumptions on which this CGU's recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

9. INTANGIBLE ASSETS (continued)

The remaining goodwill, with a carrying value of R290.1 million (2017: R237.1 million), relates to various acquisitions or conversions of franchise stores to owned stores, none of which are significant in comparison to the Group's total carrying amount of goodwill. Of the remaining goodwill, R47.7million (2017: R38.5 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% (2017: 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 R6.9 million (2017: R6.1 million) arose in two (2017: three) CGUs in the South Africa operating segment. These CGUs are all individual owned stores, none of which are 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 these CGUs due to a weakening in the general economic conditions in which these CGUs operate.

10. PROPERTY, PLANT AND EQUIPMENT

	Property Rm	Furniture, fittings, equipment and vehicles Rm	Leasehold improvements Rm	Aircraft Rm	Total Rm
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 27)	–	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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

10. PROPERTY, PLANT AND EQUIPMENT (continued)

	Property Rm	Furniture, fittings, equipment and vehicles Rm	Leasehold improvements Rm	Aircraft Rm	Total Rm
52 weeks to 26 February 2017					
Carrying value	1 334.6	3 374.5	861.4	13.1	5 583.6
Cost	1 667.4	6 508.2	1 193.0	32.0	9 400.6
Accumulated depreciation and impairment losses	(332.8)	(3 133.7)	(331.6)	(18.9)	(3 817.0)
Reconciliation of carrying value					
Carrying value at beginning of period	1 518.8	2 764.8	652.6	14.7	4 950.9
Additions	31.6	1 361.0	343.4	–	1 736.0
Expansion of operations	2.8	602.5	59.9	–	665.2
Maintaining operations	28.8	758.5	283.5	–	1 070.8
Depreciation	(11.0)	(676.0)	(132.3)	(1.6)	(820.9)
Impairment	–	(2.3)	(3.6)	–	(5.9)
Disposals	(0.4)	(69.5)	(0.3)	–	(70.2)
Purchase of operations (note 27)	–	3.0	–	–	3.0
Reclassifications	8.4	(8.8)	1.6	–	1.2
Transfer to non-current assets held for sale	(212.8)	–	–	–	(212.8)
Foreign currency translations	–	2.3	–	–	2.3
Carrying value at end of period	1 334.6	3 374.5	861.4	13.1	5 583.6

Property includes land with an indefinite useful life, with a carrying value of R343.4 million (2017: R343.4 million).

Property with a carrying value of R90.3 million (2017: R64.3 million) is provided as security for long-term borrowings (refer to note 20).

Included in the carrying value of furniture, fittings, equipment and vehicles are leased vehicles with a carrying value of R117.2 million (2017: R122.2 million) secured by lease liabilities (refer to note 20).

Non-current asset held for sale

Land, with a carrying value R217.2 million (2017: R212.8 million), has been classified as a non-current asset held for sale as the agreement of sale with the purchaser has been concluded. At period-end, the land was in the process of being transferred to the purchaser and the transfer took place in March 2018 (refer to note 29). During the period under review, improvements were effected on the land, which resulted in an increase in its carrying value of R4.4 million. At period-end, the property is recognised at the lower of its carrying value and fair value less costs to sell and forms part of the South Africa operating segment.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 25 FEBRUARY 2018

	52 weeks 25 February 2018 Rm	52 weeks 26 February 2017 Rm
11. OPERATING LEASES		
The Group has entered into various operating lease agreements as the lessee of premises. Leases on premises are contracted for periods of between one and 20 years (2017: one and 20 years) with renewal options for a further one to 20 years (2017: one and 20 years). Rentals comprise minimum monthly payments and additional payments based on turnover levels. Turnover rentals, where applicable, average 1.5% (2017: 1.5%) of turnover. Rental escalations vary, averaging 6.5% (2017: 6.5%) per annum.		
Property – minimum lease payments	2 301.3	1 997.9
– turnover clause payments	25.0	11.6
Operating lease charges recognised in the statement of comprehensive income	2 326.3	2 009.5
The Group has entered into various operating lease agreements as the lessor of premises. Leases on premises are contracted for periods of between one and 20 years (2017: one and 20 years). Rentals comprise mainly minimum monthly receipts. Rental escalations vary between 6.5% and 10.0% (2017: 6.5% and 10.0%) per annum.		
Operating lease income recognised in the statement of comprehensive income (note 2)	446.1	345.3
11.1 Operating lease assets		
At beginning of period	198.3	171.6
Accrual	29.0	26.7
At end of period	227.3	198.3
At end of the period, future minimum rentals receivable from non-cancellable sublease contracts amount to:		
Cash flow due within one year	411.5	378.3
Cash flow due after one year but not more than five years	1 343.1	1 264.4
Cash flow due after more than five years	1 056.3	1 024.8
Total future cash flows	2 810.9	2 667.5
Less: Operating lease assets	(227.3)	(198.3)
Total operating lease receivable still to be recognised	2 583.6	2 469.2
11.2 Operating lease liabilities		
At beginning of period	1 398.6	1 239.6
Accrual	173.0	159.0
At end of period	1 571.6	1 398.6
At end of the period, future non-cancellable minimum lease rentals are payable during the following financial periods:		
Cash flow due within one year	2 183.6	1 949.7
Cash flow due after one year but not more than five years	7 528.2	6 919.4
Cash flow due after more than five years	7 312.6	7 012.5
Total future cash flows	17 024.4	15 881.6
Less: Operating lease liabilities	(1 571.6)	(1 398.6)
Total operating lease payable still to be recognised	15 452.8	14 483.0

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 25 FEBRUARY 2018

	52 weeks 25 February 2018 Rm	52 weeks 26 February 2017 Rm
12. DEFERRED TAX		
Deferred tax assets	194.8	218.0
Deferred tax liabilities	(13.7)	(14.6)
Net deferred tax assets	181.1	203.4
The movement in net deferred tax assets are as follows:		
At beginning of period	203.4	215.6
Purchase of operations (note 27)	(0.1)	–
Recognised in profit or loss (note 6)	(26.0)	(14.5)
Participation in export partnerships	–	18.9
Property, plant and equipment and intangible assets	(139.6)	(39.6)
Net operating lease liabilities	75.7	29.5
Retirement benefits and actuarial gains	(0.8)	(0.7)
Prepayments	5.8	0.2
Allowance for impairment losses	(7.4)	(0.1)
Accumulated tax losses	(5.2)	7.9
Deferred revenue	(4.8)	4.8
Income received in advance	2.2	1.6
Investment in associate	(4.7)	(4.0)
Income and expense accruals	52.8	(33.0)
Recognised in other comprehensive income	3.8	2.3
Tax effect of remeasurement of retirement scheme assets	0.2	(0.6)
Foreign currency translations	3.6	2.9
At end of period	181.1	203.4
Comprising of:		
Property, plant and equipment and intangible assets	(363.2)	(223.6)
Net operating lease liabilities	373.5	297.8
Retirement benefits and actuarial gains	(27.3)	(26.7)
Prepayments	(1.3)	(6.0)
Allowance for impairment losses	22.4	29.6
Accumulated tax losses	2.6	7.9
Deferred revenue	31.2	36.0
Income received in advance	14.2	10.9
Investment in associate	(12.4)	(9.6)
Income and expense accruals	141.4	87.1
	181.1	203.4

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 25 FEBRUARY 2018

	52 weeks 25 February 2018 Rm	52 weeks 26 February 2017 Rm
13. INVESTMENT IN ASSOCIATE		
The Group has a 49% investment in TM Supermarkets (Pvt) Limited, a private company incorporated in Zimbabwe which operates supermarkets throughout Zimbabwe. The company has a functional currency of US Dollars. At period-end, there are no restrictions in place that would prevent the Group from realising its investment in TM Supermarkets.		
At beginning of period	309.7	285.5
Share of associate's income	116.3	80.2
Foreign currency translation	(37.6)	(56.0)
Dividend declared by associate	(22.8)	–
At end of period	365.6	309.7
13.1 Related party transactions		
Sale of inventory	78.0	21.3
During the financial period the Group sold inventory to its associate. These purchases are on the same terms and conditions as those entered into by other Group customers.		
Trade and other receivable balances outstanding at the end of the period	70.3	10.4
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 year or prior year for bad or doubtful debts in respect of amounts owing by the associate.		
Dividend declared by associate	21.7	–
During the financial period TM Supermarkets declared a dividend to its shareholders. The dividend was subject to a withholding dividend tax of 5%.		
13.2 Summary financial information of associate		
The summary financial information has been presented in South African rand, the presentation currency of the Group.		
Statement of comprehensive income (100%)		
Revenue	6 205.2	5 801.0
Profit for the period	237.8	163.9
Attributable to other owners of the Company	120.8	83.5
Attributable to the Group	116.3	80.2
Non-controlling interest	0.7	0.2
Statement of financial position (100%)		
Total assets	1 377.9	1 177.8
Current assets	670.3	461.7
Non-current assets	707.6	716.1
Total liabilities	567.6	479.6
Current liabilities	510.3	420.5
Non-current liabilities	57.3	59.1
Net assets (100%)	810.3	698.2
Attributable to other owners of the Company	380.2	322.3
Attributable to the Group	365.6	309.7
Non-controlling interest	64.5	66.2

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 25 FEBRUARY 2018

	52 weeks 25 February 2018 Rm	52 weeks 26 February 2017 Rm
14. LOANS		
Employees	69.2	80.2
Executive directors	0.4	0.4
Other employees	68.8	79.8
Other	10.1	4.9
	79.3	85.1

Loans to directors and employees bear interest at varying rates averaging at a rate of 4.5% (2017: 4.6%) per annum and have varying repayment terms. At period-end, R45.1 million (2017: R61.4 million) of employee loans were secured.

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

	52 weeks 25 February 2018 Rm	Restated* 52 weeks 26 February 2017 Rm
15. INVENTORY		
Merchandise for resale	6 050.5	5 779.9
Provision for shrinkage, obsolescence and mark down of inventory	(159.0)	(157.8)
Consumables	72.2	61.9
	5 963.7	5 684.0

* *Prior year amounts restated, refer to note 28.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

	52 weeks 25 February 2018 Rm	52 weeks 26 February 2017 Rm
16. TRADE AND OTHER RECEIVABLES		
Trade and other receivables	3 726.1	3 569.9
Allowance for impairment losses	(91.6)	(124.8)
	3 634.5	3 445.1
Trade and other receivables disclosed as:*	3 634.5	3 445.1
Non-current	105.4	145.2
Current	3 529.1	3 299.9
Gross trade and other receivables not impaired		
Within payment terms	2 759.6	2 797.4
Exceeding payment terms by less than 14 days	61.7	81.8
Exceeding payment terms by more than 14 days	519.3	254.9
	3 340.6	3 134.1
Gross trade and other receivables with impairments		
Within payment terms	84.3	131.4
Exceeding payment terms by less than 14 days	17.5	32.7
Exceeding payment terms by more than 14 days	208.3	271.7
	310.1	435.8
The movement in the allowance for impairment of trade and other receivables during the period was as follows:		
Balance at the beginning of the period	124.8	121.9
Irrecoverable debts written off	(76.5)	(41.1)
Additional impairment losses recognised	51.1	59.9
Prior allowances for impairment reversed	(7.8)	(15.9)
At end of period	91.6	124.8

Trade and other receivables are interest-free unless overdue, and have payment terms ranging between 7 and 35 days (2017: 10 and 35 days).

The Group makes allowance for specific trade debtors which have clearly indicated financial difficulty and where the likelihood of repayment has become impaired. Such indicators include the inability to recover long overdue accounts and liquidity problems experienced by debtors. More than 74% (2017: 78%) of the balance relates to customers that have not been impaired and meet their obligations within the Group's payment terms.

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.

The carrying value of trade and other receivables approximate their fair value due to the short-term nature of the receivables.

Refer to note 26.2 for information on the credit risk of trade and other receivables.

* *Prior year amounts reclassified, refer to note 28.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

	52 weeks 25 February 2018 Rm	52 weeks 26 February 2017 Rm
17. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	1 129.1	961.9
Bank overdraft and overnight borrowings	(1 800.0)	(1 800.0)
Cash and cash equivalents at end of period	(670.9)	(838.1)

Cash and cash equivalents
Cash and cash equivalents includes cash floats at stores as well as the Group's current account balances. The Group's primary banker, which at period-end, had a long-term credit rating of zaAA-, facilitates the collection of cash at stores, provides general banking facilities and facilitates the payment of suppliers via an electronic banking platform. The interest rate on the current account varied between 6.1% and 6.3% per annum (2017: 7.6% and 7.8% per annum).

Bank overdraft
The Group utilised its bank overdraft during the period. The overdraft rate varied between 8.8% and 9.0% per annum (2017: 8.8% and 9.0% per annum).

Overnight bank borrowings
The Group utilised overnight bank borrowings during the period. Interest rates varied between 7.3% and 8.2% per annum (2017: 7.3% and 8.2% per annum).

	52 weeks 25 February 2018 Rm	52 weeks 26 February 2017 Rm
18. SHARE CAPITAL		
18.1 Ordinary share capital		
Authorised		
800 000 000 (2017: 800 000 000) ordinary shares of 1.25 cents each	10.0	10.0
Issued		
488 450 321 (2017: 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)	6 654.9	6 531.8
Treasury shares allocated under the forfeitable share plan (note 19)	6 853.5	9 336.5
Shares held outside the Group	474 941.9	472 582.0
	488 450.3	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% (2017: 5%) of total issued share capital or 24 422 516 (2017: 24 422 516) shares. To date, 10 743 000 (2017: 10 743 000) shares have been issued, which has resulted in 13 679 516 (2017: 13 679 516) shares remaining for the above-mentioned 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 25 FEBRUARY 2018

	52 weeks 25 February 2018 000's	52 weeks 26 February 2017 000's
18. SHARE CAPITAL (continued)		
18.2 B share capital		
Authorised		
1 000 000 000 (2017: 1 000 000 000) unlisted, non-convertible, non-participating, no par value B shares	–	–
Issued		
259 682 869 (2017: 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.

	52 weeks 25 February 2018 Rm	52 weeks 26 February 2017 Rm
19. TREASURY SHARES		
At beginning of period	554.3	63.5
Shares purchased during the period	423.4	345.4
Take-up of share options by employees	(114.3)	(266.9)
Shares received upon unbundling (note 25)	–	412.3
At end of period	863.4	554.3
	000's	**000's**
The movement in the number of treasury shares held is as follows:		
At beginning of period	15 868.3	9 675.4
Shares purchased during the period	6 809.4	5 749.7
As hedge against share options granted	2 666.9	4 332.7
Shares allocated under forfeitable share plan	4 142.5	1 417.0
Shares sold during the period pursuant to the take-up of share options by employees	(2 784.8)	(4 016.5)
Shares delivered to participants of forfeitable share plan	(6 384.5)	–
Shares received upon unbundling (note 25)	–	4 459.7
At end of period	13 508.4	15 868.3
Comprises:		
Shares allocated under forfeitable share plan (note 5.4)	6 853.5	9 336.5
As hedge against share options granted	6 654.9	6 531.8
	R	**R**
Average purchase price of shares purchased during the period	62.2	79.7

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

	52 weeks 25 February 2018 Rm	52 weeks 26 February 2017 Rm
20. BORROWINGS		
Secured borrowings		
Secured loan in respect of property with a carrying value of R90.3 million (2017: R64.3 million) (note 10) bearing interest at a fixed rate of 11.4% and payable monthly in arrears over a 15-year period, ending on 28 October 2018.	8.8	21.2
Finance leases in respect of vehicles with a carrying value of R117.2 million (2017: R122.2 million) (note 10) held under finance lease agreements bearing interest at prime bank rate less 0.7% to 1.4% (2017: 0.7% to 1.4%) and payable monthly in arrears over a four year period (refer note 20.1). At the end of the lease period, the Group has the option to either refinance or settle the lease and take ownership of the asset. Lease agreements do not contain any escalation or penalty clauses.	120.0	112.0
Unsecured borrowings		
Three month short term loan bearing interest at 7.75% and repayable on 21 May 2018.	400.0	–
Total borrowings at end of period	528.8	133.2
Less: Current portion (repayable within one year)	(449.3)	(49.2)
Non-current portion (repayable after one year)	79.5	84.0
20.1 Finance lease commitments		
At end of period finance lease rentals are payable as follows:		
Cash flows within one year	44.2	40.4
Capital repayments	40.4	37.0
Interest	3.8	3.4
Cash flows within two to five years	87.0	82.0
Capital repayments	79.6	75.0
Interest	7.4	7.0
Total cash flows	131.2	122.4
Consisting of:		
Capital repayments	120.0	112.0
Interest	11.2	10.4
20.2 Reconciliation of carrying value of borrowings		
At beginning of period	133.2	
Cash movements for the period	381.2	
Borrowings raised	445.3	
Borrowing repaid	(50.6)	
Interest paid	(13.5)	
Non-cash movements for the period	14.4	
Interest expense	13.5	
Purchase of operations	0.9	
At end of period	528.8	

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

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 Non-contributory Provident Fund defined-contribution plans.

The Group's largest defined-contribution fund is the Pick n Pay Non-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 Non-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 Non-contributory Provident Fund comprises 7 employer-appointed and 7 member-elected trustees and for the Pick n Pay Paid-up Pension Fund it comprises of 2 employer-appointed and 2 member-elected trustees.

	Pensioners' defined-benefit guarantee Rm	Retirement defined-benefit guarantee Rm	Total obligation 2018 Rm	Total obligation 2017 Rm
21.1 Defined-benefit obligations				
The amount recognised in the statement of financial position is as follows:				
Present value of funded obligations	525.2	348.1	873.3	1 023.2
Fair value of assets	(525.2)	(456.8)	(982.0)	(1 118.5)
Effect of asset ceiling	–	11.1	11.1	–
	–	(97.6)	(97.6)	(95.3)
Amounts recognised in the statement of comprehensive income are as follows:				
Current service cost	–	13.5	13.5	15.1
Net interest on the obligation	–	(7.5)	(7.5)	(7.9)
Total included in employee costs	–	6.0	6.0	7.2
Asset ceiling				
Refund (employer surplus account)	–	97.6	97.6	96.4
	–	97.6	97.6	96.4
Effect of asset ceiling at beginning of period	–	–	–	–
Interest cost	–	–	–	–
Remeasurement	–	11.1	11.1	–
Effect of asset ceiling at end of period	–	11.1	11.1	–
Movement in the asset recognised on the statement of financial position is as follows:				
Net asset at beginning of period	–	(95.3)	(95.3)	(90.8)
Total included in employee costs in profit or loss	–	6.0	6.0	7.2
Amount recognised in other comprehensive income	–	0.6	0.6	(2.1)
Contributions	–	(8.9)	(8.9)	(9.6)
Net asset at end of period	–	(97.6)	(97.6)	(95.3)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

21. RETIREMENT BENEFITS (continued)

	Pensioners' defined-benefit guarantee Rm	Retirement defined-benefit guarantee Rm	Total obligation 2018 Rm	Total obligation 2017 Rm
21.1 Defined-benefit obligations (continued)				
Remeasurement recognised in other comprehensive income				
Actuarial loss – assets	23.0	15.1	38.1	46.4
Actuarial gain – liabilities	(23.0)	(25.6)	(48.6)	(48.5)
Effect of asset ceiling	–	11.1	11.1	–
Remeasurement recognised in other comprehensive income (before tax)	–	0.6	0.6	(2.1)
Movement in the fund's obligations and plan assets recognised on the statement of financial position is as follows:				
Liability at beginning of period	541.4	481.8	1 023.2	1 045.7
Service cost	–	13.5	13.5	15.1
Interest cost	46.5	35.8	82.3	92.5
Actuarial gain from experience	(23.0)	(25.6)	(48.6)	(44.4)
Actuarial gain from basis change	–	–	–	(4.1)
Benefits paid	(39.7)	(157.4)	(197.1)	(81.6)
Liability at end of period	525.2	348.1	873.3	1 023.2
Plan assets at beginning of period	541.4	577.1	1 118.5	1 136.5
Expected return	46.5	43.3	89.8	100.4
Actuarial loss from experience	(23.0)	(15.1)	(38.1)	(46.4)
Contributions	–	8.9	8.9	9.6
Benefits paid	(39.7)	(157.4)	(197.1)	(81.6)
Plan assets at end of period	525.2	456.8	982.0	1 118.5
	%	%	%	%
Estimated return on plan assets	2.8	9.0	5.7	6.8
Composition of plan assets				
Equities	5.3	46.3	24.3	30.8
Fixed interest – bonds	77.9	13.7	48.1	44.1
Fixed interest – cash	2.6	–	1.4	3.7
Property	–	3.7	1.7	2.4
Global Absolute	–	17.6	8.2	3.5
Global Balanced	14.2	18.7	16.3	15.5
	100.0	100.0	100.0	100.0

The value of contributions expected to be paid in the next financial period is R9.2 million (2017: R10.0 million).

The weighted average duration of the defined-benefit obligation is seven years (2017: six years).

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

21. RETIREMENT BENEFITS (continued)

	February 2018 % per annum Pensioners	February 2018 % per annum Executives	February 2018 % per annum Combined	February 2017 % per annum Combined
21.1 Defined-benefit obligations (continued)				
The principal actuarial assumptions at the last valuation date are:				
Discount rate	8.8	8.8	8.8	8.4
Future salary increases	n/a	7.0	7.0	6.2
Future pension increases	6.0	n/a	6.0	6.8
Annual increase in health care costs	6.0	6.0	6.0	6.4

Sensitivity analysis

At 25 February 2018, if either salary inflation or the 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% 7.8% Rm	As reported 8.8% Rm	+1% 9.8% Rm	-1% 6.0% Rm	As reported 7.0% Rm	+1% 8.0% Rm	-1% 5.0% Rm	As reported 6.0% Rm	+1% 7.0% Rm
Statement of comprehensive income									
Employee costs	6.5	6.0	5.5	5.5	6.0	6.5	n/a	n/a	n/a
Statement of financial position									
Asset at end of period	93.5	97.6	97.6	97.6	97.6	95.3	97.6	97.6	97.2

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.

	52 weeks 25 February 2018 Rm	52 weeks 26 February 2017 Rm
21.2 Defined current contribution benefits		
Current contributions (note 3.1)	157.2	239.6

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	52 weeks 25 February 2018 Rm	52 weeks 26 February 2017 Rm
22. TRADE AND OTHER PAYABLES		
Trade and other payables	10 461.3	10 117.1
Leave pay obligations	238.0	235.7
Deferred revenue – customer loyalty programme (note 2)	121.3	137.4
	10 820.6	10 490.2

	52 weeks 25 February 2018 Rm	52 weeks 26 February 2017 Rm
23. COMMITMENTS		
23.1 Capital commitments		
All capital expenditure will be funded from internal cash flows and through unlimited borrowing powers.		
Authorised capital expenditure		
Contracted for	231.0	275.1
Property	69.8	26.5
Furniture, fittings, equipment and vehicles	67.8	230.1
Intangible assets	93.4	18.5
Not contracted for	1 469.0	1 524.9
Property	20.0	30.4
Furniture, fittings, equipment and vehicles	1 417.2	1 404.9
Intangible assets	31.8	89.6
Total commitments	1 700.0	1 800.0

23.2 Operating lease commitments
Refer to note 11.

23.3 Finance lease commitments
Refer to note 20.1.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 25 FEBRUARY 2018

24. 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 Richard Brasher (CEO), Richard van Rensburg (deputy CEO) and Bakar Jakoet (CFO).

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
52 weeks to 25 February 2018			
Total segment revenue	79 718.7	4 648.1	84 366.8
External revenue	79 718.7	3 786.1	83 504.8
Direct deliveries*	–	862.0	862.0
Segment external turnover	77 802.2	3 757.9	81 560.1
Profit before tax**	1 480.2	287.9	1 768.1
Other information			
Statement of comprehensive income			
Finance income	177.3	6.8	184.1
Finance costs	331.1	0.1	331.2
Depreciation and amortisation	1 044.2	43.4	1 087.6
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
52 weeks to 26 February 2017 restated#			
Total segment revenue	76 064.9	4 315.7	80 380.6
External revenue	76 064.9	3 482.0	79 546.9
Direct deliveries*	–	833.7	833.7
Segment external turnover	74 026.2	3 459.9	77 486.1
Profit before tax*#**	1 451.5	225.5	1 677.0
Other information			
Statement of comprehensive income			
Finance income	119.6	6.5	126.1
Finance costs	217.6	1.0	218.6
Depreciation and amortisation	948.0	33.5	981.5
Impairment loss on intangible assets	6.1	–	6.1
Impairment loss on property, plant and equipment	5.9	–	5.9
Impairment loss on available-for-sale financial instrument	13.9	–	13.9
Share of associate's income	–	80.2	80.2
Statement of financial position			
Total assets#	16 163.9	1 627.9	17 791.8
Total liabilities#	13 530.9	405.2	13 936.1
Investment in associate	–	309.7	309.7
Additions to non-current assets	1 792.5	93.7	1 886.2

* *Direct deliveries are those issues to franchisees made directly by Group suppliers that are not included in revenue in the Group statement of comprehensive income. These direct deliveries are, however, included in the financial information of the Rest of Africa segment reviewed by the CODM of the Group.*

** *Segmental profit before tax is the reported measure used for evaluating the performance of the Group's operating segment. Overall, 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.*

\# *Prior year amounts restated, refer to note 28.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 25 FEBRUARY 2018

25. RELATED PARTY TRANSACTIONS

25.1 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
- Pick n Pay Retailers Limited, incorporated in Ghana.

25.2 Transactions with Pick n Pay Holdings Limited RF

In the prior period, the Pick n Pay Holdings Group included the ultimate holding company, Pick n Pay Holdings Limited RF, an investment holding company which was listed on the JSE (a stock exchange in South Africa). The Company was formed with the sole purpose of holding a controlling interest in Pick n Pay Stores Limited (and thereby creating the Pick n Pay Stores Group), thereby resulting in a pyramid control structure.

During the prior period, at a General Meeting, shareholders approved the unbundling of the Pick n Pay Holdings Group in order to remove the pyramid control structure. As a result of the unbundling, related party transactions occurred. This included a dividend-*in-specie* share distribution by Pick n Pay Holdings Limited RF, of R412.3million, to entities within the Pick n Pay Stores Group that, at the time, held shares in Pick n Pay Holdings Limited RF. The dividend *in specie* consisted of shares in Pick n Pay Stores Limited. It also included the creation and issuance of a new class of unlisted voting shares (B shares) in Pick n Pay Stores Limited (refer to note 18.2). These shares were issued to existing controlling shareholders of Pick n Pay Holdings Limited RF so as to retain the effective control of the Group.

In addition, as part of the unbundling in the prior period, Pick n Pay Holdings Limited RF was purchased by Pick n Pay Stores Limited for a purchase price of R5.1 million. Pick n Pay Holdings Limited RF thereby became a wholly-owned subsidiary of the Pick n Pay Stores Group.

25.3 Transactions with equity accounted associate

Refer to note 13 for further information.

25.4 Loans to executive directors

Loans to directors amount to R0.4 million at the end of the period (2017: R0.4 million). These loans are secured and bear interest at varying interest rates. For further information refer to note 14.

25.5 Key management personnel

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

	52 weeks 25 February 2018 Rm	52 weeks 26 February 2017 Rm
Key management personnel remuneration comprises:		
Fees for board meetings, committee and other work	8.6	8.3
Base salary	63.1	58.2
Retirement and medical aid contributions	6.8	6.8
Fringe and other benefits	12.0	7.3
Total fixed remuneration	90.5	80.6
Discretionary award*	6.1	–
Total remuneration	96.6	80.6
Expense relating to share awards granted	89.8	86.6

* *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 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.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 25 FEBRUARY 2018

26. FINANCIAL INSTRUMENTS

Overview

The Group's principal financial liabilities, other than derivatives, comprise bank overdrafts, borrowings and trade and other payables. 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, liquidity, and market 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.

26.1 Financial assets and financial liabilities by category

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

	Derivative financial instruments Rm	Financial assets at fair value through profit and loss Rm	Loans and receivables Rm	Financial liabilities measured at amortised cost Rm	Financial liabilities at fair value through profit and loss Rm	Total Rm
2018						
Financial assets						
Trade and other receivables	–	–	3 559.0	–	–	3 559.0
Cash and cash equivalents	–	–	1 129.1	–	–	1 129.1
Loans	–	–	79.3	–	–	79.3
Investment in Guardrisk Insurance Company Limited	–	25.7	–	–	–	25.7
	–	25.7	4 767.4	–	–	4 793.1
Financial liabilities						
Forward exchange contracts (FEC)	8.5	–	–	–	–	8.5
Secured loans	–	–	–	128.8	–	128.8
Unsecured loans	–	–	–	400.0	–	400.0
Trade and other payables	–	–	–	10 095.0	–	10 095.0
Bank overdraft and overnight borrowings	–	–	–	1 800.0	–	1 800.0
	8.5	–	–	12 423.8	–	12 432.3

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 25 FEBRUARY 2018

26. FINANCIAL INSTRUMENTS (continued)

26.1 Financial assets and financial liabilities by category (continued)

	Derivative financial instruments Rm	Financial assets at fair value through profit and loss Rm	Loans and receivables Rm	Financial liabilities measured at amortised cost Rm	Financial liabilities at fair value through profit and loss Rm	Total Rm
2017						
Financial assets						
Trade and other receivables	–	–	3 346.5	–	–	3 346.5
Cash and cash equivalents	–	–	961.9	–	–	961.9
Loans	–	–	85.1	–	–	85.1
Investment in Guardrisk Insurance Company Limited	–	13.7	–	–	–	13.7
	–	13.7	4 393.5	–	–	4 407.2
Financial liabilities						
Forward exchange contracts (FEC)	11.7	–	–	–	–	11.7
Secured loans	–	–	–	133.2	–	133.2
Trade and other payables	–	–	–	9 909.5	–	9 909.5
Bank overdraft and overnight borrowings	–	–	–	1 800.0	–	1 800.0
	11.7	–	–	11 842.7	–	11 854.4

26.2 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.

The Group's cash is placed with major South African and international financial institutions, which, at period-end, had a high credit standing with a long-term rating of zaAA- (refer to note 17).

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 its financial position and credit rating. The Group obtains various forms of security from its franchise 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 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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

26. FINANCIAL INSTRUMENTS (continued)

26.3 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, excluding new store assets and store refurbishments. Liquidity risk has been mitigated by substantial unutilised borrowing facilities, as illustrated below.

	52 weeks 25 February 2018 Rm	52 weeks 26 February 2017 Rm
Total available facilities	7 871.1	7 925.7
Total actual borrowings	(2 328.8)	(1 933.2)
Utilisation of FEC	(93.4)	(154.9)
Unutilised borrowing facilities	5 448.9	5 837.6

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

	Carrying amount Rm	Contractual cash flows Rm	Within one year Rm	Two to five years Rm
2018				
Secured loans	128.8	140.5	53.5	87.0
Unsecured loans	400.0	410.0	410.0	–
Trade and other payables	10 095.0	10 095.0	10 095.0	–
Overnight borrowings	1 800.0	1 800.0	1 800.0	–
Total financial obligations	12 423.8	12 445.5	12 358.5	87.0
2017				
Secured loans	133.2	145.6	54.3	91.3
Trade and other payables	9 909.5	9 909.5	9 909.5	–
Overnight borrowings	1 800.0	1 800.0	1 800.0	–
Total financial obligations	11 842.7	11 855.1	11 763.8	91.3

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

26. FINANCIAL INSTRUMENTS (continued)

26.4 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.

The sensitivity analysis in the following sections relate to the position as at 25 February 2018 and 26 February 2017.

26.4.1 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.

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.

	Average rate		Closing rate	
	2018	2017	2018	2017
The following significant exchange rates applied during the period:				
USD/ZAR	13.0	14.3	11.6	13.0
Euro/ZAR	14.9	15.7	14.2	13.7
GBP/ZAR	16.8	19.0	16.1	16.2

	Contract foreign currency m	Rand equivalent Rm	Average rate R	Fair value Rm
Forward exchange liability contracts				
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
2017				
US Dollars	9.1	124.1	13.7	8.8
Euro	1.8	26.4	14.8	2.5
British Pound	0.3	4.4	17.1	0.4
		154.9		11.7

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 and statement of changes in equity of the Group. The Group does not apply hedge accounting to foreign currency fluctuations. 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 25 FEBRUARY 2018

26. FINANCIAL INSTRUMENTS (continued)
26.4 Market risk management (continued)
26.4.1 Currency risk management (continued)

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

The Group has exposure to foreign currency translation risk through 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 hedge accounted.

Sensitivity of the Group's exposure to changes in the fair value of these balances, as a result of changes in the relevant foreign currency exchange rates, are estimated by assessing the impact of a reasonable expected movement of the currencies 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 currencies is not material.

26.4.2 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 result in cash flow interest rate risk. The exposure to interest rate risk is managed though the Group's cash management system taking into account expected movements in interest rates when funding or investing decisions are made.

	52 weeks 25 February 2018 %	52 weeks 26 February 2017 %
The effective weighted average interest rates on financial instruments at end of period are:		
Financial assets		
Cash and cash equivalents (note 17)	6.1 – 6.3	7.6 – 7.8
Loans (note 14)	4.5	4.6
Financial liabilities		
Variable-rate interest-bearing debt		
Bank overdraft and overnight borrowings (note 17)	7.3 – 9.0	7.3 – 9.0
Finance leases (note 20)	8.9 – 9.8	8.9 – 9.8
Fixed-rate interest-bearing debt		
Secured loans (note 20)	11.4	8.9 – 11.4
Unsecured loans (note 20)	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. Interest rates could reasonably be expected to change by 1%, up or down (2017: increase by 1% to 2%). This range has been used in our sensitivity analysis, as set out below.

	2018		2017	
	1% decrease Rm	1% increase Rm	1% increase Rm	2% increase Rm
Effect on finance income	(11.3)	11.3	9.6	19.2
Effect on finance costs	23.2	(23.2)	(19.0)	(38.1)
Net decrease on profit before tax	11.9	(11.9)	(9.4)	(18.9)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

26. FINANCIAL INSTRUMENTS (continued)
26.5 Fair value of financial instruments

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

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:

	52 weeks 25 February 2018 Rm	52 weeks 26 February 2017 Rm
Derivative financial instruments – liabilities		
Forward exchange contracts – Level 2	8.5	11.7
Financial assets at fair value through profit or loss		
Investment in Guardrisk Insurance Company Limited – Level 2	25.7	13.7

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 Guardrisk Insurance Company Limited 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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

26. FINANCIAL INSTRUMENTS (continued)

26.6 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 has 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; 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 capital employed which is calculated as headline earnings divided by average shareholders' equity plus non-current borrowings:

	2018	2017
Return on capital employed*	32.6%	32.3%

The Group maintains a dividend cover based on headline earning per share of 1.5 times (2017: 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.

* *Prior year return on capital employed restated as a result of restatements detailed in note 28.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

27. PURCHASE OF OPERATIONS

During the current and prior periods, the Group acquired various retail operations in South Africa, none of which were 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.

	52 weeks 25 February 2018 Rm	52 weeks 26 February 2017 Rm
The net assets arising from these acquisitions were as follows:		
Identifiable net assets		
Current tax liabilities (note 6)	(0.5)	(3.6)
Deferred liabilities (note 12)	(0.1)	–
Intangible assets (note 9)	27.3	7.7
Property, plant and equipment (note 10)	14.0	3.0
Inventory	4.0	3.3
Trade and other receivables	0.6	–
Cash and cash equivalents	8.4	26.4
Trade and other payables	(8.1)	(17.7)
Borrowings	(0.9)	–
Total identifiable net assets at fair value	44.7	19.1
Goodwill		
Cash paid in respect of acquisitions	104.6	24.6
Less: Total identifiable net assets at fair value	(44.7)	(19.1)
Goodwill acquired (note 9)	59.9	5.5
Net cash (paid)/received in respect of acquisitions		
Cash paid in respect of acquisitions	104.6	24.6
Less: Cash and cash equivalents acquired	(8.4)	(26.4)
Net cash (paid)/received	(96.2)	1.8

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 25 FEBRUARY 2018

28. PRIOR PERIOD RESTATEMENTS AND CORRECTION OF PRESENTATION

The following prior period restatements were made in the Group's South Africa operating segment:

Recognition and measurement

The Group has re-evaluated its accounting for rebates and other income earned from suppliers in terms of IAS 2 *Inventories* and IAS 18 *Revenue*.

Upon re-evaluation, the Group assessed that it had erroneously accounted for certain rebates and other income within cost of sales, and in some instances recognised this net of related costs. It is appropriate to recognise relevant rebates relating to the purchase of inventory within cost of sales when the related inventory is sold, and to recognise relevant other income earned from suppliers as revenue within other trading income. The relevant rebates and other income should be recognised gross of related costs.

As a result of the correction of these errors, the Group adjusted its inventory valuation, net of the related tax impact, to reflect all relevant rebates in line with the movement of inventory.

These errors have been corrected during the current financial period and the relevant comparative figures restated, including necessary restatements in the statement of comprehensive income, statements of financial position and statement of cash flows.

Correction of presentation

In the comparative period, all trade and other receivables were incorrectly classified as current in the statement of financial position. Certain trade and other receivables are considered to be long term in nature and should be recorded as non-current in the statement of financial position.

The classification error was corrected in the current financial period and comparative figures restated. The classification error had no impact on total comprehensive income.

The aggregate of the corrections are set out below.

28.1 Prior period restatement and correction of presentation impact on the 2017 statement of comprehensive income

	Restated 52 weeks 26 February 2017 Rm	Restatement recognition and measurement Rm	As previously published 52 weeks 26 February 2017 Rm
Revenue	79 546.9	429.1	79 117.8
Cost of merchandise sold	(63 029.5)	519.9	(63 549.4)
Gross profit	14 456.6	519.9	13 936.7
Other trading income	1 934.7	429.1	1 505.6
Merchandising and administration	(2 395.3)	(987.2)	(1 408.1)
Trading profit	1 735.6	(38.2)	1 773.8
Profit before tax	1 677.0	(38.2)	1 715.2
Tax	(461.0)	10.7	(471.7)
Profit for the period	1 216.0	(27.5)	1 243.5
Total comprehensive income for the period	1 120.6	(27.5)	1 148.1

	Cents	Cents	Cents
Basic earnings per share	250.98	(5.69)	256.67
Diluted basic earnings per share	244.65	(5.55)	250.20
Headline earnings per share	258.65	(5.70)	264.35
Diluted headline earnings per share	252.13	(5.56)	257.69

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 25 FEBRUARY 2018

28. PRIOR PERIOD RESTATEMENTS AND CORRECTION OF PRESENTATION (continued)

28.2 Prior period restatement and correction of presentation impact on the 2017 statement of financial position

	Restated As at 26 February 2017 Rm	Restatement recognition and measurement Rm	Correction of presentation Rm	As previously published As at 26 February 2017 Rm
Non-current trade and other receivables	145.2	–	145.2	–
Inventory	5 684.0	(310.6)	–	5 994.6
Current trade and other receivables	3 299.9	–	(145.2)	3 445.1
Retained earnings	4 428.5	(223.6)	–	4 652.1
Current tax liabilities	87.8	(87.0)	–	174.8

28.3 Prior period restatement and correction of presentation impact on the 2016 statement of financial position

	Restated As at 28 February 2016 Rm	Restatement recognition and measurement Rm	Correction of presentation Rm	As previously published As at 28 February 2016 Rm
Non-current trade and other receivables	125.7	–	125.7	–
Inventory	4 879.6	(272.4)	–	5 152.0
Current trade and other receivables	3 200.5	–	(125.7)	3 326.2
Retained earnings	3 686.8	(196.1)	–	3 882.9
Current tax liabilities	106.7	(76.3)	–	183.0

28.4 Prior period restatement and correction of presentation impact on the 2017 statement of cash flows

	Restated As at 26 February 2017 Rm	Restatement recognition and measurement Rm	As previously published As at 26 February 2017 Rm
Trading profit	1 735.6	(38.2)	1 773.8
Movements in inventory	(801.1)	38.2	(839.3)
Net movement in cash and cash equivalents	(1 706.9)	–	(1 706.9)

29. SUBSEQUENT EVENTS

Non-current asset held for sale

Land that was classified as a non-current asset held for sale at period-end (refer to note 10), has subsequently been sold. Transfer occurred during March 2018.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 25 FEBRUARY 2018

30. STANDARDS AND INTERPRETATION 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. These include:

IFRS 9 Financial Instruments (effective for the Group for the financial year ending February 2019)

IFRS 9 replaces existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment losses on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The new standard introduces expanded disclosure requirements and changes in presentation.

The Group has undergone a detailed assessment of IFRS 9 and is satisfied that amendments to accounting policies and procedures upon the adoption of IFRS 9 is unlikely to have a material impact on trading profit, including basic, headline and diluted headline earnings per share. The following specific change is expected:

- The measurement of impairment losses recognised in relation to franchise receivables, included in trade and other receivables (refer to note 16), will change from an incurred loss model to a lifetime expected credit loss model and is expected to have an immaterial impact on trading profit.

On adoption, it is anticipated that IFRS 9 will result in an immaterial impact on previously reported financial information.

IFRS 15 Revenue from Contracts with Customers (effective for the Group for the financial year ending February 2019)

IFRS 15 establishes a single, comprehensive framework detailing the principles an entity must apply when accounting for revenue arising from contracts with customers. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

The new standard requires revenue to be recognised on the satisfaction of performance obligations, which occurs when control of promised goods or services is transferred to a customer, and requires revenue to be measured at the amount of consideration the entity expects to be entitled to for the transfer of those promised goods or services. Prescriptive guidance has been provided by IFRS 15 to deal with specific scenarios, and extensive disclosures are required.

The Group has undergone a detailed assessment of IFRS 15 and is satisfied that amendments to accounting policies and procedures upon the adoption of IFRS 15 is unlikely to have a material impact on trading profit, including basic, headline and diluted headline earnings per share. The following specific changes are expected:

- Revenue items previously classified as a reduction of cost of sales will be classified as turnover, which is expected to have no impact on trading profit,
- The new standard provides specific guidance on the measurement and recognition of revenue earned from contracts that has several performance obligations, such as Smart Shopper loyalty points earned at point of sale. The application of IFRS 15 on such contracts within the Group is expected to have an immaterial impact on the timing of revenue recognition, and
- Separate presentation on the statement of financial position of the right to recover goods from a customer and the related refund obligation.

On adoption, it is anticipated that IFRS 15 will likely result in an immaterial impact on previously reported financial information.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 25 FEBRUARY 2018

30. STANDARDS AND INTERPRETATION ISSUED BUT NOT YET ADOPTED (continued)

IFRS 2 Classification and measurement of share-based payment transactions (effective for the Group for the financial year ending February 2019)

The IASB issued amendments to IFRS 2 *Share-based Payment* in relation to the classification and measurement of share-based payment transactions. The amendments address the effects of vesting conditions on the measurement of a cash-settled share-based payment transactions and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments.

The Group is satisfied that these amendments will not have an impact on the classification and measurement of share-based payment transactions as the Group has no cash-settled share-based payment transactions.

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

The objective of the project was to develop a new leases standard that sets out the principles that both parties to a contract, i.e. the customer (lessee) and the supplier (lessor), apply to provide relevant information about leases in a manner that faithfully represents those transactions. To meet this objective, IFRS 16 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 Group has an extensive operating lease portfolio, acting as both lessor and lessee (refer to note 11). The Group's head lease arrangements include various instances where it sublets to its franchisees, and the application of IFRS 16 will result in differing requirements for lessor and lessee accounting. The application of IFRS 16 will result in changes to both the statement of financial position and statement of comprehensive income line items, including but not limited to, property, plant and equipment, operating lease assets, operating lease liabilities, occupancy costs, operational costs and finance costs. More specifically, items such as depreciation and operating lease payments will be impacted. Key balance sheet metrics such as leverage and finance ratios, debt covenants and income statement metrics, such as earnings before interest, taxes, depreciation and amortisation (EBITDA), will be impacted. The Group continues to assess the potential impact on its Group financial statements regarding the application of IFRS 16.

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)*
- *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)*
- *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

CHAPTER 3

COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED

	Note	52 weeks 25 February 2018 Rm	52 weeks 26 February 2017 Rm
Revenue			
Finance income		0.2	0.3
Dividend income	8	336.4	1 313.5
		336.6	1 313.8
Administration expenses	2	(13.9)	(14.8)
Profit		322.7	1 299.0
Write off of investments in subsidiaries		–	(5.9)
Profit before tax		322.7	1 293.1
Tax	3	–	(0.1)
Profit for the period		322.7	1 293.0
Other comprehensive income, net of tax		–	–
Total comprehensive income for the period		322.7	1 293.0

COMPANY STATEMENT OF FINANCIAL POSITION

	Note	As at 25 February 2018 Rm	As at 26 February 2017 Rm
ASSETS			
Non-current assets			
Investments in subsidiaries	5	5.1	5.1
		5.1	5.1
Current assets			
Loans to subsidiaries	8	525.8	1 081.3
Trade and other receivables		0.2	0.2
Cash and cash equivalents	6	2.6	2.0
		528.6	1 083.5
Total assets		533.7	1 088.6
EQUITY AND LIABILITIES			
Equity			
Share capital	7	6.1	6.1
Share premium		465.7	465.7
Retained earnings		54.8	610.3
Total equity		526.6	1 082.1
Current liabilities			
Trade and other payables		7.1	6.5
		7.1	6.5
Total equity and liabilities		533.7	1 088.6

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED

	Note	Share capital Rm	Share premium Rm	Retained earnings Rm	Total equity Rm
At 28 February 2016		6.1	465.7	74.9	546.7
Total comprehensive income for the period		–	–	1 293.0	1 293.0
Profit for the period		–	–	1 293.0	1 293.0
Other comprehensive income		–	–	–	–
B shares issued	7.2	–	–	–	–
Dividends paid	4.1	–	–	(757.6)	(757.6)
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

COMPANY STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED

	Note	52 weeks 25 February 2018 Rm	52 weeks 26 February 2017 Rm
Cash flows from operating activities			
Profit		322.7	1 299.0
Adjusted for dividend income		(336.4)	(1 313.5)
Cash utilised before movements in working capital		(13.7)	(14.5)
Movements in working capital		0.6	(0.7)
Movements in trade and other payables		0.6	(0.7)
Cash utilised in operations		(13.1)	(15.2)
Dividends received	8.2	336.4	1 313.5
Dividends paid	4.1	(878.2)	(757.6)
Tax paid	3	–	(0.1)
Cash (utilised in)/generated from operating activities		(554.9)	540.6
Cash flows from investing activities			
Sale of investments in subsidiaries		–	25.2
Purchase of investment in subsidiary	5	–	(5.1)
Loans advanced to subsidiaries	8.4	–	(1 081.3)
Loans repaid by subsidiaries	8.4	555.5	521.4
Cash generated from/(utilised in) investing activities		555.5	(539.8)
Net movement in cash and cash equivalents		0.6	0.8
Cash and cash equivalents at beginning of period		2.0	1.2
Cash and cash equivalents at end of period	6	2.6	2.0

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 FEBRUARY 2018

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 (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 Revenue

Revenue is measured at the fair value of consideration received.

Dividend income

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

Finance income

Finance income is recognised 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.

1.4 Investments in subsidiaries

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

1.5 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.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

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
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
2017			
Non-executive directors			
Gareth Ackerman	3 913.0	–	3 913.0
David Friedland	364.0	312.0	676.0
Hugh Herman	364.0	554.5	918.5
Alex Mathole**	125.0	–	125.0
Audrey Mothupi	364.0	352.5	716.5
Lorato Phalatse	364.0	270.0	634.0
David Robins	364.0	–	364.0
Jeff van Rooyen	364.0	585.5	949.5
Total remuneration	6 222.0	2 074.5	8 296.5

* *Executive directors salaries are paid by a subsidiary company. Refer to note 4 of the Group annual financial statements.*
** *Alex Mathole was appointed on 24 October 2016.*

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

	52 weeks 25 February 2018 Rm	52 weeks 26 February 2017 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	(29.2)	(28.4)
Non-deductible write off of investments in subsidiaries	–	0.1
Non-deductible holding company expenses	1.2	0.3
Effective tax rate	–	–

	52 weeks 25 February 2018 Cents per share	52 weeks 26 February 2017 Cents per share
4. DIVIDENDS		
4.1 Dividends paid		
Number 98 – declared 18 April 2017 – paid 12 June 2017 (2017: Number 96 – declared 25 April 2016 – paid 13 June 2016)	146.4	125.2
Number 99 – declared 16 October 2017 – paid 11 December 2017 (2017: Number 97 – declared 17 October 2016 – paid 12 December 2016)	33.4	29.9
Total dividends per share for the period	179.8	155.1
	Rm	Rm
Total value of dividends paid by the Company	878.2	757.6
	Cents per share	Cents per share
4.2 Dividends declared		
Interim dividend – number 99 (2017: number 97)	33.4	29.9
Final dividend – number 100 (2017: number 98)	155.4	146.4
	188.8	176.3

The directors have declared a final dividend (dividend 100) of 155.4 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 5 June 2018. The shares will trade EX dividend from the commencement of business on Wednesday 6 June 2018 and the record date will be Friday 8 June 2018. The dividends will be paid on Monday 11 June 2018.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

	52 weeks 25 February 2018 Rm	52 weeks 26 February 2017 Rm
5. INVESTMENTS IN SUBSIDIARIES		
Investments in subsidiaries		
Shares at cost	5.1	5.1
Total investments in subsidiaries	5.1	5.1

The significant subsidiary owned by the Company is Pick n Pay Retailers Proprietary Limited. All subsidiaries are wholly-owned.

	52 weeks 25 February 2018 Rm	52 weeks 26 February 2017 Rm
6. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	2.6	2.0

Cash and cash equivalents represent a current bank account for administrative purposes, held at an institution that is in line with those used by the Group. Refer to note 17 and note 26 in the Group annual financial statements.

	52 weeks 25 February 2018 Rm	52 weeks 26 February 2017 Rm
7. SHARE CAPITAL		
7.1 Ordinary share capital		
Authorised		
800 000 000 (2017: 800 000 000) ordinary shares of 1.25 cents each	10.0	10.0
Issued		
488 450 321 (2017: 488 450 321) ordinary shares of 1.25 cents each	6.1	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% (2017: 5%) of total issued share capital or 24 422 516 (2017: 24 422 516) shares. To date, 10 743 000 (2017: 10 743 000) shares have been issued, resulting in 13 679 516 (2017: 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 for details of directors' interest in shares.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

	52 weeks 25 February 2018 Rm	52 weeks 26 February 2017 Rm
7. SHARE CAPITAL (continued)		
7.2 B share capital		
Authorised		
1 000 000 000 (2017: 1 000 000 000) unlisted, non-convertible, non-participating, no par value B shares	–	–
Issued		
259 682 869 (2017: 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 for details of directors' interest in shares.

8. RELATED PARTY TRANSACTIONS

8.1 The unbundling of Pick n Pay Holdings Limited RF

During the prior period, at a General Meeting, shareholders approved the unbundling of the Pick n Pay Holdings Group in order to remove the pyramid control structure. As a result of the unbundling, related party transactions occurred. This included the creation and issuance of a new class of unlisted voting shares (B shares) in Pick n Pay Stores Limited (refer to note 7.2). These shares were issued to the existing controlling shareholders of Pick n Pay Holdings Limited RF so as to retain the control structure of the Group before the unbundling.

	52 weeks 25 February 2018 Rm	52 weeks 26 February 2017 Rm
8.2 Dividends received		
Pick n Pay Retailers Proprietary Limited	325.0	750.3
Pick n Pay Employee Share Purchase Trust	11.4	9.3
Pick n Pay Franchise Financing Proprietary Limited	–	342.0
The Blue Ribbon Meat Corporation Proprietary Limited	–	130.0
Pick n Pay Newton Park Proprietary Limited	–	56.7
Pick n Pay Garages Proprietary Limited	–	15.0
Pick n Pay Investment Holdings Limited	–	10.2
Total dividends received from related parties	336.4	1 313.5
8.3 Dividend paid		
Pick n Pay Holdings Limited RF	–	322.2

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 25 FEBRUARY 2018

	52 weeks 25 February 2018 Rm	52 weeks 26 February 2017 Rm
8. RELATED PARTY TRANSACTIONS (continued)		
8.4 Loans to subsidiaries		
Pick n Pay Retailers Proprietary Limited	525.8	527.4
Pick n Pay Franchise Financing Proprietary Limited	–	342.0
The Blue Ribbon Meat Corporation Proprietary Limited	–	130.0
Pick n Pay Newton Park Proprietary Limited	–	56.7
Pick n Pay Garages Proprietary Limited	–	15.0
Pick n Pay Investment Holdings Limited	–	10.2
Total loans to subsidiaries	525.8	1 081.3

These loans are unsecured, interest-free and repayable on demand. The fair value of loans approximate its carrying value.

8.5 Ordinary shares held by directors

The percentage of ordinary shares held by directors of Pick n Pay Stores Limited at the reporting date is 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 in the Group annual financial statements.

	52 weeks 25 February 2018 %	52 weeks 26 February 2017 %
Beneficial	1.3	1.2
Non-beneficial	26.5	26.5
	27.8	27.7
8.6 B shares held by directors		
The percentage of B shares held by directors of Pick n Pay Stores Limited at the reporting date is disclosed below. For further information, refer to note 4 in the Group annual financial statements.		
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 25 FEBRUARY 2018

9. FINANCIAL INSTRUMENTS

Overview

The Company has limited exposure to risk in respect of financial instruments, as its only significant financial asset is their loans to related parties (refer to note 8). There is minimal credit risk relating to these items 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 related party. Refer to note 8.4.

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 26 of the Group annual financial statements.

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

	Carrying amount* Rm
2018	
Non-derivative financial liabilities	
Trade and other payables	7.1
Total financial obligations	7.1
2017	
Non-derivative financial liabilities	
Trade and other payables	6.5
Total financial obligations	6.5

* *All contractual cash flows repayable within one year.*

9.3 Capital management

The Company considers the management of capital with reference to Group policy. Refer to note 26 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 R1.3 billion (2017: R1.3 billion). No losses are expected to be incurred on these suretyships.

ADMINISTRATION

CHAPTER 4

ANALYSIS OF ORDINARY SHAREHOLDERS

PICK N PAY STORES LIMITED

	Number of shareholders	%	Number of shares	%
Shareholder spread				
1 – 1 000 shares	7 508	61.5	2 132 421	0.4
1 001 – 10 000 shares	3 398	27.8	11 003 485	2.3
10 001 – 100 000 shares	942	7.7	29 847 816	6.1
100 001 – 1 000 000 shares	299	2.5	87 028 808	17.8
1 000 001 shares and over	59	0.5	358 437 791	73.4
Total	**12 206**	**100.0**	**488 450 321**	**100.0**
Public/non-public shareholders				
Non-public shareholders	**16**	**0.1**	**145 966 336**	**29.9**
Ackerman Investment Holdings Proprietary Limited	1	–	124 677 238	25.5
Mistral Trust	1	–	2 720 008	0.6
Ackerman Pick n Pay Foundation	1	–	101 900	–
Directors	10	0.1	4 958 745	1.0
Shares held on behalf of FSP participants	1	–	6 853 500	1.4
Pick n Pay Retailers Proprietary Limited	1	–	516 769	0.1
The Pick n Pay Employee Share Purchase Trust	1	–	6 138 176	1.3
Public shareholders	**12 190**	**99.9**	**342 483 985**	**70.1**
Total	**12 206**	**100.0**	**488 450 321**	**100.0**

	Number of shares	%
Beneficial shareholders holding 1% or more		
Ackerman Investment Holdings Proprietary Limited	124 677 238	25.5
Public Investment Corporation Limited	51 277 595	10.5
Coronation Balanced Plus Fund	16 161 912	3.3
Alexander Forbes Investments	10 882 955	2.2
Genesis Emerging Markets Investment Company	8 955 662	1.8
Allan Gray Balanced Fund	7 046 264	1.4
Vanguard Emerging Markets Stock Index Fund	6 984 197	1.4
Shares held on behalf of FSP participants	6 853 500	1.4
The Pick n Pay Employee Share Purchase Trust	6 138 176	1.3
Prudential Core Value Fund	5 737 158	1.2
Old Mutual Symmetry Satellite Equity Fund No 3	5 600 026	1.2

ANALYSIS OF B SHAREHOLDERS

PICK N PAY STORES LIMITED

	Number of shareholders	%	Number of shares	%
Shareholder spread				
1 – 1 000 shares	1	3.9	1 100	0.0
1 001 – 10 000 shares	7	26.9	52 868	0.0
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				
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	15.4	6 008 601	2.3
Mistral Trust	1	3.8	5 349 559	2.1
Public shareholders	**20**	**76.9**	**1 387 862**	**0.5**
Total	**26**	**100.0**	**259 682 869**	**100.0**

	Number of shares	%
Beneficial shareholders holding 1% or more		
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.

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)
Richard van Rensburg (deputy CEO)
Aboubakar (Bakar) Jakoet (CFO)
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
Jeff van Rooyen

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