INTEGRATED ANNUAL REPORT 2016

ENGAGE WITH US ON THESE PLATFORMS

Pick n Pay Holdings Limited RF and Pick n Pay Stores Limited are investment holding companies listed on the JSE. Pick n Pay Stores Limited, through its subsidiaries and associate, operates in the retail sector in South Africa and the rest of the African continent.

Contents

Report navigation

To best serve the needs of our various stakeholders, we produce a suite of publications. The following reports, which support our integrated annual report, are tailored to meet our readers' specific information requirements.

PUBLICATIONS	REPORTING FRAMEWORK
Integrated annual report 2016 A review of the Group's strategy, material issues, risks and opportunities, and our operational and financial performance for the year. The report includes relevant extracts of the 2016 audited Group annual financial statements, integrated disclosure on our work in the area of environmental and social sustainability, our governance structures and our remuneration philosophy.	■ The King Report on Governance for South Africa, and the King Code of Governance Principles (King III code); ■ The Global Reporting Initiative's G4 guidelines on reporting of non-financial information; ■ The Companies Act, No 71 of 2008, as amended (Companies Act); ■ The JSE Listings Requirements; ■ International Financial Reporting Standards (IFRS); and ■ The International Integrated Reporting <IR> Framework.
Annual financial statements 2016 The audited Group and Company annual financial statements for Pick n Pay Stores Limited and Pick n Pay Holdings Limited RF, for the 2016 financial period. The report includes our audit committee and directors' reports.	■ Companies Act; ■ The JSE Listings Requirements; and ■ IFRS.
Corporate governance report 2016 A review of the Group's commitment to good corporate governance in the implementation of the Group's strategy and policy. The report includes our notice of the annual general meetings and Board committee reports.	■ King III code; ■ Companies Act; and ■ The JSE Listings Requirements.
Summarised results and 2016 AGM notices **Pick n Pay Stores Limited** A high-level review of our operational and financial performance for the year, including summarised audited Group annual financial statements, remuneration report, relevant shareholder information, and notice of the annual general meeting and proxy voting form.	■ Companies Act; ■ The JSE Listings Requirements; and ■ IFRS.
Summarised results and 2016 AGM notices **Pick n Pay Holdings Limited RF** A high-level review of our operational and financial performance for the year, including summarised audited Group annual financial statements, remuneration report, relevant shareholder information, and notice of the annual general meeting and proxy voting form.	■ Companies Act; ■ The JSE Listings Requirements; and ■ IFRS.
Sustainable living report 2015 This report is published in full every two years. This report details our sustainability strategy, with a review of our performance against strategic non-financial targets.	■ King III Code; and ■ The Global Reporting Initiative's G4 guidelines on reporting of non-financial information.

Print version available

Information available on our website, www.picknpayinvestor.co.za

The Pick n Pay integrated annual report

Introduction

We are pleased to provide you with our integrated annual report for 2016.

To ensure that we follow best reporting practice, we have adopted the International Integrated <IR> Reporting Framework (the framework) of the International Integrated Reporting Council (IIRC) which provides an international standard for integrated reporting that enables companies globally to demonstrate, in a comparable manner, how they create value. We have also applied the principles outlined in the King Code of Corporate Principles (King III) in South Africa.

Scope and boundary of the report

Our integrated annual report is intended for all our stakeholders, with a specific focus on the providers of financial capital, being our shareholders and debt providers. We believe this report will provide our stakeholders with an improved understanding of our business, how we create value, and our strategic focus on ensuring that our value creation is sustainable in the short, medium and long term.

The report provides our stakeholders with a concise review of the Group's operations, strategic objectives and performance of Pick n Pay Holdings Limited RF and Pick n Pay Stores Limited and all their subsidiaries and associate (the Group), which operates on the African continent. This includes an insight into the operational highlights of the Group, the opportunities and related risks faced by the Group and how these underpin our strategic objectives and our creation of value, our governance structures and remuneration philosophy.

The report covers the 52 week period to 28 February 2016, with relevant comparisons to previous periods, and is consistent with information and performance indicators included in internal management reporting. The report has been compiled and presented in line with the requirements and principles of the applicable reporting frameworks. Refer to our report navigation section on page 1.

The report presents a range of financial and non-financial disclosures and performance measures to assist our stakeholders in making an informed and objective assessment of the Group's overall performance in 2016. Non-financial disclosures provided in this report are specific to our Pick n Pay-branded owned business in South Africa. It is our intention to expand these disclosures in future in order to provide a comprehensive view of the social, human and environmental impacts of the Group as a whole, including our impacts outside South Africa.

Reporting comparability

When reviewing the 2016 financial performance of the Group, it should be noted that certain prior period financial information previously presented has been restated. These restatements had no impact on the previously reported profit for the period. For more information on the restatements, refer to note 30 of the audited Group annual financial statements, available on our website at www.picknpayinvestor.co.za.

Forward looking information

The report contains certain forward looking statements which relate to the possible future performance and financial position of the Group. All forward looking statements are solely based on the views and considerations of the directors. These statements involve risk and uncertainty as they relate to events and depend on circumstances that may or may not occur in the future. The Group does not undertake to update or revise any of these forward looking statements publicly, whether to reflect new information or future events or otherwise. These forward looking statements have not been reviewed or reported on by the Group's external auditors.

Materiality

Materiality has been applied in determining the scope and content of this report. It is determined, reviewed and approved annually by the Board, supported by senior management, and is based on matters that could substantively affect the Group's ability to create value over time and which could have a material impact on the current and projected revenue and profitability of the Group. More specifically, the review considers the material business risks that could have a material impact on the Group's ability to achieve the objectives of its strategic short, medium and long-term plan.

The Group has extensive interaction with the investor community, including shareholders and investment analysts, and our review of material issues considers those issues that are material to the investor community. These material issues are presented on pages 19 to 29 under the seven business acceleration pillars of our strategic long-term plan. We have not disclosed any information that is considered competitor-sensitive or price-sensitive.

Assurance

The Board, assisted by the audit and risk committee, is ultimately responsible for overseeing the integrity of the integrated annual report. This has been achieved by establishing skilled and experienced teams and accountability structures to undertake the reporting process and by performing a thorough review of the report. The content of the integrated annual report has been reviewed by the directors and management, but has not been externally assured. The annual financial statements have been audited by Ernst & Young Inc. (EY) who expressed an unmodified audit opinion. The audited annual financial statements are available on our website, www.picknpayinvestor.co.za. Accredited service providers and agencies have verified selected non-financial performance metrics contained in the report, including our carbon footprint and the BBBEE rating, while management has verified the processes for measuring all other non-financial information.

Capitals and value creation

The framework supports reporting in terms of six forms of capital which impacts the ability to create value, classified as the financial, manufactured, intellectual, human, social and relationship, and natural capitals. The Group has elected not to apply the framework's terminology in this report as we do not use this terminology in our business; however the performance and activities relative to these capitals are covered throughout the report. To assist readers who are familiar with this terminology, we explain below how the capitals are used in the Group and indicate where they are covered throughout the report.

Financial capital refers to the financial resources of the Group and how these resources have been utilised by the Group. This is covered by the Chief Finance Officer's report and the five-year review on pages 42 to 48.

Manufactured capital refers to the physical infrastructure used in the Group's operations, which includes its retail estate, its procurement and distribution channel and the information technology used throughout the Group. This is covered by our strategic focus section of pages 19 to 29.

Intellectual capital refers to the knowledge, systems, processes, intellectual property and brands contained within the Group. This is covered by our strategic focus section on pages 19 to 29.

Human capital refers to the unique skills-set, competencies, capabilities, experience and leadership of the Group's executive and non-executive directors and employees. This is covered by our strategic focus section on pages 19 to 29, our governance section on pages 62 to 67 and our five-year review on pages 58 to 61.

Social and relationship capital refers to our stakeholder engagement and relationships and the Group's values. This is covered by our 'This is Pick n Pay' report on pages 4 to 6, our engaging with our stakeholders report on pages 16 to 17 and our year in review report on pages 38 to 41.

Natural capital relates to the environmental resources used in the Group's operations, and the impact of the Group's operations on our environment. This is primarily covered by our five-year review on pages 58 to 61.

Report structure and feedback

We are committed to achieving the highest standards of global best practice in reporting, and continue on our journey to implement these standards within the Group. In our ongoing effort to improve our reporting, we have made some changes to the structure and presentation of information, particularly in respect of our business model on pages 8 to 9, our store formats on pages 12 to 15 and only a focus summary on our financial and governance information. We will continue to engage with all stakeholders to ensure that we improve year on year.

It has become best reporting practice for an integrated annual report to include summarised financial statements, with a full set of financial statements published separately. This report therefore does not contain the full audited Group annual financial statements, which has been made available on our website at www.picknpayinvestor.co.za.

We trust that the 2016 integrated annual report has achieved our objective of providing you with a deeper understanding of Pick n Pay – of who we are, how we do business and where we hope to be in the future. We are committed to building on and improving this report next year and would value your feedback. Any comments or requests for additional information can be emailed to our Company Secretary at demuller@pnp.co.za.

Online reporting

To align with the increasing trend towards online reporting and electronic access to information, we do not distribute printed copies of our integrated annual report, but rather make it available online on the Group's website at www.picknpayinvestor.co.za. Printed copies of the integrated annual report are available on request from our Company Secretary, Debra Muller, at demuller@pnp.co.za or by fax at +27 21 797 0314.

Approval of the integrated annual report

The audit and risk committee has reviewed the 2016 integrated annual report and recommended it for approval to the Board of directors.

The Board acknowledges its responsibility to ensure the integrity of the integrated annual report. The directors confirm that they have collectively reviewed the content of this report and agree that it addresses the material issues faced by the Group. They further agree that this report provides a fair presentation of the financial position of the Group as at 28 February 2016 and its performance for the related 52-week financial period. The directors consider the report to be presented in accordance with the IIRC's framework.

The Board approved the integrated annual report for release to shareholders on 22 June 2016.

Gareth Ackerman
Chairman

Richard Brasher
Chief Executive Officer

This is Pick n Pay

The Pick n Pay Group is a grocery, clothing and general merchandise retailer, selling a wide range of products at very competitive prices under our Pick n Pay and Boxer brands. Since 1967 when consumer champion Raymond Ackerman purchased the first four stores in Cape Town, the Group's vision has grown and expanded to encompass stores in South Africa, Namibia, Botswana, Zambia, Swaziland and Lesotho. In addition Pick n Pay owns a 49% share of a Zimbabwean supermarket business, TM Supermarkets. The Group is managed through its South Africa and Rest of Africa divisions.

- Owned and franchise stores in seven countries in southern Africa
- Brands: Pick n Pay and Boxer
- Hypermarkets, supermarkets, convenience stores and online platform
- Serving all customers across LSM 1 – 10
- Food, non-edible groceries, clothing, health and beauty, liquor, tobacco, pharmaceuticals, building and hardware and general merchandise
- Branded merchandise and private label
- Value-added services

OUR CUSTOMER OFFER

Our offer to customers focuses on food, non-edible groceries, clothing, liquor, tobacco, health and beauty products, pharmaceuticals, building and hardware and general merchandise. The offer also includes value-added services such as third-party bill payments, financial transactions at till points (including mobile money), ticketing services, air time sales and the sale of gift cards. In addition to manufacturer-branded products, we have a growing private label range, in both Pick n Pay and Boxer, to suit every budget.

The Group operates on both an owned and franchise basis and has 1 410 stores across all formats, including its investment in TM Supermarkets in Zimbabwe. Our stores range from large hypermarkets where customers can buy everything under one roof through to small convenience stores where customers can shop quickly for their immediate needs. In addition, we operate the largest online grocery business in Africa, giving customers the opportunity to shop from their homes and have their order delivered to their door in one-hour time slots.

We put customers at the heart of our business. Through our Pick n Pay and Boxer brands, the Group serves customers across the diverse spectrum of South African society, and is expanding its reach into the African continent. More than half of all South Africans shop regularly in our stores and we have some of the most loyal customers in the country.

GROWING OUTSIDE SOUTH AFRICA

The Rest of Africa gives us the opportunity to grow into new markets, representing a second engine of growth for the Group. Today we have 130 stores outside South Africa, which generated segmental revenue of over R4.0 billion this year and contributed meaningfully to our profits. We tailor our ownership model in each country to what is appropriate for the local market, whether establishing owned stores, franchised stores or a part-investment in an independent operation. Having established operations in Botswana, Lesotho, Namibia, Swaziland, Zambia and Zimbabwe, the Group is working on plans to bring Pick n Pay to Ghana and Nigeria over the next few years.

CENTRALISING OUR SUPPLY

The Group is supplied by more than 7 000 suppliers and service providers. The Group is developing its centralised distribution channel, with a strategic focus on accelerating the level of central supply in its business. The volume of supply that goes through our central supply chain now stands at 56%, up from 46% last year. The Group operates 11 distribution centres across the country catering for groceries, fresh and perishable produce, and clothing. Our two largest distribution centres are Longmeadow in Gauteng (fresh produce, perishables and groceries) and Philippi in the Western Cape (groceries only). The Group is currently developing fresh distribution capability at its Philippi distribution centre, which will open in September 2016. Boxer opened its first central distribution centre this year, in Cato Ridge, KwaZulu-Natal, and like Pick n Pay, will move from direct-to-store deliveries to a fully centralised distribution model.

52 900
Employees

9 million
Customers

1 410
Stores

This is Pick n Pay continued

WORLD CLASS TECHNOLOGY

The Group benefits from an outstanding information technology infrastructure, with an end-to-end SAP system, which allows for automated and centralised processing, including the forecast replenishment of inventory. Our powerful point of sale system ably supports our Brand Match campaign and has contributed to our Smart Shopper loyalty programme being voted South Africa's favourite loyalty programme for the past three years.

GROWING A WINNING TEAM

We employ 52 900 people in our owned stores and operations which, with franchised stores, extends to over 70 000 people working under the Pick n Pay and Boxer banners in seven countries. Working at Pick n Pay is more than a job; it is an opportunity to learn, develop new skills and benefit through teamwork. We are committed to training, developing and empowering our people.

OUR ENDURING VALUES

The Group will always adapt and remain relevant to the changing needs of our customers and the communities which we serve. There are however, three core principles that have remained central to the Group's success and progress over the last 49 years:

Consumer sovereignty

We put customers at the heart of our business. This philosophy informs everything we do, from how we treat our customers, the product range we offer, to how we design our stores. Every customer is different and their needs are constantly changing. Putting the customer first means we work hard to understand them and how we can serve them better. We are focused on delivering good quality at great prices; improving the shopping experience and serving our customers in a variety of store formats that are appropriate to their shopping needs. We appeal broadly across all sectors of society, and seek to move hand-in-hand with the changing needs and aspirations of our customers.

Business efficiency

We work in partnership with our more than 7 000 suppliers and service providers to provide outstanding value and convenience for our customers. We transport, store and display our products as efficiently as possible to keep costs to a minimum. Our focus on centralisation has increased our business efficiency. The scale of our business allows us to give our suppliers sufficient volume so that they can plan and manage their operations to reduce costs. Our scale also allows us to spread our fixed costs over substantial volumes, reducing our unit costs. By becoming more efficient we are able to reinvest in improving the customer experience, thereby increasing turnover and in turn enabling us to run an even more efficient business.

Doing good is good business

Customers reward those businesses that they believe are at the heart of society and who give back to the communities they serve. As customers reward us with their loyalty, we are able to grow, serve more customers, generate more jobs, and help more communities – whether by supporting local groups during times of crisis, helping to develop local suppliers and small businesses, tackling societal challenges like obesity and climate change, or building the capacity of our youth and women to contribute meaningfully to society.

For almost five decades Pick n Pay has played a valuable role in the economic and social development of southern Africa. We make a positive direct contribution to the communities we serve through the supply of high-quality, affordable food, and provide significant employment and economic opportunity across its value chain. We add to this through our comprehensive sustainability strategy and our work on environmental responsibility, employee opportunity and diversity, promoting healthy living and doing good in the local community. We are a strong brand, valued within society, built on a genuine desire to make life better for our customers and to make a positive contribution to the communities in which we live and work.

Our economic environment and consumer trends

South African consumers have come under increasing financial pressure over the past year.

The cost of living has risen, driven in particular by the impact of a prolonged drought on food production and prices, rising interest rates, above-inflation increases in electricity and other administered prices, and a weaker rand.

The pressure on household incomes has been exacerbated by recent increases in personal income tax, sluggish wage growth, slowing credit growth, and high levels of unemployment in South Africa.

CPI Food price inflation was 5.3% for the year ended February 2016. We restricted our own selling price inflation to 3.1%, providing valuable support to customers over the year. Despite the above challenges, the Pick n Pay Group has demonstrated good progress on its turnaround strategy. This year the Group delivered turnover growth of 8.2%, its highest since 2010. It has achieved a compound annual growth rate in headline earnings per share of 32.3% over the past three years. These achievements demonstrate that our strategy is focused on delivering sustainable growth notwithstanding the economic headwinds facing the country.

Pick in Pay is the most inclusive retailer in South Africa, benefiting from broad appeal across socio-economic groups. Although consumer confidence has fallen over the past year, our customer retention has been high across all customer segments, demonstrating the relevance of our offer. Customers under pressure to tighten their belts reward those retailers who provide a compelling offer in terms of price, quality and value. Our long-term growth strategy is both customer-led and cost driven, which enables us to respond strongly to customer demands. By operating a more efficient business, we are able to bear down on prices for our customers. We have improved our products, including by offering exceptional quality and value through our expanded private label range. We have doubled the size of our Brand Match programme and strengthened our Smart Shopper loyalty programme. The customer response has been positive, with increased engagement and redemptions under both programmes.

The retail market in South Africa has been characterised by strong competition and strong space growth over a number of years. Pick n Pay has adopted a measured approach to space growth, focusing on new space which we are confident will drive sustainable financial returns. We have significantly improved our capacity to deliver sustainable new space, in particular by reducing our operating costs, increasing our efficiency and flexibility, and broadening our formats to include smaller, neighbourhood stores which reflect the growing customer demand for convenience. Successful pursuit of this growing market widens the pool of sites which Pick n Pay can serve customers either on a company-owned or franchise basis.

Traditionally Pick n Pay has been positioned in the more urbanised areas of South Africa, with particularly strong advocacy from South Africa's middle to upper-income consumer. However, there are many communities across the country, across all demographics, where Pick n Pay is not well represented and we look forward to bringing our offer to these communities, whether they be in urban, peri-urban or more rural areas. In recent years, strong retail growth has been recorded in the lower-income segment of the market. We believe that both our Pick n Pay and Boxer brands can continue to play a valuable and growing role for customers in these markets.

Pick n Pay has an established retail presence in southern Africa, with a strong and diverse portfolio of stores across seven countries. The Rest of Africa division delivered strong trading results from regions outside of South Africa, but the increasingly difficult trading conditions in Zambia had a negative impact on the overall profit growth of the division. The ongoing energy crisis in Zambia related to the impact of the drought on the availability of hydro-electricity, as well as job losses in the copper mining belt and a rapidly depreciating currency, has resulted in low consumer confidence and slower demand over the year. Notwithstanding this tough economic environment, the team in Zambia delivered an improved underlying trading performance in the second half of the year. The Group will expand into Ghana and Nigeria over the next few years and believe that the formalisation of food and grocery retail across the African continent provides a second engine of growth for the business.

The outlook for the coming year remains challenging. The South African government has committed to a nine point plan to grow our economy and reduce unemployment, and at the same time has recognised the valuable role that business can play in restoring South Africa to economic stability and financial security. We look forward to playing a constructive part in building a stronger economy and a stronger future.

Pick n Pay remains confident about the prospects of our business and believes that our customer-led strategy will continue to deliver on our substantial opportunities for growth.

How we create value

Our business model describes how the Pick n Pay Group creates long-term, sustainable value for all its stakeholders. Pick n Pay is a retail business in the fast moving consumer goods industry on the African continent – that believes doing good, is good business.

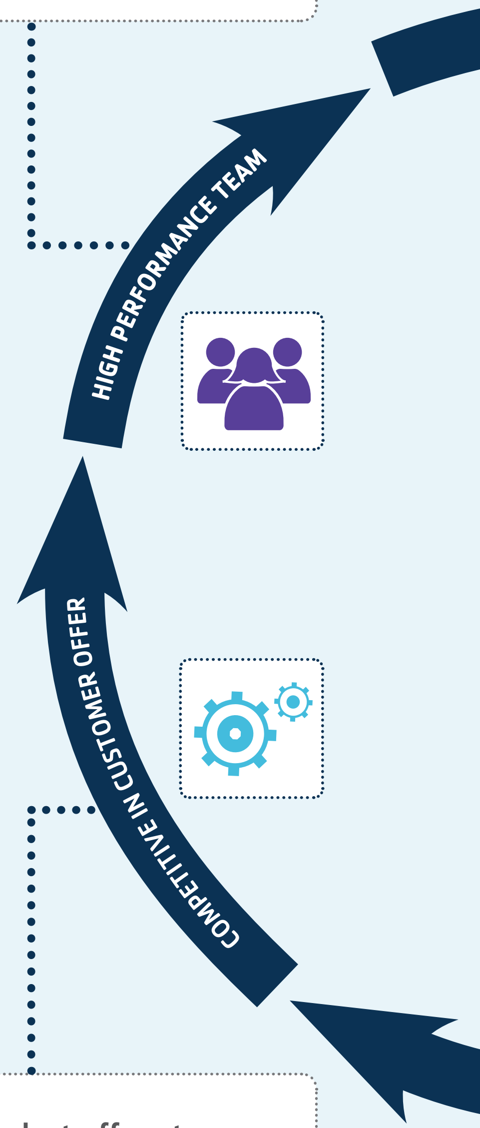
We procure quality products at the best available prices, and by operating a lean and efficient business, supported by a strong and talented team, are able to provide our customers with a tailored range of high quality food, grocery and general merchandise products at competitive prices. Through ongoing investment in the customer offer, we are able to drive sales, and grow value for all.

The business model is supported by outstanding information technology, which allows for integrated product forecast and replenishment, efficient staff scheduling and accurate and transparent reporting. Our point of sale systems are also able to provide extensive value-added services to our customers and support our world-class Brand Match and Smart Shopper programmes.

Our business model is underpinned by strong corporate and social governance, with unique values at its core. We have a strong and experienced management team that operates within a sound risk management framework, that ensure that the business can grow, adapt, change and innovate without placing stakeholders at any undue risk, and always considers the social and environmental impact of our operations. The business has demonstrated capital efficiency and working capital excellence in the funding of operations, delivering strong returns on capital employed.

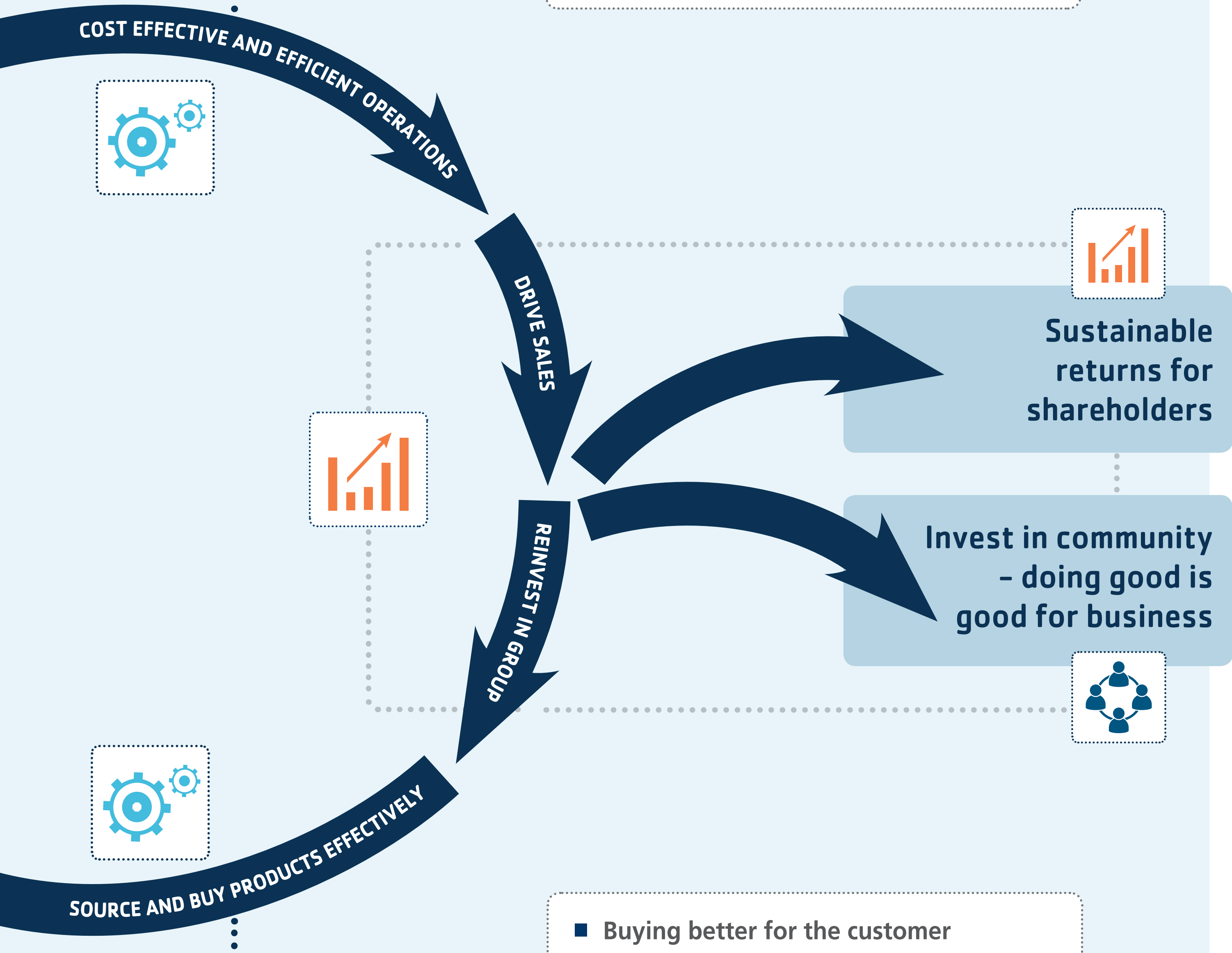
Our business model, by keeping our customers at the very centre of our focus, has delivered long-term returns for all stakeholders across our value chain, for almost 50 years.

- Focused on customer service
- Most talented and diverse retail team
- More employment through growth



- Leading product offer at competitive prices
- World class stores within customer reach
- More convenience including value added services

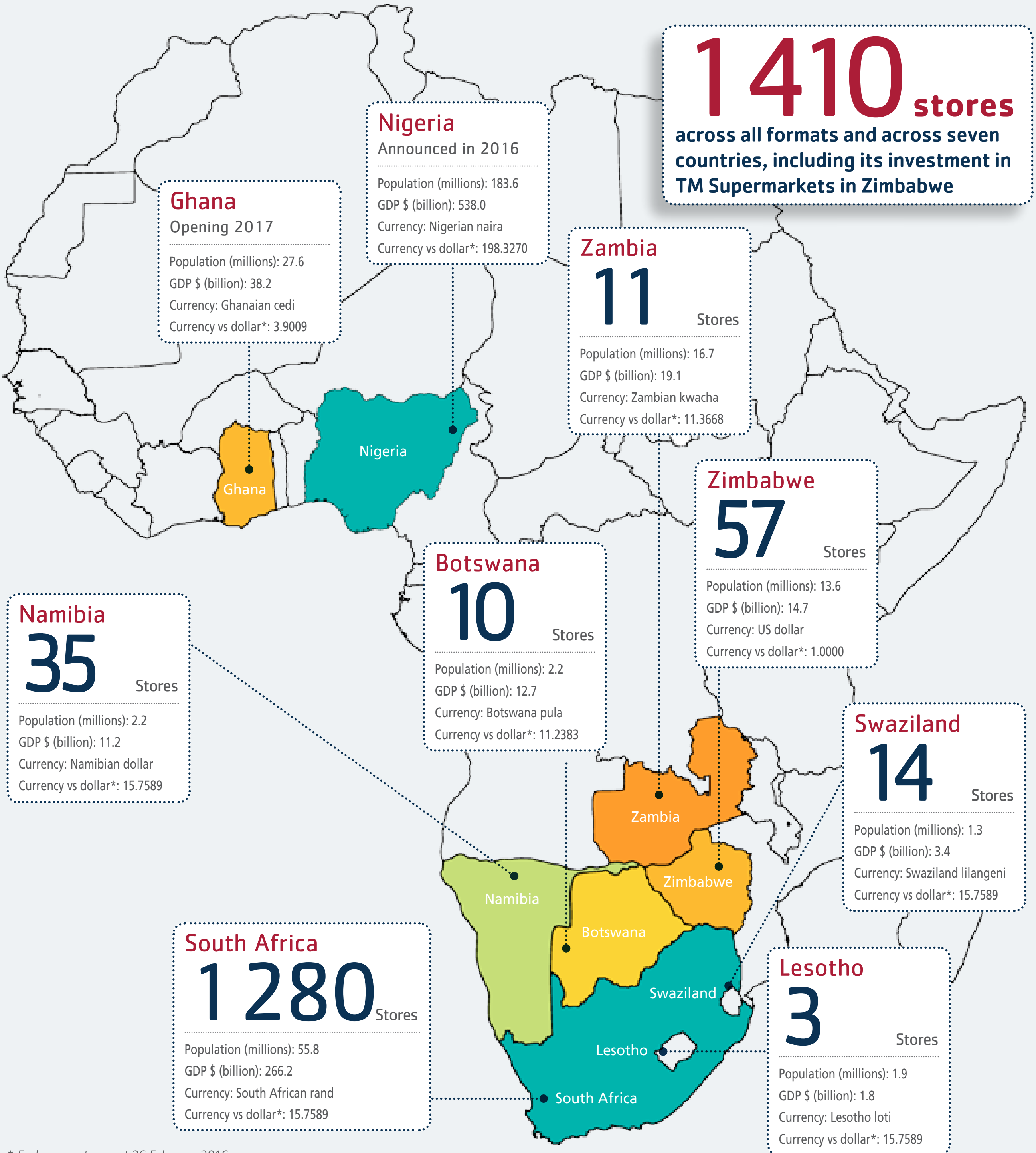
- Increasingly efficient supply chain
- Lean operating model in world class stores
- Most attractive franchise model



- Buying better for the customer
- Securing future supply through strong supplier relationships
- Committed to ethical sourcing and food safety

Geographic footprint

The Group is intent on being the retailer of choice for all the communities we serve. Our expansion programme is focused on growing the business by opening stores which reflect the changing habits and needs of our customers and which will bring new customers and communities into the Pick n Pay family.



*Exchange rates as at 26 February 2016
Source of information: International Monetary Fund, World Economic Outlook Database, April 2016

Number of stores

	2 March 2015	Opened	Closed	Converted – openings	Converted – closings	28 February 2016
COMPANY-OWNED						
Pick n Pay	**510**	**76**	**—**	**10**	**—**	**596**
Hypermarkets	20	—	—	—	—	**20**
Supermarkets	210	16	—	—	—	**226**
Local	5	4	—	8	—	**17**
Clothing	102	32	—	—	—	**134**
Liquor	170	24	—	2	—	**196**
Pharmacy	3	—	—	—	—	**3**
Boxer	**189**	**24**	**(5)**	**1**	**(1)**	**208**
Superstores	125	11	(1)	1	—	**136**
Building and hardware	21	3	—	—	—	**24**
Liquor	22	6	(1)	—	—	**27**
Punch	21	4	(3)	—	(1)	**21**
Total company-owned	**699**	**100**	**(5)**	**11**	**(1)**	**804**
FRANCHISE						
Pick n Pay						
Supermarkets	288	11	(2)	—	(8)	**289**
Family	266	11	(1)	—	(7)	**269**
Mini Market	21	—	(1)	—	(1)	**19**
Daily	1	—	—	—	—	**1**
Express	46	34	—	—	—	**80**
Clothing	16	1	—	—	—	**17**
Liquor	140	25	—	—	(2)	**163**
Total franchise	**490**	**71**	**(2)**	**—**	**(10)**	**549**
Total Group stores	**1 189**	**171**	**(7)**	**11**	**(11)**	**1 353**
TM Supermarkets	**53**	**4**	**—**	**—**	**—**	**57**
Total with TM Supermarkets	**1 242**	**175**	**(7)**	**11**	**(11)**	**1 410**
AFRICAN FOOTPRINT – included in total stores above	**116**	**14**	**—**	**—**	**—**	**130**
Pick n Pay company-owned	10	1	—	—	—	**11**
Boxer company owned	5	—	—	—	—	**5**
Pick n Pay franchise	48	9	—	—	—	**57**
TM Supermarkets – associate	53	4	—	—	—	**57**
AFRICAN FOOTPRINT – by country	**116**	**14**	**—**	**—**	**—**	**130**
Botswana	9	1	—	—	—	**10**
Lesotho	3	—	—	—	—	**3**
Namibia	27	8	—	—	—	**35**
Swaziland	14	—	—	—	—	**14**
Zambia	10	1	—	—	—	**11**
Zimbabwe	53	4	—	—	—	**57**

Store formats

Pick n Pay is a multi-format, multi-channel retailer with a strong and diverse portfolio of stores.

- 7 countries
- 8 formats, including online
- 1 145 stores

Pick n Pay is an inclusive brand, not aimed at serving a single customer demographic but focused on being the retailer for all, from the most affluent sections of society to those who are less fortunate and for whom price is of the utmost importance. The middle-income South African consumer, however, makes up the largest portion of our customer base. Pick n Pay operates on both an owned and franchise basis, providing a wide range of products and value-added services, and includes an online offering. Pick n Pay is focused on delivering an exceptional customer offer, including range, quality, price, availability and service. Pick n Pay has a strong growth plan, benefiting from the flexibility of its formats and its leaner operating model, and will focus on bringing its offer to communities where we are not yet well represented, including through small convenience stores.

Pick n Pay Supermarkets

Pick n Pay supermarkets offer a wide range of groceries as well as a targeted range of clothing and general merchandise.

- 7 countries
- 515 stores (226 company owned; 289 franchise)
- 3 000 average m^2
- 27 new stores in 2016
- 30 refurbishments in 2016

Customers can get everything they need from a quick daily top-up to a larger weekly or monthly bulk shop. Fresh produce and butchery offerings are complemented by an in-store bakery, deli and hot food counter. Pick n Pay supermarkets serve a wide range of communities, from lower and middle-income families to the most affluent households. Product ranges are tailored to meet the needs of customers, some stores focus on basic necessities and local produce while others boast specialty service counters, wine rooms, flower markets and sushi bars. Pick n Pay supermarkets trading under the Pick n Pay, Family, Daily and Mini Market banners, provide easily accessible locations and parking.

Pick n Pay Hypermarkets

Pick n Pay's largest format store, providing customers with an expanded range of groceries, clothing and general merchandise.

- South Africa
- 20 company-owned stores
- 15 000 average m^2

A hypermarket is a "one-stop-shop" offering fresh produce, a butchery, deli, bakery and hot food counter, plus specialist categories not always available in a supermarket such as appliances, kitchenware, home improvement, garden and pool accessories, toys and an expanded health and beauty range. These retail sites are large, catering for destination shoppers, with wide aisles and ample parking. Prices are very competitive with a leaning towards multi-pack and bulk-buy items and increased targeted promotional activity.

Pick n Pay Local

Our small Pick n Pay Local stores offer neighbourhood convenience.

These stores serve a range of communities, from lower and middle-income families to those in more affluent suburbs. A Local store has a much smaller range than a traditional supermarket, tailored specifically to the community it serves. The range is focused on fresh and convenience, and can include a small bakery and butchery. Customers can pop in quickly for a daily top-up, but can still choose from a tailored grocery and general merchandise offer for a bigger weekly shop.

- South Africa
- 17 company-owned stores
- 12 new stores in 2016 (including conversions)
- 500 m^2 to 3 900 m^2

Pick n Pay Express

Pick n Pay's partnership with BP, one of the world's leading international oil and gas companies, provides small 24-hour Pick n Pay Express convenience stores on BP service station forecourts in South Africa.

- South Africa
- 80 franchise stores
- 34 new stores in 2016
- 300 average m^2

This is our smallest format store, offering a targeted convenience range that satisfies an immediate "top-up" shop or a quick meal solution. The range is limited and is mainly focused on daily needs. Value-added services offered include ATMs, lottery, air-time and electricity purchases. These sites are located in high traffic flow areas including high-density residential areas and public transport intersections.

Pick n Pay Online

Our internet shopping platform www.picknpayonline.co.za is a small, but growing part of the Pick n Pay business.

We are the largest online grocery retailer in Africa. The division is winning customers by offering online convenience, good availability and delivery in one-hour time slots. The online offer in the Western Cape has been expanded through the establishment of a dedicated online picking warehouse at our refurbished Brackenfell Hypermarket. The Group will invest in a similar solution in Gauteng this year.

- South Africa
- Delivery within 24 hours
- 99% on-time delivery record

Pick n Pay Clothing

Pick n Pay Clothing provides the whole family with quality, fashionable clothing and footwear at exceptional prices.

- 4 countries
- 151 stores
  (134 company owned; 17 franchise)
- 33 new stores in 2016
- 450 average m^2

Our offer is broad, from baby and children's wear to men's and ladies' fashion and includes casual wear, sleep wear, active wear and formal attire. The private label, Real, is complemented by our exclusive rights to the international brands Cherokee and Maui & Sons. Our standalone clothing stores provide the same quality and value for money as our hypermarkets and supermarkets, but with an extended range.

Pick n Pay Liquor

Our liquor stores are situated close to our supermarkets but with separate entrances.

- 6 countries
- 359 stores
  (196 company owned; 163 franchise)
- 49 new stores in 2016
- 200 average m^2

These stores provide customers with the added convenience of purchasing liquor while doing their grocery shop. Our liquor stores also help customers to cater for parties and functions by providing a full delivery service.

Pick n Pay Pharmacy

We are committed to giving our customers convenient and affordable healthcare, providing a wide range of vitamins, supplements, sports nutrition, self-medication, medical services, clinics and dispensaries.

- South Africa
- 23 pharmacies in-store, 3 standalone

- 2 countries
- 4 formats
- 208 company-owned stores

Our Boxer stores provide a "one-stop-shop" for middle to lower-income shoppers in South Africa and Swaziland.

Boxer offers quality products and services at very affordable prices. Stores offer essential daily commodities such as maize meal, rice, samp, sugar, oil and beans, perishables, health and beauty, general merchandise and bulk-buy offers. The stores also offer fruit and vegetables, butcheries, bakeries and deli sections providing a choice of prepared convenience meals.

There are no franchise stores under this brand. While Boxer now has reach across all nine provinces in South Africa, with the recent opening of its new Khayelitsha store in Cape Town, its geographical heartland is KwaZulu-Natal and the Eastern Cape. Boxer will continue to grow and expand in areas where the Group knows it can serve the needs of communities through its wide product range, affordable prices and community-rooted staff.

Boxer Superstores

Boxer Superstores are full-service supermarkets offering a wide range of groceries.

- 2 countries
- 136 company-owned stores
- 11 new stores in 2016
- 10 refurbishments in 2016
- 1 855.96 average m²

The fresh produce offering is complemented by an in-store butchery, bakery and hot foods counter. The target markets are middle to lower-income urban, peri-urban and rural communities of South Africa and Swaziland. All stores are located close to public transportation hubs and have a welcoming market-style atmosphere.

Boxer Build stocks a diversified range of building and hardware supplies satisfying home owners and builders' DIY and home improvement needs at the most competitive prices.

Boxer Build stores offer savings cards and access to short-term credit facilities. Delivery of purchases is also arranged at store level.

- South Africa
- 24 company-owned stores
- 3 new stores in 2016
- 542.0 average m²

Boxer Punch is a smaller-sized supermarket located in compact sites that have considerable customer foot traffic.

- South Africa
- 21 company-owned stores
- 4 new stores in 2016
- 405.0 average m^2

The store has a lower-cost operating model, enabling the business to further reduce the selling prices of products. Boxer Punch stores offer a relatively narrow range of convenience products including basic commodities, pre-packed frozen and fresh meat, and a limited range of breads and confectionery.

Boxer Liquors are situated close to Boxer supermarkets but with separate entrances.

These liquor stores provide customers with the added convenience of purchasing liquor at the same time as doing their grocery shopping.

- 2 countries
- 27 company-owned stores
- 6 new stores in 2016
- 185.7 average m^2

TM Supermarkets

The Group has a 49% investment in its associate TM Supermarkets in Zimbabwe.

- 43 TM Supermarkets
- 14 Pick n Pay Supermarkets

TM Supermarkets is one of the most trusted retail brands in Zimbabwe. With its pay off line "Real Value Always" customers are offered a wide range of groceries and perishables, with a limited range of general merchandise and a fresh offering which caters specifically for the communities they serve at competitive prices. With its reach, TM Supermarkets draws its customers from all communities and income groups across Zimbabwe, while store formats range from convenient small supermarkets to larger supermarkets.

TM Supermarkets won a number of prestigious retail awards this year, including Zimbabwe's supermarket of the year.

Engaging with our stakeholders

Our ability to create long-term sustainable value depends on open and constructive engagement with all our stakeholders. Stakeholders are those parties that can affect or be affected by our activities, objectives and policies. The Group identifies its key stakeholders through ongoing engagement with individuals, groups and organisations. Engagement enables us to identify and act upon the issues that affect our stakeholders and our business, improves our understanding of stakeholders' expectations, aspirations and interests, and strengthens the transparency and accountability through which we have established valued relationships.

Customers

We had more than 840 million interactions with customers this year

WHAT OUR CUSTOMERS TELL US IS MOST IMPORTANT TO THEM	HOW OUR STRATEGY RESPONDS TO CUSTOMER NEEDS	WHY WE ENGAGE	HOW WE ENGAGE
■ More convenience ■ Low prices, good value ■ Product quality and food safety ■ Good, consistent availability ■ Great service ■ Rewards for loyalty ■ Community involvement	**Strategic pillar: Better for customers** ■ Convenient store locations ■ Leading product range ■ Great prices and promotions ■ Excellent place to shop ■ Compelling value-added services ■ Refer to the better for customers business acceleration pillar on page 21	■ To improve our customer offer ■ To respond to the changing needs of our customers ■ To hold ourselves accountable to those we serve	■ Daily engagements in our stores ■ Dedicated Customer Director ■ Customer care line ■ One-on-one meetings ■ Regular customer surveys, consumer forums and online customer panels ■ Website www.picknpay.co.za and various social media forums ■ Smart Shopper loyalty programme

Community

Focused on community development and upliftment, including through employment and buying from local communities

WHAT OUR COMMUNITY TELL US IS MOST IMPORTANT TO THEM	HOW OUR STRATEGY RESPONDS TO THE COMMUNITY NEEDS	WHY WE ENGAGE	HOW WE ENGAGE
■ Job creation ■ Access to safe food, at low prices ■ Poverty relief and community outreach programmes ■ Environmental responsibility	**Doing good in our communities underpins all our strategic pillars** ■ Doing good is good business ■ Be environmentally responsible ■ Develop diverse and ethical suppliers ■ Promote healthy and sustainable living ■ Refer to the strategic focus section on pages 19 to 29	■ To drive and share in the success and wellbeing of the communities in which we trade ■ Local communities engage with those businesses that engage with them, promoting the sustainability of both	■ Forums such as township co-operatives, university partnerships and the Pick n Pay Schools Club ■ Individual stores' varied social responsibility programmes ■ Collaboration with the Ackerman Pick n Pay Enterprise Development Fund, including income generation, community enterprise development and food security initiatives

Employees

We created 4 500 new jobs this year through our store opening programme

WHAT OUR EMPLOYEES TELL US IS MOST IMPORTANT TO THEM	HOW OUR STRATEGY RESPONDS TO EMPLOYEE NEEDS	WHY WE ENGAGE	HOW WE ENGAGE
■ Competitive remuneration ■ Training, career development and wellness programmes ■ Fair and reasonable working hours, with certainty of hours and shifts ■ Sustainable business performance ■ Working for a responsible and ethical corporate citizen	**Strategic pillar: A winning team** ■ Most talented South African retail business ■ Effective and lean organisational structure ■ Advance employee opportunity and diversity ■ Refer to the winning team business acceleration pillar on page 25	■ To get the best out of our team, we regularly engage with our employees on strategy, KPIs, financial performance and the role we expect each individual employee to play in our business ■ To identify and recognise good performance ■ To identify training and development needs ■ To hold each team member accountable for the job they do	■ Regular management updates ■ Employee surveys ■ Monthly internal publications ■ In-house television and radio communications and employee conferences ■ Skills development and training ■ Ongoing engagement with labour unions

The Group's stakeholder universe includes customers, suppliers, shareholders, franchisees, employees, regulating authorities, media, various levels of government and community groups. We are committed to balancing their interests in a responsible and respectful manner. Here we detail our engagement with our key stakeholders, focusing on those groups that have either a significant interest in the operations of the Group or have significant influence over the way we do business and create value.

Franchisees

549 of our stores are owned and managed by franchisees

WHAT OUR FRANCHISEES TELL US IS MOST IMPORTANT TO THEM	HOW OUR STRATEGY RESPONDS TO FRANCHISEE NEEDS	WHY WE ENGAGE	HOW WE ENGAGE
■ The opportunity to build a profitable and sustainable business ■ Security and sustainability of supply, timely delivery of products, competitive pricing, product innovation, marketing support, quality of products and food safety ■ Opportunities for cost reduction ■ Resource efficiency (energy, water, waste, logistics) ■ Transformation and enterprise development	**Strategic pillar: A flexible and winning estate** ■ Offer the most successful, mutually beneficial franchise model in the retail industry ■ Operate as a sustainable franchisor of choice ■ Refer to the flexible and winning estate business acceleration pillar on page 22	■ Our franchise stores are an important part of the Pick n Pay business, adding significantly to our scale and brand reach ■ Our franchise model works well when our franchisees have opportunities to succeed and have an active voice in the business	■ Regular store visits by franchise management team and service area consultants ■ Bi-monthly meetings between regional operational teams ■ Bi-monthly CEO forum meetings with national franchise representatives ■ CSI programmes in the communities in which our franchisees operate ■ Franchise conferences

Suppliers

The Group has more than 7 000 suppliers and service providers

WHAT OUR SUPPLIERS TELL US IS MOST IMPORTANT TO THEM	HOW OUR STRATEGY RESPONDS TO SUPPLIER NEEDS	WHY WE ENGAGE	HOW WE ENGAGE
■ Fair pricing, research and development support, transparent contracts and agreements, infrastructure and logistics support ■ Opportunities for cost reduction ■ Transformation and enterprise development ■ Resource efficiency (energy, water, waste, logistics)	**Strategic pillar: Every product, every day** ■ To build fair, efficient and mutually beneficial business relationships ■ A cost effective and efficient supply chain ■ Product innovation to meet evolving customer needs ■ Continual development of small businesses and diverse and ethical suppliers ■ Contribute to job creation ■ Refer to the every product every day business acceleration pillar on page 24	■ To ensure that we are able to source a leading range of high-quality produce and merchandise at the best possible prices and that we can commit to on-shelf availability, food safety and sustainable and ethical business practices	■ Regular meetings in line with merchandise cycle timelines ■ Regular food safety audits at production facilities ■ Ongoing store visits with suppliers ■ Joint business planning sessions ■ Supplier conferences ■ Dedicated enterprise development programme

Shareholders

32.3% compound annual growth in headline earnings per share since 2013

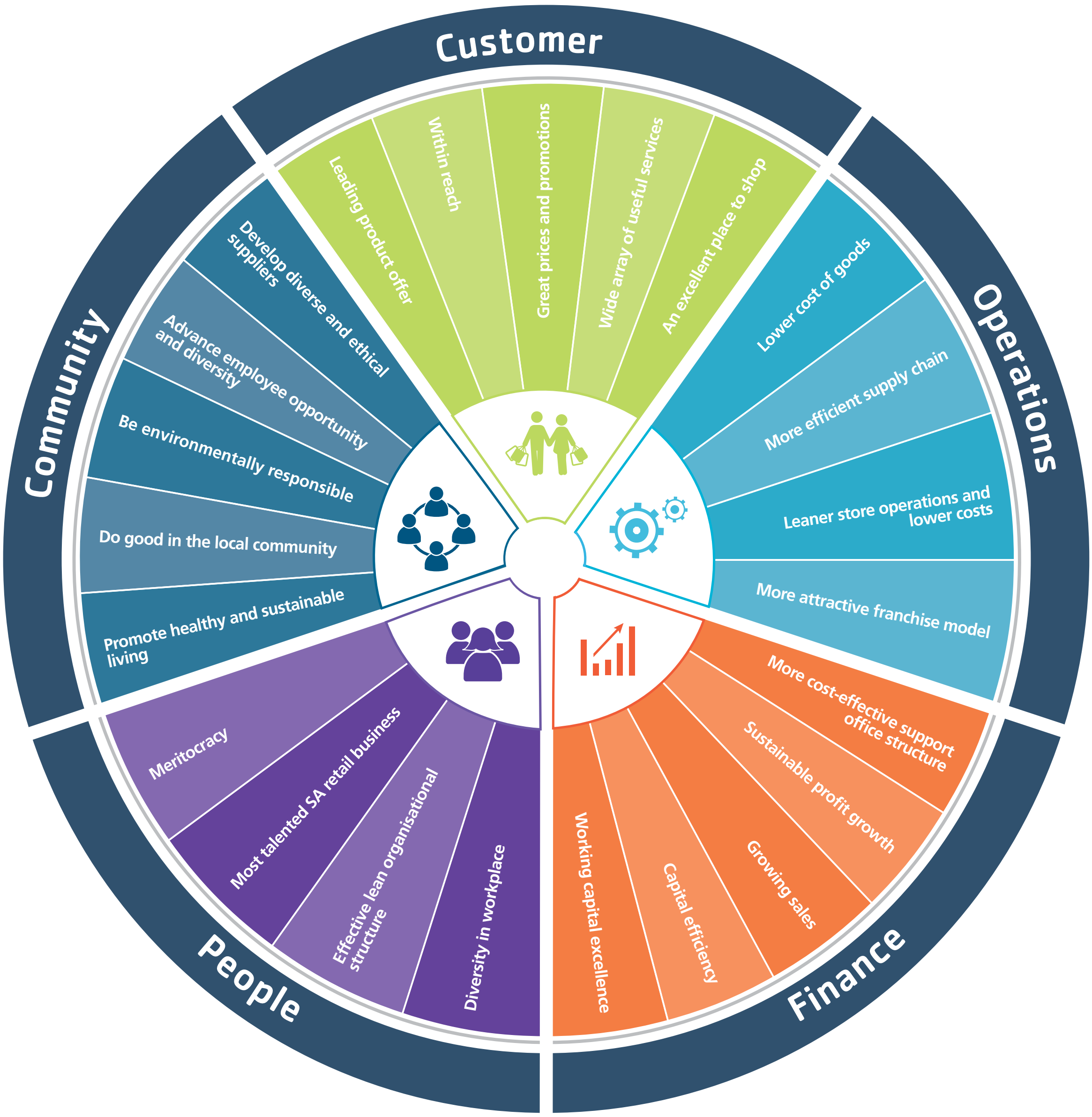
WHAT OUR SHAREHOLDERS TELL US IS MOST IMPORTANT TO THEM	HOW OUR STRATEGY RESPONDS TO SHAREHOLDER NEEDS	WHY WE ENGAGE	HOW WE ENGAGE
■ Improved and sustainable return on investment ■ Understanding our business model, strategic direction and profit drivers ■ Access to timely, accurate and relevant information ■ Sufficient free float of shares for trade ■ Good corporate governance ■ A socially responsible and ethical corporate citizen	**Strategic pillar: Efficient and effective operations** ■ Generate consistent profits in a sustainable manner ■ Operate according to the highest corporate governance principles ■ Follow innovative business practices at acceptable levels of risk ■ Capital efficiency and working capital excellence ■ Provide attractive returns on investment ■ Refer to the efficient and effective operations business acceleration pillar on page 23	■ To provide our shareholders with a comprehensive, transparent and objective understanding of the business, so that our shares may trade at a fair value and that our shareholders are aware of the risks and opportunities associated with investing in the Group	■ At least four formal engagements a year: two financial results presentations, AGM and an investor day/strategic update ■ Regular engagement with investors, analysts and fund managers ■ Direct engagement on proposed resolutions prior to annual and extraordinary general meetings ■ Dedicated investor relations website at www.picknpayinvestor.co.za

How we measure our balanced performance

Pick n Pay developed a balanced scorecard – or steering wheel – to underpin strategy formulation and govern the management of the Group.

It is structured around the five key performance areas of the business, each of which has a material impact on Group performance and our relationships with stakeholders. The steering wheel guides and charts the performance of the business. It ensures that focus and resources are allocated across the relevant areas of the business in an appropriate and balanced way.

The fact that this is a wheel indicates the increasingly integrated nature of our Group's thinking – that these performance areas are integrated and that performance and outcomes in one area impact those in other areas.



Strategic focus

The strategic focus of the business is to:

- **Grow sales in line with or ahead of the market by providing great value, service and innovation for customers:**
  Focus here is on the core South African business; developing a strong multi-platform and multi-channel retail business also including online sales and standalone clothing and liquor stores, growing Boxer into becoming a national limited-range discount format and growing sales outside South Africa on a planned and prudent basis to deliver current and future growth opportunity.
- **Restore underlying profit margin to an historically sustainable level:**
  Focus here is on improving the efficiency of the business in all areas, including by completing the centralisation of supply chain operations, increasing productivity in stores and ensuring that support office functions are delivered to benchmark levels of effectiveness and efficiency.

The business devised a strategic long-term recovery plan in 2014, recognising that a return to sustainable long-term growth could not be achieved overnight.

The three stages of our strategic plan

1 Stabilise the business

2 Change the trajectory

3 Sustainable long-term growth

Stage 1 Stabilise the business

The end of the 2015 financial year marked the substantial completion of Stage 1 of the turnaround plan. Pick n Pay was a significantly more stable business than it had been at the end of 2013, having improved both its gross profit and net profit margins and strengthened the balance sheet with more cash and less debt. The following in particular had been achieved:

- Strict control over capital and operating spend
- Improved working capital management
- A clear plan on centralisation
- A leaner and more efficient store operating model
- The closure of unprofitable stores and the commencement of a strong opening and refurbishment programme
- A strengthened senior management team
- Customer innovation, including the introduction of the Brand Match programme

Stage 2 Changing the trajectory

At the beginning of the 2016 financial year, the business was well positioned for Stage 2 of the long-term recovery plan – changing the trajectory of Pick n Pay.

Stage 2 is organised around seven business acceleration pillars. These pillars represent the seven material growth opportunities that can substantively affect the Group's ability to create value over the short, medium and long term. The pillars provide the senior management team with clear priorities, objectives and lines of accountability, and all are under-pinned by our commitment to doing good in the communities in which we operate.

Business acceleration pillars	The opportunity to create value
Better for customers	▪ Continued innovation, better availability, improved fresh produce, and private label and investment in price and promotions
A flexible and winning estate	▪ Strong new space and refurbishment programme, leveraging an improved operating model
Efficient and effective operations	▪ Unlock savings in operating costs and improve customer service
Every product, every day	▪ Centralise supply chain, with every product delivered every day to stores
A winning team	▪ The right skills and the right team throughout the organisation
Boxer – a national brand	▪ A national brand securing value leadership
Rest of Africa – second engine of growth	▪ A second engine of growth, extending the customer offer to markets outside South Africa

Stage 2 Business acceleration pillar: Better for customers

The key to the successful turnaround of Pick n Pay lies in a strong and consistent customer offer which is able to cement Pick n Pay as the supermarket of choice for all South Africans. The strong financial result in 2016 was underpinned by improved turnover growth, including positive like-for-like volume growth for the first time in many years, demonstrating the real progress we have made in being better for customers. We have improved the quality of our stores, our product range, our availability and our service.

2016 What we said we would do	2016 What we accomplished
Better on-shelf availability	■ Improved on-shelf availability in company-owned stores, from 92.6% last year to 96.0% this year.
Sharper prices and promotions	■ Selling price inflation kept to just 3.1%. ■ Successful promotions over the year, including our 48th birthday promotion and a fun and engaging Stikeez campaign. ■ Doubled the size of Brand Match giving Pick n Pay customers' real confidence that they do not need to shop around for lower prices. ■ More savings than ever before under our Smart Shopper loyalty programme, with 7.2 million personalised vouchers redeemed under our "Just for You" campaign.
Invest in fresh	■ An enhanced fresh and perishable offering, including the introduction of more pre-prepared convenience meals to meet increasing demand for fresh convenience.
Expand private label	■ 250 new private label products, with the relaunch of a further 650 products with newly designed packaging.
Category reviews	■ Completed all category reviews and implemented detailed planograms to enhance and standardise the on-shelf display of products.
Customer service	■ We introduced new service managers into our new stores with a specific focus on fresh departments and frontline tills. ■ New tills in our new and refurbished stores have resulted in a more efficient and pleasant checkout experience.

2017
Focus areas for next year

- **Better on-shelf availability** – we will harness the benefits of increased centralisation to deliver every product, every day to our stores, with direct to shelf replenishment.
- **Sharper prices and promotions** – we will innovate on price and promotion, and fight against price increases.
- **Stronger Smart Shopper** – we will look for new ways to provide our customers with meaningful savings and great partnerships.
- **Improved fresh produce offer** – customers are shopping more frequently for fresh and healthy produce and we will strengthen our offer to meet their needs.
- **Expanded private label** – we will give our customers more choice, quality and exceptional value, while providing smaller suppliers with a national market.
- **Improved customer service** – with a specific focus on our fresh departments and on providing our customers with an efficient and courteous experience at our tills.

Material risks	How we are mitigating these risks
Stock availability – non-delivery from suppliers or breakdowns in our own internal procurement and distribution processes that could result in empty shelves for customers	■ Closer engagement with all suppliers, and strengthened distribution capability – including a fully centralised and automated forecast and replenishment system.
Incorrect range – we don't stock the items our customers need or want	■ Smart Shopper loyalty data has informed the in-depth category reviews performed by our procurement team. ■ An improved automated forecast and replenishment system allows us to respond quickly to what customers want and don't want.
Uncompetitive pricing – we charge too much	■ Brand Match tells us how competitive our pricing is.
Food safety – unsafe food which could cause harm to our customers	■ All suppliers are subject to an audit of their food safety standards by a third-party auditor. Non-compliance results in termination of supply agreements until compliance is restored. ■ All stores undergo stringent food safety audits on a regular basis.
Reliance on systems – any breakdown in technology which may impact our ability to process transactions at the checkout	■ Investment in outstanding information technology systems, with ongoing support and maintenance, including contingency plans to restore systems quickly and effectively in the event of a break-down.

Strategic focus continued

Stage 2 Business acceleration pillar: A flexible and winning estate

Pick n Pay has an extensive retail presence in South Africa, and delivered on a strong growth plan in 2016, leveraging off the greater format flexibility and operational efficiencies developed over the past two years. New stores added 4.4% to turnover growth in 2016, a considerable improvement against the 2.5% delivered in the previous year. There remain many communities across the country where the business is underrepresented, particularly outside the larger urban centres. The Group is focused on space growth which can provided sustainable long-term returns and believes that there remains great opportunity for Pick n Pay to extend its reach without impacting on existing stores, including through smaller stores which focus on the growing demand for convenience. The Group launched its first Next Generation stores during the year. These stores integrate and accelerate the progress delivered by Pick n Pay over the past three years, offering our customers a substantially improved shopping environment, with lower operating costs. Please refer to pages 30 to 31 for more information on our Next Generation stores.

2016 What we said we would do	2016 What we accomplished
Accelerate our opening programme	■ Opened 175 new stores across all formats. ■ We brought Pick n Pay and Boxer to 28 new communities in South Africa, including Emoyeni in the North West, Hoopstad in the Free State, Sedgefield in the Eastern Cape and Sebokeng in Gauteng.
Grow our convenience offer	■ We added 12 new Pick n Pay Local stores and 34 new Pick n Pay Express stores over the year, bringing the total number of our smaller, neighbourhood supermarkets to 117.
Open more franchise stores	■ Over one third of new stores opened were franchise stores, and we saw an encouraging increase in issues to franchisees out of the Pick n Pay supply chain.
Double the number of refurbishments	■ Refurbished 40 stores over the course of the year (2015: 20), with half of these reflecting our new Next Generation blueprint.
Accelerate growth of our online business	■ Turnover from Pick n Pay Online grew 38% over the year, underpinned by a stronger range and a substantial improvement in product availability, particularly in the Western Cape, which benefited from the dedicated picking warehouse established at our Brackenfell Hypermarket in April 2015.

2017
Focus areas for next year

- **Open more profitable stores**
  – harness the benefits of our lower cost operating model in order to open stores which generate sustainable long-term returns for the business.
- **Increase the reach of our brands**
  – we will focus on areas where we are underrepresented and where we believe the community can benefit from the Pick n Pay and Boxer brands.
- **Grow our convenience offer**
  – we will meet the demand our customers have shown for smaller, more convenient, neighbourhood stores by growing our Local and Express formats.
- **Open more franchise stores**
  – our franchisees are valuable business partners and we will continue to build on what we believe is the leading franchise model in South Africa.
- **Improve the quality of our existing estate**
  – through targeted refurbishments that add real value to customers and deliver improved turnover growth and return on investment.
- **Increased investment in our online business**
  – after the success of the online picking warehouse in the Western Cape, the Group will invest in a similar solution in the Gauteng region of South Africa.
- **Improve the profitability of Hypermarkets**
  – improving the performance of the Hypermarket division remains a key priority for the Group. We will focus on optimising the use of space, finding alternative uses for freed-up space, including through the introduction of bulk sales.

Material risks	How we are mitigating these risks
Competition for sites – we miss out on the best locations for new stores	■ We maintain regular contact and engagement with all developers and landlords. Our lower cost operating model now enables us to open in more locations in the future.
Insufficient investment returns – we open or refurbish stores that do not deliver sustainable returns	■ Our store opening programme has been prudent, favouring only sites where we are certain of satisfactory returns. ■ We have stringent control over capital spend.
Loss of existing or potential new franchisees – franchise opportunities lost to competing retailers	■ Regular engagement with franchisees and review of our franchise model to ensure value creation for all.

Stage 2 Business acceleration pillar: Efficient and effective operations

The Group's turnaround strategy is both customer-led and cost driven. It remains a strategic imperative that the Group continues to remove unnecessary cost from the business and improve its operational efficiency and productivity. A well run, cost effective store unlocks value for further investment in the customer offer and allows us to serve our customers more effectively. Our specialist retail office, established in the 2015 financial year, is driving an efficient and effective operating model across all store formats, through the introduction of new standard operating procedures. We are starting to demonstrate, particularly through our Next Generation stores and our smaller convenience formats, that we can successfully operate a more efficient store on a leaner cost base.

2016 What we said we would do	2016 What we accomplished
Less costs, more efficiency	■ Kept the growth in total trading expenses to 8.1%, below the growth in turnover of 8.2%, notwithstanding double-digit increases in electricity, utilities and security costs. ■ Growth in like-for-like employee costs restricted to 4.7%, notwithstanding an average wage rate increase ahead of consumer price inflation and an additional R63.3 million first time costs associated with the Group's executive share plan. Excluding these costs, like-for-like labour costs were up just 3.7% on last year, with substantial savings in hours worked. ■ Improved working capital management led to stronger cash balances over the period, the repayment of a further R250.0 million of long-term debt and a 5.9% reduction in net finance charges paid.
Improve backdoor productivity	■ Our new Next Generation stores have achieved a much higher ratio of trading space to back-up areas, compared with existing stores.
Improve product flow and replenishment	■ The implementation of detailed planograms for all product categories have standardised the on-shelf display of merchandise and new "gap scan" technology is facilitating quick and efficient stock replenishment.
Sharper execution on sales floor	■ Streamlined and simplified processes in store, rolled out by our Retail Office, allow staff to focus their efforts on the sales floor.
Improve frontline	■ Introduced more efficient frontline technology in our new store.

2017
Focus areas for next year

- **Less costs/more efficiency** – we will continue to improve the efficiency of our business through greater centralisation of supply, the roll out of improved in-store operating procedures, the simplification of processes and the effective use of systems.
- **Improved backdoor productivity** – the ongoing centralisation of supply means more deliveries from our central distribution centre and fewer direct deliveries from suppliers. This makes the system more efficient and reduces administration on the backdoor and enables us to shift our focus and our resources to the front of the store.
- **Improved stock replenishment** – increased productivity at the backdoor will lead to improved product flow and a quicker and more effective in-store replenishment system.
- **Stronger working capital management** – a strong focus on optimising inventory days in the business will allow the Group to repay a further R400.0 million of structured finance this year, and increase its capital invested in new stores and refurbishments.

Material risks	How we are mitigating these risks
Business continuity – disruption to trade as a result of loss or damage to assets, supply chain capability or stores	■ We have a detailed enterprise-wide risk management programme in place and it is reviewed annually.
Continued inefficiency – we fail to remove costs from the business	■ The Group's specialist Retail Office drives efficient and effective processes across all store formats.
Interrupted electricity supply – in the case of further load-shedding by ESKOM, South Africa's national electricity supplier	■ All of our stores have generators and are able to trade through load-shedding. Our distribution centres incorporate environmentally friendly systems and processes and our new stores are 40% more energy efficient than those opened just five years ago, putting less pressure on the grid.
Significant reliance on information technology – which could disrupt the business in the event of a material system failure	■ Pick n Pay Information Services division has implemented a formal disaster recovery strategy for all critical systems. Systems interruption and recovery plans are tested and updated on an ongoing basis.

Stage 2 Business acceleration pillar: Every product, every day

The Group is making strong progress on developing an efficient and fully centralised procurement and distribution channel. This is significantly improving our in-store availability in order to drive more cost savings and efficiency across the business. We are now more than half way along the journey, increasing our level of centralised supply from 46% to 56% over the year and delivering every product, every day out of distribution centres, to stores across the country, on a short order lead time.

2016 What we said we would do	2016 What we accomplished
More suppliers centralised	▪ We increased the level of centralisation to 56%, up from 46% in the previous year, with an additional 241 suppliers taken through our centralised supply chain channel.
Higher distribution centre productivity	▪ Pick n Pay Distribution Centres increased the volume distributed to stores by 33% on last year. ▪ Good reductions in the cost of case delivered in both groceries and perishables. ▪ Boxer in the Western Cape supplied by the Pick n Pay Philippi Distribution Centre.
Fewer, more efficient deliveries	▪ Fewer direct to store deliveries, with every product every day distributed out of our distribution centres.
Focus on fresh supply chain and new distribution centre capacity	▪ We commenced with the construction of a fresh distribution centre at our Philippi distribution centre in the Western Cape.

2017 Focus areas for next year

- **More suppliers centralised** – we will centralise supply, whenever it is more cost effective and efficient than direct-to-store deliveries.
- **Increased productivity** – we will improve the pick rates in our two main distribution facilities, Philippi and Longmeadow, and improve strike rates to stores.
- **Focus on fresh supply chain** – we will continue to improve the distribution of fresh and perishable goods, with a particular focus on maintaining the cold chain and increasing product shelf life.
- **Fewer deliveries, less kilometres travelled** – with increased centralisation we benefit from a reduced number of direct-to-store deliveries and we will engage with our transport providers to optimise the efficiency of our distribution logistics, including route efficiency.
- **New distribution centre capability** – we will open our new fresh distribution centre in the Western Cape in September 2016, and are exploring opportunities to build our grocery and fresh capability in KwaZulu-Natal and the Eastern Cape.

Material risks	How we are mitigating these risks
Loss of major suppliers or product ranges – impacting on our ability to serve customers	▪ Increased level of constructive engagement with all major suppliers. ▪ Increased level of central supply – including the use of an automated forecast and replenishment system. ▪ Development of smaller suppliers specifically through the growth of our private label range and our various enterprise development initiatives.
Material damage to or loss of a distribution centre – as a result of natural or other disasters and the subsequent impact on product availability in stores	▪ Comprehensive facilities risk management programme aimed at securing distribution centres and related assets in the event of a natural or other disaster.
An ineffective cold chain – and the impact on the quality of fresh produce	▪ Our focus on fresh is leading to an improvement in shelf life of fresh and perishable product.

Stage 2 Business acceleration pillar: A winning team

The Group has an ambition to build the most skilled and talented retail business in South Africa, and in all the African countries in which it operates. In order to do so, we need to be the employer of choice for anyone looking to build a career in the retail industry. We attract staff by providing competitive pay and benefits, access to skills training and development, career advancement and recognition for a job well done.

2016 What we said we would do	2016 What we accomplished
Ensure core skills training	■ Increased investment in skills development and training over the year, with 46 000 training courses reaching 40% of our staff. ■ 1 200 support office staff went "back to the shop floor" for three days this year, refreshing their understanding of store operations and customer service.
Focus on customer service	■ New management structures in Next Generation stores are aimed at improving customer service and the quality and availability of fresh produce. These structures will be rolled out across all our stores over time.
Performance management	■ The performance management system introduced for senior managers last year has been extended to junior managers, to ensure staff are recognised and rewarded for making a positive difference to customers.
Better communication	■ Enhanced "Shelf Talk" the Group's monthly staff magazine. ■ Our Retail Office is communicating standards of excellence in all in-store processes and procedures across our stores – and measuring and reporting back on the impact thereof.
Diverse workforce	■ Our commitment to building a diverse workforce was recognised by South Africa's Department of Labour at its Excellence in Employment Equity Awards, where Pick n Pay was recognised as the overall private sector winner for transformation in the workplace.
Create 20 jobs per day, or 5 000 jobs per year, by 2020	■ We created 4 500 new jobs this year through our store opening programme, making good progress against our 2020 target.

2017 Focus areas for next year

- **More jobs**
  – Pick n Pay will open more stores next year and in so doing create more jobs.
- **More training**
  – we will provide training in customer service, food hygiene, butchery, bakery, logistics, finance and many others areas of the business.
- **Focus on customer service**
  – to ensure that we give our customers consistently good service in our stores.
- **Diverse workforce**
  – we will continue to build a diverse workforce that mirrors the customers and communities that we serve across the broad spectrum of South African society and the other countries that we operate in. This will be a focus in all areas including new appointments, promotions and skills training.

Material risks	How we are mitigating these risks
Staff retention – we fail to either attract or retain the right staff	■ In line with our remuneration policy we offer competitive remuneration, and a strong focus on career advancement, training and incentivisation.
Insufficient skills – across all employee demographics that disadvantage the business in any way	■ Strong commitment to upskilling our employees.
Increasing cost of labour – without a commensurate increase in return	■ Our labour time and attendance schedule optimises staff numbers in stores.
Labour strike – labour unrest that affects the operation of our business	■ We are committed to maintaining open and constructive relationships with our labour unions and putting in place processes that enable us to proactively manage critical issues.

Stage 2 Business acceleration pillar: Boxer – a national brand

Our Boxer business has delivered good growth over the last year, notwithstanding the difficult economic conditions facing the lower income and rural communities of South Africa and Swaziland. We are confident of the strong growth opportunities open to this valued brand and with the opening of our first store in the Western Cape this year, Boxer is now truly a national brand, and we are on the way to building Boxer into an impactful presence in the retail market of southern Africa.

2016 What we said we would do	2016 What we accomplished
Sharper prices and promotions	■ Solid turnover growth in an exceedingly competitive environment and under tough economic conditions. ■ Tight management of overhead costs allowed for investment into the customer offer at a time when customers needed all the support that they can get.
Accelerated new space growth	■ Opened 24 new stores across all formats, including three Next Generation supermarkets. ■ Opened our first Boxer store in the Western Cape.
Improved distribution centre capacity	■ Introduction of central distribution with the opening of its first central distribution centre in Cato Ridge, KwaZulu-Natal. ■ The new Boxer store in Khayelitsha, the Western Cape is supplied through the Pick n Pay distribution centre in Philippi, in that region.

2017 Focus areas for next year

- **Sharper prices and promotions**
  – low prices are absolutely critical to our Boxer customers and we will continue to do everything possible to bring value and support to poorer communities.
- **Accelerated space growth**
  – we will open more stores next year, including building on our presence in the Western Cape.
- **Accelerated refurbishment programme**
  – Boxer will spend an increased capital budget next year on refreshing its estate, including the refurbishment of some of its stores to its Next Generation format.
- **Improved distribution centre capability**
  – the Group will increase the volume of centralised product going through its new Cato Ridge distribution centre.
- **Butchery and bakery**
  – we will expand our range of fresh and convenience, particularly our butchery and bakery offer, to meet increasing demand.
- **More synergies with the Pick n Pay business**
  – we will continue to support Boxer's Western Cape stores through Pick n Pay's Philippi distribution centre, and look for further ways in which the scale and infrastructure of Pick n Pay can support the Boxer business. We will unlock cost savings and efficiencies for the Group – including through synergy with Pick n Pay through Boxer's recent SAP implementation.

Material risks	How we are mitigating these risks
Low price environment – could erode margins to unsustainable levels	■ Prudent selection of sites with sufficient traffic to ensure the profitability of the low cost operating model.
Operational and administrative support capacity – store operations grow ahead of the capacity of systems and administrative support structures	■ Leveraging off Group systems and support, including integration with the Group supply chain where appropriate.

Stage 2 Business acceleration pillar: Rest of Africa – a second engine of growth

The Group has an established presence in Botswana, Lesotho, Namibia, Swaziland and Zambia and has a 49% investment in our associate, TM Supermarkets, in Zimbabwe. Our foreign operations contributed just over R4.0 billion of segmental revenue this year, notwithstanding difficult trading conditions, heightened competition and political uncertainty in some of the regions in which we trade. We will open our first stores in Ghana in 2017, have announced our intention to take Pick n Pay to Nigeria, and will continue to look for profitable opportunities to grow our footprint outside South Africa in countries which offer political stability, economic growth, ease of business and the prospect of strategic scale.

2016 What we said we would do	2016 What we accomplished
Improve fresh offer in all markets	▪ Improved the quality and breadth of our fresh range in our operations outside South Africa, contributing to stronger trade in the regions, particularly in the second half of the year.
More efficient operations	▪ Segmental profits – up 19.6% on last year. ▪ Solid result from TM Supermarkets – with profits up more than 150% in constant currency terms due in part to increased management support from Pick n Pay. ▪ Strong second half performance from Zambia – despite exceedingly tough trading conditions in the region. ▪ Stronger franchise performance from our franchise operations specifically in Botswana and Swaziland.
More stores in Zimbabwe and Zambia	▪ Opened four stores in Zimbabwe and one store in Zambia this year, with eight new stores in Namibia and one in Botswana.
First store in Ghana	▪ After some planning and development delays, we are now on track to open our first stores in Ghana in the 2017 calendar year.

2017
Focus areas for next year

- **Improve fresh offer in all markets** – through a strong local range and closer engagement with suppliers.
- **More efficient operations** – we will take our efficiency drive to all operations.
- **More stores in the rest of Africa** – focusing on communities where we are not yet represented.
- **First store in Ghana** – we will continue to develop our operation Ghana with the view of opening our first store in calendar year 2017.
- **Developing our business in Nigeria** – we will cement our partnership with AG Leventis and begin the implementation of our business plan to open stores in the region over the next few years.

Material risks	How we are mitigating these risks
Economic or political instability	▪ We only enter markets that are stable or where we are able to manage upheaval while trading profitably.
Lack of understanding of local markets	▪ Formal and robust investigation into new markets, including partnerships with local businesses.

Strategic focus continued

Looking ahead

The three stages of our strategic plan

1 Stabilise the business

- Arrest profit decline
- Begin efficiency journey
- Tighter financial control

2 Change the trajectory

- Accelerate sales growth
- Innovate for customers
- Improve efficiency
- Maintain profit growth

3 Sustainable long-term growth

- Track record of sales growth
- Future growth engines
- Operating model benchmarks internationally

The Group substantially completed Stage 1 of its turnaround strategy at the end of February 2015. It is currently engaged in Stage 2. While the business has made substantial progress against its plan over the last few years, there is still a great deal of work to be done to change the long-term trajectory of Pick n Pay. We have not communicated a timeline, however Stage 2 will be complete when the business demonstrates the following characteristics:

- A track record of consistent sales and profit growth over a number of years
- Strong customer loyalty and advocacy
- Continual innovation in-store and in our customer offer
- An operating model that benchmarks internationally
- Collaborative and enduring relations with a strong and diverse supplier base
- A continuing growth strategy
- An employer of choice that delivers opportunity for all
- A resource efficient business which is a positive force in the countries in which it trades

The progress Pick n Pay has delivered over the past three years has put the business in a stronger position to ultimately reach Stage 3 of its plan – to deliver long-term sustainable growth. The business has begun to explore additional engines of growth for the final stage of its turnaround plan, and this includes the Group's announcement that it will partner with AG Leventis in Nigeria to bring Pick n Pay to the largest economy in Africa.

The recovery and growth of Pick n Pay over the past three years has been positive for all the communities we serve. Our capital spend has injected over R4 billion into our local economies, and our store opening programme this year created 4 500 new jobs. We are committed to investing in enterprise development in South Africa and in giving many more small and medium sized businesses access to a national retail platform through our stores – including through the growth of our private label range and through our "Boost your Biz" initiative. We opened stores in 28 new communities for Pick n Pay and Boxer, and we will continue to do so – bringing access to safe, reliable and affordable food in previously under-served communities, while providing new employees with reliable income, healthcare and other benefits.

Our values of consumer sovereignty, business efficiency and doing good is good business have endured and continue to guide our progress, and as we grow so will our contribution to society.

Introducing our Next Generation supermarket

We opened 26 new look stores this year. Named "Next Generation" stores, these world-class supermarkets reflect the real progress we have made across the business over the last few years – bringing together improvements in store design, space allocation, product range, store operations, labour efficiency, technology and customer service. The response has been positive, with both customers and staff loving the new look and feel, and with encouraging financial performances, we are confident that we have the right blueprint for all new stores and refurbishments going forward. This is no longer the supermarket of the future, but the supermarket for today.

A new look store

Next Generation stores are light, bright and spacious, and free of clutter, providing an enhanced customer experience. Customers enter our stores directly into the fresh area at the front of the store, evoking a sense of arrival into a fresh food market. Service counters are located to the rear of the fresh hall, leading customers through all fresh departments, with the use of vibrant colours, clear signage and modern lighting. The back aisle runs all the way to the furthermost corner of the store, providing customers with uninterrupted views of the store and its offer, while providing dedicated product alcoves. Grocery aisles are wider, with gondola ends dedicated to promotional offers. The store layout draws customers through an efficient journey through the store, all the way to our new and improved tills.

Stronger offer, with a focus on fresh

Our Next Generation stores provide a stronger fresh offer with a third of the store dedicated to fresh and perishable produce, including an expanded "Grab & Go" convenience range. Fresh departments, from fish and sushi, to the butchery, bakery, deli and cheese, have been revitalised, including new service counters, innovative display fixtures and modern refrigeration. Comprehensive product category reviews have ensured that our Next Generation stores reflect enhanced and streamlined product ranges that reflect our customer needs, including stronger clothing, health and beauty and baby departments. All space has been fully planned and is managed according to detailed planograms, which has improved on-shelf replenishment and product availability.

More private label

Pick n Pay introduced or relaunched more than 900 private label products this year, all offering exceptional quality at competitive prices, with refreshed packaging. Our Next Generation stores feature expanded private label ranges and have shown good growth across all categories, particularly in our convenience range, where our garlic breads, pizzas, beef lasagne, and other ready meals have been well received. We will continue to improve and expand our private label offer, in order to drive innovation and differentiation in our stores.

Product alcoves

The speciality product alcoves are a specific feature of our Next Generation stores. These alcoves provide customers with the opportunity to pause and browse specialist product offerings such as wine, coffee, tea and homeware. Our alcoves differ from store to store, reflecting an offer specifically tailored to meet the needs of the customers we serve.

Advanced technology

The technology in a Next Generation store is simple, practical and innovative, designed to improve the efficiency of our store, make life easier for our employees and ultimately improve the service we offer to customers. Our advanced mobile technology includes dedicated store WiFi and mobile smart devices which allow staff to scan product barcodes to determine the quantity and location of stock on hand, order directly to the shop floor, and print shelf-edge labels. The advancement in technology has allowed us to reduce space in the back office and devote more space to the trading floor. Enhancements extend to our tills, where our cashiers are able to serve our customers more effectively and efficiently, with longer belts and faster scanners.

Money counters

The introduction of PnP money counters in our Next Generation stores has enabled the expansion of value-added services to include event and travel ticketing, Lotto, gift cards and financial services, while providing more customer-friendly processes for bill payments and pre-paid electricity purchases.

PnP money counters also offer a selected range of cellular products, including handsets and accessories, providing our customers with added convenience. PnP money counters, found at the front of the store, have become a destination point for customers, this has reduced queue times in our till lanes, with value-added service transactions migrating to our PnP money counters.

A more effective operating model

The management of a Next Generation store is underpinned by a more cost effective and efficient operating model. Customers experience the benefits of the enhancements in supply chain logistics, demand planning, on-shelf replenishment and staff training and scheduling, in the improved quality and availability of our products and in the quality and effectiveness of our service.

Chairman's report

Our trading results for the year clearly show that we have stabilised the business. Our turnaround is real and gathering pace, and we are firmly on a new trajectory. This achievement is thanks to the successful implementation of our strategy under the leadership of Richard Brasher, and the hard work and dedication of Pick n Pay's management and staff.

Gareth Ackerman / Chairman

By getting better as a business, Pick n Pay is helping more customers and more families in what is an increasingly difficult time for people in South Africa. Our regional economy is performing poorly, and South African customers in particular are feeling huge pressure from the rising cost of living. This demands of us special focus to keep our prices low, our quality high and inflation in check.

We must take particular care not to talk up inflation to the point where it becomes a self-fulfilling prophecy. While the drought in South Africa has undoubtedly had an impact on pricing, as has the weaker rand, inflation is also being driven by large increases in regulated prices, for example electricity, water, petrol and the import tariff for wheat. Each price increase may be justifiable on its own merits, but ultimately the impact falls on consumers. We are working hard to fight inflation on behalf of our customers, particularly our most vulnerable low income customers. To this end, we undertook strategic buy-ins of key categories ahead of price increases, bought better, saved costs in the supply chain to reinvest in price and kept our products 95% local to reduce exposure to foreign currencies. As a result, we restricted our internal inflation to 3.1% for the year, against CPI Food inflation of 5.3%, a creditable performance from our buying team.

In July 2015, we announced our "War on Waste" campaign, committing Pick n Pay to achieving three significant targets by the end of 2020: reducing our food waste to landfill by 20%, reducing energy used per square metre by 20% and creating 20 new jobs per day – or 5 000 jobs per year, for five years. We continue to make good progress in all three areas. This year we reduced our waste by donating 1 737 tonnes of edible food to Foodbank SA. We are now Foodbank SA's largest partner in fighting hunger in South Africa. We continue to cut our energy usage, having already saved R1 billion on energy costs over the past seven years through substantial energy saving initiatives.

We are proud of our contribution towards fighting unemployment in South Africa. At a time when many companies are shedding jobs to mitigate the economic downturn, Pick n Pay opened 175 stores this year and created 4 500 new jobs – bringing our job creation to 11 000 new jobs over the past three years. Our commitment to building a diverse workforce, which reflects the communities we serve and provides opportunities for all, was recognised by South Africa's Department of Labour at its Excellence in Employment Equity Awards, where Pick n Pay was named as the overall private sector winner for transformation in the workplace.

We invested a further R1.8 billion in our business this year, bringing our total investment over the past three years to R4.2 billion and we plan to invest a further R5.0 billion over the next three years. All this investment is funded by our cash generation and no external funding should be required. This investment benefits our customers in existing stores and brings Pick n Pay and Boxer to new communities. This consistent level of investment in South Africa and in her future will be felt in job creation, SMME development and transformation. Imaginative projects such as our Boost Your Biz programme assist in bringing new emerging suppliers into our supply chain, while our growing levels of centralised distribution allow small suppliers access to a national market for the first time. Our policy in all our operations in Africa is to support local suppliers wherever possible.

There have been encouraging signs in recent months that the crucial role of business in creating growth, building confidence, and growing jobs is becoming better understood by government. Much is expected of the Business Working Group, the collaboration between the South African government and business leaders in the country, and we look forward to their report back. We do not believe that business should operate in a vacuum but should be a key stakeholder in the development of the country. Our industry is one of the largest employers and value add contributors to South Africa and needs effective dialogue with the government.

But two issues are specifically cause for concern. Firstly, I have highlighted what our business is doing to combat food inflation. Considering the economic circumstances in which South Africans find themselves, it is difficult to understand how the Reserve Bank can justify its current policy of raising interest rates. We understand the Reserve Bank's mandate to achieve and maintain price stability, but in current circumstances it is difficult to see how this can be achieved by increasing rates. Higher interest rates do nothing to fill the supply gap caused by the drought, and have a limited impact on the rand. They do, however, have a very direct negative impact on families, making it even harder for them to make ends meet.

The second issue relates to the role of retail in both formal and informal economies. We need to make sure that the record of our business and our sector is clearly stated and clearly understood. The Competition Commission is set to launch its inquiry into a number of areas of the grocery retail market in South Africa, including a deliberation of the impact of the expansion, diversification and consolidation of national supermarket chains on small and independent retailers in townships, peri-urban areas and rural areas and the informal economy. Commentators have expressed concern that, as competition intensifies, informal traders will find it harder to compete. However, the reality is somewhat different: if a new supermarket opens in an area which previously lacked formal retail, the result is that families in these communities can now buy safe and affordable food at lower prices without incurring high transport costs to get to their store of choice. Jobs created in the stores and our investment encourages others to invest in the area therefore creating more local jobs in a ripple effect. This is a distinct benefit for the communities concerned.

We also believe strongly that it is not only possible, but ideal, for large and small retail to co-exist. The Pick n Pay franchise model has long been a very effective route for emerging entrepreneurs to create and build their own businesses, leveraging the buying, supply chain, systems and other benefits of a partnership with Pick n Pay. This is key to the transformation we all want to see. In February 2016, in partnership with the Gauteng government, the Group piloted its first "Spaza-to-Store" conversion in Diepkloof Soweto, Johannesburg. The project has given an existing spaza shop owner access to Pick n Pay's merchandise, business systems, supply chain and distribution network, together with management advice and mentoring. This pilot programme is still in its infancy, but has the potential to be another route through which small traders can become fully fledged entrepreneurs, and gives Pick n Pay the opportunity to play a positive role in growing the informal retail market in South Africa. More broadly, our growing business encourages and enables new suppliers to emerge and grow with us. In conjunction with the Ackerman Pick n Pay Foundation we set out to spot new products and new ideas. We nurture them through our commercial teams. When they are big enough our national supply chain gives them a route to market which would not otherwise have been available to them.

I have co-chaired the Consumer Goods Council of South Africa over the past year, and as of July last year, I have also co-chaired the international Consumer Goods Forum (CGF). Both of these bodies provide valuable and powerful platforms from which to ensure that the retail sector plays a pivotal role in tackling societal challenges, including the pressing issues of public health, product labelling, employment, sustainability and ethical corporate governance. The CGF has chosen Cape Town as the host city for its international conference in June this year, and this will bring some of the world's top leaders in retail, manufacturing and supply chain together to discuss issues of common global concern. Pick n Pay's involvement in the CGF allows it to be at the forefront of international retail trends, which is of great benefit to the Group and its future strategies and planning.

At the time of writing, we have prepared a proposal to create a new and much simplified shareholding structure for Pick n Pay. Once approval is secured by both the Pick n Pay Holdings and Pick n Pay Stores independent boards of directors, the proposal will be put to shareholders to gain their approval. The existence of both listed entities was created for all the right reasons, but we now believe the time is right to create a more modern structure that will see us into the future. Apart from reducing costs and increasing efficiency, the new structure would allow for a significantly higher free float of securities, increasing access to Pick n Pay Stores shares both locally and internationally.

The Ackerman family has directed and overseen significant change in the business since inception, but especially over the last five to six years. Only recently has the subject of competitive advantages of businesses controlled by family shareholder control groups become a topic in the corporate finance literature. Family-controlled firms are more inclined to have a long-term perspective, conservative financial management, and a strong corporate culture, all attractive attributes conducive to long-term share outperformance. This is a view strongly supported by Warren Buffett and others. Mark Zuckerberg follows the same strategy, stressing that being founder-led has helped Facebook resist the short-term pressures that often hurt companies. As he points out, this also gives the company the freedom to prioritise and take decisions that don't always pay off right away, but are in the long-term interests of both shareholders and communities. Importantly, a recent study in the US showed that of the top ten performing supermarkets in the US, eight out of ten were founder, family or employee-controlled companies. We believe that the continued involvement of the Ackerman family is in the long-term interests of Pick n Pay.

For more detail on the proposed transaction, please refer to the corporate governance report available on our website at www.picknpayinvestor.co.za.

As we conclude the trading year, I am particularly encouraged by the fact that our turnaround has been achieved by staying close to our core values of consumer sovereignty, doing good is good business, and business efficiency. They are part of the Pick n Pay DNA and they continue to serve us very well.

I would like to congratulate our founder and Life President, Mr Raymond Ackerman, on receiving another Honorary Doctorate, this time from Rutgers University in the US. He was honoured as a global leader who has excelled in his field of work, and who is an outstanding example of leadership. The Doctorate refers to his aspirations for excellence, his commitment to diversity and inclusion, as well as the upliftment of society through transformation.

I would also like to pay tribute to our co-Life President Mrs Wendy Ackerman, who was awarded Philanthropist of the Year at the All Africa Business Leaders Awards. This award honours remarkable leadership and game changers in business on the continent for their continuing commitment to excellence and innovation. This award is fitting recognition of her significant contribution to philanthropy and good causes over many years both in South Africa and in the rest of Africa.

Ben van der Ross and John Gildersleeve retired from the Pick n Pay Stores Limited Board during the year. I thank them both for their valued contribution to the Board, and in particular for their unique insight and support. Ben has served Pick n Pay for a great many years and his counsel and active involvement will be missed. I would like to specifically thank the boards of Pick n Pay Holdings and Stores for their ongoing support and guidance.

In conclusion, I acknowledge the tremendous efforts of our special team. I thank the entire team for the indispensable role they have played in turning round the fortunes of the Pick n Pay Group, and wish everyone well for another exciting year ahead.

Gareth Ackerman

Gareth Ackerman
Chairman

22 June 2016

Chief Executive Officer's report

Three years into my tenure as CEO of Pick n Pay, I see real progress across the business. We are buying better, demonstrating greater efficiency in our operations, making steady progress on centralising our supply chain, and instilling better management and performance management in every division.

Richard Brasher / Chief Executive Officer

Above all, we are getting better for customers: providing better value, better products and better service. Our progress was demonstrated by our 2016 financial result, with headline earnings per share up 26.4% on last year. I am pleased with this performance, and proud of what our team has achieved, particularly in helping our customers weather what are challenging economic times.

BETTER FOR CUSTOMERS: MORE VALUE

Trading conditions have become more difficult in South Africa over the past year, with the sustained drought, a weaker currency, higher interest rates and increasing energy and utility costs all placing additional financial pressure on South African consumers. Our strategy at Pick n Pay is to stand firm against inflation and keep prices as low as possible. We restricted our selling price inflation to just 3.1% over the year, below CPI Food inflation of 5.3%. This was achieved by becoming more efficient and reducing our costs, working with suppliers to restrict price increases only to instances where they were fully justified, and operating a strong and relevant promotional calendar. This included a successful 48th birthday promotion, a fun and engaging Stikeez campaign and our first "Black Friday", which delivered the strongest trading day in the Group's history.

This year we doubled the size of our Brand Match campaign to include 2 000 branded products. The campaign remains unique in South African retail. It enables us to price check a Pick n Pay basket against four major retailers across the country, and to match the price of the cheapest basket, including all promotions. With a high percentage of zero and low value coupons, the programme has built customer confidence in the keenness of our pricing. The growing coupon redemption rate indicates increasing customer engagement in the programme and the valued support that Brand Match is giving to our customers.

Pick n Pay rewarded its loyal Smart Shoppers with more savings than ever before this year, with 7.2 million personalised vouchers redeemed under the "Just for You" campaign. I congratulate the team for finding new ways to strengthen Smart Shopper, which was voted as South Africa's favourite loyalty programme for the third successive year.

BETTER FOR CUSTOMERS: A CUSTOMER-LED STRATEGY

The Group rationalised its product range over the year, completing its programme of product category reviews, and implementing detailed planograms to display products on shelf more effectively and consistently. This has improved product availability and the effectiveness of in-store replenishment.

The Group is expanding, improving and refreshing its private label range. In doing so, we will give our customers more choice, better quality and exceptional value, while providing smaller, local suppliers with access to a national market. 250 new private label products were introduced this year, with a focus on convenient, pre-prepared value-added products. More than 650 products were re-launched with newly designed packaging.

We have made good progress in improving our on-shelf availability. We have strengthened our communication and engagement with suppliers to ensure that they are more effective in delivering what we order, and have implemented a centralised and fully automated forecast and replenishment system. This together with the benefits of an increasing level of central supply, has improved on-shelf availability in our owned stores to 96.0%.

Our customer offer includes valued-added services which save our customers time and deliver exceptional value. These include third-party bill payments, gift vouchers, cellular airtime and event and travel tickets. Both Pick n Pay and Boxer delivered double digit growth in sales of value-added services this year, with income from pre-paid electricity sales and third-party bill payments up 57%, and income from financial services up 42%.

The progress achieved by the Group in improving all areas of the customer shopping experience delivered the highest turnover growth since 2010, and positive like-for-like volume growth for the first time in a number of years.

A FLEXIBLE AND WINNING ESTATE: FINDING GROWTH IN A COMPETITIVE ENVIRONMENT

Our aim is to grow effectively within an expanding retail market in South Africa, serving more customers particularly in communities which currently do not have easy access to a Pick n Pay store. We are focused on opening space which can generate long-term sustainable returns for the business. This year we opened 175 new stores, across all our formats, without impacting materially on the turnover of existing stores. We brought Pick n Pay and Boxer to 28 communities across South Africa for the first time, including Emoyeni in the North West, Hoopstad in the Free State, Sebokeng in Gauteng and Sedgefield in the Eastern Cape. New stores contributed 4.4% to turnover growth this year, compared with just 2.5% in 2015.

Customers are increasingly seeking convenience through smaller, neighbourhood stores, and more flexible trading hours. Our increasingly centralised supply chain and lower cost operating model is expanding the range of locations in which the Group can successfully operate its convenience formats. With 12 new Pick n Pay Local stores and 36 Pick n Pay Express stores during the year, the Group now boasts more than 100 convenience supermarkets across South Africa.

We benefit increasingly from the breadth and flexibility of our formats. The Group opened 33 clothing stores and 49 new liquor stores over the year, both on an owned and franchise basis. These formats are becoming increasingly strong profit contributors to the Group, particularly our clothing division which is delighting customers with high-quality clothing for the whole family at exceptional value.

Our refurbished hypermarket stores are delivering stronger sales from less space. We are finding innovative alternative uses for freed-up space, including through rentals to other operators and dedicating space to the fulfilment of online grocery orders. Improving the performance of our largest format remains a key priority for the year ahead. We will focus on optimising the use of space and making the range more relevant for customers, such as through the introduction of bulk sales to wholesale traders.

The Pick n Pay franchise operation continues to provide exceptional opportunities for entrepreneurs to create and build successful businesses, and we value the role our franchise partners play in expanding the scale, expertise and passion of our business. We celebrated 21 years of franchise this year with the addition of 59 net new franchise stores, building on one of the leading franchise models in South Africa.

Pick n Pay was a pioneer of online retail in South Africa, and is now the biggest online grocery retailer on the African continent. With a stronger range and a substantial improvement in product availability, turnover growth from Pick n Pay Online accelerated to 38% over the year. The online business in the Western Cape benefited from the dedicated picking warehouse established at the Brackenfell Hypermarket last year, and the Group will look to invest in a similar solution in the Gauteng region of South Africa towards the end of this year.

A FLEXIBLE AND WINNING ESTATE: IMPROVING THE QUALITY OF OUR STORE ESTATE

Our capital investment programme is focused not only on growing our footprint, but also on improving the overall quality of our estate. We continued with the substantial refurbishment programme launched last year, refurbishing another 40 stores in 2016. We invested R1.8 billion this year on growing and refreshing our estate, and with tighter control over capital costs, delivered on our plan while saving R200 million against capital budgets.

We are determined to refresh each of our stores over the next five to seven years, and have first targeted those stores which will give our customers the most added value, while generating sustainable long-term investment returns for the Group.

A FLEXIBLE AND WINNING ESTATE: INTRODUCING THE PICK N PAY NEXT GENERATION STORE

I asked my team to open a Pick n Pay store which would demonstrate in a real and tangible manner the progress being made across the business. It needed to reflect our more cost-effective and efficient operating model, and bring together improvements in store design, space allocation, product range, store operations, product replenishment and customer service. We opened our first Next Generation store in Blue Hills, just outside Johannesburg, in June 2015. It was followed quickly by two Next Generation refurbishments of our Glen Garry store in Cape Town and Benmore in Johannesburg. The customer response has been overwhelmingly positive, and the financial performance of these stores has exceeded our expectations, giving us confidence that we have the right blueprint for future growth. We added a further 23 stores in the second half of the year, including three Next Generation Boxer stores, demonstrating that Next Generation is here to stay.

EFFICIENT AND EFFECTIVE OPERATIONS: TAKING UNNECESSARY COST OUT OF THE BUSINESS

The growth in trading expenses was contained at a rate below the growth in turnover, notwithstanding double-digit increases in electricity, water and security costs, with good management and control across all categories of expense. Stronger working capital management over the year, particularly improved control over inventory, led to stronger cash balances for the Group and a 5.9% reduction in net finance charges.

EVERY PRODUCT EVERY DAY: ACCELERATING THE CENTRALISATION OF SUPPLY

We remain committed to the centralisation of supply, wherever it can bring cost savings and efficiencies for the Group. We added 241 suppliers to our centralised distribution channel this year, increasing the total centralisation of supply from 46% last year to 56% at February 2016. The Western Cape region, serviced by the Philippi distribution centre in Cape Town, is at 68% centralisation (80% on groceries), with the Inland Region, serviced by the Longmeadow distribution centre in Johannesburg, at 62% (69% on groceries).

The increase in centralisation has improved operating effectiveness across the procurement and supply chain channel and lowered the cost per case delivered, both in groceries and perishables. Volumes issued from Pick n Pay distribution centres were up 33% on last year, contributing to a 3.4 percentage point improvement in on-shelf availability in our owned stores, which now stands at 96%. The Group's fresh distribution centre at Philippi in the Western Cape will open in September 2016, replacing its current facility next to Cape Town International Airport. This will substantially increase our fresh distribution capacity in the region. The Group is currently looking at opportunities to grow its central distribution capacity in KwaZulu-Natal and the Eastern Cape.

A WINNING TEAM: BUILDING A STRONG, DIVERSE AND CUSTOMER-CENTRIC WORKFORCE

The Group is committed to playing an important part in addressing the high level of unemployment facing South Africa today. At a time when many South African companies have been shedding jobs, Pick n Pay has created 4 500 new jobs, principally through our store opening programme. The Group increased its investment in skills development and training over the year, with 46 000 training courses reaching 40% of our staff. New management structures were implemented in all our new Next Generation stores to improve customer service and the quality and availability of fresh produce. These structures will be rolled out to all stores. The Group's new performance management system, introduced for senior managers last year, has been extended to junior managers. It will ensure that staff are recognised and rewarded for making a positive difference to customers. More than 1 200 support office staff went "Back to the Shop Floor" for three days this year, refreshing their understanding of store operations and the importance of putting the customer first.

BOXER: GROWING A NATIONAL BRAND

Boxer serves customers in the poorer and often more rural areas of South Africa and Swaziland, where low prices and convenient access to safe fresh produce and groceries is vital. With an unwavering focus on the needs of its customers and communities, Boxer delivered strong growth in both turnover and profit, despite the increasing economic challenges faced by the communities in which it operates. Sound gross margin management and tight expense control was central to this improved performance, at a time when the business supported its customers with much needed investment in the price of basic commodities.

Boxer opened 24 new stores this year across its range of formats, including three Next Generation stores. These bring a fresh layout to stores, with a focus on strengthening the fresh meat and grocery offer. Boxer opened its first store in the Western Cape in November 2015, serviced by Pick n Pay's Philippi distribution centre. This has established Boxer as a national brand. The store, situated at Nonkqubela station, Khayelitsha has exceeded expectations and the team is confident of the opportunity to grow the Boxer brand in the region.

REST OF AFRICA: SECOND ENGINE OF GROWTH

Our businesses outside South Africa performed well over the year, notwithstanding tough economic conditions in some of the regions in which we operate. The Rest of Africa segment result was underpinned by a stronger franchise performance in Botswana and Swaziland and an improved trading result from TM Supermarkets (TM) in Zimbabwe. TM benefited from increased operational support and expertise from an experienced Pick n Pay team over the year, driving profits up more than 150% in constant currency terms. The TM business continues to derive value from its ongoing and substantial refurbishment programme, with encouraging results from its rebranded Pick n Pay supermarkets. The Group has 57 supermarkets in the region, 14 of which now trade as Pick n Pay. TM was recognised with a number of awards from the Confederation of Zimbabwean Retailers during the year, including the Best Retail Branch Network and the Consumer Choice award as Zimbabwe's Supermarket of the year.

The performance of the Rest of Africa division was negatively impacted by adverse trading conditions in Zambia, reflecting the country's energy crisis, job losses in the copper mining belt, drought and a rapidly depreciating currency. Low consumer confidence resulted in slower demand over the year, although the division delivered an improved underlying trading performance in the second half of the year.

The Group opened 14 new stores in its Rest of Africa division during the year, one in Botswana, eight in Namibia, one in Zambia and four in Zimbabwe. The Group remains confident of the long-term prospects in all of these regions and will continue to look for opportunities to grow its footprint next year, including opening its first stores in Ghana by the end of 2017.

REST OF AFRICA: PLANS TO ENTER NIGERIA

The Group has examined the opportunity in Nigeria in detail, given the opportunity for long-term growth in that region. We set three preconditions for success in the Nigerian market: a sound understanding of consumer needs in the region and how these are evolving; partnership with an experienced local partner; and an expansion plan which is followed in a deliberate and planned way, without putting the business under any risk. Following extensive on-the-ground market and consumer research over the past two years, the Group has announced that it will partner with Nigeria Stock Exchange-listed AG Leventis to enter the Nigerian market. AG Leventis has nearly 90 years' trading experience in the country, with substantial expertise in the FMCG, motor vehicle, supply chain logistics and real estate sectors, and notable FMCG capabilities through Leventis Foods. Pick n Pay will hold 51% of the operation which will roll out a combination of large and smaller formats to meet consumer needs in Nigeria, offering ranges tailored to local customer needs.

We are excited by the prospects for growth in Nigeria and in the other regions where we are situated outside South Africa. We now have access to nine African markets, comprising 300 million people, R15.0 trillion in gross domestic product and R4.2 trillion in retail sales. We are confident of the prospects on the African continent and are committed to building Pick n Pay as a truly African brand.

THANK YOU AND LOOKING FORWARD

2016 was an exciting year, characterised by determination, energy and momentum across the business. We delivered a strong result for shareholders, improved our trading profit margin and delivered another substantive improvement in profits. We are making progress on our turnaround plan and our goal to restore Pick n Pay to long-term sustainable growth.

We are already more than three months into our new financial year, and as always, there is still a great deal of work ahead. We are only part way through our long-term turnaround strategy, and recognise that there is much still to be done. I thank my team not only for their hard work and commitment to building a prosperous business, but for the manner in which they continue to uphold the special values that make Pick n Pay such a loved brand in South Africa. I look forward to another great year ahead.

Richard Brasher
Chief Executive Officer

Cape Town
22 June 2016

Reflecting on the highlights of 2016

2016 has been another proud year for Pick n Pay. We take the opportunity to look back on the highlights of 2016, while looking forward to another exciting year ahead.

26.5%
increase in total annual dividends

By putting customers first, and by creating a leaner and more effective business, we delivered our highest turnover growth for six years, and grew headline earnings per share by 26.4%. This allowed the Stores Group to increase the total annual dividend paid to shareholders by 26.5%.

Pick n Pay supported customers with sharper pricing in 2016 and delivered an exciting promotional calendar, restricting selling price inflation to just 3.1% for the year.

We doubled the size of our Brand Match campaign to include 2 000 branded products. Customers may pay less for these products at Pick n Pay, but never more.

With the help of our customers, Pick n Pay delivered 125 000 litres of water to communities and farmers affected by the drought in South Africa

We added another 241 suppliers through our central supply chain, taking our centralisation of supply to 56% across the Group and improving on-shelf product availability to 96% in Pick n Pay owned stores.

We introduced 250 new private label products and refreshed and relaunched a further 650 more with newly designed packaging.

We have invested
R4.2 billion
in capital in the past three years

– with R1.8 billion in 2016 – demonstrating our commitment to invest significantly in the South African economy.

We opened our first
"dot.co.za"
online shopping warehouse

in the Western Cape resulting in more products and improved availability, with online sales up 38% on last year.

We opened 175 new stores across the Group, including 14 outside South Africa – and with 46 new convenience stores during the year, we brought Pick n Pay closer to small neighbourhoods. Pick n Pay also refurbished 40 stores in 2016, more than double that of last year.

We opened our first

Boxer store

in Khayelitsha in the Western Cape, making Boxer a truly national brand.

Our Stikeez campaign took South Africa by storm, capturing the hearts and minds of South Africans young and old.

Pick n Pay introduced its "Next Generation" supermarket, opening 26 stores over the year, and transforming store design, space, product range and service for customers.

Refer to pages 30 and 31 for more information.

We celebrated 21 years of franchise this year with the addition of 59 net new franchise stores, building on one of the leading franchise models in South Africa.

The Franchise Association of South Africa honoured our founder Raymond Ackerman with its 2015 Hall of Fame Award.

Solly Legae in his newly refurbished Monageng Market Store

In February 2016, in partnership with the Gauteng government, the Group piloted its first "Spaza-to-Store" conversion in Diepkloof Soweto, Johannesburg giving Pick n Pay the opportunity to play a positive role in growing the informal retail market in South Africa.

Our Smart Shopper loyalty programme was voted as South Africa's favourite loyalty programme in the 2015 Sunday Times Top Brands awards, for the third year in a row.

Pick n Pay was voted as South Africa's coolest grocery brand in the Sunday Times Generation Next Survey.

25 000 people took part in our Pick n Pay Women's Walks across the country to raise funds for the PinkDrive, a public benefit organisation that provides free breast cancer screening and awareness education.

We invested R41.5 million

in Corporate Social Responsibility projects during the year.

Celebrating our winning team

Pick n Pay was recognised by the Department of Labour as the overall private sector **winner of Excellence in Employment Equity**.

Our **core skills training** reached 40% of our staff during the year, including specialist baking training provided to more than 2 000 members of staff.

Mrs Wendy Ackerman was selected as the All Africa Philanthropist of the Year at the **2015 All Africa Business Leaders Awards**.

War on waste

We launched our **"War on Waste"** campaign in July 2015, to tackle waste in all its forms. The project aims to reduce energy use per square metre by a further 20%, to create 20 new jobs every day and to reduce food waste by 20% – all by 2020. We made a good start this year, with progress across all three areas.

This year we donated **1 737 tonnes** of edible food to Foodbank SA. We are now Foodbank SA's largest partner in fighting hunger in South Africa.

We created **4 500** new jobs this year through our new store openings

Total cost savings due to energy efficiency initiatives implemented over the last seven years, including innovative technologies in new stores and retrofitting existing stores' refrigeration, lighting and air-conditioning, reached R1 billion this year.

By supporting the Santa Shoebox project, we made sure that 100 000 underprivileged children received gifts over Christmas.

Among the projects supported by the Ackerman Pick n Pay Foundation, a specific focus has been towards agricultural projects in KwaZulu-Natal this year. With 72 hectares under irrigation, 25 farms have been identified, with 478 direct beneficiaries and 2 390 indirect beneficiaries, these agricultural projects form part of the Ackerman Pick n Pay Foundation's national community gardens programme. The programme benefits 267 small agricultural projects and community gardens across the country, and includes the roll out of drip irrigation; installation of water tanks; boreholes and water conservation training.

Pick n Pay was included for the third consecutive year in the global Dow Jones Sustainability index. Pick n Pay was also the top performing retailer in Africa in 2015 and shared joint second position globally with UK-based Marks and Spencer in the Carbon Disclosure Project.

Our clothing division donated clothing to the value of R2.5 million to the Clothing Bank. The Clothing Bank provides donated clothing to women in their enterprise development programme, which they re-sell in their communities. Within two weeks of being selected for the programme, women start running a small, informal retail business.

The Pick n Pay School Club, South Africa's largest brand-funded school programme, provided over 3 000 schools with curriculum-aligned educator and learner material this year and is reaching more than 2 million learners every year.

We launched our Boost Your Biz programme to develop entrepreneurs and provide small suppliers with access to a national market for the first time.

Chief Finance Officer's report

The Group delivered a solid financial performance in 2016. The strongest turnover growth since 2010, an improved gross profit margin, sound expense control and greater operating efficiency all contributed to a further increase in underlying trading margin.

Bakar Jakoet / Chief Finance Officer

PICK N PAY STORES LIMITED
KEY FINANCIAL INDICATORS

	52 weeks to 28 February 2016	52 weeks to 1 March 2015	% change
Turnover	**R72.4 billion**	R66.9 billion	8.2
Gross profit margin	**17.9%**	17.8%	
Other trading income	**R971.3 million**	R782.9 million	24.1
Trading profit	**R1 516.3 million**	R1 240.1 million	22.3
Trading profit margin	**2.1%**	1.9%	
Profit before tax before capital items	**R1 506.1 million**	R1 194.8 million	26.1
Profit before tax after capital items	**R1 473.5 million**	R1 205.2 million	22.3
Profit before tax margin	**2.0%**	1.8%	
Basic earnings per share	**219.11 cents**	178.79 cents	22.5
Headline earnings per share	**224.04 cents**	177.26 cents	26.4
Total annual dividend per share	**149.40 cents**	118.10 cents	26.5

The 2016 financial statements include certain reclassifications and restatement of comparative figures. These had no impact on reported earnings for the current or prior period. Please refer to note 30 of our 2016 annual financial statements available on our website, www.picknpayinvestor.co.za.

OVERVIEW OF FINANCIAL RESULT

The 26.4% increase in headline earnings per share reflects improvement across the business, and progress in executing the Group's three-stage turnaround strategy.

Group turnover growth of 8.2% for the year is a significant improvement on the 6.1% delivered in 2015. Both like-for-like turnover growth at 3.8% (2015: 3.6%) and the contribution from new stores of 4.4% (2015: 2.5%) were stronger than in the previous year. On a constant currency basis, the top-line momentum achieved by the Group in the first half of the financial year was largely maintained in the second half, with Group turnover increasing 8.6%, and like-for-like growth of 4.1%.

Gross profit margin improved from 17.8% to 17.9% through further operational efficiency and cost effectiveness across the procurement and supply chain channel.

The 24.1% increase in other trading income demonstrates the Group's commitment to broadening and improving its customer offer. Income from value-added services and other commissions increased by 35.0%.

Tighter control over capital and overhead expenditure remains a key priority. The like-for-like increase in trading expenses was contained at 5.0%, notwithstanding above-inflation increases in electricity, utility and security costs.

Effective working capital management and stronger cash balances over the year contributed to the 5.9% reduction in net finance charges, despite rising interest rates and increased capital expenditure on opening and refurbishing stores, which specifically had an impact in the second half of the year.

The result achieved in 2016 reflects the core principle of the Group's long-term strategic plan that its turnaround must be customer-led as well as cost driven. The underlying improvement in the trading profit margin from 1.9% in 2015 to 2.1% in 2016 demonstrates that Stage 2 of the Group's plan – Changing the Trajectory of Pick n Pay – is delivering.

DETAILED REVIEW OF THE FINANCIAL RESULT

Turnover

	52 weeks to 28 February 2016 Rm	52 weeks to 28 February 2016 Rm	% change
Group turnover	**72 445.1**	66 940.8	8.2
South Africa division	**69 300.6**	63 911.9	8.4
Rest of Africa division	**3 144.5**	3 028.9	3.8

Group turnover at R72.4 billion, was up 8.2% on last year. On a constant currency basis, Group turnover was up 8.6% for the year, with currency weakness in operations outside South Africa impacting reported turnover growth specifically in the second half of the year. Greater business efficiency, supported by strong gross profit margin management, and a network of effective local suppliers enabled the Group to bear down on inflation, keeping price increases to 3.1% over the year, compared to CPI Food inflation of 5.3%.

The Group opened 175 new stores during the year (2015: 127 stores) across all Pick n Pay and Boxer formats. The 168 net new stores added 4.4% to space. The retail environment remains competitive in the markets in which we operate, and while we are determined to grow our market share, we only open new space where we are confident that we can deliver strong growth and sustainable returns. New stores contributed 4.4% to turnover growth over the year, against 2.5% in the prior year.

We have made good progress in improving our store estate, our product range, our on-shelf availability and our service, and this has been rewarded by customers, with like-for-like sales growth of 3.8% up from 3.6% in the prior year.

The turnover growth of 8.4% in the **South Africa division** is against the backdrop of a challenging trading environment and falling consumer confidence. Customers are shopping more frequently for smaller baskets. This is reflected in an increase of 7.0% in customer transactions, at a time when the growth in basket value was 0.9%. The Group continued to support customers through meaningful price investment and through a strengthening of its convenience offer. Improvements were not limited to the Pick n Pay business – our Boxer business delivered strong turnover growth notwithstanding the challenges which continue to plague the lower-income, emerging market communities of South Africa and Swaziland, including high unemployment, power-cuts and continuing service-delivery protests. The team continues to drive substantial cost effectiveness across the business in order to invest in prices for those customers who need it the most.

The **Rest of Africa division** delivered growth in segmental revenue of 8.8%, and excluding direct deliveries to franchisees through the Group's supply chain, segment external turnover was up 3.8% year-on-year. On a constant currency basis, ignoring the impact of currency movements in the regions in which we operate, total segment revenue was up 15.9% on last year, with segmental profits up 19.6%. The division was impacted once again by the tough trading conditions in Zambia, however a solid performance from our TM Supermarkets business in Zimbabwe and a stronger performance from our franchise operations in Botswana and Swaziland increased revenue and profits year-on-year. We opened 14 new stores outside South Africa this year.

Gross profit

Gross profit increased by 8.6% to R12.9 billion. The gross profit margin increased by 0.1 percentage points to 17.9% of turnover, a solid margin performance at a time of significant price investment. It has been made possible through effective margin management from all divisions in the Group.

The Boxer team in particular demonstrated improved gross profit margin management in a tough environment, balancing substantial price investment in basic commodities with stronger participation from value-added departments such as butchery, bakery and deli.

Other trading income

	52 weeks to 28 February 2016 Rm	% of turnover	52 weeks to 1 March 2015 Rm	% of turnover	% change
Other trading income	**971.3**	**1.3**	782.9	1.2	24.1
Franchise fee income	**316.7**	**0.4**	294.4	0.4	7.6
Operating lease income	**329.1**	**0.5**	247.3	0.4	33.1
Commissions and other income	**325.5**	**0.4**	241.2	0.4	35.0

Other trading income increased by 24.1% to R971.3 million.

Franchise fee income increased 7.6% to R316.7 million, supported by a net increase of 59 franchise stores and an improved franchise turnover performance.

Operating lease income increased 33.1% to R329.1 million, and at 0.5% of turnover, is 0.1 percentage points ahead of last year. The Group added a number of strategic head leases to its property portfolio, which boosted rentals received. The related operating lease expenses are included within occupancy costs.

Commissions and other income increased by 35.0% to R325.5 million, as a result of solid growth in value-added service products, including cellular, pre-paid electricity, third-party bill payments, travel, ticketing and financial services.

This progress was particularly notable in view of the fact that the substantial launch commissions earned on the introduction of the sale of iTunes vouchers in the prior year were not repeated this year. Customer advocacy for these value-added services is steadily increasing, in both Pick n Pay and Boxer, and we are confident that this remains an exciting growth opportunity for the Group.

Trading expenses

	52 weeks to 28 February 2016 Rm	% of turnover	52 weeks to 1 March 2015 Rm	% of turnover	% change	Like-for-like % change
Trading expenses	**12 425.3**	**17.2**	11 489.3	17.2	8.1	5.0
Employee costs	**6 060.6**	**8.4**	5 672.9	8.5	6.8	4.7
Occupancy	**2 337.6**	**3.2**	2 047.6	3.1	14.2	5.8
Operations	**2 848.1**	**3.9**	2 618.8	3.9	8.8	6.8
Merchandising and administration	**1 179.0**	**1.6**	1 150.0	1.7	2.5	1.8

Trading expenses at R12.4 billion were up 8.1%, and at 17.2% of turnover, were in line with last year. The increase in like-for-like trading expenses was contained at 5.0%, notwithstanding the increase in the cost of electricity and utilities.

Trading expenses continued

Employee costs increased 6.8% to R6.1 billion, and at 8.4% of turnover, were 0.1 percentage points better than last year. This improved performance has been driven by store operations, where savings are being achieved through improved productivity and efficiency. The like-for-like increase of 4.7% against an annual wage rate increase ahead of CPI, demonstrated real savings in hours worked. Employee costs included costs associated with the executive forfeitable share plan, R63.3 million of which were first time costs. If these costs were excluded, labour costs were up 3.7% on a like-for-like basis.

Occupancy costs at 3.2% of turnover were 0.1 percentage points up on the 3.1% of last year. The increase of 14.2% was driven by new stores, with an increase in like-for-like occupancy costs of 5.8%, in line with the annual escalation clauses of our long-term leases. The Group is focused on tighter management of occupancy costs in its negotiations with landlords and developers. Operating lease income, expressed as a percentage of turnover, was up 0.1 percentage points as a result of a number of new head leases in the Group. As such, occupancy costs net of rent received, as a percentage of turnover, were in line with last year.

Operations costs were up 8.8% on last year, at 3.9% of turnover. The like-for-like increase was 6.8%. The biggest cost drivers in this category were electricity and water, as a result of double-digit regulatory increases in electricity costs and increased water tariffs as a result of water restrictions related to the drought in large parts of South Africa. If these increases are excluded, operations costs were flat on last year. Repairs and maintenance costs were well controlled, and the increased depreciation and amortisation charge of 8.2% was due to higher levels of capital investment in the business.

Merchandising and administration costs increased just 2.5% on last year (with like-for-like costs up 1.8%), mainly as a result of the reduction in bank interchange fees. The Group is seeing an increase in the participation of card tender, as customers move away from cash to plastic, this eroded some of the benefits from lower interchange fees. The bad debts expense was down R11.6 million on last year, indicating the improved health of our franchise business.

Trading profit

Trading profit increased 22.3% to R1 516.3 million. The trading profit margin improved from 1.9% to 2.1%. The improved gross profit margin and sound expense control contributed to the strong growth in trading profit, however, we believe there is still opportunity to optimise our cost structure and improve our business efficiency.

Profits and losses on capital items

The Group incurred R32.6 million of capital losses compared with a capital profit of R10.4 million in the prior year. The Group has embarked on a substantial refurbishment programme, with 40 refurbishments completed this year. As part of this process store assets were scrapped and losses incurred. This is a strategic imperative in improving the overall quality of our estate. Profits and losses on capital items are added back when calculating headline earnings per share.

Net finance costs

	52 weeks to 28 February 2016 Rm	52 weeks to 28 February 2016 Rm	% change
Net finance costs	**(56.1)**	(59.6)	(5.9)
Finance income	**60.9**	59.4	2.5
Finance costs	**(117.0)**	(119.0)	(1.7)

The Group continued to find savings in net finance costs, notwithstanding increases in interest rates, a substantial increase in capital expenditure compared to last year, and increased inventory levels in the short term driven by new stores and the accelerated centralisation of supply. The improved turnover performance over the last few years, coupled with stronger working capital management, enabled the Group to repay a further R250 million of long-term debt this year.

Chief Finance Officer's report continued

Share of associate's income

TM Supermarkets, the Group's associate trading in Zimbabwe, delivered a substantially improved result notwithstanding a challenging trading environment. The Group's share of TM's income grew from R14.3 million last year to R45.9 million this year, with some benefit from the stronger US dollar. In constant currency terms, the profits of TM Supermarkets were up more than 150%.

Profit before tax

Profit before tax is up 22.3% to R1 473.5 million, representing an underlying profit before tax margin improvement from 1.8% to 2.0%. Profit before tax, excluding capital items, is up 26.1% to R1 506.1 million, representing a margin improvement of 0.3 percentage points, from 1.8% to 2.1%.

Tax

The effective tax rate decreased from 28.5% to 27.7%. The reduction is as a direct result of our improved profitability, with no corresponding change in the level of net non-deductible expenditure in the Group.

Earnings per share

Basic earnings per share (EPS) – increased 22.5% from 178.79 to 219.11 cents per share.

Headline earnings per share (HEPS) – increased 26.4% from 177.26 to 224.04 cents per share.

The difference between the growth in headline earnings per share and basic earnings per share relates to the effect of profits and losses of a capital nature in the calculation of headline earnings. Capital losses of R23.3 million, net of tax, was taken into account in the calculation of headline earnings in the current period, against the deduction of capital profits in the prior period of R7.4 million, net of tax.

Financial position

Sound working capital management and good control over all capital and operating spend led to stronger cash balances over the period, notwithstanding the increased capital investment over the period in respect of growing and enhancing the store estate. The Group delivered a return on capital employed of 29.3% (2015: 24.0%), while reducing its level of long-term financial gearing, with a repayment of R250.0 million of long-term debt.

Inventory

The increased inventory levels at February 2016, up 10.7%, were due to the 164 net new stores opened over the year (excluding TM Supermarkets) and the increase in the centralisation of suppliers. On a like-for-like basis, inventory is up 1.7% on last year. Inventory provisioning is down 2.8% on last year, reflecting the positive impact of the product category reviews and stronger assortment management, which has also improved on-shelf availability in Pick n Pay owned stores by 3.4 percentage points to 96.0%. Boxer delivered improved inventory management, notwithstanding its move to central distribution through its new Cato-Ridge distribution centre in KwaZulu-Natal.

Trade and other receivables

Trade and other receivables increased by R389.8 million, or 13.3%, to R3 326.2 million as a result of the 59 net new franchise stores and the encouraging growth in the issues to franchisees. The quality of the debtors' book has improved substantially over the last year, with the bad debts expense down R11.6 million, or 30.2%, on last year.

Cash and cash equivalents

	Sunday 28 February 2016 Rm	Sunday 1 March 2015 Rm
Cash balances	**982.9**	1 024.5
Bank overdrafts and overnight borrowings	**(100.0)**	(500.0)
Cash and cash equivalents	**882.9**	524.5
Total borrowings	**(529.6)**	(784.3)
Net funding position	**353.3**	(259.8)

The net funding position was R613.1 million stronger than last year, reflecting the reduced debt levels in the Group, as well as some positive benefit from the financial calendar cut-off at year-end. Stronger working capital management over the year mitigated the impact of the increased capital investment in the business, with net finance charges down 5.9% on last year.

Capital expenditure for the year

	52 weeks to 28 February 2016 Rm	52 weeks to 1 March 2015 Rm
Expansion into new stores	**634.0**	377.7
Improving existing stores	**856.2**	438.5
Improving the customer experience	**1 490.2**	816.2
Investing in future infrastructure	**88.5**	130.6
Maintaining current infrastructure	**213.6**	158.5
Total capital investment	**1 791.3**	1 105.3

Group capital expenditure was R1.8 billion for the year, compared with R1.1 billion in 2015, with 83% of the investment focused on expansion and the refurbishment of existing stores. The Group plans to repay a further R400 million of structured debt in August 2016.

PICK N PAY HOLDINGS LIMITED RF

Pick n Pay Holdings Limited RF's only asset is its 52.7% (2015: 52.8%) direct holding of the issued share capital of Pick n Pay Stores Limited. Its earnings are directly related to those of this investment.

KEY FINANCIAL INDICATORS

	52 weeks to 28 February 2016	52 weeks to 1 March 2015	% change
Turnover	**R72.4 billion**	R66.9 billion	8.2
Gross profit margin	**17.9%**	17.8%	
Other trading income	**R971.3 million**	R782.9 million	24.1
Trading expenses margin	**17.2%**	17.2%	
Trading profit	**R1 513.8 million**	R1 238.6 million	22.2
Trading profit margin	**2.1%**	1.9%	
Profit before tax	**R1 471.1 million**	R1 203.7 million	22.2
Profit before tax margin	**2.0%**	1.8%	
Profit for the period	**R1 063.0 million**	R860.2 million	23.6
Basic earnings per share	**108.78 cents**	88.78 cents	22.5
Headline earnings per share	**111.24 cents**	88.01 cents	26.4
Total annual dividend per share	**72.25 cents**	57.25 cents	26.2

The 2016 financial statements include certain reclassifications and restatement of comparative figures. These had no impact on reported earnings for the current or prior period. Please refer to note 30 of our 2016 annual financial statements available on our website, www.picknpayinvestor.co.za.

SHAREHOLDER DISTRIBUTION

The Board of Pick n Pay Stores Limited has maintained its dividend cover of 1.5 times headline earnings per share. Pick n Pay Holdings Limited RF's dividend policy is to pay out all profits for the year.

Pick n Pay Stores Limited declared a final dividend of 125.20 cents per share, bringing the total annual dividend for the year to 149.40 cents per share, 26.5% up on last year.

Pick n Pay Holdings Limited declared a final dividend of 60.65 cents per share, bringing the total annual dividend for the year to 72.25 cents per share, 26.2% up on last year.

Bakar Jakoet
Chief Finance Officer

Cape Town
22 June 2016

Extract of annual financial statements

Statements of comprehensive income

for the period ended

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 28 February 2016 Rm	Restated* 52 weeks 1 March 2015 Rm	52 weeks 28 February 2016 Rm	Restated* 52 weeks 1 March 2015 Rm
Revenue	**73 477.3**	67 783.1	**73 477.4**	67 783.1
Turnover	**72 445.1**	66 940.8	**72 445.1**	66 940.8
Cost of merchandise sold	**(59 474.8)**	(54 994.3)	**(59 474.8)**	(54 994.3)
Gross profit	**12 970.3**	11 946.5	**12 970.3**	11 946.5
Other trading income	**971.3**	782.9	**971.3**	782.9
Trading expenses	**(12 425.3)**	(11 489.3)	**(12 427.8)**	(11 490.8)
Employee costs	**(6 060.6)**	(5 672.9)	**(6 056.6)**	(5 653.9)
Occupancy	**(2 337.6)**	(2 047.6)	**(2 337.6)**	(2 047.6)
Operations	**(2 848.1)**	(2 618.8)	**(2 848.1)**	(2 618.8)
Merchandising and administration	**(1 179.0)**	(1 150.0)	**(1 185.5)**	(1 170.5)
Trading profit	**1 516.3**	1 240.1	**1 513.8**	1 238.6
(Loss)/profit on sale of property, plant and equipment	**(24.0)**	10.4	**(24.0)**	10.4
Impairment loss on intangible assets	**(8.6)**	—	**(8.6)**	—
Finance income	**60.9**	59.4	**61.0**	59.4
Finance costs	**(117.0)**	(119.0)	**(117.0)**	(119.0)
Share of associate's income	**45.9**	14.3	**45.9**	14.3
Profit before tax	**1 473.5**	1 205.2	**1 471.1**	1 203.7
Tax	**(408.1)**	(343.5)	**(408.1)**	(343.5)
Profit for the period	**1 065.4**	861.7	**1 063.0**	860.2
Other comprehensive income, net of tax				
Items that will not be reclassified to profit or loss	**14.8**	33.0	**14.8**	33.0
Remeasurement in retirement scheme assets	**20.5**	45.9	**20.5**	45.9
Tax on remeasurement in retirement scheme assets	**(5.7)**	(12.9)	**(5.7)**	(12.9)
Items that may be reclassified to profit or loss	**59.4**	(7.2)	**58.1**	(11.4)
Foreign currency translations	**58.1**	(11.4)	**58.1**	(11.4)
Fair value gain on available-for-sale financial instruments	**1.3**	4.2	**—**	—
Total comprehensive income for the period	**1 139.6**	887.5	**1 135.9**	881.8
Profit for the period attributable to:	**1 065.4**	861.7	**1 063.0**	860.2
Owners of the Company	**1 065.4**	861.7	**570.2**	461.8
Non-controlling interest	**—**	—	**492.8**	398.4
Total comprehensive income for the period attributable to:	**1 139.6**	887.5	**1 135.9**	881.8
Owners of the Company	**1 139.6**	887.5	**609.4**	473.4
Non-controlling interest	**—**	—	**526.5**	408.4
Earnings per share	**Cents**	Cents	**Cents**	Cents
Basic	**219.11**	178.79	**108.78**	88.78
Diluted	**215.05**	176.24	**105.36**	86.54

** The 2016 financial statements include certain reclassifications and restatement of comparative figures. These had no impact on reported earnings for the current or prior period. Please refer to note 30 of our 2016 annual financial statements available on our website, www.picknpayinvestor.co.za.*

Statements of financial position

	Pick n Pay Stores Group			Pick n Pay Holdings Group		
	As at 28 February 2016 Rm	Restated* As at 1 March 2015 Rm	Restated* As at 2 March 2014 Rm	**As at 28 February 2016 Rm**	Restated* As at 1 March 2015 Rm	Restated* As at 2 March 2014 Rm
ASSETS						
Non-current assets						
Property, plant and equipment	**4 950.9**	4 187.0	4 039.3	**4 950.9**	4 187.0	4 039.3
Intangible assets	**1 004.9**	1 010.2	987.6	**1 004.9**	1 010.2	987.6
Operating lease assets	**171.6**	149.8	132.8	**171.6**	149.8	132.8
Financial assets at fair value through profit or loss	**232.1**	245.0	212.2	**13.6**	33.5	23.3
Available-for-sale financial instruments	**46.4**	42.2	38.0	**—**	—	—
Investment in associate	**285.5**	180.2	165.9	**285.5**	180.2	165.9
Participation in export partnerships	**14.1**	23.4	25.1	**14.1**	23.4	25.1
Loans	**96.4**	100.6	92.0	**96.4**	100.6	92.0
Retirement scheme assets	**90.8**	70.1	85.1	**90.8**	70.1	85.1
Deferred tax assets	**225.1**	198.8	212.1	**225.1**	198.8	212.1
	7 117.8	6 207.3	5 990.1	**6 852.9**	5 953.6	5 763.2
Current assets						
Inventory	**5 152.0**	4 654.5	3 979.8	**5 152.0**	4 654.5	3 979.8
Trade and other receivables	**3 326.2**	2 936.4	2 821.9	**3 326.2**	2 936.4	2 821.9
Cash and cash equivalents	**982.9**	1 024.5	1 334.2	**984.2**	1 025.3	1 334.2
Derivative financial instruments	**6.0**	1.4	3.5	**6.0**	1.4	3.5
	9 467.1	8 616.8	8 139.4	**9 468.4**	8 617.6	8 139.4
Total assets	**16 584.9**	14 824.1	14 129.5	**16 321.3**	14 571.2	13 902.6
EQUITY AND LIABILITIES						
Equity						
Share capital	**6.0**	6.0	6.0	**6.6**	6.6	6.6
Share premium	**—**	—	—	**120.8**	120.8	120.8
Treasury shares	**(63.5)**	(60.1)	(50.4)	**(121.5)**	(109.0)	(95.3)
Fair value reserve	**32.5**	31.2	27.0	**—**	—	—
Retained earnings	**3 882.9**	3 302.9	2 847.9	**1 932.5**	1 619.3	1 377.3
Foreign currency translation reserve	**39.9**	(18.2)	(6.8)	**21.4**	(9.8)	(3.6)
Attributable to owners of the Company	**3 897.8**	3 261.8	2 823.7	**1 959.8**	1 627.9	1 405.8
Non-controlling interest	**—**	—	—	**1 794.7**	1 499.2	1 290.6
Total equity	**3 897.8**	3 261.8	2 823.7	**3 754.5**	3 127.1	2 696.4
Non-current liabilities						
Borrowings	**83.0**	492.8	747.1	**83.0**	492.8	747.1
Operating lease liabilities	**1 239.6**	1 138.5	1 042.7	**1 239.6**	1 138.5	1 042.7
Deferred tax liabilities	**9.5**	—	—	**9.5**	—	—
	1 332.1	1 631.3	1 789.8	**1 332.1**	1 631.3	1 789.8
Current liabilities						
Trade and other payables	**10 500.6**	8 889.7	7 883.1	**10 504.9**	8 893.5	7 889.3
Share-based payment liability	**124.6**	122.0	105.8	**—**	—	—
Bank overdraft and overnight borrowings	**100.0**	500.0	670.0	**100.0**	500.0	670.0
Borrowings	**446.6**	291.5	737.8	**446.6**	291.5	737.8
Current tax liabilities	**183.0**	126.8	111.2	**183.0**	126.8	111.2
Provisions	**0.2**	1.0	8.1	**0.2**	1.0	8.1
	11 355.0	9 931.0	9 516.0	**11 234.7**	9 812.8	9 416.4
Total equity and liabilities	**16 584.9**	14 824.1	14 129.5	**16 321.3**	14 571.2	13 902.6

* *The 2016 financial statements include certain reclassifications and restatement of comparative figures. These had no impact on reported earnings for the current or prior period. Please refer to note 30 of our 2016 annual financial statements available on our website, www.picknpayinvestor.co.za.*

Extract of annual financial statements continued

Statements of changes in equity

for the period ended

Pick n Pay Stores Group	Share capital Rm	Treasury shares* Rm	Fair value reserve* Rm	Retained earnings* Rm	Foreign currency translation reserve Rm	Total equity* Rm
At 2 March 2014 as previously published	6.0	(145.7)	—	2 849.1	(6.8)	2 702.6
Prior year restatements*	—	95.3	27.0	(1.2)	—	121.1
At 2 March 2014 restated	6.0	(50.4)	27.0	2 847.9	(6.8)	2 823.7
Total comprehensive income for the period	—	—	4.2	894.7	(11.4)	887.5
Profit for the period	—	—	—	861.7	—	861.7
Remeasurement in retirement scheme assets	—	—	—	33.0	—	33.0
Foreign currency translations	—	—	—	—	(11.4)	(11.4)
Fair value gain on available-for-sale financial instruments	—	—	4.2	—	—	4.2
Transactions with owners	—	(9.7)	—	(439.7)	—	(449.4)
Dividends paid	—	—	—	(461.8)	—	(461.8)
Share repurchases	—	(155.7)	—	—	—	(155.7)
Net effect of settlement of employee share options	—	146.0	—	(102.0)	—	44.0
Share-based payments expense	—	—	—	124.1	—	124.1
At 1 March 2015 restated	**6.0**	**(60.1)**	**31.2**	**3 302.9**	**(18.2)**	**3 261.8**
Total comprehensive income for the period	**—**	**—**	**1.3**	**1 080.2**	**58.1**	**1 139.6**
Profit for the period	**—**	**—**	**—**	**1 065.4**	**—**	**1 065.4**
Remeasurement in retirement scheme assets	**—**	**—**	**—**	**14.8**	**—**	**14.8**
Foreign currency translations	**—**	**—**	**—**	**—**	**58.1**	**58.1**
Fair value gain on available-for-sale financial instruments	**—**	**—**	**1.3**	**—**	**—**	**1.3**
Transactions with owners	**—**	**(3.4)**	**—**	**(500.2)**	**—**	**(503.6)**
Dividends paid	**—**	**—**	**—**	**(589.5)**	**—**	**(589.5)**
Share repurchases	**—**	**(126.2)**	**—**	**—**	**—**	**(126.2)**
Net effect of settlement of employee share options	**—**	**122.8**	**—**	**(87.2)**	**—**	**35.6**
Share-based payments expense	**—**	**—**	**—**	**176.5**	**—**	**176.5**
At 28 February 2016	**6.0**	**(63.5)**	**32.5**	**3 882.9**	**39.9**	**3 897.8**

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Statements of changes in equity continued
for the period ended

Pick n Pay Holdings Group

	Attributable to owners of the Company							
	Share capital Rm	Share premium Rm	Treasury shares Rm	Retained earnings Rm	Foreign currency translation reserve Rm	Total Rm	Non-controlling interest Rm	Total equity Rm
At 2 March 2014	6.6	120.8	(95.3)	1 377.3	(3.6)	1 405.8	1 290.6	2 696.4
Total comprehensive income for the period	—	—	—	479.5	(6.1)	473.4	408.4	881.8
Profit for the period	—	—	—	461.8	—	461.8	398.4	860.2
Foreign currency translations	—	—	—	—	(6.1)	(6.1)	(5.3)	(11.4)
Remeasurement in retirement scheme assets	—	—	—	17.7	—	17.7	15.3	33.0
Transactions with owners	—	—	(13.7)	(237.5)	(0.1)	(251.3)	(199.8)	(451.1)
Dividends paid	—	—	—	(245.2)	—	(245.2)	(211.9)	(457.1)
Share repurchases	—	—	(22.2)	(83.7)	—	(105.9)	(72.0)	(177.9)
Net effect of settlement of employee share options	—	—	8.5	19.1	—	27.6	16.4	44.0
Share-based payments expense	—	—	—	75.2	—	75.2	64.7	139.9
Movement in non-controlling interest	—	—	—	(2.9)	(0.1)	(3.0)	3.0	—
At 1 March 2015	**6.6**	**120.8**	**(109.0)**	**1 619.3**	**(9.8)**	**1 627.9**	**1 499.2**	**3 127.1**
Total comprehensive income for the period	**—**	**—**	**—**	**578.2**	**31.2**	**609.4**	**526.5**	**1 135.9**
Profit for the period	**—**	**—**	**—**	**570.2**	**—**	**570.2**	**492.8**	**1 063.0**
Foreign currency translations	**—**	**—**	**—**	**—**	**31.2**	**31.2**	**26.9**	**58.1**
Remeasurement in retirement scheme assets	**—**	**—**	**—**	**8.0**	**—**	**8.0**	**6.8**	**14.8**
Transactions with owners	**—**	**—**	**(12.5)**	**(265.0)**	**—**	**(277.5)**	**(231.0)**	**(508.5)**
Dividends paid	**—**	**—**	**—**	**(313.4)**	**—**	**(313.4)**	**(273.7)**	**(587.1)**
Share repurchases	**—**	**—**	**(16.1)**	**(67.8)**	**—**	**(83.9)**	**(58.4)**	**(142.3)**
Net effect of settlement of employee share options	**—**	**—**	**3.6**	**15.6**	**—**	**19.2**	**16.4**	**35.6**
Share-based payments expense	**—**	**—**	**—**	**99.6**	**—**	**99.6**	**85.7**	**185.3**
Movement in non-controlling interest	**—**	**—**	**—**	**1.0**	**—**	**1.0**	**(1.0)**	**—**
At 28 February 2016	**6.6**	**120.8**	**(121.5)**	**1 932.5**	**21.4**	**1 959.8**	**1 794.7**	**3 754.5**

Extract of annual financial statements continued

Statements of cash flows

for the period ended

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 28 February 2016 Rm	Restated* 52 weeks 1 March 2015 Rm	**52 weeks 28 February 2016 Rm**	Restated* 52 weeks 1 March 2015 Rm
Cash flows from operating activities				
Trading profit	**1 516.3**	1 240.1	**1 513.8**	1 238.6
Amortisation	**162.5**	155.0	**162.5**	155.0
Depreciation	**778.4**	714.5	**778.4**	714.5
Equity-settled share-based payment expense	**176.5**	124.1	**185.3**	139.9
Cash-settled share-based payment expense	**13.0**	34.9	**—**	—
Movement in net operating lease liabilities	**79.3**	78.8	**79.3**	78.8
Movement in provisions	**(0.8)**	(7.1)	**(0.8)**	(7.1)
Fair value loss/(gain) on financial instruments at fair value through profit or loss	**11.1**	(27.2)	**15.3**	(8.1)
Cash generated before movements in working capital	**2 736.3**	2 313.1	**2 733.8**	2 311.6
Movements in working capital	**728.7**	219.5	**729.2**	217.1
Movements in trade and other payables	**1 610.9**	1 006.6	**1 611.4**	1 004.2
Movements in inventory	**(492.4)**	(672.6)	**(492.4)**	(672.6)
Movements in trade and other receivables	**(389.8)**	(114.5)	**(389.8)**	(114.5)
Cash generated from trading activities	**3 465.0**	2 532.6	**3 463.0**	2 528.7
Interest received	**60.9**	59.4	**61.0**	59.4
Interest paid	**(117.0)**	(119.0)	**(117.0)**	(119.0)
Cash generated from operations	**3 408.9**	2 473.0	**3 407.0**	2 469.1
Dividends paid	**(589.5)**	(461.8)	**(587.1)**	(457.1)
Tax paid	**(335.8)**	(284.5)	**(335.8)**	(284.5)
Cash generated from operating activities	**2 483.6**	1 726.7	**2 484.1**	1 727.5
Cash flows from investing activities				
Investment in intangible assets	**(85.7)**	(159.2)	**(85.7)**	(159.2)
Investment in property, plant and equipment	**(1 623.1)**	(897.3)	**(1 623.1)**	(897.3)
Investment in financial instruments at fair value	**(16.1)**	(22.2)	**—**	—
Purchase of operations	**(87.6)**	(50.9)	**(87.6)**	(50.9)
Proceeds on disposal of intangible assets	**—**	4.7	**—**	4.7
Proceeds on disposal of property, plant and equipment	**40.0**	57.3	**40.0**	57.3
Loans repaid/(advanced)	**4.2**	(8.6)	**4.2**	(8.6)
Participation in export partnerships	**9.3**	1.7	**9.3**	1.7
Retirement obligation	**(0.2)**	60.9	**(0.2)**	60.9
Cash utilised in investing activities	**(1 759.2)**	(1 013.6)	**(1 743.1)**	(991.4)
Cash flows from financing activities				
Proceeds from borrowings	**—**	400.0	**—**	400.0
Repayment of borrowings	**(254.7)**	(1 100.6)	**(254.7)**	(1 100.6)
Share repurchases	**(126.2)**	(155.7)	**(142.3)**	(177.9)
Proceeds from employees on settlement of share options	**0.3**	1.0	**0.3**	1.0
Cash utilised in financing activities	**(380.6)**	(855.3)	**(396.7)**	(877.5)
Net increase/(decrease) in cash and cash equivalents	**343.8**	(142.2)	**344.3**	(141.4)
Cash and cash equivalents at beginning of period	**524.5**	664.2	**525.3**	664.2
Foreign currency translations	**14.6**	2.5	**14.6**	2.5
Cash and cash equivalents at end of period	**882.9**	524.5	**884.2**	525.3
Consisting of:				
Cash and cash equivalents	**982.9**	1 024.5	**984.2**	1 025.3
Bank overdraft and overnight borrowings	**(100.0)**	(500.0)	**(100.0)**	(500.0)

** The 2016 financial statements include certain reclassifications and restatement of comparative figures. These had no impact on reported earnings for the current or prior period. Please refer to note 30 of our 2016 annual financial statements available on our website, www.picknpayinvestor.co.za.*

Notes to the extract of the Group annual financial statements

1. BASIS OF PREPARATION

This extract of the audited Group annual financial statements are not audited but are extracted from audited information. The Group annual financial statements were audited by Ernst & Young Inc., who expressed an unmodified opinion thereon. The Group annual financial statements and the auditor's report thereon are available for inspection at the company's registered office. The directors take full responsibility for the preparation of the Group annual financial statements and that this financial information has been correctly extracted from the underlying Group annual financial statements. The audited Group annual financial statements have been prepared by the Finance Division under the supervision of the Chief Finance Officer, Mr Bakar Jakoet CA(SA).

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 28 February 2016 Rm	Restated* 52 weeks 1 March 2015 Rm	**52 weeks 28 February 2016 Rm**	Restated* 52 weeks 1 March 2015 Rm
2. REVENUE				
Turnover	**72 445.1**	66 940.8	**72 445.1**	66 940.8
Finance income	**60.9**	59.4	**61.0**	59.4
Bank balances and investments	**30.0**	40.9	**30.0**	40.9
Trade and other receivables	**27.3**	13.9	**27.3**	13.9
Staff loans and other	**3.6**	4.6	**3.7**	4.6
Other trading income	**971.3**	782.9	**971.3**	782.9
Franchise fee income	**316.7**	294.4	**316.7**	294.4
Operating lease income	**329.1**	247.3	**329.1**	247.3
Commissions and other income	**325.5**	241.2	**325.5**	241.2
	73 477.3	67 783.1	**73 477.4**	67 783.1

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 has deferred revenue of R123.9 million (2015: R46.2 million) which represents the fair value of the Smart Shopper points granted and yet to be redeemed, adjusted for an expected forfeiture rate of 18.6% (2015: 23.2%).

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Notes to the extract of the Group annual financial statements continued

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 28 February 2016 Cents per share	52 weeks 1 March 2015 Cents per share	**52 weeks 28 February 2016 Cents per share**	52 weeks 1 March 2015 Cents per share
3. EARNINGS PER SHARE				
Basic	**219.11**	178.79	**108.78**	88.78
Diluted	**215.05**	176.24	**105.36**	86.54
Headline	**224.04**	177.26	**111.24**	88.01
Diluted headline	**219.90**	174.72	**107.75**	85.80
	Rm	Rm	**Rm**	Rm
3.1 Basic and headline earnings				
Reconciliation between basic and headline earnings:				
Profit for the period attributable to owners of the company	**1 065.4**	861.7	**570.2**	461.8
Profit attributable to forfeitable share plan shares	**(16.2)**	(6.5)	**(8.7)**	(3.5)
Basic earnings for the period	**1 049.2**	855.2	**561.5**	458.3
Adjustments:	**23.3**	(7.4)	**12.5**	(4.0)
Loss/(profit) on sale of property, plant and equipment	**24.0**	(10.4)	**12.9**	(5.6)
Tax effect of (loss)/profit on sale of property, plant and equipment	**(6.8)**	3.0	**(3.7)**	1.6
Impairment loss on intangible assets	**8.6**	—	**4.6**	—
Tax effect of impairment loss on intangible assets	**(2.5)**	—	**(1.3)**	—
Adjustments attributable to forfeitable share plan shares	**0.4**	—	**0.2**	—
Headline earnings	**1 072.9**	847.8	**574.2**	454.3
Basic earnings for the period	**1 049.2**	855.2	**561.5**	458.3
Dilutive effect of share options	**—**	—	**(10.5)**	(6.8)
Diluted basic earnings	**1 049.2**	855.2	**551.0**	451.5
Headline earnings	**1 072.9**	847.8	**574.2**	454.3
Dilutive effect of share options	**—**	—	**(10.7)**	(6.7)
Diluted headline earnings	**1 072.9**	847.8	**563.5**	447.6
	000's	000's	**000's**	000's
3.2 Number of shares				
Number of shares in issue	**488 450.3**	487 322.3	**527 249.1**	527 249.1
Weighted average number of shares (excluding treasury shares)	**478 873.4**	478 309.0	**516 186.3**	516 238.6
Diluted weighted average number of ordinary shares in issue	**487 894.0**	485 245.3	**522 963.2**	521 711.4
Reconciliation of weighted average number of shares to diluted weighted average number of shares:				
Weighted average number of shares (excluding treasury shares)	**478 873.4**	478 309.0	**516 186.3**	516 238.6
Dilutive effect of share options	**9 020.6**	6 936.3	**6 776.9**	5 472.8
Diluted weighted average number of ordinary shares in issue	**487 894.0**	485 245.3	**522 963.2**	521 711.4

The outstanding forfeitable shares had no dilutive impact on the weighted average number of shares for the current and prior period.

4. OPERATING SEGMENTS

Group

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 executives, or group of executives, that could be considered the appropriate and relevant CODM of the Group. The Group executive committee as defined on page 66 is the CODM of the Group.

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.

	Pick n Pay Stores Group		
	South Africa* Rm	**Rest of Africa Rm**	**Total operations* Rm**
52 weeks to 28 February 2016			
Total segment revenue	**70 312.7**	**4 005.6**	**74 318.3**
External revenue	**70 312.7**	**3 164.6**	**73 477.3**
Direct deliveries**	**—**	**841.0**	**841.0**
Segment external turnover	**69 300.6**	**3 144.5**	**72 445.1**
Profit before tax***	**1 247.4**	**226.1**	**1 473.5**
Other information			
Statement of comprehensive income			
Finance income	**52.8**	**8.1**	**60.9**
Finance costs	**116.7**	**0.3**	**117.0**
Depreciation and amortisation	**911.6**	**29.3**	**940.9**
Impairment loss on intangible assets	**8.6**	**—**	**8.6**
Share of associate's income	**—**	**45.9**	**45.9**
Statement of financial position			
Total assets	**15 261.3**	**1 323.6**	**16 584.9**
Total liabilities	**12 402.9**	**284.2**	**12 687.1**
Investment in associate	**—**	**285.5**	**285.5**
Additions to non-current assets	**1 773.6**	**17.7**	**1 791.3**
52 weeks to 1 March 2015			
Total segment revenue	64 754.2	3 681.9	68 436.1
External revenue	64 754.2	3 028.9	67 783.1
Direct deliveries**	—	653.0	653.0
Segment external turnover	63 911.9	3 028.9	66 940.8
Profit before tax***	1 016.2	189.0	1 205.2
Other information			
Statement of comprehensive income			
Finance income	54.3	5.1	59.4
Finance costs	119.0	—	119.0
Depreciation and amortisation	845.2	24.3	869.5
Share of associate's income	—	14.3	14.3
Statement of financial position			
Total assets	13 754.3	1 069.8	14 824.1
Total liabilities	11 290.8	271.5	11 562.3
Investment in associate	—	180.2	180.2
Additions to non-current assets	1 061.8	43.5	1 105.3

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** *Direct deliveries are issues to franchisees directly by Group suppliers, these are not included in revenue on the statement of comprehensive income.*

*** *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.*

Extract of annual financial statements continued

Notes to the extract of the Group annual financial statements continued

	Pick n Pay Holdings Group		
	South Africa* Rm	Rest of Africa Rm	Total operations* Rm
4. OPERATING SEGMENTS continued			
52 weeks to 28 February 2016			
Total segment revenue	**70 312.8**	**4 005.6**	**74 318.4**
External revenue	**70 312.8**	**3 164.6**	**73 477.4**
Direct deliveries**	**—**	**841.0**	**841.0**
Segment external turnover	**69 300.6**	**3 144.5**	**72 445.1**
Profit before tax* **	**1 245.0**	**226.1**	**1 471.1**
Other information			
Statement of comprehensive income			
Finance income	**52.9**	**8.1**	**61.0**
Finance costs	**116.7**	**0.3**	**117.0**
Depreciation and amortisation	**911.6**	**29.3**	**940.9**
Impairment loss on intangible assets	**8.6**	**—**	**8.6**
Share of associate's income	**—**	**45.9**	**45.9**
Statement of financial position			
Total assets	**14 997.7**	**1 323.6**	**16 321.3**
Total liabilities	**12 282.6**	**284.2**	**12 566.8**
Investment in associate	**—**	**285.5**	**285.5**
Additions to non-current assets	**1 773.6**	**17.7**	**1 791.3**
52 weeks to 1 March 2015			
Total segment revenue	64 754.2	3 681.9	68 436.1
External revenue	64 754.2	3 028.9	67 783.1
Direct deliveries**	—	653.0	653.0
Segment external turnover	63 911.9	3 028.9	66 940.8
Profit before tax* **	1 014.7	189.0	1 203.7
Other information			
Statement of comprehensive income			
Finance income	54.3	5.1	59.4
Finance costs	119.0	—	119.0
Depreciation and amortisation	845.2	24.3	869.5
Share of associate's income	—	14.3	14.3
Statement of financial position			
Total assets	13 501.4	1 069.8	14 571.2
Total liabilities	11 172.6	271.5	11 444.1
Investment in associate	—	180.2	180.2
Additions to non-current assets	1 061.8	43.5	1 105.3

* *The 2016 financial statements include certain reclassifications and restatement of comparative figures. These had no impact on reported earnings for the current or prior period. Please refer to note 30 of our 2016 annual financial statements available on our website, www.picknpayinvestor.co.za.*

** *Direct deliveries are issues to franchisees directly by Group suppliers, these are not included in revenue on the statement of comprehensive income.*

*** *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.*

	Pick n Pay Stores Group 52 weeks 28 February 2016 Rm	Pick n Pay Stores Group 52 weeks 1 March 2015 Rm
5. SHARE CAPITAL		
5.1 Pick n Pay Stores Limited		
Authorised		
800 000 000 (2015: 800 000 000) ordinary shares of 1.25 cents each	**10.0**	10.0
Issued		
488 450 321 (2015: 487 322 321) ordinary shares of 1.25 cents each	**6.0**	6.0
	000's	000's
The number of shares in issue at end of period is made up as follows:		
Treasury shares held by the Group	**1 752.4**	1 746.9
Shares issued under the forfeitable share plan	**7 923.0**	6 925.0
Shares held outside the Group	**478 774.9**	478 650.4
	488 450.3	487 322.3

The Company can issue new shares to settle the Group's obligations under its employee share schemes, but issues in this regard are limited, in aggregate, to 5% of total issued share capital (currently 24 422 516 shares). To date, 10 743 000 shares have been issued, resulting in 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.

The movement in the number of shares in issue in the current period was as a result of an issue of 1 128 000 shares (2015: 6 925 000 shares) in respect of the Group's employee forfeitable share plan (FSP).

	Pick n Pay Holdings Group 52 weeks 28 February 2016 Rm	Pick n Pay Holdings Group 52 weeks 1 March 2015 Rm
5.2 Pick n Pay Holdings Limited RF		
Authorised		
800 000 000 (2015: 800 000 000) ordinary shares of 1.25 cents each	10.0	10.0
Issued		
527 249 082 (2015: 527 249 082) ordinary shares of 1.25 cents each	6.6	6.6
	000's	000's
The number of shares in issue at end of period is made up as follows:		
Treasury shares held by the Group	11 129.3	11 106.5
Shares held outside the Group	516 119.8	516 142.6
	527 249.1	527 249.1

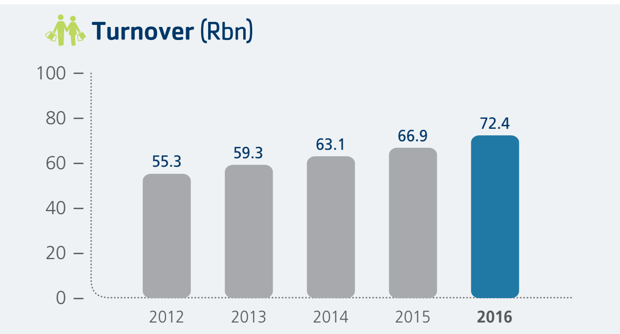
The Company can issue new shares to settle the Group's obligations under its employee share schemes, but issues in this regard are limited, in aggregate, to 5% of issued share capital (currently 26 362 454 shares).

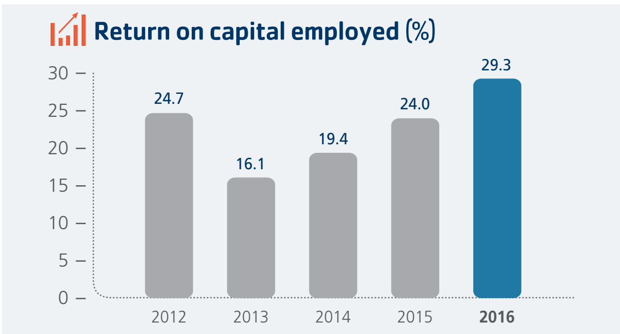
The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

Five-year review

R million unless otherwise stated		**2016 364 days**	2015* 364 days	2014* 364 days	2013* 368 days	2012* 366 days
Pick n Pay Stores Limited						
PERFORMANCE MEASURES						
Continuing operations						
Turnover growth	%	**8.2**	6.1	6.5	7.1	8.1
Gross profit on turnover	%	**17.9**	17.8	17.5	17.4	17.8
Trading profit growth	%	**22.3**	22.7	18.5	(33.2)	(10.1)
Trading profit margin	%	**2.1**	1.9	1.6	1.4	2.3
Profit before tax growth	%	**22.3**	44.7	3.0	(30.9)	(13.7)
PBTAE growth	%	**26.1**	27.5	15.9	(30.9)	(13.2)
EBIT growth	%	**20.9**	35.6	3.9	(29.1)	(11.3)
EBITDA growth	%	**15.8**	13.5	4.9	(13.5)	(4.0)
Profit margin	%	**1.5**	1.3	0.9	0.9	1.4
Headline earnings growth	%	**26.6**	28.0	24.5	(30.7)	(14.8)
Headline earnings margin	%	**1.5**	1.3	1.0	0.9	1.4
Headline earnings per share	cents	**224.0**	177.3	138.5	111.5	160.8
Headline earnings per share growth	%	**26.4**	28.0	24.2	(30.7)	(15.1)
Return on shareholders equity	%	**30.0**	27.9	24.8	21.1	29.1
ROCE	%	**29.3**	24.0	19.4	16.1	24.7
Return on total assets	%	**6.8**	5.9	4.9	4.2	5.8
Net asset value per share	cents	**910.0**	774.1	679.9	609.2	573.7
WACC	%	**11.9**	9.5			
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME						
Continuing operations						
Turnover	Rm	**72 445.1**	66 940.8	63 117.0	59 271.3	55 330.5
Trading profit	Rm	**1 516.3**	1 240.1	1 010.3	852.4	1 275.1
Profit before tax	Rm	**1 473.5**	1 205.2	833.1	808.9	1 170.0
PBTAE	Rm	**1 506.1**	1 194.8	937.2	808.9	1 170.0
EBITDA	Rm	**2 470.5**	2 134.3	1 881.0	1 792.9	2 073.7
Headline earnings	Rm	**1 072.9**	847.8	662.6	532.2	767.8
CONSOLIDATED STATEMENT OF FINANCIAL POSITION						
Total Group operations						
Assets						
Non-current assets	Rm	**7 117.8**	6 207.3	5 990.1	5 669.7	5 333.9
Current assets	Rm	**9 467.1**	8 616.8	8 139.4	7 506.2	6 636.3
Total assets	Rm	**16 584.9**	14 824.1	14 129.5	13 175.9	11 970.2
Equity and liabilities						
Ordinary shareholders' equity	Rm	**3 897.8**	3 261.8	2 823.7	2 526.9	2 526.8
Non-current liabilities	Rm	**1 332.1**	1 631.3	1 789.8	1 697.1	1 609.3
Current liabilities	Rm	**11 355.0**	9 931.0	9 516.0	8 951.9	7 834.1
Total equity and liabilities	Rm	**16 584.9**	14 824.1	14 129.5	13 175.9	11 970.2

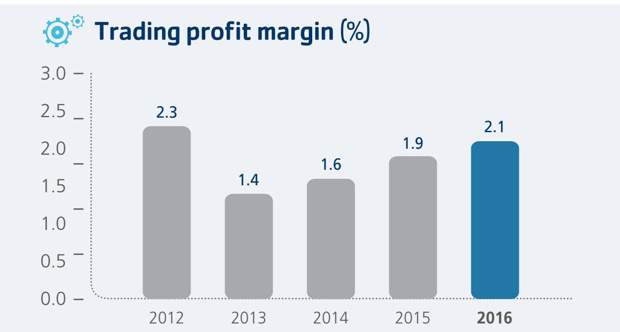
The 2016 financial statements include certain reclassifications and restatements of comparative figures. These had no impact on reported earnings for the current or prior period. Please refer to note 30 of our 2016 annual financial statements available on our website, www.picknpayinvestor.co.za. All other financial years presented have been restated accordingly.

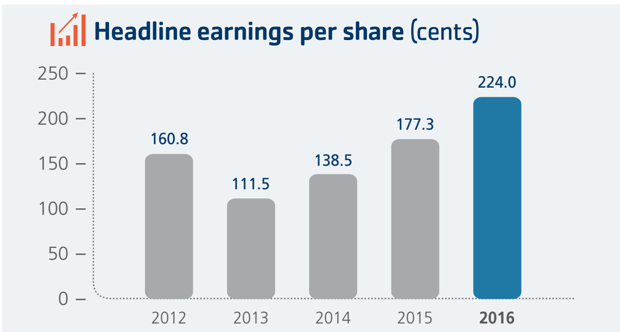




R million unless otherwise stated		2016 364 days	2015 364 days	2014 364 days	2013 368 days	2012 366 days
STOCK EXCHANGE (JSE LIMITED) PERFORMANCE						
Pick n Pay Stores Limited (PIK)						
Number of shares in issue	millions	**488.5**	487.3	480.4	480.4	480.4
Weighted average number of shares in issue	millions	**478.9**	478.3	478.4	478.1	477.4
Total market capitalisation	Rbn	**27.4**	25.7	21.7	21.8	20.7
Market capitalisation net of treasury shares	Rbn	**27.3**	25.6	21.6	21.7	20.6
Price:earnings ratio	times	**25.1**	29.8	32.6	40.1	30.2
Dividend per share	cents	**149.4**	118.1	92.3	84.0	130.9
Dividend cover	times	**1.5**	1.5	1.5	1.3	1.1
Volume of shares traded	millions	**281.6**	213.3	165.2	274.5	216.8
Percentage of shares traded	%	**57.6**	43.8	34.4	57.1	45.1
Market price per share						
– close at year-end	cents	**5 614**	5 282	4 514	4 544	4 307
– high for the year	cents	**7 000**	6 082	5 440	4 900	4 850
– low for the year	cents	**4 850**	4 401	3 519	4 022	3 504
Pick n Pay Holdings Limited RF (PWK)						
Number of shares in issue	millions	**527.2**	527.2	527.2	527.2	527.2
Weighted average number of shares in issue	millions	**516.2**	516.2	516.2	516.4	516.4
Total market capitalisation	Rbn	**12.5**	12.0	10.8	10.0	9.7
Headline earnings per share	cents	**111.2**	88.0	68.8	55.1	70.8
Price:earnings ratio	times	**21.4**	26.0	29.9	34.4	25.9
Dividend per share	cents	**72.3**	57.3	44.3	40.8	63.5
Volume of shares traded	millions	**87.4**	65.9	70.5	139.6	122.8
Percentage of shares traded	%	**16.6**	12.5	13.4	26.5	23.3
Market price per share						
– close at year-end	cents	**2 380**	2 285	2 055	1 894	1 833
– high for the year	cents	**3 000**	2 800	2 300	2 118	2 030
– low for the year	cents	**2 038**	1 980	1 619	1 770	1 459

DEFINITIONS	
Headline earnings	Net profit for the period adjusted for the after tax effect of capital items.
Return on shareholders' equity	Headline earnings expressed as a percentage of the average ordinary shareholders' equity for the period.
Return on capital employed	Headline earnings divided by average shareholders' equity plus non-current borrowings.
Return on total assets	Headline earnings expressed as a percentage of the average total assets for the period.
Headline earnings per share	Headline earnings divided by the weighted average number of shares in issue for the period.
Dividend cover	Headline earnings per share divided by the dividends per share which relate to those earnings.
Net asset value per share	Total value of net assets at period end, adjusted for directors' valuations of property, divided by the number of shares in issue at period end, held outside the Group.
Profit before tax and exceptional items (PBTAE)	Profit for the period, before tax and exceptional items. Exceptional items are determined by the remuneration committee. These are non-recurring items of an exceptional size and nature.
EBITDA	Profit for the period, before net interest, tax, depreciation and amortisation.
Market capitalisation	The price per share at period end multiplied by the number of shares in issue at period end.
Price earnings ratio	The price per share at period end divided by headline earnings per share .
Dividends per share	The interim dividend declared during the current financial period and the final dividend declared after period end, in respect of the current financial year.
Weighted average cost of capital (WACC)	WACC is the average after tax cost of the Group's debt funding, which includes non-current borrowings and current liabilities, and the Group's equity funding, with each source of funding included on a proportional basis.

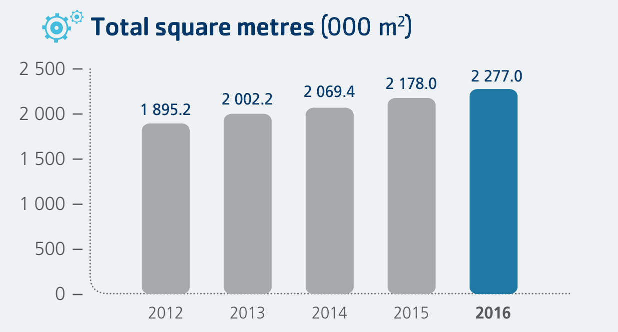




Five-year review continued

		2016 364 days	2015 364 days	2014 364 days	2013 368 days	2012 366 days
Pick n Pay Stores Limited						
HUMAN MEASURES*						
Developed a skilled workforce						
Number of employees	000	**52.9**	48.7	49.3	47.9	42.4
Permanent employee turnover	%	**16.1**	19.3	15.0	16.0	15.0
Employment equity**						
Top management	%	**36.0**	35.7	39.0	40.0	39.0
Senior management	%	**66.0**	64.4	61.0	60.0	60.0
Professionally qualified middle management	%	**88.0**	87.1	85.0	84.0	84.0
Skilled technical and junior management	%	**96.0**	95.2	95.0	95.0	95.0
Semi-skilled and discretionary decision-making	%	**100.0**	99.7	99.8	99.7	99.8
Unskilled and defined decision-making	%	**100.0**	99.4	99.6	99.6	99.6
SOCIAL AND ENVIRONMENTAL MEASURES*						
Carbon footprint#	CO_2e tonnes	**656 765.05**	613 934.7	588 509.2	591 985.5	607 156.1
Energy reductions	GWh	**1 081.0**	840.0	626.0	422.0	250.0
Decrease in CO_2e per square metre	%	**(0.6)**	(2.4)	(4.0)	^	^
Waste diverted from landfill	%	**46.0**	45.0	43.0	^	^
Water consumed	megalitres	**1 249.0**	1 316.0	1 133.0	1 085.0	^
Total CSI spend	Rm	**41.5**	44.6	36.0	40.9	51.5
Schools in Pick n Pay Schools Club		**3 025**	3 025	2 750	2 500	2 500
BBBEE Level#		**Level 4**	Level 4	Level 6	Level 6	Level 7
OPERATIONAL STATISTICS						
Number of stores						
Group		**1 353**	1 189	1 076	991	891
Pick n Pay – Owned		**596**	510	464	420	374
Pick n Pay – Franchise		**549**	490	433	421	388
Boxer – Owned		**208**	189	179	150	129
Associate						
TM Supermarkets		**57**	53	52	49	50
Total with associate		**1 410**	1 242	1 128	1 040	941
Total square metres	000 m²	**2 277.1**	2 178.0	2 069.4	2 002.2	1 895.2
Owned	000 m²	**1 603.9**	1 524.7	1 466.6	1 386.4	1 296.9
Franchise	000 m²	**673.2**	653.3	602.8	615.8	598.3

** Information relates to Pick n Pay owned stores only*
*** These measures represent the participation of employment equity candidates, as governed by the Employment Equity Act, No 55 of 1998, in the presented categories*
^ Not measured at that time
 # Independently assured



VALUE ADDED STATEMENT

	52 weeks 28 February 2016 Rm	%	52 weeks* 1 March 2015 Rm	%
Turnover	**72 445.1**		66 940.8	
Amounts paid for merchandise and expenses	**(63 787.8)**		(58 977.9)	
Finance income	**60.9**		59.4	
Total value created	**8 718.2**	100.0	8 022.3	100.0
Distributed as follows:				
Employees				
Salaries, wages and other benefits	**6 060.6**	69.5	5 672.9	70.7
To providers of capital	**832.7**	9.6	736.5	9.2
Dividends paid to shareholders	**589.5**	6.8	461.8	5.7
Share purchases	**126.2**	1.4	155.7	1.9
Finance costs	**117.0**	1.4	119.0	1.6
Government				
Taxation expense	**408.1**	4.7	343.5	4.3
Retained for growth	**1 416.8**	16.2	1 269.4	15.8
Depreciation and amortisation	**940.9**	10.8	869.5	10.8
Profit for the period after distributions to shareholders	**475.9**	5.4	399.9	5.0
Total value distributed	**8 718.2**	100.0	8 022.3	100.0

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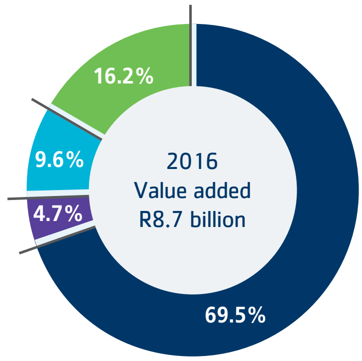
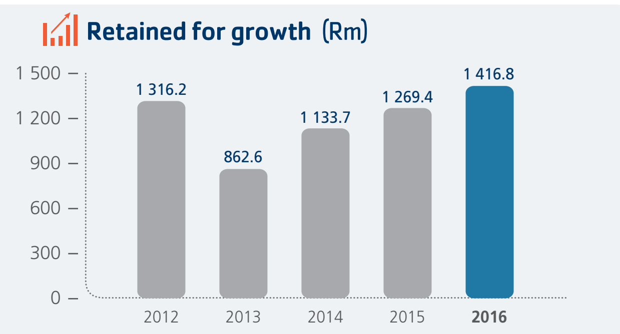
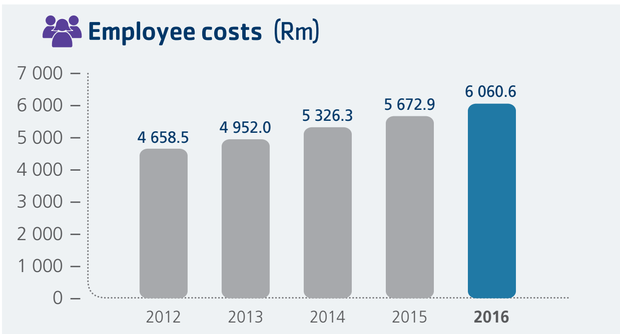
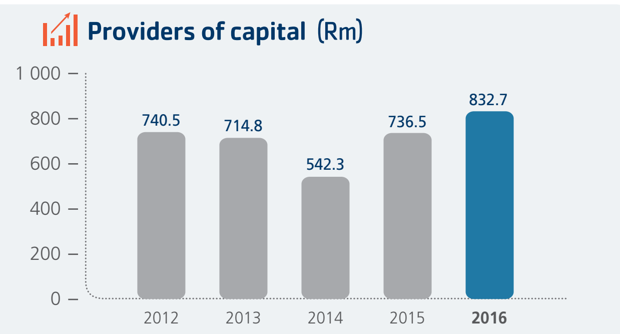
We have created financial value of R8.6 billion during the 2016 financial period. The value added statement illustrates how we have distributed this value to our stakeholders.

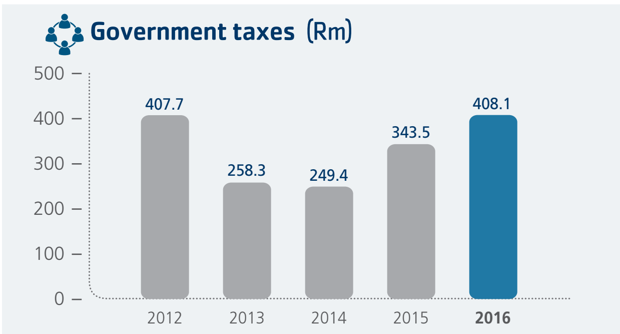


- Salaries, wages and other benefits
- Taxation expense
- To providers of capital
- Retained for growth









Our governance

INTRODUCTION

The Board and the Pick n Pay Stores Group are committed to upholding the highest standards of ethics, transparency and good corporate governance, while pursuing sustainable and profitable growth. The Board is ultimately accountable for the ethical leadership, sustainability and good corporate citizenship of the Group, and is assisted in this regard by senior management. The Group's commitment to good corporate governance permeates every aspect of the management structure.

The Board takes overall responsibility for the performance of the Group, ensuring that it is managed in a transparent, equitable and responsible manner. Members of the Board operate as a resource for executives in directing, finalising and overseeing the implementation of the Group's strategy and policy.

With the aim of achieving a balanced economic, social and environmental performance, the Board supports efforts to ensure the long-term sustainability of the business. Legitimate stakeholder involvement is kept in mind at all times. The Board fully supports the materiality approach, which emphasises integrated reporting based on issues and elements that can have a material impact on the sustainable performance of the business over the short, medium and long term.

The Board is supported by the audit and risk, corporate finance, corporate governance, nominations, remuneration and social and ethics committees to carry out its oversight role of ensuring that implementation of the Group's strategy is managed in a manner that is consistent with the values of the Group. These committees report to the Board on their activities in line with their delegated powers and authority, as set out in the corporate governance charter.

The Board believes that the Group has applied all significant governance principles and is compliant with all significant Listings Requirements of the JSE. The Group has not breached any regulatory requirements and has complied with statutory obligations.

The governance result on the governance assessment instrument (GAI) scale remains AA, as a result of our ownership structure, where AAA is the highest measure. GAI is an independent measurement instrument of corporate governance best practice, endorsed by the Institute of Directors of Southern Africa.

The Group has made progress in identifying and managing significant risks that could have a material impact on the business. Key risk metrics and measures have been developed with risk indicators clearly defined, as illustrated in our strategic focus section on pages 19 to 29.

APPLICATION OF KING III PRINCIPLES

A full review of the application to the King III Code is available on our website at www.picknpayinvestor.co.za. The draft King IV Code has been reviewed to ensure that the Group's adherence to the principles and best practice benchmarks of corporate governance will remain current. The principles and recommendations of King III that are applied differently by the Board are set out on page 63 below, along with explanations.

Our governance continued

The table below explains the King III's recommendations that are differently applied by the Board.

Chapter and principle	Comments for 2016
Chapter 2 – Board and directors	
Principle 2.16 The Board should elect a Chairman of the Board who is an independent non-executive director.	King III acknowledges that there may be sound reasons for a company to appoint a Chairman who does not meet all the criteria for independence, but requires such a company to justify this decision and to put further checks in place to ensure no real or perceived conflicts of interest arise. Chairman Gareth Ackerman is not independent by virtue of his indirect shareholding in the Group. Refer to pages 82 and 83. Perceptions of conflicts of interest may arise regarding his decisions relating to the Group and its shareholders. Hugh Herman has been appointed as Lead Independent Director (LID). See notes to the independence of Hugh Herman on page 65. The main function of the LID is to provide leadership and advice to the Board when the Chairman has a conflict of interest, without detracting from the authority of the Chairman. The LID provides an important point of contact for the broader investment and stakeholder community should they have concerns with the running of the Company or potential conflicts of interest. All members of the Board have unfettered access to the LID when required. In addition to the role of the LID, and to ensure good governance, the chairmanship of four of the six Board committees is held by other independent directors. Consistent with the King III guidelines, Gareth Ackerman: ■ Is not a member of the audit and risk committee; ■ Does not chair the remuneration committee, but is a member; and ■ Is not a member of the social and ethics committee.
Principle 2.22 The evaluation of the Board, its committees and the individual directors should be performed every year.	Individual performance evaluations of directors as well as of the effectiveness of the Board are undertaken annually by the Chairman of the Board. The evaluation of the effectiveness of the Board's committees is undertaken regularly, but not necessarily annually. The results allow the Board to determine whether or not it has delivered on its mandate. It also measures, and where possible, enhances, the Board's overall efficiency and each director's individual contribution to the Board. If improvements are indicated, the necessary measures are implemented.
Chapter 3 – Audit committees	
Principle 3.5 The audit committee should ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities.	The Board and audit and risk committee continue to develop and implement a comprehensive combined assurance approach to ensure the integrity of the financial and non-financial data contained within the report.
Chapter 9 – Integrated reporting and disclosure	
Principle 9.3 Sustainability reporting and disclosures should be independently assured.	The Board and audit and risk committee continue to develop and implement a comprehensive combined assurance approach to ensure the integrity of the sustainability reporting.

Our governance continued

BOARD GOVERNANCE

Board function

Directors are encouraged to promote rigorous debate with the aim of promoting active direction, governance and effective control of the Group. Decisions are usually made by consensus. Our policies ensure that there is a clear balance of power and authority at Board level, ensuring that no one director has unfettered powers of decision-making. All Board members, including those who are not independent, are well aware of corporate governance requirements, and are conscious of their obligation to act with integrity as representatives of all stakeholders in the Group.

The Board process is managed by the Group Company Secretary supported by the risk, legal, compliance and governance functions. The Board meets on a quarterly basis in line with the financial and strategic processes of the Group. The Board engages on a quarterly basis with management to examine progress made in the implementation of the Group's strategic objectives.

The Board annually performs a formal review of the Group's ability to continue trading as a going concern in the foreseeable future. The Board has performed this review for the 2016 financial period and confirms the Group's going-concern status.

Board composition

The Board consisted of thirteen directors during the full 2016 financial year. Of the eight non-executive directors, five were independent. The remaining five directors were executive. As the Chairman was not independent, Hugh Herman was appointed as LID (see note to King III principle 2.16 on page 63). In addition, see note as to the independence of Hugh Herman on page 65.

Full curricula vitae of all directors are set out in the 2016 corporate governance report available on our website at www.picknpayinvestor.co.za.

The non-executive directors are diverse in their academic qualifications and business experience, resulting in a balanced Board, with directors who exercise leadership, enterprise, integrity and judgement in directing the business of the Group, so that it can thrive.

Changes to Board composition in the 2017 financial year

As from 1 March 2016, David Friedland was considered to be an independent non-executive director as more than three years had elapsed since his retirement from the Group's previous external auditor, KPMG. David Friedland's independence as a director is reaffirmed by the fact that Ernst & Young Inc. is the Group's current external auditor.

Ben van der Ross and John Gildersleeve retired as independent non-executive directors on 27 July 2015 and 28 February 2016 respectively. The Chairman, on behalf of the Board, extended his thanks and gratitude to both directors for the valuable perspective to retail that they brought to the deliberations of the Board. The Board wished them well in their future endeavours.

Controlling shareholder representation on the Board

Gareth Ackerman, Suzanne Ackerman-Berman, Jonathan Ackerman and David Robins were nominated as representatives of the controlling shareholder, and were elected by shareholders to the Board. Between them they have 66 years' executive experience in the Group. Suzanne Ackerman-Berman and Jonathan Ackerman are executive directors, while David Robins was executive for 14 years and has been a non-executive director since 2008. The Chairman, Gareth Ackerman, has been with the Group for 32 years, the last 17 years (other than an 11-month period during the 2013 financial year) in a non-executive capacity. Their experience, as well as their strategic overview, assists the Group in making long-term decisions for the benefit of all stakeholders in the Group.

Executive representation on the Board

The executive function of the Group is performed by Richard Brasher (CEO), Richard van Rensburg (deputy CEO) and Bakar Jakoet (CFO), who are all executive directors on the Board.

Annual assessment of independence

The Board corporate governance charter requires that an annual assessment of the independence of long-serving directors be performed by considering the following:

- The directors' involvement with other companies;
- External directorships;
- Relationships with material suppliers and rival companies; and
- Material contracts with the Group, if any.

The annual internal assessment of the Board was conducted as follows: An internal assessment of the independence of non-executive directors was undertaken by the Chairman, who conducted individual interviews. Findings were presented to each non-executive director for them to either confirm, or to revert with further evidence supporting their independence. If required, the Company Secretary would solicit external legal opinion regarding the status of a non-executive director. Following this assessment, the Chairman made a recommendation to the Board as to independence. The Board interrogated the recommendations before a final decision was made.

All directors submit a list of their directorships and commercial interests to the Company Secretary, which are regularly updated, and distributed quarterly to the Board. Transparency of commercial interests ensures that directors can be seen to be free from any business or other relationship that may interfere materially with any director's capacity to act in an independent manner.

Length of service

The Board has found that length of service does not automatically preclude a director from exercising independence in decision-making. It is our experience that our longer-serving non-executive directors are aware of, and vigorously exercise, their duty to act in the best interests of all stakeholders of the Group. All our non-executive directors are independent, tough-minded individuals of integrity, who are successful and experienced professionals in their respective fields. They strive to act with independence of mind in the best interests of Pick n Pay. They have no interest, position, association or relationship which is likely to unduly influence or cause bias in decision-making In relation to the Group.

The Group values the balance achieved between the fresh insights from new directors and the experience of the longer-serving directors.

Our governance continued

Conclusion as to independence

All Pick n Pay's independent non-executive directors met the criteria for independence as established by King III, the Companies Act and the JSE Listings Requirements. The Chairman and the Board are satisfied that, despite Hugh Herman's long-running relationship with the Group, his contribution remains unbiased, objective and vigorous.

In order to ensure that shareholder perceptions are aligned with the Board's view of the independence of long-serving directors, all non-executive directors who have served on the Board for more than nine years serve one-year terms of office, instead of the standard three-year term. At the end of each term, the director and the Chairman jointly evaluate the director's contribution and independence. By mutual consent the director may be considered for re-election. If so agreed, such director will be put forward for election by shareholders at the Company's annual general meeting for a further period of one year.

Board committees

The Board committees report back to the Board on how they carried out their responsibilities. The corporate governance charter governing the committees is assessed annually to ensure that the mandates remain current and effective. Our full corporate governance charter is available on the investor relations section of our website, www.picknpayinvestor.co.za. Each committee reviews its effectiveness by way of a review of their activities against the approved terms of reference. The chairman of each committee reports back to the Board on the assessment.

Company Secretary

The Board is aware of the duties the Company Secretary is required to perform and has created an environment in which the Company Secretary is able to ensure full adherence to Board procedures and relevant regulations. The Company Secretary is not a director of the Company, and the directors have unlimited access to the advice and services of the Company Secretary.

Annual consideration is given by the Board to the competence, qualification and experience of the Company Secretary. The Board is satisfied that the Company Secretary meets the necessary requirements. The Company Secretary's qualifications are outlined on page 69. The Board is satisfied that the Company Secretary has maintained an arm's-length relationship with the Board. The Company Secretary acts as secretary for all Board committees other than the remuneration committee, where the CFO acts as secretary.

RISK GOVERNANCE

Risk governance and management are integral elements of the Group's governance framework. These elements aim to ensure business specific operational and strategic risks, emerging risks, as well as risks posed by the external environment, are adequately and timeously identified and mitigated. The Board confirms that the Group's risk management, mitigation and monitoring processes have been effective in limiting the impact of risks on the business during the period.

An enterprise-wide risk management approach, based on the King III principles, aims to ensure that all areas of the business are aligned with the Group's risk management philosophy and strategy.

The overall risk profile of the Group has not changed materially in the period under review. The material issues facing the Group together with mitigation strategies, are covered in the strategic focus section of the integrated annual report.

INFORMATION TECHNOLOGY (IT) GOVERNANCE

The Board takes responsibility for IT Governance. An IT governance function has been established within the IT division. IT governance is monitored by the audit and risk committee, which considers the efficiency of IT controls, policies and processes.

OPERATIONAL GOVERNANCE

There are well-entrenched governance structures within the Group to ensure proper assurance is given to strategic and operational matters, including:

- Property committee to manage real estate development
- Capital committee to manage capital expenditure
- Treasury committee to manage the debt structures and cash flow

The CEO is mandated to ensure that the day-to-day business affairs of the Group are appropriately managed by the Group executive committee and that the necessary systems and controls are in place for the effective risk management of the Group.

The Board recognises that risk management is an integral part of the Group strategy and delegates to management the responsibility of designing, implementing and monitoring the risk management plan. The Group combined assurance model is interrogated by the audit and risk committee, and is tabled bi-annually to ensure that the Board is comfortable with the level and type of assurance that the Group obtains.

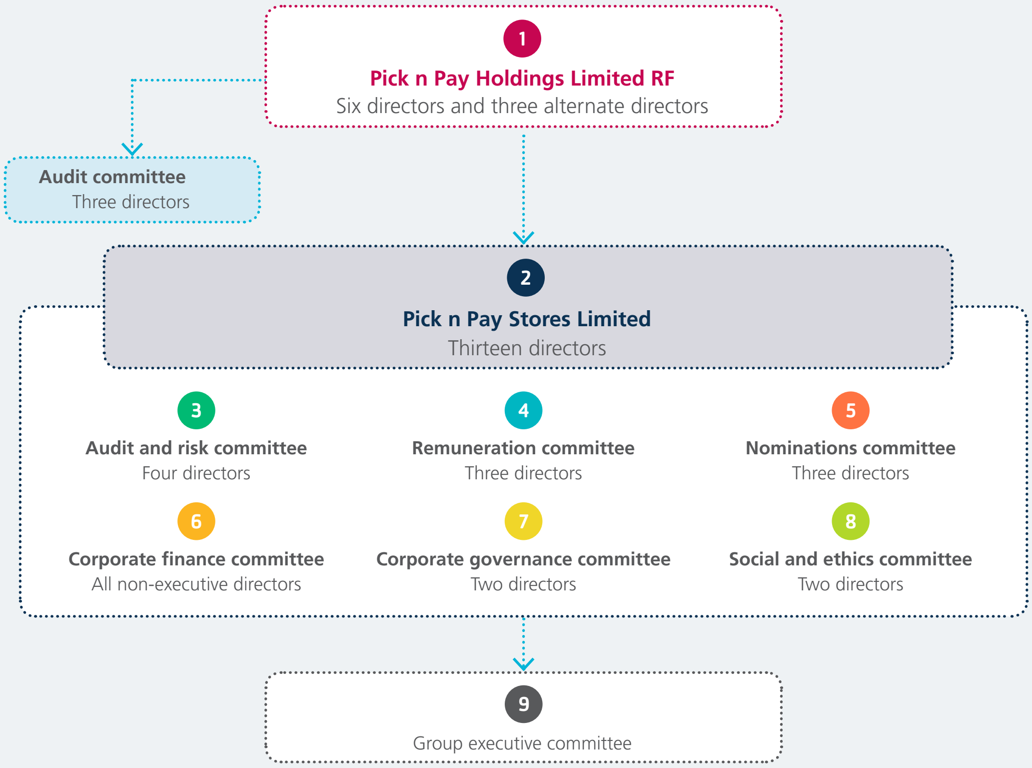
Compliance with statutory, legislative and regulatory requirements is managed through an integrated compliance framework. The compliance monitoring plan is approved on an annual basis. The plan provides independent objective assurance that material legislation applicable to the business has been monitored and ensures that processes and compliance controls are in place to manage compliance risk.

Our governance continued

GOVERNANCE STRUCTURE AND BOARD COMMITTEES

The Board provides direction and strategy, and gives effect to strategy by approving policy, and by putting in place the committee structure through which the Company's policy is implemented. The committees operate within Board mandates, ensuring that strategy is implemented throughout the operations of the Group. Progress is reported regularly to allow the Board oversight over implementation of the strategy.

The diagram below is a summary of the governance structure of the Group:



1 Refer to the Board of directors on pages 68 and 69.

2 Refer to the Board of directors on page 86.

	Committee	Role
3	Audit and risk committee	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.
4	Remuneration committee	Assists the Board in meeting its responsibility for setting and administering appropriate remuneration policies which are in the best long-term interests of the Group, and are aligned with the Group's long-term strategic objectives.
5	Nominations committee	Responsible for identifying and evaluating suitable candidates for possible appointment to the Board to ensure that the Board is balanced and able to fulfil its functions.
6	Corporate finance committee	Assists the Board in assessing investment opportunities for the Group.
7	Corporate governance committee	Reviews and evaluates the governance practices and structures of the Group, and recommends any changes to the Board for a decision.
8	Social and ethics committee	Aims to ensure that high ethical standards are applied in all areas of the business, and reviews and approves the policy, strategy and structure for managing social issues.
9	Group executive committee	Manages the day-to-day business affairs of the various divisions of the Group. Consists of Richard Brasher, Richard van Rensburg and Bakar Jakoet.

Refer to the corporate governance report on our website, www.picknpayinvestor.co.za

Our governance continued

DIRECTORS' ATTENDANCE AT BOARD MEETINGS AND COMMITTEE MEETINGS

The Board convenes a minimum of four times per year for formal meetings, with additional meetings scheduled when necessary. The table below details each director's Board meeting attendance during the past annual financial period:

Directors' Board and committee attendance for the financial year ended 28 February 2016

Director	Board and AGM	Audit and risk committee	Remuneration committee	Corporate finance committee	Social and ethics committee
Gareth Ackerman (Chairman)	5/5		3/3		
Richard Brasher (CEO)	4/5			2/4	
Richard van Rensburg (deputy CEO)	5/5			3/4	
Bakar Jakoet (CFO)	5/5			4/4	
Suzanne Ackerman-Berman	5/5				4/4
Jonathan Ackerman	5/5				
Hugh Herman (LID)	5/5	2/2	2/3	4/4	
Jeff van Rooyen	5/5	2/2		4/4	
Lorato Phalatse	5/5			4/4	4/4
David Robins	5/5				
John Gildersleeve*	3/5		1/3	2/4	
Audrey Mothupi	5/5	2/2		4/4	
David Friedland	5/5			4/4	
Ben van der Ross**			1/1		

** John Gildersleeve retired as a director of Pick n Pay Stores Limited on 28 February 2016.*
*** Ben van der Ross retired as a director of Pick n Pay Stores Limited on 27 July 2015.*

The role and responsibility of each Board committee is set out in the corporate governance charter, which is reviewed on an annual basis and approved by the Board. The full terms of reference of each committee can be found on our website at www.picknpayinvestor.co.za.

In line with the delegated powers and authorities, the committees report to the Board on how they carried out their responsibilities. All committees reviewed their responsibilities and were satisfied that they had carried these out during the year.

Pick n Pay Stores Limited

Board of directors

Pick n Pay Stores Limited has a strong, experienced and diverse Board with a good balance of skills. Each director makes a valuable contribution relevant to their individual field of expertise, whether retail, finance, law, strategy or information technology.

Chairman
Gareth Ackerman R N

Executive directors

Chief Executive Officer
Richard Brasher

Deputy Chief Finance Officer
Richard van Rensburg

Chief Finance Officer
Aboubakar (Bakar) Jakoet

Non-executive directors

Suzanne Ackerman-Berman SE

Jonathan Ackerman

David Friedland N CF

David Robins

Independent non-executive directors

Audrey Mothupi AR CF

Ben van der Ross AR R N CF
** Retired*

Hugh Herman AR R CF

Jeff van Rooyen AR CF CG

John Gildersleeve R
** Retired*

Lorato Phalatse N CF SE

Company Secretary

Debra Muller SE

AR *Member of the audit and risk committee*
R *Member of the remuneration committee*
N *Member of the nominations committee*
CF *Member of the corporate finance committee*
CG *Member of the corporate governance committee*
SE *Member of the social and ethics committee*

Chairman

Gareth Ackerman (58)
BSocSci, CMS (Oxon)
Chairman
Corporate governance committee and nominations committee chairman
Appointed 1990
Other listed company directorships: Pick n Pay Holdings Limited RF

Executive directors

Richard Brasher (54)
Bsc (Hons)
Chief Executive Officer
Appointed 2013
Years of service: 3

Richard van Rensburg (54)
CA(SA)
Deputy Chief Executive Officer
Appointed 2009
Years of service: 7

Aboubakar (Bakar) Jakoet (59)
CA(SA)
Chief Finance Officer
Appointed 2011
Years of service: 30

Suzanne Ackerman-Berman (53)
BA, Fellow: Aspen Business Institute; First Movers
Social and ethics committee chairman
Appointed 2010
Years of service: 21
Other listed company directorships: Alternate director of Pick n Pay Holdings Limited RF

Jonathan Ackerman (48)
BA Marketing
Appointed 2010
Years of service: 23
Other listed company directorships: Alternate director of Pick n Pay Holdings Limited RF

Non-executive directors

David Friedland (62)
CA(SA)
Appointed 2013
Other listed company directorships: Investec Limited, Investec plc, The Foschini Group Limited
David Friedland became an independent non-executive director of Pick n Pay Stores Limited on 28 February 2016.

David Robins (62)
BBusSci
Appointed 2002
Other listed company directorships: Alternate director of Pick n Pay Holdings Limited RF.

Independent non-executive directors

Audrey Mothupi (45)
BA (Hons)
Appointed 2013

Ben van der Ross (68)
Attorney
Appointed 2000
Retired from the Board on 27 July 2015.

Hugh Herman (75)
Attorney
Lead independent non-executive director
Remuneration committee chairman
Appointed 1976
Other listed company directorships: Growthpoint Properties Limited, Pick n Pay Holdings Limited RF

Jeff van Rooyen (66)
BCom (SA), Hons BCompt SA, CA(SA)
Audit committee chairman
Appointed 2007
Other listed company directorships: MTN Group Limited, Exxaro Resources Limited, Pick n Pay Holdings Limited RF

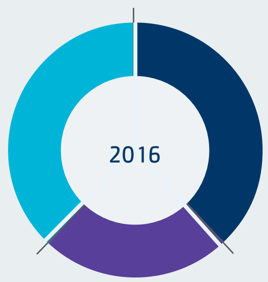
John Gildersleeve (70)
Appointed 2013
Retired from the Board on 28 February 2016.

Lorato Phalatse (55)
BA (Hons), MA
Appointed 2010
Other listed company directorships: The Bidvest Group, Bid Corporation Limited

Company Secretary

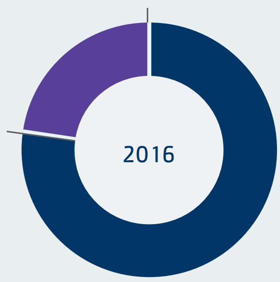
Debra Muller (54)
Attorney
Appointed 2010
Years of service: 10

Director classification



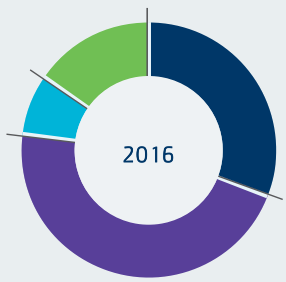
- **38%** Executive
- **24%** Non-executive
- **38%** Independent non-executive

Gender diversity



- **77%** Male
- **23%** Female

Director tenure



- **4** < 5 years
- **6** < 5 – 10 years
- **1** < 10 – 15 years
- **2** < 15 years

Refer to our website, www.picknpayinvestor.co.za, for the full curricula vitae of all members of the Board

Remuneration report

Introduction

For ease of navigation, this report is divided into two sections:

Section 1 – Remuneration philosophy and supporting policies, including:

- Alignment with strategic objectives
- Role and mandate of remuneration committee
- Remuneration structure
  - Executive directors and employees
  - Non-executive directors

Section 2 – Implementation of remuneration policies during the 2016 financial year, including:

- Work performed and decisions taken by remuneration committee
- Payments, accruals and awards to executive directors
- Payments, accruals and awards to non-executive directors
- Directors' interests in shares

Section 1 – Remuneration philosophy and supporting policies

ALIGNMENT WITH STRATEGIC OBJECTIVES

The Group's remuneration philosophy is aimed at attracting, retaining and motivating employees and executives, while aligning their remuneration with shareholder interests and best practice.

Pick n Pay is managed on a balanced scorecard approach, led by the Pick n Pay steering wheel. The steering wheel acknowledges the five key performance areas of our business which have a material impact on our stakeholders and ultimately our performance. One of these key performance areas is "People" recognising the integral role that the Pick n Pay team plays in achieving long-term strategic objectives. Please see page 18 for more information.

The Group remuneration philosophy reflects the principles of the "People" section of the Pick n Pay steering wheel:

- **Meritocracy** – people will be recognised and advanced based on merit.
- **Most talented SA retail business** – we will attract, retain and develop the most talented retail team in the industry.
- **Effective lean organisation structure** – we will create and reward a culture of productivity and efficiency.
- **Diversity in the workplace** – we will ensure Pick n Pay offers equal opportunities to people from all walks of life.

We reward employees for their individual contribution to the Group's strategic, operating and financial performance. We ensure that underlying remuneration policies support the development and retention of top talent, while attracting critical skill and experience in the retail industry.

The remuneration philosophy is supported by the following underlying policies:

- Remuneration at all levels is benchmarked against the remuneration policies and practices of comparable companies to ensure that it is fair and just, and paying above the comparable mean for key or scarce skill.
- Remuneration is balanced between fixed remuneration and variable short-term and long-term incentives – applying a higher proportion of variable pay to senior management in order to drive performance, and a greater emphasis on fixed pay for middle and junior management.
- Paying for performance and capability – with top performers earning in the upper quartile of the benchmark.
- Ensuring compliance with all legislation within the Employment Equity Act and Basic Conditions of Employment Act.
- Non-executive directors do not receive remuneration or incentive awards related to share price or corporate performance.

By the close of the 2015 financial year, Pick n Pay had substantially completed Stage 1 of its strategic long-term recovery plan – stabilising the business. In 2016 the Group entered Stage 2 of its plan – to change the trajectory of Pick n Pay. While governed by the Pick n Pay steering wheel, Stage 2 of the strategic long-term recovery plan is organised around seven business acceleration pillars. These pillars represent the seven key growth areas or opportunities for Pick n Pay. The plan is focused, detailed and provides the senior management team with clear objectives and lines of accountability and responsibility. One of the business acceleration pillars focuses on building a winning team. We delivered a number of achievements under this pillar in 2016 and going forward we will focus on effective performance management, core skills training, improved customer service, and more diversity. Please refer to page 25 of our Strategic Focus section for more detail.

The Group remuneration philosophy and underlying policies are aligned with the long-term strategic objectives of the Group, as set out in Stage 2 of the long-term turnaround plan. Short-term and long-term incentives are linked to the achievement of key performance indicators, and will contribute to building a winning team and building long-term, sustainable value creation in the business.

ROLE AND MANDATE OF REMUNERATION COMMITTEE

The remuneration committee assists the Board in meeting its responsibility for setting and administering appropriate remuneration policies which are in the best long-term interests of the Group, and are aligned with the Group's long-term strategic objectives. The committee considers and recommends remuneration policies for all levels of staff in the Group, with a particular focus on executive directors, senior management and non-executive directors. The remuneration committee meets at least twice a year, is chaired by an independent non-executive director and comprises only non-executive directors. The committee operates in terms of a Board-approved charter, which is reviewed annually at the Board meeting in April.

The composition of the remuneration committee and meeting attendance is as follows:

Director	Attendance	Objectives and activities 2016
Hugh Herman (Chairman)	2/3	■ Reviewed the Group's remuneration philosophy and policies to ensure alignment with the strategic objectives of the Group. ■ Reviewed the Group's remuneration philosophy and policies to ensure alignment with best practice in the market. ■ Determined the remuneration packages of executive directors and reviewed the remuneration packages of senior management and key employees. ■ Proposed fees for non-executive directors, subject to shareholder approval. ■ Reviewed and approved performance-related short-term incentives as well as long-term share-based incentives, including issues under the Group's forfeitable share plan (FSP) aimed at senior management.
Gareth Ackerman	3/3	
John Gildersleeve*	1/3	
Ben van der Ross**	1/1	

* *Retired 28 February 2016.*
** *Retired 27 July 2015.*
Audrey Mothupi and Jeff van Rooyen were appointed to the remuneration committee in March 2016, to replace John Gildersleeve and Ben van der Ross who retired during the year.

REMUNERATION STRUCTURE

Executive directors and employees

The Group structures its remuneration across three broad categories:

- Fixed-base salary and benefits
- Short-term variable incentives
- Long-term variable incentives

A balanced mix of fixed-base salary and benefits and short-term and long-term variable incentives is intended to meet the following key objectives:

- To ensure employees are fairly rewarded for services rendered
- To recognise and reward outstanding individual performance
- To incentivise employees to meet short-term and long-term strategic objectives
- To encourage employees to grow and stay with the Group over the long term

Fixed-base salary and benefits

Employees		Fixed benefits						
Grades	**Category**	**Fixed-base salary**	**13th cheque**	**Retire-ment funding**	**Medical aid**	**Car benefit**	**Low-interest loans**	**Leave**
A & B	Senior management	✓	—	✓	✓	✓	✓	✓
C & D	Middle management	✓	✓	✓	✓	✓	✓	✓
E & F	Junior management	✓	✓	✓	✓	—	✓	✓
G	Entry level, clerical and administration	✓	✓	✓	✓	—	✓	✓
NMBU[1]	Permanent staff with non-management bargaining unit	✓	✓	✓	✓	—	✓	✓

[1] *Non-management bargaining unit.*

Remuneration report continued

Fixed-base salary
Remuneration reflects the relative skill, experience, contribution and performance of the individual. Base salary is set at levels that are competitive with the rest of the market so that the Group can attract, motivate and retain the right calibre of people to achieve the Group's strategic business objectives. Remuneration is directly related to annual performance assessments, which are undertaken in April each year. Annual increases in base salary are determined with reference to the scope of the employee's role, the competence and performance of the employee, the projected consumer price index and comparable increases in the general and retail market.

13th cheque
Paid to qualifying employees in November each year. Variable-time employees[3] participate based on the average number of hours worked in a month. Employees must have been in the employ of the Group for at least three months to be eligible. The 13th cheque encourages short-term retention.

Retirement funding
It is a condition of employment that all employees participate in a retirement fund. All employees, including variable-time employees[3], are required to join one of the retirement funds provided by the Group when commencing employment.

The Group contributes between 8.0% and 16.5% of salary expenditure towards retirement funding, depending on the fund and the terms and conditions of employment.

Medical aid
Medical aid provisions are in place for all full-time[1], part-time[2] and variable-time employees[3]. The Group provides a number of medical aid schemes and membership is compulsory for all Pick n Pay employees on G-grade and above, unless they are covered by a third-party medical aid. Membership of the medical aids provided is optional for NMBU[4] employees. Pick n Pay contributes 50% of the medical aid contributions to approved Group schemes on behalf of employees.

The Group is committed to furthering the economic empowerment and wellbeing of its employees and as such, the provision of retirement and medical benefits to staff is a key part of the remuneration policy.

Car benefit
Employees from D level and above are entitled to a car benefit. Depending on the requirements of their role, it may be in the form of a travel allowance or a company car, including maintenance, fuel and insurance.

Low-interest loans
All employees have access to low-interest loans from the Group. The primary objective of this benefit is to assist our employees with the acquisition of residential property. Loan values are capped at varying amounts, depending on the employee's position in the Group. Affordability tests are performed before any loan is granted, to ensure the employee does not experience financial strain. All housing loans are secured against the employee's retirement funding. No financial assistance is provided for the purpose of assisting employees to buy shares in the Group. For further details please refer to note 15 of the audited Group annual financial statements where employee loans are disclosed.

Leave
Annual leave accumulates from the date of starting employment for all employees and varies between three and four weeks per annum depending on the terms, conditions and length of employment. Variable-time employees[3] accumulate leave based on ordinary hours worked. The Group recognises long service with an additional allocation of leave, depending on the terms and conditions of employment, at five-year intervals. The Group also provides family responsibility and religious leave, where applicable.

Variable short-term and long-term incentives

Employees		Short-term	Long-term				
			Share options				
Grades	Category	Incentive bonus	Service	Status	Performance	Retention and binary	Forfeitable shares
A & B	Senior management	✓	✓	✓	✓	✓	✓
C & D	Middle management	✓	✓	✓	✓	✓	—
E & F	Junior management	—	✓	✓	—	—	—
G	Entry level, clerical and administration	—	✓	—	—	—	—
NMBU[4]	Permanent staff with non-management bargaining unit	—	✓	—	—	—	—

[1] Full-time employees have a fixed contract with the Group, and work either 40 or 45 hours per week.
[2] Part-time employees have a fixed contract with the Group, and work a maximum of 25 hours per week.
[3] Variable-time employees have a variable contract with the Group, which guarantees either 85 hours per month, or a maximum of 40 hours per week.
[4] Non management bargaining unit.

Short-term incentive bonus

The short-term incentive bonus is discretionary and is linked to the achievement of targets linked to profit before tax and exceptional items (PBTAE), as set by the remuneration committee. Please refer to the five-year review of the integrated annual report for further detail on the calculation of PBTAE. The bonus pool is self-funding and is created after achieving pre-defined targets, inclusive of the value of the incentive. The bonus pool increases in value as threshold, target or stretch targets are attained. Bonuses are paid as a multiple of basic monthly salary and each individual's share of the bonus pool will depend on the target reached and their own individual performance, as measured through the Group's annual performance appraisal process. Bonuses are capped at a multiple of two times annual basic salary. All bonuses paid are subject to approval by the remuneration committee and no bonuses are paid if the threshold target is not met. The bonus paid to grade C and D employees is reduced by the value of the fixed 13th cheque they received in November.

Other, more frequent, incentive bonuses are paid to qualifying staff at store level, including store and butchery managers. These incentives are linked directly to short-term store performance targets such as turnover, stockholdings, and shrink.

Variable long-term incentives

It is Group policy to maintain a broad share option scheme for all employees. All employees, at all grades, are rewarded with share options for both long service and performance. This is an integral part of our remuneration philosophy and ensures that all employees (not only at senior levels) are recognised and that their interests are aligned with those of our shareholders. It gives all our employees the opportunity to acquire shares in the Group, affording them the opportunity for economic upliftment, and encourages employee retention. It is a key differentiator for us against other retail employers in South Africa.

The Group operates two share incentive schemes for the benefit of its employees:

- the 1997 Employee Share Option Scheme; and
- the forfeitable share plan (FSP).

Funding of share plans and dilution

The directors have received approval to utilise up to 63 892 444 shares of the issued share capital of Pick n Pay Stores Limited and 92 268 589 shares of the issued share capital of Pick n Pay Holdings Limited RF for the purpose of managing the Group's share schemes.

Both the Group's share schemes fall within the limits detailed above, which means the aggregate of instruments awarded under both schemes cannot exceed the authorised limits.

The two share schemes are further constrained by an aggregate limit of 5% of issued share capital, of both Pick n Pay Stores Limited and Pick n Pay Holdings Limited RF, in respect of the amount of new shares that can be issued to cover obligations under the employee share schemes. The Group has done so three times in the past:

- an issue of 2.7 million Pick n Pay Stores Limited shares or 0.6% of issued share capital in the 2005 financial year to meet specific share option obligations;
- the debut allocation of shares under the FSP, in the 2015 financial year, was funded by the issue of 6.9 million Pick n Pay Stores Limited shares, or 1.4% of issued share capital; and
- the second allocation of shares under the FSP, in the 2016 financial year, was funded by the issue of 1.1 million of Pick n Pay Stores Limited shares, or 0.2% of issued share capital.

Please refer to note 5 of the audited Group annual financial statements for further details of the outstanding options and limits available under the schemes.

1. The 1997 Employee Share Option Scheme

The Group operates the 1997 Employee Share Option Scheme (the scheme) in order to facilitate broad employee share ownership, foster trust and loyalty among employees and reward performance. The scheme incentivises management and employees by providing them with an opportunity to acquire shares in the Group, thereby aligning interests with shareholders and encouraging employee retention. Furthermore, binary shares incentivise senior management to achieve specified performance targets.

Pick n Pay Holdings Limited RF share options (PWK)

During the 2016 financial year, 1.2 million PWK share options were granted to employees in respect of long service. At year-end, 16.1 million PWK share options were held by employees, amounting to 3.1% of shares in issue. Please refer to note 5 of the audited Group annual financial statements for further information.

Long-service share options – no conditions attached

Long-service share options are granted to all long-serving employees at all levels, including full-time[1], part-time[2] and variable-time[3] employees. Share options are granted on each employee's five-year service anniversary, with further options granted every five years thereafter. No other service or performance conditions are attached – long-service share options may be taken up immediately on granting.

Remuneration report continued

Pick n Pay Stores Limited share options (PIK)
During the 2016 financial year, 2.4 million Pick n Pay Stores Limited (PIK) options were issued to management in respect of their progress and performance. At year-end, 30.6 million PIK share options were held by employees amounting to 6.3% of shares in issue. Please refer to note 5 of the audited Group annual financial statements for further information.

Status share options – service conditions attached
Status share options are granted to employees who attain grade F, and further options are granted at each promotion to higher levels of management. In order to encourage employee retention, status shares vest in three tranches (vesting periods) as follows:
- 40% after three years of service
- 30% after five years of service
- 30% after seven years of service

There are no other performance conditions attached to these share options. Vesting is only dependent on the employee remaining in the employ of the Group over the specified vesting period. If the employee leaves before the vesting period, unvested share options lapse.

Performance share options – service conditions attached
Employees on grades C and D may be eligible for performance "top-up" share options, in recognition of their individual performance and valuable contribution to the Group. These options vest in the same manner as status share options.

Retention share options – extended service conditions attached
These share options specifically encourage the retention of key individuals and have varying vesting periods that can be up to 10 years.

Binary share options – service and performance conditions attached
Binary share options are granted to employees on grades A and B. These three to five-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.

a) Binary share option issue to deputy CEO Richard van Rensburg
In October 2011, 400 000 binary share options were issued to deputy CEO Richard van Rensburg. The binary share options were issued at a grant price of R36.55, under the following terms:

If the 20-day VWAP up to and including 23 May 2016 was R73.11 or greater, the options could be exercised at the full grant price of R36.55.

Should this 20-day VWAP be less than R73.11, then the options would lapse. Thereafter, if further performance hurdles are met, discounted grant prices would apply on exercise.

The salient features of the issue are summarised below:

Hurdles	Share price May 2016	Annual compound growth rate	Exercise price May 2016
Eligibility hurdle	R73.11	16%	R36.55
Performance hurdle 1	R93.07	23%	R18.28
Performance hurdle 2	R121.56	30%	R1.00

Note
The 20-day VWAP up to and including 23 May 2016 was R73.79, as such the eligibility hurdle has been met and these binary share options have vested. Richard van Rensburg is entitled to take-up these options at the grant price of R36.55.

b) Binary share option issue to CEO Richard Brasher
In November 2012, 1 000 000 binary share options were issued to Richard Brasher on his appointment as CEO. The binary share options were issued at a grant price of R42.24.

If the 20-day VWAP up to 14 November 2017 is R68.03 or greater, the options can be exercised at the full grant price of R42.24. Should this 20-day VWAP be less than R68.03, then the options will lapse. Thereafter, if performance hurdles are met, discounted grant prices will apply on exercise.

The salient features are summarised below:

Hurdles	Share price November 2017	Annual compound growth rate	Exercise price November 2017
Eligibility hurdle	R68.03	10%	R42.24
Performance hurdle 1	R84.96	15%	R21.12
Performance hurdle 2	R128.91	25%	R1.00

In addition to the terms above, if the 20-day VWAP up to 14 November 2017 is between R105.11 and R128.90 (representing an annual compound growth rate of 20% in the 20-day VWAP share price from grant date), a cash bonus of R10.6 million will be paid.

The future net realisable value of all outstanding share options

Pick n Pay Stores Limited share options

Outstanding share options may be taken during the following financial periods:	Average grant price 2016 R	Average grant price 2015 R	52 weeks 28 February 2016 Number of options 000's	52 weeks 28 February 2016 Net realisable value Rm	52 weeks 1 March 2015 Number of options 000's	52 weeks 1 March 2015 Net realisable value Rm
Year						
2016		31.38			17 710.2	379.7
2017	33.15	36.31	**17 891.5**	**411.3**	4 577.0	75.6
2018	40.89	40.67	**5 479.5**	**83.6**	5 386.4	65.4
2019	40.31	35.68	**3 423.2**	**54.2**	2 869.5	49.2
2020	46.83	45.72	**1 574.8**	**14.7**	2 234.8	15.8
2021 and thereafter	53.60	48.98	**2 193.8**	**5.6**	1 096.7	4.2
			30 562.8	**569.4**	33 874.6	589.9

The net realisable value of outstanding share options was calculated using the closing share price of R56.14 (2015: R52.82) less the average grant price. Binary share options include performance hurdles that, if met, trigger discounted grant prices. Please refer to page 75 of this report.

Pick n Pay Holdings Limited RF share options

Outstanding share options may be taken during the following financial periods:	Average grant price 2016 R	Average grant price 2015 R	52 weeks 28 February 2016 Number of options 000's	52 weeks 28 February 2016 Net realisable value Rm	52 weeks 1 March 2015 Number of options 000's	52 weeks 1 March 2015 Net realisable value Rm
Year						
2016		14.41			16 635.5	122.0
2017	16.40		**16 136.2**	**124.6**		
			16 136.2	**124.6**	16 635.5	122.0

The net realisable value of outstanding share options was calculated using the closing share price of R23.80 (2015: R22.85) less the average grant price.

Remuneration report continued

2. The forfeitable share plan (FSP)

The FSP recognises those key Pick n Pay employees who have a significant role to play in delivering Group 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 qualifying employees, and through the attachment of performance conditions, incentivises these employees to deliver earnings growth in the future. An award of shares may also be used to attract talented prospective employees.

An important feature of the FSP is that before employees are eligible to participate, they must first meet their annual individual key performance indicators, as set out in the strategic long-term plan. If an employee does not meet his or her individual performance targets and therefore is not awarded a short-term incentive bonus, the employee will not be eligible to receive an award of forfeitable shares.

The participant becomes the beneficial owner of the forfeitable shares on the date of the award. Beneficial ownership affords the employee full shareholder voting rights and full rights to any dividends declared.

The shares are held by a Central Securities Depository Participant (CSDP) on behalf of the employee during the time of the vesting period and the employee will not be able to dispose of the shares before the vesting date. If the employee leaves the employ of the Group before the completion of the vesting period (other than on normal retirement, disability or death) all shares will be forfeited.

Forfeitable shares are performance shares. Shares awarded under the FSP will always have performance conditions attached. If the performance conditions are not met within the specified time period (the vesting period) the employee will forfeit the shares. The remuneration committee awards shares to participants. The actual number of shares awarded takes into account recognised market benchmarks, as well as each participant's individual performance, annual salary, employment grade and other relevant retention and attraction requirements. The performance conditions will be linked to the financial performance of the Group, with headline earnings per share (HEPS) the preferred performance measure. Performance conditions are applied on a rising scale, allowing for the vesting of an increasing number of shares, as earnings thresholds are met and exceeded.

To ensure the FSP is aligned with the best interests of the Group and its shareholders in mind, the performance conditions are subject to an overriding condition that Pick n Pay's return on capital employed (ROCE) must be greater than its weighted average cost of capital (WACC) over the vesting period, before any FSP shares are allowed to vest. This is to ensure that Pick n Pay has generated a real return for shareholders before rewarding its management team.

There have been two issuances under the FSP.

The debut FSP issuance took place in August 2014 and was funded through a fresh issue of 6.9 million PIK shares (1.4% of issued share capital). There have been some forfeits under the scheme, with 6.7 million shares now held in a CSDP on behalf of 145 participants.

The following performance conditions apply:

52 weeks to 2 March 2014 baseline HEPS cents	Three-year compound annual growth rate %	52 weeks to 26 February 2017 HEPS cents	Portion of shares which vest %	Number of shares which vest 000's	Net realisable value* Rm
138.51	<10%	<184.36	All forfeited	—	—
138.51	10%	184.36	30%	2 010.0	112.8
138.51	12%	194.60	65%	4 355.0	244.5
138.51	15%	210.66	100%	6 700.0	376.1

** The net realisable value of outstanding FSP shares was calculated using the closing share price of R56.14.*

The Group delivered HEPS growth of 26.4% in 2016 to 224.04 cents per share, with cumulative HEPS growth over 2015 and 2016 of 27.2%. The strong growth in HEPS over the last few years has put the Group in a good position to deliver the first shares under the FSP.

The second FSP issuance took place in August 2015 and was funded in part through a fresh issue of 1.1 million PIK shares (0.2% of issued share capital). 1.2 million shares are held in a CSDP on behalf of 115 participants.

The following performance conditions apply:

52 weeks to 2 March 2015 baseline HEPS cents	Three-year compound annual growth rate %	52 weeks to 26 February 2017 HEPS cents	Portion of shares which vest %	Number of shares which vest 000's	Net realisable value* Rm
177.26	<10%	<194.99	All forfeited	—	—
177.26	10%	194.99	30%	366.9	20.6
177.26	11%	196.76	65%	794.9	44.6
177.26	12%	198.53	100%	1 223.0	68.7

** The net realisable value of outstanding FSP shares was calculated using the closing share price of R56.14.*

Linear vesting applies, with increasing levels of shares vesting in line with increasing levels of growth delivered. It is important to note that all the growth thresholds detailed above are after recognising the applicable IFRS 2 expense, which is charged to the income statement over the vesting term of the forfeitable shares. The scheme is therefore self-funding.

The 2016 financial year includes a first time charge of R63.3 million in respect of the second FSP issuance. The shares will vest in August 2017 and August 2018 after the completion of prescribed three-year service periods. However, the three-year compound annual growth rate of HEPS (and thus the level of performance condition met) will be known at the time of the publication of the 2017 and 2018 annual financial results.

The Group delivered growth in headline earnings per share of 26.4% in the 2016 financial year, with a ROCE of 29.3% and a WACC of 11.9%. Please refer to the five-year review on pages 58 to 61 for detail on the calculation of both ROCE and WACC.

Regular annual awards will be made on a consistent basis to encourage long-term value creation, while always first considering the overall affordability of the plan for the Group and its benefit for shareholders.

Service contracts

Executive directors and senior management are employed in terms of the Group's standard contract of employment and are not employed under fixed-term contracts. Senior management (grades A and B) are required to give a reasonable notice period of their intention to terminate their services, which varies from one to 12 calendar months. The retirement age is 60 years, which applies to all employees. Employment contracts do not provide for any exceptional benefits or compensation on the termination of employment. Certain managers who are considered key in carrying out the Group's strategy are subject to contractual restraint of trade provisions and discretionary termination or restraint of trade payments may be made in this regard.

REMUNERATION STRUCTURE

Non-executive directors

In respect of non-executive directors, the remuneration committee proposes fees to be paid for the membership of the Board and Board committees. Such fees are market-related, commensurate with the time required for directors to undertake their duties, and must be approved by the Board and shareholders. Approved fees are set for the annual financial period. Fees are not subject to attendance at meetings as attendance at Board meetings is generally good.

Remuneration is not linked to the performance of the Group or the Group's share performance. Non-executive directors do not receive performance-related bonuses and are not granted forfeitable shares or share options. The fees for the 2016 financial period were approved by shareholders at the AGM held on 27 July 2015. The proposed fees for the 2017 financial period will be submitted to shareholders for approval at the AGM to be held on 25 July 2016.

When non-executive directors provide additional consultancy services to the Board and its committees, the related fees are determined and approved by the remuneration committee on an ad hoc basis, taking into account the nature and scope of the services rendered.

Section two – Implementation of remuneration policy during the 2016 financial year

1. WORK PERFORMED AND DECISIONS TAKEN BY REMUNERATION COMMITTEE

The main items considered and approved by the remuneration committee during the 2016 financial period were as follows:

a. Executive director remuneration benchmarking, including a review of all benefits provided

The remuneration committee reviewed the fixed remuneration paid to executive directors, including all benefits, to ensure alignment with the Group's strategic objectives and best practice in the market.

Remuneration paid is considered fair and competitive against market benchmarks and the role and performance of each individual executive director.

b. Reviewing and setting the annual compensation for the CEO

In setting Richard Brasher's annual base salary at R7.9 million, the remuneration committee considered his extensive experience in the retail industry, which spans almost 30 years, and the success he has had with developing the strategic long-term recovery plan for Pick n Pay and successfully steering the Group into Stage 2 of that plan.

Under Richard's stewardship, the business has delivered six consecutive reporting periods of strong profit growth and is in a stronger and more stable financial position than it was three years ago. The remuneration committee benchmarked Richard's base salary against similar-sized South African companies and his salary is considered fair in relation to the market, his expertise and his contribution to date.

c. Annual increases in fixed remuneration for executive directors

The increase in the base salary paid to executive directors of 7.9%, is against an average for the Group of 6.0% to 7.0%, excluding employees governed by a labour union agreement (NMBU). The average annual increase for NMBU employees was between 7.0% and 8.0%. Increases are determined after detailed performance reviews are undertaken in April each year. Annual increases are determined with reference to the scope of executives' roles, their performance against key performance indicators, as well as comparable increases in the general and retail market and the projected consumer price index.

Remuneration report continued

d. Determining an appropriate short-term incentive bonus, and the reasonable allocation thereof to executive directors and qualifying employees

The remuneration committee has a crucial role to play in ensuring that the Group's remuneration policy not only supports the Group's strategic goals, but also ensures that management is remunerated fairly and reasonably, in line with industry benchmarks and shareholder expectation.

The remuneration committee sets annual performance targets (threshold, target and stretch) that must be achieved before a short-term incentive bonus will be payable. The targets are based on profit before tax and exceptional items (PBTAE), which is inclusive of the cost of the short-term incentive.

The Group delivered growth in PBTAE ahead of the remuneration committee's threshold level of 10.0% and its target of 23.5%, with the Group achieving PBTAE of R1 506.1 million (26.1% growth). The stretch target of 37.2% was not met. As a result, a bonus was agreed to by the remuneration committee.

The quantum of the bonus pool is at the discretion of the remuneration committee and is informed by the overall performance of the Group and the personal performances of the individual senior managers. The executive directors' remuneration table on page 79 reflects the bonus accrued for the current financial period for executive directors based on 2016 performance. The remuneration committee has set new and appropriate targets for the 2017 financial period.

e. Reviewing the Group's long-term share option incentive scheme, its alignment to long-term strategy and allocations to executive directors

The remuneration committee undertook a detailed review of all the share options held by the executive directors, including all the service and performance conditions attached. No new share options were granted to executive directors during the year.

f. Reviewing the Group's forfeitable share plan – setting appropriate performance conditions and allocating forfeitable shares to executive directors and qualifying senior management

The remuneration committee set the financial performance conditions to be attached to the second issuance under the Group's forfeitable share plan. Further, the committee agreed on the 115 participants and the level at which each would participate, with particular focus on the allocations to executive directors.

For further information refer to pages 76 and 77 of this report.

g. Reviewing and recommending non-executive directors' fees for the 2016 financial period, for final approval by shareholders at the AGM

Fees for the current and proposed periods are as follows:

	Proposed 2017 R	Actual 2016 R	% change
Chairman of the Board[1]	**3 913 000**	3 657 000	7.0
Lead independent non-executive director of the Board	**122 000**	114 000	7.0
Non-executive director of the Board	**364 000**	340 000	7.0
Chairman of the audit committee	**300 000**	280 000	7.1
Member of the audit committee	**122 000**	114 000	7.0
Chairman of the remuneration committee	**160 000**	150 000	6.7
Member of the remuneration committee	**80 000**	75 000	6.7
Member of the nominations committee[1]	**75 000**	70 000	7.1
Member of the social and ethics committee[2]	**80 000**	75 000	6.7
Chairman of the corporate finance committee[3]	**170 000**	160 000	6.2
Member of the corporate finance committee[3]	**115 000**	107 000	7.5
Trustee of the employee share purchase trust	**35 500**	33 000	7.6

1. The Chairman of the nominations committee is the Chairman of the Board and does not receive an additional fee for chairing this committee.
2. The Chairman of the social and ethics committee is an executive director and does not receive an additional fee for chairing this committee.
3. The corporate finance committee is an ad hoc committee. The fees payable are determined in relation to the number of meetings held during the financial period, but will not be more than the annual proposed fee. Four formal meetings were held in 2016.

For the current and proposed periods' fees for Pick n Pay Holdings Limited RF, refer to page 84.

h. Reviewing and recommending to the Board the overall compensation for the Chairman, for final approval by shareholders at the AGM

In setting the Chairman's proposed annual fee of R3.9 million, the remuneration committee (with Gareth Ackerman recused from discussion) considered the active role he plays in the corporate governance of Pick n Pay and in formulating overarching strategy for the individual companies within the Group. Gareth does not play a day-to-day role in the executive management and administration of the business, but he does make himself available to the executive team in a valuable advisory capacity.

i. Reviewing and approving of the Group's remuneration policy and report

This report and the recommendations of the remuneration committee have been approved by the Board and will be submitted to shareholders for consideration at the annual general meeting to be held on 25 July 2016.

2. PAYMENTS, ACCRUALS AND AWARDS TO EXECUTIVE DIRECTORS

The Board is wholly responsible for the formulation, development and effective implementation of Group strategy. In turn, the Board delegates operational strategy implementation and general executive management of the business to its executive directors. As such, in terms of section 38 of the Companies Act 2008, the executive directors are identified as prescribed officers, and their remuneration is detailed below.

Total remuneration of executive directors

	Fixed-base salary and benefits							
	Fees for Board meetings R'000	Base salary R'000	Retire-ment and medical contri-butions R'000	Fringe and other benefits R'000	Total fixed remune-ration R'000	Short-term annual bonus R'000	Total remune-ration R'000	Long-term share awards expense# R'000
52 weeks to 28 February 2016								
Richard Brasher	**1.5**	**7 863.0**	**1 303.4**	**287.5**	**9 455.4**	**15 000.0**	**24 455.4**	**20 233.6**
Richard van Rensburg	**1.5**	**3 709.4**	**600.3**	**312.0**	**4 623.2**	**2 500.0**	**7 123.2**	**8 448.9**
Bakar Jakoet	**1.5**	**3 213.0**	**552.0**	**302.9**	**4 069.4**	**2 500.0**	**6 569.4**	**5 436.2**
Suzanne Ackerman-Berman	**1.5**	**2 221.5**	**376.8**	**267.2**	**2 867.0**	**1 700.0**	**4 567.0**	**3 055.4**
Jonathan Ackerman	**1.5**	**2 221.5**	**401.5**	**272.5**	**2 897.0**	**1 700.0**	**4 597.0**	**3 055.4**
Total remuneration	**7.5**	**19 228.4**	**3 234.0**	**1 442.1**	**23 912.0**	**23 400.0**	**47 312.0**	**40 229.5**
% increase on prior year		**7.9**						
52 weeks to 1 March 2015								
Richard Brasher	1.5	7 370.5	1 215.5	1 144.7	9 732.2	9 000.0	18 732.2	11 771.2
Richard van Rensburg*	1.5	3 422.5	622.0	735.1	4 781.1	1 600.0	6 381.1	3 747.9
Bakar Jakoet	1.5	2 904.0	497.5	292.3	3 695.3	1 600.0	5 295.3	3 125.8
Suzanne Ackerman-Berman	1.5	2 046.6	374.4	264.0	2 686.5	1 000.0	3 686.5	1 753.0
Jonathan Ackerman	1.5	2 083.5	351.5	263.0	2 699.5	1 000.0	3 699.5	1 753.0
Total remuneration	7.5	17 827.1	3 060.9	2 699.1	23 594.6	14 200.0	37 794.6	22 150.9
% increase on prior year		6.9						

** Prior year amounts restated and/or reclassified, refer to note 30 of the audited Group annual financial statements.*

 # 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 column is for information only, given that the value was neither received by nor accrued to the directors during the period. 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.

The remuneration committee does not currently target an optimum level of fixed versus variable remuneration, although the scope and breadth of the strategic role performed by each executive director is considered when allocating long-term incentive share awards. The remuneration committee is in the process of developing formal guidelines in this regard.

As detailed above, total fixed benefits include payments made and costs accrued in the current year, and variable incentives include the related cost of share awards issued in current and prior periods.

Share awards granted to executive directors – PIK

	Calendar year granted	Award grant price R	Balance held at 2 March 2015	Granted during the period	Exercised during the period	Exercise price R	Balance held at 28 February 2016	Available for take-up
52 weeks to 28 February 2016								
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
			2 800 000	**220 000**	**—**		**3 020 000**	
Richard van Rensburg								
Share options	2011	36.55	400 000*	—	—	—	**400 000***	May 2016
Forfeitable shares**	2014	Nil	250 000	—	—	—	**250 000**	Aug 2017
	2015	Nil	—	35 000	—	—	**35 000**	Aug 2018
			650 000	**35 000**	**—**		**685 000**	
Bakar Jakoet								
Share options	2003	12.00	250 000	—	—	—	**250 000**	Now
	2007	31.15	5 779	—	—	—	**5 779**	Now
	2008	26.55	7 907	—	—	—	**7 907**	Now
		26.14	105 000	—	—	—	**105 000**	Now
		26.14	45 000	—	—	—	**45 000**	Now
	2009	28.20	12 413	—	—	—	**12 413**	Now
	2010	42.28	1799	—	—	—	**1 799**	Now
	2011	41.70	200 000	—	—	—	**200 000**	Now
		41.70	300 000	—	—	—	**300 000**	Now
Forfeitable shares**	2014	Nil	250 000	—	—	—	**250 000**	Aug 2017
	2015	Nil	—	35 000	—	—	**35 000**	Aug 2018
			1 177 898	**35 000**	**—**		**1 212 898**	
Suzanne Ackerman-Berman								
Share options	2004	21.00	10 000	—	(10 000)	58.71	**—**	n/a
	2006	31.15	122 408	—	(122 408)	58.71	**—**	n/a
	2008	26.56	4 519	—	(4 519)	58.71	**—**	n/a
		26.14	25 000	—	—	—	**25 000**	Now
		26.14	25 000	—	—	—	**25 000**	Aug 2016
		26.14	25 000	—	—	—	**25 000**	Aug 2017
		26.14	25 000	—	—	—	**25 000**	Aug 2018
	2009	28.20	8 867	—	(8 867)	58.71	**—**	n/a
	2010	42.27	1421	—	(1 421)	58.71	**—**	n/a
Forfeitable shares**	2014	Nil	150 000	—	—	—	**150 000**	Aug 2017
	2015	Nil	—	20 000	—	—	**20 000**	Aug 2018
			397 215	**20 000**	**(147 215)**		**270 000**	
Jonathan Ackerman								
Share options	2005	20.70	6 441	—	(6 441)	58.71	**—**	n/a
	2006	28.00	14 286	—	(14 286)	58.71	**—**	n/a
	2007	31.15	14 446	—	(14 446)	58.71	**—**	n/a
	2008	26.56	9 414	—	(9 414)	58.71	**—**	n/a
		26.14	25 000	—	—	—	**25 000**	Now
		26.14	25 000	—	—	—	**25 000**	Aug 2016
		26.14	25 000	—	—	—	**25 000**	Aug 2017
		26.14	25 000	—	—	—	**25 000**	Aug 2018
	2009	28.20	8 867	—	(8 867)	58.71	**—**	n/a
	2010	42.27	1 560	—	(1 560)	58.71	**—**	n/a
Forfeitable shares**	2014	Nil	150 000	—	—	—	**150 000**	Aug 2017
	2015	Nil	—	20 000	—	—	**20 000**	Aug 2018
			305 014	**20 000**	**(55 014)**		**270 000**	

* *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 forfeitable shares is subject to specific performance criteria relating to the growth in HEPS of Pick n Pay Stores Limited. If the performance hurdles are not met, the shares will be forfeited. These shares are held in a CSDP account on behalf of the director until the vesting conditions have been met. For further details on the forfeitable share plan, refer to pages 76 and 77 of this report.*

Share awards granted to executive directors – PWK

	Calendar year granted	Award grant price R	Balance held at 2 March 2015	Granted during the period	Exercised during the period	Exercise price R	Balance held at 28 February 2016	Available for take-up
52 weeks to 28 February 2016								
Richard van Rensburg	2011	15.18	1 000 000	—	—	—	**1 000 000**	Now
			1 000 000	**—**	**—**		**1 000 000**	
Bakar Jakoet	2005	11.50	400	—	—	—	**400**	Now
	2008	11.33	600	—	—	—	**600**	Now
	2010	16.00	400	—	—	—	**400**	Now
	2014	22.64	400	—	—	—	**400**	Now
			1 800	**—**	**—**		**1 800**	
Suzanne Ackerman-Berman	2011	15.35	400	—	(400)	26.68	**—**	n/a
	2016	28.32	—	400	—	—	**400**	Now
			400	**400**	**(400)**		**400**	
Jonathan Ackerman	2010	16.00	1 000	—	(1 000)	26.68	**—**	n/a
	2012	20.03	400	—	(400)	26.68	**—**	n/a
			1 400	**—**	**(1 400)**		**—**	

3. PAYMENTS, ACCRUALS AND AWARDS TO NON-EXECUTIVE DIRECTORS

	Directors' fees R'000	Lead director R'000	Audit committee R'000	Remuneration committee R'000	Nominations committee R'000	Corporate finance committee R'000	Social and ethics committee R'000	Employee share trust R'000	Total R'000
52 weeks to 28 February 2016									
Gareth Ackerman*	**3 657.0**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**3 657.0**
John Gildersleeve**	**340.0**	**—**	**—**	**75.0**	**—**	**107.0**	**—**	**—**	**522.0**
David Friedland***	**340.0**	**—**	**—**	**—**	**70.0**	**107.0**	**—**	**—**	**517.0**
Hugh Herman	**340.0**	**114.0**	**114.0**	**150.0**	**—**	**107.0**	**—**	**33.0**	**858.0**
Audrey Mothupi	**340.0**	**—**	**114.0**	**—**	**—**	**107.0**	**—**	**—**	**561.0**
Lorato Phalatse	**340.0**	**—**	**—**	**—**	**70.0**	**107.0**	**75.0**	**—**	**592.0**
David Robins	**340.0**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**340.0**
Ben van der Ross****	**170.0**	**—**	**57.0**	**37.5**	**35.0**	**—**	**—**	**16.5**	**316.0**
Jeff van Rooyen	**340.0**	**—**	**280.0**	**—**	**—**	**160.0**	**—**	**—**	**780.0**
	6 207.0	**114.0**	**565.0**	**262.5**	**175.0**	**695.0**	**75.0**	**49.5**	**8 143.0**
52 weeks to 1 March 2015									
Gareth Ackerman*	3 450.0	—	—	—	—	—	—	—	3 450.0
John Gildersleeve	320.0	—	—	70.0	—	—	—	—	390.0
David Friedland**	320.0	—	—	—	65.0	—	—	—	385.0
Hugh Herman	320.0	107.0	107.0	140.0	—	—	—	31.0	705.0
Audrey Mothupi	320.0	—	107.0	—	—	—	—	—	427.0
Lorato Phalatse	320.0	—	—	—	65.0	—	70.0	—	455.0
David Robins	320.0	—	—	—	—	—	—	—	320.0
Ben van der Ross	320.0	—	107.0	70.0	65.0	—	—	31.0	593.0
Jeff van Rooyen	320.0	—	265.0	—	—	—	—	—	585.0
	6 010.0	107.0	586.0	280.0	195.0	—	70.0	62.0	7 310.0

* *Gareth Ackerman is the Chairman of the nominations committee, share trust and a member of the remuneration committee, but his annual fee incorporates all committee work.*

** *John Gildersleeve retired as a director of Pick n Pay Stores Limited on 28 February 2016.*

*** *Non-executive director David Friedland received consultancy fees of R114 000 (2015: R107 000) for services rendered to the audit and risk committee and he became an independent non-executive director of Pick n Pay Stores Limited on 28 February 2016.*

**** *Ben van der Ross retired as a director of Pick n Pay Stores Limited on 27 July 2015.*

Remuneration report continued

4. DIRECTORS INTEREST IN SHARES – PICK N PAY STORES LIMITED

	How held*	Balance held at 2 March 2015	Additions during the period	Average purchase price per share R	Disposals during the period	Average selling price per share R	Balance held at 28 February 2016	Beneficial/ non-beneficial interest
52 weeks to 28 February 2016								
Directors of Pick n Pay Stores Limited								
Gareth Ackerman	direct	43	—	—	—	—	43	Beneficial
Ackerman Pick n Pay foundation**	indirect	30 000	—	—	—	—	30 000	Non-beneficial
	indirect	71 900	—	—	—	—	71 900	Non-beneficial
Richard Brasher	direct – FSP	800 000	220 000	—	—	—	1 020 000	Beneficial
Richard van Rensburg	direct – FSP	250 000	35 000	—	—	—	285 000	Beneficial
Bakar Jakoet	direct	500 000	—	—	—	—	500 000	Beneficial
	direct – FSP	250 000	35 000	—	—	—	285 000	Beneficial
	indirect	530	—	—	—	—	530	Non-beneficial
Suzanne Ackerman-Berman	direct	2 500	—	—	—	—	2 500	Beneficial
	direct – FSP	150 000	20 000	—	—	—	170 000	Beneficial
	indirect	4 651	—	—	—	—	4 651	Beneficial
Jonathan Ackerman	direct	43	—	—	—	—	43	Beneficial
	direct – FSP	150 000	20 000	—	—	—	170 000	Beneficial
Jeff van Rooyen	direct	3 800	—	—	—	—	3 800	Beneficial
Directors of Pick n Pay Holdings Limited RF								
Raymond Ackerman	direct	43	—	—	—	—	43	Beneficial
Wendy Ackerman	direct	43	—	—	—	—	43	Beneficial

* *Direct interests represent a holding in the director's personal capacity and indirect interests represent a holding by a family trust of which the director is a trustee, or a spouse and minor children. Direct interests in forfeitable share plan (FSP) shares are issued at a grant price of zero.*

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

For directors' interest in shares in Pick n Pay Holdings Limited RF, refer to page 83.

Analysis of shareholders

SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	6 238	61.95	1 996 333	0.41
1 001 – 10 000 shares	2 830	28.10	8 850 240	1.81
10 001 – 100 000 shares	759	7.54	24 166 925	4.95
100 001 – 1 000 000 shares	207	2.06	64 168 497	13.14
1 000 001 shares and over	36	0.35	389 268 326	79.69
Total	**10 070**	**100.00**	**488 450 321**	**100.00**

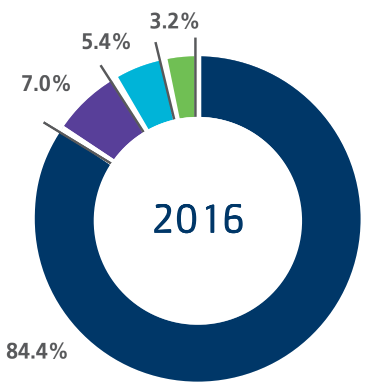
PUBLIC/NON-PUBLIC SHAREHOLDERS

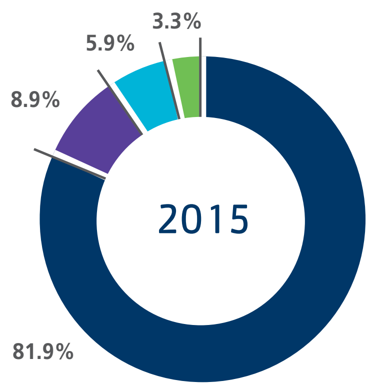
Non-public shareholders	9	0.09	267 532 334	54.77
Directors	5	0.05	511 567	0.10
CSDP account holding shares on behalf of FSP participants	1	0.01	7 923 000	1.62
Pick n Pay Retailers Proprietary Limited	1	0.01	150 000	0.03
Pick n Pay Holdings Limited	1	0.01	257 345 334	52.69
Pick n Pay Employee Share Purchase Trust	1	0.01	1 602 433	0.33
Public shareholders	**10 061**	**99.91**	**220 917 987**	**45.23**
Total	**10 070**	**100.00**	**488 450 321**	**100.00**

BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE

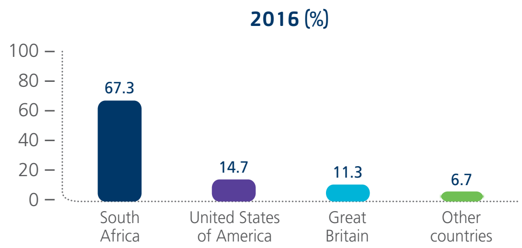
Pick n Pay Holdings Limited	257 345 334	52.69
Public Investment Corporation Limited	40 598 570	8.31
CSDP account holding shares on behalf of FSP participants	7 923 000	1.62
Liberty Life Assurance of Africa Limited	6 766 873	1.39
Genesis Emerging Markets Investment Company	6 391 195	1.31
Genesis Group Trust for Employee Benefit Plans	6 094 595	1.25
Coronation Balanced Plus Fund	6 052 614	1.24

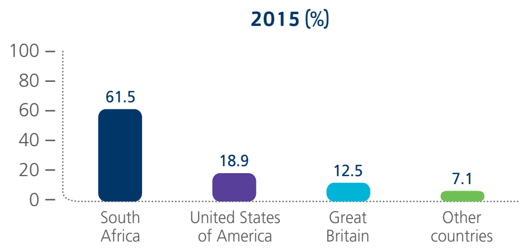
Geographical spread of shareholders





Geographical spread of non-controlling shareholders





Our governance

INTRODUCTION

This report deals with the corporate governance of Pick n Pay Holdings Limited RF (Holdings), the investment holding company of Pick n Pay Stores Limited (Stores). Holdings' sole purpose is the holding of the controlling shareholding in Stores. The Company has minimal operating activities. Only principles specific to Holdings are included in this report as most principles have been addressed in the Stores our governance section (see pages 62 to 67).

The Board annually performs a formal review of the Group's ability to continue trading as a going concern in the foreseeable future. The Board has performed this review for the 2016 financial period and confirms the Group's going-concern status.

DIRECTORS

The Board comprises six non-executive directors of whom three are independent. In addition, there are three alternate directors who are available to step in for a non-executive director should the need arise. The alternate directors have a standing invitation to attend all Board meetings, but only vote in the absence of the director for whom they alternate. As the Chairman, Raymond Ackerman, is not independent, Hugh Herman has been appointed as the lead independent director (LID). All members of the Board have unfettered access to the LID when required.

DISPENSATION BY JSE REGARDING PICK N PAY HOLDINGS LIMITED RF

The Pick n Pay Holdings Limited RF Board of directors currently does not comply with the King III requirement to have a minimum of two executive directors. Pick n Pay has been granted a dispensation by the JSE from the requirement to have executive directors as it is acknowledged that the Company has no material operating activities other than the receipt and payment of dividends, and the assessment of the carrying value of its only investment, being its shareholding in Pick n Pay Stores Limited.

Pick n Pay Holdings Limited RF has been granted a dispensation from the JSE Listings Requirement that a listed company have a full time finance director, given that the Company has no material operating activities, as set out above.

Pick n Pay Holdings Limited RF has been granted an exemption by the Companies Tribunal from the need to appoint a social and ethics committee, as this function is fulfilled by the social and ethics committee formed by the Board of Pick n Pay Stores Limited.

Pick n Pay Holdings Limited RF has been granted dispensation from the JSE Listings Requirements of having remuneration, risk, nomination and corporate governance committees, as these functions are fulfilled for the Group by the Board committees formed by Pick n Pay Stores Limited.

APPOINTMENT OF DIRECTORS

The appointment of all directors and alternate directors to the Board requires shareholder approval at the annual general meeting. On appointment to the Board new directors are required to retire and offer themselves for re-election by shareholders at the first annual general meeting following their original appointment. Directors are elected for three-year terms. The directors do not have service contracts.

INDEPENDENCE OF DIRECTORS

Of the three independent non-executive directors, Hugh Herman and Rene de Wet have held their positions for longer than nine years. Their independence has been thoroughly scrutinised given their years of service on the Board. The Board is satisfied that, despite their length of service, they remain independent, tough-minded individuals with personal integrity, and they translate their experience in the Pick n Pay Group of companies (the Group) into meaningful interrogation of the Group's implementation of its strategy. All three independent directors meet the criteria for independence as established by King III, the Companies Act and the JSE Listings Requirements. Directors who are members of the Ackerman family are not independent given their indirect controlling shareholding of the Group.

BOARD SUB-COMMITTEES

Pick n Pay Holdings Limited RF has a separate audit committee consisting of non-executive directors, but it does not have separate remuneration, risk, nomination, corporate governance and social and ethics committees as the tasks relating to these committees are undertaken by the Group as a whole.

REMUNERATION REPORT

No separate remuneration report is presented as the only remuneration paid by the Company is non-executive directors' remuneration which is approved by the Board as a whole.

REMUNERATION STRUCTURE

Non-executive directors

Directors who are also on the Board of Pick n Pay Stores Limited do not receive remuneration for membership of the Board and Board committees. Approved fees are set for the annual financial period. Fees are not subject to attendance at meetings as attendance at Board meetings is generally good.

Remuneration is not linked to the performance of the Group or the Group's share performance. Directors do not receive performance-related bonuses and are not granted forfeitable shares or share options. The fees for the 2016 financial period were approved by shareholders at the AGM held on 27 July 2015.

Fees proposed for next year, for Board members not serving on the Pick n Pay Stores Board, are as follows:

	Proposed 2017 FY	2016 FY
Total fee	70 000	65 000

When non-executive directors provide additional consultancy services to the Board and its committees the related fees are determined and approved on an ad hoc basis, taking into account the nature and scope of the services rendered.

ASPECTS OF KING III REVIEWED

The Board comprises an equal number of independent and non-independent directors, while King III recommends that a board comprises a majority of independent directors. No changes to the Board are anticipated at this time, given the minimal operating activities of the Company.

DIRECTORS' ATTENDANCE AT BOARD MEETINGS AND COMMITTEE MEETINGS

Board meetings

In addition to the annual general meeting, the Board convenes a minimum of three times per year for formal meetings, with additional meetings scheduled when necessary. The table below details each directors' Board meeting attendance during the past financial period.

Director	Board and AGM	Audit committee
Gareth Ackerman (Chairman)	4/4	
Suzanne Ackerman-Berman	4/4	
Jonathan Ackerman	3/4	
Hugh Herman (LID)	4/4	2/2
Jeff van Rooyen	4/4	2/2
David Robins	4/4	
Raymond Ackerman	4/4	
Wendy Ackerman	2/4	
Rene de Wet	4/4	2/2

DIRECTORS' INTEREST IN SHARES

	How held*	Balance held at 2 March 2015 000's	Additions during the period 000's	Average purchase price per share R	Balance held at 28 February 2016 000's	Beneficial/ non-beneficial interest
52 weeks to 28 February 2016						
Directors of Pick n Pay Holdings Limited RF						
Raymond Ackerman	direct	1 269	—	—	1 269	Beneficial
Gareth Ackerman	direct	1	—	—	1	Beneficial
	indirect	3 265	77	23.62	3 342	Beneficial
	indirect	41	—	—	41	Non-beneficial
Ackerman Investment Holdings Proprietary Limited**	indirect	255 737	—	—	255 737	Non-beneficial
Mistral Trust**	indirect	5 465	75	23.62	5 540	Beneficial
Hugh Herman	direct	60	—	—	60	Beneficial
	indirect	1	—	—	1	Beneficial
Alternate directors of Pick n Pay Holdings Limited RF						
Suzanne Ackerman-Berman	direct	242	—	—	242	Beneficial
	indirect	866	93	26.68	959	Beneficial
	indirect	6	—	—	6	Non-beneficial
Jonathan Ackerman	direct	252	—	—	252	Beneficial
	indirect	1 138	37	26.68	1 175	Beneficial
	indirect	34	—	—	34	Non-beneficial
David Robins	direct	2	—	—	2	Beneficial
	indirect	191	—	—	191	Non-beneficial
Directors of Pick n Pay Stores Limited						
Richard van Rensburg	direct	—	10	27.76	10	Beneficial
	direct	—	25	28.48	25	Beneficial
	direct	—	50	27.88	50	Beneficial
Bakar Jakoet	direct	250	—	—	250	Beneficial
	indirect	25.7	—	—	25.7	Non-beneficial
David Friedland	indirect	40	—	—	40	Non-beneficial
	indirect	—	19	23.49	19	Non-beneficial
	indirect	—	6	23.25	6	Non-beneficial

* *Direct interests represent a holding in the director's personal capacity and indirect interests represent a holding by a family trust of which the director is a trustee.*

** *The interest in the Ackerman Investment Holdings Proprietary Limited and Mistral Trust represents a portion of the holdings of Raymond Ackerman, Wendy Ackerman, Gareth Ackerman, Jonathan Ackerman and Suzanne Ackerman-Berman.*

Board of directors

Non-executive directors

Raymond Ackerman
BCom and various honorary doctorates
Chairman
Appointed 1981

Wendy Ackerman
Appointed 1981

Gareth Ackerman
BSocSci, CMS (Oxon)
Appointed 1987
Other listed company directorships: Pick n Pay Stores Limited

Independent non-executive directors

Hugh Herman
Attorney
Appointed 1981
Other listed company directorships: Growthpoint Properties Limited, Pick n Pay Stores Limited

Jeff van Rooyen
BCom (SA), Hons BCompt SA, CA(SA)
Appointed 2011
Other listed company directorships: MTN Group Limited, Exxaro Resources Limited, Pick n Pay Stores Limited

René de Wet
CA(SA)
Audit committee chairman
Appointed 1981

Alternate directors

David Robins
BBusSci
Appointed 2010
Alternate to Gareth Ackerman
Other listed company directorships: Pick n Pay Stores Limited

Jonathan Ackerman
BA Marketing
Appointed 2010
Alternate to Wendy Ackerman
Other listed company directorships: Pick n Pay Stores Limited

Suzanne Ackerman-Berman
BA, Fellow: Aspen Business Institute; First Movers
Appointed 2010
Alternate to Raymond Ackerman
Other listed company directorships: Pick n Pay Stores Limited

Public officer

Aboubakar (Bakar) Jakoet
CA(SA)
Appointed 2012
Other listed company directorships: Pick n Pay Stores Limited

Company Secretary

Debra Muller
Attorney
Appointed 2010

Refer to our website, www.picknpayinvestor.co.za, for the full curricula vitae of all members of the Board

Pick n Pay Holdings Limited RF

Analysis of shareholders

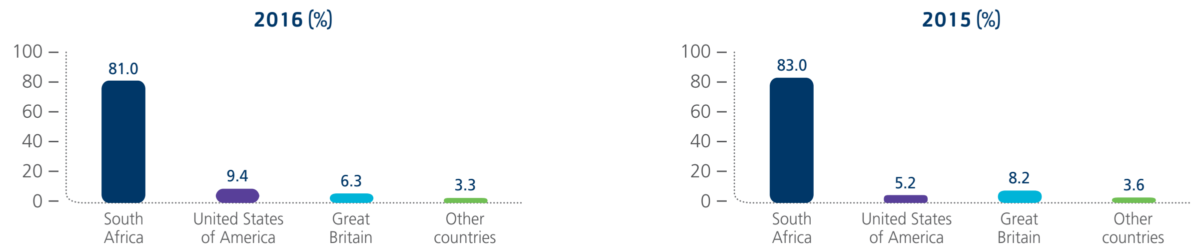
SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	2 415	34.51	1 031 587	0.20
1 001 – 10 000 shares	3 248	46.42	12 282 301	2.33
10 001 – 100 000 shares	1 009	14.42	31 392 393	5.95
100 001 – 1 000 000 shares	273	3.90	81 849 565	15.52
1 000 001 shares and over	52	0.74	400 693 236	76.00
Total	**6 997**	**100.00**	**527 249 082**	**100.00**

PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public shareholders	12	0.17	274 867 722	52.13
Directors and public officer	9	0.14	8 001 548	1.52
Ackerman Investment Holdings Proprietary Limited	1	0.01	255 736 850	48.50
Pick n Pay Employee Share Purchase Trust	1	0.01	9 180 621	1.74
The Blue Ribbon Meat Corporation Proprietary Limited	1	0.01	1 948 703	0.37
Public shareholders	**6 985**	**99.83**	**252 381 360**	**47.87**
Total	**6 997**	**100.00**	**527 249 082**	**100.00**

BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE		
Ackerman Investment Holdings Proprietary Limited	255 736 850	48.50
Government of Norway	12 030 773	2.28
Public Investment Corporation Limited	10 703 382	2.03
Pick n Pay Employee Share Purchase Trust	9 180 621	1.74
Allan Gray Equity Fund	8 132 675	1.54
Allan Gray Balanced Fund	6 317 502	1.20
Old Mutual Symmetry Satellite Equity Fund No 1	5 602 588	1.06
Mistral's Trust	5 540 200	1.05

Geographical spread of shareholders

Geographical spread of non-controlling shareholders



Shareholders' information

GENERAL MEETINGS (GMs) – 25 JULY 2016

The proposal to eliminate the pyramid control structure of the Group will be voted on at the general meetings to be held before the annual general meeting on 25 July 2016. Refer to our 2016 corporate governance report on our website, www.picknpayinvestor.co.za for further detail.

The general meeting of shareholders of **Pick n Pay Stores Limited** (Stores GM) will be held at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708 on Monday, 25 July 2016.

The general meeting of shareholders of **Pick n Pay Holdings Limited RF** (Holdings GM) will be held at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708 on Monday, 25 July 2016 as soon as the Stores GM is completed.

Registration for both GMs will commence at 08:00.

ANNUAL GENERAL MEETINGS (AGMs) – 25 JULY 2016

The 48th annual general meeting of shareholders of **Pick n Pay Stores Limited** (Stores AGM) will be held at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708 on Monday, 25 July 2016.

The 35th annual general meeting of shareholders of **Pick n Pay Holdings Limited RF** (Holdings AGM) will be held at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708 on Monday, 25 July 2016 as soon as the Stores AGM is completed.

Registration for both AGMs will commence at 08:00.

The minutes of the previous year's AGM held on 27 July 2015 are available on our Pick n Pay Investor relations website at www.picknpayinvestor.co.za.

DIVIDENDS

	Pick n Pay Stores Limited JSE share code: PIK ISIN code: ZAE000005443		Pick n Pay Holdings Limited RF JSE share code: PWK ISIN code: ZAE000005724			
	Number	Amount (cents)	Number	Amount (cents)	Last day of trade	Date of payment
Interim	93	19.60	66	9.40	5 December 2014	15 December 2014
Final	94	98.50	67	47.85	5 June 2015	15 June 2015
Interim	95	24.20	68	11.60	4 December 2015	14 December 2015
Final	96	125.20	69	60.65	3 June 2016	13 June 2016
Interim	97		70		2 December 2016*	12 December 2016*
Final	99		71		2 June 2017*	12 June 2017*

RESULT ANNOUNCEMENTS

Interim to 30 August 2016	12 October 2015
Final to 28 February 2016	25 April 2016
Interim to 28 August 2016	October 2016
Final to 26 February 2017	April 2017

PUBLICATION OF ANNUAL FINANCIAL STATEMENTS

2016: May 2016
2016: May 2017

PUBLICATION OF INTEGRATED ANNUAL REPORTS AND CORPORATE GOVERNANCE REPORTS

2016: June 2016
2017: June 2017

**Estimated*

Corporate information

PICK N PAY STORES LIMITED
Registration number: 1968/008034/06
JSE share code: PIK
ISIN: ZAE000005443

PICK N PAY HOLDINGS LIMITED RF
Registration number: 1981/009610/06
JSE share code: PWK
ISIN: ZAE000005724

REGISTERED OFFICE
Pick n Pay Office Park
101 Rosmead Avenue
Kenilworth
Cape Town 7708
Tel +27 21 658 1000
Fax +27 21 797 0314

Postal address
PO Box 23087
Claremont 7735

REGISTRAR
Computershare Investor Services Proprietary Limited
70 Marshall Street
Johannesburg 2001
Tel +27 11 370 5000
Fax +27 11 688 5248

Postal address
PO Box 61051
Marshalltown 2107

JSE LIMITED SPONSOR
Investec Bank Limited
100 Grayston Drive
Sandton 2196

AUDITORS
Ernst & Young Inc.

ATTORNEYS
Edward Nathan Sonnenbergs

PRINCIPAL TRANSACTIONAL BANKERS
Absa Limited
First National Bank

COMPANY SECRETARY
Debra Muller
email address: demuller@pnp.co.za

PROMOTION OF ACCESS TO INFORMATION ACT
Information Officer – Penny Gerber
email address: pgerber@pnp.co.za

INVESTOR RELATIONS
David North
email address: dnorth@pnp.co.za

Penny Gerber
email address: pgerber@pnp.co.za

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

CUSTOMER CARELINE
Tel +27 800 11 22 88
email address: customercare@pnp.co.za

ONLINE SHOPPING
Tel +27 860 30 30 30
www.picknpay.co.za

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AUDITED ANNUAL FINANCIAL STATEMENTS

2016

www.picknpayinvestor.co.za

Contents

These Group and Company annual financial statements have been prepared by the Finance Division under the supervision of the Chief Finance Officer, Mr Bakar Jakoet CA(SA).

Directors' responsibility statement

PICK N PAY STORES LIMITED AND ITS SUBSIDIARIES

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 28 February 2016, 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 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 foreseeable future.

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

APPROVAL OF GROUP ANNUAL FINANCIAL STATEMENTS AND COMPANY ANNUAL FINANCIAL STATEMENTS

The Group annual financial statements and Company annual financial statements of Pick n Pay Stores Limited, as identified in the first paragraph, were approved by the Board of directors on 25 April 2016 and signed by:

Gareth Ackerman
Chairman

Richard Brasher
Chief Executive Officer

25 April 2016

Company Secretary's certificate

PICK N PAY STORES LIMITED AND ITS SUBSIDIARIES

In my capacity as Company Secretary, I certify that for the period ended 28 February 2016, Pick n Pay Stores Limited has filed all returns and notices as required for a public company in terms of section 88(2)(e) of the Companies Act No 71 of 2008, as amended, and that such returns and notices are, to the best of my belief, true, correct and up to date.

Debra Muller
Company Secretary

25 April 2016

Directors' report

for the period ended 28 February 2016

PICK N PAY STORES LIMITED AND ITS SUBSIDIARIES

Nature of business

The Company, which is domiciled and incorporated in the Republic of South Africa and listed on the JSE, the recognised securities exchange in South Africa, is an investment holding company. The Group comprises trading subsidiaries 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.

The nature of the business of the key subsidiaries held directly and indirectly is presented in note 27 of the Company annual financial statements.

Overview of financial results and activities

Refer to the review of operations on page 8 for an overview of financial results and activities of the Group.

Audit and risk committee

We draw your attention to the audit and risk committee report on page 5 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 96) of 125.20 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 15%, for shareholders who are not exempt from dividend withholding tax. The last day to trade in order to participate in the dividend (CUM dividend) will be Friday, 3 June 2016. The shares will trade ex-dividend from the commencement of business on Monday, 6 June 2016 and the record date will be Friday, 10 June 2016. The dividends will be paid on Monday, 13 June 2016. Refer to note 8 of the Group annual financial statements for a detailed analysis.

Share capital

The issued ordinary share capital increased by 1 128 000 shares during the period (refer to note 19 of the Group annual financial statements) to 488 450 321 shares.

At period end, 1 752 433 shares (2015: 1 746 900 shares) of Pick n Pay Stores Limited, and 11 129 324 shares (2015: 11 106 487 shares) of Pick n Pay Holdings Limited RF, 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, 7 923 000 shares (2015: 6 925 000) of Pick n Pay Stores Limited are held within the Group in order to settle obligations under the Group's forfeitable share plan. Participants to the forfeitable share plan have non-forfeitable rights to the dividends on these shares.

Going concern

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

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

The Group ensures that it complies with the liquidity and solvency requirements for any dividend payment and provision of financial assistance as per the requirements of the Companies Act, 2008.

Legal proceedings

The Company and its subsidiaries are not involved, and have not in the 2016 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 Pick n Pay Group of Companies, nor is the Company aware of any such proceedings that are pending or threatened.

Special resolutions

On 27 July 2015 the Company's shareholders approved the following special resolutions as tabled in the notice to the annual general meeting:

Directors' fees for the 2017 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, 2008, 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

for the period ended 28 February 2016

General approval to repurchase Company and parent Company shares

Shareholders resolved that the Company or any of its subsidiaries may acquire issued shares of the Company or its holding 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, 2008, 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.

Directors and secretary

Refer to note 4 of the Group annual financial statements for a list of directors of the Company for the 2016 financial year.

In terms of the Company's Memorandum of Incorporation, the non-executive directors listed below retire by rotation and they offer themselves for re-election:

Hugh Herman (non-executive)
Lorato Phalatse (non-executive)
Jeff van Rooyen (non-executive)
David Friedland (non-executive).

Ben van der Ross resigned as a non-executive director of Pick n Pay Stores Limited on 27 July 2015.

John Gildersleeve resigned as a non-executive director of Pick n Pay Stores Limited on 28 February 2016.

Directors' interest in shares

	2016 %	2015 %
Beneficial	**1.9**	0.9
Non-beneficial	**26.3**	27.5
Total	**28.2**	28.4

The directors' interest in shares is their effective direct shareholding, including shares held under the Group's forfeitable share plan, in the Company (excluding treasury shares) and their effective indirect shareholding through Pick n Pay Holdings Limited RF (excluding treasury shares). For further details refer to note 4 of the Group annual financial statements.

The Company Secretary is Debra Muller.

Holding company

The holding company is Pick n Pay Holdings Limited RF (listed on the JSE).

Subsidiary companies

Details of key subsidiary companies are presented in note 27 of the Group annual financial statements.

Borrowings

The Group's overall level of debt (including bank overdrafts and overnight borrowings) decreased from R1 284.3 million to R629.6 million.

Independent auditor's report

for the period ended 28 February 2016

TO THE SHAREHOLDERS OF PICK N PAY STORES LIMITED

We have audited the consolidated and separate financial statements of Pick n Pay Stores Limited set out on pages 24 to 103, which comprise the statements of financial position as at 28 February 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The company's directors are responsible for the preparation and fair presentation of these 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 28 February 2016, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 28 February 2016, we have read the directors' report, the audit committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

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 one year.

Ernst & Young Inc.

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

35 Lower Long Street
Cape Town

25 April 2016

Audit and risk committee report

The Group operates in the fast moving consumer goods 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 and risk committee, whose responsibility it is to develop, communicate and monitor the risk management process across all divisions in the Group. The audit and risk committee is integral to the risk management process, with specific oversight of financial, operational and information technology risks and the associated internal controls. The Chief Finance Officer serves as the Chief Risk Officer for the Group and attends all audit and risk 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. 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. 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.

The audit and risk committee is a statutory committee, as required by the Companies Act, and functions within a charter that is reviewed and approved annually by the Board. The committee members, Jeff van Rooyen, Hugh Herman and Audrey Mothupi, were confirmed for appointment at the AGM held on 27 July 2015.

Ben van der Ross resigned from his membership of the audit and risk committee prior to its first meeting during the 2016 financial year. The committee expressed their appreciation for his valued contribution to their deliberations over the years of his membership.

David Friedland has been appointed to the audit and risk committee with effect from the commencement of the 2017 financial year, subject to election by shareholders at the AGM to be held on 25 July 2016.

ROLE OF THE COMMITTEE

The audit and risk committee has an independent role with accountability both to the Board and to shareholders. The committee's responsibilities include the statutory duties prescribed by the Companies Act, activities recommended by King III and the responsibilities assigned by the Board.

The committee's ongoing main responsibilities are as follows:

Integrated and financial reporting

- Review the financial statements, interim report, preliminary results announcement and summarised financial statements and ensure compliance with International Financial Reporting Standards and the Companies Act;
- Review and approve the appropriateness of accounting policies, disclosure policies and the effectiveness of internal financial controls;
- Perform a review of the Group's integrated reporting function and progress, and consider factors and risks that could impact on the integrity of the integrated annual report;
- Review the sustainability disclosure in the integrated annual report and ensure that it is consistent with financial information reported; and
- Recommend the integrated annual report to the Board for approval.

Finance function

- Consider the expertise and experience of the Chief Finance Officer (CFO); and
- Consider the expertise, experience and resources of the Group's finance function.

Internal audit

- Review and approve the internal audit charter and audit plans;
- Evaluate the independence, effectiveness and performance of the internal audit function and compliance with its mandate;
- Review the Group's system of internal control, including financial controls, ensuring that management is adhering to and continually improving these controls;
- Review significant issues raised by the internal audit process; and
- Review policies and procedures for preventing and detecting fraud.

Audit and risk committee report continued

External audit
- 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 which the external auditors may provide to the Group;
- Approve the remuneration of the external auditors and assess their performance; and
- Assess annually the independence of the external auditors.

Risk management
- Ensure that management's processes and procedures are adequate to identify, assess, manage and monitor enterprise-wide risks; and
- Review tax and technology risks, in particular how they are managed.

General
- Receive and deal appropriately with any complaint relating to the accounting practice and internal audit of the Group or to the content or auditing of its financial statements, or to any related matter; and
- Perform other functions as determined by the Board.

COMPOSITION OF THE COMMITTEE

This committee is chaired by 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 year and in compliance with King III, are elected by shareholders at the annual general meeting.

Composition of the committee, frequency of meetings, activities in the period under review

Members	Attendance	Activities 2016
Jeff van Rooyen (Chairman)	2/2	• Reviewed and recommended the half-year and full-year financial results, annual financial statements and integrated annual report to the Board for approval • Reviewed the internal audit coverage plan and ensured continued progress in integrating with the combined assurance model • Reviewed and approved the accounting and disclosure policies and the effectiveness of internal financial controls • Reviewed the external audit coverage plan • Pre-approved all non-audit services provided by the Group's external auditors • Met separately with the internal auditors and the external auditors to confirm that they received the full co-operation of management • Met with management to review their progress on identifying and addressing material risk areas within the business • Reviewed the sustainability disclosure in the integrated annual report and ensured that it was consistent with financial information reported • Chairman met regularly with key management to keep abreast of emerging issues • Discharged all audit committee responsibilities to all the subsidiary companies within the Group • Reviewed the findings of the financial review committees of all the material operating subsidiary companies. The financial review committees are chaired by the CFO and, together with the external auditors and management of the respective subsidiary, review in detail the results of the material operating subsidiary companies • 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 • Conducted a comprehensive tender process to establish which audit firm should be appointed as external auditor, following which recommended the appointment of Ernst & Young Inc. to shareholders for election at the 2015 AGM
Hugh Herman	2/2	
Audrey Mothupi	2/2	

Audit and risk committee report continued

INDEPENDENCE OF EXTERNAL AUDITORS

The committee 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. The committee was satisfied as to the independence of the Group's external auditors, Ernst & Young Inc. and its respective audit partners.

POLICY ON NON-AUDIT SERVICES

All non-audit services provided by the Group's external auditors, Ernst & Young Inc., were pre-approved by the committee. The total fee for non-audit services provided did not exceed 50% of the total auditors' remuneration.

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 his 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.

APPROVAL OF THE AUDIT AND RISK COMMITTEE REPORT

The committee confirms that it functioned in accordance with its charter for the 2016 financial year and that its report to shareholders was approved by the Board.

The committee confirmed its satisfaction with the performance and level of service rendered by the external auditor, Ernst & Young Inc., for the 2016 financial year.

Jeff van Rooyen
Chairman: audit and risk committee

25 April 2016

Review of operations

Key financial indicators

	52 weeks 28 February 2016	52 weeks** 1 March 2015	% change
Turnover	**R72.4 billion**	R66.9 billion	8.2
Gross profit margin	**17.9%**	17.8%	
Other trading income	**R971.3 million**	R782.9 million	24.1
Trading expenses margin	**17.2%**	17.2%	
Trading profit	**R1 516.3 million**	R1 240.1 million	22.3
Trading profit margin	**2.1%**	1.9%	
Profit before tax	**R1 473.5 million**	R1 205.2 million	22.3
Profit before tax margin	**2.0%**	1.8%	
Profit for the period	**R1 065.4 million**	R861.7 million	23.6
Basic earnings per share	**219.11 cents**	178.79 cents	22.5
Headline earnings per share*	**224.04 cents**	177.26 cents	26.4
Total annual dividend per share	**149.40 cents**	118.10 cents	26.5

* *HEPS excludes capital profits and losses on the disposal and impairment of assets, which accounts for the difference in the year-on-year increase between HEPS and basic EPS.*
***Prior year amounts restated and/or reclassified, refer to note 30 of the Group annual financial statements.*

RESULT SUMMARY

The Group delivered a good performance in 2016. The strongest turnover growth since 2010, an improved gross profit margin, sound expense control and greater operating efficiency all contributed to a further increase in underlying trading margin. The 26.4% increase in headline earnings per share reflects improvement across the business, and progress in executing the Group's three-stage turnaround strategy.

Group turnover growth of 8.2% for the year is a significant improvement on the 6.1% delivered in 2015. Both like-for-like turnover growth at 3.8% (2015: 3.6%) and the contribution from new stores of 4.4% (2015: 2.5%) were stronger than in the previous year. On a constant currency basis, the top-line momentum achieved by the Group in the first half of the financial year was largely maintained in the second half, with Group turnover increasing 8.6%, and like-for-like growth of 4.1%.

In an increasingly challenging economic environment in South Africa, a sustained drought, weaker rand, accelerating food inflation, higher interest rates and increasing costs of energy and other utilities have placed added pressure on consumers. The Group has continued to support customers through meaningful price investment, restricting its selling price inflation to 3.1% over the year, below CPI Food inflation of 5.3%.

Gross profit margin improved from 17.8% to 17.9% through further operational efficiency and cost effectiveness across the procurement and supply chain channel.

The 24.1% increase in other trading income demonstrates the Group's commitment to broadening and improving its customer offer. Income from value-added services and other commissions increased by 35.0%.

Tighter control over capital and overhead expenditure remains a key priority. The like-for-like increase in trading expenses was contained at 5.0%, notwithstanding above-inflation increases in electricity, utility and security costs.

Effective working capital management and stronger cash balances over the year contributed to the 5.9% reduction in net finance charges, despite rising interest rates and increased capital expenditure on opening and refurbishing stores, which had an impact in the second half of the year.

The result achieved in 2016 reflects the core principle of the Group's long-term strategic plan that its turnaround must be customer-led as well as cost driven. The underlying improvement in the trading profit margin from 1.9% in 2015 to 2.1% in 2016 demonstrates that Stage 2 of its plan – Changing the Trajectory of Pick n Pay – is delivering.

OPERATIONAL REVIEW

We measure our progress over the year against the Group's seven strategic business acceleration pillars:

Better for customers

Progress achieved by the Group in improving the customer shopping experience resulted in positive like-for-like volume growth for the first time in a number of years.

The Group continued to deliver on its commitment to competitive prices and promotions, doubling the size of its Brand Match campaign to include 2 000 branded-products, strengthening its Smart Shopper loyalty programme and running a number of strong promotions, including a successful 48th Birthday promotion, a fun and engaging Stikeez campaign, and a "Black Friday" campaign which delivered the strongest trading day in the Group's history.

Brand Match continues to build confidence in the keenness of our pricing, with a high percentage of zero and low value coupons issued to customers. An increase in the proportion of coupons actually redeemed indicates the growing appeal of the Brand Match programme in difficult economic times.

Smart Shopper is South Africa's favourite loyalty programme (*Sunday Times* Top Brands Awards) and with 10.7 million Smart Shoppers, a Smart Shopper card is swiped over 725 000 times a

Review of operations continued

day in our stores. The Group rewarded its loyal Smart Shoppers with more savings than ever before, with 7.2 million personalised vouchers redeemed under the "Just for You" campaign. In addition, we increased the size of our "Instant Savings" campaign, enabling customers to earn an instant 10% savings off hundreds of products in-store and added a number of new and exciting partners to our "Partner Programme".

The Group strengthened and streamlined its product range by completing its programme of product category reviews, and implementing detailed planograms to display products on shelf more effectively and consistently. This has improved replenishment and product availability.

The Group is expanding, improving and refreshing its private label range. More than 250 new products were introduced this year, with a focus on convenient, pre-prepared value-added products. More than 650 products were re-launched with newly designed packaging. Our Next Generation stores feature expanded private label ranges and have grown participation of these products.

Both Pick n Pay and Boxer delivered double digit growth in sales of value-added services, with income from pre-paid electricity sales and third-party bill payments up 57%, and income from financial services up 42%.

A flexible and winning estate

The Group continued its programme to improve the breadth and quality of its store estate. It opened 175 new stores, contributing 4.4% to turnover growth. It refurbished 40 stores, including 28 in the second half of the year. In a number of cases, new stores brought Pick n Pay or Boxer to communities for the first time. These included Emoyeni in the North West, Hoopstad in the Free State, Sedgefield in the Eastern Cape and Sebokeng in Gauteng.

Customers are increasingly seeking convenience through smaller stores, neighbourhood locations, value-added products and more flexible opening hours. The Group is focused on growth in this market, and opened 46 new convenience stores in the year under the Pick n Pay Local and Express formats.

An increasingly centralised supply chain and lower cost operating model is expanding the range of locations in which the Group can successfully operate its convenience formats, which now numbers more than 100 stores across the Group.

Improving the performance of the Hypermarket division remains a key priority for the Group. Our refurbished hypermarket stores are delivering stronger sales from less space, and are finding innovative alternative uses for freed-up space, including through rentals to other operators and conversion of space to other uses such as fulfilment of online grocery orders.

The Group opened 33 clothing stores and 55 new liquor stores over the year, both on an owned and franchise basis. These divisions are becoming increasingly strong profit contributors to the Group, particularly our clothing division which is delighting customers with high-quality clothing for the whole family at exceptional value.

Pick n Pay added 59 net new franchise stores over the year, building on the leading franchise model in South Africa. Our franchise operation provides exceptional opportunities for entrepreneurs to create and build successful businesses. Our franchise partners are a valued part of the Group, enhancing the scale, expertise and passion of our business. Issues to franchisees increased over the year and bad debts were reduced.

In February 2016, in partnership with the Gauteng Administration, the Group piloted its first "Spaza-to-Store" conversion in Diepkloof Soweto. The project has given an existing spaza shop owner access to Pick n Pay's merchandise, business systems, supply chain and distribution network, together with management advice and mentoring. This is a pilot programme in its early stages, but has the potential to be another route through which small traders can become fully fledged entrepreneurs.

Turnover growth from Pick n Pay Online accelerated to 38% over the year, with a stronger range and a substantial improvement in product availability. The team is particularly pleased with the growth in demand from its "business to business" customers. The online business in the Western Cape has benefited from the dedicated picking warehouse established at the Brackenfell Hypermarket last year, and the Group will look to invest in a similar solution in the Gauteng region of South Africa, towards the end of this year.

Efficient and effective operations

The Group's Next Generation stores bring together improvements in store design, space allocation, product range, store operations, product replenishment and customer service. Following the successful launch of its first three Next Generation stores in the first half of the year, Pick n Pay added a further 20 Next Generation stores in the second half, through new stores and refurbishments. In addition, Boxer added its first three Next Generation stores during the year. The Group is encouraged by the operational efficiencies being achieved in these stores, which have improved ratios of trading space to back-up receiving and storage areas, resulting in lower stock holding and less waste.

Every product, every day

The Group added 241 suppliers to its centralised distribution channel this year, increasing the total centralisation of supply from 46% last year to 56% at February 2016. The Western Cape region, serviced by the Philippi distribution centre is at 68% centralisation (80% on groceries), with the Inland Region, serviced by the Longmeadow distribution centre at 62% (69% on groceries). The increase in centralisation has improved operating efficiency and lowered the cost per case delivered, both in groceries and perishables. Volumes issued from Pick n Pay distribution centres were up 33% on last year, contributing to a 3.4 percentage point improvement in on-shelf availability in our owned stores, which now stands at 96%. The Group's fresh distribution centre at Philippi in the Western Cape will open in September 2016, replacing its current facility next to Cape Town International Airport, which will substantially increase the fresh distribution capacity in the region.

The Group is currently looking at opportunities to grow its central distribution capacity in KwaZulu-Natal and the Eastern Cape.

Review of operations continued

A winning team

The Group created 4 500 new jobs this year, mainly through its new store opening programme. The Group increased its investment in skills development and training over the year, with 46 000 training courses reaching 40% of our staff. New management structures were implemented in all our new Next Generation stores to improve customer service and the quality and availability of fresh produce. These structures will be rolled out over time to all stores. The Group's new performance management system, introduced for senior managers last year, has been extended to all junior managers. It will ensure that staff are recognised and rewarded for making a positive difference to customers. More than 1 200 support office staff went "Back to the Shop Floor" for three days this year, refreshing their understanding of store operations and the importance of putting the customer first. Pick n Pay's commitment to building a diverse workforce was recognised by South Africa's Department of Labour at its Excellence in Employment Equity Awards, where Pick n Pay was recognised as the overall private sector winner for transformation in the workplace.

Boxer – a national brand

Boxer delivered good growth both in turnover and profit, despite the increasing economic challenges faced by its customers. Sound gross margin management and tight expense control was central to this improved performance, at a time when the business supported its customers with much needed investment in the price of basic commodities.

Boxer opened 24 new stores this year across its range of formats, including three Next Generation stores. These bring a fresh layout to stores, with a focus on strengthening the fresh meat and grocery offer. Boxer opened its first store in the Western Cape in November 2015, serviced by Pick n Pay's Philippi distribution centre. This has established Boxer as a national brand. The store, situated at Nonkqubela station, Khayelitsha has exceeded expectations and the team is confident of the opportunity to grow the Boxer brand in the region.

Rest of Africa – second engine of growth

Segmental revenue for the Rest of Africa division was up 15.9% in constant currency terms, with like-for-like revenue growth of 4.4%. Local currency weakness in Zambia had a negative impact on growth year-on-year, with reported segmental revenues up 8.8% on translation, with negative like-for-like revenue growth of 2.2%. Profit before tax for the Rest of Africa division was up 19.6% on last year.

The Rest of Africa segment result was supported by a stronger franchise performance in Botswana and Swaziland and an improved trading result from TM Supermarkets (TM) in Zimbabwe, notwithstanding the challenging trading conditions in the region. The TM result was underpinned by its ongoing refurbishment programme, with encouraging results from its rebranded Pick n Pay supermarkets. The Group has 57 supermarkets in the region, 14 of which now trade as Pick n Pay. TM was recognised with a number of awards from the Confederation of Zimbabwean Retailers during the year, including the Best Retail Branch Network and the Consumer Choice award as Zimbabwe's Supermarket of the year.

The performance of the Rest of Africa division was negatively impacted by adverse trading conditions in Zambia, reflecting the country's energy crisis, job losses in the copper mining belt, drought and a rapidly depreciating currency. Low consumer confidence resulted in slower demand over the year, although the division delivered an improved trading performance in the second half of the year.

The Group opened 14 new stores in its Rest of Africa division during the year, one in Botswana, eight in Namibia, one in Zambia and four in Zimbabwe. The Group remains confident of the long-term prospects in all of these regions and will continue to look for opportunities to grow its footprint next year, including opening its first stores in Ghana by the end of 2017.

A key part of the Group's strategy is to establish a second engine of growth in markets in the rest of Africa. The Group has examined the opportunity in Nigeria in detail, given the opportunity for long-term growth in that market. Following extensive on-the-ground market and consumer research over the past two years, the Group will partner with Nigeria Stock Exchange-listed AG Leventis to enter the Nigerian market. AG Leventis has nearly 90 years' trading experience in the country, with substantial expertise in the FMCG, motor vehicle, supply chain logistics and real estate sectors, and notable FMCG capabilities through Leventis Foods. Pick n Pay will hold 51% of the operation, which will roll out a combination of large and smaller formats to meet consumer needs in Nigeria, offering ranges tailored to local customer needs. The Group's African expansion, including its entrance into Nigeria, will continue in a deliberate, planned, and unhurried way, without putting the business under undue risk.

DETAILED FINANCIAL REVIEW

The 2016 financial statements include certain reclassifications and restatements. These had no impact on reported earnings for the current or prior period. Please refer to note 30 of the Group annual financial statements for further information.

Turnover

Group turnover at R72.4 billion, was up 8.2% on last year. On a constant currency basis, Group turnover was up 8.6% for the year, with currency weakness in operations outside South Africa impacting reported turnover growth specifically in the second half of the year. Greater business efficiency, supported by strong gross margin management, and a network of effective local suppliers enabled the Group to bear down on inflation, keeping price increases to 3.1% over the year, compared to CPI Food inflation of 5.3%.

This performance is against the back-drop of a challenging trading environment and falling consumer confidence. Customers are shopping more frequently for smaller baskets. This is reflected in an increase of 7.0% in customer transactions, at a time when the growth in basket value was 0.9%.

Gross profit

Gross profit increased by 8.6% to R12.9 billion. The gross profit margin increased by 0.1 percentage points to 17.9% of turnover, a solid margin performance at a time of significant price investment.

Review of operations continued

It has been made possible through effective margin management from all divisions in the Group. The Boxer team in particular demonstrated improved gross margin management in a tough environment, balancing substantial price investment in basic commodities with stronger participation from value-added departments such as butchery, bakery and deli.

Other trading income

Other trading income increased by 24.1% to R971.3 million.

Franchise fee income increased 7.6% to R316.7 million, supported by a net increase of 59 franchise stores and an improved franchise turnover performance.

Operating lease income increased 33.1% to R329.1 million, and at 0.5% of turnover, is 0.1 percentage points ahead of last year. The Group added a number of strategic head leases to its property portfolio, which boosted rentals received. The related operating lease expenses are included within occupancy costs.

Commissions and other income increased by 35.0% to R325.5 million, as a result of solid growth in value-added service products, including cellular, pre-paid electricity, third-party bill payments, travel, ticketing and financial services. This progress was particularly notable in view of the fact that the substantial launch commissions earned on the introduction of the sale of iTunes vouchers in the prior year were not repeated this year. Customer advocacy for these value-added services is steadily increasing, in both Pick n Pay and Boxer, and we are confident that this remains an exciting growth opportunity for the Group.

Trading expenses

Trading expenses at R12.4 billion were up 8.1%, and at 17.2% of turnover, were in line with last year. The increase in like-for-like trading expenses was contained at 5.0%, notwithstanding the increase in the cost of electricity and utilities.

Employee costs increased 6.8% to R6.1 billion, and at 8.4% of turnover, 0.1 percentage points better than last year. This improved performance has been driven by store operations, where savings are being achieved through improved productivity and efficiency. The like-for-like increase of 4.7% against an annual wage rate increase which was ahead of CPI, demonstrated real savings in hours worked. Employee costs included costs associated with the executive forfeitable share plan, R63.3 million of which were first time costs. If these costs were excluded, labour costs were up 3.7% on a like-for-like basis.

Occupancy costs at 3.2% of turnover were 0.1 percentage points up on the 3.1% of last year. The increase of 14.2% was driven by new stores, with an increase in like-for-like occupancy costs of 5.8%, in line with the annual escalation clauses of our long-term leases. The Group is focused on tighter management of occupancy costs in its negotiations with landlords and developers. Operating lease income, expressed as a percentage of turnover, was up 0.1 percentage points as a result of a number of new head leases in the Group. As such, net occupancy costs, as a percentage of turnover, were in line with last year.

Operations costs were up 8.8% on last year, at 3.9% of turnover. The like-for-like increase was 6.8%. The biggest cost drivers in this category were electricity and water, as a result of double-digit regulatory increases in electricity costs and increased water tariffs as a result of water restrictions related to the drought in large parts of South Africa. If these increases are excluded, operations costs were flat on last year. Repairs and maintenance costs were well controlled, and the increased depreciation and amortisation charge of 8.2% was due to higher levels of capital investment in the business.

Merchandising and administration costs, increased just 2.5% on last year (with like-for-like costs up 1.8%), mainly as a result of the reduction in bank interchange fees. The Group is seeing an increase in the participation of card tender, as customers move away from cash to plastic. This eroded some of the benefits from lower interchange fees. Bad debts were down R11.6 million on last year, indicating the improved health of our franchise business.

Trading profit

Trading profit increased 22.3% to R1 516.3 million. The trading profit margin improved from 1.9% to 2.1% of turnover.

Net interest

The Group continued to find savings in net interest charges, notwithstanding increases in interest rates, a substantial increase in capital expenditure compared to last year, and increased inventory levels in the short-term driven by new stores and the accelerated centralisation of supply. The improved turnover performance over the last few years, coupled with stronger working capital management, enabled the Group to repay a further R250 million of long-term debt this year.

Share of associate's income

TM Supermarkets, the Group's associate trading in Zimbabwe, delivered a substantially improved result notwithstanding a challenging trading environment. The Group's share of TM's income grew from R14.3 million last year to R45.9 million this year, with some benefit from the stronger US dollar. In constant currency terms, profit from TM Supermarkets was up 150%.

Profits and losses on capital items

The Group incurred R32.6 million of capital losses compared with a capital profit of R10.4 million in the prior year. The Group has embarked on a substantial refurbishment programme, with 40 refurbishments completed this year. As part of this process store assets were scrapped and losses incurred. This is a strategic imperative in improving the overall quality of our Estate. Profits and losses on capital items are added back when calculating headline earnings per share.

Profit before tax

Profit before tax is up 22.3% to R1 473.5 million, representing an underlying profit before tax margin improvement from 1.8% to 2.0%. Profit before tax, excluding capital items, is up 26.1% to R1 506.1 million, representing a margin improvement of from 1.8% to 2.1% of turnover.

Tax

The effective tax rate improved from 28.5% to 27.7%. The reduction is as a direct result of our improved profitability, with no corresponding change in the level of non-deductible expenditure in the Group.

Earnings per share

Basic earnings per share (EPS) – increased 22.5% from 178.79 to 219.11 cents per share.

Review of operations continued

Headline earnings per share (HEPS) – increased 26.4% from 177.26 to 224.04 cents per share.

Financial position

Sound working capital management and good control over all capital and operating spend led to stronger cash balances over the period, notwithstanding the increased capital investment over the period in respect of growing and enhancing the store estate. The Group delivered a return on capital employed of 29.3% (2015: 24.0%), while reducing its level of long-term financial gearing, with a repayment of R250.0 million of long-term debt.

Inventory

The increased inventory levels at February 2016, up 10.7%, were due to the 164 net new stores opened over the year (excluding TM Supermarkets) and the increase in the centralisation of suppliers. On a like-for-like basis, inventory is up 1.7% on last year, with the decrease in inventory provisioning reflecting the positive impact of the product category reviews and stronger assortment management, which has also improved on-shelf availability in Pick n Pay owned stores by 3.4 percentage points to 96.0%. Boxer delivered improved inventory management, notwithstanding its move to central distribution in KwaZulu-Natal and the Eastern Cape, through its new Cato Ridge distribution centre.

Trade and other receivables

Trade and other receivables increased by R389.8 million, or 13.3%, to R3 326.2 million as a result of the 59 net new franchise stores and encouraging growth in the issues to franchisees. The quality of the debtors' book has improved substantially over the last year, with the bad debts expense down R11.6 million, or 30.2%, on last year.

Cash and cash equivalents

	Sunday 28 February 2016 Rm	Sunday* 1 March 2015 Rm
Cash balances	**982.9**	1 024.5
Bank overdrafts and overnight borrowings	**(100.0)**	(500.0)
Cash and cash equivalents	**882.9**	524.5
Total borrowings	**(529.6)**	(784.3)
Net funding position	**353.3**	(259.8)

*Prior year amounts restated and/or reclassified, refer to note 30 of the Group annual financial statements.

Funding

The net funding position was R613.1 million stronger than last year, reflecting the reduced debt levels in the Group and some positive benefit from the financial calendar cut-off at year-end. Stronger working capital management over the year mitigated the impact of the increased capital investment in the business, with net finance charges down 5.9% on last year. Group capital expenditure was R1.8 billion for the year, compared with R1.1 billion in 2015, with 83% of the investment focused on expansion and the refurbishment of existing stores. The Group will repay a further R400 million of debt in August 2016.

Shareholder distribution

The Board declared a final dividend of 125.20 cents per share, bringing the total annual dividend for the year to 149.40 cents per share and maintaining a dividend cover of 1.5 times headline earnings per share for the full year.

Good progress on our plan

This is a strong result, achieved through hard work and a determination to get better at everything we do. We are buying better, diversifying our sales through flexible formats, benefiting from greater centralisation of our supply chain, bearing down on costs, and improving our efficiency. We have improved our trading profit margin and delivered another substantive improvement in profits. We are making real progress on our turnaround plan and our aim to restore Pick n Pay to long-term sustainable growth. We would like to acknowledge the hard work of our team, who are not only committed to building a prosperous business, but who continue to uphold the special values that make Pick n Pay such a loved brand in South Africa.

Gareth Ackerman
Chairman

Richard Brasher
Chief Executive Officer

25 April 2016

Pick n Pay Holdings Group

Directors' responsibility statement

PICK N PAY HOLDINGS LIMITED RF AND ITS SUBSIDIARIES

The directors are responsible for the preparation and fair presentation of the Group annual financial statements and annual financial statements of Pick n Pay Holdings Limited RF, comprising the statements of financial position at 28 February 2016, 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 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 foreseeable future.

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

APPROVAL OF GROUP ANNUAL FINANCIAL STATEMENTS AND COMPANY ANNUAL FINANCIAL STATEMENTS

The Group annual financial statements and Company annual financial statements of Pick n Pay Holdings Limited RF, as identified in the first paragraph, were approved by the Board of directors on 25 April 2016 and signed by:

Raymond Ackerman
Chairman

25 April 2016

Pick n Pay Holdings Group

Company Secretary's certificate

PICK N PAY HOLDINGS LIMITED RF AND ITS SUBSIDIARIES

In my capacity as Company Secretary, I certify that for the period ended 28 February 2016, Pick n Pay Holdings Limited RF has filed all returns and notices as required for a public company in terms of section 88(2)(e) of the Companies Act No 71 of 2008, as amended, and that such returns and notices are, to the best of my belief, true, correct and up to date.

Debra Muller
Company Secretary

25 April 2016

Directors' report

for the period ended 28 February 2016

PICK N PAY HOLDINGS LIMITED RF AND ITS SUBSIDIARIES

Nature of business

The Company, which is domiciled and incorporated in the Republic of South Africa and listed on the JSE, the recognised securities exchange in South Africa, was formed with the sole purpose of holding a controlling interest in Pick n Pay Stores Limited. The Company is entitled to redistribute any dividend received from Pick n Pay Stores Limited.

Overview of financial results and activities

Refer to the review of operations on page 18 for an overview of financial results and activities of the Group.

Audit committee

We draw your attention to the audit committee report on page 17 where we set out the responsibilities of the committee and how it has discharged these responsibilities during the period.

Share value

The directors consider that the ratio of the dividend declared per share for the period of Pick n Pay Holdings Limited RF of 72.25 cents, to that of Pick n Pay Stores Limited, 149.40 cents, determines the relative value of a Pick n Pay Holdings Limited RF share, which, based on these figures, is 48.4% (2015: 48.5%) of a Pick n Pay Stores Limited share.

Dividends declared

The directors have declared a final dividend (dividend 69) of 60.65 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 15%, for shareholders who are not exempt from dividend withholding tax. The last day to trade in order to participate in the dividend (CUM dividend) will be Friday, 3 June 2016. The shares will trade ex-dividend from the commencement of business on Monday, 6 June 2016 and the record date will be Friday, 10 June 2016. The dividends will be paid on Monday, 13 June 2016. Refer to note 8 of the Group annual financial statements for a detailed analysis.

Investment

The Company's sole asset is its 52.7% (2015: 52.8%) direct shareholding in its subsidiary, Pick n Pay Stores Limited, and its only source of income is the dividend received from Pick n Pay Stores Limited. After taking into account the Pick n Pay Stores Limited treasury shares held by the Pick n Pay Stores Group, the Company's effective holding in Pick n Pay Stores Limited at period end is 53.7% (2015: 53.8%).

Share capital

The issued ordinary share capital remained unchanged during the period at 527 249 082 shares.

At period end, 11 129 324 shares (2015: 11 106 487 shares) of Pick n Pay Holdings Limited RF, were held within the Group. These shares are held to settle obligations of share options granted under the Group's employee share scheme.

Going concern

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

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, consider that the presentation of the annual financial statements on this basis is appropriate.

The Group ensures that it complies with the liquidity and solvency requirements for any dividend payment and provision of financial assistance as per the requirements of the Companies Act, 2008.

Legal proceedings

The Company and its subsidiaries are not involved, and have not in the 2016 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 Pick n Pay Group of Companies, nor is the Company aware of any such proceedings that are pending or threatened.

Special resolutions

On 27 July 2015 the Company's shareholders approved the following special resolutions as tabled in the notice to the annual general meeting:

Directors' fees for the 2017 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, 2008, that the Company may from time to time provide direct or indirect financial assistance to any related or inter-related company on such terms and conditions as determined by the Board.

Directors' report continued

for the period ended 28 February 2016

General approval to repurchase Company shares
Shareholders resolved that the Company or any of its subsidiaries may acquire issued shares of the Company or its listed subsidiary 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, 2008, and the Listings Requirements of the JSE, provided further that acquisitions of shares in the Company by the Company and its subsidiaries may not, in the aggregate, exceed in any one financial year 5% of the Company's issued share capital.

Directors and secretary
Refer to note 4 of the Group annual financial statements for a list of directors of the Company for the 2016 financial year.

In terms of the Company's Memorandum of Incorporation, the directors listed below retire by rotation and they offer themselves for re-election:
Gareth Ackerman (non-executive)
Hugh Herman (non-executive)
David Robbins (alternate director)
Suzanne Ackerman-Berman (alternate director)
Jonathan Ackerman (alternate director)

Directors' interest in shares

	2016 %	2015 %
Beneficial	**2.0**	0.9
Non-beneficial	**49.6**	50.6
Total	**51.6**	51.5

The directors' interest in shares is their effective direct shareholding in the Company, excluding treasury shares. For further details refer to note 4 of the Group annual financial statements.

The Company Secretary is Debra Muller.

Subsidiary companies
Details of key subsidiary companies are presented in note 27 of the Group annual financial statements.

Borrowings
The Group's overall level of debt (including bank overdrafts and overnight borrowings) decreased from R1 284.3 million to R629.6 million during the period.

Independent auditor's report

for the period ended 28 February 2016

TO THE SHAREHOLDERS OF PICK N PAY HOLDINGS LIMITED RF

We have audited the consolidated and separate financial statements of Pick n Pay Holdings Limited RF set out on pages 24 to 103, which comprise the statements of financial position as at 28 February 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The company's directors are responsible for the preparation and fair presentation of these 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 Holdings Limited RF as at 28 February 2016, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 28 February 2016, we have read the directors' report, the audit committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

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 Holdings Limited RF for one year.

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

35 Lower Long Street
Cape Town

25 April 2016

Audit committee report

The audit committee is a statutory committee, required by the Companies Act, and functions within a charter approved by the board. The committee members were confirmed for appointment at the AGM on 27 July 2015.

ROLE OF THE COMMITTEE

The audit committee has an independent role with accountability to both the Board and to shareholders. The committee's responsibilities include the statutory duties prescribed by the Companies Act, activities recommended by King III and the responsibilities assigned by the Board.

COMPOSITION OF THE COMMITTEE

The committee was chaired by and comprised 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 year and in compliance with King III are appointed by shareholders at the annual general meeting.

The committee has a charter which is reviewed and approved by the Board annually.

MEETINGS AND ACTIVITIES

The committee's main responsibilities were discharged by the audit and risk committee elected for Pick n Pay Stores Limited.

Members	Attendance	Activities 2016
Rene de Wet (Chairman)	2/2	• Reviewed and recommended the half-year and full-year financial results, annual financial statements and integrated annual report to the Board for approval • Reviewed and approved the accounting and disclosure policies • Received and reviewed the report from the audit and risk committee of Pick n Pay Stores Limited • Assessed the carrying value of the Company's investment in Pick n Pay Stores Limited • Discharged all audit committee responsibilities to all the subsidiary companies within the Group • Received and reviewed reports from both the internal and external auditors • Conducted a comprehensive tender process to establish which audit firm should be appointed as external auditor, following which recommended the appointment of Ernst & Young Inc. to shareholders for election at the 2015 AGM • 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
Hugh Herman	2/2	
Jeff van Rooyen	2/2	

INDEPENDENCE OF EXTERNAL AUDITORS

The committee was satisfied as to the independence of the Group's external auditors, Ernst & Young Inc. and its respective audit partners.

POLICY ON NON-AUDIT SERVICES

All non-audit services provided by the Group's external auditors were pre-approved by the committee. The total fee for non-audit services provided should not, and did not, exceed 50% of the total auditor's remuneration.

EXPERTISE AND EXPERIENCE OF CHIEF FINANCE OFFICER AND FINANCE FUNCTION

The committee 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 his 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.

APPROVAL OF THE AUDIT COMMITTEE REPORT

The committee confirms that it functioned in accordance with its charter for the 2016 financial year and that its report to shareholders was approved by the Board.

The committee confirmed its satisfaction with the performance and level of service rendered by the external auditor, Ernst & Young Inc., for the 2016 financial year.

Rene de Wet

Rene de Wet
Chairman: audit committee

25 April 2016

Review of operations

Key financial indicators

	52 weeks 28 February 2016	52 weeks** 1 March 2015	% change
Turnover	**R72.4 billion**	R66.9 billion	8.2
Gross profit margin	**17.9%**	17.8%	
Other trading income	**R971.3 million**	R782.9 million	24.1
Trading expenses margin	**17.2%**	17.2%	
Trading profit	**R1 513.8 million**	R1 238.6 million	22.2
Trading profit margin	**2.1%**	1.9%	
Profit before tax	**R1 471.1 million**	R1 203.7 million	22.2
Profit before tax margin	**2.0%**	1.8%	
Profit for the period	**R1 063.0 million**	R860.2 million	23.6
Basic earnings per share	**108.78 cents**	88.78 cents	22.5
Headline earnings per share*	**111.24 cents**	88.01 cents	26.4
Total annual dividend per share	**72.25 cents**	57.25 cents	26.2

* *HEPS excludes capital profits and losses on the disposal and impairment of assets, which accounts for the difference in the year-on-year increase between HEPS and basic EPS.*

***Prior year amounts restated and/or reclassified, refer to note 30 of the Group annual financial statements.*

RESULT SUMMARY

The Group delivered a good performance in 2016. The strongest turnover growth since 2010, an improved gross profit margin, sound expense control and greater operating efficiency all contributed to a further increase in underlying trading margin. The 26.4% increase in headline earnings per share reflects improvement across the business, and progress in executing the Group's three-stage turnaround strategy.

Group turnover growth of 8.2% for the year is a significant improvement on the 6.1% delivered in 2015. Both like-for-like turnover growth at 3.8% (2015: 3.6%) and the contribution from new stores of 4.4% (2015: 2.5%) were stronger than in the previous year. On a constant currency basis, the top-line momentum achieved by the Group in the first half of the financial year was largely maintained in the second half, with Group turnover increasing 8.6%, and like-for-like growth of 4.1%.

In an increasingly challenging economic environment in South Africa, a sustained drought, weaker rand, accelerating food inflation, higher interest rates and increasing costs of energy and other utilities have placed added pressure on consumers. The Group has continued to support customers through meaningful price investment, restricting its selling price inflation to 3.1% over the year, below CPI Food inflation of 5.3%.

Gross profit margin improved from 17.8% to 17.9% through further operational efficiency and cost effectiveness across the procurement and supply chain channel.

The 24.1% increase in other trading income demonstrates the Group's commitment to broadening and improving its customer offer. Income from value-added services and other commissions increased by 35.0%.

Tighter control over capital and overhead expenditure remains a key priority. The like-for-like increase in trading expenses was contained at 5.0%, notwithstanding above-inflation increases in electricity, utility and security costs.

Effective working capital management and stronger cash balances over the year contributed to the 6.0% reduction in net finance charges, despite rising interest rates and increased capital expenditure on opening and refurbishing stores, which had an impact in the second half of the year.

The result achieved in 2016 reflects the core principle of the Group's long-term strategic plan that its turnaround must be customer-led as well as cost driven. The underlying improvement in the trading profit margin from 1.9% in 2015 to 2.1% in 2016 demonstrates that Stage 2 of its plan – Changing the Trajectory of Pick n Pay – is delivering.

OPERATIONAL REVIEW

We measure our progress over the year against the Group's seven strategic business acceleration pillars:

Better for customers

Progress achieved by the Group in improving the customer shopping experience resulted in positive like-for-like volume growth for the first time in a number of years.

The Group continued to deliver on its commitment to competitive prices and promotions, doubling the size of its Brand Match campaign to include 2 000 branded-products, strengthening its Smart Shopper loyalty programme and running a number of strong promotions, including a successful 48th Birthday promotion, a fun and engaging Stikeez campaign, and a "Black Friday" campaign which delivered the strongest trading day in the Group's history.

Brand Match continues to build confidence in the keenness of our pricing, with a high percentage of zero and low value coupons issued to customers. An increase in the proportion of coupons actually redeemed indicates the growing appeal of the Brand Match programme in difficult economic times.

Smart Shopper is South Africa's favourite loyalty programme (*Sunday Times* Top Brands Awards) and with 10.7 million Smart Shoppers, a Smart Shopper card is swiped over 725 000 times a day in our stores. The Group rewarded its loyal Smart Shoppers with more savings than ever before, with 7.2 million personalised vouchers redeemed under the "Just for You" campaign. In addition, we increased the size of our "Instant Savings" campaign, enabling customers to earn an instant 10% savings off hundreds of products in-store and added a number of new and exciting partners to our "Partner Programme".

The Group strengthened and streamlined its product range by completing its programme of product category reviews, and implementing detailed planograms to display products on shelf more effectively and consistently. This has improved replenishment and product availability.

The Group is expanding, improving and refreshing its private label range. More than 250 new products were introduced this year, with a focus on convenient, pre-prepared value-added products. More than 650 products were re-launched with newly designed packaging. Our Next Generation stores feature expanded private label ranges and have grown participation of these products.

Both Pick n Pay and Boxer delivered double digit growth in sales of value-added services, with income from pre-paid electricity sales and third-party bill payments up 57%, and income from financial services up 42%.

A flexible and winning estate

The Group continued its programme to improve the breadth and quality of its store estate. It opened 175 new stores, contributing 4.4% to turnover growth. It refurbished 40 stores, including 28 in the second half of the year. In a number of cases, new stores brought Pick n Pay or Boxer to communities for the first time. These included Emoyeni in the North West, Hoopstad in the Free State, Sedgefield in the Eastern Cape and Sebokeng in Gauteng.

Customers are increasingly seeking convenience through smaller stores, neighbourhood locations, value-added products and more flexible opening hours. The Group is focused on growth in this market, and opened 46 new convenience stores in the year under the Pick n Pay Local and Express formats.

An increasingly centralised supply chain and lower cost operating model is expanding the range of locations in which the Group can successfully operate its convenience formats, which now numbers more than 100 stores across the Group.

Improving the performance of the Hypermarket division remains a key priority for the Group. Our refurbished hypermarket stores are delivering stronger sales from less space, and are finding innovative alternative uses for freed-up space, including through rentals to other operators and conversion of space to other uses such as fulfilment of online grocery orders.

The Group opened 33 clothing stores and 55 new liquor stores over the year, both on an owned and franchise basis. These divisions are becoming increasingly strong profit contributors to the Group, particularly our clothing division which is delighting customers with high-quality clothing for the whole family at exceptional value.

Pick n Pay added 59 net new franchise stores over the year, building on the leading franchise model in South Africa. Our franchise operation provides exceptional opportunities for entrepreneurs to create and build successful businesses. Our franchise partners are a valued part of the Group, enhancing the scale, expertise and passion of our business. Issues to franchisees increased over the year and bad debts were reduced.

In February 2016, in partnership with the Gauteng Administration, the Group piloted its first "Spaza-to-Store" conversion in Diepkloof Soweto. The project has given an existing spaza shop owner access to Pick n Pay's merchandise, business systems, supply chain and distribution network, together with management advice and mentoring. This is a pilot programme in its early stages, but has the potential to be another route through which small traders can become fully fledged entrepreneurs.

Turnover growth from Pick n Pay Online accelerated to 38% over the year, with a stronger range and a substantial improvement in product availability. The team is particularly pleased with the growth in demand from its "business to business" customers. The online business in the Western Cape has benefited from the dedicated picking warehouse established at the Brackenfell Hypermarket last year, and the Group will look to invest in a similar solution in the Gauteng region of South Africa, towards the end of this year.

Efficient and effective operations

The Group's Next Generation stores bring together improvements in store design, space allocation, product range, store operations, product replenishment and customer service. Following the successful launch of its first three Next Generation stores in the first half of the year, Pick n Pay added a further 20 Next Generation stores in the second half, through new stores and refurbishments. In addition, Boxer added its first three Next Generation stores during the year. The Group is encouraged by the operational efficiencies being achieved in these stores, which have improved ratios of trading space to back-up receiving and storage areas, resulting in lower stock holding and less waste.

Every product, every day

The Group added 241 suppliers to its centralised distribution channel this year, increasing the total centralisation of supply from 46% last year to 56% at February 2016. The Western Cape region, serviced by the Philippi distribution centre is at 68% centralisation (80% on groceries), with the Inland Region, serviced by the Longmeadow distribution centre at 62% (69% on groceries). The increase in centralisation has improved operating efficiency and lowered the cost per case delivered, both in groceries and perishables. Volumes issued from Pick n Pay distribution centres were up 33% on last year, contributing to a 3.4 percentage point improvement in on-shelf availability in our owned stores, which now stands at 96%. The Group's fresh distribution centre at Philippi in the Western Cape will open in September 2016, replacing its current facility next to Cape Town International Airport, which will substantially increase the fresh distribution capacity in the region.

The Group is currently looking at opportunities to grow its central distribution capacity in KwaZulu-Natal and the Eastern Cape.

A winning team

The Group created 4 500 new jobs this year, mainly through its new store opening programme. The Group increased its investment in skills development and training over the year, with 46 000 training courses reaching 40% of our staff. New management structures were implemented in all our new Next Generation stores to improve customer service and the quality and availability of fresh produce. These structures will be rolled out over time to all stores. The Group's new performance management system, introduced for senior managers last year, has been extended to all junior managers. It will ensure that staff are recognised and rewarded for making a positive difference to customers. More than 1 200 support office staff went "Back to the Shop Floor" for three days this year, refreshing their understanding of store operations and the importance of putting the customer first. Pick n Pay's commitment to building a diverse workforce was recognised by South Africa's Department of Labour at its Excellence in Employment Equity Awards, where Pick n Pay was recognised as the overall private sector winner for transformation in the workplace.

Boxer – a national brand

Boxer delivered good growth both in turnover and profit, despite the increasing economic challenges faced by its customers. Sound gross margin management and tight expense control was central to this improved performance, at a time when the business supported its customers with much needed investment in the price of basic commodities.

Boxer opened 24 new stores this year across its range of formats, including three Next Generation stores. These bring a fresh layout to stores, with a focus on strengthening the fresh meat and grocery offer. Boxer opened its first store in the Western Cape in November 2015, serviced by Pick n Pay's Philippi distribution centre. This has established Boxer as a national brand. The store, situated at Nonkqubela station, Khayelitsha, has exceeded expectations and the team is confident of the opportunity to grow the Boxer brand in the region.

Rest of Africa – second engine of growth

Segmental revenue for the Rest of Africa division was up 15.9% in constant currency terms, with like-for-like revenue growth of 4.4%. Local currency weakness in Zambia had a negative impact on growth year-on-year, with reported segmental revenues up 8.8% on translation, with negative like-for-like revenue growth of 2.2%. Profit before tax for the Rest of Africa division was up 19.6% on last year.

The Rest of Africa segment result was supported by a stronger franchise performance in Botswana and Swaziland and an improved trading result from TM Supermarkets (TM) in Zimbabwe, notwithstanding the challenging trading conditions in the region. The TM result was underpinned by its ongoing refurbishment programme, with encouraging results from its rebranded Pick n Pay supermarkets. The Group has 57 supermarkets in the region, 14 of which now trade as Pick n Pay. TM was recognised with a number of awards from the Confederation of Zimbabwean Retailers during the year, including the Best Retail Branch Network and the Consumer Choice award as Zimbabwe's Supermarket of the year.

The performance of the Rest of Africa division was negatively impacted by adverse trading conditions in Zambia, reflecting the country's energy crisis, job losses in the copper mining belt, drought and a rapidly depreciating currency. Low consumer confidence resulted in slower demand over the year, although the division delivered an improved trading performance in the second half of the year.

The Group opened 14 new stores in its Rest of Africa division during the year, one in Botswana, eight in Namibia, one in Zambia and four in Zimbabwe. The Group remains confident of the long-term prospects in all of these regions and will continue to look for opportunities to grow its footprint next year, including opening its first stores in Ghana by the end of 2017.

A key part of the Group's strategy is to establish a second engine of growth in markets in the rest of Africa. The Group has examined the opportunity in Nigeria in detail, given the opportunity for long-term growth in that market. Following extensive on-the-ground market and consumer research over the past two years, the Group will partner with Nigeria Stock Exchange-listed AG Leventis to enter the Nigerian market. AG Leventis has nearly 90 years' trading experience in the country, with substantial expertise in the FMCG, motor vehicle, supply chain logistics and real estate sectors, and notable FMCG capabilities through Leventis Foods. Pick n Pay will hold 51% of the operation which will roll out a combination of large and smaller formats to meet consumer needs in Nigeria, offering ranges tailored to local customer needs. The Group's African expansion, including its entrance into Nigeria, will continue in a deliberate, planned, and unhurried way, without putting the business under undue risk.

DETAILED FINANCIAL REVIEW

The 2016 financial statements include certain reclassifications and restatements. These had no impact on reported earnings for the current or prior period. Please refer to note 30 of the Group annual financial statements for further information.

Turnover

Group turnover at R72.4 billion, was up 8.2% on last year. On a constant currency basis, Group turnover was up 8.6% for the year, with currency weakness in operations outside South Africa impacting reported turnover growth specifically in the second half of the year. Greater business efficiency, supported by strong gross margin management, and a network of effective local suppliers enabled the Group to bear down on inflation, keeping price increases to 3.1% over the year, compared to CPI Food inflation of 5.3%.

This performance is against the back-drop of a challenging trading environment and falling consumer confidence. Customers are shopping more frequently for smaller baskets. This is reflected in an increase of 7.0% in customer transactions, at a time when the growth in basket value was 0.9%.

Gross profit

Gross profit increased by 8.6% to R12.9 billion. The gross profit margin increased by 0.1 percentage points to 17.9% of turnover, a solid margin performance at a time of significant price investment. It has been made possible through effective margin management from all divisions in the Group. The Boxer team in particular demonstrated improved gross margin management in a tough environment, balancing substantial price investment in basic commodities with stronger participation from value-added departments such as butchery, bakery and deli.

Other trading income

Other trading income increased by 24.1% to R971.3 million.

Review of operations continued

Franchise fee income increased 7.6% to R316.7 million, supported by a net increase of 59 franchise stores and an improved franchise turnover performance.

Operating lease income increased 33.1% to R329.1 million, and at 0.5% of turnover, is 0.1 percentage points ahead of last year. The Group added a number of strategic head leases to its property portfolio, which boosted rentals received. The related operating lease expenses are included within occupancy costs.

Commissions and other income increased by 35.0% to R325.5 million, as a result of solid growth in value-added service products, including cellular, pre-paid electricity, third-party bill payments, travel, ticketing and financial services.

This progress was particularly notable in view of the fact that the substantial launch commissions earned on the introduction of the sale of iTunes vouchers in the prior year were not repeated this year. Customer advocacy for these value-added services is steadily increasing, in both Pick n Pay and Boxer, and we are confident that this remains an exciting growth opportunity for the Group.

Trading expenses

Trading expenses at R12.4 billion were up 8.2%, and at 17.2% of turnover, were in line with last year. The increase in like-for-like trading expenses was contained at 5.0%, notwithstanding the increase in the cost of electricity and utilities.

Employee costs increased 7.1% to R6.1 billion, and at 8.4% of turnover, were in line with last year. This improved performance has been driven by store operations, where savings are being achieved through improved productivity and efficiency. The like-for-like increase of 4.7% against an annual wage rate increase which was ahead of CPI, demonstrated real savings in hours worked. Employee costs included costs associated with the executive forfeitable share plan, R63.3 million of which were first time costs. If these costs were excluded, labour costs were up 3.7% on a like-for-like basis.

Occupancy costs at 3.2% of turnover were 0.1 percentage points up on the 3.1% of last year. The increase of 14.2% was driven by new stores, with an increase in like-for-like occupancy costs of 5.8%, in line with the annual escalation clauses of our long-term leases. The Group is focused on tighter management of occupancy costs in its negotiations with landlords and developers. Operating lease income, expressed as a percentage of turnover, was up 0.1 percentage points as a result of a number of new head leases in the Group. As such, net occupancy costs, as a percentage of turnover, were in line with last year.

Operations costs were up 8.8% on last year, at 3.9% of turnover. The like-for-like increase was 6.8%. The biggest cost drivers in this category were electricity and water, as a result of double-digit regulatory increases in electricity costs and increased water tariffs as a result of water restrictions related to the drought in large parts of South Africa. If these increases are excluded, operations costs were flat on last year. Repairs and maintenance costs were well controlled, and the increased depreciation and amortisation charge of 8.2% was due to higher levels of capital investment in the business.

Merchandising and administration costs, increased just 1.3% on last year (with like-for-like costs up 1.8%), mainly as a result of the reduction in bank interchange fees. The Group is seeing an increase in the participation of card tender, as customers move away from cash to plastic. This eroded some of the benefits from lower interchange fees. Bad debts were down R11.6 million on last year, indicating the improved health of our franchise business.

Trading profit

Trading profit increased 22.2% to R1 513.8 million. The trading profit margin improved from 1.9% to 2.1% of turnover.

Net interest

The Group continued to find savings in net interest charges, notwithstanding increases in interest rates, a substantial increase in capital expenditure compared to last year, and increased inventory levels in the short-term driven by new stores and the accelerated centralisation of supply. The improved turnover performance over the last few years, coupled with stronger working capital management, enabled the Group to repay a further R250 million of long-term debt this year.

Share of associate's income

TM Supermarkets, the Group's associate trading in Zimbabwe, delivered a substantively improved result notwithstanding a challenging trading environment. The Group's share of TM's income grew from R14.3 million last year to R45.9 million this year, with some benefit from the stronger US dollar. In constant currency terms, profit from TM supermarkets was up 150%.

Profits and losses on capital items

The Group incurred R32.6 million of capital losses compared with a capital profit of R10.4 million in the prior year. The Group has embarked on a substantial refurbishment programme, with 40 refurbishments completed this year. As part of this process, store assets were scrapped and losses incurred. This is a strategic imperative in improving the overall quality of our Estate. Profits and losses on capital items are added back when calculating headline earnings per share.

Profit before tax

Profit before tax is up 22.2% to R1 471.1 million, representing an underlying profit before tax margin improvement from 1.8% to 2.0%. Profit before tax, excluding capital items, is up 26.0% to R1 503.7 million, representing a margin improvement of from 1.8% to 2.1% of turnover.

Tax

The effective tax rate improved from 28.5% to 27.7%. The reduction is as a direct result of our improved profitability, with no corresponding change in the level of non-deductible expenditure in the Group.

Earnings per share

Basic earnings per share (EPS) – increased 22.5% from 88.78 to 108.78 cents per share.

Headline earnings per share (HEPS) – increased 26.4% from 88.01 to 111.24 cents per share.

Review of operations continued

Financial position
Sound working capital management and good control over all capital and operating spend led to stronger cash balances over the period, notwithstanding the increased capital investment over the period in respect of growing and enhancing the store estate. The Group delivered a return on capital employed of 30.6% (2015: 22.6%), while reducing its level of long-term financial gearing, with a repayment of R250.0 million of long-term debt.

Inventory
The increased inventory levels at February 2016, up 10.7%, were due to the 164 net new stores opened over the year (excluding TM Supermarkets) and the increase in the centralisation of suppliers. On a like-for-like basis, inventory is up 1.7% on last year, with the decrease in inventory provisioning reflecting the positive impact of the product category reviews and stronger assortment management, which has also improved on-shelf availability in Pick n Pay owned stores by 3.4 percentage points to 96.0%. Boxer delivered improved inventory management, notwithstanding its move to central distribution in KwaZulu-Natal and the Eastern Cape, through its new Cato Ridge distribution centre.

Trade and other receivables
Trade and other receivables increased by R389.8 million, or 13.3%, to R3 326.2 million as a result of the 59 net new franchise stores and encouraging growth in the issues to franchisees. The quality of the debtors' book has improved substantially over the last year, with the bad debts expense down R11.6 million, or 30.2%, on last year.

Cash and cash equivalents

	Sunday 28 February 2016 Rm	Sunday* 1 March 2015 Rm
Cash balances	**984.2**	1 025.3
Bank overdrafts and overnight borrowings	**(100.0)**	(500.0)
Cash and cash equivalents	**884.2**	525.3
Total borrowings	**(529.6)**	(784.3)
Net funding position	**354.6**	(259.0)

**Prior year amounts restated and/or reclassified, refer to note 30 of the Group annual financial statements.*

Funding
The net funding position was R613.6 million stronger than last year, reflecting the reduced debt levels in the Group and some positive benefit from the financial calendar cut-off at year-end. Stronger working capital management over the year mitigated the impact of the increased capital investment in the business, with net finance charges down 6.0% on last year. Group capital expenditure was R1.8 billion for the year, compared with R1.1 billion in 2015, with 83% of the investment focused on expansion and the refurbishment of existing stores. The Group will repay a further R400 million of debt in August 2016.

Shareholder distribution
The Board declared a final dividend of 60.65 cents per share, bringing the total annual dividend for the year to 72.25 cents per share.

Good progress on our plan
This is a strong result, achieved through hard work and a determination to get better at everything we do. We are buying better, diversifying our sales through flexible formats, benefiting from greater centralisation of our supply chain, bearing down on costs, and improving our efficiency. We have improved our trading profit margin and delivered another substantive improvement in profits. We are making real progress on our turnaround plan and our aim to restore Pick n Pay to long-term sustainable growth. We would like to acknowledge the hard work of our team, who are not only committed to building a prosperous business, but who continue to uphold the special values that make Pick n Pay such a loved brand in South Africa.

Raymond Ackerman
Chairman

25 April 2016

Dividend declarations

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 96) of 125.20 cents per share out of income reserves.

The dividend declared is subject to dividend withholding tax at 15%.

The tax payable is 18.78000 cents per share, leaving shareholders who are not exempt from dividends tax with a net dividend of 106.42000 cents per share.

DIVIDEND DATES
The last day of trade in order to participate in the dividend (CUM dividend) will be Friday, 3 June 2016.

The shares will trade EX dividend from the commencement of business on Monday, 6 June 2016 and the record date will be Friday, 10 June 2016. The dividends will be paid on Monday, 13 June 2016.

Share certificates may not be dematerialised or rematerialised between Monday, 6 June 2016 and Friday, 10 June 2016, both dates inclusive.

Pick n Pay Holdings Limited RF – Tax reference number: 9050/141/71/3
Number of shares in issue: 527 249 082

Notice is hereby given that the directors have declared a final gross dividend (number 69) of 60.65 cents per share out of income reserves.

The dividend declared is subject to dividend withholding tax at 15%.

The tax payable is 9.09750 cents per share, leaving shareholders who are not exempt from dividends tax with a net dividend of 51.55250 cents per share.

DIVIDEND DATES
The last day of trade in order to participate in the dividend (CUM dividend) will be Friday, 3 June 2016.

The shares will trade EX dividend from the commencement of business on Monday, 6 June 2016 and the record date will be Friday, 10 June 2016. The dividends will be paid on Monday, 13 June 2016.

Share certificates may not be dematerialised or rematerialised between Monday, 6 June 2016 and Friday, 10 June 2016, both dates inclusive.

On behalf of the Board of directors

Debbie Muller
Company Secretary

25 April 2016

Statements of comprehensive income

for the period ended

	Note	Pick n Pay Stores Group 52 weeks 28 February 2016 Rm	Pick n Pay Stores Group Restated* 52 weeks 1 March 2015 Rm	Pick n Pay Holdings Group 52 weeks 28 February 2016 Rm	Pick n Pay Holdings Group Restated* 52 weeks 1 March 2015 Rm
Revenue	2	**73 477.3**	67 783.1	**73 477.4**	67 783.1
Turnover	2	**72 445.1**	66 940.8	**72 445.1**	66 940.8
Cost of merchandise sold		**(59 474.8)**	(54 994.3)	**(59 474.8)**	(54 994.3)
Gross profit		**12 970.3**	11 946.5	**12 970.3**	11 946.5
Other trading income	2	**971.3**	782.9	**971.3**	782.9
Trading expenses		**(12 425.3)**	(11 489.3)	**(12 427.8)**	(11 490.8)
Employee costs	3	**(6 060.6)**	(5 672.9)	**(6 056.6)**	(5 653.9)
Occupancy		**(2 337.6)**	(2 047.6)	**(2 337.6)**	(2 047.6)
Operations		**(2 848.1)**	(2 618.8)	**(2 848.1)**	(2 618.8)
Merchandising and administration		**(1 179.0)**	(1 150.0)	**(1 185.5)**	(1 170.5)
Trading profit		**1 516.3**	1 240.1	**1 513.8**	1 238.6
(Loss)/profit on sale of property, plant and equipment		**(24.0)**	10.4	**(24.0)**	10.4
Impairment loss on intangible assets	9	**(8.6)**	—	**(8.6)**	—
Finance income	2	**60.9**	59.4	**61.0**	59.4
Finance costs	3	**(117.0)**	(119.0)	**(117.0)**	(119.0)
Share of associate's income	14	**45.9**	14.3	**45.9**	14.3
Profit before tax	3	**1 473.5**	1 205.2	**1 471.1**	1 203.7
Tax	6	**(408.1)**	(343.5)	**(408.1)**	(343.5)
Profit for the period		**1 065.4**	861.7	**1 063.0**	860.2
Other comprehensive income, net of tax					
Items that will not be reclassified to profit or loss		**14.8**	33.0	**14.8**	33.0
Remeasurement in retirement scheme assets	22	**20.5**	45.9	**20.5**	45.9
Tax on remeasurement in retirement scheme assets		**(5.7)**	(12.9)	**(5.7)**	(12.9)
Items that may be reclassified to profit or loss		**59.4**	(7.2)	**58.1**	(11.4)
Foreign currency translations		**58.1**	(11.4)	**58.1**	(11.4)
Fair value gain on available-for-sale financial instruments		**1.3**	4.2	**—**	—
Total comprehensive income for the period		**1 139.6**	887.5	**1 135.9**	881.8
Profit for the period attributable to:		**1 065.4**	861.7	**1 063.0**	860.2
Owners of the Company		**1 065.4**	861.7	**570.2**	461.8
Non-controlling interest		**—**	—	**492.8**	398.4
Total comprehensive income for the period attributable to:		**1 139.6**	887.5	**1 135.9**	881.8
Owners of the Company		**1 139.6**	887.5	**609.4**	473.4
Non-controlling interest		**—**	—	**526.5**	408.4
Earnings per share		**Cents**	Cents	**Cents**	Cents
Basic	7	**219.11**	178.79	**108.78**	88.78
Diluted	7	**215.05**	176.24	**105.36**	86.54

** Prior year amounts restated and/or reclassified, refer to note 30.*

Statements of financial position

	Note	Pick n Pay Stores Group As at 28 February 2016 Rm	Restated* As at 1 March 2015 Rm	Restated* As at 2 March 2014 Rm	Pick n Pay Holdings Group As at 28 February 2016 Rm	Restated* As at 1 March 2015 Rm	Restated* As at 2 March 2014 Rm
ASSETS							
Non-current assets							
Property, plant and equipment	10	**4 950.9**	4 187.0	4 039.3	**4 950.9**	4 187.0	4 039.3
Intangible assets	9	**1 004.9**	1 010.2	987.6	**1 004.9**	1 010.2	987.6
Operating lease assets	11	**171.6**	149.8	132.8	**171.6**	149.8	132.8
Financial assets at fair value through profit or loss	28	**232.1**	245.0	212.2	**13.6**	33.5	23.3
Available-for-sale financial instruments	28	**46.4**	42.2	38.0	**—**	—	—
Investment in associate	14	**285.5**	180.2	165.9	**285.5**	180.2	165.9
Participation in export partnerships	12	**14.1**	23.4	25.1	**14.1**	23.4	25.1
Loans	15	**96.4**	100.6	92.0	**96.4**	100.6	92.0
Retirement scheme assets	22	**90.8**	70.1	85.1	**90.8**	70.1	85.1
Deferred tax assets	13	**225.1**	198.8	212.1	**225.1**	198.8	212.1
		7 117.8	6 207.3	5 990.1	**6 852.9**	5 953.6	5 763.2
Current assets							
Inventory	16	**5 152.0**	4 654.5	3 979.8	**5 152.0**	4 654.5	3 979.8
Trade and other receivables	17	**3 326.2**	2 936.4	2 821.9	**3 326.2**	2 936.4	2 821.9
Cash and cash equivalents	18	**982.9**	1 024.5	1 334.2	**984.2**	1 025.3	1 334.2
Derivative financial instruments	28	**6.0**	1.4	3.5	**6.0**	1.4	3.5
		9 467.1	8 616.8	8 139.4	**9 468.4**	8 617.6	8 139.4
Total assets		**16 584.9**	14 824.1	14 129.5	**16 321.3**	14 571.2	13 902.6
EQUITY AND LIABILITIES							
Equity							
Share capital	19	**6.0**	6.0	6.0	**6.6**	6.6	6.6
Share premium		**—**	—	—	**120.8**	120.8	120.8
Treasury shares	20	**(63.5)**	(60.1)	(50.4)	**(121.5)**	(109.0)	(95.3)
Fair value reserve		**32.5**	31.2	27.0	**—**	—	—
Retained earnings		**3 882.9**	3 302.9	2 847.9	**1 932.5**	1 619.3	1 377.3
Foreign currency translation reserve		**39.9**	(18.2)	(6.8)	**21.4**	(9.8)	(3.6)
Attributable to owners of the Company		**3 897.8**	3 261.8	2 823.7	**1 959.8**	1 627.9	1 405.8
Non-controlling interest	29	**—**	—	—	**1 794.7**	1 499.2	1 290.6
Total equity		**3 897.8**	3 261.8	2 823.7	**3 754.5**	3 127.1	2 696.4
Non-current liabilities							
Borrowings	21	**83.0**	492.8	747.1	**83.0**	492.8	747.1
Operating lease liabilities	11	**1 239.6**	1 138.5	1 042.7	**1 239.6**	1 138.5	1 042.7
Deferred tax liabilities	13	**9.5**	—	—	**9.5**	—	—
		1 332.1	1 631.3	1 789.8	**1 332.1**	1 631.3	1 789.8
Current liabilities							
Trade and other payables	23	**10 500.6**	8 889.7	7 883.1	**10 504.9**	8 893.5	7 889.3
Share-based payment liability		**124.6**	122.0	105.8	**—**	—	—
Bank overdraft and overnight borrowings	18	**100.0**	500.0	670.0	**100.0**	500.0	670.0
Borrowings	21	**446.6**	291.5	737.8	**446.6**	291.5	737.8
Current tax liabilities	6	**183.0**	126.8	111.2	**183.0**	126.8	111.2
Provisions	24	**0.2**	1.0	8.1	**0.2**	1.0	8.1
		11 355.0	9 931.0	9 516.0	**11 234.7**	9 812.8	9 416.4
Total equity and liabilities		**16 584.9**	14 824.1	14 129.5	**16 321.3**	14 571.2	13 902.6

** Prior year amounts restated and/or reclassified, refer to note 30.*

Statements of changes in equity

for the period ended

Pick n Pay Stores Group

	Note	Share capital Rm	Treasury shares* Rm	Fair value reserve* Rm	Retained earnings* Rm	Foreign currency translation reserve Rm	Total equity* Rm
At 2 March 2014 as previously published		6.0	(145.7)	—	2 849.1	(6.8)	2 702.6
Prior year restatements*	30	—	95.3	27.0	(1.2)	—	121.1
At 2 March 2014 restated		6.0	(50.4)	27.0	2 847.9	(6.8)	2 823.7
Total comprehensive income for the period		—	—	4.2	894.7	(11.4)	887.5
Profit for the period		—	—	—	861.7	—	861.7
Remeasurement in retirement scheme assets		—	—	—	33.0	—	33.0
Foreign currency translations		—	—	—	—	(11.4)	(11.4)
Fair value gain on available-for-sale financial instruments		—	—	4.2	—	—	4.2
Transactions with owners		—	(9.7)	—	(439.7)	—	(449.4)
Dividends paid		—	—	—	(461.8)	—	(461.8)
Share repurchases	20	—	(155.7)	—	—	—	(155.7)
Net effect of settlement of employee share options	20	—	146.0	—	(102.0)	—	44.0
Share-based payments expense	3	—	—	—	124.1	—	124.1
At 1 March 2015 restated		**6.0**	**(60.1)**	**31.2**	**3 302.9**	**(18.2)**	**3 261.8**
Total comprehensive income for the period		**—**	**—**	**1.3**	**1 080.2**	**58.1**	**1 139.6**
Profit for the period		**—**	**—**	**—**	**1 065.4**	**—**	**1 065.4**
Remeasurement in retirement scheme assets		**—**	**—**	**—**	**14.8**	**—**	**14.8**
Foreign currency translations		**—**	**—**	**—**	**—**	**58.1**	**58.1**
Fair value gain on available-for-sale financial instruments		**—**	**—**	**1.3**	**—**	**—**	**1.3**
Transactions with owners		**—**	**(3.4)**	**—**	**(500.2)**	**—**	**(503.6)**
Dividends paid		**—**	**—**	**—**	**(589.5)**	**—**	**(589.5)**
Share repurchases	20	**—**	**(126.2)**	**—**	**—**	**—**	**(126.2)**
Net effect of settlement of employee share options	20	**—**	**122.8**	**—**	**(87.2)**	**—**	**35.6**
Share-based payments expense	3	**—**	**—**	**—**	**176.5**	**—**	**176.5**
At 28 February 2016		**6.0**	**(63.5)**	**32.5**	**3 882.9**	**39.9**	**3 897.8**

** Prior year amounts restated and/or reclassified, refer to note 30.*

Statements of changes in equity

for the period ended

Pick n Pay Holdings Group

	Note	Share capital Rm	Share premium Rm	Treasury shares Rm	Retained earnings Rm	Foreign currency translation reserve Rm	Total Rm	Non-controlling interest Rm	Total equity Rm
		Attributable to owners of the Company							
At 2 March 2014		6.6	120.8	(95.3)	1 377.3	(3.6)	1 405.8	1 290.6	2 696.4
Total comprehensive income for the period		—	—	—	479.5	(6.1)	473.4	408.4	881.8
Profit for the period		—	—	—	461.8	—	461.8	398.4	860.2
Foreign currency translations		—	—	—	—	(6.1)	(6.1)	(5.3)	(11.4)
Remeasurement in retirement scheme assets		—	—	—	17.7	—	17.7	15.3	33.0
Transactions with owners		—	—	(13.7)	(237.5)	(0.1)	(251.3)	(199.8)	(451.1)
Dividends paid		—	—	—	(245.2)	—	(245.2)	(211.9)	(457.1)
Share repurchases	20	—	—	(22.2)	(83.7)	—	(105.9)	(72.0)	(177.9)
Net effect of settlement of employee share options	20	—	—	8.5	19.1	—	27.6	16.4	44.0
Share-based payments expense	3	—	—	—	75.2	—	75.2	64.7	139.9
Movement in non-controlling interest		—	—	—	(2.9)	(0.1)	(3.0)	3.0	—
At 1 March 2015		**6.6**	**120.8**	**(109.0)**	**1 619.3**	**(9.8)**	**1 627.9**	**1 499.2**	**3 127.1**
Total comprehensive income for the period		**—**	**—**	**—**	**578.2**	**31.2**	**609.4**	**526.5**	**1 135.9**
Profit for the period		**—**	**—**	**—**	**570.2**	**—**	**570.2**	**492.8**	**1 063.0**
Foreign currency translations		**—**	**—**	**—**	**—**	**31.2**	**31.2**	**26.9**	**58.1**
Remeasurement in retirement scheme assets		**—**	**—**	**—**	**8.0**	**—**	**8.0**	**6.8**	**14.8**
Transactions with owners		**—**	**—**	**(12.5)**	**(265.0)**	**—**	**(277.5)**	**(231.0)**	**(508.5)**
Dividends paid		**—**	**—**	**—**	**(313.4)**	**—**	**(313.4)**	**(273.7)**	**(587.1)**
Share repurchases	20	**—**	**—**	**(16.1)**	**(67.8)**	**—**	**(83.9)**	**(58.4)**	**(142.3)**
Net effect of settlement of employee share options	20	**—**	**—**	**3.6**	**15.6**	**—**	**19.2**	**16.4**	**35.6**
Share-based payments expense	3	**—**	**—**	**—**	**99.6**	**—**	**99.6**	**85.7**	**185.3**
Movement in non-controlling interest		**—**	**—**	**—**	**1.0**	**—**	**1.0**	**(1.0)**	**—**
At 28 February 2016		**6.6**	**120.8**	**(121.5)**	**1 932.5**	**21.4**	**1 959.8**	**1 794.7**	**3 754.5**

Statements of cash flows

for the period ended

	Note	Pick n Pay Stores Group 52 weeks 28 February 2016 Rm	Pick n Pay Stores Group Restated* 52 weeks 1 March 2015 Rm	Pick n Pay Holdings Group 52 weeks 28 February 2016 Rm	Pick n Pay Holdings Group Restated* 52 weeks 1 March 2015 Rm
Cash flows from operating activities					
Trading profit		**1 516.3**	1 240.1	**1 513.8**	1 238.6
Amortisation	9	**162.5**	155.0	**162.5**	155.0
Depreciation	10	**778.4**	714.5	**778.4**	714.5
Equity-settled share-based payment expense	3	**176.5**	124.1	**185.3**	139.9
Cash-settled share-based payment expense	3	**13.0**	34.9	**—**	—
Movement in net operating lease liabilities		**79.3**	78.8	**79.3**	78.8
Movement in provisions		**(0.8)**	(7.1)	**(0.8)**	(7.1)
Fair value loss/(gain) on financial instruments at fair value through profit or loss		**11.1**	(27.2)	**15.3**	(8.1)
Cash generated before movements in working capital		**2 736.3**	2 313.1	**2 733.8**	2 311.6
Movements in working capital		**728.7**	219.5	**729.2**	217.1
Movements in trade and other payables		**1 610.9**	1 006.6	**1 611.4**	1 004.2
Movements in inventory		**(492.4)**	(672.6)	**(492.4)**	(672.6)
Movements in trade and other receivables		**(389.8)**	(114.5)	**(389.8)**	(114.5)
Cash generated from trading activities		**3 465.0**	2 532.6	**3 463.0**	2 528.7
Interest received	2	**60.9**	59.4	**61.0**	59.4
Interest paid	3	**(117.0)**	(119.0)	**(117.0)**	(119.0)
Cash generated from operations		**3 408.9**	2 473.0	**3 407.0**	2 469.1
Dividends paid		**(589.5)**	(461.8)	**(587.1)**	(457.1)
Tax paid	6	**(335.8)**	(284.5)	**(335.8)**	(284.5)
Cash generated from operating activities		**2 483.6**	1 726.7	**2 484.1**	1 727.5
Cash flows from investing activities					
Investment in intangible assets	9	**(85.7)**	(159.2)	**(85.7)**	(159.2)
Investment in property, plant and equipment	10	**(1 623.1)**	(897.3)	**(1 623.1)**	(897.3)
Investment in financial instruments at fair value		**(16.1)**	(22.2)	**—**	—
Purchase of operations		**(87.6)**	(50.9)	**(87.6)**	(50.9)
Proceeds on disposal of intangible assets		**—**	4.7	**—**	4.7
Proceeds on disposal of property, plant and equipment		**40.0**	57.3	**40.0**	57.3
Loans repaid/(advanced)		**4.2**	(8.6)	**4.2**	(8.6)
Participation in export partnership		**9.3**	1.7	**9.3**	1.7
Retirement obligation		**(0.2)**	60.9	**(0.2)**	60.9
Cash utilised in investing activities		**(1 759.2)**	(1 013.6)	**(1 743.1)**	(991.4)
Cash flows from financing activities					
Proceeds from borrowings		**—**	400.0	**—**	400.0
Repayment of borrowings		**(254.7)**	(1 100.6)	**(254.7)**	(1 100.6)
Share repurchases		**(126.2)**	(155.7)	**(142.3)**	(177.9)
Proceeds from employees on settlement of share options		**0.3**	1.0	**0.3**	1.0
Cash utilised in financing activities		**(380.6)**	(855.3)	**(396.7)**	(877.5)
Net increase/(decrease) in cash and cash equivalents		**343.8**	(142.2)	**344.3**	(141.4)
Cash and cash equivalents at beginning of period		**524.5**	664.2	**525.3**	664.2
Foreign currency translations		**14.6**	2.5	**14.6**	2.5
Cash and cash equivalents at end of period	18	**882.9**	524.5	**884.2**	525.3
Consisting of:					
Cash and cash equivalents	18	**982.9**	1 024.5	**984.2**	1 025.3
Bank overdraft and overnight borrowings	18	**(100.0)**	(500.0)	**(100.0)**	(500.0)

** Prior year amounts restated and/or reclassified, refer to note 30.*

Notes to the Group annual financial statements

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Reporting entities

The consolidated financial statements for the 52 weeks ended 28 February 2016 (2015: 52 weeks ended 1 March 2015) comprise Pick n Pay Stores Limited and its subsidiaries and associate (referred to as "Pick n Pay Stores Group") and Pick n Pay Holdings Limited RF and its subsidiaries and associate (referred to as "Pick n Pay Holdings Group"), together referred to as "the Group". Pick n Pay Stores Limited and Pick n Pay Holdings Limited RF are referred to as "the Companies".

1.2 Statement of compliance

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

The Group manages its retail operations on a 52-week trading calendar where the reporting period will always end on a Sunday.

Revenue and gross profit are managed on a daily basis and aggregated into 52 trading weeks, whereas items included in profit before tax, other than those included in gross profit, are managed on a calendar month basis and are not pro-rated to days or weeks. The profit for the period therefore consists of 52 weeks of gross profit and 12 calendar months of other income and expenses, such as trading expenses, other trading income and interest.

To ensure calendar realignment of turnover and gross profit, a 53rd-week of trading is required approximately every six years.

When reviewing the Group's financial position it is appropriate to consider the movement in net working capital in order to eliminate cut-off impacts on individual line items on the statement of financial position and to ensure year-on-year comparability.

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

IFRS 2 *Share-Based Payments*
The amendment defines performance condition and service condition to clarify various issues, including that a performance condition must contain a service condition; a performance target must be met while the counterparty is rendering service; a performance target may relate to the operations or activities of an entity (or to those of another entity within the same group); a performance condition may be a market or non-market condition; if the counterparty ceases to provide service during the vesting period, the service condition is not met and the amendment must be applied prospectively. Refer to note 5.

IFRS 8 *Operating Segments*
Aggregation of operating segments – the amendment clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendment must be applied retrospectively.

Reconciliation of the total of the reportable segments' assets to the entity's assets – the amendment clarifies that the reconciliation of segment assets to total assets is required to be disclosed only if the reconciliation is reported to the chief operating decision maker (CODM), similar to the required disclosure for segment liabilities. The amendment must be applied retrospectively. Refer to note 26.

IAS 16 *Plant, Property and Equipment and* IAS 38 *Intangible Assets*
The amendments to IAS 16 and IAS 38 clarify that the revaluation can be performed either by adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying amount and adjust the carrying amount proportionately so that the resulting carrying amount equals the market value. The amendments also clarify that accumulated depreciation/amortisation is the difference between the gross and carrying amounts of the asset. The amendments must be applied retrospectively. Refer to notes 10 and 9 respectively.

IAS 24 *Related Parties Disclosures*
The amendment clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment must be applied retrospectively. Refer to note 27.

IFRS 13 *Fair Value Measurement*
The amendment clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 or IAS 39. The amendment must be applied prospectively. Refer to note 28.

Notes to the Group annual financial statements

continued

1.3 Basis of preparation continued

IAS19 *Defined Benefit Plans: Employee Contributions*
The amendment clarifies that, if the amount of the third party or employee contributions linked to service are independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. Refer to note 22.

1.4 Foreign currency transactions and translations

Functional and presentation currency
The consolidated financial statements are presented in South African rand, which is the Company's functional currency. All financial information has been rounded to the nearest million, unless otherwise stated. Certain individual companies (foreign operations) in the Group have functional currencies different to that of the Group and are translated on consolidation.

Transactions and balances
Transactions denominated in currencies other than the functional currency of Group entities (foreign currencies) are translated to the respective functional currencies of the 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 profit or loss.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the respective functional currency of Group entities at the rates of exchange ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and amortised cost 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 the respective functional currency of Group entities 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, including goodwill and fair value adjustments arising on acquisition, 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 and presented within equity in a foreign currency translation reserve.

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

When a foreign operation is disposed of, the related amount in the foreign currency translation reserve is recycled through the statement of comprehensive income.

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 the following, but are not limited to:

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.

Accrual for rebates and incentives
The Group enters into various agreements with suppliers providing for inventory purchase rebates. The Group accrues the receipt of supplier rebates as part of its cost of merchandise sold taking into consideration the cumulative purchases of inventory to date. Consequently the rebates actually received may vary from that accrued in the financial statements.

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

Notes to the Group annual financial statements
continued

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. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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 note 6 and 13.

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

Measurements of the recoverable amounts of cash-generating units containing goodwill
Determining the recoverable amount of cash-generating units (CGU) containing goodwill was determined by calculating the value in use. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as future cash flows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill. 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 amortised over their useful lives taking into account applicable residual values. Useful lives and residual lives 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. Refer to notes 11 and 21.

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. Judgement is required in determining whether indicators of impairment exist. Estimates of the future cash inflows are used in the value in use calculation.

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. The Group makes allowance for specific trade receivables which have clearly indicated financial difficulty and the likelihood of repayment has become impaired. Estimation is required in the determination of future cash flows and the likelihood of repayment. Refer to note 17.

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 22.

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 note 23.

Consolidation of the Group's share trust
The Group operates an employee share option scheme through the Employee Share Purchase Trust. The trust is consolidated into the Group's results as the Group has exposure or rights to variable returns from its involvement with the investee, and it uses its power to affect its returns from the trust. Refer to notes 19 and 20.

Insurance cell captive
The Group has determined that it does not have control over its insurance cell captive as assets and liabilities are considered to belong to the insurer and not the investee. The cell captive has therefore not been consolidated and as the Group is exposed to financial risk rather than insurance risk, the Group has accounted for its investment as a financial asset at fair value through profit or loss in accordance with IAS39.

Notes to the Group annual financial statements

continued

1.6 Basis of consolidation

Investment in subsidiaries

The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. 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.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the statement of comprehensive income. Any investment retained is recognised at fair value.

Interest in equity-accounted investees

The Group's interest in equity-accounted investees comprises its interests in associates.

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.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. 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 results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. 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 on the face of the statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of 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, and then recognises the loss as Share of associate's income in the statement of comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the statement of comprehensive income.

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 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 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. Borrowing costs related to the acquisition, construction or production of qualifying assets are capitalised to the cost of the asset.

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 as 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.

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 are as follows:

Buildings	40 years
Major property components	10 to 20 years
Furniture and fittings	5 to 10 years
Equipment	2 to 7 years
Vehicles	4 to 5 years
Aircraft and major components	7 to 20 years
Leasehold improvements	8 years

Impairment
Property, plant and equipment are assessed for impairment as non-financial assets as per note 1.13.

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

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

1.8 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, then 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 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 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. Borrowing costs related to the acquisition or development of qualifying intangible assets are capitalised to the cost of the intangible asset.

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 as 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.

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.

Notes to the Group annual financial statements

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1.8 Intangible assets continued

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 are as follows:

Goodwill	Indefinite
Systems development	7 years
Licences	5 years

Impairment

Intangible assets are assessed for impairment as non-financial assets as per note 1.13.

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 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.

Service contracts dependent on specific underlying assets

Where the Group enters into a contract that depends on the use of a specific asset and that contract conveys the right to control the use of the specific asset, the arrangement is treated as a lease.

Recognition criteria as detailed above under finance leases and operating leases are applied to determine whether the arrangement should be treated as a finance lease or an operating lease.

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 them to their existing location and condition, including distribution costs, and is stated net of relevant purchase incentives.

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. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the

Notes to the Group annual financial statements
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risks specific to the liability. The unwinding of discounts is recognised as a finance cost. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions 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. Before a provision is established, the Group recognises any impairment loss on the assets associated with that 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, loans and borrowings 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 Group uses valuation techniques that are appropriate in 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 of part or a group of similar financial assets) are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire, are discharged or cancelled. The resulting differences between the carrying values on derecognition of the financial instrument and the amount received or paid is recognised in the statement of comprehensive income.

Offsetting

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

Subsequent measurement

Loans and receivables and financial liabilities 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 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 consolidated 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 payables

Trade and other payables are measured at amortised cost using the effective interest method. The effective interest rate amortisation is included in interest paid 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.

Trade and other receivables and loans

Trade and other receivables and loans are subsequently 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 and are all short term in nature. Loans mainly comprise housing and other employee loans with maturity dates of more than 12 months after the reporting date.

Notes to the Group annual financial statements
continued

1.12 Financial instruments continued

Borrowings

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

Participation in export partnerships

Participation in export partnerships, a financial asset classified as receivables originated by the enterprise, are measured at amortised cost using the effective interest method. The effective interest rate amortisation is included in finance income in the statement of comprehensive income.

Financial instruments at fair value through profit or loss

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

Financial assets designated at fair value through profit or loss

The Stores Group has an investment in the equity of its parent, Pick n Pay Holdings Limited RF (PWK), for the purposes of settling obligations under the Group's share incentive scheme. In the Stores Group these share-based payments are cash settled and the re-measurement of the underlying share-based payment liability is recognised in the statement of comprehensive income. The investment in PWK shares is designated as a financial asset at fair value through profit or loss, on initial recognition, as this designation eliminates or significantly reduces a recognition inconsistency. Fair value gains or losses as a result of subsequent measurement are recognised in 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 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. 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.

Available-for-sale financial assets

Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss.

Available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and recorded in the fair value reserve in the statement of changes in equity until the investment is derecognised, at which time, the cumulative gain or loss is recognised in the statement of the comprehensive income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the fair value reserve to the statement of comprehensive income.

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

Notes to the Group annual financial statements

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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.

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. Treasury shares are used to settle employee share options when exercised.

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 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, then 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.

For every rand spent, our customers earn 1 Smart Shopper point. 1 000 points equate to R10 back on future purchases. Bonus points are issued on promotions.

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

Notes to the Group annual financial statements
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1.16 Revenue continued

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.

Smart Shopper points earned and money earned from Smart Shopper points switches are valid for a period of three years. The Group reserves the right to close any Smart Shopper account that has been inactive (no Smart Shopper points earned, switched or donated) for a period of 24 consecutive months. Any Smart Shopper points and money attached to closed accounts will be forfeited and recognised in the statement of comprehensive income in the period in which it is forfeited.

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 which 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. 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.

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.

Borrowing costs relating to the acquisition, construction or production of qualifying assets are capitalised to the cost of the asset. General borrowing costs are capitalised by calculating the weighted average expenditure on the qualifying asset and applying a weighted-average borrowing rate to the expenditure. Specific borrowing costs are capitalised when the borrowing facility is utilised specifically for the qualifying asset less any investment income on the temporary investment of these funds.

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, associates, and interest in joint arrangements 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.

Notes to the Group annual financial statements

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Dividends withholding tax
Dividends withholding tax is a tax on shareholders and is applicable on all dividends declared on or after 1 April 2012. The Companies withhold dividends tax on behalf of their shareholders at a rate of 15% on dividends declared.

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 allows Group employees to acquire shares in Pick n Pay Holdings Limited RF (PWK) and Pick n Pay Stores Limited (PIK).

The fair value of options granted, on the Group's own equity instruments, 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 options (the vesting period). The fair value of the options granted is measured using an actuarial binomial option pricing model, taking into account the terms and conditions upon which the options 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 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.

The Stores Group has granted employees options on PWK shares under its employee share incentive scheme. These options vests on grant date with the grant price equal to the volume weighted average market price of the PWK share on grant date. The share-based payment liability is re-measured to fair value at each reporting date up to, and including the exercise date, with changes in fair value recognised in employee benefits expense in the statement of comprehensive income. These share-based payment transactions are equity settled for the purposes of the Holdings Group.

The forfeitable share plan was introduced in 2014. Selected senior management are granted fully paid-up shares for no consideration in terms of service and performance agreements.

The Group recognises a liability for cash-settled share-based payments calculated at current fair value determined at each statement of financial position date. The related expense is recognised in employee costs through the statement of comprehensive income over the vesting periods.

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

The retirement schemes are largely non-contributory and are funded by payments from the relevant Group companies.

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 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 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.

Notes to the Group annual financial statements

continued

1.19 Employee benefits continued

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

When the benefits of a plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in the statement of comprehensive income. The Group recognises gains or losses on the settlement of a defined-benefit plan when the settlement occurs.

1.20 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.

1.21 Dividends distributed to shareholders

Dividends are accounted for in the period that they have been declared by the Companies 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 executives, or group of executives, that could be considered the appropriate and relevant CODM of the Group.

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 African 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 of the Group.

Notes to the Group annual financial statements
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	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 28 February 2016 Rm	Restated* 52 weeks 1 March 2015 Rm	52 weeks 28 February 2016 Rm	Restated* 52 weeks 1 March 2015 Rm
2. REVENUE				
Turnover	**72 445.1**	66 940.8	**72 445.1**	66 940.8
Finance income	**60.9**	59.4	**61.0**	59.4
Bank balances and investments	**30.0**	40.9	**30.0**	40.9
Trade and other receivables	**27.3**	13.9	**27.3**	13.9
Staff loans and other	**3.6**	4.6	**3.7**	4.6
Other trading income	**971.3**	782.9	**971.3**	782.9
Franchise fee income	**316.7**	294.4	**316.7**	294.4
Operating lease income (note 11)	**329.1**	247.3	**329.1**	247.3
Commissions and other income	**325.5**	241.2	**325.5**	241.2
	73 477.3	67 783.1	**73 477.4**	67 783.1

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 has deferred revenue of R123.9 million (2015: R46.2 million) which represents the fair value of the Smart Shopper points granted and yet to be redeemed, adjusted for an expected forfeiture rate of 18.6% (2015: 23.2%) (refer to note 23).

** Prior year amounts restated and/or reclassified, refer to note 30.*

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 28 February 2016 Rm	Restated* 52 weeks 1 March 2015 Rm	52 weeks 28 February 2016 Rm	Restated* 52 weeks 1 March 2015 Rm
3. PROFIT BEFORE TAX				
Profit before tax is stated after taking into account the following expenses:				
3.1 Employee costs				
Salaries and wages	**5 169.8**	4 851.5	**5 170.0**	4 851.6
Staff benefits and training	**307.9**	290.6	**307.9**	290.6
Net expense recognised on defined benefit plan (note 22.1)	**13.3**	16.8	**13.3**	16.8
Contributions to defined contribution plans (note 22.2)	**341.8**	325.8	**341.8**	325.8
Equity-settled share-based payments expense	**176.5**	124.1	**185.3**	139.9
Cash-settled share-based payments expense	**13.0**	34.9	**—**	—
Leave pay	**38.3**	29.2	**38.3**	29.2
	6 060.6	5 672.9	**6 056.6**	5 653.9
3.2 Auditors' remuneration				
Assurance services	**6.1**	7.4	**6.3**	7.4
Other services	**0.1**	0.1	**0.1**	0.1
	6.2	7.5	**6.4**	7.5
3.3 Finance costs				
Finance leases	**8.2**	6.5	**8.2**	6.5
Bank overdrafts	**58.5**	35.9	**58.5**	35.9
Borrowings	**50.3**	76.6	**50.3**	76.6
	117.0	119.0	**117.0**	119.0
3.4 Foreign exchange gain/(loss)	**8.2**	(8.6)	**8.2**	(8.6)

** Prior year amounts restated and/or reclassified, refer to note 30.*

Notes to the Group annual financial statements

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4. DIRECTORS' REMUNERATION AND INTEREST IN SHARES

4.1 Directors' remuneration

Pick n Pay Stores Group

	Fees for Board meetings R'000	Fees for committee and other work R'000	Base salary R'000	Retirement and medical contributions R'000	Fringe and other benefits R'000	Total fixed remuneration R'000	Short-term annual bonus R'000	Total remuneration R'000	Long-term share awards expense# R'000
52 weeks to 28 February 2016									
Non-executive directors	**6 207.0**	**1 936.0**	—	—	—	**8 143.0**	—	**8 143.0**	—
Gareth Ackerman	**3 657.0**	—	—	—	—	**3 657.0**	—	**3 657.0**	—
John Gildersleeve*	**340.0**	**182.0**	—	—	—	**522.0**	—	**522.0**	—
David Friedland**	**340.0**	**177.0**	—	—	—	**517.0**	—	**517.0**	—
Hugh Herman	**340.0**	**518.0**	—	—	—	**858.0**	—	**858.0**	—
Audrey Mothupi	**340.0**	**221.0**	—	—	—	**561.0**	—	**561.0**	—
Lorato Phalatse	**340.0**	**252.0**	—	—	—	**592.0**	—	**592.0**	—
David Robins	**340.0**	—	—	—	—	**340.0**	—	**340.0**	—
Ben van der Ross***	**170.0**	**146.0**	—	—	—	**316.0**	—	**316.0**	—
Jeff van Rooyen	**340.0**	**440.0**	—	—	—	**780.0**	—	**780.0**	—
Executive directors	**7.5**	—	**19 228.4**	**3 234.0**	**1 442.1**	**23 912.0**	**23 400.0**	**47 312.0**	**40 229.5**
Richard Brasher	**1.5**	—	**7 863.0**	**1 303.4**	**287.5**	**9 455.4**	**15 000.0**	**24 455.4**	**20 233.6**
Richard van Rensburg	**1.5**	—	**3 709.4**	**600.3**	**312.0**	**4 623.2**	**2 500.0**	**7 123.2**	**8 448.9**
Bakar Jakoet	**1.5**	—	**3 213.0**	**552.0**	**302.9**	**4 069.4**	**2 500.0**	**6 569.4**	**5 436.2**
Suzanne Ackerman-Berman	**1.5**	—	**2 221.5**	**376.8**	**267.2**	**2 867.0**	**1 700.0**	**4 567.0**	**3 055.4**
Jonathan Ackerman	**1.5**	—	**2 221.5**	**401.5**	**272.5**	**2 897.0**	**1 700.0**	**4 597.0**	**3 055.4**
Total remuneration	**6 214.5**	**1 936.0**	**19 228.4**	**3 234.0**	**1 442.1**	**32 055.0**	**23 400.0**	**55 455.0**	**40 229.5**
52 weeks to 1 March 2015									
Non-executive directors	6 010.0	1 300.0	—	—	—	7 310.0	—	7 310.0	—
Gareth Ackerman	3 450.0	—	—	—	—	3 450.0	—	3 450.0	—
John Gildersleeve	320.0	70.0	—	—	—	390.0	—	390.0	—
David Friedland**	320.0	65.0	—	—	—	385.0	—	385.0	—
Hugh Herman	320.0	385.0	—	—	—	705.0	—	705.0	—
Audrey Mothupi	320.0	107.0	—	—	—	427.0	—	427.0	—
Lorato Phalatse	320.0	135.0	—	—	—	455.0	—	455.0	—
David Robins	320.0	—	—	—	—	320.0	—	320.0	—
Ben van der Ross	320.0	273.0	—	—	—	593.0	—	593.0	—
Jeff van Rooyen	320.0	265.0	—	—	—	585.0	—	585.0	—
Executive directors	7.5	—	17 827.1	3 060.9	2 699.1	23 594.6	14 200.0	37 794.6	22 150.9
Richard Brasher	1.5	—	7 370.5	1 215.5	1 144.7	9 732.2	9 000.0	18 732.2	11 771.2
Richard van Rensburg****	1.5	—	3 422.5	622.0	735.1	4 781.1	1 600.0	6 381.1	3 747.9
Bakar Jakoet	1.5	—	2 904.0	497.5	292.3	3 695.3	1 600.0	5 295.3	3 125.8
Suzanne Ackerman-Berman	1.5	—	2 046.6	374.4	264.0	2 686.5	1 000.0	3 686.5	1 753.0
Jonathan Ackerman	1.5	—	2 083.5	351.5	263.0	2 699.5	1 000.0	3 699.5	1 753.0
Total remuneration	6 017.5	1 300.0	17 827.1	3 060.9	2 699.1	30 904.6	14 200.0	45 104.6	22 150.9

* *Non-executive director John Gildersleeve resigned as a director of Pick n Pay Stores Limited on 28 February 2016.*

** *Non-executive director David Friedland received consultancy fees of R114 000 (2015: R107 000) for services rendered to the audit and risk committee and he became an independent non-exective director of Pick n Pay Stores Limited on 28 February 2016.*

*** *Ben van der Ross resigned as a director of Pick n Pay Stores Limited on 27 July 2015.*

\# *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.*

**** *Prior year amounts restated and/or reclassified, refer to note 30.*

Notes to the Group annual financial statements

continued

4. DIRECTORS' REMUNERATION AND INTEREST IN SHARES continued

4.1 Directors' remuneration continued

Pick n Pay Holdings Group

	Fees for Board meetings R'000	Fees for committee and other work R'000	Base salary R'000	Retirement and medical contributions R'000	Fringe and other benefits R'000	Total fixed remuneration R'000	Short-term annual bonus R'000	Total remuneration R'000	Long-term share awards expense# R'000
52 weeks to 28 February 2016									
Non-executive directors	**6 402.0**	**2 043.0**	—	—	—	**8 445.0**	—	**8 445.0**	—
Raymond Ackerman	**65.0**	—	—	—	—	**65.0**	—	**65.0**	—
Wendy Ackerman	**65.0**	—	—	—	—	**65.0**	—	**65.0**	—
René de Wet	**65.0**	**107.0**	—	—	—	**172.0**	—	**172.0**	—
Gareth Ackerman	**3 657.0**	—	—	—	—	**3 657.0**	—	**3 657.0**	—
John Gildersleeve*	**340.0**	**182.0**	—	—	—	**522.0**	—	**522.0**	—
David Friedland**	**340.0**	**177.0**	—	—	—	**517.0**	—	**517.0**	—
Hugh Herman	**340.0**	**518.0**	—	—	—	**858.0**	—	**858.0**	—
Audrey Mothupi	**340.0**	**221.0**	—	—	—	**561.0**	—	**561.0**	—
Lorato Phalatse	**340.0**	**252.0**	—	—	—	**592.0**	—	**592.0**	—
David Robins	**340.0**	—	—	—	—	**340.0**	—	**340.0**	—
Ben van der Ross***	**170.0**	**146.0**	—	—	—	**316.0**	—	**316.0**	—
Jeff van Rooyen	**340.0**	**440.0**	—	—	—	**780.0**	—	**780.0**	—
Executive directors	**7.5**	—	**19 228.4**	**3 234.0**	**1 442.1**	**23 912.0**	**23 400.0**	**47 312.0**	**39 279.5**
Richard Brasher	**1.5**	—	**7 863.0**	**1 303.4**	**287.5**	**9 455.4**	**15 000.0**	**24 455.4**	**20 233.6**
Richard van Rensburg	**1.5**	—	**3 709.4**	**600.3**	**312.0**	**4 623.2**	**2 500.0**	**7 123.2**	**7 498.9**
Bakar Jakoet	**1.5**	—	**3 213.0**	**552.0**	**302.9**	**4 069.4**	**2 500.0**	**6 569.4**	**5 436.2**
Suzanne Ackerman-Berman	**1.5**	—	**2 221.5**	**376.8**	**267.2**	**2 867.0**	**1 700.0**	**4 567.0**	**3 055.4**
Jonathan Ackerman	**1.5**	—	**2 221.5**	**401.5**	**272.5**	**2 897.0**	**1 700.0**	**4 597.0**	**3 055.4**
Total remuneration	**6 409.5**	**2 043.0**	**19 228.4**	**3 234.0**	**1 442.1**	**32 357.0**	**23 400.0**	**55 757.0**	**39 279.5**
52 weeks to 1 March 2015									
Non-executive directors	6 190.0	1 300.0	—	—	—	7 490.0	—	7 490.00	—
Raymond Ackerman	60.0	—	—	—	—	60.0	—	60.0	—
Wendy Ackerman	60.0	—	—	—	—	60.0	—	60.0	—
René de Wet	60.0	—	—	—	—	60.0	—	60.0	—
Gareth Ackerman	3 450.0	—	—	—	—	3 450.0	—	3 450.0	—
John Gildersleeve	320.0	70.0	—	—	—	390.0	—	390.0	—
David Friedland	320.0	65.0	—	—	—	385.0	—	385.0	—
Hugh Herman	320.0	385.0	—	—	—	705.0	—	705.0	—
Audrey Mothupi	320.0	107.0	—	—	—	427.0	—	427.0	—
Lorato Phalatse	320.0	135.0	—	—	—	455.0	—	455.0	—
David Robins	320.0	—	—	—	—	320.0	—	320.0	—
Ben van der Ross	320.0	273.0	—	—	—	593.0	—	593.0	—
Jeff van Rooyen	320.0	265.0	—	—	—	585.0	—	585.0	—
Executive directors	7.5	—	17 827.1	3 060.9	2 699.1	23 594.6	14 200.0	37 794.6	22 148.6
Richard Brasher	1.5	—	7 370.5	1 215.5	1 144.7	9 732.2	9 000.0	18 732.2	11 771.2
Richard van Rensburg	1.5	—	3 422.5	622.0	735.1	4 781.1	1 600.0	6 381.1	3 745.6
Bakar Jakoet	1.5	—	2 904.0	497.5	292.3	3 695.3	1 600.0	5 295.3	3 125.8
Suzanne Ackerman-Berman	1.5	—	2 046.6	374.4	264.0	2 686.5	1 000.0	3 686.5	1 753.0
Jonathan Ackerman	1.5	—	2 083.5	351.5	263.0	2 699.5	1 000.0	3 699.5	1 753.0
Total remuneration	6 197.5	1 300.0	17 827.1	3 060.9	2 699.1	31 084.6	14 200.0	45 284.6	22 148.6

* *Non-executive director John Gildersleeve resigned as a director of Pick n Pay Stores Limited on 28 February 2016.*

** *Non-executive director David Friedland received consultancy fees of R114 000 (2015: R107 000) for services rendered to the audit and risk committee and he became an independent non-exective director of Pick n Pay Stores Limited on 28 February 2016.*

*** *Ben van der Ross resigned as a director of Pick n Pay Stores Limited on 27 July 2015.*

\# *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

4. DIRECTORS' REMUNERATION AND INTEREST IN SHARES continued

4.2 Directors' interest in Pick n Pay Stores Limited shares

	How held*	Balance held at 2 March 2015	Additions during the period	Average purchase price per share R	Disposals during the period	Average selling price per share R	Balance held at 28 February 2016	Beneficial/ non-beneficial interest
52 weeks to 28 February 2016								
Directors of Pick n Pay Stores Limited								
Gareth Ackerman	direct	43	—	—	—	—	43	Beneficial
Ackerman Pick n Pay foundation**	indirect	30 000	—	—	—	—	30 000	Non-beneficial
	indirect	71 900	—	—	—	—	71 900	Non-beneficial
Richard Brasher	direct – FSP	800 000	220 000	—	—	—	1 020 000	Beneficial
Richard van Rensburg	direct – FSP	250 000	35 000	—	—	—	285 000	Beneficial
Bakar Jakoet	direct	500 000	—	—	—	—	500 000	Beneficial
	direct – FSP	250 000	35 000	—	—	—	285 000	Beneficial
	indirect	530	—	—	—	—	530	Non-beneficial
Suzanne Ackerman-Berman	direct	2 500	—	—	—	—	2 500	Beneficial
	direct – FSP	150 000	20 000	—	—	—	170 000	Beneficial
	indirect	4 651	—	—	—	—	4 651	Beneficial
Jonathan Ackerman	direct	43	—	—	—	—	43	Beneficial
	direct – FSP	150 000	20 000	—	—	—	170 000	Beneficial
Jeff van Rooyen	direct	3 800	—	—	—	—	3 800	Beneficial
Directors of Pick n Pay Holdings Limited RF								
Raymond Ackerman	direct	43	—	—	—	—	43	Beneficial
Wendy Ackerman	direct	43	—	—	—	—	43	Beneficial

* *Direct interests represent a holding in the director's personal capacity and indirect interests represent a holding by a family trust of which the director is a trustee, or a spouse and minor children. Direct interests in forfeitable share plan (FSP) shares are issued at a grant price of zero.*

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

Notes to the Group annual financial statements

continued

4. DIRECTORS' REMUNERATION AND INTEREST IN SHARES continued

4.2 Directors' interest in Pick n Pay Stores Limited shares continued

	How held*	Balance held at 3 March 2014	Additions during the period	Average purchase price per share R	Disposals during the period	Average selling price per share R	Balance held at 1 March 2015	Beneficial/ non-beneficial interest
52 weeks to 1 March 2015								
Directors of Pick n Pay Stores Limited								
Gareth Ackerman	direct	43	—	—	—	—	43	Beneficial
Ackerman Pick n Pay foundation**	indirect	—	30 000	58.09	—	—	30 000	Non-beneficial
	indirect	—	71 900	58.66	—	—	71 900	Non-beneficial
Richard Brasher	direct – FSP	—	800 000	—	—	—	800 000	Beneficial
Richard van Rensburg	direct – FSP	—	250 000	—	—	—	250 000	Beneficial
Bakar Jakoet	direct	500 000	—	—	—	—	500 000	Beneficial
	indirect	530	—	—	—	—	530	Non-beneficial
	direct – FSP	—	250 000	—	—	—	250 000	Beneficial
Suzanne Ackerman-Berman	direct	2 500	—	—	—	—	2 500	Beneficial
	direct – FSP	—	150 000	—	—	—	150 000	Beneficial
	indirect	4 651	—	—	—	—	4 651	Beneficial
Jonathan Ackerman	direct	43	—	—	—	—	43	Beneficial
	direct – FSP	—	150 000	—	—	—	150 000	Beneficial
Jeff van Rooyen	direct	—	3 800	59.00	—	—	3 800	Beneficial
Directors of Pick n Pay Holdings Limited RF								
Raymond Ackerman	direct	43	—	—	—	—	43	Beneficial
Wendy Ackerman	direct	43	—	—	—	—	43	Beneficial

* *Direct interests represent a holding in the director's personal capacity and indirect interests represent a holding by a family trust of which the director is a trustee, or a spouse and minor children. Direct interests in forfeitable share plan (FSP) shares are issued at a grant price of zero.*

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

Notes to the Group annual financial statements
continued

4. DIRECTORS' REMUNERATION AND INTEREST IN SHARES continued

4.3 Directors' interest in Pick n Pay Holdings Limited RF shares

	How held*	Balance held at 2 March 2015 000's	Additions during the period 000's	Average purchase price per share R	Disposals during the period 000's	Average selling price per share R	Balance held at 28 February 2016 000's	Beneficial/ non-beneficial interest
52 weeks to 28 February 2016								
Directors of Pick n Pay Holdings Limited RF								
Raymond Ackerman	direct	1 269	—	—	—	—	1 269	Beneficial
Gareth Ackerman	direct	1	—	—	—	—	1	Beneficial
	indirect	3 265	77	23.62	—	—	3 342	Beneficial
	indirect	41	—	—	—	—	41	Non-beneficial
Ackerman Investment Holdings Proprietary Limited**	indirect	255 737	—	—	—	—	255 737	Non-beneficial
Mistral Trust**	indirect	5 465	75	23.62	—	—	5 540	Beneficial
Hugh Herman	direct	60	—	—	—	—	60	Beneficial
	indirect	1	—	—	—	—	1	Beneficial
Alternate directors of Pick n Pay Holdings Limited RF								
Suzanne Ackerman-Berman	direct	242	—	—	—	—	242	Beneficial
	indirect	866	93	26.68	—	—	959	Beneficial
	indirect	6	—	—	—	—	6	Non-beneficial
Jonathan Ackerman	direct	252	—	—	—	—	252	Beneficial
	indirect	1 138	37	26.68	—		1 175	Beneficial
	indirect	34	—	—	—	—	34	Non-beneficial
David Robins	direct	2	—	—	—	—	2	Beneficial
	indirect	191	—	—	—	—	191	Non-beneficial
Directors of Pick n Pay Stores Limited								
Richard van Rensburg	direct	—	10	27.76	—	—	10	Beneficial
	direct	—	25	28.48	—	—	25	Beneficial
	direct	—	50	27.88	—	—	50	Beneficial
Bakar Jakoet	direct	250	—	—	—	—	250	Beneficial
	indirect	25.7	—	—	—	—	25.7	Non-beneficial
David Friedland	indirect	40	—	—	—	—	40	Non-beneficial
	indirect	—	19	23.49	—	—	19	Non-beneficial
	indirect	—	6	23.25	—	—	6	Non-beneficial

* *Direct interests represent a holding in the director's personal capacity and indirect interests represent a holding by a family trust of which the director is a trustee.*

** *The interest in the Ackerman Investment Holdings Proprietary Limited and Mistral Trust represents a portion of the holdings of Raymond Ackerman, Wendy Ackerman, Gareth Ackerman, Jonathan Ackerman and Suzanne Ackerman-Berman.*

Notes to the Group annual financial statements
continued

4. DIRECTORS' REMUNERATION AND INTEREST IN SHARES continued

4.3 Directors' interest in Pick n Pay Holdings Limited RF shares continued

	How held*	Balance held at 3 March 2014 000's	Additions during the period 000's	Average purchase price per share R	Disposals during the period 000's	Average selling price per share R	Balance held at 1 March 2015 000's	Beneficial/ non-beneficial interest
52 weeks to 1 March 2015								
Directors of Pick n Pay Holdings Limited RF								
Raymond Ackerman	direct	1 269	—	—	—	—	1 269	Beneficial
Gareth Ackerman	direct	1	—	—	—	—	1	Beneficial
	indirect	3 225	40	24.93	—	—	3 265	Non-beneficial
	indirect	41	—	—	—	—	41	Non-beneficial
Ackerman Investment Holdings Proprietary Limited**	indirect	255 737	—	—	—	—	255 737	Non-beneficial
Mistral Trust**	indirect	5 415	50	22.10	—	—	5 465	Non-beneficial
Hugh Herman	direct	60	—	—	—	—	60	Beneficial
	indirect	1	—	—	—	—	1	Beneficial
Alternate directors of Pick n Pay Holdings Limited RF								
Suzanne Ackerman-Berman	direct	242	—	—	—	—	242	Beneficial
	indirect	866	—	—	—	—	866	Beneficial
	indirect	6	—	—	—	—	6	Non-beneficial
Jonathan Ackerman	direct	252	—	—	—	—	252	Beneficial
	indirect	1 138	—	—	—	—	1 138	Beneficial
	indirect	46	—	—	(12)	22.05	34	Non-beneficial
David Robins	direct	2	—	—	—	—	2	Beneficial
	indirect	191	—	—	—	—	191	Non-beneficial
Directors of Pick n Pay Stores Limited								
Bakar Jakoet	direct	250	—	—	—	—	250	Beneficial
	indirect	25.7	—	—	—	—	25.7	Non-beneficial
David Friedland	indirect	—	20	23.79	—	—	20	Beneficial
		—	20	22.66	—	—	20	Beneficial

* *Direct interests represent a holding in the director's personal capacity and indirect interests represent a holding by a family trust of which the director is a trustee.*

** *The interest in the Ackerman Investment Holdings Proprietary Limited and Mistral Trust represents a portion of the holdings of Raymond Ackerman, Wendy Ackerman, Gareth Ackerman, Jonathan Ackerman and Suzanne Ackerman-Berman.*

Notes to the Group annual financial statements
continued

4. DIRECTORS' REMUNERATION AND INTEREST IN SHARES continued

4.4 Pick n Pay Stores Limited share awards granted to directors

	Calendar year granted	Award grant price R	Balance held at 2 March 2015	Granted during the period	Exercised during the period	Exercise price R	Balance held at 28 February 2016	Available for take-up
52 weeks to 28 February 2016								
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
			2 800 000	**220 000**	**—**		**3 020 000**	
Richard van Rensburg								
Share options	2011	36.55	400 000*	—	—	—	**400 000***	May 2016
Forfeitable shares	2014	Nil	250 000	—	—	—	**250 000**	Aug 2017
	2015	Nil	—	35 000	—	—	**35 000**	Aug 2018
			650 000	**35 000**	**—**	**—**	**685 000**	
Bakar Jakoet								
Share options	2003	12.00	250 000	—	—	—	**250 000**	Now
	2007	31.15	5 779	—	—	—	**5 779**	Now
	2008	26.55	7 907	—	—	—	**7 907**	Now
		26.14	105 000	—	—	—	**105 000**	Now
		26.14	45 000	—	—	—	**45 000**	Now
	2009	28.20	12 413	—	—	—	**12 413**	Now
	2010	42.28	1799	—	—	—	**1 799**	Now
	2011	41.70	200 000	—	—	—	**200 000**	Now
		41.70	300 000	—	—	—	**300 000**	Now
Forfeitable shares	2014	Nil	250 000	—	—	—	**250 000**	Aug 2017
	2015	Nil	—	35 000	—	—	**35 000**	Aug 2018
			1 177 898	**35 000**	**—**	**—**	**1 212 898**	
Suzanne Ackerman-Berman								
Share options	2004	21.00	10 000	—	(10 000)	58.71	**—**	n/a
	2006	31.15	122 408	—	(122 408)	58.71	**—**	n/a
	2008	26.56	4 519	—	(4 519)	58.71	**—**	n/a
		26.14	25 000	—	—	—	**25 000**	Now
		26.14	25 000	—	—	—	**25 000**	Aug 2016
		26.14	25 000	—	—	—	**25 000**	Aug 2017
		26.14	25 000	—	—	—	**25 000**	Aug 2018
	2009	28.20	8 867	—	(8 867)	58.71	**—**	n/a
	2010	42.27	1421	—	(1 421)	58.71	**—**	n/a
Forfeitable shares	2014	Nil	150 000	—	—	—	**150 000**	Aug 2017
	2015	Nil	—	20 000	—	—	**20 000**	Aug 2018
			397 215	**20 000**	**(147 215)**		**270 000**	
Jonathan Ackerman								
Share options	2005	20.70	6 441	—	(6 441)	58.71	**—**	n/a
	2006	28.00	14 286	—	(14 286)	58.71	**—**	n/a
	2007	31.15	14 446	—	(14 446)	58.71	**—**	n/a
	2008	26.56	9 414	—	(9 414)	58.71	**—**	n/a
		26.14	25 000	—	—	—	**25 000**	Now
		26.14	25 000	—	—	—	**25 000**	Aug 2016
		26.14	25 000	—	—	—	**25 000**	Aug 2017
		26.14	25 000	—	—	—	**25 000**	Aug 2018
	2009	28.20	8 867	—	(8 867)	58.71	**—**	n/a
	2010	42.27	1 560	—	(1 560)	58.71	**—**	n/a
Forfeitable shares	2014	Nil	150 000	—	—	—	**150 000**	Aug 2017
	2015	Nil	—	20 000	—	—	**20 000**	Aug 2018
			305 014	**20 000**	**(55 014)**		**270 000**	

** 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

4. DIRECTORS' REMUNERATION AND INTEREST IN SHARES continued

4.4 Pick n Pay Stores Limited share awards granted to directors continued

	Calendar year granted	Option grant price R	Balance held at 3 March 2014	Granted during the period	Forfeited during the period	Balance held at 1 March 2015	Available for take-up
52 weeks to 1 March 2015							
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
			2 000 000	**800 000**		**2 800 000**	
Richard van Rensburg							
Share options	2011	36.55	400 000*	—	—	400 000*	May 2016
Forfeitable shares	2014	Nil	—	250 000	—	250 000	Aug 2017
			400 000	**250 000**		**650 000**	
Bakar Jakoet							
Share options	2003	12.00	250 000	—	—	250 000	Now
	2007	31.15	5 779	—	—	5 779	Now
	2008	26.55	7 907	—	—	7 907	Now
		26.14	105 000	—	—	105 000	Now
		26.14	45 000	—	—	45 000	Aug 2015
	2009	28.20	12 413	—	—	12 413	Now
	2010	42.28	1799	—	—	1 799	Now
		41.23	500 000	—	(500 000)**	—	Forfeited
	2011	41.70	200 000	—	—	200 000	Now
		41.70	300 000	—	—	300 000	Apr 2016
Forfeitable shares	2014	Nil	—	250 000	—	250 000	Aug 2017
			1 427 898	**250 000**	**(500 000)**	**1 177 898**	
Suzanne Ackerman-Berman							
Share options	2004	21.00	10 000	—	—	10 000	Now
	2006	31.15	122 408	—	—	122 408	Now
	2008	26.56	4 519	—	—	4 519	Now
		26.14	25 000	—	—	25 000	Aug 2015
		26.14	25 000	—	—	25 000	Aug 2016
		26.14	25 000	—	—	25 000	Aug 2017
		26.14	25 000	—	—	25 000	Aug 2018
	2009	28.20	8 867	—	—	8 867	Now
	2010	42.27	1421	—	—	1 421	Now
		41.23	400 000	—	(400 000)**	—	Forfeited
Forfeitable shares	2014	Nil	—	150 000	—	150 000	Aug 2017
			647 215	**150 000**	**(400 000)**	**397 215**	
Jonathan Ackerman							
Share options	2005	20.70	6 441	—	—	6 441	Now
	2006	28.00	14 286	—	—	14 286	Now
	2007	31.15	14 446	—	—	14 446	Now
	2008	26.56	9 414	—	—	9 414	Now
		26.14	25 000	—	—	25 000	Aug 2015
		26.14	25 000	—	—	25 000	Aug 2016
		26.14	25 000	—	—	25 000	Aug 2017
		26.14	25 000	—	—	25 000	Aug 2018
	2009	28.20	8 667	—	—	8 667	Now
	2010	42.27	1 560	—	—	1 560	Now
		41.23	400 000	—	(400 000)**	—	Forfeited
Forfeitable shares	2014	Nil	—	150 000	—	150 000	Aug 2017
			554 814	**150 000**	**(400 000)**	**304 814**	

* *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.*

** *Binary options granted under the May 2010 binary scheme were forfeited in May 2014 due to the performance criteria not having been met.*

Notes to the Group annual financial statements
continued

4. DIRECTORS' REMUNERATION AND INTEREST IN SHARES continued

4.5 Pick n Pay Holdings Limited RF share awards granted to directors

	Calendar year granted	Award grant price R	Balance held at 2 March 2015	Granted during the period	Exercised during the period	Exercise price R	Balance held at 28 February 2016	Available for take-up
52 weeks to 28 February 2016								
Richard van Rensburg	2011	15.18	1 000 000	—	—	—	**1 000 000**	Now
			1 000 000	**—**	**—**		**1 000 000**	
Bakar Jakoet	2005	11.50	400	—	—	—	**400**	Now
	2008	11.33	600	—	—	—	**600**	Now
	2010	16.00	400	—	—	—	**400**	Now
	2014	22.64	400	—	—	—	**400**	Now
			1 800	**—**	**—**		**1 800**	
Suzanne Ackerman-Berman	2011	15.35	400	—	(400)	26.68	**—**	n/a
	2016	28.32	—	400	—	—	**400**	Now
			400	**400**	**(400)**		**400**	
Jonathan Ackerman	2010	16.00	1 000	—	(1 000)	26.68	**—**	n/a
	2012	20.03	400	—	(400)	26.68	**—**	n/a
			1 400	**—**	**(1 400)**		**—**	

	Calendar year granted	Award grant price R	Balance held at 3 March 2014	Granted during the period	Exercised during the period	Exercise price R	Balance held at 1 March 2015	Available for take-up
52 weeks to 1 March 2015								
Richard van Rensburg	2011	15.18	1 000 000	—	—	—	1 000 000	Now
			1 000 000	**—**	**—**	**—**	**1 000 000**	
Bakar Jakoet	2005	11.50	400	—	—	—	400	Now
	2008	11.33	600	—	—	—	600	Now
	2010	16.00	400	—	—	—	400	Now
	2014	22.64	—	400	—	—	400	Now
			1 800	**400**	**—**	**—**	**1 800**	
Suzanne Ackerman-Berman	2011	15.35	400	—	—	—	400	Now
			400	**—**	**—**	**—**	**400**	
Jonathan Ackerman	2010	16.00	1 000	—	—	—	1 000	Now
	2012	20.03	400	—	—	—	400	Now
			1 400	**—**	**—**	**—**	**1 400**	

Notes to the Group annual financial statements

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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 the Group, 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 the 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 issues share options in respect of both Pick n Pay Holdings Limited RF shares (PWK) and Pick n Pay Stores Limited shares (PIK).

In the Pick n Pay Stores Group, all PWK share options are treated as cash settled, as these options are not in respect of the Group's own equity instruments, but that of its holding company. All PIK share options are equity settled in the Pick n Pay Stores Group, as these are options in respect of its own equity instruments.

In Pick n Pay Holdings Group, both PWK share options and PIK share options are equity settled in the Pick n Pay Holdings Group, as these are options in respect of equity instruments within the Group.

The directors have received shareholder approval to utilise up to 63 892 844 shares of the issued share capital of Pick n Pay Stores Limited and 92 268 589 of the issued share capital of Pick n Pay Holdings Limited RF for the purposes of settling obligations under the employee share schemes.

The following share options have been issued to employees:

Long-service share options (PWK) – are granted to all permanent employees who have been with the Group for five years and further options are granted every five years thereafter. There are no vesting conditions as long-service share options may be taken up immediately on granting.

Status share options (PWK and PIK) – 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 (PIK) – these share options specifically encourage the retention of key individuals and have longer vesting periods of up to 10 years.

Performance top-up options (PIK) – executives 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 (PIK) (share options with performance conditions) – these are granted to key executives. These three to five 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 (PIK)

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 share plan recognises the valuable contribution of existing senior management or the potential of prospective employees, and through the attachment of performance conditions, incentivises management to deliver earnings growth in the future.

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

Notes to the Group annual financial statements

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	Pick n Pay Stores Group and Pick n Pay Holdings Group			
	52 weeks 28 February 2016 Number of options PIK 000's	52 weeks 1 March 2015 Number of options PIK 000's	**52 weeks 28 February 2016 Number of options PWK 000's**	52 weeks 1 March 2015 Number of options PWK 000's
5. SHARE-BASED PAYMENTS continued				
5.1 Outstanding share options				
Movement in the total number of share options granted is as follows:				
At beginning of period	**33 874.6**	50 156.0	**16 635.5**	15 264.6
New options granted	**2 358.4**	2 949.9	**1 196.7**	3 208.1
Options taken up	**(4 407.9)**	(6 492.5)	**(1 695.8)**	(1 837.2)
Options forfeited	**(1 262.3)**	(12 738.8)	**(0.2)**	—
At end of period	**30 562.8**	33 874.6	**16 136.2**	16 635.5
The weighted average grant price of share options are as follows:				
At beginning of period	**R36.46**	R36.10	**R14.41**	R12.79
New options granted	**R55.88**	R44.94	**R25.38**	R23.60
Options taken up	**R34.37**	R33.50	**R17.40**	R16.27
Options forfeited	**R42.51**	R42.43	**R3.25**	—
At end of period	**R37.51**	R36.46	**R16.40**	R14.41

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

Year	Average grant price Pick n Pay Stores Group	Average grant price Pick n Pay Holdings Group	PIK 2016	PIK 2015	PWK 2016	PWK 2015
2017	R33.15	R16.40	**17 891.5**	17 710.2	**16 136.2**	16 635.5
2018	R40.89		**5 479.5**	4 577.0	**—**	—
2019	R40.31		**3 423.2**	5 386.4	**—**	—
2020	R46.83		**1 574.8**	2 869.5	**—**	—
2021 and thereafter	R53.60		**2 193.8**	3 331.5	**—**	—
			30 562.8	33 874.6	**16 136.2**	16 635.5
Number of outstanding options as a percentage of issued shares			**6.3%**	7.0%	**3.1%**	3.2%

Notes to the Group annual financial statements

continued

5. SHARE-BASED PAYMENTS continued

5.2 Outstanding forfeitable shares

	Pick n Pay Stores Group and Pick n Pay Holdings Group	
	Number of forfeitable shares PIK 000's	Number of forfeitable shares PIK 000's
Movement in the total number of forfeitable shares granted is as follows:		
At beginning of period	**6 925.0**	—
New shares granted	**1 243.0**	6 925.0
Issue of new shares	**1 128.0**	6 925.0
Existing shares held within the Group	**115.0**	—
Rights forfeited	**(245.0)**	—
At end of period	**7 923.0**	6 925.0

Rights to FSP shares are issued with a grant price of zero. The fair value of these rights is the market price of the share on grant date.

Outstanding forfeitable shares vest during the following financial periods:		
Year		
2018	**6 700.0**	6 925.0
2019	**1 223.0**	—
	7 923.0	6 925.0
Number of forfeitable shares as a percentage of issued shares	**1.6%**	1.4%

5.3 Total outstanding share awards

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 28 February 2016 Number of share awards PIK 000's	52 weeks 1 March 2015 Number of share awards PIK 000's	**52 weeks 28 February 2016 Number of share awards PWK 000's**	52 weeks 1 March 2015 Number of share awards PWK 000's
Total outstanding share awards				
Share options	**30 562.8**	33 874.6	**16 136.2**	16 635.5
Forfeitable shares	**7 923.0**	6 925.0	**—**	—
Total	**38 485.8**	40 799.6	**16 136.2**	16 635.5
Number of share awards as a percentage of issued shares	**7.9%**	8.4%	**3.1%**	3.2%
Total shares authorised to be utilised, from issued share capital, for settling obligations under the employee share schemes	**63 892.4**	63 892.4	**92 268.6**	92 268.6
Shares remaining for utilisation under current authorisations	**25 406.6**	23 092.8	**76 132.4**	75 633.1

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

Notes to the Group annual financial statements
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	Pick n Pay Stores Group 52 weeks 28 February 2016 Number of share awards PIK 000's	Pick n Pay Stores Group 52 weeks 1 March 2015 Number of share awards PIK 000's	Pick n Pay Holdings Group 52 weeks 28 February 2016 Number of share awards PWK 000's	Pick n Pay Holdings Group 52 weeks 1 March 2015 Number of share awards PWK 000's
5. SHARE-BASED PAYMENTS continued				
5.4 Share held within the Group, reflected as treasury shares (note 20)				
As hedge against shares issued under forfeitable share plan	**7 923.0**	6 925.0	**—**	—
As hedge against shares options granted or to be granted	**1 752.4**	1 746.9	**11 129.3**	11 106.5

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) and Pick n Pay Holdings Limited RF (PWK) shares, 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	Options granted	Number of options granted 000's	Expected life of options years	Share price at grant date	Grant price	Expected volatility*	Expected dividend yield**	Risk-free rate***
2015	PWK	3 208.1	1	R20.55 – R25.50	R19.95 – R24.51	23.21 – 23.92	2.23 – 2.77	7.15 – 8.27
2015	PIK	2 949.9	3 – 7	R45.14 – R59.01	R43.81 – R58.63	24.11 – 24.95	1.94 – 2.51	6.71 – 8.35
2016	**PWK**	**1 196.7**	**1**	**R21.00 – R29.23**	**R21.64 – R28.36**	**22.29 – 26.94**	**1.99 – 2.19**	**6.17 – 9.58**
2016	**PIK**	**2 358.4**	**3 – 7**	**R54.05 – R68.31**	**R53.06 – R66.58**	**22.84 – 25.71**	**1.80 – 1.84**	**7.37 – 9.63**

* *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 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 zero-coupon South African government bonds with a term consistent with the estimated option term.*

Notes to the Group annual financial statements
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		Pick n Pay Stores Group		Pick n Pay Holdings Group	
		52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm	52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm
6.	**INCOME TAX**				
6.1	**Tax recognised in profit or loss**				
	Normal tax	**429.3**	343.1	**429.3**	343.1
	– current period	**436.9**	342.6	**436.9**	342.6
	– prior period (over)/under provision	**(7.6)**	0.5	**(7.6)**	0.5
	Deferred tax (note 13)	**(21.2)**	0.4	**(21.2)**	0.4
		408.1	343.5	**408.1**	343.5
6.2	**Tax recognised directly in statement of changes in equity**				
	Tax effect of share incentive transactions recorded directly in equity	**(35.3)**	(43.0)	**(35.3)**	(43.0)
6.3	**Tax paid**				
	Owing – beginning of period	**126.8**	111.2	**126.8**	111.2
	Recognised in profit or loss	**429.3**	343.1	**429.3**	343.1
	Foreign currency translation reserve	**(2.0)**	—	**(2.0)**	—
	Recognised in statement of changes in equity	**(35.3)**	(43.0)	**(35.3)**	(43.0)
	Owing – end of period	**(183.0)**	(126.8)	**(183.0)**	(126.8)
	Total tax paid	**335.8**	284.5	**335.8**	284.5
		%	%	**%**	%
6.4	**Reconciliation of effective tax rate**				
	South African statutory tax rate	**28.0**	28.0	**28.0**	28.0
	Exempt income	**(1.2)**	(1.0)	**(1.2)**	(1.0)
	Non-deductible share options expense	**0.9**	1.8	**0.9**	1.8
	Non-deductible impairment loss on intangible assets	**0.2**	—	**0.2**	—
	Capital gains tax	**0.2**	—	**0.2**	—
	Other non-deductible expenditure	**0.5**	0.3	**0.5**	0.3
	Net prior year over provisions	**(0.9)**	(0.6)	**(0.9)**	(0.6)
	Effective tax rate	**27.7**	28.5	**27.7**	28.5

Notes to the Group annual financial statements
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	Pick n Pay Stores Group 52 weeks 28 February 2016 Cents per share	Pick n Pay Stores Group 52 weeks 1 March 2015 Cents per share	Pick n Pay Holdings Group 52 weeks 28 February 2016 Cents per share	Pick n Pay Holdings Group 52 weeks 1 March 2015 Cents per share
7. EARNINGS PER SHARE				
Basic	**219.11**	178.79	**108.78**	88.78
Diluted	**215.05**	176.24	**105.36**	86.54
Headline	**224.04**	177.26	**111.24**	88.01
Diluted headline	**219.90**	174.72	**107.75**	85.80
	Rm	Rm	**Rm**	Rm
7.1 Basic and headline earnings				
Reconciliation between basic and headline earnings:				
Profit for the period attributable to owners of the company	**1 065.4**	861.7	**570.2**	461.8
Profit attributable to forfeitable share plan shares	**(16.2)**	(6.5)	**(8.7)**	(3.5)
Basic earnings for the period	**1 049.2**	855.2	**561.5**	458.3
Adjustments:	**23.3**	(7.4)	**12.5**	(4.0)
Loss/(profit) on sale of property, plant and equipment	**24.0**	(10.4)	**12.9**	(5.6)
Tax effect of (loss)/profit on sale of property, plant and equipment	**(6.8)**	3.0	**(3.7)**	1.6
Impairment loss on intangible assets	**8.6**	—	**4.6**	—
Tax effect of impairment loss on intangible assets	**(2.5)**	—	**(1.3)**	—
Adjustments attributable to forfeitable share plan shares	**0.4**	—	**0.2**	—
Headline earnings	**1 072.9**	847.8	**574.2**	454.3
Basic earnings for the period	**1 049.2**	855.2	**561.5**	458.3
Dilutive effect of share options	**—**	—	**(10.5)**	(6.8)
Diluted basic earnings	**1 049.2**	855.2	**551.0**	451.5
Headline earnings	**1 072.9**	847.8	**574.2**	454.3
Dilutive effect of share options	**—**	—	**(10.7)**	(6.7)
Diluted headline earnings	**1 072.9**	847.8	**563.5**	447.6
	000's	000's	**000's**	000's
7.2 Number of shares				
Number of shares in issue (note 19)	**488 450.3**	487 322.3	**527 249.1**	527 249.1
Weighted average number of shares (excluding treasury shares)	**478 873.4**	478 309.0	**516 186.3**	516 238.6
Diluted weighted average number of ordinary shares in issue	**487 894.0**	485 245.3	**522 963.2**	521 711.4
Reconciliation of weighted average number of shares to diluted weighted average number of shares:				
Weighted average number of shares (excluding treasury shares)	**478 873.4**	478 309.0	**516 186.3**	516 238.6
Dilutive effect of share options	**9 020.6**	6 936.3	**6 776.9**	5 472.8
Diluted weighted average number of ordinary shares in issue	**487 894.0**	485 245.3	**522 963.2**	521 711.4

The outstanding forfeitable shares had no dilutive impact on the weighted average number of shares for the current and prior period.

Notes to the Group annual financial statements

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	Pick n Pay Stores Group 52 weeks 28 February 2016 Cents per share	Pick n Pay Stores Group 52 weeks 1 March 2015 Cents per share
8. DIVIDENDS		
8.1 Dividends paid		
Number 94 – declared 20 April 2015 – paid 15 June 2015 (2015: Number 92 – declared 14 April 2014 – paid 17 June 2014)	**98.50**	77.5
Number 95 – declared 12 October 2015 – paid 14 December 2015 (2015: Number 93 – declared 15 October 2014 – paid 15 December 2014)	**24.20**	19.6
Total dividends per share for the period	**122.70**	97.10

	Pick n Pay Holdings Group 52 weeks 28 February 2016 Cents per share	Pick n Pay Holdings Group 52 weeks 1 March 2015 Cents per share
Number 67 – declared 20 April 2015 – paid 15 June 2015 (2015: Number 65 – declared 14 April 2014 – paid 17 June 2014)	**47.85**	37.1
Number 68 – declared 12 October 2015 – paid 14 December 2015 (2015: Number 66 – declared 15 October 2014 – paid 15 December 2014)	**11.60**	9.4
Total dividends per share for the period	**59.45**	46.50

Notes to the Group annual financial statements
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	Pick n Pay Stores Group 52 weeks 28 February 2016 Cents per share	52 weeks 1 March 2015 Cents per share
8. DIVIDENDS continued		
8.2 Dividends declared		
Interim dividend – number 95 (2015: number 93)	**24.20**	19.60
Final dividend – number 96 (2015: number 94)	**125.20**	98.50
	149.40	118.10

The directors have declared a final dividend (dividend 96) of 125.20 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 15%, where shareholders are subject to this tax. The last day to trade in order to participate in the dividend (CUM dividend) will be Friday, 3 June 2016. The shares will trade EX dividend from the commencement of business on Monday, 6 June 2016 and the record date will be Friday, 10 June 2016. The dividends will be paid on Monday, 13 June 2016.

	Pick n Pay Holdings Group 52 weeks 28 February 2016 Cents per share	52 weeks 1 March 2015 Cents per share
Interim dividend – number 68 (2015: number 66)	**11.60**	9.40
Final dividend – number 69 (2015: number 67)	**60.65**	47.85
	72.25	57.25

The directors have declared a final dividend (dividend 69) of 60.65 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 15%, where shareholders are subject to this tax. The last day to trade in order to participate in the dividend (CUM dividend) will be Friday, 3 June 2016. The shares will trade EX dividend from the commencement of business on Monday, 6 June 2016 and the record date will be Friday, 10 June 2016. The dividends will be paid on Monday, 13 June 2016.

	Pick n Pay Stores Group				Pick n Pay Holdings Group			
	Goodwill Rm	Systems development Rm	Licences Rm	Total Rm	Goodwill Rm	Systems development Rm	Licences Rm	Total Rm
9. INTANGIBLE ASSETS								
52 weeks to 28 February 2016								
Carrying value	372.0	575.9	57.0	1 004.9	372.0	575.9	57.0	1 004.9
Cost	401.6	1 018.9	157.4	1 577.9	401.6	1 018.9	157.4	1 577.9
Accumulated amortisation and impairment losses	(29.6)	(443.0)	(100.4)	(573.0)	(29.6)	(443.0)	(100.4)	(573.0)
Reconciliation of carrying value								
Carrying value at beginning of period	313.5	625.9	70.8	1 010.2	313.5	625.9	70.8	1 010.2
Additions	—	84.6	1.1	85.7	—	84.6	1.1	85.7
Expansion of operations	—	28.3	1.1	29.4	—	28.3	1.1	29.4
Maintaining operations	—	56.3	—	56.3	—	56.3	—	56.3
Amortisation	—	(134.2)	(28.3)	(162.5)	—	(134.2)	(28.3)	(162.5)
Impairment	(8.6)	—	—	(8.6)	(8.6)	—	—	(8.6)
Purchase of operations*	67.1	—	9.9	77.0	67.1	—	9.9	77.0
Foreign currency translations	—	(0.4)	—	(0.4)	—	(0.4)	—	(0.4)
Reclassifications	—	—	3.5	3.5	—	—	3.5	3.5
Carrying value at end of period	372.0	575.9	57.0	1 004.9	372.0	575.9	57.0	1 004.9

** During the year under review, the Group acquired various individually insignificant stores compared to the Group's overall portfolio of stores for a total purchase consideration of R87.6 million (2015: R50.9 million). On the dates of acquisition, the total identifiable net assets at fair value, totalling R20.5 million (2015: R20.6 million), consisted of intangible assets of R9.9 million (2015: R9.7 million), property, plant and equipment of R5.5 million (2015: R8.8 million) and inventory of R5.1 million (2015: R2.1 million). Goodwill of R67.1 million (2015: R30.3 million) was recognised as part of these purchase of operations and represents expected value creation within the stores acquired as a result of integration with the Group.*

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	Pick n Pay Stores Group				Pick n Pay Holdings Group			
	Goodwill Rm	Systems development Rm	Licences Rm	Total Rm	Goodwill Rm	Systems development Rm	Licences Rm	Total Rm
9. INTANGIBLE ASSETS continued								
52 weeks to 1 March 2015								
Carrying value	313.5	625.9	70.8	1 010.2	313.5	625.9	70.8	1 010.2
Cost	334.4	1 368.1	142.9	1 845.4	334.4	1 368.1	142.9	1 845.4
Accumulated amortisation and impairment losses	(20.9)	(742.2)	(72.1)	(835.2)	(20.9)	(742.2)	(72.1)	(835.2)
Reconciliation of carrying value								
Carrying value at beginning of period	291.2	635.2	61.2	987.6	291.2	635.2	61.2	987.6
Additions	—	147.3	11.9	159.2	—	147.3	11.9	159.2
Expansion of operations	—	9.9	11.9	21.8	—	9.9	11.9	21.8
Maintaining operations	—	137.4	—	137.4	—	137.4	—	137.4
Amortisation	—	(132.4)	(22.6)	(155.0)	—	(132.4)	(22.6)	(155.0)
Disposals	(3.0)	(1.6)	(0.1)	(4.7)	(3.0)	(1.6)	(0.1)	(4.7)
Purchase of operations*	30.3	—	9.7	40.0	30.3	—	9.7	40.0
Foreign currency translation	—	(0.5)	—	(0.5)	—	(0.5)	—	(0.5)
Reclassifications	(5.0)	(22.1)	10.7	(16.4)	(5.0)	(22.1)	10.7	(16.4)
Carrying value at end of period	313.5	625.9	70.8	1 010.2	313.5	625.9	70.8	1 010.2

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 in comparison to the Group's total carrying amount of goodwill, with a carrying value of R106.4 million (2015: R106.4 million), relates to the CGU trading as Boxer. This CGU has no other intangible assets with indefinite useful lives. 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% (2015: 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 10.8% (2015: 10.5%). Management believes that any reasonable possible change in the key assumptions on which this CGU's recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

The remaining goodwill, with a carrying value of R265.6 million (2015: R207.1 million), relates to various acquisitions or conversions of franchise stores to owned stores, none of which is significant in comparison to the Group's total carrying amount of goodwill. These CGUs have no other intangible assets with indefinite useful lives. The value in use was determined based on cash flow projections approved by management covering the relevant CGU's refurbishment cycles. Cash flows beyond these planning periods were not extrapolated as significant cash investments in the CGUs would be required to generate future cash inflows. The pre-tax discount rate applied to these cash flow projections was 15.0% (2015: 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 R8.6 million arose in a CGU in the South Africa operating segment. This impairment was as a result of a significant reduction in the future expected revenue of the CGU due to a weakening in the general economic conditions in which this CGU operates.

** During the year under review, the Group acquired various individually insignificant stores compared to the Group's overall portfolio of stores for a total purchase consideration of R87.6 million (2015: R50.9 million). On the dates of acquisition, the total identifiable net assets at fair value, totalling R20.5 million (2015: R20.6 million), consisted of intangible assets of R9.9 million (2015: R9.7 million), property, plant and equipment of R5.5 million (2015: R8.8 million) and inventory of R5.1 million (2015: R2.1 million). Goodwill of R67.1 million (2015: R30.3 million) was recognised as part of these purchase of operations and represents expected value creation within the stores acquired as a result of integration with the Group.*

Notes to the Group annual financial statements

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	Pick n Pay Stores Group					Pick n Pay Holdings Group				
	Property Rm	Furniture, fittings, equipment and vehicles Rm	Leasehold improvements Rm	Aircraft Rm	Total Rm	Property Rm	Furniture, fittings, equipment and vehicles Rm	Leasehold improvements Rm	Aircraft Rm	Total Rm
10. PROPERTY, PLANT AND EQUIPMENT										
52 weeks to 28 February 2016										
Carrying value	**1 518.8**	**2 764.8**	**652.6**	**14.7**	**4 950.9**	**1 518.8**	**2 764.8**	**652.6**	**14.7**	**4 950.9**
Cost	**1 850.5**	**5 627.0**	**952.6**	**32.0**	**8 462.1**	**1 850.5**	**5 627.0**	**952.6**	**32.0**	**8 462.1**
Accumulated depreciation and impairment losses	**(331.7)**	**(2 862.2)**	**(300.0)**	**(17.3)**	**(3 511.2)**	**(331.7)**	**(2 862.2)**	**(300.0)**	**(17.3)**	**(3 511.2)**
Reconciliation of carrying value										
Carrying value at beginning of period	**1 513.4**	**2 290.9**	**366.4**	**16.3**	**4 187.0**	**1 513.4**	**2 290.9**	**366.4**	**16.3**	**4 187.0**
Additions	**55.8**	**1 200.7**	**366.6**	**—**	**1 623.1**	**55.8**	**1 200.7**	**366.6**	**—**	**1 623.1**
Expansion of operations	**43.7**	**542.9**	**24.0**	**—**	**610.6**	**43.7**	**542.9**	**24.0**	**—**	**610.6**
Maintaining operations	**12.1**	**657.8**	**342.6**	**—**	**1 012.5**	**12.1**	**657.8**	**342.6**	**—**	**1 012.5**
Depreciation	**(38.0)**	**(650.8)**	**(88.0)**	**(1.6)**	**(778.4)**	**(38.0)**	**(650.8)**	**(88.0)**	**(1.6)**	**(778.4)**
Disposals	**(0.4)**	**(59.2)**	**(4.4)**	**—**	**(64.0)**	**(0.4)**	**(59.2)**	**(4.4)**	**—**	**(64.0)**
Purchase of operations*	**—**	**5.5**	**—**	**—**	**5.5**	**—**	**5.5**	**—**	**—**	**5.5**
Reclassifications	**(12.0)**	**(3.5)**	**12.0**	**—**	**(3.5)**	**(12.0)**	**(3.5)**	**12.0**	**—**	**(3.5)**
Foreign currency translations	**—**	**(18.8)**	**—**	**—**	**(18.8)**	**—**	**(18.8)**	**—**	**—**	**(18.8)**
Carrying value at end of period#	**1 518.8**	**2 764.8**	**652.6**	**14.7**	**4 950.9**	**1 518.8**	**2 764.8**	**652.6**	**14.7**	**4 950.9**
52 weeks to 1 March 2015										
Carrying value	1 513.4	2 290.9	366.4	16.3	4 187.0	1 513.4	2 290.9	366.4	16.3	4 187.0
Cost	1 789.8	5 601.3	915.3	73.7	8 380.1	1 789.8	5 601.3	915.3	73.7	8 380.1
Accumulated depreciation and impairment losses	(276.4)	(3 310.4)	(548.9)	(57.4)	(4 193.1)	(276.4)	(3 310.4)	(548.9)	(57.4)	(4 193.1)
Reconciliation of carrying value										
Carrying value at beginning of period	1 516.5	2 183.1	321.7	18.0	4 039.3	1 516.5	2 183.1	321.7	18.0	4 039.3
Additions	36.3	725.6	135.4	—	897.3	36.3	725.6	135.4	—	897.3
Expansion of operations	3.0	270.6	7.4	—	281.0	3.0	270.6	7.4	—	281.0
Maintaining operations	33.3	455.0	128.0	—	616.3	33.3	455.0	128.0	—	616.3
Depreciation	(38.3)	(590.5)	(84.0)	(1.7)	(714.5)	(38.3)	(590.5)	(84.0)	(1.7)	(714.5)
Disposals	(1.1)	(43.5)	(2.3)	—	(46.9)	(1.1)	(43.5)	(2.3)	—	(46.9)
Purchase of operations*	—	8.8	—	—	8.8	—	8.8	—	—	8.8
Reclassifications	—	20.8	(4.4)	—	16.4	—	20.8	(4.4)	—	16.4
Foreign currency translations	—	(13.4)	—	—	(13.4)	—	(13.4)	—	—	(13.4)
Carrying value at end of period#	1 513.4	2 290.9	366.4	16.3	4 187.0	1 513.4	2 290.9	366.4	16.3	4 187.0

** During the year under review, the Group acquired various individually insignificant stores compared to the Group's overall portfolio of stores for a total purchase consideration of R87.6 million (2015: R50.9 million). On the dates of acquisition, the total identifiable net assets at fair value, totalling R20.5 million (2015: R20.6 million), consisted of intangible assets of R9.9 million (2015: R9.7 million), property, plant and equipment of R5.5 million (2015: R8.8 million) and inventory of R5.1 million (2015: R2.1 million). Goodwill of R67.1 million (2015: R30.3 million) was recognised as part of these purchase of operations and represents expected value creation within the stores acquired as a result of integration with the Group.*

 # Included in the carrying value of furniture, fittings, equipment and vehicles is leased vehicles with a carrying value of R107.3 million (2015: R103.6 million) secured by lease liabilities. Property with a carrying value of R600.1 million (2015: R609.1 million) is provided as security for long-term borrowings (refer to note 21).

Notes to the Group annual financial statements
continued

	Pick n Pay Stores Group 52 weeks 28 February 2016 Rm	Pick n Pay Stores Group Restated* 52 weeks 1 March 2015 Rm	Pick n Pay Holdings Group 52 weeks 28 February 2016 Rm	Pick n Pay Holdings Group Restated* 52 weeks 1 March 2015 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 (2015: five and 20 years) with renewal options for a further one to 20 years (2015: five and 20 years). Rentals comprise minimum monthly payments and additional payments based on turnover levels. Turnover rentals, where applicable, average 1.5% (2015: 1.5%) of turnover. Rental escalations vary, averaging 6.5% (2015: 6.5%) per annum.				
Property – minimum lease payments	**1 777.8**	1 521.9	**1 777.8**	1 521.9
– turnover clause payments	**19.2**	13.7	**19.2**	13.7
Operating lease charges recognised in the statement of comprehensive income	**1 797.0**	1 535.6	**1 797.0**	1 535.6
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 (2015: three and 15 years). Rentals comprise mainly minimum monthly payments. Rental escalations vary between 6.5% and 10.0% (2015: 6.5% and 10.0%) per annum.				
Operating lease income recognised in the statement of comprehensive income (note 2)	**329.1**	247.3	**329.1**	247.3
11.1 Operating lease assets				
At beginning of period	**149.8**	132.8	**149.8**	132.8
Accrual	**21.8**	17.0	**21.8**	17.0
At end of period	**171.6**	149.8	**171.6**	149.8
At end of the period, future minimum rentals receivable from non-cancellable sublease contracts amount to:				
Cash flow within one year	**308.7**	238.8	**308.7**	238.8
Cash flow after one year but not more than five years	**1017.5**	855.7	**1 017.5**	855.7
Cash flow due after more than five years	**771.4**	1 246.3	**771.4**	1 246.3
Total future cash flows	**2 097.6**	2 340.8	**2 097.6**	2 340.8
Less: Operating lease assets	**(171.6)**	(149.8)	**(171.6)**	(149.8)
Total operating lease receivables still to be recognised	**1 926.0**	2 191.0	**1 926.0**	2 191.0
11.2 Operating lease liabilities				
At beginning of period	**1 138.5**	1 042.7	**1 138.5**	1 042.7
Accrual	**101.1**	95.8	**101.1**	95.8
At end of period	**1 239.6**	1 138.5	**1 239.6**	1 138.5
At end of the period, future non-cancellable minimum lease rentals are payable during the following financial periods:				
Cash flow due within one year	**1 694.3**	1 510.7	**1 694.3**	1 510.7
Cash flow due after one year but not more than five years	**6 092.4**	5 631.1	**6 092.4**	5 631.1
Cash flow due after more than five years	**6 498.4**	7 022.3	**6 498.4**	7 022.3
Total future cash flows	**14 285.1**	14 164.1	**14 285.1**	14 164.1
Less: Operating lease liabilities	**(1 239.6)**	(1 138.5)	**(1 239.6)**	(1 138.5)
Total operating lease commitments still to be recognised	**13 045.5**	13 025.6	**13 045.5**	13 025.6

** Prior year amounts restated and/or reclassified, refer to note 30.*

Notes to the Group annual financial statements

continued

	Pick n Pay Stores Group 52 weeks 28 February 2016 Rm	Pick n Pay Stores Group 52 weeks 1 March 2015 Rm	Pick n Pay Holdings Group 52 weeks 28 February 2016 Rm	Pick n Pay Holdings Group 52 weeks 1 March 2015 Rm
12. PARTICIPATION IN EXPORT PARTNERSHIPS				
Total	**18.6**	29.9	**18.6**	29.9
Less: Current portion included in trade and other receivables	**(4.5)**	(6.5)	**(4.5)**	(6.5)
Non-current portion	**14.1**	23.4	**14.1**	23.4

The Group participated in various export partnerships, whose business was the purchase and export sale of marine containers. These partnerships bought and sold containers in terms of long-term suspensive purchase and credit sale agreements respectively, with repayment terms usually over a 10 to 15-year period.

The participation in export partnerships is measured at amortised cost using the effective interest method. Amortised cost for the Group's participation in export partnerships is the Group's cost of original participation less principal subsequent repayments received, plus the cumulative amortisation of the difference between the initial amount and the maturity amount, less any write down for impairment or uncollectability.

The last trade took place in the 1999 financial year. The balance disclosed in respect of participation in export partnerships is the remaining long-term receivable.

	Pick n Pay Stores Group 52 weeks 28 February 2016 Rm	Pick n Pay Stores Group 52 weeks 1 March 2015 Rm	Pick n Pay Holdings Group 52 weeks 28 February 2016 Rm	Pick n Pay Holdings Group 52 weeks 1 March 2015 Rm
13. DEFERRED TAX				
Deferred tax assets	**225.1**	198.8	**225.1**	198.8
Deferred tax liabilities	**(9.5)**	—	**(9.5)**	—
Net deferred tax assets	**215.6**	198.8	**215.6**	198.8
The movement in net deferred tax assets are as follows:				
At beginning of period	**198.8**	212.1	**198.8**	212.1
Recognised in profit or loss (note 6)	**21.2**	(0.4)	**21.2**	(0.4)
Participation in export partnerships	**4.9**	6.6	**4.9**	6.6
Property, plant and equipment and intangible assets	**(35.8)**	(24.9)	**(35.8)**	(24.9)
Net operating lease liability	**17.0**	19.5	**17.0**	19.5
Retirement benefits and actuarial gains	**—**	17.1	**—**	17.1
Prepayments	**(0.8)**	(0.2)	**(0.8)**	(0.2)
Allowance for impairment losses	**(14.8)**	(11.3)	**(14.8)**	(11.3)
Income and expense accruals	**50.7**	(7.2)	**50.7**	(7.2)
Recognised in other comprehensive income	**(4.4)**	(12.9)	**(4.4)**	(12.9)
Tax effect of remeasurement of retirement scheme assets	**(5.7)**	(12.9)	**(5.7)**	(12.9)
Foreign currency translations	**1.3**	—	**1.3**	—
At end of period	**215.6**	198.8	**215.6**	198.8
Comprising:				
Participation in export partnerships	**(18.9)**	(23.8)	**(18.9)**	(23.8)
Property, plant and equipment and intangible assets	**(184.0)**	(148.2)	**(184.0)**	(148.2)
Net operating lease liabilities	**268.3**	251.3	**268.3**	251.3
Retirement benefits and actuarial gains	**(25.4)**	(19.7)	**(25.4)**	(19.7)
Prepayments	**(6.2)**	(5.4)	**(6.2)**	(5.4)
Allowance for impairment losses	**29.7**	44.5	**29.7**	44.5
Income and expense accruals	**152.1**	100.1	**152.1**	100.1
	215.6	198.8	**215.6**	198.8
Calculated temporary differences on consolidation associated with investments in subsidiaries and associate for which deferred tax liabilities have not been recognised	**8.8**	5.7	**8.8**	5.7

The Group has approximately R44.0 million (2015: R80.0 million) of estimated tax losses available for set-off against future taxable incomes, for which no deferred tax assets have been raised, as it is not probable that future taxable profits will be available against which these estimated tax losses can be utilised.

Notes to the Group annual financial statements

continued

	Pick n Pay Stores Group 52 weeks 28 February 2016 Rm	Pick n Pay Stores Group 52 weeks 1 March 2015 Rm	Pick n Pay Holdings Group 52 weeks 28 February 2016 Rm	Pick n Pay Holdings Group 52 weeks 1 March 2015 Rm
14. 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 year-end, there are no restrictions in place that would prevent the Group from realising its investment in TM Supermarkets.				
At beginning of period	**180.2**	165.9	**180.2**	165.9
Share of associate's income	**45.9**	14.3	**45.9**	14.3
Foreign currency translations	**59.4**	—	**59.4**	—
At end of period	**285.5**	180.2	**285.5**	180.2
14.1 Related party transactions				
Sale of inventory	**19.9**	56.8	**19.9**	56.8
During the financial year the Group sold inventory to it's associate. These purchases are on the same terms and conditions as those entered into by other Group customers.				
Trade receivable balances outstanding at the end of the period	**6.2**	16.0	**6.2**	16.0
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.				
Fair value of financial guarantee (refer note 28.3)	**2.8**	7.2	**2.8**	7.2
The Group entered into a financial guarantee contract that provides security for an overdraft facility of its associate. The purpose of the facility is to finance refurbishment programmes.				
14.2 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	**5 462.0**	3 895.4	**5 462.0**	355.9
Profit for the period	**93.6**	29.2	**93.6**	29.2
Attributable to other owners of the Company	**47.0**	14.9	**47.0**	14.9
Attributable to the Pick n Pay Group	**45.9**	14.3	**45.9**	14.3
Non-controlling interest	**0.7**	—	**0.7**	—
Statement of financial position (100%)				
Total assets	**1 334.5**	934.0	**1 334.5**	934.0
Current assets	**542.0**	427.4	**542.0**	427.4
Non-current assets	**792.5**	506.6	**792.5**	506.6
Total liabilities	**698.7**	566.2	**698.7**	566.2
Current liabilities	**638.7**	460.6	**638.7**	460.6
Non-current liabilities	**60.0**	105.6	**60.0**	105.6
Net assets (100%)	**635.8**	367.8	**635.8**	367.8
Attributable to other owners of the Company	**297.1**	187.6	**297.1**	187.6
Attributable to the Pick n Pay Group	**285.5**	180.2	**285.5**	180.2
Non-controlling interest	**53.2**	—	**53.2**	—

Notes to the Group annual financial statements

continued

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm	**52 weeks 28 February 2016 Rm**	52 weeks 1 March 2015 Rm
15. LOANS				
Employees	**90.7**	100.6	**90.7**	100.6
Executive directors	**0.4**	0.4	**0.4**	0.4
Other employees	**90.3**	100.2	**90.3**	100.2
Other	**5.7**	—	**5.7**	—
	96.4	100.6	**96.4**	100.6

Loans to directors and employees bear interest at varying rates averaging at a rate of 3.7% (2015: 4.2%) per annum and have varying repayment terms. At year-end, R68.3 million (2015: R72.6 million) of loans were secured.

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

16. INVENTORY				
Merchandise for resale	**5 240.4**	4 767.5	**5 240.4**	4 767.5
Provision for shrinkage, obsolescence and mark down of inventory	**(147.7)**	(158.1)	**(147.7)**	(158.1)
Consumables	**59.3**	45.1	**59.3**	45.1
	5 152.0	4 654.5	**5 152.0**	4 654.5

Notes to the Group annual financial statements

continued

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 28 February 2016 Rm	Restated* 52 weeks 1 March 2015 Rm	**52 weeks 28 February 2016 Rm**	Restated* 52 weeks 1 March 2015 Rm
17. TRADE AND OTHER RECEIVABLES				
Trade and other receivables	**3 448.1**	3 134.0	**3 448.1**	3 134.0
Allowance for impairment losses	**(121.9)**	(197.6)	**(121.9)**	(197.6)
	3 326.2	2 936.4	**3 326.2**	2 936.4
Gross trade and other receivables not impaired				
Within payment terms	**2 648.5**	2 387.4	**2 648.5**	2 387.4
Exceeding payment terms by less than 14 days	**71.0**	41.0	**71.0**	41.0
Exceeding payment terms by more than 14 days (past due)	**284.4**	163.6	**284.4**	163.6
	3 003.9	2 592.0	**3 003.9**	2 592.0
Gross trade and other receivables with impairments				
Within payment terms	**177.3**	224.1	**177.3**	224.1
Exceeding payment terms by less than 14 days	**36.1**	36.4	**36.1**	36.4
Exceeding payment terms by more than 14 days (past due)	**230.8**	281.5	**230.8**	281.5
	444.2	542.0	**444.2**	542.0
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	**197.6**	289.2	**197.6**	289.2
Irrecoverable debts written off	**(93.7)**	(125.4)	**(93.7)**	(125.4)
Additional impairment losses recognised	**33.5**	50.1	**33.5**	50.1
Prior allowances for impairment reversed	**(15.5)**	(16.3)	**(15.5)**	(16.3)
At end of period	**121.9**	197.6	**121.9**	197.6

Trade and other receivables are interest-free unless overdue, and have payment terms ranging between 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 77% (2015: 76%) 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 merchandise and administration in profit or loss.

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

Refer to note 28.1 for information on the credit risk of trade and other receivables.

** Prior year amounts restated and/or reclassified, refer to note 30.*

Notes to the Group annual financial statements
continued

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 28 February 2016 Rm	Restated* 52 weeks 1 March 2015 Rm	**52 weeks 28 February 2016 Rm**	Restated* 52 weeks 1 March 2015 Rm
18. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	**982.9**	1 024.5	**984.2**	1 025.3
Bank overdraft and overnight borrowings	**(100.0)**	(500.0)	**(100.0)**	(500.0)
Net cash and cash equivalents at end of period	**882.9**	524.5	**884.2**	525.3

Cash and cash equivalents

Cash and cash equivalents includes cash floats at stores as well as the Group's current account balance. The Group's primary banker, which has a long-term credit rating of AA (zaf), facilitates the collection of cash at stores, provides general banking facilities and facilitates the payment of suppliers via an electronic banking platform. The interest rate on the current account varied between 5.1% and 5.6% per annum (2015: 4.8% and 5.1% per annum). The interest rate on cash invested in money market accounts varied between 6.5% and 6.9% per annum (2015: 5.9% and 6.5% per annum). Refer to note 28.4.

Bank overdraft

The Group utilised its bank overdraft during the period. The overdraft rate varied between 7.8% and 8.8% per annum (2015: 7.5% and 7.8% per annum). Refer to note 28.4.

Overnight bank borrowings

The Group utilised overnight bank borrowings during the period. Interest rates varied between 6.3% and 7.7% per annum (2015: 6.0% and 6.6% per annum). Refer to note 28.4.

** Prior year amounts restated and/or reclassified, refer to note 30.*

Notes to the Group annual financial statements
continued

	Pick n Pay Stores Group	
	52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm
19. SHARE CAPITAL		
19.1 Pick n Pay Stores Limited		
Authorised		
800 000 000 (2015: 800 000 000) ordinary shares of 1.25 cents each	**10.0**	10.0
Issued		
488 450 321 (2015: 487 322 321) ordinary shares of 1.25 cents each	**6.0**	6.0
	000's	000's
The number of shares in issue at end of period is made up as follows:		
Treasury shares held by the Group (note 20)	**1 752.4**	1 746.9
Shares issued under the forfeitable share plan (note 5.3)	**7 923.0**	6 925.0
Shares held outside the Group	**478 774.9**	478 650.4
	488 450.3	487 322.3

The Company can issue new shares to settle the Group's obligations under its employee share schemes, but issues in this regard are limited, in aggregate, to 5% of total issued share capital (currently 24 422 516 shares). To date, 10 743 000 shares have been issued, resulting in 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.

The movement in the number of shares in issue in the current period was as a result of an issue of 1 128 000 shares (2015: 6 925 000 shares) in respect of the Group's employee forfeitable share plan (FSP).

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.

	Pick n Pay Holdings Group	
	52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm
19.2 Pick n Pay Holdings Limited RF		
Authorised		
800 000 000 (2015: 800 000 000) ordinary shares of 1.25 cents each	10.0	10.0
Issued		
527 249 082 (2015: 527 249 082) ordinary shares of 1.25 cents each	6.6	6.6
	000's	000's
The number of shares in issue at end of period is made up as follows:		
Treasury shares held by the Group (note 20)	11 129.3	11 106.5
Shares held outside the Group	516 119.8	516 142.6
	527 249.1	527 249.1

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% of issued share capital (currently 26 362 454 shares).

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

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

	Pick n Pay Stores Group 52 weeks 28 February 2016 Rm	Pick n Pay Stores Group Restated* 52 weeks 1 March 2015 Rm	Pick n Pay Holdings Group 52 weeks 28 February 2016 Rm	Pick n Pay Holdings Group 52 weeks 1 March 2015 Rm
20. TREASURY SHARES				
At beginning of period	**60.1**	50.4	**109.0**	95.3
Share repurchases	**126.2**	155.7	**16.1**	22.2
Take-up of share options by employees	**(122.8)**	(146.0)	**(3.6)**	(8.5)
At end of period	**63.5**	60.1	**121.5**	109.0
The movement in the number of treasury shares held is as follows:	**000's**	000's	**000's**	000's
At beginning of period	**8 671.9**	1 974.5	**11 106.5**	11 042.5
Shares purchased during the period	**2 220.2**	2 904.7	**800.9**	926.8
Shares sold during the period pursuant to the take-up of share options by employees	**(2 344.7)**	(3 132.3)	**(778.1)**	(862.8)
Shares issued under forfeitable share plan	**1 128.0**	6 925.0	**—**	—
At end of period	**9 675.4**	8 671.9	**11 129.3**	11 106.5
Comprises:				
Shares issued under forfeitable share plan (note 5.4)	**7 923.0**	6 925.0	**—**	—
Shares held by the Group	**1 752.4**	1 746.9	**11 129.3**	11 106.5
	R	R	**R**	R
Average price of forfeitable share plan shares held at period end	**56.07**	55.59	**n/a**	n/a
Average purchase price of shares purchased during the period	**61.33**	57.53	**25.83**	24.02
Average purchase price of shares held at period end	**61.33**	54.95	**11.73**	10.58

** Prior year amounts restated and/or reclassified, refer to note 30.*

Notes to the Group annual financial statements
continued

	Pick n Pay Stores Group 52 weeks 28 February 2016 Rm	Pick n Pay Stores Group 52 weeks 1 March 2015 Rm	Pick n Pay Holdings Group 52 weeks 28 February 2016 Rm	Pick n Pay Holdings Group 52 weeks 1 March 2015 Rm
21. BORROWINGS				
21.1 Secured borrowings	**529.6**	784.3	**529.6**	784.3
Secured loan in respect of property with a carrying value of R66.3 million (2015: R64.5 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.	**31.9**	41.7	**31.9**	41.7
Secured loan in respect of property with a carrying value of R533.8 million (2015: R544.6 million) (note 10). Interest was payable every six months in arrears at a fixed rate of 8.8% per annum. The capital was repaid on 29 June 2015.	**—**	250.0	**—**	250.0
Secured loan raised to fund property development. The loan is secured by property with a carrying value of R533.8 million (2015: R544.6 million) (note 10). Interest is payable every six months in arrears at fixed rate of 8.9% per annum. The capital is repayable on 28 August 2016.	**400.0**	400.0	**400.0**	400.0
Finance leases in respect of vehicles with a carrying value of R107.3 million (2015: R103.6 million) (note 10) held under finance lease agreements bearing interest at prime bank rate less 2% and payable monthly in arrears over a four-year period (refer to note 21.2). 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.	**97.7**	92.6	**97.7**	92.6
Total borrowings at end of period	**529.6**	784.3	**529.6**	784.3
***Less:* Current portion (repayable within one year)**	**(446.6)**	(291.5)	**(446.6)**	(291.5)
Non-current portion (repayable after one year)	**83.0**	492.8	**83.0**	492.8
21.2 Finance lease commitments				
At end of period finance lease rentals are payable as follows:				
Cash flows within one year	**37.2**	31.8	**37.2**	31.8
Capital repayments	**34.4**	29.7	**34.4**	29.7
Interest	**2.8**	2.1	**2.8**	2.1
Cash flows within two to five years	**68.3**	60.8	**68.3**	60.8
Capital repayments	**63.1**	56.8	**63.1**	56.8
Interest	**5.2**	4.0	**5.2**	4.0
Total cash flows	**105.5**	92.6	**105.5**	92.6
Consisting of:				
Capital repayments	**97.5**	86.5	**97.5**	86.5
Interest	**8.0**	6.1	**8.0**	6.1

Notes to the Group annual financial statements

continued

22. RETIREMENT BENEFITS

The Group, through its trading and employer subsidiaries, provides post-retirement benefits to its employees in accordance with local benchmarks in the countries in which it operates. These benefits are mainly provided through the Pick n Pay Retirement Scheme 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 former. 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 seven employer-appointed and seven member-elected trustees and for the Pick n Pay Paid-up Pension Fund it comprises two employer-appointed and two member-elected trustees.

Members eligible for the post-retirement medical liability all reached retirement date in 2014 and should have been paid out. However, there are a number of members with unclaimed benefits. The liability is the value determined for the unclaimed members at normal retirement age, increased with fund return to payment date.

Pick n Pay Stores Group and **Pick n Pay Holdings Group**

	Pensioners' defined-benefit guarantee Rm	Retirement defined-benefit guarantee Rm	Post-retirement medical guarantee Rm	Total obligation 2016 Rm	Total obligation 2015 Rm
22.1 The Pick n Pay Retirement Scheme					
Defined-benefit obligations					
The amount recognised in the statement of financial position is as follows:					
Present value of funded obligations	544.8	496.1	4.8	1 045.7	1 081.8
Fair value of assets	(544.8)	(586.9)	(4.8)	(1 136.5)	(1 210.8)
Funded position	—	(90.8)	—	(90.8)	(129.0)
Amounts recognised in the statement of comprehensive income are as follows:					
Current service cost	—	21.1	—	21.1	21.3
Net interest on the obligation	—	(7.8)	—	(7.8)	(4.5)
Total included in employee costs	—	13.3	—	13.3	16.8
Asset ceiling					
Refund (employer surplus account)	—	98.2	—	98.2	70.1
	—	98.2	—	98.2	70.1
Effect of asset ceiling – beginning of period	—	58.9	—	58.9	23.6
Interest cost	—	7.0	—	7.0	2.0
Remeasurement	—	(65.9)	—	(65.9)	33.3
Effect of asset ceiling – end of period	—	—	—	—	58.9
Movement in the asset recognised on the statement of financial position is as follows:					
Net asset – beginning of period	—	(70.1)	—	(70.1)	(85.1)
Total included in employee costs in profit or loss	—	13.3	—	13.3	16.8
Amount recognised in other comprehensive income	—	(20.5)	—	(20.5)	(45.9)
(Contributions)/refunds	—	(13.5)	—	(13.5)	44.1
Net asset – end of period	—	(90.8)	—	(90.8)	(70.1)

Notes to the Group annual financial statements
continued

Pick n Pay Stores Group and **Pick n Pay Holdings Group**

	Pensioners' defined-benefit guarantee Rm	Retirement defined-benefit guarantee Rm	Post-retirement medical guarantee Rm	Total obligation 2016 Rm	Total obligation 2015 Rm
22. RETIREMENT BENEFITS continued					
22.1 The Pick n Pay Retirement Scheme continued					
Remeasurement recognised in other comprehensive income					
Actuarial loss/(gain) – assets	2.3	48.7	(0.1)	50.9	(97.7)
Actuarial (gain)/loss – liabilities	(2.3)	(3.3)	0.1	(5.5)	18.5
Effect of asset ceiling	—	(65.9)	—	(65.9)	33.3
Remeasurement recognised in other comprehensive income (before tax)	—	(20.5)	—	(20.5)	(45.9)
Movement in the fund's obligations and plan assets recognised on the statement of financial position is as follows:					
Liability – beginning of period	522.6	554.9	4.3	1 081.8	1 146.3
Service cost	—	21.1	—	21.1	21.3
Interest cost	59.8	58.9	0.5	119.2	90.1
Actuarial loss/(gain) from experience	(2.3)	(2.3)	0.1	(4.5)	20.1
Actuarial loss from basis change	—	(1.0)	—	(1.0)	(1.5)
Benefits paid	(35.3)	(135.5)	(0.1)	(170.9)	(194.4)
Liability – end of period	544.8	496.1	4.8	1 045.7	1 081.8
Plan assets – beginning of period	522.6	683.9	4.3	1 210.8	1 255.0
Expected return	59.8	73.7	0.5	134.0	96.6
Actuarial (gain)/loss from experience	(2.3)	(48.7)	0.1	(50.9)	97.7
Refund/(contributions)	—	13.5	—	13.5	(44.1)
Benefits paid	(35.3)	(135.5)	(0.1)	(170.9)	(194.4)
Plan assets – end of period	544.8	586.9	4.8	1 136.5	1 210.8
	%	%	%	%	%
Estimated return on plan assets	6.9	7.0	7.0	6.9	8.4
Composition of plan assets					
Equities	4.5	51.5	51.5	28.9	29.2
Fixed interest – bonds	77.6	13.6	13.6	44.4	24.4
Fixed interest – cash	—	2.1	2.1	1.1	1.3
Property	—	4.4	4.4	2.3	2.3
Offshore equities	17.9	20.9	20.9	19.4	14.5
Offshore bonds	—	7.1	7.1	3.7	12.2
Offshore cash	—	0.3	0.3	0.1	16.1
Offshore property	—	0.1	0.1	0.1	–
	100.0	100.0	100.0	100.0	100.0

The value of contributions expected to be paid in the next financial period is R11.1 million (2015: R25.0 million).

The weighted-average duration of the defined benefit obligation is five years (2015: five years).

Notes to the Group annual financial statements
continued

22. RETIREMENT BENEFITS continued
22.1 The Pick n Pay Retirement Scheme continued

Pick n Pay Stores Group and Pick n Pay Holdings Group

The principal actuarial assumptions at the last valuation date are:	February 2016 % per annum Pensioners	Executives	Post retirement	Weighted	November 2014 % per annum Combined
Discount rate	**9.3**	**9.0**	**n/a**	**9.1**	8.8
Future salary increases	**n/a**	**7.0**	**n/a**	**7.0**	6.3
Future pension increases	**7.3**	**n/a**	**n/a**	**7.3**	6.0
Annual increase in healthcare costs	**n/a**	**n/a**	**n/a**	**n/a**	7.5

We have amended the effective valuation date during the current reporting period to align it closer to the financial year-end of the Group.

At this valuation date the different liabilities were assessed according to their individual durations, implying different assumptions as appropriate. A single assumption was applied in the prior period disclosure.

Sensitivity analysis
At 28 February 2016, 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:

Pick n Pay Stores Group and Pick n Pay Holdings Group

	Discount rate effect -1% 8.0% Rm	As reported 9.0% Rm	+1% 10.0% Rm	Salary inflation effect -1% 5.7% Rm	As reported 6.7% Rm	+1% 7.7% Rm
Statement of comprehensive income						
Employee costs	**13.4**	**13.3**	**13.2**	**12.4**	**13.3**	**14.3**
Statement of financial position						
Asset at end of period	**93.5**	**90.8**	**96.0**	**98.2**	**90.8**	**76.1**

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.

Pick n Pay Stores Group and Pick n Pay Holdings Group

	52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm
22.2 Defined current contribution benefits		
Current contributions (refer note 3.1)	**341.8**	325.8

Notes to the Group annual financial statements
continued

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 28 February 2016 Rm	Restated* 52 weeks 1 March 2015 Rm	52 weeks 28 February 2016 Rm	Restated* 52 weeks 1 March 2015 Rm
23. TRADE AND OTHER PAYABLES				
Trade and other payables	**10 156.6**	8 645.8	**10 160.9**	8 649.5
Leave pay obligations	**220.1**	197.7	**220.1**	197.8
Deferred revenue – customer loyalty programme (note 2)	**123.9**	46.2	**123.9**	46.2
	10 500.6	8 889.7	**10 504.9**	8 893.5

** Prior year amounts restated and/or reclassified, refer to note 30.*

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm	52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm
24. PROVISIONS				
Onerous leases				
Balance at beginning of period	**1.0**	8.1	**1.0**	8.1
Provisions utilised	**(0.8)**	(7.1)	**(0.8)**	(7.1)
Balance at end of period	**0.2**	1.0	**0.2**	1.0
25. COMMITMENTS				
25.1 Capital commitments				
All capital expenditure will be funded from internal cash flow and through unlimited borrowing powers.				
Authorised capital expenditure				
Contracted for	**395.9**	213.1	**395.9**	213.1
Property	**78.8**	—	**78.8**	—
Furniture, fittings, equipment and vehicles	**211.5**	123.1	**211.5**	123.1
Intangible assets	**105.6**	90.0	**105.6**	90.0
Not contracted for	**1 783.1**	1 839.3	**1 783.1**	1 839.3
Property	**27.5**	180.0	**27.5**	180.0
Furniture, fittings, equipment and vehicles	**1 694.9**	1 518.8	**1 694.9**	1 518.8
Intangible assets	**60.7**	140.5	**60.7**	140.5
Total commitments	**2 179.0**	2 052.4	**2 179.0**	2 052.4

25.2 Operating lease commitments

Refer to note 11

25.3 Finance lease commitments

Refer to note 21.2

Notes to the Group annual financial statements
continued

26. OPERATING SEGMENTS

Group

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 executives, or group of executives, that could be considered the appropriate and relevant CODM of the Group.

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.

	Pick n Pay Stores Group		
	South Africa* Rm	**Rest of Africa Rm**	**Total operations* Rm**
52 weeks to 28 February 2016			
Total segment revenue	**70 312.7**	**4 005.6**	**74 318.3**
External revenue	**70 312.7**	**3 164.6**	**73 477.3**
Direct deliveries**	**—**	**841.0**	**841.0**
Segment external turnover	**69 300.6**	**3 144.5**	**72 445.1**
Profit before tax***	**1 247.4**	**226.1**	**1 473.5**
Other information			
Statement of comprehensive income			
Finance income	**52.8**	**8.1**	**60.9**
Finance costs	**116.7**	**0.3**	**117.0**
Depreciation and amortisation	**911.6**	**29.3**	**940.9**
Impairment loss on intangible assets	**8.6**	**—**	**8.6**
Share of associate's income	**—**	**45.9**	**45.9**
Statement of financial position			
Total assets	**15 261.3**	**1 323.6**	**16 584.9**
Total liabilities	**12 402.9**	**284.2**	**12 687.1**
Investment in associate	**—**	**285.5**	**285.5**
Additions to non-current assets	**1 773.6**	**17.7**	**1 791.3**
52 weeks to 1 March 2015			
Total segment revenue	64 754.2	3 681.9	68 436.1
External revenue	64 754.2	3 028.9	67 783.1
Direct deliveries**	—	653.0	653.0
Segment external turnover	63 911.9	3 028.9	66 940.8
Profit before tax***	1 016.2	189.0	1 205.2
Other information			
Statement of comprehensive income			
Finance income	54.3	5.1	59.4
Finance costs	119.0	—	119.0
Depreciation and amortisation	845.2	24.3	869.5
Share of associate's income	—	14.3	14.3
Statement of financial position			
Total assets	13 754.3	1 069.8	14 824.1
Total liabilities	11 290.8	271.5	11 562.3
Investment in associate	—	180.2	180.2
Additions to non-current assets	1 061.8	43.5	1 105.3

* *Prior year amounts restated and/or reclassified, refer to note 30.*
** *Direct deliveries are issues to franchisees directly by Group suppliers, these are not included in revenue on the statement of comprehensive income.*
*** *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.*

Notes to the Group annual financial statements
continued

	Pick n Pay Holdings Group		
	South Africa* Rm	Rest of Africa Rm	Total operations* Rm
26. OPERATING SEGMENTS continued			
52 weeks to 28 February 2016			
Total segment revenue	**70 312.8**	**4 005.6**	**74 318.4**
External revenue	**70 312.8**	**3 164.6**	**73 477.4**
Direct deliveries**	**—**	**841.0**	**841.0**
Segment external turnover	**69 300.6**	**3 144.5**	**72 445.1**
Profit before tax* **	**1 245.0**	**226.1**	**1 471.1**
Other information			
Statement of comprehensive income			
Finance income	**52.9**	**8.1**	**61.0**
Finance costs	**116.7**	**0.3**	**117.0**
Depreciation and amortisation	**911.6**	**29.3**	**940.9**
Impairment loss on intangible assets	**8.6**	**—**	**8.6**
Share of associate's income	**—**	**45.9**	**45.9**
Statement of financial position			
Total assets	**14 997.7**	**1 323.6**	**16 321.3**
Total liabilities	**12 282.6**	**284.2**	**12 566.8**
Investment in associate	**—**	**285.5**	**285.5**
Additions to non-current assets	**1 773.6**	**17.7**	**1 791.3**
52 weeks to 1 March 2015			
Total segment revenue	64 754.2	3 681.9	68 436.1
External revenue	64 754.2	3 028.9	67 783.1
Direct deliveries**	—	653.0	653.0
Segment external turnover	63 911.9	3 028.9	66 940.8
Profit before tax* **	1 014.7	189.0	1 203.7
Other information			
Statement of comprehensive income			
Finance income	54.3	5.1	59.4
Finance costs	119.0	—	119.0
Depreciation and amortisation	845.2	24.3	869.5
Share of associate's income	—	14.3	14.3
Statement of financial position			
Total assets	13 501.4	1 069.8	14 571.2
Total liabilities	11 172.6	271.5	11 444.1
Investment in associate	—	180.2	180.2
Additions to non-current assets	1 061.8	43.5	1 105.3

*	*Prior year amounts restated and/or reclassified, refer to note 30.*
**	*Direct deliveries are issues to franchisees directly by Group suppliers, these are not included in revenue on the statement of comprehensive income.*
***	*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.*

Notes to the Group annual financial statements
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27. RELATED PARTY TRANSACTIONS

27.1 Transactions between Group subsidiaries

During the year, in the ordinary course of business, certain companies within the Group entered into transactions with each other. These inter-group transactions are eliminated on consolidation. Related party transactions are consistent with those reported in the prior year, and no significant new related party transactions arose during the year.

The Pick n Pay Stores and Pick n Pay Holdings Groups comprise of the following significant wholly owned subsidiaries:
- Pick n Pay Retailers Proprietary Limited, incorporated in South Africa
- Boxer Holdings Proprietary Limited, incorporated in South Africa
- The Blue Ribbon Meat Corporation 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

27.2 Transactions with parent company

The nature of the transactions between the Pick n Pay Stores Group and its parent company, Pick n Pay Holdings Limited RF, comprise mainly of dividends paid.

Dividends paid to the parent company amounted to R315.8 million for the current period under review (2015: R249.9 million).

Refer to note 8 of the Company financial statements for more information.

27.3 Transactions with equity accounted associate

Refer to note 14 for further information.

27.4 Loans to executive directors

Loans to directors amount to R0.4 million at the end of the period (2015: R0.4 million). These loans are secured and bear interest at varying interest rates. For further information refer to note 15.

27.5 Key management personnel

Key management personnel remuneration is set out below. No key management personnel had a material interest in any contract of any significance with any Group company during the period under review.

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 28 February 2016 Rm	Restated* 52 weeks 1 March 2015 Rm	**52 weeks 28 February 2016 Rm**	Restated* 52 weeks 1 March 2015 Rm
Key management personnel remuneration comprises:				
Fees for board meetings, committee and other work	**8.2**	7.3	**8.5**	7.5
Base salary	**56.7**	47.9	**56.7**	47.9
Retirement and medical aid contributions	**8.9**	7.8	**8.9**	7.8
Fringe and other benefits	**6.7**	8.4	**6.7**	8.4
Total fixed remuneration	**80.5**	71.4	**80.8**	71.6
Short-term annual bonus	**43.5**	28.1	**43.5**	28.1
Total remuneration	**124.0**	99.5	**124.3**	99.7
Expense relating to share options granted	**76.1**	45.5	**75.1**	45.5

** Prior year amounts restated and/or reclassified, refer to note 30.*

Notes to the Group annual financial statements

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28. FINANCIAL INSTRUMENTS

Overview

The Pick n Pay Stores and Pick n Pay Holdings Group's (collectively referred to as the Group) principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its 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 available-for-sale and 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 which are summarised below.

** Prior year amounts restated and/or reclassified, refer to note 30.*

28.1 Financial assets and financial liabilities by category

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

Pick n Pay Stores Group

	Derivative financial instruments	Financial assets at fair value through profit and loss	Available-for-sale financial assets	Loans and receivables	Financial liabilities measured at amortised cost	Financial liabilities at fair value through profit and loss	Total
52 weeks to 28 February 2016							
Financial assets							
Forward exchange contracts	6.0	—	—	—	—	—	6.0
Trade and other receivables	—	—	—	3 200.9	—	—	3 200.9
Cash and cash equivalents	—	—	—	982.9	—	—	982.9
Loans	—	—	—	96.4	—	—	96.4
Participation in export partnerships	—	—	—	14.1	—	—	14.1
Investment in Guardrisk Insurance Company Limited	—	13.6	—	—	—	—	13.6
Investment in Pick n Pay Holdings Limited RF	—	218.5	46.4	—	—	—	264.9
	6.0	232.1	46.4	4 294.3	—	—	4 578.8
Financial liabilities							
Financial guarantee	—	—	—	—	—	2.8	2.8
Secured loans	—	—	—	—	529.6	—	529.6
Trade and other payables	—	—	—	—	9 941.3	—	9 941.3
Bank overdraft and overnight borrowings	—	—	—	—	100.0	—	100.0
	—	—	—	—	10 570.9	2.8	10 573.7

Notes to the Group annual financial statements

continued

28. FINANCIAL INSTRUMENTS continued

28.1 Financial assets and financial liabilities by category continued

Pick n Pay Stores Group

	Derivative financial instruments	Restated* Financial assets at fair value through profit and loss	Restated* Available-for-sale financial assets	Restated* Loans and receivables	Restated* Financial liabilities measured at amortised cost	Financial liabilities at fair value through profit and loss	Restated* Total
52 weeks to 1 March 2015							
Financial assets							
Forward exchange contracts	1.3	—	—	—	—	—	1.3
Commodity hedge	0.1	—	—	—	—	—	0.1
Trade and other receivables	—	—	—	2 936.4	—	—	2 936.4
Cash and cash equivalents	—	—	—	1 024.5	—	—	1 024.5
Loans	—	—	—	100.6	—	—	100.6
Participation in export partnerships	—	—	—	23.4	—	—	23.4
Investment in Guardrisk Insurance Company Limited	—	33.5	—	—	—	—	33.5
Investment in Pick n Pay Holdings Limited RF	—	211.5	42.2	—	—	—	253.7
	1.4	245.0	42.2	4 084.9	—	—	4 373.5
Financial liabilities							
Financial guarantee	—	—	—	—	—	7.2	7.2
Secured loans	—	—	—	—	784.3	—	784.3
Trade and other payables	—	—	—	—	8 645.8	—	8 645.8
Bank overdraft and overnight borrowings	—	—	—	—	500.0	—	500.0
	—	—	—	—	9 930.1	7.2	9 937.3

** Prior year amounts restated and/or reclassified, refer to note 30.*

Notes to the Group annual financial statements
continued

28. FINANCIAL INSTRUMENTS continued
28.1 Financial assets and financial liabilities by category continued

Pick n Pay Holdings Group

	Derivative financial instruments	Financial assets at fair value through profit and loss	Loans and receivables	Financial liabilities measured at amortised cost	Financial liabilities at fair value through profit and loss	Total
52 weeks to 28 February 2016						
Financial assets						
Forward exchange contracts	6.0	—	—	—	—	6.0
Trade and other receivables	—	—	3 200.9	—	—	3 200.9
Cash and cash equivalents	—	—	982.9	—	—	982.9
Loans	—	—	96.4	—	—	96.4
Participation in export partnerships	—	—	14.1	—	—	14.1
Investment in Guardrisk Insurance Company Limited	—	13.6	—	—	—	13.6
	6.0	13.6	4 294.3	—	—	4 313.9
Financial liabilities						
Financial guarantee	—	—	—	—	2.8	2.8
Secured loans	—	—	—	529.6	—	529.6
Trade and other payables	—	—	—	9 945.9	—	9 945.9
Bank overdraft and overnight borrowings	—	—	—	100.0	—	100.0
	—	—	—	10 575.5	2.8	10 578.3

	Derivative financial instruments	Restated* Financial assets at fair value through profit and loss	Restated* Loans and receivables	Restated* Financial liabilities measured at amortised cost	Financial liabilities at fair value through profit and loss	Restated* Total
52 weeks to 1 March 2015						
Financial assets						
Forward exchange contracts	1.3	—	—	—	—	1.3
Commodity hedge	0.1	—	—	—	—	0.1
Trade and other receivables	—	—	2 936.4	—	—	2 936.4
Cash and cash equivalents	—	—	1 024.5	—	—	1 024.5
Loans	—	—	100.6	—	—	100.6
Participation in export partnerships	—	—	23.4	—	—	23.4
Investment in Guardrisk Insurance Company Limited	—	33.5	—	—	—	33.5
	1.4	33.5	4 084.9	—	—	4 119.8
Financial liabilities						
Financial guarantee	—	—	—	—	7.2	7.2
Secured loans	—	—	—	784.3	—	784.3
Trade and other payables	—	—	—	8 649.5	—	8 649.5
Bank overdraft and overnight borrowings	—	—	—	500.0	—	500.0
	—	—	—	9 933.8	7.2	9 941.0

** Prior year amounts restated and/or reclassified, refer to note 30.*

Notes to the Group annual financial statements

continued

28. FINANCIAL INSTRUMENTS continued

28.2 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, investment in associate, cell captive, derivatives, loans and participation in export partnerships.

The Group's cash is placed with major South African and international financial institutions of high credit standing with a long-term rating of AA (zaf) (refer to note 18).

Trade and other receivables mainly relate to amounts owing by franchisees and are presented net of impairment losses (refer to note 17). 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 among 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 for each employee and, where appropriate, suitable forms of security are obtained. Refer to note 15.

A JSE-listed company has warranted all material cash flow aspects of the Group's participation in export partnerships. The Group's directors have considered the credit risk relating to these aspects warranted and have satisfied themselves as to the credit worthiness of the warrantor company. Refer to note 12.

The Group is exposed to a 49% share of a financial guarantee over a US$25 million term loan granted to our associate in Zimbabwe, with US$6.25 million remaining. The guarantee is linked to the credit worthiness of our associate. Management is confident in the future prospects of our associate and has no reason to believe that associate will default on its loan commitments or that the guarantee will be called upon.

28.3 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 forecast 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 utilised to fund capital expenditure. Liquidity risk has been mitigated by substantial unutilised borrowing facilities as illustrated below.

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 28 February 2016 Rm	Restated 52 weeks 1 March 2015 Rm	**52 weeks 28 February 2016 Rm**	Restated 52 weeks 1 March 2015 Rm
Total available facilities	**6 830.2**	6 954.8	**6 830.2**	6 954.8
Total actual borrowings	**(629.6)**	(1 284.3)	**(629.6)**	(1 284.3)
Utilisation of FEC and financial guarantee facilities	**(345.6)**	(303.8)	**(345.6)**	(303.8)
Unutilised borrowing facilities	**5 855.0**	5 366.7	**5 855.0**	5 366.7

Notes to the Group annual financial statements
continued

28. FINANCIAL INSTRUMENTS continued

28.3 Liquidity risk continued

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

Pick n Pay Stores Group

	Carrying amount Rm	Contractual cash flows Rm	Within 1 year Rm	2 to 5 years Rm	Over 5 years Rm
52 weeks to 28 February 2016					
Secured loans	**529.6**	**559.2**	**467.7**	**91.5**	**—**
Trade and other payables	**9 941.3**	**9 941.3**	**9 941.3**	**—**	**—**
Overnight bank borrowings	**100.0**	**100.0**	**100.0**	**—**	**—**
Total financial obligations	**10 570.9**	**10 600.5**	**10 509.0**	**91.5**	**—**
52 weeks to 1 March 2015					
Secured loans	784.3	854.2	339.3	514.9	—
Trade and other payables*	8 645.8	8 645.8	8 645.8	—	—
Overnight bank borrowings	500.0	500.0	500.0	—	—
Total financial obligations	9 930.1	10 000.0	9 485.1	514.9	—

Pick n Pay Holdings Group

	Carrying amount Rm	Contractual cash flows Rm	Within 1 year Rm	2 to 5 years Rm	Over 5 years Rm
52 weeks to 28 February 2016					
Secured loans	**529.6**	**559.2**	**467.7**	**91.5**	**—**
Trade and other payables	**9 945.9**	**9 945.9**	**9 945.9**	**—**	**—**
Bank overdraft and overnight borrowings	**100.0**	**100.0**	**100.0**	**—**	**—**
Total financial obligations	**10 575.5**	**10 605.1**	**10 513.6**	**91.5**	**—**
52 weeks to 1 March 2015					
Secured loans	784.3	854.2	339.3	514.9	—
Trade and other payables*	8 649.5	8 649.5	8 649.5	—	—
Bank overdraft and overnight borrowings	500.0	500.0	500.0	—	—
Total financial obligations	9 933.8	10 003.7	9 488.8	514.9	—

** Prior year amounts restated and/or reclassified, refer to note 30.*

The Group is exposed to a 49% share of a financial guarantee over a US$25 million term loan granted to our associate in Zimbabwe, with a remaining portion of US$6.25 million. The guarantee is linked to the credit worthiness of our associate. Management is confident in the future prospects of our associate and has no reason to believe that the associate will default on its loan commitments or that the guarantee will be called upon.

Notes to the Group annual financial statements
continued

28. FINANCIAL INSTRUMENTS continued

28.4 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, available-for-sale financial instruments, financial instruments at fair value through profit or loss 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 28 February 2016 and 1 March 2015.

28.4.1 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 rand.

Pick n Pay Stores Group and **Pick n Pay Holdings Group**

	Average rate		Closing rate	
	52 weeks 28 February 2016	52 weeks 1 March 2015	**As at 28 February 2016**	As at 1 March 2015
The following significant exchange rates applied during the period:				
USD/ZAR	**13.51**	11.17	**15.97**	11.62
Euro/ZAR	**14.89**	13.92	**17.48**	13.05
GBP/ZAR	**20.42**	17.92	**22.19**	17.93

	Contract foreign currency m	Rand equivalent Rm	Average rate R	Fair value Rm
Forward exchange contracts				
52 weeks to 28 February 2016				
US dollars	**12.3**	**194.9**	**15.8**	**5.3**
Euro	**5.2**	**94.2**	**18.0**	**0.8**
British pound	**0.3**	**7.7**	**23.6**	**(0.1)**
		296.8		**6.0**
52 weeks to 1 March 2015				
US dollars	8.1	91.5	11.3	(0.1)
Euro	2.0	28.6	14.2	1.5
British pound	0.3	4.6	18.0	(0.1)
		124.7		1.3

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 hedge against foreign currency fluctuations. A sensitivity analysis is not presented as the estimated impact of the expected movement in currencies is not material.

In relation to the participation in export partnerships, a fixed rate of exchange was set for the purpose of converting the foreign currency receipts in respect of the partnerships' sales into South African rand. Any exchange differences are for the account of the managing partner of the partnerships and will have no impact on the statement of comprehensive income and the statement of changes in equity of the Group.

28. FINANCIAL INSTRUMENTS continued

28.4 Market risk management continued

28.4.1 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 it is included in. These risks are not hedged.

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 the 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.

Equity price risk

The Pick n Pay Stores Group has an investment in Pick n Pay Holdings Limited RF shares, classified as available-for-sale financial instruments and financial instruments designated at fair value through profit or loss. The fair value of these financial instruments are derived from quoted market prices in active securities market.

At the reporting date, the Pick n Pay Stores Group's exposure to these listed equity securities at fair value was R264.9 million, R46.4 million in available-for-sale financial instruments and R218.5 million in financial instruments designated at fair value through profit or loss. A increase/decrease of 10% on the JSE market index could have an impact of approximately R26.5 million on total comprehensive income.

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

	Pick n Pay Stores Group and **Pick n Pay Holdings Group**	
	52 weeks 28 February 2016 Weighted average interest rate %	52 weeks 1 March 2015 Weighted average interest rate %
The effective interest rates on financial instruments at the end of the period are:		
Financial assets		
Cash and cash equivalents (note 18)	**5.1 – 6.9**	4.8 – 6.5
Loans (note 15)	**3.7**	4.2
Financial liabilities		
Variable-rate interest-bearing debt		
Bank overdraft and overnight borrowings (note 18)	**6.3 – 8.8**	6.3
Finance leases (note 21)	**7.3 – 8.8**	7.1
3-month corporate paper (note 21)	**—**	5.9
Fixed-rate interest-bearing debt		
Secured loans (note 21)	**8.8 – 11.4**	8.8 – 11.4

Notes to the Group annual financial statements
continued

28. FINANCIAL INSTRUMENTS continued

28.4 Market risk management continued

28.4.2 Interest rate risk management continued

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 based on the period end closing balances. Interest rates could reasonably be expected to rise in the range of 1% to 2%. This range has been used in our sensitivity analysis, as set out below.

	Pick n Pay Stores Group and Pick n Pay Holdings Group			
	52 weeks to 28 February 2016		52 weeks to 1 March 2015 Restated*	
	1% increase Rm	2% increase Rm	1% increase Rm	2% increase Rm
Total effect on finance income	**9.8**	**19.7**	10.2	20.5
Total effect on finance costs	**(2.0)**	**(4.0)**	(5.9)	(11.9)
Net effect on profit before tax	**7.8**	**15.7**	4.3	8.6

28.5 Fair value of financial instruments

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

Financial instruments measured at fair value are classified using a three-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:

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	As at 28 February 2016 Rm	As at 1 March 2015 Rm	As at 28 February 2016 Rm	As at 1 March 2015 Rm
Derivative financial instruments				
Forward exchange contracts – Level 2	**6.0**	1.3	**6.0**	1.3
Commodity hedge – Level 2	**—**	0.1	**—**	0.1
Financial instruments at fair value through profit or loss*				
Investment in Pick n Pay Holdings Limited RF – Level 1	**218.5**	211.5	**—**	—
Investment in Guardrisk Insurance Company Limited – Level 2	**13.6**	33.5	**13.6**	33.5
Available for sale financial instruments*				
Investment in Pick n Pay Holdings Limited RF – Level 1	**46.4**	42.2	**—**	—

** Prior year amounts restated and/or reclassified, refer to note 30.*

Notes to the Group annual financial statements
continued

28. FINANCIAL INSTRUMENTS continued

28.5 Fair value of financial instruments continued

Basis for determining fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table on page 84.

The fair value of the investment in Pick n Pay Holdings Limited RF shares are derived from quoted market prices in an active securities market.

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 and commodity forward contracts are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying commodity.

All derivative contracts are fully cash collateralised, thereby eliminating both counterparty risk and the Group's own non-performance risk.

As at 28 February 2016, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default 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.

28.6 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 while maintaining a strong capital base.

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

	Pick n Pay Stores Group	
	52 weeks 28 February 2016	Restated* 52 weeks 1 March 2015
Return on shareholders equity	**30.0%**	27.9%

** Prior year amounts restated and/or reclassified, refer to note 30.*

The Group maintains a dividend cover based on headline earnings per share of 1.5 times (2015: 1.5 times) to ensure that sufficient capital is retained for expansion of the business.

The Group's secured long-term borrowings have financial covenants attached which the lender uses as a measure of the Group's ability to repay the debt. The covenants are based on the level of total debt in the business as a ratio of EBITDA (earnings before interest, tax, depreciation and amortisation), as well as the adequacy of EBITAR (earnings before interest, tax and operating rentals) to cover total net interest and operating lease rentals payable. The Group complied with all financial covenants during the period and does not foresee any difficulty in meeting the covenants in the foreseeable future.

Should the financial covenants not be met for any reason, the Group would need to inform the lender and the lender would be entitled to take remedial action in the form of an increase in the rate of interest on the secured loan, or early repayment terms. However, should the Group's financial position diminish further such that the lender believes that the Group will not be able to repay its debt in the ordinary course of business, then the loan can be immediately recalled by the lender.

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

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

Notes to the Group annual financial statements
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29. NON-CONTROLLING INTEREST

All of the non-controlling interest in the Pick n Pay Holdings Group relates to its subsidiary Pick n Pay Stores Limited. Non-controlling shareholders controls 46.3% (2015: 46.2%) of the issued share capital of the subsidiary.

	Pick n Pay Holdings Group	
	52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm
Non-controlling interest	**1 794.7**	1 499.2

30. PRIOR PERIOD RESTATEMENTS AND RECLASSIFICATIONS

30.1 Prior period restatements and reclassification – Pick n Pay Stores Limited Group

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

Recognition and measurement

The Group's investment in an insurance cell captive was historically treated as a wholly owned subsidiary and consolidated. On re-evaluating the definition of control in terms of IFRS 10 *Consolidated Financial Statements*, it is appropriate to account for this investment as a financial instrument at fair value through profit or loss in accordance with IAS 39 *Financial Instruments*.

The Group owns Pick n Pay Holdings Limited RF shares (PWK shares) to settle obligations under the Group's share incentive scheme. Previously these shares were accounted for as treasury shares and the related share-based payment as equity settled. On review the investment in PWK shares should be accounted for as a financial instrument in accordance with IAS 39 *Financial Instruments* and the related share-based payment as cash settled in terms of IFRS 2 *Share-Based Payments*.

These errors were corrected in the current financial year and comparative figures restated. The errors did not require any adjustment to the previously reported profit for the period, including reported basic, diluted and headline earnings per share.

Reclassifications

In the comparative period certain rent received from franchisees, in terms of sublease agreements, was erroneously accounted for under occupancy costs in the statements of comprehensive income. An instance was found where an amount was incorrectly classified as trade and other payables rather than cash and cash equivalents in the statements of financial position.

These reclassification errors were corrected in the current financial year and comparative figures restated. These reclassifications had no impact on the previously reported profit for the period, including reported basic, diluted and headline earnings per share.

The corrections are set out below:

30.1.1 Prior period restatement and reclassifications impact on the 2015 statement of comprehensive income of Pick n Pay Stores Limited Group

	Restated 52 weeks 1 March 2015 Rm	Reclassi-fications Rm	Restatement parent company share investment Rm	As previously published 52 weeks 1 March 2015 Rm
Revenue	67 783.1	180.0	—	67 603.1
Other trading income	782.9	180.0	—	602.9
Employee costs	(5 672.9)	—	(19.1)	(5 653.8)
Occupancy	(2 047.6)	(180.0)	—	(1 867.6)
Merchandising and administration	(1 150.0)	—	19.1	(1 169.1)
Other comprehensive income, net of tax				
Fair value gain on available-for-sale financial instruments	4.2	—	4.2	—

Notes to the Group annual financial statements

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30. PRIOR PERIOD RESTATEMENTS AND RECLASSIFICATIONS continued

30.1 Prior period restatements and reclassification – Pick n Pay Stores Limited Group continued

30.1.2 Prior period restatement and reclassifications impact of the 2015 statement of financial position of Pick n Pay Stores Limited Group

	Restated As at 1 March 2015 Rm	Restatement Investment in insurance cell captive Rm	Reclassi-fications Rm	Restatement Parent company share investment Rm	As previously published As at 1 March 2015 Rm
Financial instruments at fair value through profit or loss	245.0	33.5	—	211.5	—
Available-for-sale financial instruments	42.2	—	—	42.2	—
Trade and other receivables	2 936.4	(20.3)	—	—	2 956.7
Cash and cash equivalents	1 024.5	(72.3)	(77.0)	—	1 173.8
Treasury shares	(60.1)	—	—	109.0	(169.1)
Fair value reserve	31.2	—	—	31.2	—
Retained earnings	3 302.9	—	—	(8.5)	3 311.4
Trade and other payables	8 889.7	(59.1)	(77.0)	—	9 025.8
Share-based payment liability	122.0	—	—	122.0	—

30.1.3 Prior period restatement and reclassifications impact of the 2014 statement of financial position of Pick n Pay Stores Limited Group

	Restated As at 2 March 2014 Rm	Restatement Investment in insurance cell captive Rm	Reclassi-fications Rm	Restatement Parent company share investment Rm	As previously published As at 2 March 2014 Rm
Financial instruments at fair value through profit or loss	212.2	23.3	—	188.9	—
Available-for-sale financial instruments	38.0	—	—	38.0	—
Trade and other receivables	2 821.9	(19.2)	—	—	2 841.1
Cash and cash equivalents	1 334.2	(61.1)	(145.0)	—	1 540.3
Treasury shares	(50.4)	—	—	95.3	(145.7)
Fair value reserve	27.0	—	—	27.0	—
Retained earnings	2 847.9	—	—	(1.2)	2 849.1
Trade and other payables	7 883.1	(57.0)	(145.0)	—	8 085.1
Share-based payment liability	105.8	—	—	105.8	—

Notes to the Group annual financial statements

continued

30. PRIOR PERIOD RESTATEMENTS AND RECLASSIFICATIONS continued

30.1 Prior period restatements and reclassification – Pick n Pay Stores Limited Group continued

30.1.4 Prior period restatement and reclassifications impact on the 2015 statement of cash flows of Pick n Pay Stores Limited Group

	Restated 52 weeks 1 March 2015 Rm	Restatement Investment in insurance cell captive Rm	Reclassi-fications Rm	Restatement Parent company share investment Rm	As previously published 52 weeks 1 March 2015 Rm
Equity-settled share-based payment expense	124.1	—	—	(15.8)	139.9
Cash-settled share-based payment expense	34.9	—	—	34.9	—
Fair value loss/(gain) on financial instruments at fair value through profit or loss	(27.2)	(10.2)	—	(19.1)	2.1
Movements in trade and other payables	1 006.6	(2.1)	68.0	—	940.7
Movements in trade and other receivables	(114.5)	1.1	—	—	(115.6)
Investment in financial instruments at fair value	(22.2)	—	—	(22.2)	—
Share repurchases	(155.7)	—	—	22.2	(177.9)
Cash and cash equivalents at beginning of period	664.2	(61.1)	(145.0)	—	870.3
Cash and cash equivalents at end of period	524.5	(72.3)	(77.0)	—	673.8

30.2 Prior period restatements and reclassification – Pick n Pay Holdings Limited RF Group

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

Recognition and measurement

The Group's investment in an insurance cell captive was historically treated as a wholly owned subsidiary and consolidated. On re-evaluating the definition of control in terms of IFRS 10 *Consolidated Financial Statements* it is appropriate to account for this investment as a financial instrument at fair value through profit or loss in accordance with IAS 39 *Financial Instruments*.

The error was corrected in the current financial year and comparative figures restated. The error did not require any adjustment to the previously reported profit for the period, including reported basic, diluted and headline earnings per share.

Reclassifications

In the comparative period certain rent received from franchisees, in terms of sublease agreements, was erroneously accounted for under occupancy expenses in the statements of comprehensive income. An instance was found where an amount was incorrectly classified as trade and other payables rather than cash and cash equivalents in the statements of financial position.

These reclassification errors were corrected in the current financial year and comparative figures restated. These reclassifications had no impact on the previously reported profit for the period, including reported basic, diluted and headline earnings per share.

The corrections are set out below:

30.2.1 Prior period restatement and reclassifications impact on the 2015 statement of comprehensive income of Pick n Pay Holdings Limited RF Group

	Restated 52 weeks 1 March 2015 Rm	Reclassi-fications Rm	As previously published 52 weeks 1 March 2015 Rm
Revenue	67 783.1	180.0	67 603.1
Other trading income	782.9	180.0	602.9
Occupancy	(2 047.6)	(180.0)	(1 867.6)

Notes to the Group annual financial statements
continued

30. PRIOR PERIOD RESTATEMENTS AND RECLASSIFICATIONS continued

30.2 Prior period restatements and reclassification – Pick n Pay Holdings Limited RF Group continued

30.2.2 Prior period restatement and reclassifications impact on the 2015 statement of financial position of Pick n Pay Holdings Limited RF Group

	Restated as at 1 March 2015 Rm	Restatement Investment in insurance cell captive Rm	Reclassifications Rm	As previously published As at 1 March 2015 Rm
Financial instruments at fair value through profit or loss	33.5	33.5	—	—
Trade and other receivables	2 936.4	(20.3)	—	2 956.7
Cash and cash equivalents	1 025.3	(72.3)	(77.0)	1 174.6
Trade and other payables	8 893.5	(59.1)	(77.0)	9 029.6

30.2.3 Prior period restatement and reclassifications impact on the 2014 statement of financial position of Pick n Pay Holdings Limited RF Group

	Restated As at 2 March 2014 Rm	Restatement Investment in insurance cell captive Rm	Reclassifications Rm	As previously published As at 2 March 2014 Rm
Financial instruments at fair value through profit or loss	23.3	23.3	—	—
Trade and other receivables	2 821.9	(19.2)	—	2 841.1
Cash and cash equivalents	1 334.2	(61.1)	(145.0)	1 540.3
Trade and other payables	7 889.3	(57.0)	(145.0)	8 091.3

30.2.4 Prior period restatement and reclassifications impact on the 2015 statement of cash flows for Pick n Pay Holdings Limited RF Group

	Restated 52 weeks 1 March 2015 Rm	Restatement Investment in insurance cell captive Rm	Reclassifications Rm	As previously published 52 weeks 1 March 2015 Rm
Fair value loss/(gain) on financial instruments at fair value through profit or loss	(8.1)	(10.2)	—	2.1
Movements in trade and other payables	1 004.2	(2.1)	68.0	938.3
Movements in trade and other receivables	(114.5)	1.1	—	(115.6)
Cash and cash equivalents at beginning of period	664.2	(61.1)	(145.0)	870.3
Cash and cash equivalents at end of period	525.3	(72.3)	(77.0)	674.6

Notes to the Group annual financial statements
continued

31. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED

International Financial Reporting Standards (IFRS)

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, have not been applied in preparing these consolidated financial statements. These include:

IFRS 9 Financial Instruments

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. IFRS 9 is effective for annual reporting periods on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its Group financial statements regarding the application of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. IFRS 15 is effective for annual reporting periods on or after 1 January 2017, with early adoption permitted. The Group is assessing the potential impact on its Group financial statements regarding the application of IFRS 15.

IFRS 16 Leases

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, a lessee is required to recognise assets and liabilities arising from a lease. IFRS 16 is effective for annual reporting periods on or after 1 January 2019, with early adoption permitted. The Group is assessing 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:
- IFRS 14 Regulatory Deferral Accounts
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
- Equity Method in Separate Financial Statements (Amendment to IAS 27)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendment to IAS 12)
- Disclosure Initiative (Amendments to IAS 7)
- Annual Improvements to IFRS 2012 – 2014 Cycle
- Disclosure Initiative (Amendments to IAS 1)
- IAS 10 and IAS 28 – Amendments to sale and contributions of assets between an investor and its Associate or Joint Venture
- IFRS 5 – Changes in methods of disposal.

Contents

Statements of comprehensive income

for the period ended

		Pick n Pay Stores Limited		Pick n Pay Holdings Limited RF	
	Note	52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm	52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm
Revenue					
Finance income		**0.1**	10.8	**0.1**	—
Dividends received	8	**607.1**	474.6	**315.8**	249.9
		607.2	485.4	**315.9**	249.9
Administration expenses	2	**(11.5)**	(14.0)	**(2.6)**	(1.5)
Profit		**595.7**	471.4	**313.3**	248.4
Finance costs		**—**	(10.8)	**—**	—
Profit before tax		**595.7**	460.6	**313.3**	248.4
Tax	3	**—**	—	**—**	—
Profit for the period		**595.7**	460.6	**313.3**	248.4
Other comprehensive income for the period, net of tax		**—**	—	**—**	—
Total comprehensive income for the period		**595.7**	460.6	**313.3**	248.4

Statements of financial position

		Pick n Pay Stores Limited		Pick n Pay Holdings Limited RF	
	Note	**52 weeks 28 February 2016 Rm**	52 weeks 1 March 2015 Rm	**52 weeks 28 February 2016 Rm**	52 weeks 1 March 2015 Rm
ASSETS					
Non-current assets					
Investment in subsidiary	5	**552.5**	486.3	**133.0**	132.8
		552.5	486.3	**133.0**	132.8
Current assets					
Trade and other receivables		**0.2**	0.2	**—**	—
Cash and cash equivalents	6	**1.2**	1.0	**1.4**	0.8
		1.4	1.2	**1.4**	0.8
Total assets		**553.9**	487.5	**134.4**	133.6
EQUITY AND LIABILITIES					
Equity					
Share capital	7	**6.1**	6.1	**6.6**	6.6
Share premium		**465.7**	396.8	**120.8**	120.8
Retained earnings		**74.9**	77.4	**1.8**	1.9
Total equity		**546.7**	480.3	**129.2**	129.3
Current liabilities					
Trade and other payables		**7.2**	7.2	**5.2**	4.3
		7.2	7.2	**5.2**	4.3
Total equity and liabilities		**553.9**	487.5	**134.4**	133.6

Statements of changes in equity

for the period ended

Pick n Pay Stores Limited

	Note	Share capital Rm	Share premium Rm	Retained earnings Rm	Total equity Rm
At 2 March 2014		6.0	—	84.6	90.6
Total comprehensive income for the period		—	—	460.6	460.6
Profit for the period		—	—	460.6	460.6
Other comprehensive income		—	—	—	—
Shares issued		0.1	396.8	—	396.9
Dividends paid	4.1	—	—	(467.8)	(467.8)
At 1 March 2015		**6.1**	**396.8**	**77.4**	**480.3**
Total comprehensive income for the period		**—**	**—**	**595.7**	**595.7**
Profit for the period		**—**	**—**	**595.7**	**595.7**
Other comprehensive income		**—**	**—**	**—**	**—**
Shares issued		**—**	**68.9**	**—**	**68.9**
Dividends paid	4.1	**—**	**—**	**(598.2)**	**(598.2)**
At 28 February 2016		**6.1**	**465.7**	**74.9**	**546.7**

Pick n Pay Holdings Limited RF

	Note	Share capital Rm	Share premium Rm	Retained earnings Rm	Total equity Rm
At 2 March 2014		6.6	120.8	(1.3)	126.1
Total comprehensive income for the period		—	—	248.4	248.4
Profit for the period		—	—	248.4	248.4
Other comprehensive income		—	—	—	—
Dividends paid	4.1	—	—	(245.2)	(245.2)
At 1 March 2015		**6.6**	**120.8**	**1.9**	**129.3**
Total comprehensive income for the period		**—**	**—**	**313.3**	**313.3**
Profit for the period		**—**	**—**	**313.3**	**313.3**
Other comprehensive income		**—**	**—**	**—**	**—**
Dividends paid	4.1	**—**	**—**	**(313.4)**	**(313.4)**
At 28 February 2016		**6.6**	**120.8**	**1.8**	**129.2**

Statements of cash flows

for the period ended

	Note	Pick n Pay Stores Limited 52 weeks 28 February 2016 Rm	Pick n Pay Stores Limited 52 weeks 1 March 2015 Rm	Pick n Pay Holdings Limited RF 52 weeks 28 February 2016 Rm	Pick n Pay Holdings Limited RF 52 weeks 1 March 2015 Rm
Cash flows from operating activities					
Profit		**595.7**	471.4	**313.3**	248.4
Cash generated before movements in working capital		**595.7**	471.4	**313.3**	248.4
Movements in working capital		**—**	0.2	**0.9**	0.5
Movements in trade and other payables		**—**	0.2	**0.9**	0.5
Movements in trade and other receivables		**—**	—	**—**	—
Cash generated from trading activities		**595.7**	471.6	**314.2**	248.9
Interest paid		**—**	(10.8)	**—**	—
Cash generated from operations		**595.7**	460.8	**314.2**	248.9
Dividends paid	4	**(598.2)**	(467.8)	**(313.4)**	(245.2)
Cash utilised in operating activities		**(2.5)**	(7.0)	**0.8**	3.7
Cash flows from investing activities					
Investment in subsidiaries		**7.5**	—	**—**	—
Loans (advanced)/repaid	5	**(73.7)**	311.1	**(0.2)**	(2.9)
Cash (utilised in)/generated from investing activities		**(66.2)**	311.1	**(0.2)**	(2.9)
Cash flows from financing activities					
Repayment of borrowings		**—**	(700.0)	**—**	—
Net proceeds from share issues	7	**68.9**	396.9	**—**	—
Cash generated from/(utilised in) financing activities		**68.9**	(303.1)	**—**	—
Net movement in cash and cash equivalents		**0.2**	1.0	**0.6**	0.8
Cash and cash equivalents at beginning of period		**1.0**	—	**0.8**	—
Cash and cash equivalents at end of period	6	**1.2**	1.0	**1.4**	0.8

Notes to the Company financial statements

1. ACCOUNTING POLICIES

Except as presented below, the accounting policies and notes to the Company annual financial statements are identical to those disclosed in the Group annual financial statements in note 1.

1.1 Statement of compliance

The Companies' annual financial statements are presented as separate financial statements.

The Companies' 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.

1.2 Basis of preparation

The Companies' annual 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 in these Company annual financial statements.

1.3 Investments in subsidiaries

The Companies' carry their investments in subsidiaries at cost less impairment losses.

1.4 Foreign currency transactions and translations

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

1.5 Property, plant and equipment

No property, plant and equipment are held by the Companies.

1.6 Intangible assets

No intangible assets are held by the Companies.

1.7 Leases

No lease arrangements are held by the Companies.

1.8 Inventory

No inventory is held by the Companies.

1.9 Employee benefits

No employee benefits are recognised by the Companies.

1.10 Operating segments

No segmental financial information is required for the separate financials of the Companies.

Notes to the Company financial statements continued

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** and **Pick n Pay Holdings Limited RF** is detailed below.

	Pick n Pay Stores Limited*		
	Fees for Board meetings R'000	Fees for committee and other work R'000	Cash total R'000
2016			
Non-executive directors	**6 207.0**	**1 936.0**	**8 143.0**
Gareth Ackerman	**3 657.0**	**—**	**3 657.0**
John Gildersleeve***	**340.0**	**182.0**	**522.0**
David Friedland****	**340.0**	**177.0**	**517.0**
Hugh Herman	**340.0**	**518.0**	**858.0**
Audrey Mothupi	**340.0**	**221.0**	**561.0**
Lorato Phalatse	**340.0**	**252.0**	**592.0**
David Robins	**340.0**	**—**	**340.0**
Ben van der Ross*****	**170.0**	**146.0**	**316.0**
Jeff van Rooyen	**340.0**	**440.0**	**780.0**
Total remuneration	**6 207.0**	**1 936.0**	**8 143.0**
2015			
Non-executive directors	6 010.0	1 300.0	7 310.0
Gareth Ackerman	3 450.0	—	3 450.0
John Gildersleeve	320.0	70.0	390.0
David Friedland****	320.0	65.0	385.0
Hugh Herman	320.0	385.0	705.0
Audrey Mothupi	320.0	107.0	427.0
Lorato Phalatse	320.0	135.0	455.0
David Robins	320.0	—	320.0
Ben van der Ross	320.0	273.0	593.0
Jeff van Rooyen	320.0	265.0	585.0
Total remuneration	6 010.0	1 300.0	7 310.0

	Pick n Pay Holdings Limited RF**		
	Fees for Board meetings R'000	Fees for committee and other work R'000	Cash total R'000
2016			
Non-executive directors	**195.0**	**107.0**	**302.0**
Raymond Ackerman	**65.0**	**—**	**65.0**
Wendy Ackerman	**65.0**	**—**	**65.0**
Rene de Wet	**65.0**	**107.0**	**172.0**
Total remuneration	**195.0**	**107.0**	**302.0**
2015			
Non-executive directors	180.0	—	180.0
Raymond Ackerman	60.0	—	60.0
Wendy Ackerman	60.0	—	60.0
Rene de Wet	60.0	—	60.0
Total remuneration	180.0	—	180.0

* *Executive directors salaries are paid by a subsidiary company.*
** *Directors of Pick n Pay Stores Limited who are also directors of Pick n Pay Holdings Limited RF do not receive directors' remuneration for services rendered as a director of this company.*
*** *Non-executive director John Gildersleeve resigned as a director of Pick n Pay Stores Limited on 28 February 2016.*
**** *Non-executive director David Friedland received consultancy fees of R114 000 (2015: R107 000) for services rendered to the audit and risk committee and he became an independent non-executive director of Pick n Pay Stores Limited on 28 February 2016.*
***** *Ben van der Ross resigned as a director of Pick n Pay Stores Limited on 27 July 2015.*

Notes to the Company financial statements continued

	Pick n Pay Stores Limited 52 weeks 28 February 2016 %	Pick n Pay Stores Limited 52 weeks 1 March 2015 %	Pick n Pay Holdings Limited RF 52 weeks 28 February 2016 %	Pick n Pay Holdings Limited RF 52 weeks 1 March 2015 %
3. TAX				
Reconciliation of effective tax rate				
South African statutory tax rate	**28.0**	28.0	**28.0**	28.0
Exempt income – dividends received	**(28.5)**	(28.8)	**(28.2)**	(28.2)
Non-deductible holding company expenses	**0.5**	0.8	**0.2**	0.2
Effective tax rate	**—**	—	**—**	—

4. DIVIDENDS

4.1 Dividends paid

	Pick n Pay Stores Limited 52 weeks 28 February 2016 Cents per share	Pick n Pay Stores Limited 52 weeks 1 March 2015 Cents per share
Number 94 – declared 20 April 2015 – paid 15 June 2015 (2015: Number 92 – declared 14 April 2014 – paid 17 June 2014)	**98.50**	77.50
Number 95 – declared 12 October 2015 – paid 14 December 2015 (2015: Number 93 – declared 15 October 2014 – paid 15 December 2014)	**24.20**	19.60
Total dividends per share for the period	**122.70**	97.10

	Pick n Pay Holdings Limited RF 52 weeks 28 February 2016 Cents per share	Pick n Pay Holdings Limited RF 52 weeks 1 March 2015 Cents per share
Number 67 – declared 20 April 2015 – paid 15 June 2015 (2015: Number 65 – declared 14 April 2014 – paid 17 June 2014)	**47.85**	37.10
Number 68 – declared 12 October 2015 – paid 14 December 2015 (2015: Number 66 – declared 15 October 2014 – paid 15 December 2014)	**11.60**	9.40
Total dividends per share for the period	**59.45**	46.50

Notes to the Company financial statements continued

	Pick n Pay Stores Limited	
	52 weeks 28 February 2016 Cents per share	52 weeks 1 March 2015 Cents per share
4. DIVIDENDS continued		
4.2 Dividends declared		
Interim dividend – number 95 (2015: number 93)	**24.20**	19.60
Final dividend – number 96 (2015: number 94)	**125.20**	98.50
	149.40	118.10

The directors have declared a final dividend (dividend 96) of 125.20 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 15%, where shareholders are subject to this tax. The last day to trade in order to participate in the dividend (CUM dividend) will be Friday, 3 June 2016. The shares will trade EX dividend from the commencement of business on Monday, 6 June 2016 and the record date will be Friday, 10 June 2016. The dividends will be paid on Monday, 13 June 2016.

	Pick n Pay Holdings Limited RF	
	52 weeks 28 February 2016 Cents per share	52 weeks 1 March 2015 Cents per share
Interim dividend – number 68 (2015: number 66)	**11.60**	9.40
Final dividend – number 69 (2015: number 67)	**60.65**	47.85
	72.25	57.25

The directors have declared a final dividend (dividend 69) of 60.65 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 15%, where shareholders are subject to this tax. The last day to trade in order to participate in the dividend (CUM dividend) will be Friday, 3 June 2016. The shares will trade EX dividend from the commencement of business on Monday, 6 June 2016 and the record date will be Friday, 10 June 2016. The dividends will be paid on Monday, 13 June 2016.

	52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm
5. INVESTMENTS IN SUBSIDIARIES		
5.1 Pick n Pay Stores Limited		
5.1.1 Investments in subsidiaries		
Shares at cost		
Major trading subsidiary: Pick n Pay Retailers Proprietary Limited	**2.0**	2.0
Other dormant and property holding subsidiaries	**29.1**	36.6
Total investments in subsidiaries	**31.1**	38.6
5.1.2 Amounts owing by subsidiary companies		
At beginning of period	**447.7**	758.8
Amounts advanced/(received) during the period	**73.7**	(311.1)
At end of period	**521.4**	447.7
Refer to note 8.1.3 for a detailed analysis. These amounts owing are unsecured, interest-free and no fixed date for repayment has been determined.		
Total investments in subsidiaries		
Non-current	**552.5**	486.3
Current portion	**—**	—
	552.5	486.3

Notes to the Company financial statements continued

	52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm
5. INVESTMENTS IN SUBSIDIARIES continued		
5.2 Pick n Pay Holdings Limited RF		
5.2.1 Investment in subsidiary		
Pick n Pay Stores Limited		
257 345 334 (2015: 257 345 334) ordinary shares		
Comprising:		
Initial investment	**24.7**	24.7
Capitalisation share awards received	**103.3**	103.3
Total investment in subsidiary	**128.0**	128.0
5.2.2 Amount owing by subsidiary companies		
At beginning of period	**4.8**	1.9
Amounts advanced during the period	**0.2**	2.9
At end of period	**5.0**	4.8
Refer to note 8.2.2 for a detailed analysis.		
These amounts owing are unsecured, interest-free and no fixed date for repayment has been determined.		
Total investment in subsidiary		
Non-current	**133.0**	132.8
Current portion	**—**	—
	133.0	132.8

	Pick n Pay Stores Limited		Pick n Pay Holdings Limited RF	
	52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm	52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm
6. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	**1.2**	1.0	**1.4**	0.8

Cash and cash equivalents represents a current bank account for administrative purposes.

	52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm
7. SHARE CAPITAL		
7.1 Pick n Pay Stores Limited		
Authorised		
800 000 000 (2015: 800 000 000) ordinary shares of 1.25 cents each	**10.0**	10.0
Issued		
488 450 321 (2015: 487 322 321) ordinary shares of 1.25 cents each	**6.1**	6.1

The Company can issue new shares to settle the Pick n Pay Stores Group's obligations under its employee share schemes, but issues in this regard are limited, in aggregate, to 5% of total issued share capital (currently 24 422 516 shares). To date, 10 743 000 shares have been issued, resulting in 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.

The movement in the number of shares in issue in the current period for Pick n Pay Stores Limited was as a result of 1 128 000 shares (2015: 6 925 000 shares) issued, at an issue price of R61.07 per share (2015: R57.31 per share), in respect of the Group's employee forfeitable share plan (FSP).

Notes to the Company financial statements continued

	52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm
7. SHARE CAPITAL continued		
7.2 Pick n Pay Holding Limited RF		
Authorised		
800 000 000 (2015: 800 000 000) ordinary shares of 1.25 cents each	**10.0**	10.0
Issued		
527 249 082 (2015: 527 249 082) ordinary shares of 1.25 cents each	**6.6**	6.6

The Company can issue new shares to settle the Holdings Group's obligations under its employee share schemes, but issues in this regard are limited, in aggregate, to 5% of issued share capital (currently 26 362 454 shares).

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

	52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm
8. RELATED PARTY TRANSACTIONS		
8.1 Pick n Pay Stores Limited		
8.1.1 *Dividends received from subsidiary companies and trust and paid to its holding company*		
Dividends received		
Pick n Pay Retailers Proprietary Limited	**599.5**	468.6
Pick n Pay Employee Share Purchase Trust	**7.6**	6.0
Total dividends received from related parties	**607.1**	474.6
Dividends paid to holding company		
Pick n Pay Holdings Limited RF	**315.8**	249.9
8.1.2 Interest received from a subsidiary company		
Pick n Pay Retailers Proprietary Limited	**—**	10.8
8.1.3 Loans to subsidiary companies		
Pick n Pay Retailers Proprietary Limited	**492.3**	186.7
Carrefour Proprietary Limited	**—**	102.9
Pick n Pay (Steelpark) Proprietary Limited	**—**	1.8
Pick n Pay (Steeldale) Proprietary Limited	**—**	63.5
Bedworth Sentrum Proprietary Limited	**—**	57.7
Boxer Holdings Proprietary Limited	**29.1**	27.2
Pick n Pay Zambia Limited	**5.0**	3.4
Pick n Pay (Mitchells Plain) Limited	**—**	6.7
	526.4	449.9
8.1.4 Loan from holding company		
Pick n Pay Holdings Limited RF	**(5.0)**	(2.2)
Total loans to related parties	**521.4**	447.7

Notes to the Company financial statements continued

	52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm
8. RELATED PARTY TRANSACTIONS continued		
8.2 Pick n Pay Holdings Limited RF		
8.2.1 Dividends received from subsidiary company		
Pick n Pay Stores Limited	**315.8**	249.9
8.2.2 Amounts owing from Group companies		
Loan to subsidiary company		
Pick n Pay Stores Limited	**5.0**	2.2
Loan to company within the Group		
Pick n Pay Retailers Proprietary Limited	**—**	2.6
Total amounts owing from Group companies	**5.0**	4.8

8.3 Shares held by directors

The percentage of shares held by directors of Pick n Pay Stores Limited and Pick n Pay Holdings Limited RF at the reporting date is disclosed below. This percentage includes their forfeitable share plan allocations. For further information refer to note 4 in the Group annual financial statements.

	Pick n Pay Stores Limited		Pick n Pay Holdings Limited RF	
	52 weeks 28 February 2016 %	52 weeks 1 March 2015 %	52 weeks 28 February 2016 %	52 weeks 1 March 2015 %
Beneficial	**1.9**	0.9	**2.0**	0.9
Non-beneficial	**26.3**	27.5	**49.6**	50.6
	28.2	28.4	**51.6**	51.5

Notes to the Company financial statements continued

9. FINANCIAL INSTRUMENTS

Overview

Pick n Pay Stores Limited and Pick n Pay Holdings Limited RF have limited exposure to risk in respect of financial instruments, as their only financial assets are their loans to subsidiary companies. There is minimal credit risk relating to these items as it is payable within the Group. Market risk is negated as the financial assets and liabilities have no exposure to changes in exchange rates and have very limited exposure to changes in interest rates.

9.1 Liquidity risk

Liquidity risk is the risk that the Companies will not be able to meet their financial obligations as they fall due. Pick n Pay Stores Limited and Pick n Pay Holdings Limited RF have unlimited access to the funds of the Group companies. Therefore, Pick n Pay Stores Limited and Pick n Pay Holdings Limited RF's liquidity risk is linked to the liquidity of the Group companies. Refer to note 28 of the related Group annual financial statements.

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

	Pick n Pay Stores Limited			Pick n Pay Holding Limited RF		
	Carrying amount Rm	Contractual cash flows Rm	Within 1 year Rm	Carrying amount Rm	Contractual cash flows Rm	Within 1 year Rm
2016						
Non-derivative financial liabilities						
Trade and other payables	**7.2**	**7.2**	**7.2**	**5.2**	**5.2**	**5.2**
Total financial obligations	**7.2**	**7.2**	**7.2**	**5.2**	**5.2**	**5.2**
2015						
Non-derivative financial liabilities						
Trade and other payables	7.2	7.2	7.2	4.3	4.3	4.3
Total financial obligations	7.2	7.2	7.2	4.3	4.3	4.3

9.2 Capital management

The Companies consider the management of capital with reference to the Group policy which can be found in note 28 of the Group annual financial statements.

Administration

PICK N PAY STORES LIMITED
Registration number: 1968/008034/06
JSE share code: PIK
ISIN: ZAE000005443

PICK N PAY HOLDINGS LIMITED RF
Registration number: 1981/009610/06
JSE share code: PWK
ISIN: ZAE000005724

REGISTERED OFFICE
Pick n Pay Office Park
101 Rosmead Avenue
Kenilworth
Cape Town 7708
Tel +27 21 658 1000
Fax +27 21 797 0314

Postal address
PO Box 23087
Claremont 7735

REGISTRAR
Computershare Investor Services Proprietary Limited
70 Marshall Street
Johannesburg 2001
Tel +27 11 370 5000
Fax +27 11 688 5248

Postal address
PO Box 61051
Marshalltown 2107

JSE LIMITED SPONSOR
Investec Bank Limited
100 Grayston Drive
Sandton 2196

AUDITORS
Ernst & Young Inc.

ATTORNEYS
Edward Nathan Sonnenberg

PRINCIPAL TRANSACTIONAL BANKERS
Absa Limited
First National Bank

COMPANY SECRETARY
Debra Muller
email address: demuller@pnp.co.za

PROMOTION OF ACCESS TO INFORMATION ACT
Information Officer – Penny Gerber
email address: pgerber@pnp.co.za

INVESTOR RELATIONS
David North
email address: dnorth@pnp.co.za

Penny Gerber
email address: pgerber@pnp.co.za

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

CUSTOMER CARELINE
Tel +27 800 11 22 88
email address: customercare@pnp.co.za

ONLINE SHOPPING
Tel +27 860 30 30 30
www.picknpay.co.za

ENGAGE WITH US ON

* David Friedland became an independent non-executive director of Pick n Pay Stores Limited on 28 February 2016.
** Ben van der Ross resigned as a director of Pick n Pay Stores Limited on 27 July 2015.
*** John Gildersleeve resigned as a director of Pick n Pay Stores Limited on 28 February 2016.

BASTION GRAPHICS

www.picknpayinvestor.co.za