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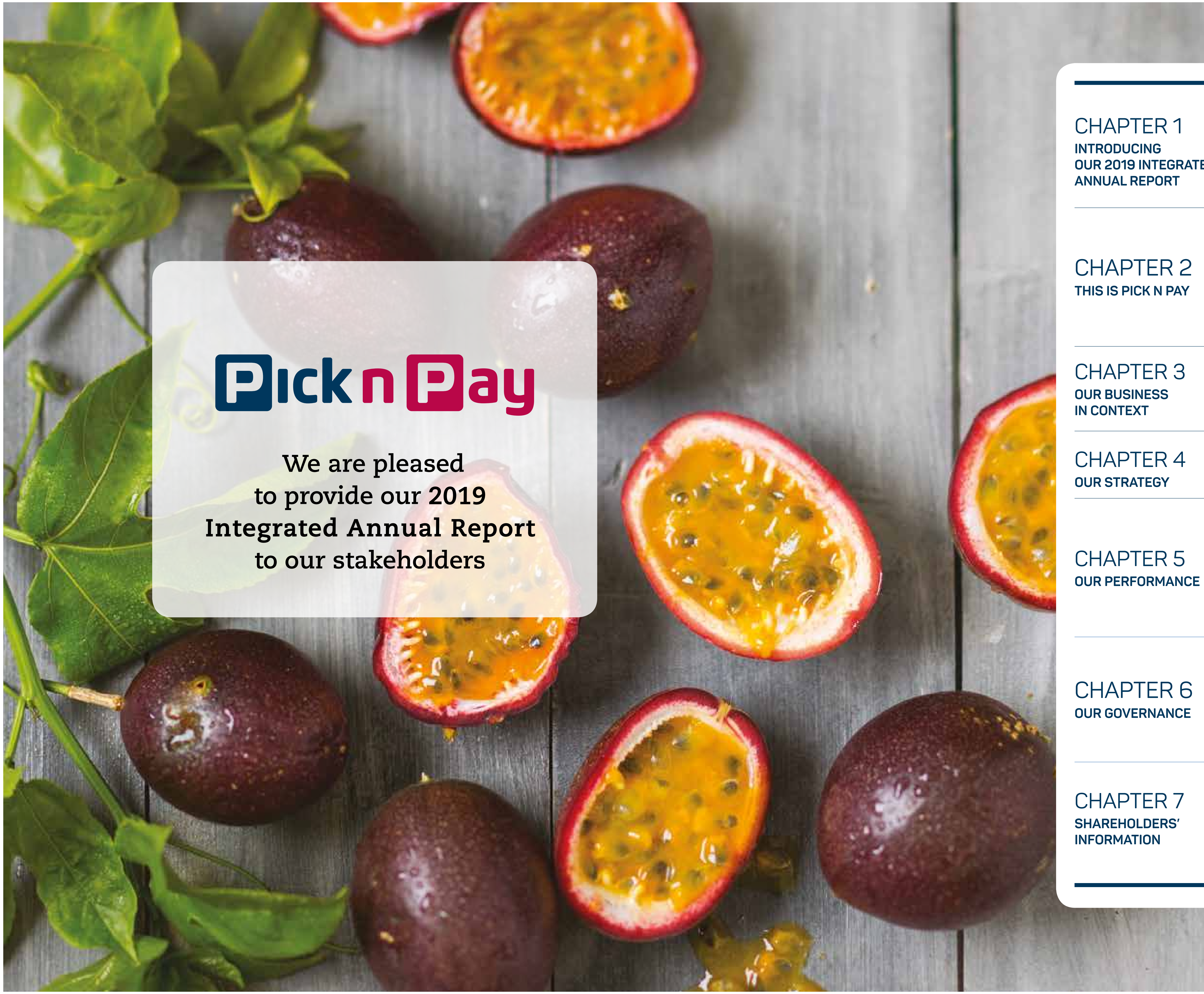
PICK N PAY 2019 INTEGRATED ANNUAL REPORT

SOUTH AFRICA'S MOST INFLUENTIAL BRAND

2019 INTEGRATED ANNUAL REPORT

Pick n Pay


Pick n Pay
We are pleased
to provide our 2019
Integrated Annual Report
to our stakeholders

1 INTRODUCING OUR 2019 INTEGRATED ANNUAL REPORT

HOW OUR 2019 INTEGRATED ANNUAL REPORT TELLS OUR VALUE CREATION STORY

HOW TO NAVIGATE OUR VALUE-CREATION STORY

WHAT WE DEPEND ON TO CREATE VALUE

Our ability to create sustainable stakeholder value depends on the use of six broad capitals:

- Financial
- Human
- Manufactured
- Social and relationship
- Intellectual
- Natural

Refer to pages 22 to 25 for more information.

THE RELATIONSHIPS WE RELY ON

We are committed to open and constructive engagement with our stakeholders. Our business model and strategy consider and address the issues and concerns most relevant to our key stakeholders in order to create lasting value.

- Customers
- Suppliers
- Community
- Franchisees
- Employees
- Shareholders

Refer to pages 38 to 41 for more information.

OUR BUSINESS ACCELERATION PILLARS

The Group is in the second stage of its three-stage strategic long-term plan (refer to page 45). Stage 2 – Change the trajectory – is organised around seven business acceleration pillars. These pillars represent the material growth opportunities that will accelerate the growth trajectory of the business and materially affect our ability to create value over the short, medium and long term.

1. Better for customers
2. A flexible and winning estate
3. Efficient and effective operations
4. Every product, every day
5. A winning team
6. Boxer – a national brand
7. Rest of Africa – a second engine of growth

Refer to pages 45 to 52 for more information.

HOW WE CREATE VALUE

Pick n Pay has played a valuable role in the economic and social development of southern Africa for over five decades – and our belief that doing good is good business ensures that we are focused on creating value not only for our shareholders but for all our stakeholders.

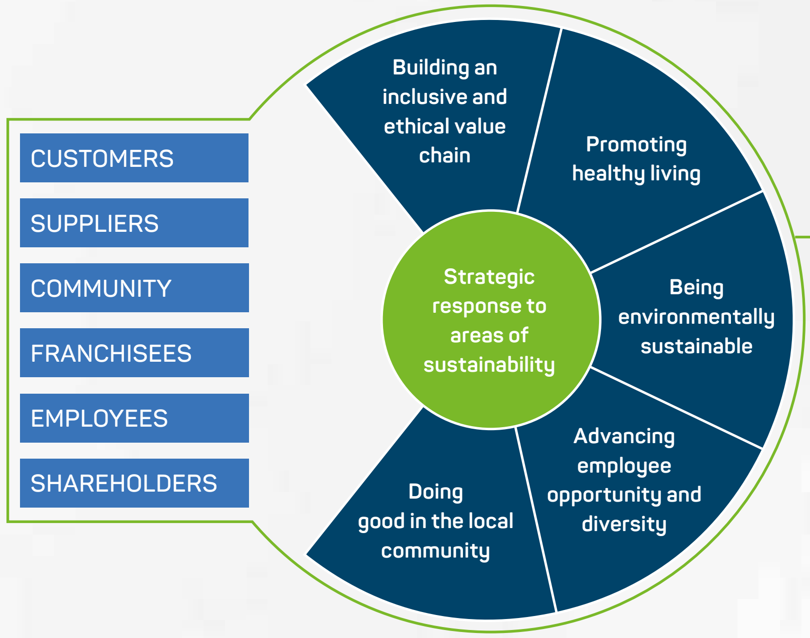
Our ability to create value depends on the successful execution of a customer-led, innovative and forward-looking strategy. Sustainable value creation requires the effective management of trade-offs between the capitals we rely on in our business, and meaningful and balanced interactions between our different stakeholder groups within the various retail market, regulatory, social and environmental contexts in which we operate. In response, our business maintains a virtuous circle, the details of which are explained throughout this report, with a focus on sustainable strategy execution that considers our stakeholders, our operating context and our material issues, risks and opportunities.

OUR BUSINESS MODEL

This virtuous circle informs our business model, which describes how we use and transform the capitals we depend on to create long-term sustainable value for stakeholders. Read more about our business model, including our capital trade-offs, outputs, outcomes and the value created and distributed among our stakeholders, from page 22.

OUR SUSTAINABLE BUSINESS FOCUS AREAS

We add to this value through our sustainability strategy, which is inextricably linked to our business strategy. The infographic below illustrates how our sustainability strategy is aligned with our stakeholder needs and with the seven United Nations Sustainable Development Goals (SDGs) most relevant to our business.



THE SEVEN SDGs MOST RELEVANT TO OUR BUSINESS

OUR COMMITMENT TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Our customers not only seek great value products with good service from a caring, ethical company, but they also look to us for ethical sourcing, environmental sustainability, healthy product choices, transparent labelling and more.

THE VALUE WE CREATE FOR STAKEHOLDERS

- We provide an inclusive and diverse spectrum of customers in southern Africa with convenient and reliable access to high-quality, safe and competitively priced products and value-added services, in outstanding stores and underpinned by great service.
- We provide direct employment to 90 000 people across our owned and franchise businesses – augmented by a focus on training and skills development and a commitment to diversity and career advancement based on merit.
- We create substantial economic development and employment opportunities across our value chain, procuring goods and services from 10 000 local suppliers and service providers, including many small to medium-sized businesses that have been mentored through our enterprise development programmes.
- We give back to the communities we serve through investment aimed at economic and social upliftment, including education and literacy programmes, housing, nutrition and poverty-relief schemes and through the support of cultural and theatrical projects, sports development and environmental programmes.
- We support our franchisees and Market store partners to build profitable and sustainable businesses through mutually beneficial partnerships built on the strength of the Pick n Pay brand and supported by efficient and effective distribution and administrative platforms.
- We provide our shareholders with a consistent and sustainable return on investment through a rigorous focus on capital efficiency and strategy execution that takes a sustainable long-term view.

HOW WE COMPILED THIS REPORT AND WHAT YOU NEED TO KNOW ABOUT IT

We are pleased to present our 2019 integrated annual report for the 53 weeks ended 3 March 2019.

The audit, risk and compliance committee has reviewed the 2019 integrated annual report and recommended it for approval to the Board.

The Pick n Pay Stores Limited Board acknowledges its responsibility to ensure the integrity of the integrated annual report and collectively reviewed and approved the report for release to stakeholders on 21 June 2019. The Board is confident that this report provides stakeholders with an accurate and balanced view of the Group's performance, its strategy and its prospects over the short, medium and long term. It further addresses the material issues faced by the Group.

The directors consider the report to be presented in accordance with the International Integrated Reporting Council's <IR> Framework. This report provides a fair representation of the financial position of the Group as at 3 March 2019, and its performance for the year.

Gareth Ackerman
Chairman

Richard Brasher
Chief Executive Officer

Bakar Jakoet
Chief Financial Officer

Richard van Rensburg
Chief Information Officer

Suzanne Ackerman-Berman
Executive director

Jonathan Ackerman
Executive director

David Friedland
Independent non-executive director

Hugh Herman
Lead independent non-executive director

Alex Mathole
Independent non-executive director

Audrey Mothupi
Independent non-executive director

David Robins
Non-executive director

Jeff van Rooyen
Independent non-executive director

THE SCOPE AND BOUNDARY OF THIS REPORT

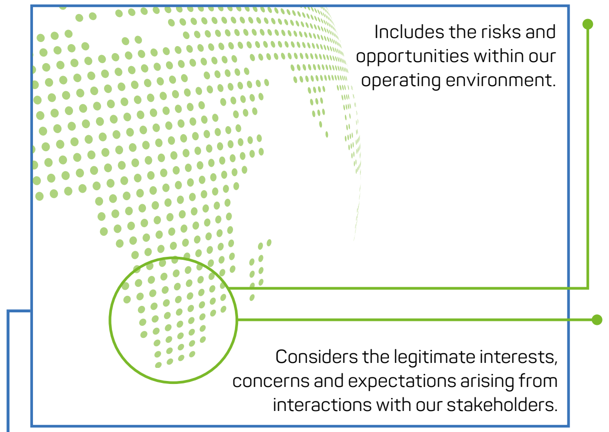
This report covers the integrated financial and non-financial performance of Pick n Pay Stores Limited, its subsidiaries and its associate for the 53 weeks ended 3 March 2019, with relevant comparisons to previous periods, and is consistent with information and performance indicators included in internal management reporting.

The Group follows a 52-week retail financial calendar, which requires the inclusion of an additional week every few years. The 2019 financial year is a 53-week period, and its financial results, prepared under International Financial Reporting Standards (IFRS), are not directly comparable with 2018. To assist stakeholders with their assessment of the Group's comparable performance, additional pro forma financial information is provided throughout this report on an equivalent 52-week basis. Refer to page 73 for further information. Unless specifically stated otherwise, the result commentary included in this report, including like-for-like information, is on a comparable 52-week basis. For the equivalent 53 week IFRS information, refer to the summary of financial performance provided on page 68 and the Group's audited annual financial statements.

The integrated annual report is our primary report to stakeholders. It is principally aimed at providers of financial capital, being our shareholders and debt providers; however, it considers the information needs of all our stakeholders. This includes customers, suppliers, franchise partners, employees and wider community groups.

INTEGRATED REPORTING BOUNDARY

Our reporting boundary is influenced by our broader macro-economic environment across seven southern African countries, taking into account stakeholder needs.



FINANCIAL REPORTING BOUNDARY

PnP
749 company-owned stores
719 franchise stores

BOXER
270 company-owned stores

57 associate stores

NON-FINANCIAL REPORTING BOUNDARY

PnP
749 company-owned stores

Our business depends on a stable and functioning society that is able to thrive and develop. We are mindful of our broad societal and environmental reach and impact, and remain committed to responsible and sustainable business practices across our value chain, with ongoing support for the communities that we serve.

WHAT MATERIALITY MEANS TO US

We apply materiality to determine the scope and content of the integrated annual report. Materiality is determined, reviewed and approved annually by the Board.

Our material matters include:

- Consumer environment
- Competitive environment
- Effectiveness of our procurement and distribution channel, including waste management
- Food and other health and safety standards
- Volatility of the Group's Rest of Africa division
- Effectiveness and security of our information systems and technology
- Building and retaining a talented and diverse retail team
- Effective execution of our strategy and long-term sustainable value creation

For more insight into our materiality determination process, refer to page 32.

ABOUT THE FORWARD-LOOKING INFORMATION CONTAINED IN THIS REPORT

This 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, future events or otherwise. These forward-looking statements have not been reviewed or reported on by the Group's external auditors.

ASSURANCE ON REPORT CONTENT

REPORTING ELEMENT	ASSURANCE STATUS AND PROVIDER
Integrated annual report	Reviewed by the directors and management, but has not been externally assured.
Financial information	All summarised financial information is extracted from the annual financial statements, audited by Ernst & Young Inc. (EY) who expressed an unmodified audit opinion thereon.
Selected non-financial performance metrics	Accredited service providers and agencies have verified selected non-financial performance metrics contained in the report, including our carbon footprint and the BBBEE rating.
All other non-financial performance information	Management has verified the processes for measuring all other non-financial information.

THE REPORT STRUCTURE AND HOW TO GIVE US FEEDBACK

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

Any comments or requests for additional information can be emailed to our Company Secretary, Debra Muller, at **demuller@pnp.co.za**. We will continue to engage with all stakeholders to ensure that we improve year on year.

OUR APPROACH TO ONLINE REPORTING

Our reporting approach is aligned with the increasing trend towards online reporting and electronic access to information. We therefore 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.

To best meet the needs of our various stakeholders, we produce a suite of publications that are tailored to meet our readers' specific information requirements, and comply with the reporting frameworks detailed below.

INTEGRATED ANNUAL REPORT 2019

A review of the Group's strategy, material issues, risks and opportunities and our operational and financial performance for the period. The report includes relevant extracts of the 2019 annual financial result, disclosure on environmental and social sustainability, our governance structures and our remuneration report.

- The King IV Report on Corporate Governance™ for South Africa 2016 (King IV)[1]
- The Global Reporting Initiative's Standards (for reporting non-financial information)
- The Companies Act, No 71 of 2008, as amended (Companies Act)
- The JSE Listings Requirements
- International Financial Reporting Standards (IFRS)
- The International Integrated Reporting <IR> Framework

ANNUAL FINANCIAL STATEMENTS 2019

The audited Group and Company annual financial statements for Pick n Pay Stores Limited for the 2019 financial period. The report includes our audit, risk and compliance committee and directors' reports.

- Companies Act
- The JSE Listings Requirements
- IFRS
- King IV

CORPORATE GOVERNANCE REPORT 2019

A review of the Group's commitment to good corporate governance in the implementation of the Group's strategy and governance framework. The report includes our notice of the annual general meeting and Board committee reports.

- King IV
- Companies Act
- The JSE Listings Requirements

SUMMARISED RESULTS AND 2019 AGM NOTICES

A high-level review of our operational and financial performance, including the 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
- IFRS
- King IV

SUSTAINABLE LIVING REPORT 2019

This report is published in full every two years, and details our sustainability strategy and performance against strategic non-financial targets.

- King IV
- The Global Reporting Initiative's Standards

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Online version available on our website: **www.picknpayinvestor.co.za**

Print version available on request

A MESSAGE FROM OUR CHAIRMAN

"Customers know they can trust Pick n Pay – in the bad times as well as the good."

GARETH ACKERMAN | CHAIRMAN

At the time of writing, South Africa has completed its sixth general election since democracy. President Ramaphosa has just announced his Cabinet, which represents some fresh thinking and a recognition of past achievements. He and his Cabinet have the mandate from South Africans to spur economic growth, deal with corruption, focus relentlessly on unemployment, and get the country back onto a success trajectory. We trust they will do so with energy, drawing on all the rich talent and capability available in our country, and with sharp focus on policy co-ordination and implementation.

Despite a very challenging economic environment, the 2019 financial year reflected an exceptional performance from Pick n Pay. Our team delivered consistently on a good plan and by doing so with vigour, focus and enthusiasm, volume growth this year represented the Company's strongest underlying trading performance for many years. Importantly, we have delivered a compound annual growth in dividends declared of 20.2% over the past five years.

I was particularly pleased that we kept prices down for customers, just when they need it most. Our keeping internal deflation to 0.3% is a credit to the Pick n Pay and Boxer teams, and a clear symbol of our commitment to our customers. In perspective, focus on price this year equates to one free weekly shop for the average customer over the year.

Both Pick n Pay and Boxer are increasing their store footprint, and as a result, we are reaching more customers than ever before, right across the southern African society. As we have grown, our customers have grown with us. In many ways, their demands are similar to what they were when Raymond Ackerman founded the business in 1967 – to get great value products with good service from a caring, ethical company. But today, the customer journey is much more complex and technological. While consumer savviness has always been there, it now demands more of us. Customers look to us for a clear sign of our obligation to low prices, value for money, ethical sourcing, environmental sustainability, healthy product choices and transparent labelling, among other expectations.

To mark our half-centenary in 2017 and in celebration of our commitment to consumer sovereignty, this year we launched People n Planet. This is the umbrella under which all our sustainable development programmes fall. In short, People n Planet is our commitment to reduce the negative impact we have on the environment and increase the positive impact we have on every life we touch. It is our promise to take bigger steps and leave smaller footprints.

Sustainability is still a subject that for many is peripheral to doing business – a soft pledge from a company wishing to position itself positively in the eyes of customers and shareholders. But I'd like to be clear: People n Planet isn't just a part of our business – it is our business. It is a journey we have been on since the late 1980s. Our sustainability strategy is linked inextricably to our business strategy.

What we do aligns with seven of the 17 United Nations Sustainable Development Goals most relevant to our business.

Our business touches the lives and livelihoods of millions of South Africans. Our direct supply chain sustains hundreds of thousands of jobs. As we grow, our impact grows. This is why we source 95% of our products locally in the various countries where we trade. But more than that: we support entrepreneurs who are job creators, innovators, and help the economy develop skills and economic growth.

Our Enterprise and Supplier Development Programme has done incredible work to assist small businesses enter the retail market by putting their products in front of our customers. We've committed considerable investment to this sourcing programme and our customers are loving it.

Transforming the supply chain is yet another imperative where our impact can best be felt. In the 2019 financial year, we spent over half a billion Rand with small black-owned businesses. I'm delighted that R180 million of this was spent on small, black women-owned businesses.

Our Spaza-to-Market Store conversion programme in conjunction with provincial governments and other funding partners continues to grow and the results so far are promising. This inspiring project develops entrepreneurs and brings quality products and services at great prices closer to communities who need them most.

A recurring theme of concern for our customers is reducing the amount of plastic in the supply chain. In August last year, we introduced our new blue 100% recycled and recyclable plastic bag. By switching to the new blue plastic bags, 2 000 tonnes of plastic will be kept out of the environment every year. We've also introduced netted fruit and vegetable bags at selected stores as an alternative to plastic barrier bags. As I write, Pick n Pay is set to become a founding member of the South Africa Plastic Pact, aligned to the International Plastic Pacts. This is being facilitated by WWF-SA and will launch shortly.

We're also making an enormous effort to cut down on packaging through a number of interventions, including having loose serve fresh produce. We've also cut down on packaging in our own brand products.

The plastic shopping bag, however, for price and convenience reasons, continues to be popular with our customers. This is why we are increasing the range of reusable bag options, including our green R5 Budget Bag, a low-cost reusable carrier bag made out of two 500 ml green PET bottles. Our original Goodness Bag is still enormously popular and we have added a range of 100% RPET reusable bags to this range. In an effort to further mainstream reusable bags, in April 2019 we gave away 20 000 reusable bags to Smart Shoppers in stores throughout the country. We have also been testing compostable bags.

We can see the results of our efforts in our stores. Over the last year, over 20% more customers purchased reusable bags in-store. The number of customers who bought a plastic bag when purchasing five or more products started to show signs of dropping. We are working closely with the Consumer Goods Council of South Africa in finding industry-wide solutions, with a priority given to reducing single-use plastic.

People n Planet is having a considerable impact through a wide range of initiatives, from turning our stores into children's learning centres, to our School Club, which reaches over 3 000 schools, and our water resilience programme, community gardens, food donations to Food Bank, and so much more. These are not supplementary programmes to our retail business. They are an integral part of who Pick n Pay is, and who we want to be, for our customers.

Retail is still the biggest employer in South Africa. The world of retail holds enormous opportunity for development. For those prepared to work hard, the prospect of advancement is always promising. Last year, we continued to promote many of our people, recognising their skills and development, and reinforcing our philosophy of promoting from within.

A skilled workforce is central to our economic potential. Training is most effective if it is combined with a proper job, which is why we combine excellent training with good jobs. We offer over 330 different training programmes to our people, ranging from basic literacy and numeracy, computer-based training and management, and leadership programmes, including empowerment programmes focused on our future female leaders. Last year, we invested just under R67 million in training and education, across 800 training interventions, reaching over 16 000 of our people, and many in association with the Wholesale and Retail SETA.

In building a sustainable business, we are looking forward to working with the new government as we endeavour to engage with them in an effort to build our economy. It has never been more important for business to play a supporting and advisory role in public policy. In this, we will be working hard to increase co-operation between different government departments to bring better coherence to policy decisions. These include issues such as the need for greater security for retail stores during social grant pay-outs, which has reached very worrying levels, tackling obesity in South Africa by working to promote healthy lifestyles, and reducing salt in our own brand products.

We were concerned to read in late May of the findings of the Competition Commission inquiry into the retail sector. Pick n Pay exists to improve the lives of our customers and the communities we serve. We have engaged extensively and constructively with the Inquiry team and will continue to do so. This includes areas where we believe that their findings are based on errors of fact or interpretation, and where their draft recommendations would damage the interests of consumers and the stakeholders the Commission is seeking to protect.

South Africa is recognised for its sophisticated and globally admired financial and regulatory systems. A well-managed and productive economy needs good regulation to grow sustainably. However, over-regulation, or excessive requirements, without clear and careful thought about its objective and how it will be achieved, will achieve just the opposite.

An increasing amount of management focus – which could be better deployed elsewhere – has to be diverted to satisfying an excessively detailed approach by the regulators to the reporting of financial and performance metrics. Constant changes in accounting standards add ever greater levels of complexity, and actually detract from transparency because it becomes ever more difficult to analyse performance on a consistent basis over time. Our concern is that all of this creates an artificial level of assurance, obscured by complexity, and that a more flexible, pragmatic and sensible approach would better achieve the valid aims of the regulators.

We will continue our work with the Consumer Goods Council, BUSA and others in partnership with the new government. South Africa has lost too many years and it's now time to put our foot on the accelerator.

I extend my sincere appreciation to the Board for their valuable guidance and oversight. My thanks also to Richard Brasher and the management team for the exceptional year, and for building momentum across the business. Notwithstanding poor economic growth data reported at the time of writing and continued pressure on consumers, I have full confidence in the team to focus on the job of growing Pick n Pay.

I would specifically like to thank our outgoing CFO, Bakar Jakoet, for his outstanding contribution. We look forward to continuing our work with him in the years ahead as a non-executive director.

Gareth Ackerman
Chairman
21 June 2019

Internal deflation of 0.3% is a credit to the Pick n Pay and Boxer teams and a clear symbol of our commitment to customers.

By switching to the new blue plastic bags, 2 000 tonnes of plastic will be kept out of the environment every year.

In building a sustainable business, we are looking forward to working with the new government as we engage with them in an effort to build our economy.

2 THIS IS PICK N PAY

THIS IS PICK N PAY

ABOUT US

Consumer champion Raymond Ackerman purchased the first four Pick n Pay stores in Cape Town, South Africa, in 1967. Since then, the Group has grown to encompass stores across South Africa, Namibia, Botswana, Zambia, Eswatini (previously Swaziland) and Lesotho. Pick n Pay also owns a 49% share of Zimbabwean supermarket chain, TM Supermarkets.

Pick n Pay is a retail business in the fast-moving consumer goods industry. We operate through multiple store formats under three brands – Pick n Pay, Boxer and TM Supermarkets – and have the largest online grocery business in Africa.

We procure quality products at the best available prices, and our lean and efficient operating model is supported by a strong and talented team. This enables us to provide our customers with a tailored range of high-quality food, grocery and general merchandise products at competitive prices.

At Pick n Pay, we believe doing good is good business. Greater efficiency and investment in our customer offer enables us to drive sales and grow value for all our stakeholders.

For further information on our business model and the value we create, refer to pages 22 to 25.

KEY FACTS

Pick n Pay is South Africa's most influential brand

23.7%
Compound annual growth in earnings over six years

R86.3 BILLION
Turnover

1 795
Stores

90 000
Employees

7.2 MILLION
Loyalty customers

95%
Fresh produce procured from local suppliers

R9.0 BILLION
Capital investment over six years

MORE THAN 400 000
Jobs sustained through the reach of our supply chain

2 000 TONNES
Plastic waste salvaged through our recycled blue plastic bags

OUR MISSION

We serve

With our hearts we create a great place to be

With our minds we create an excellent place to shop

OUR ENDURING VALUES

Pick n Pay is a much-loved 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 strong and unique family values have guided the business for 52 years, providing a solid foundation for growth, innovation, service excellence and generosity.

We are passionate about our customers and will fight for their rights

We live by honesty and integrity

We foster personal growth and opportunity

We take individual responsibility

We care for and respect each other

We support and participate in our communities

We nurture leadership and vision, and reward innovation

We are all accountable

2 THIS IS PICK N PAY

WHAT SETS US APART

OUR COMMITMENT TO CONSUMER SOVEREIGNTY

We keep customers at the heart of our business. This philosophy informs everything we do, from how we treat our customers, to the product range we offer, and how we design our stores. Putting the customer first means we work hard to understand their diverse and changing needs and how we can serve them better. Through our Pick n Pay, Boxer and TM Supermarkets brands, the Group serves customers across a diverse spectrum of 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.

OUTSTANDING STORES AND FLEXIBLE FORMATS

The Group operates on an owned and franchise basis and has 1 795 stores across all formats, including its investment in TM Supermarkets in Zimbabwe. Our store formats 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. Formats supplementary to our core supermarket offer are becoming increasingly important to customers, with strong growth in our stand-alone clothing and liquor stores. Our online platform gives customers the opportunity to shop from their homes and have their order delivered to their door in one-hour time slots.

OUR WINNING TEAM

We employ 55 000 people in our company-owned stores and operations. Our franchise stores extend this to 90 000 people who work 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, benefit through teamwork and build a career. We are committed to training and empowering our people.

OUR LEADING CUSTOMER OFFER

Our customer offer focuses on food, non-edible groceries, health and beauty products, clothing, liquor, pharmaceuticals, building and hardware and general merchandise. The offer also includes value-added services such as third-party bill payments, ticketing services and financial transactions at till points. In addition to manufacturer-branded products, we have growing Pick n Pay and Boxer own brand ranges to suit every customer's budget. We are focused on delivering good quality at great prices and we appeal broadly across all sectors of society. We seek to move hand in hand with the changing needs and aspirations of our customers.

OUR FOCUS ON BUSINESS EFFICIENCY

Greater operating efficiency provides headroom for us to invest in an improved customer experience. We work in partnership with suppliers and service providers to bring value and convenience to our customers. The scale of our business enables us to give our suppliers sufficient volume so they can plan and manage their operations to reduce costs. We procure, transport, store and display our products as efficiently as possible to keep costs to a minimum. Our focus on centralisation across all areas of the business has increased our business efficiency.

OUR VISION TO BE A TRULY AFRICAN RETAILER

Pick n Pay has 148 stores outside South Africa, with established operations in Botswana, Eswatini (formerly Swaziland), Lesotho, Namibia, Zambia and Zimbabwe. These operations generated segmental revenue of R4.8 billion this year. We tailor our ownership model in each country to what is appropriate for the local market, whether establishing owned or franchised stores or a part-investment in an independent operation. Pick n Pay plans to open its first supermarket in Nigeria during next year.

WORLD-CLASS TECHNOLOGY

The Group benefits from an outstanding information technology infrastructure. This includes an end-to-end SAP system that enables automated and centralised processing, including the forecast and replenishment of inventory. Our point-of-sale technology enables an advanced suite of value-added services, including money transfers and banking transactions, and ably supports our Smart Shopper loyalty programme, including the redemption of personalised discount vouchers directly through the programme's digital app. Ongoing innovation has contributed to Smart Shopper being recognised as South Africa's favourite loyalty programme for the past six years.

A GROWING CENTRALISED SUPPLY CHAIN

The Group operates 14 Pick n Pay and Boxer distribution centres across South Africa, which cater for groceries, fresh and perishable produce, liquor and clothing. Our two largest distribution centres are Longmeadow in Gauteng and Philippi in the Western Cape, both distributing fresh produce, perishables and groceries.

OUR BELIEF THAT DOING GOOD IS GOOD BUSINESS

Customers reward businesses which they believe are at the heart of society and give back to the communities they serve. As customers reward us with their loyalty, we can grow, serve more customers, generate more jobs and help more communities – whether supporting them during times of crisis, helping to develop local suppliers and small businesses, or tackling societal challenges such as food security and climate change.

2 THIS IS PICK N PAY

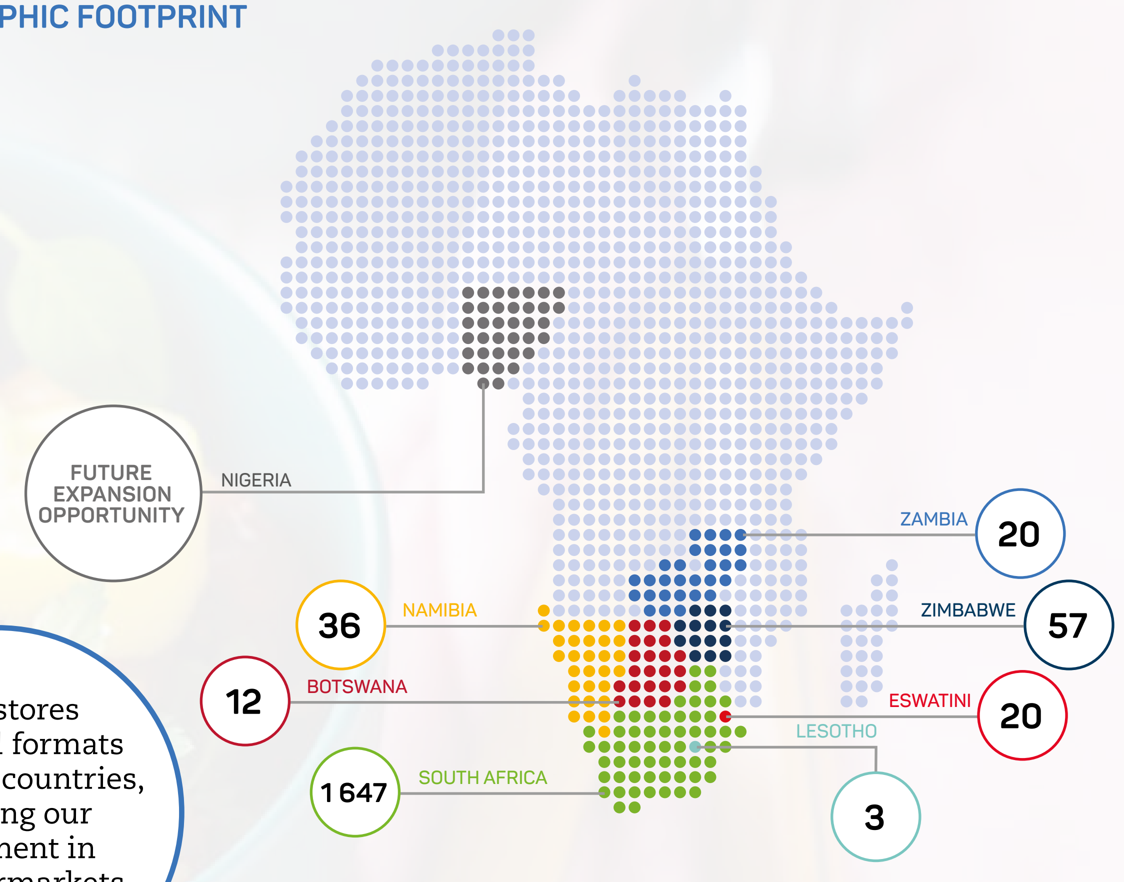
OUR STORE FOOTPRINT

Our expansion programme is focused on growing the business by opening stores that reflect the changing habits and needs of our customers and which will bring new customers and communities into the Pick n Pay family.

NUMBER OF STORES	25 February 2018	Opened	Closed	Converted openings	Converted closures	3 March 2019
COMPANY-OWNED						
Pick n Pay	**722**	**42**	**(10)**	**2**	**(7)**	**749**
Hypermarkets	20	–	–	–	–	20
Supermarkets	244	9	(2)	1	(4)	248
Local	38	1	(1)	–	–	38
Clothing	183	22	(5)	–	–	200
Liquor	235	10	(2)	1	(3)	241
Pharmacy	2	–	–	–	–	2
Boxer	**246**	**26**	**(3)**	**1**	**–**	**270**
Supermarkets	152	13	–	1	–	166
Build	31	1	(1)	–	–	31
Liquor	43	12	–	–	–	55
Punch	20	–	(2)	–	–	18
Total company-owned	**968**	**68**	**(13)**	**3**	**(7)**	**1 019**
FRANCHISE						
Pick n Pay						
Supermarkets	299	7	(4)	4	(2)	304
Family	281	7	(3)	3	(1)	287
Mini-markets	17	–	(1)	1	–	17
Daily	1	–	–	–	(1)	–
Market	14	6	–	–	–	20
Express	119	32	–	–	–	151
Clothing	17	1	(1)	–	–	17
Liquor	211	15	(2)	3	(1)	226
Pharmacy	–	1	–	–	–	1
Total franchise	**660**	**62**	**(7)**	**7**	**(3)**	**719**
Total Group stores	**1 628**	**130**	**(20)**	**10**	**(10)**	**1 738**
TM Supermarkets – associate	**57**	**–**	**–**	**–**	**–**	**57**
Total with TM Supermarkets	**1 685**	**130**	**(20)**	**10**	**(10)**	**1 795**

NUMBER OF STORES	25 February 2018	Opened	Closed	Converted openings	Converted closures	3 March 2019
AFRICAN FOOTPRINT – by country	**1 685**	**130**	**(20)**	**10**	**(10)**	**1 795**
Botswana	12	–	–	–	–	12
Eswatini (previously Swaziland)	17	3	–	–	–	20
Lesotho	3	–	–	–	–	3
Namibia	38	–	(2)	–	–	36
South Africa	1 541	124	(18)	10	(10)	1 647
Zambia	17	3	–	–	–	20
Zimbabwe	57	–	–	–	–	57
REST OF AFRICA FOOTPRINT – included in total stores above	**144**	**6**	**(2)**	**–**	**–**	**148**
Pick n Pay company-owned	17	3	–	–	–	20
Boxer company-owned	7	2	–	–	–	9
Pick n Pay franchise	63	1	(2)	–	–	62
TM Supermarkets – associate	57	–	–	–	–	57

GEOGRAPHIC FOOTPRINT



1 795 stores across all formats and seven countries, including our investment in TM Supermarkets in Zimbabwe.

OUR STORE FORMATS

SOUTH AFRICA'S MOST INFLUENTIAL BRAND

Pick n Pay is a multi-format, multi-channel retailer with a strong and diverse portfolio of stores. Pick n Pay is an inclusive brand focused on being the retailer for all – from the most affluent in society to those who are less fortunate and for whom price is of the utmost importance. Middle-income South African consumers make up the largest portion of our customer base. Pick n Pay operates on an owned and franchise basis and provides a wide range of products and value-added services that include 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 that benefits from flexible formats and a leaner operating model. Pick n Pay is focused on bringing its offer to communities where we are not yet well represented, including through small convenience stores.

7	Countries
9	Store formats (including online)
1 468	Stores
749	Company-owned stores
719	Franchise stores

PICK N PAY HYPERMARKETS

A Pick n Pay hypermarket is our largest format store, providing customers with an expanded range of groceries, clothing, liquor and general merchandise. Essentially a "one-stop shop", hypermarkets offer fresh produce, a butchery, deli, bakery and hot food counter, plus specialist categories not always available in a supermarket. This includes appliances, kitchenware, home improvement tools, garden and pool accessories, toys and an expanded health and beauty range. These retail sites are large, with wide aisles and ample parking, and cater for destination shoppers. Prices are competitive, leaning towards multi-pack and bulk-buy items. Six hypermarkets provide a growing bulk wholesale offer to over 400 independent traders and franchisees.

SOUTH AFRICA	20	15 000
Country	Company-owned stores	Average m²

PICK N PAY SUPERMARKETS

Pick n Pay supermarkets serve a wide range of communities, from lower- and middle-income families to the most affluent households. Our supermarkets offer a wide range of groceries and a targeted range of clothing, general merchandise and value-added services. Fresh produce and butchery offerings are complemented by an in-store bakery, deli and hot food counter. Customers can buy everything they need, from a daily top-up to a larger weekly or monthly bulk shop, and product ranges are tailored to meet customers' needs. Some stores focus on basic necessities and local produce while others boast speciality service counters, wine rooms, flower markets and sushi bars. Pick n Pay supermarkets trade under the Pick n Pay, Family, Daily and Mini-market banners.

7	552	248	304	3 000	16
Countries	Stores	Company-owned stores	Franchise stores	Average m²	New stores

PICK N PAY LOCAL

Pick n Pay Local stores provide neighbourhood convenience to a broad range of communities. A Local store has a much smaller range than a traditional supermarket and is tailored specifically to the community it serves. The range is focused on fresh and convenience and can include a 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 larger weekly shop.

SOUTH AFRICA	38	1 000	1
Country	Company-owned stores	Average m²	New store

PICK N PAY MARKET STORES

Pick n Pay's "Spaza-to-Market Store" partnership with South Africa's Department of Economic Development aims to revitalise and modernise market (spaza) stores to drive growth. This partnership provides spaza shop owners with access to Pick n Pay's procurement and distribution channel, business systems and technology and management advice and mentoring.

SOUTH AFRICA	20	150	6
Country	Partner stores	Average m²	New stores

OUR STORE FORMATS (continued)

PICK N PAY CLOTHING

Pick n Pay Clothing provides quality, fashionable clothing and footwear at exceptional prices. Our clothing offer is broad, from baby and children's wear to ladies' and men's fashion, and includes casual wear, sleepwear, active wear and more formal attire. Our standalone clothing stores provide the same quality and value-for-money clothing merchandise as our hypermarkets and supermarkets, but with an extended range.

4 Countries	217 Standalone stores	200 Company-owned stores	17 Franchise stores	450 Average m²	23 New stores

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 at BP service station forecourts in South Africa. Pick n Pay Express offers a targeted convenience range to satisfy an immediate top-up shop or a quick meal solution. The range is limited and mainly focused on daily needs. Sites are located in high-traffic-flow areas, including high-density residential areas and public transport intersections.

SOUTH AFRICA Country	151 Forecourt franchise stores	300 Average m²	32 New stores

PICK N PAY LIQUOR

Our liquor stores are situated close to our supermarkets and hypermarkets but with separate entrances. These stores offer a range of wine, spirits and beer, including innovative local craft products. Pick n Pay Liquor stores provide customers with the added convenience of purchasing liquor at the same time as doing their grocery shopping.

6 Countries	467 Stores	241 Company-owned stores	226 Franchise stores	200 Average m²	25 New stores

PICK N PAY PHARMACY

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

SOUTH AFRICA Country	33 In-store pharmacies	28 Company-owned stores	5 Franchise stores	2 Standalone stores

PICK N PAY ONLINE

Our online shopping platform at **www.pnp.co.za** is a small but growing part of the Pick n Pay business. Pick n Pay is 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 and Gauteng has been expanded through the establishment of dedicated online picking warehouses.

SOUTH AFRICA Country	Two dedicated online distribution centres	Delivery within 24 hours – pick your one-hour delivery slot

OUR STORE FORMATS (continued)

Our Boxer stores provide a "one-stop shop" for middle- to lower-income shoppers in South Africa and Eswatini (previously Swaziland) and is fast becoming South Africa's leading limited-range discount supermarket.

Boxer offers a tight range of quality products and services at affordable prices. Stores offer essential daily commodities such as maize meal, rice, samp, sugar, oil and beans, as well as perishables, health and beauty products, general merchandise and bulk-buy offers. Butcheries, bakeries and deli sections provide a choice of prepared convenience meals.

There are no franchise stores under this brand. While Boxer has reach across all nine provinces in South Africa, 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.

SOUTH AFRICA AND ESWATINI Countries
4 Store formats
26 New stores
270 Stores

BOXER SUPERMARKETS

Boxer supermarkets are full-service supermarkets offering a focused range of groceries. 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 Eswatini. All stores are located close to public transportation hubs and have a welcoming market-style atmosphere.

SOUTH AFRICA AND ESWATINI Countries	166 Company-owned stores	1 850 Average m²	13 New stores

BOXER PUNCH

Boxer Punch is a smaller-sized supermarket located in compact sites with considerable customer foot traffic. The store has a lower-cost operating model, enabling lower prices, including on key commodity lines. Boxer Punch stores offer a limited but specific range of convenience products that includes basic commodities, pre-packed frozen and fresh meat, and a limited range of breads and confectionery.

SOUTH AFRICA Country	18 Company-owned stores	400 Average m²

BOXER BUILD

Boxer Build stocks a diversified range of building and hardware supplies to satisfy DIY and home improvement needs at competitive prices. Boxer Build stores offer savings cards and access to short-term credit facilities. Purchase delivery can be arranged at store level.

SOUTH AFRICA Country	31 Company-owned stores	550 Average m²	1 New store

BOXER LIQUOR

Boxer liquor stores 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.

SOUTH AFRICA AND ESWATINI Countries	55 Company-owned stores	185 Average m²	12 New stores

TM SUPERMARKETS

The Group has a 49% investment in its associate TM Supermarkets in Zimbabwe. TM Supermarkets, trading under TM and Pick n Pay, is one of the most trusted retailers in Zimbabwe, recognised in 2019 as Zimbabwe's "Coolest Supermarket Brand" at the Generation Next Awards, and as the Marketers Association of Zimbabwe's "Retail Superbrand of the year". With its pay-off line, "Real Value Always", customers are offered a wide range of groceries and perishables and a limited range of general merchandise. The fresh offering caters specifically for the communities they serve, at competitive prices. TM Supermarkets draws its customers from all communities and income groups across Zimbabwe, while store formats range from convenient small supermarkets to larger supermarkets.

57 Supermarkets in Zimbabwe
30 Trading as TM
27 Trading as Pick n Pay

The Group is intent on being the retailer of choice for all the communities it serves.

CREATING VALUE THROUGH OUR BUSINESS MODEL

Our business model describes how the Pick n Pay Group creates long-term sustainable value for all its stakeholders – through the effective and balanced use of our capitals, while keeping the customer at the centre of everything we do. Our business model is underpinned by strong corporate and social governance, with our unique values at its core.

OUR CAPITALS

FINANCIAL CAPITAL

The financial resources raised and utilised by the Group, consisting of equity and debt funding, and earnings generated and retained by the Group.

Capital inputs at the beginning of the year include:

- R4.0 billion in shareholders' equity
- R2.3 billion in borrowings
- R1.1 billion in cash balances

We rely on our financial resources to fund our expansion plans, enhance the quality of our estate and our customer offer, invest in new systems and technologies, upskill and develop our staff, and to deliver on our growth strategy in line with our seven business acceleration pillars.

MANUFACTURED CAPITAL

The physical infrastructure used in the Group's operations which includes its real estate, distribution capacity, and its information technology platforms.

Capital inputs at the beginning of the year include:

- 1 685 stores
- 5 support offices
- 12 distribution centres
- 2 online distribution centres
- Valued partnerships with transport logistics providers

We rely on our manufactured capital to procure, transport, store and display our products in a range of store formats – from large hypermarkets to small convenience stores and an online platform – enabling us to serve customers across a diverse socio-economic spectrum.

INTELLECTUAL CAPITAL

The knowledge, systems, processes, intellectual property and brands contained within the Group.

Capital inputs at the beginning of the year include:

- 3 strong brands: Pick n Pay; Boxer; TM Supermarkets
- Smart Shopper loyalty programme
- Enterprise-wide SAP operating and reporting system
- Growing own brand offer

We rely on our intellectual capital to ensure that we understand our customers and how we can serve them better. Centralisation, including advanced forecast and replenishment systems, supports greater operational efficiency, alongside our outstanding information technology infrastructure. In addition to manufacturer-branded products we have a growing own brand range with products to suit every customer's budget.

HUMAN CAPITAL

Our valued staff across Pick n Pay, Boxer and TM, with their skill, talent, ambition and diversity that underpins a winning team.

Capital inputs at the beginning of the year include:

- 51 000 employees in our company-owned business
- 34 000 employees across our franchise stores

We rely on and invest in our human capital to provide our customers with convenient and reliable access to high-quality, safe and competitively priced products and valued-added services, with great service in outstanding stores.

SOCIAL AND RELATIONSHIP CAPITAL

The relationship the Group has developed with all its stakeholders, governed by its values and the enduring principle that doing good is good business.

Capital inputs at the beginning of the year include:

- Customer-led long-term strategy
- Meaningful corporate social investment programme
- Strong platforms for stakeholder engagement

We rely on our social and relationship capital to earn the loyalty of our customers, generate more jobs, contribute to the communities we serve and to develop local suppliers and small businesses.

NATURAL CAPITAL

The environmental resources utilised throughout the Group's operations, through its production, distribution and sale of consumer products.

Key environmental impacts last year (refer to page 76):

- Carbon footprint – 657 387.2 CO_2e tonnes
- Water consumed – 1 161 megalitres
- 54.3% of waste diverted from landfill

We are committed to reducing our consumption of natural and scarce resources in our operations and, with thousands of suppliers and millions of customers, we are extremely mindful of our broad reach and our broad impact.

OUR PRIMARY BUSINESS ACTIVITIES AND VALUE DRIVERS

The Group is a food, grocery, liquor, clothing and general merchandise retailer, selling a wide range of products at competitive prices under our Pick n Pay, Boxer and TM brands. The Group's operating model utilises its capital inputs in its retail operations in the most effective and efficient manner in order to optimise its capital outputs and outcomes for all.

The Group has created value for our stakeholders for over 50 years. Our business model maintains a virtuous circle which balances the needs of our stakeholders in a fair and effective manner while effectively managing the trade-offs between our capitals.

This virtuous circle enables growing and sustainable returns for shareholders, while supporting ongoing investment in the communities which we serve, and meaningful reinvestment into our business, our people, and in responsible business practices that reduce our environmental impact.

- Leading product range at competitive prices
- High-quality stores within customer reach
- More convenience, including value-added services

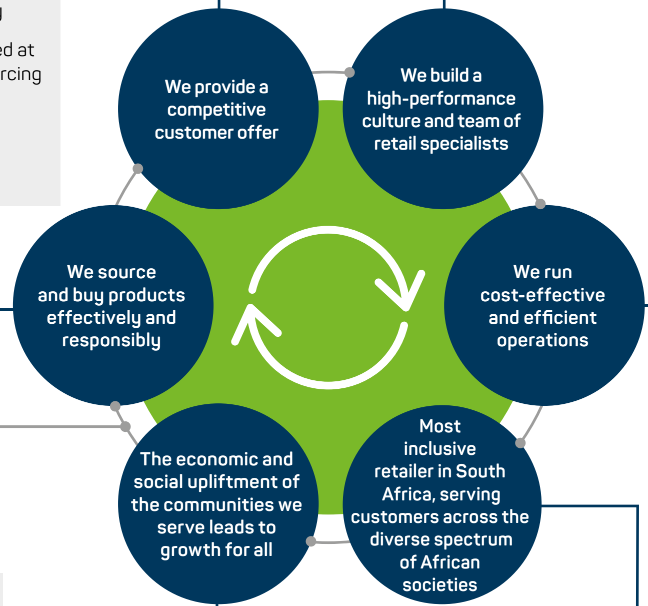
See how our strategy is aimed at supporting our competitive customer offer on page 46.

- Customer focused
- Talented and diverse retail team
- Employment through growth

See how our strategy is aimed at building a winning team on page 50.

- Buying better for our customers
- Ethical sourcing and food safety
- Securing sustainable future supply

See how our strategy is aimed at supporting our effective sourcing and buying of products on page 49.



- An increasingly efficient supply chain
- Lean operating model in stores and support offices
- Successful franchise model

See how our strategy is supporting efficient and cost-effective operations on page 48.

Our successful strategy supports investment in our communities, in line with our ethos of doing good is good business, as captured in our mission statement and enduring values on page 11.

See how our strategy is aimed at serving our customers and driving sales on pages 44 to 53.

Our capitals are transformed by our business activities and strategic business decisions. As part of this, we have to prioritise certain resources and stakeholder requirements above others.

We have a strong and experienced management team that operates within a sound risk management framework that considers the social and environmental impact of our decisions and operations. This ensures that our business can grow, adapt, change and innovate, without placing stakeholders under undue risk.

A discussion of our capital trade-offs is available on page 25. These trade-offs are informed by our corporate governance framework, which ensures that we align our interests with those of our stakeholders and deliver sustainable value and a leading customer offer. Read more about our risk management from page 32.

CREATING VALUE THROUGH OUR BUSINESS MODEL (continued)

HOW OUR KEY BUSINESS ACTIVITIES TRANSFORMED THE CAPITALS DURING THE YEAR

OUR CAPITAL OUTPUTS

Our capital outputs include the wide range of products and services that we sell to our customers under our Pick n Pay and Boxer brands – this includes food, groceries, clothing, general merchandise and other value-added services. As a result of our retail operations, we produce by-products and waste, and we remain committed to reducing our environmental impact.

OUR CAPITAL OUTCOMES

Our capital outcomes include a range of internal and external consequences for our stakeholders, which are outlined in more detail below:

FINANCIAL CAPITAL

On a comparable 52-week basis:

- Sales growth of 7.1% in a tough market
- Market-leading like-for-like volume growth of 5.1%
- Balanced gross profit margin performance and cost discipline – with comparable HEPS growth of 18.0%
- Improved profitability and strong working capital management delivered a R665 million reduction in comparable net funding.
- Rest of Africa segmental profit down 16.2% year-on-year, reflecting difficult trading environments in Zambia and Zimbabwe
- Shareholders equity up 7.3% to R4.3 billion

HUMAN CAPITAL

- 4 675 net new jobs across the Group, with 55 000 employees in our company-owned business and 35 000 employees across our franchise stores
- R67.0 million invested in training and education
- 800 training interventions reached 16 000 of our staff

MANUFACTURED CAPITAL

- Opened 130 new stores
- Refurbished 103 stores
- Closed 20 under-performing stores
- Two new distribution centres in KwaZulu-Natal and Gauteng across Pick n Pay and Boxer

SOCIAL AND RELATIONSHIP CAPITAL

- Partnered with six new entrepreneurs in our Spaza-to-Market store initiative
- 95% local sourcing
- R500 million procurement spend with small local businesses
- R34.1 million corporate social responsibility spend
- Launched People n Planet – umbrella programme for all corporate social investment (CSI) programmes
- Supported 3 325 schools in Pick n Pay School Club
- Improved transparency of nutritional information on own brand product labelling

INTELLECTUAL CAPITAL

- Pick n Pay recognised as South Africa's most influential brand
- Advanced Smart Shopper app and point-of-sale technology, and partnered with BP on points
- Industry-first partnership with fully digital TymeBank
- Ongoing investment in online platform drives 24.3% growth in online sales
- Over 500 new and 700 redesigned Pick n Pay and Boxer own brand products – Pick n Pay and Boxer own brand products now at 21% and 15% respectively of relevant turnover

NATURAL CAPITAL

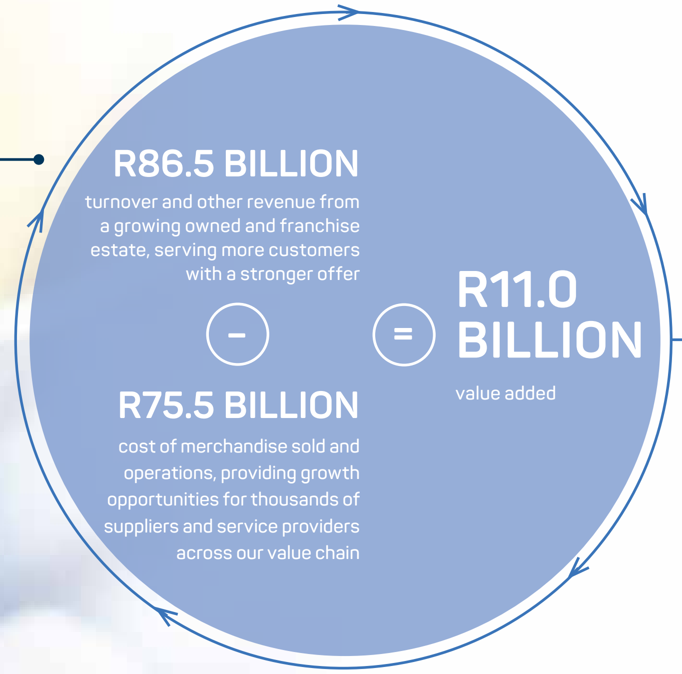
- Introduced 100% recycled and recyclable plastic bag – will keep 2 000 tonnes of plastic out of the environment each year
- Cut down on plastic used in-store and in our own brand products
- 40% water saving in the Western Cape
- Substantial decrease in electricity consumption – like-for-like costs down 1.8%
- 649 192.4 CO_2e tonnes carbon footprint – down 1.2% on last year
- 1 128 megalitres of water consumed – in line with last year
- 53.5% of waste diverted from landfill

Strong performance | Satisfactory progress | Disappointing, more to do

THE VALUE WE CREATED AND DISTRIBUTED AMONG OUR VARIOUS STAKEHOLDERS

Our ethical value system, underpinned by strong corporate and social governance, as detailed in our governance section from page 80, guides our everyday decision-making. This ensures that we balance and optimise the trade-offs that exist in our business to act in the best interests of our stakeholders.

We create substantial economic development and employment opportunity across our value chain through the creation and distribution of wealth among our various stakeholders.



R7.1 BILLION
for our employees – providing economic upliftment and job security

R1.6 BILLION
to providers of capital – generating long-term sustainable returns

R0.5 BILLION
paid in government taxes and R34.1 million invested in CSI initiatives – for the social upliftment of our communities

R1.8 BILLION
reinvested for future growth – for the benefit of all stakeholders

On a comparable 52-week basis

OUR CAPITAL TRADE-OFFS

Our stakeholders have competing interests and needs. Similarly, there is interdependence between our capitals. Below are the most material and relevant trade-offs that have been necessary in our business this year to create greater shared value for all:

RESPONSIBLE REMUNERATION IN A TOUGH CLIMATE

We are committed to providing our employees with fair and responsible remuneration, including a suite of benefits which promotes the well-being of our employees in a difficult economic climate. The Group provided above-inflation increases in salaries and wages this year, which saw employee costs grow 6.2%, notwithstanding the positive efficiency impact of the voluntary severance programme undertaken last year.

RANGE OPTIMISATION

We are tailoring our product offer store by store to ensure we adequately meet the needs of customers served. In certain stores this has led to meaningful range rationalisation, lower stockholdings, better availability, less waste and improved trading densities. But it has at times meant more difficult engagement with suppliers, where key product lines have had to be prioritised above others.

SMALL BUSINESS DEVELOPMENT

We continue to invest in building a diverse and ethical supply base to support sustainable farming. Our investment includes the development of small emerging local businesses, including the growth of our private label range of products.

FOOD SAFETY

We are committed to providing customers with safe, high-quality food in a safe and secure shopping environment. This requires ongoing investment in best-practice health, safety and security standards.

ADDITIONAL DISTRIBUTION CAPACITY

The Group progressed on its centralised distribution journey this year with the opening of its new Pick n Pay distribution centre (DC) in KwaZulu-Natal and its new Boxer DC in Gauteng. The two new DCs required capital investment this year, adding start-up costs and higher inventory balances over the short term. However, these DCs have brought centralised supply to 75% in Pick n Pay and 40% in Boxer, unlocking the opportunity for further cost savings and efficiency gains across the distribution channel.

OPERATIONS OUTSIDE SOUTH AFRICA

We believe opportunities outside South Africa provide us with a second engine for long-term growth. However, expanding our footprint into the rest of Africa does not come without risk, including the operational challenges of trading in a new environment and the risk of foreign currency movements. This was particularly evident this year with difficult trading environments in Zambia and Zimbabwe.

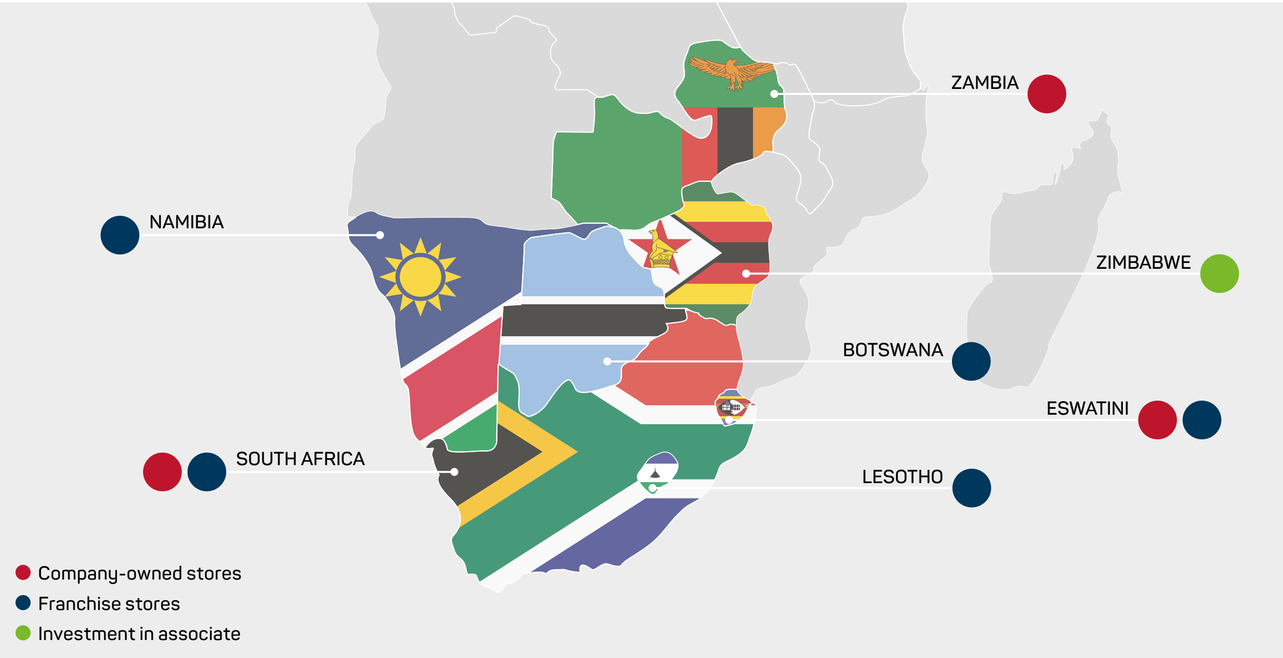
REDUCING OUR IMPACT ON THE ENVIRONMENT

To find more energy-efficient and environmentally friendly ways to do business, we invest in energy-efficient lighting and refrigeration, rainwater harvesting and recycling initiatives across our stores and distribution centres.

OUR BUSINESS IN CONTEXT

THE ENVIRONMENT WE OPERATE IN

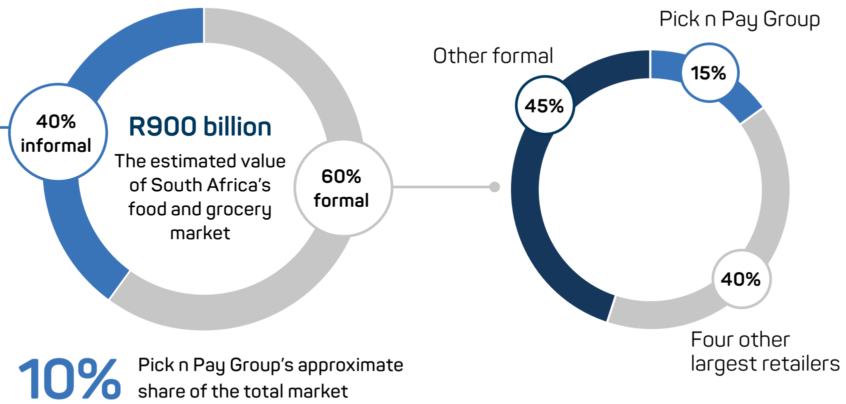
The Pick n Pay Group operates 1 795 stores across multiple formats in seven countries across southern Africa, including a 49% investment in TM Supermarkets in Zimbabwe. With a celebrated 52-year history, we benefit from strong brand loyalty and broad socio-economic appeal within the regions we serve. The Group follows a flexible investment and operating model, seeking to find the most effective and appropriate business model for a particular region, for example operating company-owned stores, working alongside effective franchise partners, or investing in an established business, while providing management support.



AN OVERVIEW OF THE SOUTH AFRICAN MARKET

South Africa's retail market is diverse and marked by wide disparities in income and geography. The food and grocery sector is complex, including a large informal sector. The total market has an estimated value of R900 billion, with approximately 60% of the market considered formal, and 40% informal. The formal South African food and grocery market is highly competitive, with five large retailers, including the Pick n Pay Group, accounting for approximately 55% of sales. With turnover of R84.4 billion from its South African segment in FY19, it is estimated that the Pick n Pay Group has a share of just below 10% of the total market, and around 15% of the formal market. The informal market is made up of a broad range of small, independent shops, community buying groups and other outlets.

The informal market is made up of a broad range of small, independent shops, community buying groups and other outlets.



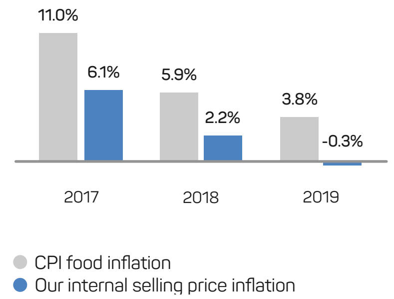
SOUTH AFRICA – THE YEAR IN REVIEW

The Group delivered strong growth in a tough local market. Consumer spending was again constrained in an increasingly difficult economic climate, with South Africa's real gross domestic product (GDP) growing at just 0.8% over the 2018 calendar year. The country continued to suffer high levels of unemployment, a weak currency and a volatile and subdued equities market, resulting in falling investor and consumer confidence.

There was some hope that the election of Cyril Ramaphosa in December 2017 as President of the ANC, and subsequently as President of South Africa, would lead to a sustained improvement in economic, business and consumer confidence. However, the groundswell of positive sentiment in early 2018, or "Ramaphoria" as it became known locally, began to wane as it became clear that President Ramaphosa might only find the traction and support for his reform agenda through the national elections in May 2019.

The Pick n Pay Group was prepared for the more difficult economy, having taken decisive action last year to accelerate the delivery of its strategy in three important areas: a voluntary severance programme across Pick n Pay operations, the modernisation of its Smart Shopper programme and a collaborative Buy Better programme to unlock value across its procurement channel. The steps taken delivered substantive efficiency and cost savings this year, which enabled the Group in the year under review to become more price competitive, offer more personalised value and drive volume growth.

The majority of our customers stretch their grocery budgets by looking for the best deals on staple commodity products and the lowest pricing on fresh produce and butchery items, including combination deals. Pick n Pay improved its relative price position by at least 3% across thousands of products, including fresh produce and butchery lines. In addition, Pick n Pay refined its promotional calendar, significantly reducing the number of products promoted over the year, but with much deeper value for customers. Boxer provided unbeatable deals on basic commodity lines, including through bulk offers, cementing its position as the fastest growing limited-range discounter in South Africa. The Group delivered internal selling-price deflation of 0.3%, well below consumer price index (CPI) food inflation of 3.8%.



OUR GROWTH IN SOUTH AFRICA

7.4%
Turnover growth*

5.5%
Volume growth*

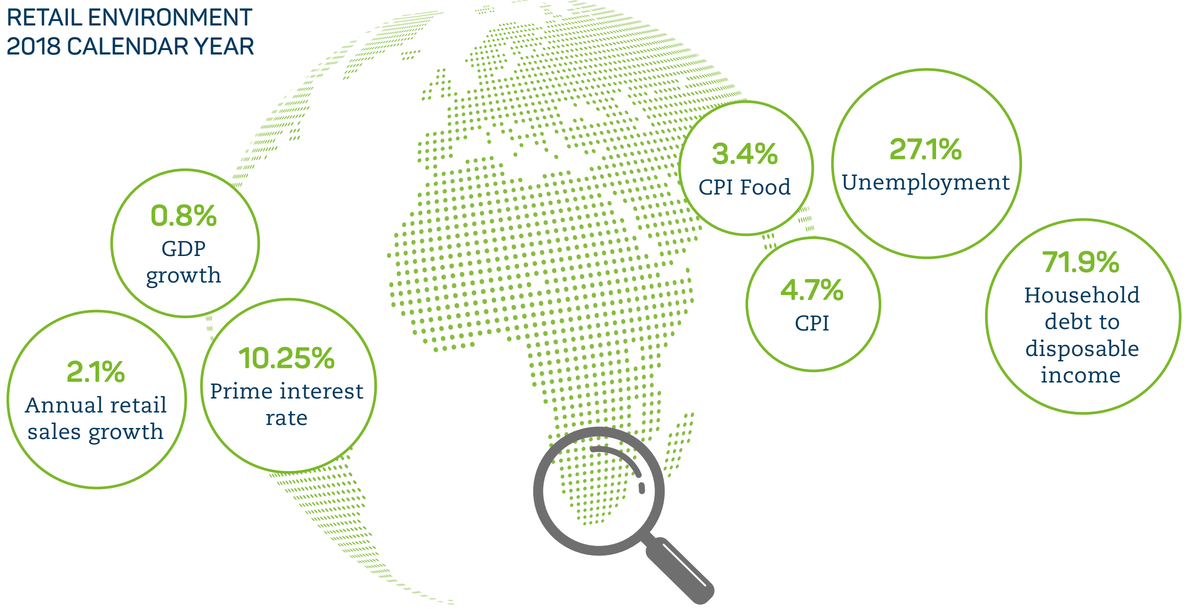
0.3%
Selling-price deflation*

124
New stores

2
New distribution centres

* *Performance over comparable 52 week period*

SOUTH AFRICAN RETAIL ENVIRONMENT 2018 CALENDAR YEAR

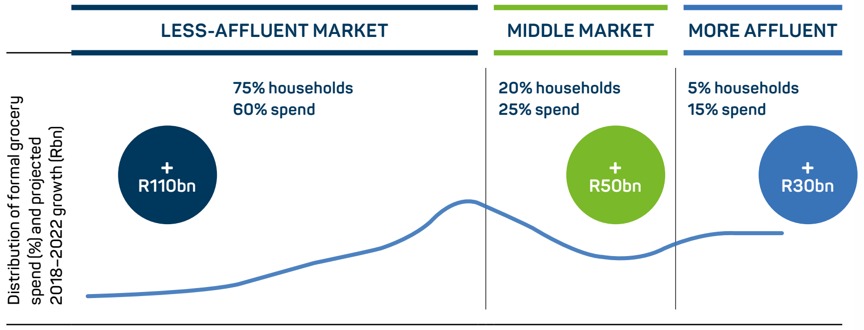


THE ENVIRONMENT WE OPERATE IN (continued)

GROWTH OPPORTUNITIES IN THE SOUTH AFRICAN MARKET

The Pick n Pay Group is a leaner and more cost-effective business, well positioned to deliver growth in a tough market. We delivered market-leading sales growth of 7.4% in South Africa in FY19 through sharper prices, exceptional value and greater quality and innovation in grocery and allied retail services.

The Group is particularly pleased with the performance of its Pick n Pay and Boxer stores serving the lower- to middle-income segments of the market. These communities are resilient and aspirational. We believe that there are good growth prospects for this segment of the market, as circumstances start to slowly improve (for example through improved economic growth, higher wages and the availability of social grants).



Pick n Pay's broad range of formats and our offer, including through its franchise partners, combined with Boxer's unbeatable value, position our Group well to serve all customers, and take our fair share of growth in the market.

The Group's ability to appeal broadly across socio-economic demographics is a key advantage. We will continue to drive range optimisation over the short term to ensure that our stores carry product ranges which are effectively tailored to meet the needs of the customers served. Range optimisation in a number of our lower- to-middle market stores has already led to a meaningful reduction in stockholdings, higher on-shelf availability, stronger promotions, reduced waste and improved trading densities.

Our broad range of formats provides further growth opportunities outside of our core grocery offer, including through developing and growing our clothing, liquor, general merchandise, health and beauty and value-added services offer. The Group is confident of its growth prospects in the South African market, notwithstanding forecasts that economic conditions are unlikely to ease over the short term.

LOOKING FORWARD: THE ROLE WE WILL PLAY IN SOUTH AFRICA

The Group will invest up to R2.0 billion in its store opening and refurbishment programme in the coming year. We will continue to follow a measured approach to capital investment, focusing on space that we are confident will drive sustainable financial returns. There are still many geographic communities across South Africa, across all demographics, where Pick n Pay and Boxer are not well represented. We look forward to bringing our offer to these communities, whether in urban, peri-urban or rural areas. Our leaner, stronger operating model has significantly improved our ability to deliver sustainable new space, including through smaller, neighbourhood stores, which reflect the growing customer demand for convenience. Our growth will provide opportunities for job creation and play an important role in alleviating high unemployment levels in South Africa. This will help to ensure the marginalised benefit from greater inclusion in the economic prosperity to come.

OUR OUTLOOK FOR THE SOUTH AFRICAN MARKET

6 to 12 months

Short-term consumer outlook

- Low consumer confidence and restrained spend
- High unemployment
- Consumers looking for more value
- Inflationary pressure from rising input costs, in particular fuel and energy costs, and a weaker rand
- Real GDP growth forecast for 2019: 1.0%, after weak Q1 data in 2019

Next 3-5 years

Long-term consumer outlook is more positive, supported by:

- Greater South African political stability after the May 2019 elections
- Political intent under President Ramaphosa to streamline government, eradicate corruption and the mismanagement of public funds, and improve the performance of state owned enterprises
- Improved outlook for economic transformation and growth
- A young population
- A growing consumer base across a changing demographic
- Good infrastructure
- Robust and enduring institutions, with strong corporate governance

OUR REST OF AFRICA OPERATIONS

We have an established presence in Botswana, Lesotho, Namibia, Eswatini, Zambia and Zimbabwe. Our Rest of Africa operations contributed R4.7 billion of segmental revenue in FY19, up 2.2% on last year. However, difficult trading conditions in Zambia and Zimbabwe saw segmental profits fall 16.2% over the year. Our Rest of Africa segment contributes 11.6% to the Group's profit before tax, down from 16.3% last year.

The Group's business in Zambia has been under strain for a number of years, with the region still battling the economic impact of a severe and prolonged drought, including the effects on business of an erratic power supply as a result of the country's dependence on hydro-electricity. Alongside these challenges, the lower copper price over the past few years has led to higher levels of unemployment and stalled economic growth. The retail sector in Zambia remains highly competitive, and we have responded with tight cost control, stronger working capital management and improved operational efficiency in order to deliver lower prices and a better shopping experience for customers.

Our associate in Zimbabwe, TM Supermarkets (TM), faced a series of challenges in the year under review, with severe currency shortages in the region leading to high levels of food and other inflation, fuel shortages, social unrest and escalating demand for basic commodity products. The hard work of our team over the past few years to build customer and supplier loyalty paid off in difficult times. We were able to keep our shelves stocked and customers rewarded TM with double-digit volume and customer growth.

Ongoing US dollar shortages experienced in Zimbabwe led to the increased use of electronic tender through the Real Time Gross Settlement (RTGS) system. The increased reliance on RTGS as a settlement mechanism effectively resulted in RTGS becoming a de facto currency. On 1 October 2018, the Reserve Bank of Zimbabwe (RBZ) directed all banks to ring-fence Nostro foreign currency accounts (FCAs) by separating them into two categories, namely Nostro FCAs and RTGS FCAs. At this time, authorities maintained that the US dollar represented in the RTGS system was at a 1:1 exchange ratio; however, there was growing consensus among market participants that this did not reflect economic reality. In line with industry consensus, TM Supermarkets adopted the RTGS dollar as its functional currency in October 2018. In February 2019, RBZ announced that RTGS would be recognised as an official currency, at an official inter-bank exchange rate of 2.5 RTGS dollar to the US dollar.

Due to ongoing currency illiquidity in the region and rising inflation, the Group exercised judgement in its determination of a fair and reasonable rate of exchange for RTGS, including a consideration of fuel prices in the region, rates of exchange in the informal market, and the value at which Old Mutual and PPC shares trade on the Zimbabwe Stock Exchange compared with the JSE. The Group determined a fair rate of exchange at 3 March 2019 was 3.3 RTGS dollars to the US dollar, and this was applied to the translation of all earnings post 1 October 2018.

Our share of TM's income was down 6.3% year-on-year, including our share of the foreign exchange loss of R42.1 million on the adoption of RTGS. Our share of TM's income of R109.0 million this year represents 5.3% of the Group's profit before tax.

LOOKING FORWARD: THE ROLE WE WILL PLAY OUTSIDE SOUTH AFRICA

We are confident of the long-term prospects of our businesses in Botswana, Namibia, Eswatini and Lesotho. We have built a stronger and more resilient business in Zambia in the face of ongoing economic headwinds. The Group is also mindful of further political and economic risk in Zimbabwe, particularly in respect of currency illiquidity and rising inflation and the potential impact thereof on currency valuation and Group profitability. However, the TM business remains cash generative and self-funding in Zimbabwe, and we will continue to invest in the refurbishment of our stores, and in basic commodity and other products for our customers. The Group plans to open its first store in Nigeria in the 2019 calendar year. The ongoing formalisation of food and grocery retail across Africa will provide the Group with a second engine of growth in coming years, and we will continue to look for opportunities to expand our footprint outside South Africa, that will provide the prospect of strategic scale and sustainable return, without placing the Group at undue risk.

Ours is a growing business and we are confident of the long-term opportunities in the markets we operate in and the valuable role we will play in uplifting the communities we serve.

MATERIAL ISSUES, RISKS AND OPPORTUNITIES

OUR PROCESS FOR DETERMINING MATERIALITY, MATERIAL ISSUES, RISKS AND OPPORTUNITIES

To determine materiality, the Board takes into account:

- The macroeconomic environment
- Changing industry and consumer trends
- The expectations and concerns of stakeholders
- Material matters that could impact value creation
- The Group's underlying capitals

Our integrated annual report focuses on information the directors and Board believe is material to our stakeholders' understanding of the business.

Material issues are reviewed annually by senior management, the audit, risk and compliance committee, and the Board.

The risk management process involves a formalised system to identify and assess risk, both at a strategic and an operational level.

The day-to-day responsibility for identifying, evaluating and managing risk resides with management.	The audit, risk and compliance committee monitors the risk management process across all divisions in the Group.	This review forms part of the Group's comprehensive, enterprise-wide risk management and combined assurance programme.

OUR MATERIAL ISSUES

As an outcome of our materiality review process, the Group agreed that all material matters identified in 2018 remained relevant for the 2019 financial year. These include:

- Consumer environment
- Competitive environment
- Effectiveness of procurement and distribution channel, including waste management
- Food and other health and safety standards
- Volatility of the Group's Rest of Africa division
- Effectiveness and security of our information systems and technology
- Building and retaining a talented and diverse retail team
- Effective execution of strategy and long-term sustainable value creation

We have identified opportunities per material issue to demonstrate how the risks are being mitigated and, where possible, are viewed as growth opportunities for the Group through its strategic long-term plan.

CONSUMER ENVIRONMENT

The South African economic environment is challenging, with consumers grappling with debt and escalating transport, energy and other household costs, exacerbated by high levels of unemployment. Consumer confidence remains low. While there is renewed hope of positive economic reform and economic growth stimulus under President Ramaphosa after the 2019 national elections, we expect customers to continue to spend prudently over the short to medium term.

MATERIAL RISKS

- Worsening macro- and socio-economic conditions including rising unemployment and GDP contraction that could further constrain consumer spending
- Persistent drivers of cost inflation, for example growing transport and utility costs, that could put pressure on sales volumes
- Negative customer perception of price and value

OPPORTUNITIES AND RISK MANAGEMENT

- The Group is the most inclusive retailer in South Africa, well positioned to meet the changing needs of consumers across all socio-economic demographics
- Our scale, history and strong supplier relationships support effective price negotiation on behalf of customers – with further added value from Pick n Pay's Buy Better programme
- Smart Shopper is providing more personalised value than ever before, including our partnership with BP
- Our growing own brand offer provides trusted value
- 95% of our offer is local – reducing the impact of a weaker rand on the value chain
- Greater operational efficiency has enabled meaningful price investment, with internal selling price deflation of 0.3% in 2019

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COMPETITIVE ENVIRONMENT

The South African retail space is strongly contested, with established and emerging retailers operating across the formal and informal market.

MATERIAL RISKS

- The impact of a strategic competitive move against a major product category or store format
- Increased price competitiveness and promotional intensity resulting in uncompetitive pricing
- Opening or refurbishing stores that do not deliver sustainable returns
- Missing out on the best locations for new stores
- Not attracting or retaining the best franchisees

OPPORTUNITIES AND RISK MANAGEMENT

- Pick n Pay is one of the most loved and admired brands in South Africa, with recognition this year as the most influential brand in South Africa. This brand loyalty gives the Group a unique competitive advantage
- Boxer is demonstrating strong growth and increasing customer advocacy in the lower-income and more rural areas of South Africa
- Smart Shopper is South Africa's favourite loyalty programme, with over seven million active customers
- Flexible formats and an increasingly lean operating model allows the Group to respond quickly to changing consumer needs, including through smaller, convenience formats
- We have a strong opening and refurbishment programme that is focused on sustainable investment returns
- We maintain open and constructive engagement with all developers and landlords
- Pick n Pay operates one of the most successful and mutually beneficial franchise models in the retail industry – with regular and open engagement with all our franchisees to ensure value creation for all

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MATERIAL ISSUES, RISKS AND OPPORTUNITIES (continued)

EFFECTIVENESS OF PROCUREMENT AND DISTRIBUTION CHANNEL

The Group is increasingly reliant on the effectiveness of its own supply chain channel, with 75% of Pick n Pay's and 40% of Boxer's inventory now distributed through its centralised distribution centres.

MATERIAL RISKS

- Inefficient stockholdings
- Poor on-shelf availability
- Poor quality or shortened shelf life of fresh produce
- Increased waste
- Increased cost of distribution, specifically fuel
- The catastrophic loss of a major distribution centre

OPPORTUNITIES AND RISK MANAGEMENT

- The Group has built a robust distribution network that distributes products to stores every day, on a short order lead time
- Improved efficiencies from:
  - a single warehouse management system across all distribution centres
  - an enterprise-wide automatic forecast and replenishment system
  - an online, real-time supplier portal
- We have an established and dedicated team of procurement and distribution experts who maintain strong relationships with our suppliers, logistics providers and warehouse managers
- Business continuity and disaster recovery plans are in place

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FOOD AND OTHER HEALTH AND SAFETY STANDARDS

We are committed to providing our customers with safe, high-quality food and a secure shopping experience. The importance of robust health and safety standards across the food chain, and the significant risks associated with unsafe food, was brought sharply to the fore in March 2018 when a deadly strain of listeriosis was traced to a large food producer in South Africa. The Group reacted quickly and decisively, swiftly removing all potentially affected products from its shelves for destruction in accordance with the Group's formal product recall and disaster management protocol. We also openly engaged with customers and encouraged them to return any products that they were concerned about for a full refund.

MATERIAL RISKS

- We inadvertently stock or prepare unsafe food or other grocery products that cause harm to customers
- Our suppliers or franchisees do not adhere to our overall minimum health and safety standards
- Safety standards are not followed in-store, putting our customers or staff at risk of injury or ill health

OPPORTUNITIES AND RISK MANAGEMENT

- Suppliers are contractually bound to comply with all legislated health and safety requirements, including certain additional minimum standards set by the Group, where relevant
- Suppliers are subject to regular food safety standard audits by independent third-party auditors, and non-compliance with food safety standards results in termination of supply agreements until compliance is restored
- All stores undergo stringent food safety audits on a regular basis, undertaken by independent service providers and internal audit teams
- Product recall standards and procedures are in place
- Formal health and safety regulations are in place throughout our stores and support offices, with a strong focus on awareness and compliance
- Franchise agreements regulate minimum in-store safety requirements

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VOLATILITY OF THE GROUP'S REST OF AFRICA DIVISION

The Group is building its operations outside South Africa and sees this diversification as an important engine of growth. We currently operate in six countries outside South Africa and will open our first store in Nigeria this year. We continue to explore other opportunities across the African continent.

MATERIAL RISKS

- The Group faces different political, economic, social, regulatory, foreign exchange and other operational risks in each country in which it operates, which can lead to increased volatility in the result of the Rest of Africa division
- A lack of understanding of local markets can negatively impact on the sustainable returns from these countries

OPPORTUNITIES AND RISK MANAGEMENT

- Growth outside South Africa is managed in a planned and deliberate manner – without placing the core South African business at any undue risk
- The ownership or investment model is tailored to best suit the operating environment and, wherever possible, includes collaboration with experienced, local partners who share our values and our commitment to strong corporate governance
- We look for growing markets that provide opportunity for real scale in a business environment that is well regulated, without too much complexity, and that is welcoming to foreign investment
- The Group has strengthened its operating models in Zambia and Zimbabwe in response to those increasingly challenging markets, with strong discipline in capital and operating spend and tighter working capital management
- We have a dedicated "Rest of Africa" team

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MATERIAL ISSUES, RISKS AND OPPORTUNITIES (continued)

EFFECTIVENESS AND SECURITY OF OUR INFORMATION SYSTEMS AND TECHNOLOGY

The Group is reliant on enterprise-wide information technology that supports and facilitates critical functions across its operations. This includes point-of-sale transactions, including value-added financial services, product forecast and replenishment, labour scheduling, Smart Shopper, Pick n Pay Online and real-time financial reporting.

MATERIAL RISKS

- Any system disruption that negatively impacts on our ability to serve our customers and run our business efficiently and effectively
- Cyberattacks and the impact on the security of the Group or customers' confidential information
- Over-reliance on IT systems that are unable to support growth and innovation
- A lack of accuracy or timeliness of information having a negative impact on decision-making ability

OPPORTUNITIES AND RISK MANAGEMENT

- The Group has a specialist team dedicated to building, maintaining and protecting its IT infrastructure, which follows best practice in development, maintenance, cybersecurity and recovery
- Ongoing innovation has:
  - driven growth of value-added services at point of sale
  - facilitated price checks across thousands of products every week
  - created an engaged and personalised Smart Shopper loyalty programme
  - facilitated the Group's modern and innovative online offering
- Close on R150.0 million spent on maintaining and advancing our IT infrastructure in FY19
- The team is focused on customer-centric, forward-thinking mobile technology to drive convenience and customer service

CAPITALS

STAKEHOLDERS

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BUILDING AND RETAINING A TALENTED AND DIVERSE RETAIL TEAM

One of the key drivers behind our long-term strategic turnaround plan is the ambition, commitment and performance of our retail team. The Group's success is also predicated on the growth of South Africa and job creation for all. We are determined that our team reflects the diverse communities we serve and are committed to providing rewarding career opportunities in the retail industry.

MATERIAL RISKS

- An inability to attract or retain diverse talent that can deliver on the Group's strategy and ensure strong succession
- Lack of skills development and training
- Lack of diversity or opportunity for all
- Increasing cost of labour without a commensurate increase in return
- Labour strikes/stoppages that affect the operation of our business

OPPORTUNITIES AND RISK MANAGEMENT

- Our remuneration policy provides a strong commitment to diversity, career advancement, training and incentivisation
- We have a business-wide performance management system in place to drive a high-performance culture and recognise and reward performance
- Our remuneration approach is benchmarked across the industry
- We maintain open and constructive relationships with labour unions, and formal processes are in place to proactively manage critical issues
- R67.0 million invested in training and education in FY19

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EFFECTIVE EXECUTION OF OUR STRATEGY AND LONG-TERM SUSTAINABLE VALUE CREATION

The Group implemented its long-term strategic recovery plan in 2013 to restore long-term value creation and achieve a stronger and more sustainable profit margin. Please refer to pages 44 to 53 for more information.

MATERIAL RISKS

- Poor or non-execution of strategy by the leadership team that negatively impacts on sales growth, operating margins or long-term sustainable value creation
- Strategy does not respond to changing economic climate or consumer trends

OPPORTUNITIES AND RISK MANAGEMENT

- The long-term plan has been clearly communicated and is well understood
- The plan's "strategic business acceleration pillars" place executive focus on the Group's material growth opportunities, while considering any significant risks to value creation
- Dedicated teams are accountable for delivering the key elements of each strategic pillar and are measured against key performance indicators linked to each pillar. Read more in our remuneration report from page 92
- The Group has maintained resolute focus on the objectives set out in its long-term plan, with successful execution of strategy delivering compound annual earnings growth of 23.7% over the past six years and market-leading volume growth in 2019
- Strategy is reviewed regularly to ensure relevance – in FY19 the Group strengthened its cost discipline, recognising the need for greater productivity and efficiency in a low-growth environment

CAPITALS

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ENGAGING WITH OUR STAKEHOLDERS

Our ability to create sustainable value depends on open and constructive engagement with our stakeholders.

Stakeholders are parties that can affect, or be affected by, our activities, objectives and policies. We identify key stakeholders through ongoing engagement with individuals, groups and organisations. In this section we detail our engagement with these stakeholders, focusing on those that have either a significant interest in the operations of the Group or significant influence over the way we do business and create value.

ENGAGEMENT ENABLES US TO:

- Identify and act on issues affecting our stakeholders and our business
- Improve our understanding of stakeholders' expectations, aspirations and interests
- Strengthen the transparency and accountability through which we have established valued relationships
- Consider the concerns and interests of stakeholders when determining our material issues and strategic response

Read more about our material issues on pages 32 to 37.

The tables that follow outline our key stakeholder groups, why we engage with them, and the value we derive through proactive, open and constructive stakeholder engagement.

CUSTOMERS

We are accountable to those we serve. Our customers are at the heart of our strategy and we engage to respond to their changing needs, strengthen our offer and drive sales.

HOW WE ENGAGE:

- Smart Shopper loyalty programme
- Daily engagements in-store
- Dedicated customer director
- Customer care line
- One-on-one meetings
- Regular customer surveys, forums and panel discussions
- Social media platforms

WHAT OUR CUSTOMERS TELL US IS MOST IMPORTANT TO THEM:

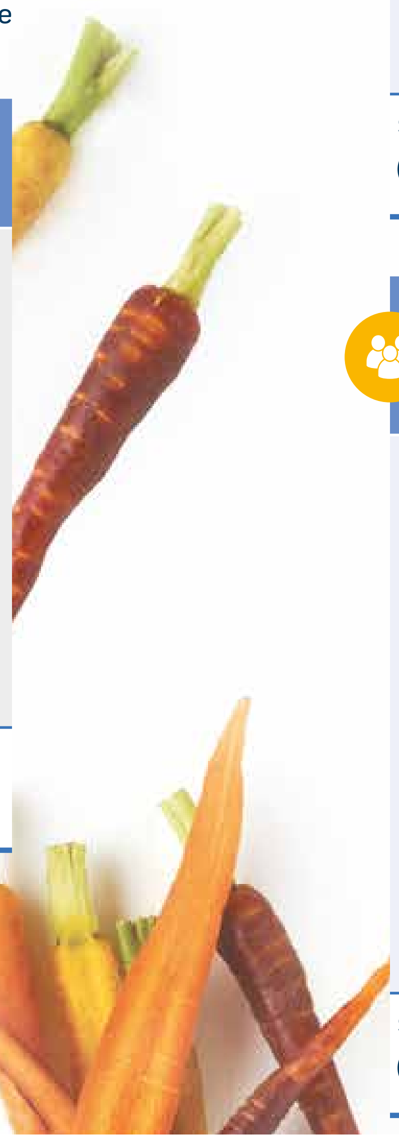
- Low prices, good value
- Product quality and food safety
- Consistently good availability
- Convenience
- Great stores and service
- Rewards for loyalty
- Community involvement

HOW OUR STRATEGY RESPONDS TO CUSTOMERS' NEEDS:

- Great prices and promotions
- Leading product range, with more own brand
- Effective supply chain
- Convenient store locations
- Modern stores through a strong refurbishment programme
- Customer-focused staff training
- South Africa's favourite loyalty programme
- More value-added services, including a competitive financial services offer
- Being a "force for good" in the communities we serve

SUPPORTED BY STRATEGIC BUSINESS ACCELERATION PILLAR:

1 Refer to the "Better for customers" business acceleration pillar on page 46.



COMMUNITIES

Our success depends on the well-being of the communities we serve. We engage with them to provide meaningful support and create opportunities for sustainable economic growth that benefits all. Our community engagement is aligned with stakeholder needs and underpinned by the seven SDGs most relevant to our business (refer to page 3).

HOW WE ENGAGE:

- Forums such as township cooperatives, university partnerships and the Pick n Pay School Club
- Individual stores' varied social responsibility programmes
- Small-business development initiatives
- We commit to helping our communities in times of crisis and need
- Collaboration with the Ackerman Pick n Pay Enterprise Development Fund, including community enterprise development and food security initiatives
- Engagement with customers in respect of their environmental concerns, including our work on removing plastic from our business

WHAT OUR COMMUNITIES TELL US IS MOST IMPORTANT TO THEM:

- Job creation
- Economic development and opportunity
- Access to safe food at low prices
- Poverty relief and community outreach programmes
- Environmental consciousness

HOW OUR STRATEGY RESPONDS TO COMMUNITIES' NEEDS:

- Being a "force for good" in our communities underpins all our strategic pillars
- Environmentally and socially responsible business practices
- Source from and develop diverse and ethical suppliers
- Job creation through long-term sustainable growth
- Promote healthy and sustainable living

SUPPORTED BY STRATEGIC BUSINESS ACCELERATION PILLARS:

1 2 3 4 5 6 7 Refer to the "Strategic focus" section on pages 46 to 52.

EMPLOYEES

We are committed to building a winning team. We engage with our staff to communicate strategy and responsibilities, identify needs, recognise and reward good performance and hold each team member accountable for their contribution to the success of the Group.

HOW WE ENGAGE:

- Regular management updates
- Employee surveys
- Monthly internal publications
- Internal social media and interactive app
- Skills development and training
- Ongoing constructive engagement with labour unions

WHAT OUR EMPLOYEES TELL US IS MOST IMPORTANT TO THEM:

- Competitive remuneration and benefits
- Training and career development
- Fair and reasonable working hours, with certainty of hours and shifts
- Sustainable business performance
- Wellness programmes and work-life balance
- Working for a responsible and ethical corporate citizen

HOW OUR STRATEGY RESPONDS TO EMPLOYEES' NEEDS:

- Our strategy includes a focus on building South Africa's most talented retail business
- Our remuneration policy drives fair and competitive remuneration and the recognition and development of talent. Refer to our remuneration report on pages 92 to 110 for more detail.
- We provide numerous training and development programmes to upskill our staff
- We are building a lean and effective organisational structure for the benefit of all
- We advance employee opportunity and diversity

SUPPORTED BY STRATEGIC BUSINESS ACCELERATION PILLARS:

5 Refer to the "A winning team" business acceleration pillar on page 50.

ENGAGING WITH OUR STAKEHOLDERS (continued)

SUPPLIERS

We are supported by a broad network of suppliers and service providers. We engage to source high-quality products at the best price and ensure food safety, sustainable and ethical business practices, innovation and consistent on-shelf availability.

HOW WE ENGAGE:

- Fact-based negotiation as part of our Buy Better programme
- Regular meetings in line with merchandise cycle timelines
- Direct engagement at an executive level
- Dedicated supplier portal
- Regular food safety audits at production facilities
- Ongoing store visits with suppliers
- Joint business planning sessions
- Supplier conferences
- Dedicated enterprise development programme

WHAT OUR SUPPLIERS TELL US IS MOST IMPORTANT TO THEM:

- Fair pricing and transparent negotiation
- Effective and efficient administration
- Sustainable business partnerships
- Research and development support, transparent agreements, logistical support
- Opportunities for cost reduction
- Transformation and enterprise development
- Resource efficiency (energy, water, waste, logistics)

HOW OUR STRATEGY RESPONDS TO SUPPLIERS' NEEDS:

- Building fair, efficient and mutually beneficial business relationships
- Developing a cost-effective and efficient supply chain
- Product innovation to meet evolving customer needs
- Continual development of small businesses and diverse and ethical suppliers
- Pick n Pay Fast Pay – key banking partners provide competitive funding to participating suppliers for the early settlement of invoices
- Contribute to job creation

SUPPORTED BY STRATEGIC BUSINESS ACCELERATION PILLARS:

4 Refer to the "Every product, every day" business acceleration pillar on page 49.

FRANCHISEES

Our 719 franchise stores are an integral part of the Group, and the success of the franchise model depends on the success of our franchise partners. We engage to find mutually beneficial and sustainable growth opportunities, build our scale and extend our reach.

HOW WE ENGAGE:

- Store visits by franchise management team and service area consultants
- Regular meetings with regional operational teams and national franchise representatives
- CSI programmes in the communities in which our franchisees operate
- Franchise conferences

WHAT OUR FRANCHISEES TELL US IS MOST IMPORTANT TO THEM:

- 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

HOW OUR STRATEGY RESPONDS TO FRANCHISEES' NEEDS:

- Pick n Pay offers one of the most successful and mutually beneficial franchise models in the retail industry
- Operating as a sustainable franchisor of choice for almost 25 years
- Flexible model, committed to supporting start-up businesses, smaller formats, or those struggling in tough trading environments, including through management and administrative support

SUPPORTED BY STRATEGIC BUSINESS ACCELERATION PILLARS:

2 3 4 Refer to the "Flexible and winning estate", "Efficient and effective operations" and "Every product, every day" business acceleration pillars on pages 47 to 49.

SHAREHOLDERS

We engage with the investment community to provide a comprehensive, consistent and well understood investment case. This ensures that our shareholders can make informed investment decisions and that our share trades at a fair value.

HOW WE ENGAGE:

- At least four formal engagements a year: two financial results presentations, one AGM and an investor day/strategic update
- Regular engagement with investors, analysts and fund managers
- Direct engagement on proposed resolutions prior to annual and general meetings
- Dedicated investor relations team and investor website at **www.picknpayinvestor.co.za**

WHAT OUR SHAREHOLDERS TELL US IS MOST IMPORTANT TO THEM:

- Improved and sustainable return on investment
- Understanding our business model, strategic direction and profit drivers
- Access to timely, accurate, transparent and relevant information
- Sufficient free float of shares for trade
- Good corporate governance
- A socially responsible and ethical corporate citizen

HOW OUR STRATEGY RESPONDS TO SHAREHOLDERS' NEEDS:

- Generate consistent returns in a sustainable manner
- Operate according to the highest corporate governance principles
- Follow innovative business practices at acceptable levels of risk
- Capital efficiency
- Provide attractive returns on investment

SUPPORTED BY STRATEGIC BUSINESS ACCELERATION PILLARS:

1 2 3 4 5 6 7 Refer to the "Strategic focus" section from page 44.

4 OUR STRATEGY

OUR STRATEGY

STRATEGIC FOCUS

In order to restore the business to a position of long-term sustainable growth, the Group formulated a strategic turnaround plan in the 2013 calendar year. In developing the three stages of its plan, the Group recognised that a sustainable recovery would need to be achieved in a planned, considered and balanced way over a number of years, avoiding short-term thinking that might weaken the business over the longer term. The Group's successful execution of its plan is evident in the delivery of consistent earnings growth and value creation over a number of years, notwithstanding increasingly difficult economic conditions within the regions in which it operates.

THE THREE STAGES OF THE GROUP'S LONG-TERM STRATEGIC PLAN SEEK TO ACHIEVE THREE BROAD OBJECTIVES:

Grow sales in line with, or ahead of the market, by providing great value, service and innovation for customers

The Group is intent on delivering a first-class fresh, convenience and grocery offer, which gives customers unbeatable prices, value and service. The business is developing a strong multi-platform and multi-channel retail offer in South Africa, including building Boxer into a thriving national limited-range discounter. In addition, the Group is carefully growing its footprint outside South Africa.

Achieve high levels of operating efficiency and lower costs to enable maximum reinvestment in the customer offer

The Group will complete the centralisation of its supply chain, with improved efficiencies and lower costs across its distribution channel. The Group further aims to improve the efficiency and cost effectiveness of its store operations and support offices, while minimising increases in rentals, rates, electricity, water and other charges.

Restore the underlying profit before tax (PBT) margin to a historically sustainable level

The Group regards a sustained improvement in its underlying profit margin as a lead indicator of progress in achieving a balanced turnaround, characterised by sustained sales growth and greater operating efficiency. The Group's PBT margin was 1.2% at the end of FY13, and has improved by 20 basis points per year, to 2.4% in FY19. The Group targets a PBT margin at or above 3% over the medium term.

STAGE 1: STABILISE THE BUSINESS

Stage 1 focused on stabilising the Group's operations and its financial position, while developing a solid foundation and plan for growth. Critical building blocks included faster progress towards a centralised supply chain, the development of a more efficient "Next Generation" supermarket, and restructuring the Boxer business model to enable it to become South Africa's leading limited-range discounter.

- Stronger balance sheet
- "Next Generation" supermarket developed
- Boxer as a leading limited-range discounter
- Centralisation of supply chain accelerated

STAGE 2: CHANGE THE TRAJECTORY

In Stage 2, the Group's focus has been on developing a winning customer offer through lower prices, more attractive promotions, better and more innovative products, compelling value-added services, and brighter and more modern stores. This has been achieved by reducing cost and increasing productivity across all operations, enabling the Group to invest more in its customer offer.

STAGE 2 IS ORGANISED AROUND SEVEN BUSINESS ACCELERATION PILLARS:

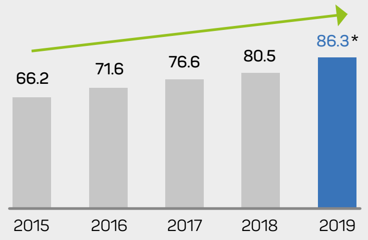
1. Better for customers
2. A flexible and winning estate
3. Efficient and effective operations
4. Every product, every day
5. A winning team
6. Boxer – a national brand
7. Rest of Africa – a second engine of growth

Read more about our performance per strategic pillar from page 46 of this report.

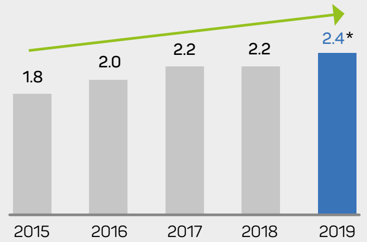
Underpinned by the Group's commitment to be a "force for good" in the communities it serves, these seven pillars represent the key strategic growth opportunities for the Group, with value creation tracked against measurable goals.

The pillars consider the material issues and concerns of the Group's stakeholders, as well as the risks facing the business (refer to pages 32 to 37). The pillars provide management with clear priorities, objectives and lines of accountability. The Group has consistently communicated its financial and operational performance against these pillars, both externally and internally, providing a consistent and transparent scorecard of year-on-year progress.

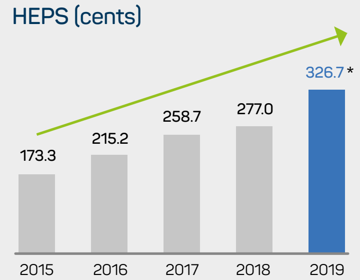
TURNOVER (Rbn)



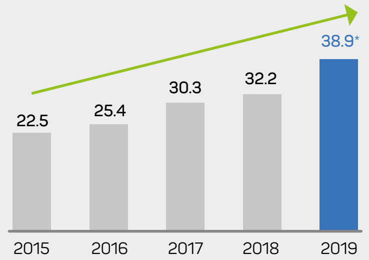
PROFIT BEFORE TAX MARGIN (%)



HEPS (cents)



RETURN ON CAPITAL EMPLOYED (%)



* *Comparable 52-week performance*

Stage 1: Stabilise the business

2013–2016: Looking back on what the Group has achieved

Stage 2: Change the trajectory

2016 to present: Positioning the Group for long-term growth

HOW THE GROUP PERFORMED AGAINST THE SEVEN BUSINESS ACCELERATION PILLARS

1 BETTER FOR CUSTOMERS

The Group's long-term success depends on its ability to deliver a strong and consistent customer offer that earns customer loyalty across the communities it serves. Greater business efficiency and financial discipline have enabled the Group to provide meaningful price support for customers through difficult economic times, alongside investments in quality, range and service.

WHAT WE SAID WE WOULD DO IN 2019 AND WHAT WE ACCOMPLISHED

More low prices and a strong promotional calendar

- Improved relative price position by 3% across thousands of products
- Fewer, deeper and more effective promotions

Enhanced fresh offer with longer-lasting quality and greater value through own brand

- Launched Fresh Promise, a guarantee of exceptional quality across Pick n Pay's fresh produce, butchery and bakery lines
- New packaging, improved quality, better ranges
- Stronger collaboration with suppliers on product specifications, ordering, waste management and promotions
- Launched 500 new own brand products and redesigned a further 700

Ongoing innovation in loyalty

- Launched partnership with BP – over one million Smart Shoppers earned loyalty points on fuel purchases
- "Switch and spend" enabled at till point
- Mobile app now allows for "cardless swipe" – one million downloads of Smart Shopper app this year
- R6.6 billion in personalised loyalty discounts offered to Smart Shoppers this year
- Smart Shopper voted South Africa's best loyalty programme for the 6th year in a row

Ongoing innovation in value-added services

- Launched industry-first partnership with TymeBank – 500 000 bank accounts expected by end July 2019
- Added 52 money counters in-store and facilitated over R30 billion in cash withdrawals and money transfers in our stores – with over 75 million transactions

KEY PERFORMANCE INDICATORS DEMONSTRATING PROGRESS AGAINST STRATEGY INCLUDE:

Turnover growth

- Market-leading sales volume growth of 5.1%

Internal selling price inflation

- Internal selling price deflation of 0.3%; against CPI Food inflation of 3.4%

Performance of fresh categories

- Strong growth in fresh categories
- Improved on-shelf availability and waste management

Own brand participation

- Pick n Pay own brand grew from 19% to 21% of relevant sales

Smart Shopper engagement

- Redemptions of personalised discounts up 30%

Growth in income from value-added services

- Up 41.5% year on year

2020 – Strategic priorities for next year

- Sustained price competitiveness
- Quality fresh offer
- Development of own brand
- Innovation in financial services

2 A FLEXIBLE AND WINNING ESTATE

The Group will open stores in locations that provide sustainable, long-term returns. Changing customer demographics create opportunities for the Group to extend its reach and grow turnover without impacting existing stores. This includes smaller stores focused on customer demand for convenience and a growing online platform. Greater operating flexibility, efficiency and cost effectiveness allow the Group to operate successfully in a broader range of locations.

WHAT WE SAID WE WOULD DO IN 2019 AND WHAT WE ACCOMPLISHED

Sustainable growth in new space

- 130 new stores across all formats, with 29 new supermarkets
- 20 closures to improve the overall quality of the estate
- Estate now totals 1 795 stores

Targeted refurbishment programme

- 103 refurbishments – including 45 Pick n Pay company-owned stores and 20 Pick n Pay franchise supermarkets
- Broad and impactful improvements in store design – with lower shelf heights and new layouts for produce, health and beauty, general merchandise, clothing and liquor
- Extensive repairs and maintenance programme augmenting the capital investment programme

Greater convenience

- All new Pick n Pay and Boxer supermarkets are smaller and easier to shop
- 6 new Market stores (spaza shops) in townships across Gauteng and the Western Cape
- 32 new Pick n Pay Express stores on BP forecourts
- Enhanced online shopping platform, with the introduction of a personalised "Your Favourites" shopping list, and shorter lead times between order and delivery
- Online warehouses now delivering small and single-pick orders to Express and Market formats to support the growth of these smaller stores

KEY PERFORMANCE INDICATORS DEMONSTRATING PROGRESS AGAINST STRATEGY INCLUDE:

Turnover growth from new stores

- Net new stores contributed 2.3% to turnover growth

Return on capital employed (ROCE)

- Group's ROCE increased to 39%

Individual performances of new and refurbished stores and cash pay-back period

- New stores performing in line with target
- Refurbishments delivering required rate of return, with like-for-like sales growth ahead of the rest of the estate

Online turnover growth

- Online turnover up 24.3%; order volumes up 17%
- 90% increase in visitors to online website; 50% from mobile devices
- On-time delivery rates of 98%

2020 – Strategic priorities for next year

- Growth with sustainable returns
- Ongoing modernisation
- More convenience

Stage 2: Change the trajectory

2016 to present: Positioning the Group for long-term growth

HOW THE GROUP PERFORMED AGAINST THE SEVEN BUSINESS ACCELERATION PILLARS (continued)

3 EFFICIENT AND EFFECTIVE OPERATIONS

Efficient and cost-effective store operations are key to delivering an excellent customer experience. Greater efficiency also unlocks value for further investment in the customer offer. The Group's "Next Generation" stores, and specifically its smaller convenience formats, demonstrate the Group's ability to operate more efficiently on a leaner cost base. The Group is further focused on streamlining its support services to eliminate inefficiencies.

WHAT WE SAID WE WOULD DO IN 2019 AND WHAT WE ACCOMPLISHED

Sustainable improvement in trading expenses margin

- Growth in trading expenses contained below turnover growth
- Lower trading expenses margin, driven by improved management of employee costs
- Sustainability initiatives delivered significant savings in electricity and water consumption and related costs

Stronger working capital management, including range rationalisation

- Further progress on removing old and slow-moving lines from the business
- Range optimisation delivers tighter ranges across our stores, and lower stockholdings with improved on-shelf availability
- Well-managed debtors and creditors book, in line with last year

Lower finance costs

- Stronger working capital management and discipline in capital and operating spend delivered a substantial reduction in net funding and finance costs over the year

KEY PERFORMANCE INDICATORS DEMONSTRATING PROGRESS AGAINST STRATEGY INCLUDE:

Growth in trading expenses

- Trading expenses up 7.0%, below the growth in turnover of 7.1%

Expense ratios as a percentage of turnover

- Trading expenses down to 18.8% of turnover (FY18: 18.9%)

Reduction in consumption of resources

- Like-for-like electricity costs down 1.8%
- Pick n Pay uses less total electricity than we did 10 years ago
- 40% reduction in water usage in the Western Cape

Inventory values

- Like-for-like inventory value down 10.5%

Net funding position

- Comparable net funding position reduced by R665.0 million

Net finance costs

- Down 38.5% year on year

2020 – Strategic priorities for next year

- Bearing down on costs
- Lower stockholdings
- Lower waste
- Lower finance costs

Stage 2: Change the trajectory

2016 to present: Positioning the Group for long-term growth

4 EVERY PRODUCT, EVERY DAY

The Group continues to deliver substantive progress in developing an efficient and fully centralised procurement and distribution channel. The Group's centralisation strategy has improved on-shelf availability and is driving cost savings and efficiency across the business.

WHAT WE SAID WE WOULD DO IN 2019 AND WHAT WE ACCOMPLISHED

Greater centralisation of supply, with further improvements in strike rates to stores

- Centralisation of Pick n Pay supply increased to 75% nationally, from 65% last year
- Opened a new Pick n Pay distribution centre (DC) in KwaZulu-Natal in March 2018 – increasing centralisation in the region to 76%, from 45% last year
- 400 new suppliers centralised, including eight small suppliers mentored through our enterprise development programme

Ongoing cost and efficiency savings from our Buy Better programme

- Pick n Pay worked closely with suppliers in its Buy Better programme, unlocking R500 million of value to invest in lower prices and added value for customers

Additional distribution capacity in the Gauteng region of South Africa

- The Group is in the process of securing and developing additional supply chain capacity in Gauteng in order to supplement its Longmeadow distribution centre in the region

KEY PERFORMANCE INDICATORS DEMONSTRATING PROGRESS AGAINST STRATEGY INCLUDE:

Gross profit (GP) margin

- Strong gross profit margin management – with GP margin improving to 19.0% (FY18: 18.9%)
- Improved efficiency and lower costs supported substantial investment in customer offer

Growth in DC deliveries

- Goods issued out of Pick n Pay distribution centres up 13.6% on last year

Cost per case through distribution channel

- Greater levels of centralisation have unlocked economies of scale, improving internal performance metrics, including cost per case delivered (excluding the impact of the new KZN DC)

Order strike rates (DCs deliver what is ordered)

- Mature automated forecast and replenishment systems continue to deliver improvements in strike rates

2020 – Strategic priorities for next year

- Greater cost discipline and efficiency across distribution channel
- Great collaboration with suppliers in unlocking value for customers
- Additional distribution capacity in Gauteng for Pick n Pay and Boxer

4 OUR STRATEGY

HOW THE GROUP PERFORMED AGAINST THE SEVEN BUSINESS ACCELERATION PILLARS (continued)

5 A WINNING TEAM

The Group's ambition is to build a skilled, talented and diverse retail business in South Africa and in all African countries where it operates. To achieve this, the Group needs to be the employer of choice in the retail industry. The Group attracts staff by providing competitive pay and benefits, access to skills training and development, career advancement and recognition for a job well done.

WHAT WE SAID WE WOULD DO IN 2019 AND WHAT WE ACCOMPLISHED

More jobs in more stores
- The Group created 4 675 net new jobs this year through its store-opening programme, including its franchise stores

Improved labour costs as a percentage of turnover
- Labour costs are now 8.2% of turnover (FY18: 8.3%)

A more cost-effective and efficient human resources (HR) function
- Restructured the HR team with new leadership and more streamlined and focused management structures
- Delivered administrative improvements in performance management and in skills and development training

KEY PERFORMANCE INDICATORS DEMONSTRATING PROGRESS AGAINST STRATEGY INCLUDE:

Labour costs as a percentage of turnover
- Like-for-like employee costs up 5.9%, reflecting annual increases ahead of inflation
- Labour costs down to 8.2% of turnover (FY18: 8.3%)

Stability in labour relations
- The Group secured a favourable three-year wage deal with its labour partners – which extends to February 2022

Promotions, training interventions and other awards
- R67 million invested in training and education
- 800 training interventions – 16 000 employees received training

2020 – Strategic priorities for next year
- Ongoing stability in labour relations
- Greater productivity – maintaining current level of labour costs
- Increased skills training and development

Stage 2: Change the trajectory

2016 to present: Positioning the Group for long-term growth

6 BOXER – A NATIONAL BRAND

The Group's ambition is to build Boxer into the leading limited-range discounter in southern Africa.

WHAT WE SAID WE WOULD DO IN 2019 AND WHAT WE ACCOMPLISHED

Increased capital investments across new stores and refurbishments
- 26 new stores, including 13 new supermarkets, 12 liquor stores and one Build
- 31 stores refurbished
- Three-quarters of the supermarket estate now in Boxer's "Next Generation" format

Enhanced fresh offer, including great deals on butchery and fresh produce
- Boxer built on its small but compelling fresh offer this year – delivering double-digit growth in butchery and bakery lines

Greater levels of centralised supply
- Boxer opened its new Gauteng distribution centre in January 2019 – with centralisation now at just over 40% in the division

KEY PERFORMANCE INDICATORS DEMONSTRATING PROGRESS AGAINST STRATEGY INCLUDE:

- Boxer delivered strong double-digit customer growth and consistent market-share gains over the year, driven by sharp pricing and an improved fresh offer
- The Group is pleased with the sustained earnings growth and the returns on investment from its new and refurbished stores

2020 – Strategic priorities for next year
- More new and refurbished stores
- Lower prices, greater value
- Greater levels of centralisation

HOW THE GROUP PERFORMED AGAINST THE SEVEN BUSINESS ACCELERATION PILLARS (continued)

REST OF AFRICA – A SECOND ENGINE OF GROWTH

The Group has an established presence in Botswana, Lesotho, Namibia, Eswatini and Zambia and a 49% investment in TM Supermarkets in Zimbabwe. The Group will continue to look for profitable opportunities to grow its footprint in countries outside South Africa that offer political stability, economic growth, ease of business and the prospect of strategic scale.

WHAT WE SAID WE WOULD DO IN 2019 AND WHAT WE ACCOMPLISHED

More capital investment – including new stores in Zambia and ongoing refurbishments in Zimbabwe

- 6 new stores outside South Africa – 3 in Zambia and 3 in Eswatini
- 7 refurbishments in Zimbabwe
- Closed two underperforming stores in Namibia

Improvement in our operating model – delivering further cost savings in difficult trading environments

- Cost discipline and tight working capital management in Zambia and Zimbabwe
- Range optimisation in Zambia contributed to a 10% decrease in like-for-like stockholdings
- Completed roll-out of new point-of-sale system in Zambia

Develop our business in West Africa

- Secured a suitable trading site in Lagos, Nigeria – store to open in FY20

KEY PERFORMANCE INDICATORS DEMONSTRATING PROGRESS AGAINST STRATEGY INCLUDE:

Sustainable turnover and earnings growth

- Segmental revenue up 2.2% to R4.7 billion – and up 5.3% on a constant currency basis
- Segmental profits down 16.2% to R241.3 million, reflecting the constrained trading environment in Zambia and political and economic uncertainty in Zimbabwe

Participation in Group profit

- Rest of Africa segment contributes 11.6% to Group profit before tax (FY18: 16.3%)

2020 – Strategic priorities for next year

- Improved operating models – efficiencies and cost savings in difficult trading environments
- Volume and customer growth in Zimbabwe through consistent on-shelf availability and competitive pricing
- Develop our business in Nigeria

The Group's turnaround plan is returning the Group to its roots as a discounter and consumer champion. Over the past six years the Group has improved its customer offer, modernised its stores, centralised its supply chain and firmly controlled its costs. The result has been sustained earnings growth and an improvement in underlying profit margins.

Our plan is long term and forward looking. Pick n Pay and Boxer serve customers across all socio-economic groups, and the Group is increasingly confident that it has the ability and agility to compete effectively and unlock growth opportunities in the market and across its business.

Stage 2: Change the trajectory

2016 to present: Positioning the Group for long-term growth

THE GROUP HAS, THROUGH THE SUSTAINED AND CONSISTENT EXECUTION OF ITS PLAN, SUCCESSFULLY BUILT SIX CLEAR ENGINES FOR LONG-TERM GROWTH:

PICK N PAY – SOUTH AFRICA'S MOST TRUSTED RETAILER	Pick n Pay will strengthen its business and customer offer, while remaining true to its core values of good corporate governance and corporate citizenship.
BOXER – AFRICA'S FAVOURITE DISCOUNTER	Boxer is delivering market-beating turnover growth as it provides exceptional value to customers across South Africa and Eswatini.
BEARING DOWN ON COSTS	The Group will ensure that its costs are actively managed and that cost discipline aims to ensure that costs increase at a lower rate than sales.
VALUE-ADDED CUSTOMER SERVICES	Services are an increasing contributor to growth. The Group will continue to leverage its substantial store and systems infrastructure to offer its customers innovative and low-cost value-added services.
EXPANSION IN AFRICA	The Group has a dedicated Rest of Africa team focused on growing its business in a measured way that delivers sustainable growth in developing markets outside South Africa, without putting its core South African division at risk.
FORCE FOR GOOD	We are exceptionally proud of our substantial contribution to the well-being of South African communities over 52 years. We are committed to building a better South Africa through a focus on more jobs, more entrepreneurs and more support for our schools. We firmly believe that doing good is good business – our business will grow hand in hand with our contribution to society.

STAGE 3: SUSTAINABLE LONG-TERM GROWTH

The Group is increasingly well positioned to reach Stage 3 of its plan and become a long-term sustainable retail business. Attributes at this stage will include a mature and effective supply chain, ongoing improvements in operating efficiency, a clear blueprint for growth and innovation and the agility to respond to changing customer needs.

The Group has not communicated a timeline for the completion of Stage 2. The following indicators are markers for the successful completion of Stage 2 and provide a strong foundation for Stage 3: Sustainable long-term growth:

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

Stage 3: Sustainable long-term growth

2019: Looking ahead

5 OUR PERFORMANCE

OUR PERFORMANCE

A MESSAGE FROM OUR CEO

Our result this year – in which we achieved market-leading turnover growth without sacrificing earnings growth – underlines the effectiveness of our long-term strategy and our ability to implement it.

RICHARD BRASHER | CHIEF EXECUTIVE OFFICER

Over the past six years, the Pick n Pay Group has become a much better business for customers. We have lowered our prices, improved our promotions, offered more exciting own brand products, introduced compelling value-added services, and opened brighter and more modern stores. By working hard to become leaner and more cost effective, we have offered better value for customers without sacrificing earnings growth.

I reported a year ago on the steps we took in 2017 to streamline our business through a voluntary severance programme, modernisation of our Smart Shopper loyalty scheme, and an initiative to buy better from our suppliers. The efficiency savings achieved last year enabled us to be more competitive this year – as demonstrated by the full-year financial results we published in April. The Group delivered market-leading sales growth of 7.1%, and like-for-like turnover growth of 4.8% on a 52-week comparable basis. Our core South Africa division delivered turnover growth of 7.4%. Alongside this sales momentum, a balanced gross profit margin performance and ongoing improvements in operating efficiency and working capital management, helped to deliver a 18.0% increase in headline earnings per share.

LOWER PRICES, MORE VALUE

We improved our relative price position across thousands of products, and made our promotions deeper and more meaningful. Selling prices in Pick n Pay and Boxer stores fell on average by 0.3% over the year – providing significant help for many families struggling to make ends meet in a challenging economy. As a result, the Group's underlying volume growth of 5.1% represented our strongest underlying trading performance for many years.

We continue to improve our efficiency in demand planning, replenishment and distribution, and are a more effective retail partner in driving product growth. We unlocked more than R500 million of value through our Buy Better programme this year, enabling greater investment in our customer offer.

GREATER REWARD FOR LOYALTY

Our sharper pricing is augmented by Pick n Pay's Smart Shopper loyalty programme, which remains the most engaged and accessible loyalty programme in South Africa. Over seven million active loyalty customers receive a personal message each week, with discounts on the items most relevant to them. Pick n Pay offered loyalty customers R6.6 billion in personalised value this year, and saw redemptions grow by almost 30%.

ENHANCED FRESH OFFER

Customers judge the quality of a retailer by the quality of its fresh offer. Pick n Pay launched its Fresh Promise in May 2018, delivering a substantially improved fresh offer, with better quality, more choice, and longer-lasting freshness across all categories. This has been achieved through greater and more rewarding collaboration with fresh suppliers on improved technical specifications, packaging, ordering and waste management.

Our determined focus on fresh delivered a 20% increase in fresh availability, a 5% reduction in waste, and supported our strong sales growth year on year. Alongside the good work in Pick n Pay, Boxer has built a small but compelling fresh offer to complement its limited-range grocery offer – delivering strong double-digit turnover growth in its butchery and bakery departments this year.

The Group's enhanced fresh offer is supported by a growing range of high-quality own brand products. Own brand is an opportunity to develop smaller local suppliers and to drive innovation. It also provides the Group with greater control across the supply chain, and the ability to extract cost and efficiency savings, providing better value for customers. The Group partnered with more than 100 businesses this year through its business and development programmes, growing own brand participation of relevant turnover to 21% in Pick n Pay and 15% in Boxer.

GREATER RELEVANCE

We are committed to delivering an excellent in-store experience across Pick n Pay and Boxer, not only through great stores and competitive prices, but by making sure the products we sell in each store are tailored to the needs of local customers. In some stores, range optimisation has meant meaningful range reductions, making the offer more relevant to customers, simplifying administration, improving availability, reducing waste and improving trading densities.

The commitment of our Pick n Pay franchisees to service excellence continues to set a high benchmark for the Group as a whole. Closer collaboration with our franchisees over the past year has seen a greater alignment of store-operating standards and product offer, and we are a stronger team because of them.

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

A GROWING, MODERN ESTATE

We invested R1.5 billion in our growth and refurbishment strategy this year, with a further R2.0 billion planned for next year. We continue to find opportunities to expand our reach into geographic areas where Pick n Pay and Boxer are under-represented, and also look for locations that meet the growing demand for convenience.

The Group opened 130 stores across all formats this year, including 16 Pick n Pay supermarkets on an owned and franchise basis, 13 Boxer supermarkets, 23 clothing stores and 37 liquor stores. Our new supermarkets are smaller in size and all offer a modern, "Next Generation" shopping experience, with a greater emphasis on convenience. The Group opened 32 Pick n Pay Express stores this year, its forecourt convenience format in partnership with BP. Pick n Pay further leveraged its partnership with BP to offer loyalty points on fuel purchased at BP forecourts. Over one million people have earned Smart Shopper points on their fuel purchases since November 2018.

The Group no longer relies on any long-term gearing, a real advantage for exploring future growth opportunities.

Own brand is an opportunity to develop smaller local suppliers and drive innovation.

Closer collaboration with our franchisees over the past year has seen a greater alignment of store operating standards and product offer, and we are a stronger team because of them.

A MESSAGE FROM OUR CEO (continued)

The Group embarked on a broad and impactful renewal programme over the 2019 financial year, which saw the refurbishment of 103 stores across all formats. Our refurbished stores are lighter and brighter, with improved refrigeration, modern fixtures and fittings and greater innovation in respect of the display of fresh produce, health and beauty products and general merchandise. Pick n Pay also worked to improve its stores by lowering shelf heights, creating wider aisles and adding stronger signage. This gave customers across the country stores that are easier to navigate and easier to shop at.

Online retail remains a relatively small but growing part of our Pick n Pay business. We continue to invest in enhancements to our online platform. The Group's new online website drove online sales growth of 24.3% year on year, including through Click n Collect. The Group's dedicated online distribution centres in Johannesburg and Cape Town continue to drive efficiency across the online channel, with solid improvements in stock availability, and the consistent achievement of on-time delivery rates of 98%.

We have leveraged our online infrastructure, delivering small and single-pick orders from our distribution centres to our smaller stores in Gauteng and the Western Cape, with issues to Express and Market stores up over 100% year on year, supporting growth in our convenience format platform.

STRONGER VALUE-ADDED SERVICES

The Group has built a meaningful value-added services proposition over the past few years. We launched an industry-first partnership this year with TymeBank, South Africa's first digital-only bank – offering a simple, transparent and inexpensive banking proposition for customers, including many previously under-served by the banking sector. Pick n Pay and Boxer supermarkets effectively serve as a convenient and extensive branch network for TymeBank, and it takes less than five minutes to open an account in-store. By the end of July 2019, 500 000 customers will have opened a TymeBank account.

We grew our domestic and cross-border money transfer services, as well as our event and travel ticketing offer, by over 50% year-on-year, driving significant market share gains in value-added services. This is an important growth engine for the Group and we will continue to look for opportunities to give our customers greater convenience, security and cost savings in financial and other allied retail services.

GREATER EFFICIENCY ACROSS OUR SUPPLY CHAIN AND OPERATIONS

The Group has made great strides in unlocking value across its supply chain. Greater levels of centralisation continue to unlock economies of scale and drive cost savings. Pick n Pay's level of centralised supply has reached 75%, up from 65% last year, including through our new distribution centre in KwaZulu-Natal, which opened in March 2018. Boxer continued to make good progress in delivering its plan to centralise more of its supply chain distribution, in particular by opening a new distribution centre in Gauteng in January 2019, with centralised supply in the business now over 40%.

We restricted our growth in trading expenses to 7.0% over the year, below our growth in turnover, with strong cost discipline exercised across our store operations and support offices. This was achieved at a time when many of our underlying costs were growing ahead of inflation, including rents, rates, security and insurance costs. I am particularly pleased with our commitment to reducing our usage of scarce resources in business, with enterprise-wide environmental initiatives delivering meaningful cost savings through substantive reductions in electricity and water consumption.

Stronger working capital management, particularly through range optimisation and a resolute focus on removing old and slow-moving stock lines from the business, reduced our stockholding by three days on hand over the course of the year and reduced our net funding position by R665.0 million over the year. The positive impact of our leaner and fitter operations is evident in the 38.5% reduction in our net interest bill. The Group no longer relies on any long-term gearing, a real advantage for exploring future growth opportunities.

GROWTH OUTSIDE SOUTH AFRICA

The 16.2% decline in profits from our foreign operations reflects the difficulties experienced by all retailers operating in Zambia in recent years, as well as well-documented economic and political challenges in Zimbabwe. We are continuing to build a more resilient business in Zambia which will be well positioned to capture growth once economic conditions ease.

Our associate in Zimbabwe, TM Supermarkets (TM), traded in an extremely volatile and complex market this year, including in a currency liquidity crisis, high levels of inflation and social unrest. Our determined and resilient TM team ensured that TM and Pick n Pay stores remained open throughout the year, and traded successfully despite external difficulties. Hard work in building customer and supplier loyalty has stood the business in good stead, and its in-stock position remains high. TM delivered double-digit volume and customer growth this year, with cost discipline and operating efficiency supporting solid earnings growth – notwithstanding the impact of foreign exchange losses. We are watching the situation in Zimbabwe closely, alert to continued economic risk in the country, and in particular the impact further currency illiquidity and related currency devaluation and inflation would have on Group profitability.

LOOKING AHEAD

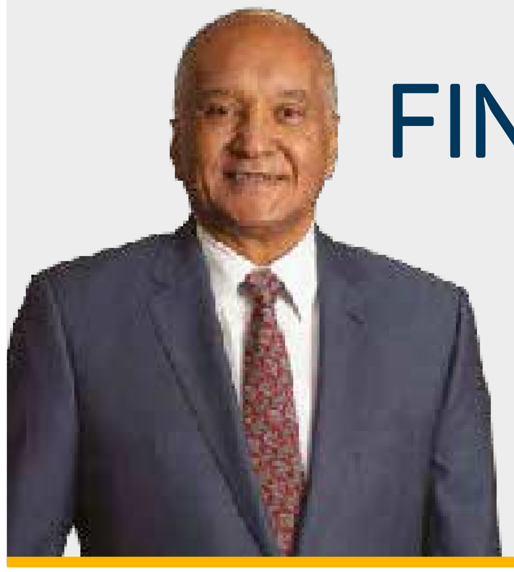
Over the past six years, we have pursued a clear and consistent long-term plan focused on building a stronger and more competitive multi-channel business which delivers consistent turnover and earnings growth by providing customers with modern stores, better value for money, improved quality and greater innovation. Our result this year – in which we achieved market-leading turnover growth without sacrificing earnings growth – underlines the effectiveness of our long-term strategy and our ability to implement it.

Pick n Pay and Boxer serve customers across all social and income groups, and the Group is increasingly confident that it has the focus and flexibility to compete and grow across the market.

We do not expect the economy and trading conditions to improve substantively over the next few months, but remain confident of our ability to compete effectively, serve our customers well, and grow our business.

Thank you to our Pick n Pay and Boxer teams who have delivered an outstanding result, and who continue to build a modern and effective business. The Group has begun the 2020 financial year with great energy, and we remain committed to winning more customers in a tough market while remaining resolute on cost control. I extend my sincere thanks and appreciation to Bakar Jakoet who will retire as CFO this year after a long and distinguished career with the Group. I am grateful to Bakar for his valuable support during my time with Pick n Pay, and I look forward to his contribution in a non-executive role going forward.

Richard Brasher
Chief Executive Officer
21 June 2019



OUR CFO'S FINANCIAL REVIEW

The Group maintained its focus on the objectives set out in its long-term plan: building a leaner and more cost-effective business that gives customers exceptional value, quality and innovation in grocery and retail services.

BAKAR JAKOET | CHIEF FINANCE OFFICER

Key financial indicators	53 weeks to 3 March 2019	52 weeks to 25 February 2018*	% change	Pro forma 52 weeks to 24 February 2019#	Pro forma % change
Turnover	R88.3 billion	R80.5 billion	9.6	R86.3 billion	7.1
Gross profit margin – %	19.0	18.9		19.0	
Trading profit	R2 175.6 million	R1 819.9 million	19.5	R2 049.0 million	12.6
Trading profit margin – %	2.5	2.3		2.4	
Trading profit – South Africa	R2 038.7	R1 655.1	23.2	R1 925.0	16.3
Trading profit margin – South Africa – %	2.4	2.2		2.3	
Profit before tax	R2 199.8 million	R1 768.1 million	24.4	R2 073.2 million	17.3
Profit before tax margin	2.5	2.2		2.4	
Profit before tax – South Africa	R1 945.5 million	R1 480.2 million	31.4	R1 831.9 million	23.8
Headline earnings per share	346.69 cents	276.98 cents	25.2	326.71 cents	18.0
Diluted headline earnings per share	342.37 cents	271.61 cents	26.1	322.65 cents	18.8
Total annual dividend per share	231.10 cents	188.80 cents	22.4		

** The financial information presented for the prior year is on a restated basis, with the adoption of new accounting standards. Please refer to note 29 of the Group's audited annual financial statements on our website at **www.picknpayinvestor.co.za**.*

 # The 2019 financial year is a 53-week period in line with the Group's retail financial calendar, and its results are not comparable with the 52-weeks of 2018. Pro forma financial information is provided on an equivalent 52-week basis, to assist stakeholders with their assessment of the Group's comparable performance.

OVERVIEW OF OUR FINANCIAL RESULT

Further progress in delivering the Group's long-term strategy delivered 18.0% growth in headline earnings per share over the comparable 52-week period, anchored by a market-leading trade performance, solid returns from our store-opening and refurbishment programme and ongoing improvements in operating efficiency.

The Group reported market-leading turnover growth of 7.1% in FY19, with like-for-like turnover growth of 4.8%. The core South Africa division – comprising Pick n Pay and Boxer – delivered turnover growth of 7.4%. The Group's commitment to giving customers better value was demonstrated through selling-price deflation of 0.3% for the year. The Group's efforts were rewarded with underlying volume growth of 5.1%, its strongest trading performance for many years.

The Group increased its gross profit margin from 18.9% to 19.0% through greater efficiency across the supply chain and an effective Buy Better programme. Cost discipline restricted the growth in trading expenses to 7.0%, below that of turnover growth, with like-for-like growth contained at 5.3%. Stronger working capital management and a measured but impactful capital investment programme reduced the Group's net funding position by R665.0 million, with a 38.5% saving in net interest paid. The Group's performance was anchored by a strong result from its core South Africa division, with profit before tax in the region up 23.8%. The FY19 result reflects operating challenges outside South Africa, including the earnings impact of a constrained consumer environment in Zambia and currency devaluation in Zimbabwe.

The Board declared a final dividend of 192.00 cents per share, with the annual dividend of 231.10 cents per share up 22.4%, maintaining a dividend cover of 1.5 times headline earnings per share for the 53-week period.

COMPARABILITY OF FINANCIAL INFORMATION

ACCOUNTING RESTATEMENTS ON THE ADOPTION OF NEW ACCOUNTING STANDARDS

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

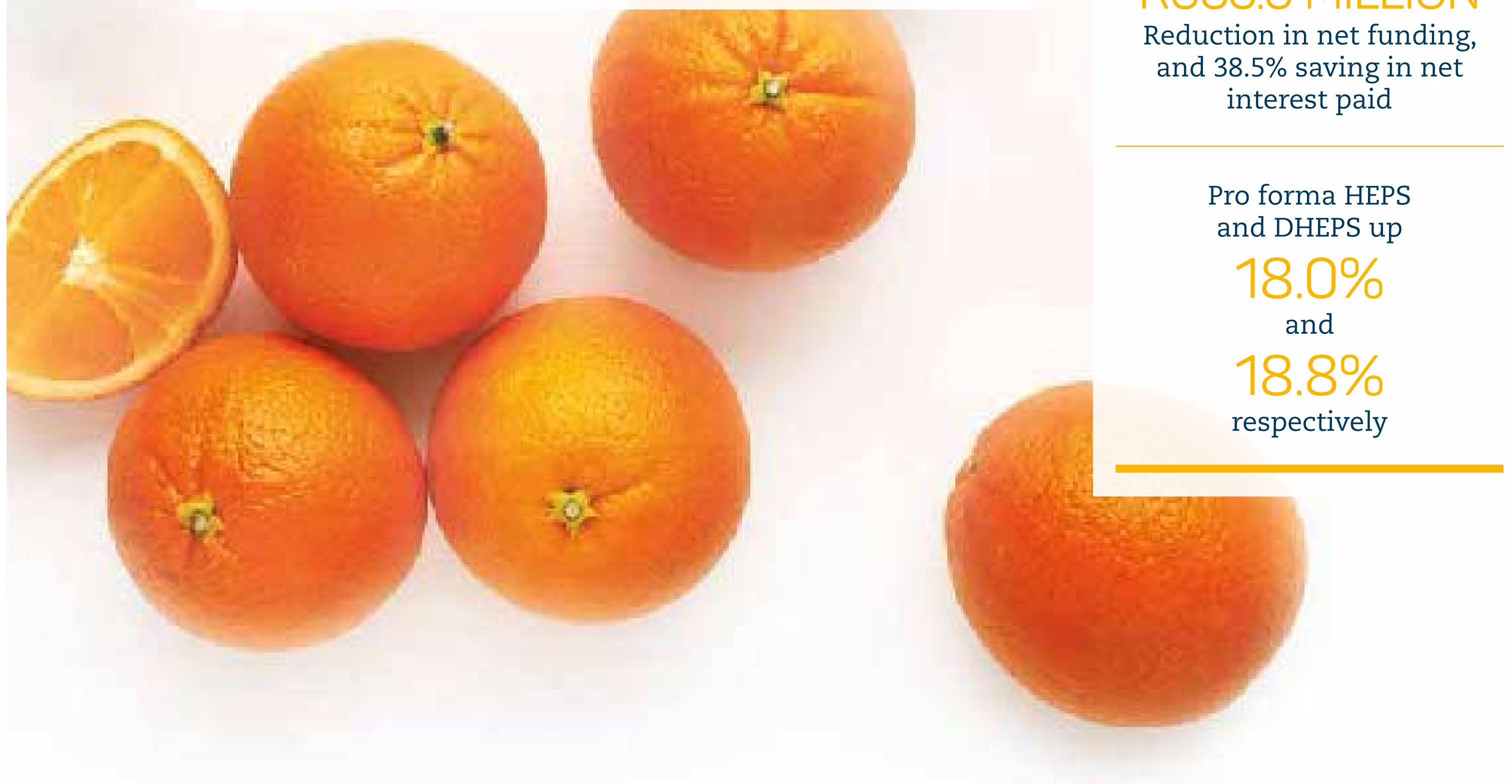
FINANCIAL REPORTING CALENDAR

The Group follows a 52-week retail financial calendar, which requires the inclusion of an additional week every few years. The 2019 financial year is a 53-week period, and its results prepared in accordance with International Financial Reporting Standards (IFRS) are not directly comparable with 2018. Additional pro forma financial information is provided on an equivalent 52-week basis, to assist stakeholders with their assessment of the Group's comparable performance. Please refer to page 73 for the basis of preparation of this pro forma financial information. Unless specifically stated otherwise, the result commentary that follows, including like-for-like information, is on a comparable 52-week basis. For equivalent 53-week IFRS information, refer to the table alongside, and the summary of financial performance provided on pages 68 to 72.

REVIEW OF FINANCIAL PERFORMANCE

The review of the Group's comparable financial performance for 52-weeks ended 24 February 2019 focuses on the key elements of the statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows which management considers most relevant to the Group's performance over the year.

The review should be considered together with the Group's audited annual financial statements on our website at **www.picknpayinvestor.co.za** and the five-year review of financial performance set out on pages 74 to 77.



RESULT HIGHLIGHTS – for the pro forma 52 weeks ending 24 February 2019

Market-leading turnover growth of **7.1%** with market-share gains throughout the year

Exceptional value for customers delivered volume growth of **5.1%**

Group performance anchored by a strong result from core South Africa division

Greater operating efficiency restricts growth in operating costs

R665.0 MILLION Reduction in net funding, and 38.5% saving in net interest paid

Pro forma HEPS and DHEPS up **18.0%** and **18.8%** respectively

OUR CFO'S FINANCIAL REVIEW (continued)

TURNOVER

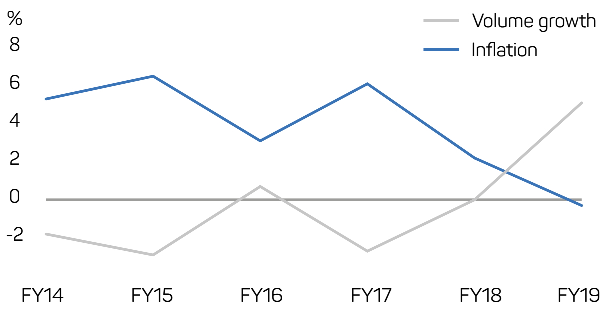
The Group's determined focus on removing cost from the business and on improving operating effectiveness enabled substantial investment in the customer offer over the year.

Group turnover increased 7.1% to R86.3 billion (FY18: R80.5 billion), with like-for-like turnover growth of 4.8%. The Group delivered real volume growth of 5.1%, with selling-price deflation at 0.3% year on year.

The Group's performance was anchored by strong performances from its stores serving the growing lower-to middle-income communities of South Africa, a competitive price position and a substantively improved fresh offer. The Group is particularly pleased with the improved contribution from its company-owned Pick n Pay and Boxer stores.

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

Volume trend



GROSS PROFIT

Gross profit increased 7.8% to R16.4 billion (FY18: R15.2 billion), with gross profit margin improving from 18.9% to 19.0%. The Group demonstrated stringent gross profit margin management, with cost savings across the procurement and distribution channel allowing for greater investment in lower everyday prices and deeper promotions. The Group bought better on behalf of customers, and harnessed the benefits of greater levels of centralisation, optimised ranges and lower stockholdings. Improved performances and increased participation from company-owned Pick n Pay and Boxer stores were positive for gross profit margin.

OTHER TRADING INCOME

Other trading income consists of franchise fee income, operating lease income, commissions, income from value-added services, and other supplier income. Other trading increased 6.1% to R1.9 billion (FY18: R1.8 billion).

Franchise fee income – was down 2.5% on last year to R389.9 million (FY18: R400.1 million). The decrease reflects a strategic change in the terms of our partnership with BP, designed to drive the growth of the Pick n Pay Express convenience format. These outlets are now located on 151 BP forecourts across South Africa. The reduction in franchise fee income is offset by the benefits of greater volume through the Pick n Pay supply chain. On a comparable basis, excluding the impact of the new agreement, franchise fee income grew 4.5% year on year.

Operating lease income – increased 18.3% to R527.8 million (FY18: R446.1 million). The increase reflects new head leases secured by the Group to protect the long-term tenancy of strategic franchise sites. The increase in rental income is matched by a corresponding increase in occupancy costs.

Commissions and other income, including value-added services (VAS) – increased 3.9% to R972.2 million (FY18: R935.8 million). Commissions and other income now include all commission and incentive income that is not directly related to the sale of inventory. This broad category includes a relatively small but increasingly important contribution from value-added services. Income from value-added services grew 41.5% year on year, driven by sustained growth in commissions received from financial services, third-party bill payments and the sale of prepaid electricity.

TRADING EXPENSES

Trading expenses grew 7.0% year on year to R16.3 billion (FY18: R15.2 billion), with like-for-like growth contained at 5.3%. The trading expense margin improved from 18.9% to 18.8% of turnover. The Group demonstrated exceptional cost discipline, restricting the growth in trading expenses to below that of turnover.

Employee costs – increased by 6.2% to R7.1 billion (FY18: R6.7 billion), driven by growth across the Group's store estate. The Group built on the benefits of its voluntary severance programme (VSP) in the prior year, extracting labour efficiencies through greater levels of productivity and improved scheduling. Like-for-like employee costs, excluding the R250 million cost of the VSP last year and other non-comparable costs, grew 5.9%, notwithstanding salary and wage increases ahead of CPI. Labour costs improved from 8.3% to 8.2% of turnover.

Occupancy costs – grew 6.9% to R3.3 billion (FY18: R3.1 billion), with the addition of a net 51 company-owned stores over the year, and a number of new head leases in respect of strategic franchise sites. Occupancy costs increased 3.3% on a like-for-like basis, notwithstanding large increases in security and insurance costs. Occupancy costs remain at 3.8% of turnover. The Group is committed to reducing occupancy costs as a percentage of turnover, and is working with landlords to secure fair rental and escalation terms that reasonably reflect the economic environment in which we operate, and seek to sustain mutual growth.

Operations costs – increased by 8.9% to R3.5 billion (FY18: R3.2 billion), with a like-for-like increase of 6.1%. The largest drivers in this category are repairs and maintenance and depreciation. Repairs and maintenance is up 15% year on year, with targeted maintenance programmes across Pick n Pay and Boxer ensuring that the benefits of the Group's broad capital investment programme are sustained. Depreciation and amortisation costs are up 10.5%, reflecting the Group's capital expansion and improvement plans over a number of years. Electricity costs have been extremely well managed year on year, down 1.8% on a like-for-like basis.

Merchandising and administration costs – grew 7.0% to R2.4 billion (FY18: R2.2 billion), with like-for-like growth of 4.9%. The greater level of advertising spend, related to the Group's impactful promotional programme, was mitigated by the Group's ongoing discipline on professional fees and other administrative costs.

TRADING PROFIT

Trading profit increased by 12.6% to R2.0 billion (FY18: R1.8 billion). Group trading profit reflects the earnings impact of more difficult trading conditions outside of South Africa, with trading profit in the Group's core South Africa division up 16.3% year on year.

NET INTEREST

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

REST OF AFRICA SEGMENT

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

The Group's share of profits from its associate TM Supermarkets in Zimbabwe (TM) was down 6.3% year on year to R109.0 million (FY18: R116.3 million), and included a one-off foreign exchange loss of R42.1 million on TM's adoption of the newly recognised RTGS dollar as its functional currency (refer to page 31), and a revaluation of relevant balance sheet items effective from October 2018. Profits earned by TM since that date have been translated at a rate of 3.3 RTGS dollar to 1.0 US dollar.

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

	FY19	FY18	% change
Segmental revenue	R4 749.4m	R4 648.1m	2.2%
Segmental profit	R241.3m	R287.9m	(16.2%)
Number of stores	148	144	

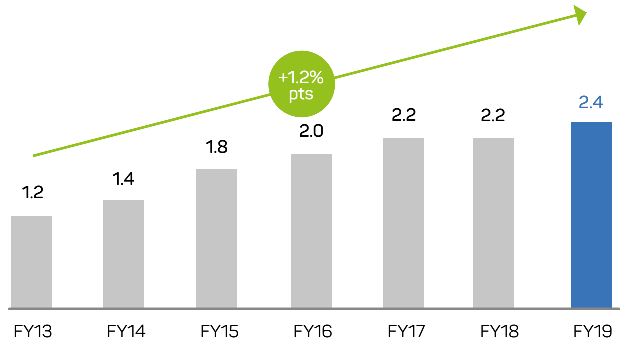
CAPITAL ITEMS

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

PROFIT BEFORE TAX (PBT) BEFORE CAPITAL ITEMS

Profit before tax and before capital items was up 15.6% on last year to R2.1 billion, at a margin of 2.4% of turnover. Profit before tax, and before capital items in the Group's core South Africa division was up 21.6% to R1.8 billion, improving from 2.0% to 2.2% of segmental turnover. Group profit before tax, after capital items, at R2.1 billion (FY18: R1.8 billion) was up 17.3%.

Group PBT* margin – %



* *Profit before tax before capital items*

TAX

The Group's tax rate of 25.0% reflects the impact of greater tax-free allowances, the timing of its tax deductions in respect of its employee share incentive schemes and the impact of foreign tax rates. The Group is confident that its tax rate is sustainable at current levels over the medium term, with marginal increases expected as the Group expands into the rest of Africa.

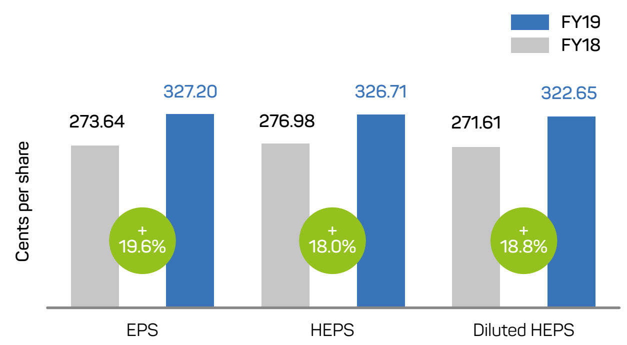
EARNINGS PER SHARE

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

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

Diluted headline earnings per share (DHEPS) – increased by 18.8% to 322.65 cents per share over 52 weeks. Diluted HEPS increased by 26.1% over the 53-week financial year, to 342.37 cents per share. DHEPS reflect the dilution effect of share options held by participants in the Group's employee share schemes.

Earnings per share



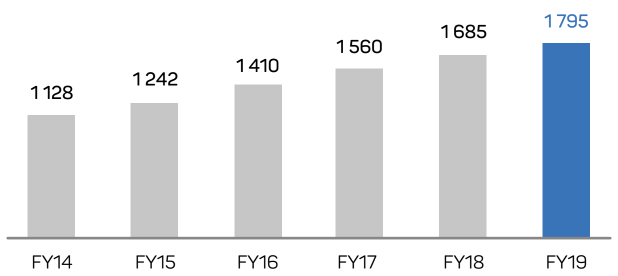
5 OUR PERFORMANCE

OUR CFO'S FINANCIAL REVIEW (continued)

REVIEW OF FINANCIAL POSITION

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

Total number of stores over 6 years



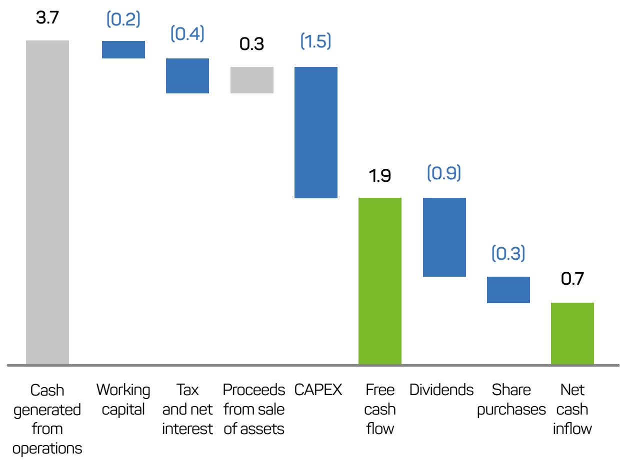
WORKING CAPITAL

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

Tight working capital management, particularly in respect of inventory, contributed to stronger cash balances over the year, and a R56.6 million reduction in net interest paid. Inventory balances reflect the addition of a net 51 company-owned stores over the year, and greater levels of centralisation across the Group, including the new Pick n Pay distribution centre in KwaZulu-Natal and the new Boxer distribution centre in Gauteng. On a comparable 52-week basis, excluding the impact of new stores and cost inflation, like-for-like inventory is down 10.5% on last year, demonstrating the early benefits of in-store range optimisation and the Group's success in removing old and slow-moving product lines from the business. Trade and other payables have been tightly managed alongside the Group's good progress on inventory management.

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

CASH GENERATION AND UTILISATION – Rbn



Cash from operations, before movements in working capital, was up 14% year on year to R3.7 billion. Cash invested in working capital is in line with last year, and reflects the impact of new stores, distribution centres, and strategic investment buys ahead of year-end. The Group generated R1.9 billion of free cash flow over the comparable 52-week period, after investing R1.5 billion in its store opening and refurbishment programme. The Group paid almost R1.0 billion to shareholders over the year, and invested a further R311.2 million in its share incentive schemes for the benefit of employees.

NET FUNDING

	53 weeks ended 3 March 2019 Rm	52 weeks ended 24 February 2019 Rm	52 weeks ended 25 February 2018 Rm
Cash balances	1 503.2	1 090.3	1 129.1
Cost-effective overnight borrowings	(1 800.0)	(300.0)	(1 800.0)
Cash and cash equivalents	**(296.8)**	**790.3**	(670.9)
1 to 3-month funding	(1 325.0)	(1 325.0)	(400.0)
Secured borrowings	–	–	(128.8)
Net funding position	**(1 621.8)**	**(534.7)**	(1 199.7)

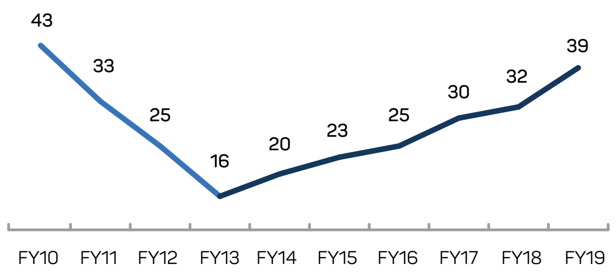
\+ R665.0m

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

CAPITAL INVESTMENT

The Group invested R1.5 billion in capital improvements over the year. The Group commits the majority of its spend on customer-facing initiatives, with R476 million invested in new stores, R620 million on refurbishments, and R377 million on supply chain capability and IT infrastructure. The Group delivered return on capital employed of 39%, against a weighted average cost of capital of 12.4%.

Return on capital employed – %



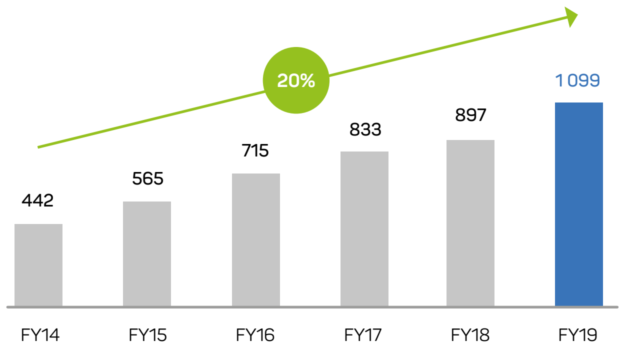
SHARE CAPITAL

The Group issued 5 million shares in August 2018 under current shareholder approvals. These shares will fund the Group's employee share scheme obligations, which have increased as a result of share price growth over recent years. The shares are currently held as treasury shares.

SHAREHOLDER DISTRIBUTION

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

Total dividends declared over 6 years – R4.6bn



OUR CFO'S FINANCIAL REVIEW (continued)

ACCOUNTING STANDARDS NOT YET ADOPTED – IFRS 16 *LEASES* (IFRS16)

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

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

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

To ensure year-on-year comparability of financial information, the Group will adopt IFRS 16 using the full retrospective approach. Given the complex nature and maturity of the Group's lease portfolio, an extensive project is in its final stages to determine the current and historical financial implications. First time disclosure of the IFRS 16 impacts will be made ahead of our interim result announcement in October 2019, once the impact has been assessed by our external auditors. Please refer to note 30 of the audited annual financial statements for further detailed information.

LOOKING AHEAD TO 2020

The FY19 result is testament to the strength of our strategy and the ability of our team to deliver substantive progress in a tough environment.

We are committed to ongoing improvements in our customer offer in order to drive volume growth in a tough market. We will continue to bear down on costs and improve the efficiency of our supply chain and our operations, including through range optimisation, lower stockholdings and improved waste management, in order to deliver sustainable improvements in our profit before tax margin. The Group plans to invest a further R2.0 billion next year in improving the quality of its estate, and is confident of its ability to meet all capital investment requirements through internally generated cash flow, while further reducing short-term borrowings, and delivering improvements in its net interest bill.

APPRECIATION

Thank you to our broad investor community, both in South Africa and abroad, for their constructive engagement and their ongoing support of the successful delivery of long-term strategy. I extend thanks to our providers of debt capital who, with a keen understanding of our business and our working capital needs, have continued to support the Group with more flexible and cost-effective short-term funding, notwithstanding our substantial decrease in overall gearing.

I will retire as Group CFO in FY20. It has been a privilege to be part of the Pick n Pay team for 34 years. I have worked alongside driven and innovative individuals, who have built an important and iconic South African business, with a genuine desire to make a positive contribution to the communities we serve. I am grateful for the support of our finance team over my eight-year tenure as CFO, and in particular for their professionalism, integrity and commitment to high standards of financial reporting and corporate governance. I leave behind a strong and diverse team, with a good balance of youth and experience. I am proud of their achievements and I wish them well for the future. I look forward to serving the Group in a non-executive capacity.

Bakar Jakoet
Chief Finance Officer

21 June 2019

5 OUR PERFORMANCE

ANNUAL FINANCIAL RESULT

The following summarised financial information has been extracted from the Group's audited annual financial statements for the 53-week period ended 3 March 2019. The Group's audited annual financial statements, including the Appendix containing pro forma information, are available on our website: **www.picknpayinvestor.co.za**

SUMMARY OF FINANCIAL PERFORMANCE

	Audited As reported 53 weeks to 3 March 2019[1] Rm	Week 53[2] Rm	Pro forma 52 weeks to 24 February 2019[3] Rm	% of turnover	2019 comparable % change	Restated As reported 52 weeks to 25 February 2018[#] Rm	% of turnover
Revenue	**90 465.0**	2 045.1	**88 419.9**		7.2	82 489.6	
Turnover	**88 293.2**	2 022.0	**86 271.2**		7.1	80 523.5	
Cost of merchandise sold	**(71 539.3)**	(1 685.2)	**(69 854.1)**		7.0	(65 294.6)	
Gross profit	**16 753.9**	336.8	**16 417.1**	19.0	7.8	15 228.9	18.9
Other income	**1 913.0**	23.1	**1 889.9**	2.2	6.1	1 782.0	2.2
Franchise fee income	**399.1**	9.2	**389.9**	0.5	(2.5)	400.1	0.5
Operating lease income	**527.8**	–	**527.8**	0.6	18.3	446.1	0.6
Commissions and other income	**986.1**	13.9	**972.2**	1.1	3.9	935.8	1.2
Trading expenses	**(16 491.3)**	(233.3)	**(16 258.0)**	18.8	7.0	(15 191.0)	18.9
Employee costs	**(7 238.9)**	(136.9)	**(7 102.0)**	8.2	6.2	(6 688.7)	8.3
Occupancy	**(3 326.8)**	(27.3)	**(3 299.5)**	3.8	6.9	(3 086.6)	3.8
Operations	**(3 515.5)**	(52.5)	**(3 463.0)**	4.0	8.9	(3 178.8)	3.9
Merchandising and administration	**(2 410.1)**	(16.6)	**(2 393.5)**	2.8	7.0	(2 236.9)	2.8
Trading profit	**2 175.6**	126.6	**2 049.0**	2.4	12.6	1 819.9	2.3
Net interest paid	**(90.5)**	–	**(90.5)**	0.1	(38.5)	(147.1)	0.2
Share of associate's income	**109.0**	–	**109.0**	0.1	(6.3)	116.3	0.1
Profit before tax before capital items	**2 194.1**	126.6	**2 067.5**	2.4	15.6	1 789.1	2.2
Profit/(loss) on capital items	**5.7**	–	**5.7**			(21.0)	
Profit before tax	**2 199.8**	126.6	**2 073.2**	2.4	17.3	1 768.1	2.2
Tax	**(550.3)**	(31.7)	**(518.6)**	0.6		(471.8)	0.6
Profit for the period	**1 649.5**	94.9	**1 554.6**	1.8	19.9	1 296.3	1.6
Headline earnings	**1 647.2**	94.9	**1 552.3**	1.8	18.3	1 312.1	1.6
Earnings per share	**Cents**	Cents	**Cents**		% change	Cents	
Basic earnings per share	**347.17**	19.97	**327.20**		19.6	273.64	
Diluted earnings per share	**342.85**	19.73	**323.12**		20.4	268.33	
Headline earnings per share	**346.69**	19.98	**326.71**		18.0	276.98	
Diluted headline earnings per share	**342.37**	19.72	**322.65**		18.8	271.61	
South Africa operating segment	**Rm**	Rm	**Rm**		% change	Rm	
Total segment revenue	**86 541.0**	1 972.2	**84 568.8**		7.5	78 703.5	
Segmental external turnover	**84 401.4**	1 949.5	**82 451.9**		7.4	76 765.6	
Profit before tax before capital items	**1 939.1**	113.6	**1 825.5**		21.6	1 501.2	
Profit before tax	**1 945.5**	113.6	**1 831.9**		23.8	1 480.2	
Rest of Africa operating segment	**Rm**	Rm	**Rm**		% change	Rm	
Total segment revenue	**4 838.9**	89.5	**4 749.4**		2.2	4 648.1	
Segmental external turnover	**3 891.8**	72.5	**3 819.3**		1.6	3 757.9	
Profit before tax before capital items	**255.0**	13.0	**242.0**		(15.9)	287.9	
Profit before tax	**254.3**	13.0	**241.3**		(16.2)	287.9	

[1] *Extracted from the audited Group result for the 53 weeks ended 3 March 2019.*
[2] *Presents the financial impact of the week from 25 February 2019 to 3 March 2019 (the 53rd week) – refer to page 73 for more information.*
[3] *Extracted from the Appendix to the annual financial statements, in respect of pro forma information for the 52 weeks ended 24 February 2019.*
[#] *Prior year amounts restated for the adoption of new accounting standards. Refer to note 29 of the Group's audited annual financial statements.*

Turnover
Turnover growth of 7.1% – anchored by 7.4% growth in core South Africa division

Gross profit
Cost savings, efficiency gains and stronger relative performances from company-owned stores all positive for gross profit margin

Other trading income
Small but increasingly important contribution from value-added services – which grew 41.5% year on year

Employee costs
Like-for-like employee costs grew 5.9% on last year – with salary and wage increases ahead of inflation

Trading profit margin
Improved 10 basis points to 2.4% of turnover, continuing the sustained margin improvement delivered under the Group's long-term strategic plan

Net finance costs
Stronger working capital management and lower levels of gearing contributed to a 38.5% decrease in net interest paid

Share of associate's income
Our share of TM Supermarkets' profits is down 6.3% year on year, reflecting the impact of our R42.1m share of a one-off foreign exchange loss on TM's adoption of the newly recognised RTGS dollar as its functional currency (refer to page 31)

Profit before tax and before capital items
The Group delivered 15.6% growth in profit before tax and capital items, in line with the remuneration committee's primary performance target for the consideration of annual bonus awards (refer to page 104)

SUMMARY OF FINANCIAL POSITION

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

* *Prior period amounts restated for the adoption of new accounting standards (refer to page 61, and to note 29 of the Group's audited annual financial statements, available on our website at* ***www.picknpayinvestor.co.za****.*

Property, plant and equipment
The increase in assets reflects ongoing investment in new stores, refurbishments and distribution capacity

Investment in associate
The Group wrote down its TM investment in Zimbabwe with a R290.2m foreign currency translation loss – through the foreign currency translation reserve – on the recognition of our investment in local RTGS dollar currency. The fair value of the investment exceeds its carrying value and no impairment is required (refer to page 31)

Inventory
The like-for-like value of inventory is down 10.5% on last year, with days-stock-on-hand improving by 3 days

Total equity
The Group delivered a 39% return on capital employed against a weighted average cost of capital of 12.4%

Current borrowings
Increased borrowings reflect the impact of the financial calendar cut-off. On a comparable 52-week basis, the Group reduced its borrowings by R665.0m (refer to page 65)

SUMMARY OF CHANGES IN EQUITY

	Share capital Rm	Treasury shares Rm	Retained earnings Rm	Other reserves Rm	Foreign currency translation reserve Rm	Total equity Rm
At 25 February 2018 as published	6.0	(863.4)	4 951.7	–	(70.7)	4 023.6
Adoption of IFRS 9 *Financial Instruments*	–	–	(30.2)	–	–	(30.2)
Total comprehensive income for the period	–	–	1 628.1	3.1	(266.2)	1 365.0
Profit for the period	–	–	1 649.5	–	–	1 649.5
Foreign currency translations	–	–	–	–	(266.2)	(266.2)
Movement in cash flow hedge	–	–	–	3.1	–	3.1
Remeasurement in retirement scheme assets	–	–	(21.4)	–	–	(21.4)
Other reserve movements	–	–	–	(9.1)	–	(9.1)
Transactions with owners	–	(130.3)	(902.2)	–	–	(1 032.5)
Dividends paid	–	–	(938.0)	–	–	(938.0)
Share purchases	–	(311.2)	–	–	–	(311.2)
Net effect of settlement of employee share options	–	180.9	(180.6)	–	–	0.3
Share-based payments expense	–	–	216.4	–	–	216.4
At 3 March 2019	6.0	(993.7)	5 647.4	(6.0)	(336.9)	4 316.8

IFRS 9 *Financial Instruments*
The Group adopted IFRS 9 in FY19, which requires a general impairment provision in respect of trade and other receivables, based on past experience and judgement regarding future economic benefits. The retrospective application of IFRS 9, without restating comparative information, had a minimal impact on current year profitability, and a R30.2 million write-down against opening retained earnings (refer to page 61)

Foreign currency translations
The movement in the foreign currency translation reserve reflects a R290.2 million charge related to the reduction in our carrying value of our TM investment in Zimbabwe as a result of the adoption of the newly recognised RTGS currency in the region (refer to page 64)

Dividends paid
The Group has maintained its dividend cover of 1.5 times headline earnings per share. The Group has paid dividends of R4.6bn over the past six years – at a compound annual growth rate of 20% per annum

Share purchases
The Group continues to invest in its employees, with R311.2 million invested in funding its employee share incentive schemes, alongside an issue of 5 million shares

SUMMARY OF CASH FLOW

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

Cash generated before movements in working capital

The Group generated R3.7 billion from operations this year, up 14%

Movements in working capital

The 53-week calendar cut-off at 3 March 2019 (refer to page 65) impacts the comparability of working capital performance, and reflects the impact of month-end payments

Tax paid

Reflects the timing of the financial calendar cut-off (refer to page 65), with provisional tax and other payments made over month-end last year

Cash flows from investing activities

The Group invested R1.5 billion this year – 75% of our capital spend is focused on customer-facing initiatives

Borrowings raised and repaid

The Group utilises shorter-dated 1-month and 3-month debt to optimise its cost of borrowing. Borrowings raised and repaid reflects individual advances and settlements as these facilities are regularly rolled over short-term periods

Net cash and cash equivalents

The net cash position of R296.8m is R374.1m stronger than last year, notwithstanding the impact of the financial calendar cut-off. On a comparable basis the Group's net funding position is R665.0m stronger than last year (refer to page 65)

BASIS OF PREPARATION: 52-WEEK PRO FORMA FINANCIAL INFORMATION

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

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

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

The Group's external auditor has issued a reporting accountants' report on the 52-week financial information as presented in the table on page 60. The 52-week financial information has been extracted from the Group annual financial statements. The reporting accountants' report on the 52-week financial information included in the Group annual financial statements is available for inspection at the Group's registered office.

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

The 53rd week financial impact was calculated as follows:

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

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

FIVE-YEAR REVIEW

All amounts are on a comparable 52-week basis, and normalised for non-recurring items and/or restatements.

		2019	2018	2017	2016	2015
Performance measures						
Turnover growth	%	**7.1**	5.1	7.0	8.2	6.1
Gross profit margin	%	**19.0**	18.9	18.8	18.8	18.8
Other trading income margin	%	**2.2**	2.2	2.0	2.0	1.8
Trading expenses margin	%	**18.8**	18.9	18.6	18.7	18.7
Trading profit growth	%	**12.6**	4.9	19.1	20.1	18.1
Trading profit margin	%	**2.4**	2.3	2.3	2.0	1.8
Profit before tax growth	%	**17.3**	5.4*	18.5	20.0	38.6
PBTAE growth	%	**15.6**	3.8*	19.1	23.8	21.7
PBTAE margin	%	**2.4**	2.2	2.2	2.0	1.8
EBIT growth	%	**13.0**	8.2	20.3	18.7	30.3
EBITDA (before capital items) growth	%	**11.1**	8.1	14.4	16.5	4.5
Profit for the period margin	%	**1.8**	1.6	1.6	1.4	1.3
Headline earnings per share	cents	**326.7**	277.0	258.7	215.2	173.3
Headline earnings per share growth	%	**25.2**	7.1*	20.2	24.2	22.8
ROCE	%	**38.9**	32.2	30.3	25.4	22.5
Net asset value per share	cents	**1 056.3**	966.2	922.0	869.4	741.8
WACC	%	**12.4**	12.0	13.1	12.2	10.6
Consolidated statement of comprehensive income						
Turnover#	Rm	**86 271.2**	80 523.5	76 596.3	71 613.2	66 172.1
Other trading income#	Rm	**1 889.9**	1 782.0	1 542.7	1 398.3	1 177.2
Trading expenses	Rm	**16 258.0**	15 191.0	14 243.4	13 376.6	12 396.6
Trading profit	Rm	**2 049.0**	1 819.9	1 735.6	1 457.7	1 214.1
PBTAE	Rm	**2 067.5**	1 789.1	1 723.3	1 447.5	1 168.8
Profit before tax	Rm	**2 073.2**	1 768.1	1 677.0	1 414.9	1 179.2
Profit for the period	Rm	**1 554.6**	1 296.3	1 216.0	1 023.2	843.0
EBIT	Rm	**2 163.7**	1 915.2	1 769.5	1 470.7	1 238.8
EBITDA (before capital items)	Rm	**3 359.5**	3 023.8	2 797.3	2 444.5	2 097.9
Headline earnings	Rm	**1 647.2**	1 312.1	1 247.3	1 030.7	829.1
Consolidated statement of financial position						
Assets	Rm	**19 854.3**	18 980.5	17 791.8	16 312.5	14 610.3
Ordinary shareholders' equity	Rm	**4 316.8**	4 023.6	3 855.7	3 701.7	3 107.9
Liabilities	Rm	**15 537.5**	14 956.9	13 936.1	12 610.8	11 502.4

* *Reflecting the impact of the voluntary severance programme (VSP) undertaken in the 2018 financial year. Please refer to "Employee costs" on page 62 for further information*

\# *2015–2018 Turnover and Other trading income has been restated on the adoption of IFRS 15 Revenue from Contracts with Customers.*

		2019	2018	2017	2016	2015
Stock exchange (JSE Limited) performance						
Number of shares in issue	millions	**493.5**	488.5	488.5	488.5	487.3
Weighted average number of shares in issue	millions	**475.1**	473.7	482.2	478.9	478.3
Total market capitalisation	Rbn	**34.1**	36.3	34.0	27.4	25.7
Market capitalisation net of treasury shares	Rbn	**32.9**	35.3	32.9	26.9	25.3
Price : earnings ratio	times	**19.9**	26.8	26.9	26.1	30.5
Dividend per share	cents	**231.1**	188.8	176.3	149.4	118.1
Dividend cover	times	**1.5**	1.5	1.5	1.5	1.5
Dividend yield	%	**3.3**	2.5	2.5	2.7	2.2
Volume of shares traded	millions	**362.8**	360.1	345.7	281.6	213.3
Percentage of shares traded	%	**73.5**	73.7	70.8	57.6	43.8
Market price per share						
– close at year-end	cents	**6 913**	7 428	6 969	5 614	5 282
– high for the year	cents	**8 209**	7 606	8 424	7 000	6 082
– low for the year	cents	**6 228**	5 460	5 525	4 850	4 401

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 (ROCE) Headline earnings divided by average shareholders equity plus average structured borrowings.

Return on total assets Headline earnings expressed as a percentage of the average total assets for the period.

Headline earnings per share (HEPS) Headline earnings divided by the weighted average number of shares in issue for the period. Diluted HEPS reflects the dilution effect of share options.

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 Board. These are non-recurring items of an exceptional size and nature.

Earnings before interest and tax (EBIT) Profit for the period before net interest and tax and capital items.

Earnings before interest, tax, depreciation and amortisation (EBITDA) Profit for the period before net interest, tax, depreciation, amortisation and capital items.

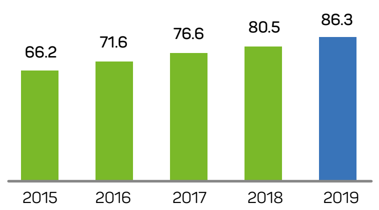
Market capitalisation The price per share at period end multiplied by the number of shares in issue at period end.

Price earnings ratio The price per share at period end divided by headline earnings per share.

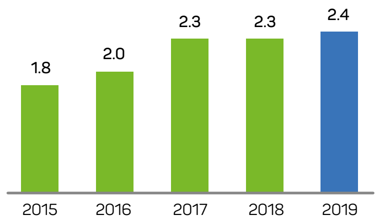
Dividends per share The interim dividend declared during the current financial period and the final dividend declared after period end, in respect of the current financial year.

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.

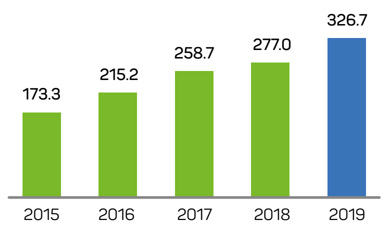
TURNOVER (Rbn)



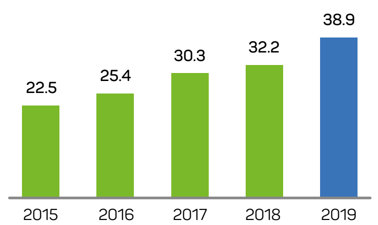
TRADING PROFIT MARGIN (%)



HEPS (cents)



ROCE (%)

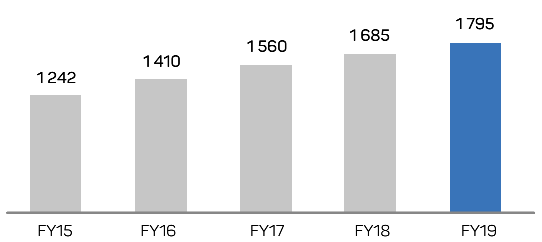


FIVE-YEAR REVIEW (CONTINUED)

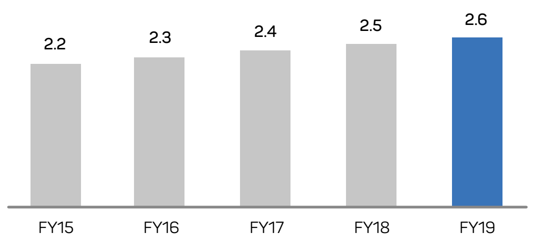
		2019	2018	2017	2016	2015
HUMAN MEASURES*						
Developed a skilled workforce						
Number of employees	'000	**53.6**	51.9	54.4	52.9	48.7
Permanent employee turnover	%	**17.4**	24.9	19.9	16.1	19.3
Employment Equity**						
Top management	%	**44.0**	40.9	35.0	36.0	35.7
Senior management	%	**74.2**	71.3	63.0	66.0	64.4
Professionally qualified middle management	%	**93.5**	92.8	87.0	88.0	87.1
Skilled technical and junior management	%	**98.0**	97.8	97.0	96.0	95.2
Semi-skilled and discretionary decision-making	%	**99.8**	99.8	99.8	99.7	99.7
Unskilled and defined decision-making	%	**99.7**	99.7	99.6	99.5	99.4
SOCIAL AND ENVIRONMENTAL MEASURES*						
Carbon footprint	CO_2e tonnes	**649 192.4**	657 387.2	671 052.6	656 765.1	613 934.7
Energy usage per square metre reduction (2008 baseline)	GWh	**36.9**	37.0	34.1	31.4	32.0
CO_2e emissions per square metre reduction (2013 baseline)	%	**3.7**	2.5	3.5	0.6	2.4
Waste diverted from landfill	%	**53.5**	54.3	48.4	46.0	45.0
Water consumed	megalitres	**1 128**	1 161	1 332	1 249	1 316
Total CSI spend	Rm	**34.1**	30.5	38.7	41.5	44.6
Schools in Pick n Pay School Club		**3 325**	3 300	3 025	3 025	3 025
BBBEE Level		**Level 8**	Level 8	Level 8	Level 4	Level 4
OPERATIONAL STATISTICS						
Number of stores						
Group		**1 738**	1 628	1 504	1 353	1 189
Pick n Pay – Owned		**749**	722	661	596	510
Pick n Pay – Franchise		**719**	660	614	549	490
Boxer – Owned		**270**	246	229	208	189
Associate						
TM Supermarkets		**57**	57	56	57	53
Total with associate		**1 795**	1 685	1 560	1 410	1 242
Total square metres	m² – millions	**2.6**	2.5	2.4	2.3	2.2
Owned	m² – millions	**1 8**	1.8	1.7	1.6	1.5
Franchised	m² – millions	**0.8**	0 7	0.7	0.7	0.7

* *Information relates to Pick n Pay company-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.*

Number of stores



Square metres (m² – millions)

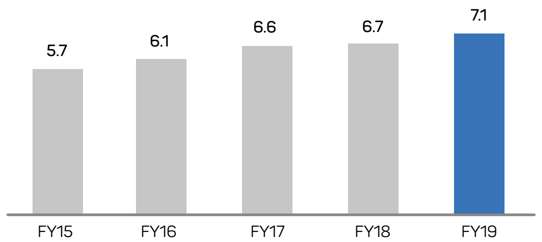


VALUE-ADDED STATEMENT

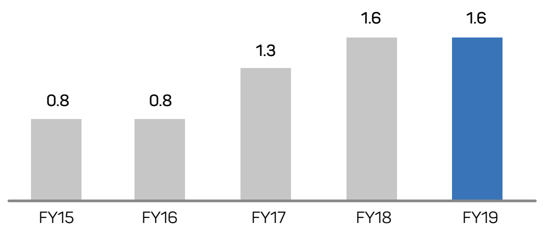
We have created financial value of R11.0 billion (2018: R10.3 billion) during the 52-week financial period. The value-added statement illustrates how we have distributed this value to our stakeholders.

	52 weeks 2019 Rm	%	52 weeks 2018 Rm	%
Turnover	**86 271.2**		80 523.5	
Amounts paid for merchandise and expenses	**(75 492.8)**		(70 408.6)	
Finance income	**258.8**		184.1	
Total value created	**11 037.2**	**100.0**	10 299.0	100.0
Distributed as follows:				
Employees				
Salaries, wages and other benefits	**7 102.0**	**64.3**	6 688.7	64.9
To providers of capital	**1 598.5**	**14.5**	1 621.1	15.7
Distributions to shareholders	**938.0**	**8.5**	866.5	8.4
Share purchases	**311.2**	**2.8**	423.4	4.1
Finance costs	**349.3**	**3.2**	331.2	3.2
Government				
Taxation expense	**518.6**	**4.7**	471.8	4.6
Retained for growth	**1 818.1**	**16.5**	1 517.4	14.7
Depreciation and amortisation	**1 201.5**	**10.9**	1 087.6	10.6
Profit for the period after distributions to shareholders	**616.6**	**5.6**	429.8	4.2
Total value distributed	**11 037.2**	**100.0**	10 299.0	100.0

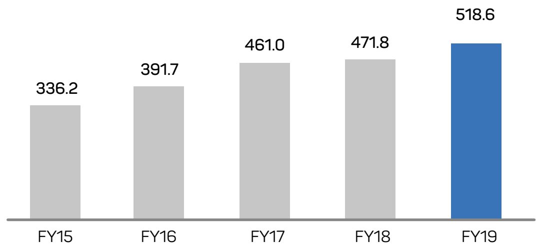
Employee costs (Rbn)



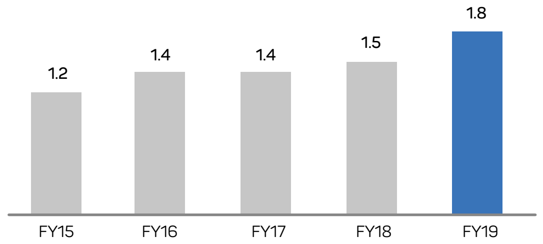
Providers of capital (Rbn)



Government (Rm)



Retained for growth (Rbn)



6 OUR GOVERNANCE

OUR GOVERNANCE

GOVERNANCE OVERVIEW BY OUR LEAD INDEPENDENT DIRECTOR

HUGH HERMAN | LEAD INDEPENDENT DIRECTOR

OUR APPROACH TO CORPORATE GOVERNANCE

The Group's commitment to the highest standards of corporate governance has contributed to its sustainable value creation over 52 years. The Board provides strong and ethical leadership, and is committed to consistent action within a governance framework that is built on the principles of honesty, integrity and accountability.

Our ethical value system has built strong relationships with stakeholders who recognise and support the Group as a responsible corporate citizen, with the confidence that we will do what is right. The Board commits to stakeholders that it will operate in accordance with our values of integrity, competence, fairness, responsibility, transparency and accountability, as captured by our enduring values set out on page 11.

The Board is elected by shareholders and accepts overall accountability for the Group's performance, and in ensuring that the business is adequately positioned to create sustainable value over the long term for all stakeholders, taking into account the material issues, risks and opportunities of the Group. Sustainable value creation is measured across the triple context of the Group's economic, social and environmental performance against the objectives set out in our long-term strategy, and with reference to the effective management of our capitals and the balanced and appropriate management of stakeholder needs.

The Board is satisfied that it had fulfilled its responsibilities in accordance with its Corporate Governance Charter, King IV, the JSE Listings Requirements, the Companies Act and applicable statutory and regulatory requirements for the financial period ended 3 March 2019.

The Board ultimately endorses and accepts responsibility for achieving the values that underpin good governance, as advocated by the King IV Report on Corporate Governance™ for South Africa 2016 (King IV). These include integrity, competence, fairness, responsibility, transparency and accountability.

Our corporate governance philosophy and practices are aligned with the four governance outcomes advocated by King IV, namely:

ETHICAL CULTURE

An ethical culture builds support structures that underpin our core purpose, values and strategy.

- To ensure that we maintain an ethical culture, governance structures are regularly reviewed to align with best practice and reflect regulatory changes.
- The Board reviewed, revised and approved the Group's Code of Ethical Conduct during the 2019 financial period, which outlines the key behaviours and actions expected by employees, suppliers and business partners. A Group-wide ethics communications campaign will be rolled out in the upcoming year.
- The corporate governance charter was reviewed and updated.

EFFECTIVE CONTROL

The Group's governance and compliance framework is built on the principles of accountability, transparency, ethical management and fairness.

- Areas of governance are delegated to the Group's various committees.
- The Board's delegation of authority within its governance framework contributes to role clarity and the effective exercise of responsibilities across the Group's various committees and within the broader business. Read more from page 82.
- The Group's corporate governance structure is regularly reviewed to ensure that the Board exercises effective and ethical leadership, conducts its affairs as a good corporate citizen and takes appropriate decisions to ensure the sustainability of operations.
- The Board annually conducts an evaluation of its contribution to the Group as a whole as well as the individual performance of each director.

LEGITIMACY

The Board retains overall responsibility for the concept of integrated thinking encapsulated in King IV, which underpins corporate citizenship, stakeholder inclusivity, sustainable development and integrated reporting.

- The Board ensures that the reports issued by the Group enable stakeholders to make informed assessments of its performance, and its longer-term prospects.
- The Board is aware of the King IV principle of having an arms-length relationship with the Company Secretary, 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 involved in an executive capacity on the boards of the various companies in the Group.

GOOD PERFORMANCE

There are well-entrenched structures within the Group to ensure that proper assurance and oversight are given to strategic and operational performance.

- The Board undertook a number of discussions during the year related to strategy, performance, governance and risk management. The details of the most material issues under discussion by the Board, as well as the decisions and actions arising, are detailed on pages 86 and 87.

6 OUR GOVERNANCE

OUR GOVERNANCE STRUCTURE

The Board is confident that the Group's governance framework, supported by its Board committees and related administrative structures and compliance processes, contributes to sustainable value creation by driving:

- Accountability to stakeholders
- Sound leadership and effective decision-making
- Strong risk management and risk mitigation
- Comprehensive and transparent integrated reporting
- Remuneration policies that build a winning team through the development and retention of top talent and through incentivisation in line with the Group's strategic objectives

The Group's governance framework is regularly reviewed to ensure that the Board exercises effective and ethical leadership, conducts its affairs as a good corporate citizen and takes appropriate decisions to ensure the long-term sustainability of the business.

BOARD COMMITTEES

The Board is supported by the executive, audit, risk and compliance, remuneration, nominations, corporate finance, corporate governance, and social and ethics committees. The Board's delegation of authority to these committees contributes to role clarity and the effective exercise of authority and responsibilities within the broader Group.

The role and responsibilities of each committee are set out in the Board's corporate governance charter, available on our website at **www.picknpayinvestor.co.za**. The charter is reviewed annually to ensure that the committee mandates remain current and effective and that the requirements of King IV are met. Each committee considers its effectiveness by way of a review of its activities against the approved terms of reference in line with their delegated powers and authority.

Together with the Board, all committees are satisfied that they have carried out their responsibilities during the period.

PICK N PAY STORES LIMITED BOARD

ATTENDANCE

- Four board meetings were held during the financial 2year.
- Suzanne Ackerman-Berman sent apologies for the April board meeting. Other than that, attendance was 100%.
- All directors attended the annual general meeting held in July 2018.

The Board of directors ensures that the Group is managed in a transparent, equitable and responsible manner for the benefit of all its stakeholders.

AUDIT, RISK AND COMPLIANCE COMMITTEE

MEMBERS AND ATTENDANCE

J van Rooyen (Chair)Δ	2/2
D FriedlandΔ	2/2
H HermanΔ	2/2
A MothupiΔ	2/2

The committee provides independent oversight and assessment of the Group's risk management processes, legal and regulatory compliance, financial reporting, business and financial controls, and internal and external audit processes and acts as a liaison between the Board and external and internal auditors.

Refer to page 32 for detail of the role this committee plays in determining the material issues faced by the Group and in assessing the adequacy of the Group's risk management processes.

CORPORATE GOVERNANCE COMMITTEE

MEMBERS AND ATTENDANCE

G Ackerman (Chair)	✓
J van RooyenΔ	✓
D FriedlandΔ	#

For 52 years, the Group has ensured that its policy of doing good is good business remains at the centre of how it conducts business. This is underpinned by adopting best practice in corporate governance, which contributes to long-term value creation.

The committee reviews and evaluates the governance practices and structures of the Group and recommends any changes to the Board.

NOMINATIONS COMMITTEE

MEMBERS AND ATTENDANCE

G Ackerman (Chair)	✓
D Friedland*Δ	✓
L Phalatse*Δ	✓
A Mathole#Δ	✓
A Mothupi#Δ	✓

It is the Board's philosophy that its members should provide a diverse range of professional expertise and experience, and should reflect the gender, race and ethnic diversity of stakeholders.

The nominations committee is responsible for identifying and evaluating suitable candidates for possible appointment to the Board, with the aim of ensuring a strong and balanced Board to oversee and drive sustainable value creation for all stakeholders.

Refer to pages 84 and 85 for more information on Board composition.

CORPORATE FINANCE COMMITTEE

MEMBERS AND ATTENDANCE

J van Rooyen (Chair)Δ	✓
D FriedlandΔ	✓
H HermanΔ	✓
A MatholeΔ	✓
A MothupiΔ	✓
L Phalatse*Δ	✓

The committee consists of all independent non-executive directors. It assists the Board in assessing material investment opportunities for the Group, as identified in Stage 2 of the Group's long-term strategy. Read from page 44 for more detail on the Group's strategic focus.

REMUNERATION COMMITTEE

MEMBERS AND ATTENDANCE

H Herman (Chair)Δ	3/3
G Ackerman	3/3
A MothupiΔ	3/3
J van RooyenΔ	3/3

The remuneration committee ensures that the Group's remuneration policy promotes the achievement of Group strategy, by providing fair and responsible rewards that attract, reward and retain a winning team.

Read more in our remuneration report on pages 92 to 110.

SOCIAL AND ETHICS COMMITTEE

MEMBERS AND ATTENDANCE

S Ackerman-Berman (Chair)	3/3
A MatholeΔ	1/3
L Phalatse*Δ	0/1
D Robins#	0/1

The committee, supported by key management personnel, is tasked with ensuring that the Group's enduring values as set out on page 11 underpin the Group's long-term strategy and are applied daily in all areas of the business, and that our sustainability strategy is closely aligned with the United Nations Sustainable Development Goals most relevant to our business (refer to page 3 for more information).

EMPLOYEE SHARE INCENTIVE TRUST

MEMBERS AND ATTENDANCE

G Ackerman (Chair)	2/2
H HermanΔ	2/2
A MothupiΔ	2/2
J van RooyenΔ	2/2

The Group's employee share incentive schemes remain a key part of the Group's remuneration philosophy, aiming to align the interests of employees with shareholders and to ensure that employees are able to share in the stakeholder value that they help to create.

The trustees ensure that the employee share incentive schemes are managed in a responsible and appropriate manner, with fair, market-related rewards aimed at attracting and retaining skilled employees that will deliver the objectives of the Group's long-term strategy.

EXECUTIVE COMMITTEE

MEMBERS AND ATTENDANCE

R Brasher	✓
B Jakoet	✓
R van Rensburg	✓

The Executive is tasked with implementing the strategy of the Board. It serves as the Chief Operating Decision Maker (CODM) of the Group, and manages the day to day operations of the Group, to ensure sustainable value creation for all stakeholders.

✓ Available for all ad hoc meetings
* Resigned from committee during the year
\# Appointed to committee during the year
Δ Independent non-executive director

BOARD COMPOSITION

Our directors are strong-minded individuals of integrity, who are successful and experienced professionals in their respective fields. The Group has actively sought to appoint business people to its Board, looking for individuals who play an active role in business, are in a position to offer commercial, legal and regulatory knowledge to the Board, and add value through wisdom, practical experience and business acumen.

5 Independent non-executive directors + **2** Non-executive directors (including our Chairman) + **5** Executive directors = **12** Directors at the end of the 2019 financial period

The non-executive directors are diverse in their academic qualifications, business experience, gender and race, resulting in a balanced Board.

As our Chairman is not considered independent, Hugh Herman was appointed as lead independent non-executive director. Read more under "Controlling shareholder representation on the Board" below.

The Group's Executive committee (refer to page 83 for further information) performs the Chief Operating Decision Maker (CODM) role within the Group. The CODM comprises Richard Brasher (Chief Executive Officer), Bakar Jakoet (Chief Finance Officer) and Richard van Rensburg (Chief Information Officer). They are tasked with the day-to-day executive management of the Group. Suzanne Ackerman-Berman and Jonathan Ackerman perform valuable ancillary executive roles alongside the Executive, focused on corporate social investment, transformation and customer relations.

The Board is satisfied that its balanced composition reflects an appropriate mix of knowledge, skills, experience, diversity and independence.

OUR DIRECTORS' SECTOR EXPERIENCE

A competitive advantage for the Board
The Board has broad local and international retail experience. We see this as a strong competitive advantage and a unique strength.

All directors receive regular briefings on changes in the Group's consumer and competitive environment, including relevant updates on regulatory compliance, which focus on the material opportunities and risks facing the Group that could impact on successful execution of the Group's long-term plan.

Board development focus areas for 2020
Climate change, security and the effectiveness of information technology, and supply chain logistics are multi-faceted aspects of our business that could have a broad impact on our operational performance and our ability to create sustainable value over the longer term. The Board will continue to build its proficiency in these areas, supported by a skilled management team.

The above graph indicates the number of directors on the Board who possess the relevant sector experience.

CONTROLLING SHAREHOLDER REPRESENTATION ON THE BOARD

The Group has a controlling shareholder, Ackerman Investment Holdings Proprietary Limited. The Chairman (Gareth Ackerman), one non-executive director (David Robins) and two executive directors (Suzanne Ackerman-Berman and Jonathan Ackerman) were nominated as representatives of the controlling shareholder, and were elected by shareholders to the Board. All are members of the Ackerman family, and are not considered independent by virtue of their indirect shareholdings in the Company. Between them they have over 84 years' experience in the Group. Their wealth of retail knowledge assists the Group in making decisions for the benefit of all stakeholders. To guard against a perception that a conflict of interest could arise between the controlling shareholder and other shareholders, the Board annually elects an independent non-executive director to act as lead independent director (LID). The role 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 position also provides an important point of contact for the broader investment and stakeholder community should they have concerns with the management of the Group or potential conflicts of interest.

DIRECTOR APPOINTMENT AND ROTATION

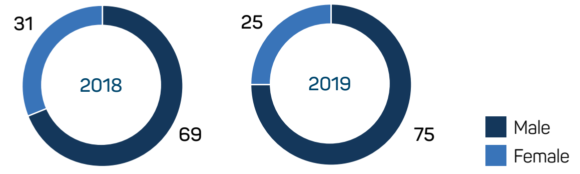
A third of non-executive directors resign at each annual general meeting.

This enables shareholders to hold directors to account and to appoint directors to the Board who shareholders believe will ensure long-term sustainable value creation for all stakeholders.

When filling vacancies, the Board seeks and appoints qualified individuals who reflect a diverse range of skills and professional backgrounds and who represent the gender, race and ethnic diversity of the communities we serve. This is guided by the Group's gender and race diversity policies.

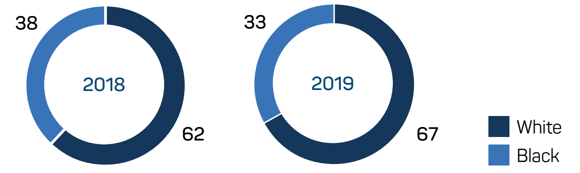
GENDER DIVERSITY – %

At least 25% of our Board should comprise women.



RACIAL DIVERSITY – %

At least 25% of our Board should comprise South African citizens who are African, Coloured or Indian.



The Board has achieved its gender and race diversity targets.

INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

At the end of each term of office, whether one year or three years, the director and the Chairman jointly evaluate directors' independence.

1 YEAR | 3 YEARS

The Company Secretary distributes an annual questionnaire, which gauges the independence of each non-executive director.

The questionnaire is completed by each non-executive director and submitted to the Chairman for consideration.

We consider factors such as:

- The director's involvement with other companies
- External directorships held
- Relationships with material suppliers and competitors
- Material contracts with the Group, if any
- Whether the director had been employed by the Group in an executive capacity during the preceding three years
- Whether the directors' fees represented a material part (10% or more) of their wealth or income

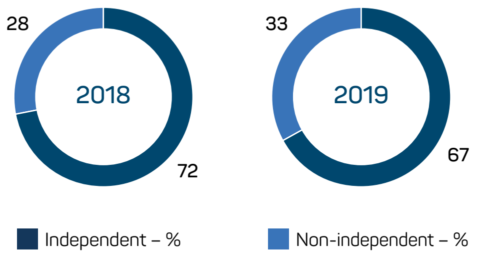
Following a discussion between Chairman and director, the Chairman makes recommendations to the Board as to independence.

The Board interrogates the recommendations before a final decision is made regarding the independence of each non-executive director.

By mutual consent the director may be considered for re-election.

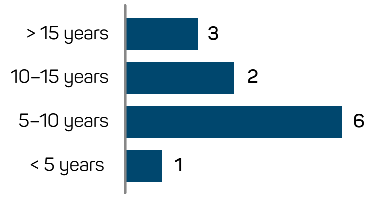
If so agreed, that director will be nominated for re-election by shareholders at the Company's annual general meeting.

All directors regularly declare their directorships and commercial interests 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.



DIRECTOR TENURE

King IV does not consider the length of a non-executive director's term in office as a determinant of independence. However, the Group's policy remains that all independent non-executive directors who have served on the board for more than nine years retire by rotation at the end of every year, instead of the standard three-year term of office.



The Board has established a good balance between the experience of long-standing directors and the fresh insights from more recently appointed directors. Our long-standing non-executive directors are highly respected in the industry and corporate South Africa. They provide the Board with valuable insight and perspective across the South African economic environment, and more particularly across the retail, property and financial sectors. We believe our longer-serving directors continue to act with objectivity and integrity. The Board is strengthened by the depth of their experience and their commitment to robust and meaningful debate.

The Board assesses its composition and its performance on an annual basis, and where it is felt that the Board needs to increase its independence, its skill and experience in any way, the appropriate changes are made.

WHAT THE BOARD FOCUSED ON DURING THE YEAR

The directors ensure that the Group is managed in a transparent, equitable and responsible manner for the benefit of all its stakeholders. The Board appreciates that the strength of its strategy, the identification of material issues, the effectiveness of its risk management, its commitment to social and environmental sustainability and its financial performance are all inseparable elements of long-term value creation. Directors engage in rigorous and informed debate with the aim of promoting direction, governance and effective leadership of the Group. Decisions are made by consensus. All Board members are conscious of their obligation to act with integrity and as representatives of all our stakeholders.

The Board supports the materiality approach, which emphasises integrated reporting based on the issues, risks and opportunities that can have a material impact on the sustainable performance of the Group over the short, medium and longer term. It ensures that the reports issued by the Group enable stakeholders to make informed assessments of its performance and its longer-term prospects. Details of the material issues and related risks identified and managed by the Group are set out on pages 32 to 37.

The issues and topics addressed by the Board during the year are set out on pages 10 and 11 of the Group's Corporate Governance report, available on our website at **www.picknpayinvestor.co.za**.

THE MOST MATERIAL ISSUES UNDER CONSIDERATION INCLUDED:

DISCUSSIONS, DECISIONS AND ACTIONS UNDERTAKEN BY THE BOARD DURING THE YEAR TO PROTECT AND CREATE VALUE FOR OUR STAKEHOLDERS

STRATEGY AND PERFORMANCE

CONSUMER AND COMPETITIVE ENVIRONMENT	The Board assessed the effectiveness of Group strategy in responding to changing customer needs, with a focus on finding growth in a tough economic climate. The Board monitored the management team's efforts to improve the cost effectiveness and efficiency of the business. Management has invested substantially in our customer offer, and effectively driven market-leading volume growth. The Board continues to monitor the impact of the increasingly difficult economic environment in South Africa on consumer confidence and consumer spend.
PERFORMANCE OF OUR REST OF AFRICA SEGMENT	The Board focused on Group operations outside South Africa to ensure tight management during tough economic times. Our Zambian team committed to and delivered strong cost discipline and working capital management to mitigate the impact of the low-growth environment. Developments in Zimbabwe were closely monitored in light of economic uncertainty and currency illiquidity in the region leading to inflationary pressure and social unrest. TM Supermarkets delivered a strong trade performance notwithstanding the difficult economic backdrop, and our financial reporting aimed to provide stakeholders with clear information on the performance of the business and the impact of currency devaluation on the Group result. The Board is committed to a prudent approach to expansion in Nigeria, without putting the core South African operation at undue risk. The Group plans to open its first store in Nigeria in 2020.
EFFECTIVENESS OF OUR PROCUREMENT AND DISTRIBUTION CHANNEL	The Board assesses the effectiveness and efficiency of the Group's centralised supply chain on a regular basis. This year the Board agreed to additional capacity for Pick n Pay in KwaZulu-Natal and for Boxer in Gauteng. The Board will continue to assess the need for an additional Pick n Pay facility to supplement its Longmeadow distribution centre in Gauteng. Stability of labour relations across the supply chain remains a key risk, and is closely monitored by the Board.

GOVERNANCE AND RISK MANAGEMENT

EFFECTIVENESS OF OUR INFORMATION SYSTEMS AND TECHNOLOGY	The Board reviewed and updated the Group's technology and information policy framework to ensure that our information security policy and privacy policy were current and reflected all relevant risks in our operating environment. The Board is cognisant of the increased risk of cyberattacks. The Board has endorsed ongoing investment in the development and maintenance of our IT infrastructure and security systems to guard against attack, protect the confidentiality of information and ensure the responsiveness and adequacy of recovery procedures.

DISCUSSIONS, DECISIONS AND ACTIONS UNDERTAKEN BY THE BOARD DURING THE YEAR TO PROTECT AND CREATE VALUE FOR OUR STAKEHOLDERS

PEOPLE, CULTURE AND DIVERSITY

IMPACT OF A STATUTORY MINIMUM WAGE	The Board assessed the impact of the introduction of a statutory minimum wage on 1 January 2019. The Group's long-standing fair and responsible remuneration policies meant that the application of a minimum wage would have a minor impact on Pick n Pay and Boxer. However, there would be an indirect cost impact across the value chain, with additional wage costs for certain suppliers and service providers. The impact will be countered by the additional discretionary spend for consumers, which is to be welcomed in tough economic times.
DIVERSITY	The Board monitored the work being done by the Group to achieve a diverse workforce at all levels. Extensive analysis was undertaken to establish a workforce profile and relative pay, with the goal of ensuring that all employees receive fair pay for work done and that the Group remains anti-discriminatory in its recruitment and remuneration. While comprehensive statistical analysis is ongoing, the results are encouraging, with good evidence that pay rates are not skewed by gender or race. The Board will continue to focus on the adequacy of the measures in place to retain and upskill employment equity employees, particularly in senior executive roles, including the removal of any potential barriers to entry.

FINANCIAL REPORTING

IFRS 16	The Group will adopt IFRS 16 in its 2020 financial year. The Board discussed and reviewed the requirements of IFRS 16, which will see the Group's extensive lease portfolio capitalised as "right-of-use assets" in the statement of financial position, with a corresponding lease liability in respect of future rental obligations. The Board appreciates that IFRS 16 will have a material impact on the Group's financial position and its reported performance, including key performance metrics such as return on capital employed, earnings before interest, tax, depreciation and amortisation (EBITDA), and relevant gearing ratios. The Board supported the establishment of an IFRS 16 team within the Group's finance division, assisted by external specialists, to deliver the implementation of IFRS 16. In the interests of transparency and clarity, the Board has agreed that IFRS 16 will be implemented on a fully retrospectives basis, and that the Group would report the impact thereof to stakeholders as soon as practicable.

This abridged governance report focuses on the most material governance-related issues, risks and opportunities managed by the Board during the year. For a full report on all activities, actions and decisions taken by the Board during the year, please refer to our Corporate Governance Report, which is available on our website: **www.picknpayinvestor.co.za**

OUR BOARD OF DIRECTORS

CHAIRMAN

Gareth Ackerman (61)

Chairman
BSocSci, CMS and AMP (Oxon)

- Appointed 1990
- Years of service to the Group: 35
- Years of service on the Board: 29
- Chairman of the corporate governance committee and the nominations committee

An executive at Pick n Pay for 15 years until 1999, Gareth headed up various divisions and served as Joint Group Managing Director and the Managing Director of Pick n Pay Group Enterprises. He was appointed to the Board in 1990 as an executive director, until becoming a non-executive director in 1999. From 2002 to 2010 Gareth was Chairman of Pick n Pay Holdings Limited, which at that time was the ultimate holding company of the Group. In 2010 he was appointed non-executive Chairman of Pick n Pay Stores Limited.

Among his other involvements, Gareth is co-chairman of the Consumer Goods Council of South Africa, and is previous co-chairman of the international Consumer Goods Forum. He is also a trustee of the Masisizane Fund and a member of the international board of the Young Presidents' Organisation (YPO). He chairs the Ackerman Family interests.

C SM CC G H L IT R LC F RM S

EXECUTIVE DIRECTORS

Richard Brasher (57)

Chief Executive Officer (CEO)
BSc (Hons)

- Appointed 2013
- Years of service to the Group and on the Board: 6

Richard joined Pick n Pay as CEO in 2013 and has led the plan to restore the business to sustainable long-term growth. He has an outstanding track record spanning 30 years in international retail, having joined Tesco in 1986 and having served as a director on the Tesco main board from 2004 to 2012.

C G CC L H R LC F RM S SM

Richard van Rensburg (58)

Chief Information Officer (CIO)
CA(SA)

- Appointed 2009
- Years of service to the Group and on the Board: 10

Richard has extensive experience in retail and information technology with Woolworths, Massmart and Affinity Logic. In 2009 he joined the Board of Pick n Pay as an independent non-executive director. Appointed as an executive director in 2011, Richard is the CIO, taking responsibility for the IT, financial services and e-commerce portfolios of the Group.

IT L RM R SM F G S

Bakar Jakoet (63)

Chief Finance Officer (CFO)
CA(SA)

- Appointed 2011
- Years of service to the Group: 33
- Years of service on the Board: 8

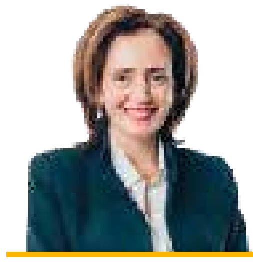
Bakar joined the Group in 1984, working in the national finance office, heading up special projects and new business. He was appointed divisional director in 1993 and served on the retail board as Chief Finance Controller since its inception in 1995. He was appointed as CFO and a member of the Board in 2011.

In addition to his responsibilities at Pick n Pay, Bakar is a member of the University of Cape Town Council and deputy chairman of the UCT finance committee.

The Board announced on 26 April 2019 that Bakar will be retiring once his successor has been appointed. After he retires from his executive position, Bakar will continue to contribute to the Group by serving in a non-executive capacity on the Board.

C G H R IT F LC S RM

Refer overleaf for keys indicating committee membership and sector experience.



Suzanne Ackerman-Berman (56)

Executive Director
BA, Fellow: Aspen Business Institute; First Movers

- Appointed 2010
- Years of service to the Group: 24
- Years of service on the Board: 9

Following broad executive experience in the Company, Suzanne was appointed Director of Transformation on the Group Executive in 2007. In addition to her executive contribution to the Company, she was appointed to the Board as a representative of the controlling shareholder in March 2010. Suzanne is chairperson of the social and ethics committee.

Suzanne is active in many areas of philanthropy across different sectors of society. In particular, she is a passionate proponent of enterprise development. She is chairperson of the Ackerman Pick n Pay Foundation, and heads the Pick n Pay Small Business Incubator.

C CC H SM R

Jonathan Ackerman (52)

BA Marketing

- Appointed 2010
- Years of service to the Group: 26
- Years of service on the Board: 9

Returning to South Africa after studying and working in the USA, Jonathan joined Pick n Pay in 1992. Having worked in many divisions, Jonathan ensures that the well-being of Pick n Pay's customers is the primary motivating factor for any strategic decision taken in the Company in his current role as customer director on the Group Executive. He was appointed to the Board as a representative of the controlling shareholder in March 2010.

C L H R SM S

NON-EXECUTIVE DIRECTORS

David Robins (65)

BBusSci

- Appointed 2002
- Years of service to the Group: 25
- Years of service on the Board: 17

David joined the Group in 1994 and was appointed in 2005 as the executive responsible for expansion outside South African borders. In 2002 he was appointed as Deputy Chairman of the Group and as an executive director. During 2008 he retired from his executive position. He remains on the Board as a non-executive director and as a representative of the controlling shareholder.

C G LC R RM F SM S

INDEPENDENT NON-EXECUTIVE DIRECTORS

David Friedland (65)

CA(SA)

- Appointed 2013
- Years of service on the Board: 6
- Other listed company directorships: Investec Limited, Investec plc, The Foschini Group Limited

David was the audit engagement partner and lead/relationship partner at Arthur Andersen and KPMG for several listed companies, as well as large owner-managed companies, principally in the retail sector.

C RM CC SM H G IT R LC F

Hugh Herman (78)

BA LLB, LLD (hc)

- Appointed 1976
- Years of service on the Board: 43
- Lead independent director (LID)
- Chairman of the remuneration committee

Hugh was a partner at law firm Sonnenberg Hoffmann Galombik before joining Pick n Pay in 1976. He was managing director of Pick n Pay from 1986, before joining Investec Bank in 1993. Hugh was appointed group chairman of Investec Bank Limited in 1994, a position from which he retired in 2011. Hugh was appointed honorary life president of the Investec Group and remains chairman of Investec Asset Management. Hugh resigned in 2018 from his directorship of Growthpoint Properties Limited.

LC R RM F G S

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

Alex Mathole (46)

BJuris LLB

- Appointed 2010–2013, reappointed 2016
- Years of service since re-appointment: 3

Admitted as an attorney in 1997, Alex has extensive experience in governance, legal and regulatory risk management. She is currently the regulatory and conduct risk management executive at FirstRand, taking responsibility inter alia for regulatory compliance with financial sector laws and requirements, market conduct, business conduct, ethics and promoting an appropriate risk culture.

Alex started her career practising in commercial, corporate law and litigation for two years, before joining Gray Security (subsequently merged with Securicor) in 1999 where she managed different portfolios related to employment law for five years. In 2006, Alex joined Siemens where she became general counsel for Siemens in Africa and subsequently executive director for sustainability and corporate affairs until 2012. From 2012 until 2014, Alex was corporate and regulatory affairs executive at Tiger Brands Limited.

C RM CC G H R LC S

Audrey Mothupi (49)

BA (Hons)

- Appointed 2013
- Years of service on the Board: 6

Audrey is the CEO of SystemicLogic Group, a global financial innovation and technology disruptor. Audrey's experience spans various business domains including group strategy, talent design, marketing and communications strategy, integrated with strong corporate relationship management. Prior to SystemicLogic Group, Audrey served as the head of inclusive banking at Standard Bank Group and before that the chief executive of Strategic Services at the Liberty Group of companies. Audrey has completed the executive programme, Artificial Intelligence: Implications for Business Strategy at MIT Sloan School for Management.

Audrey serves on the boards of Brainworks Capital and listed company Life Healthcare Group as an independent non-executive director. She is chairperson of Roedean School South Africa, as well as Orange Babies South Africa, a non-profit organisation focused on the prevention of mother-to-child transmission of HIV/Aids and the care of Aids orphans and vulnerable children. Audrey is a member of the Numeric Board of South Africa, an organisation that focuses on helping young South Africans excel in mathematics and training world-class mathematics teachers.

C SM CC G H R IT F LC S RM

Lorato Phalatse (57)

BA (Hons), MA

- Appointed 2010
- Years of service on the Board: 9
- Resigned 31 August 2018

Lorato began her working career in the FMCG sector at Unilever and at Johnson & Johnson. After moving to Nedperm in the retail banking sector, she was seconded to the Women's Development Bank. One of the founders, and the first CEO of Nozala Investments Proprietary Limited, she sat on the boards of companies such as Tsebo/Fedics, Kyocera and Afripack. Lorato has also spent time in the public sector with both provincial and national government, ultimately heading up the Private Office of the President of South Africa. Lorato was chairman of the Bidvest Group, before resigning in 2019. She also served on the boards of the Peermont Group and MTN South Africa before stepping down in 2018. Lorato remains on the board of the Masisizane Fund. After eight years of distinguished service to the Group, Lorato resigned from the Board with effect from 31 August 2018.

Members of:

- Audit, risk and compliance committee
- Remuneration committee
- Nominations committee
- Corporate finance committee
- Corporate governance committee
- Social and ethics committee
- Executive committee
- Employee share incentive trust

Jeff van Rooyen (69)

BCom (SA), Hons BCompt, CA(SA)

- Appointed 2007
- Years of service on the Board: 12
- Chairman of the audit, risk and compliance committee

A chartered accountant with extensive experience in both the private and public sectors, Jeff is the founder CEO of Uranus Investment Holdings Proprietary Limited. His involvement in the accounting profession over the years is extensive. Former appointments include being a trustee of the IFRS Foundation, chairman of the Public Accountants and Auditors Board (now IRBA) and founder president of the Association for the Advancement of Black Accountants. His public sector record is equally extensive. Former appointments include chairman of the Financial Reporting Standards Council, executive officer of the Financial Services Board, member of the Advisory Committee, Faculty of Economics and Management Sciences of the University of Pretoria and member of the Standing Advisory Committee on Company Law. Jeff is also a director of two other listed companies: MTN Group Limited and Exxaro Resources Limited.

H G IT R LC F RM S

COMPANY SECRETARY

Debra Muller (57)

Company Secretary
BA LLB

- Appointed 2010
- Years of service to the Group: 13

Debra was admitted as an attorney in 1988. From 1994 she assisted Pick n Pay as a legal consultant, taking a permanent position as in-house legal advisor in 2006, working with litigious, contractual and compliance issues. Appointed as Company Secretary to the Pick n Pay Group in 2010, Debra continues to head up the legal department. In 2016 Debra was appointed to the board of directors of the Consumer Goods and Services Ombud (RF) NPC, where she also serves as a member of the CGSO audit and risk committee. In addition, Debra serves as a director of St Luke's Hospice property company.

HONORARY LIFE PRESIDENTS

Years of service: 52

Raymond Ackerman

Years of service: 52

Wendy Ackerman

- C Corporate social responsibility
- CC Climate change
- H Human resources
- IT Information technology
- LC Legal compliance
- RM Risk management
- SM Sales and marketing
- G Governance
- L Logistics
- R Retail
- F Finance
- S Strategy

Refer to page 84 for insight into the Board's overall sector experience.

REMUNERATION REPORT

"The Group's remuneration policies balance our employees' needs with those of our shareholders."

HUGH HERMAN | CHAIRMAN REMUNERATION COMMITTEE

Members: Gareth Ackerman, Audrey Mothupi, Jeff van Rooyen

SECTION 1: COMMITTEE CHAIRMAN'S REPORT

The remuneration committee is mandated by the Board to ensure our remuneration policy promotes the achievement of the Group's strategic objectives in a fair and responsible way. A key objective is to ensure that the policy helps to deliver value creation over the short, medium and long term.

Our remuneration policy seeks to support the Group's strategy by incentivising behaviour that will deliver on our strategic plan, measured against clear performance targets across our seven business acceleration pillars. Decisions on pay and reward for the Board and senior management must be appropriate to attract, motivate and retain a winning team while aligning their interests with that of shareholders.

THE YEAR IN REVIEW

The economic climate became increasingly difficult in South Africa this year, with retailers battling against stagnant economic growth and competing for a constrained consumer facing an escalating cost of living, high levels of household debt and rising levels of unemployment. Financial results across the sector testify to the fact that it has not been easy for retailers in South Africa to find growth in this environment. However, the Pick n Pay Group has done just that. The Group took difficult action last year to become leaner and more productive, with a view to invest the benefits of cost and efficiency savings in its customer offer in more difficult times. The steps taken last year were well timed, and allowed the Group to invest in a more competitive price position at a time when customers needed it the most. The Group is not only sharper on price. It has delivered solid and sustained progress against its long-term plan, delivering a stronger fresh and own brand offer, greater loyalty rewards, innovation in financial and other services, and an enhanced and expanded store estate focusing on delivering greater relevance to the communities it serves. Customers have responded positively to the tangible improvements in the Group's offer, and have rewarded the Group through market share gains over the year, and strong like-for-like sales volume growth.

2019 FINANCIAL RESULT AND ANNUAL BONUS

The remuneration committee continues to exercise careful judgement, to ensure that its policies and expectations of performance remain relevant in a tough retail environment. In response to the more difficult macroeconomic climate, the committee revised its original FY19 growth targets published last year.

The Group follows a 52-week retail financial calendar, which requires the inclusion of an additional week every few years. The 2019 financial year included an additional 53rd trading week, and its results are not directly comparable with last year. The growth targets set by the remuneration committee are on a comparable 52-week basis.

Primary targets for the award of a short-term incentive bonus:

	Growth in profit before tax and exceptional items (PBTAE)	
	Published last year	Revised
Threshold	15%	10%
Target	20%	15%
Stretch	25%	20%

The Group delivered growth in profit before tax and exceptional items (PBTAE) of 15.6%, exceeding the remuneration committee's threshold hurdle, for the award of a short-term incentive bonus. Group profit growth was in line with the remuneration committee's target. While the stretch hurdle of 20% was not met, the remuneration committee felt it right to appropriately reward the management team for their determined execution of a clear and customer-centric plan, their delivery of an industry-leading trade performance, and the achievement of sustained earnings growth in an exceedingly tough market. Senior executives were rewarded following an individual personal assessment of the attainment of individual key performance indicators, including progress delivered against long-term strategic objectives. Please refer to page 104 for further information on bonuses awarded to executive directors.

PARITY OF REMUNERATION ACROSS GENDER AND RACE GROUPS

The Group is committed to fair and reasonable remuneration for all. Fixed and variable benefits are benchmarked against industry norms, and remuneration policies seek to build a strong and diverse team, rewarded and advanced on merit. As a responsible corporate citizen, proud of our history and commitment to all our employees and being an ambassador for employment equity, we devote the necessary focus to important issues of employment equity, gender equity and pay parity. Comprehensive statistical analysis at all levels of remuneration is ongoing, with reference to the scale of each role and length of tenure, to identify and address any differential pay rates based on race or gender. We have made strong progress on our employment equity and gender equity targets across the business, while acknowledging that there is more to do in our most senior roles. Our work in analysing pay to identify any differentials is ongoing. However, the initial findings are encouraging, with good evidence of gender pay parity at all levels across the business. Our work in this area continues on a department-by-department basis, with the following commitments to our employees:

- We will take deliberate action to continue to improve the Group's employment and gender equity, particularly at senior levels.
- We are equitable in our recruitment and remuneration
- Colleagues will enjoy fair pay for work done – equal pay for equal work
- Everybody will have the opportunity to progress in the Group

REVIEW OF LONG-TERM SHARE INCENTIVE SCHEMES

The Group implemented its Forfeitable Share Plan (FSP) as a long-term incentive tool for its senior executive team in 2014. After five years, the remuneration committee felt it was timely to evaluate the success of the FSP scheme in meeting the long-term strategic objectives of the business, and to weigh up the merits of the scheme against other long-term employee incentive plans operated across our industry. We engaged an independent expert to assist in our deliberations, and assessed a number of alternative schemes. After a comprehensive review, the remuneration committee elected to retain the structure of the FSP, concluding that the scheme has been effective in attracting and retaining key executives, has provided a meaningful incentive for the delivery of long-term strategy, and has supported long-term value creation for all stakeholders. The remuneration committee will continue to assess the effectiveness and appropriateness of its various share incentive schemes, and seek to modernise its incentive tools when appropriate.

STABILITY OF LABOUR RELATIONS

The Group has secured three-year labour agreements with its major labour unions in South Africa. These agreements reflect encouraging levels of co-operation with our labour partners, and a commitment to work together for the future success and stability of our business, and for the security and benefit of our employees.

RETIREMENT OF OUR GROUP CFO

Bakar Jakoet will retire as CFO over the coming months, after 34 years with the Group and eight years in the role. We extend our sincere thanks to Bakar for his outstanding contribution to the Group over a distinguished career, and particularly for his guidance and support over our challenging turnaround period. The Board, with the support of the nominations committee, are following a formal process to identify and appoint a successor. Bakar will stay on during this process and has offered his ongoing support through a handover period. We look forward to Bakar playing a non-executive role in the business going forward.

LOOKING AHEAD

The Group's resolute focus on the objectives set out in its long-term plan is building a sustainable and future-fit business, better able to respond to changing customer needs and industry trends. This creates exceptional and exciting opportunities for people looking to build a successful career in retail. We are strengthening a winning team, and with our focus on diversity, skills training and development, we are becoming an employer of choice within the retail industry. The remuneration committee will continue its work this year on employment equity, gender equity and pay parity across the Group and will continue to focus on talent management, retention and succession planning, including through the effective balance of short- and long-term incentives linked to the achievement of Group strategy.

Hugh Herman
Chairman: Remuneration committee
21 June 2019

IN ADDITION TO THE KEY DECISIONS AND FOCUS AREAS HIGHLIGHTED, THE REMUNERATION COMMITTEE:

Reviewed the Group's remuneration policy to ensure alignment with the Group's strategic objectives of building a winning team and driving long-term value creation

Reviewed the Group's remuneration policy in line with best practice in the market

Agreed the remuneration packages of executive directors and reviewed the remuneration packages of senior management and key employees in line with market-related benefits

Reviewed and approved performance-related short-term incentives as well as long-term share-based incentives, including the fifth allocation of shares under the Group's forfeitable share plan

Determined the overall salary increase for salaried staff across the Group – with higher increases provided to lower levels of salaried staff, recognising the greater impact the difficult economic environment has on these employees

Proposed fees for non-executive directors, for shareholder approval

Considered talent management and succession planning, including succession of the Group CFO

REMUNERATION REPORT (continued)

REPORTING TO OUR STAKEHOLDERS

To drive sustainable value creation for our stakeholders, our remuneration policy seeks to build the most skilled and talented retail business in South Africa.

Our remuneration policy, including all reward principles, is consistent with last year and is outlined in section 2 of this report.

Read more from page 96.

The application of our remuneration policy in 2019 is detailed in section 3 of this report.

Read more from page 104.

The remuneration committee is confident that the remuneration policy achieved its stated objectives in support of the Group's long-term strategy:

- senior management and staff were remunerated fairly, commensurate with market best practice
- current achievements were recognised
- future performance was incentivised in line with the objectives of the Group's long-term strategy and shareholders' interests.

In line with King IV, we will present section 2 and 3 of this report separately to our shareholders for non-binding votes at the AGM on 30 July 2019. The proposed directors' fees for the 2020 and 2021 financial periods will be submitted to shareholders for approval at the AGM. Please refer to page 105 for further information.

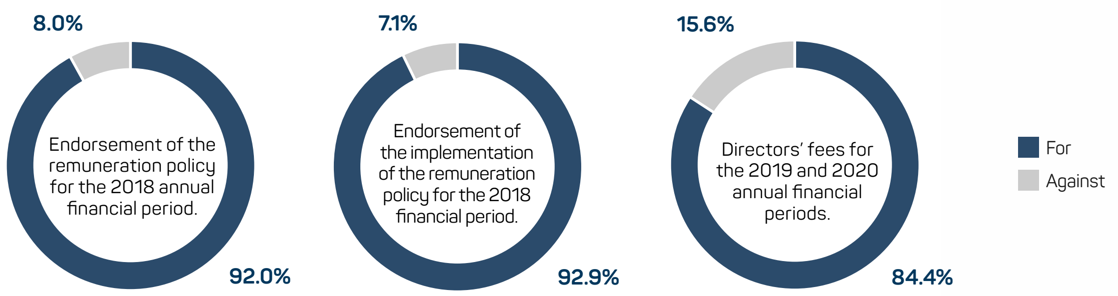
In the event that either the remuneration policy or the implementation report receives 25% or more dissenting votes, management will engage directly with shareholders to:

- determine the reasons for the dissenting votes; and address all legitimate objections
- take any reasonable steps to resolve shareholder concerns.

We value open and constructive engagement with our shareholders. We therefore encourage them to engage with management on material remuneration issues to ensure that they are informed when voting on the Group's remuneration policy and the application thereof.

The remuneration policy and directors' fees for the 2019 financial period were approved by shareholders at the AGM held on 30 July 2018 as follows:

Advisory vote 1 | Advisory vote 2 | Special resolution number 1



The remuneration committee is satisfied that it has fulfilled its responsibilities in terms of the Board charter and its objectives for the 2019 financial period.

THE REMUNERATION COMMITTEE'S ROLE

The remuneration committee assists the Board in meeting its responsibility to determine and administer an appropriate and effective remuneration policy, which is:

- balanced in the best short- and long-term interests of the Group, its shareholders and its employees
- aligned to the Group's strategic objectives.

The committee considers and recommends the remuneration policy for all levels of staff in the Group, with a particular focus on executive directors, senior management and non-executive directors. It 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 by the Board. No amendments were made to the charter during the year under review.

COMPOSITION AND MEETING ATTENDANCE

Director	Attendance
Hugh Herman	3/3
Gareth Ackerman	3/3
Audrey Mothupi	3/3
Jeff van Rooyen	3/3

Although independent expert advice is obtained as required, no external advisers attended the remuneration committee meetings during the year.

TRAINING

The remuneration committee received training from independent remuneration consultants in April 2019, incorporating an overview of local and international best remuneration practices. The committee was gratified to find that its policies, procedures and focus areas are aligned with best practice.

REMUNERATION REPORT (continued)

SECTION 2: OVERVIEW OF REMUNERATION POLICY

WHAT GUIDES OUR REMUNERATION

REMUNERATION PHILOSOPHY

Our remuneration philosophy is to develop and reward a diverse, high-performance team that delivers on our strategic objectives and creates sustainable value for all stakeholders over the short, medium and long term. Our remuneration philosophy reflects the following principles:

- **Performance-driven reward:** Staff are rewarded for creating and delivering sustainable value in line with our strategic objectives
- **Meritocracy:** Staff are recognised and advanced based on merit
- **Most talented South African retail business:** We attract, retain and develop the most talented staff in the retail industry
- **Effective and lean organisation:** We build a high-performance culture that rewards productivity and value creation
- **Diversity:** We offer equal opportunities to people from all walks of life and our team should reflect the communities we serve

REMUNERATION POLICY

The Group's underlying remuneration policies support this philosophy through balanced reward that recognises the delivery of short-term performance goals, while incentivising sustainable value creation over the long term. The interests of our team are aligned with those of our shareholders through policies which include the following:

- Remuneration at all levels is benchmarked against the remuneration policies and practices of comparable companies (locally and internationally) to ensure that it is fair and reasonable, and key or scarce skills are remunerated in the upper quartile of the market
- Independent experts assist with remuneration benchmarking to ensure that remuneration decisions made are objective and fair
- Remuneration is balanced between fixed remuneration and variable short- and long-term incentives, applying a higher proportion of variable remuneration to senior management to drive performance, and placing a greater emphasis on fixed pay for middle and junior management
- Non-executive directors do not receive remuneration or incentive awards related to share price or corporate performance

ALIGNING REMUNERATION WITH STRATEGY

The Group's remuneration philosophy and policies are aligned with the strategic objectives of the Group. Short- and long-term incentives are linked to the achievement of key performance targets linked to strategic objectives, and will contribute to building a winning team and long-term, sustainable value creation in the business for all stakeholders.

The primary performance target for the management teams' short-term incentive bonus, is growth in profit before tax and exceptional items (PBTAE).

This primary target has a 100% weighting in determining whether an annual bonus will be awarded.

Thereafter secondary key performance indicators apply, to determine the value of individual bonuses awarded.

Primary PBTAE threshold not met — No short-term incentives are paid

Primary PBTAE threshold met — Bonus is payable at the discretion of the remuneration committee, subject to an assessment of changes in the economic environment and a review of the level of delivery of certain secondary performance targets, including individual key performance indicators (refer diagram on page 97).

Stage 1: Stabilise the business

Strategic objectives (refer to pages 44 to 53)

- Grow sales in line with or ahead of the market
- High levels of operating efficiency
- Sustainable margin improvement

Stage 2: Change the trajectory

Business acceleration pillars

1. Better for customers
2. A flexible and winning estate
3. Efficient and effective operations
4. Every product, every day
5. A winning team
6. Boxer – a national brand
7. Rest of Africa – a second engine of growth

Short-term incentives (Group performance)

Primary performance target:

- Growth in profit before tax and exceptional items (PBTAE)

100% weighting

Long-term incentives (Group performance)

Primary performance target:

- HEPS
- ROCE
- Share price

100% weighting

Secondary short-term performance targets examples include: (Individual performance)

- Annual individual performance review
- Turnover growth
- Improved cost ratios
- Reduced net finance costs
- Stronger profit margins
- Reduced stock-on-hand days
- BBBEE performance
- Resource efficiency

Discretionary considerations depending on the level of delivery

Stage 3: Sustainable long-term growth

Primary long-term performance targets: (Group performance)

- Sustainable HEPS growth over a rolling three-year period
- ROCE > WACC
- Share price appreciation
- PBT margin at or above 3.0% over the medium term

REMUNERATION REPORT (continued)

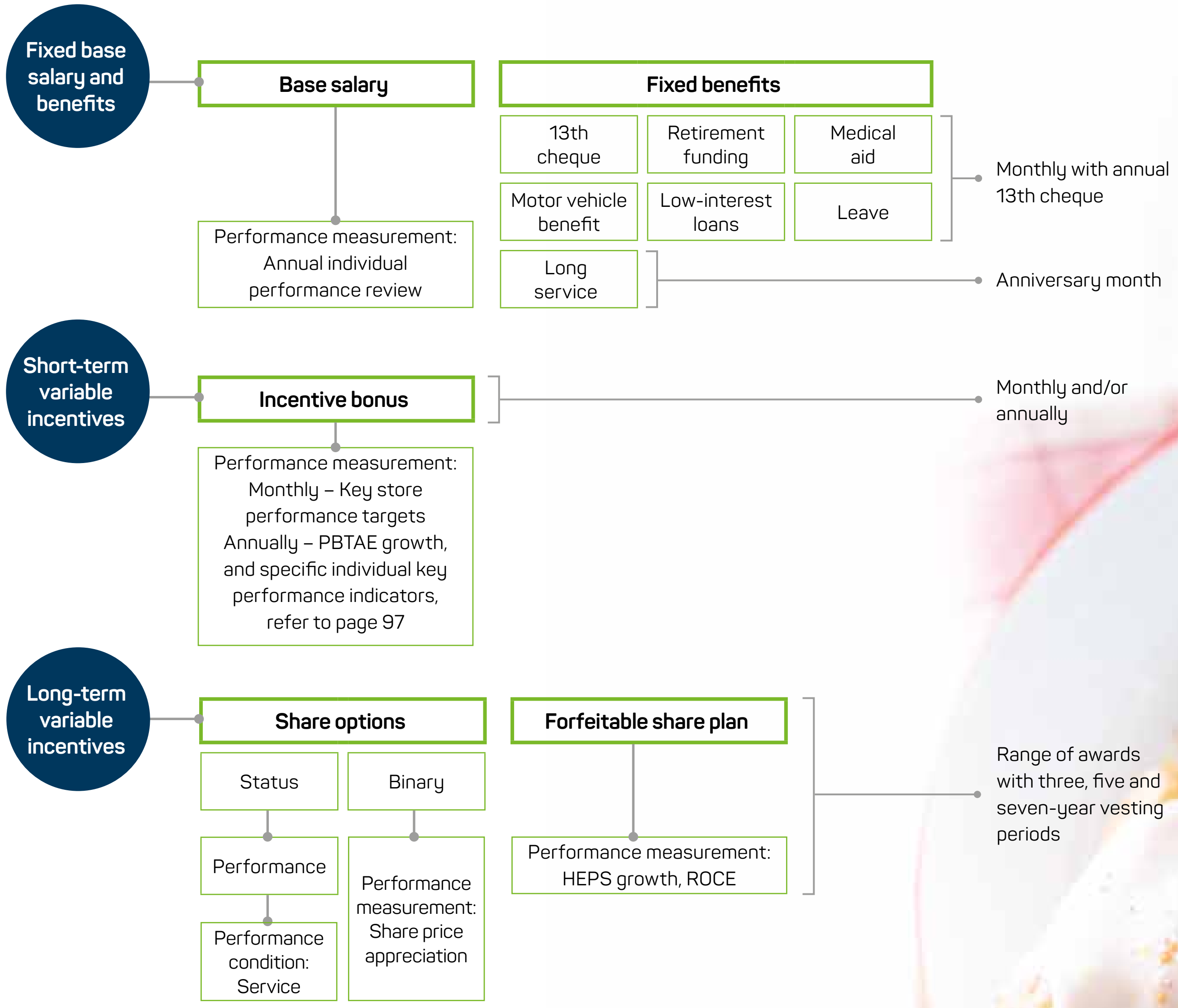
FAIR AND RESPONSIBLE REMUNERATION

The remuneration committee reviewed the Group's remuneration policies to ensure that executive director remuneration is fair and responsible in the context of overall employee remuneration, particularly given the socio-economic climate of South Africa and the South African retail industry.

The committee is satisfied that the Group's remuneration policies, supported by strong underlying governance principles, ensure that levels of pay awarded to executive directors are set objectively and reasonably, and are free from discrimination, prejudice or favouritism. Executive pay is directly linked to the achievement of strategic objectives set out in the Group's long-term plan, which are reflected in the performance targets set by the remuneration committee.

The remuneration committee recognises its important role in ensuring that the Group's remuneration policies support the Group's strategic goals. And, it also ensures that executive directors are remunerated fairly and for reasonable performance in line with industry benchmarks and shareholder expectations. The executive team will not be unduly rewarded where performance does not meet expectations. However, the committee will strive to find a fair and reasonable balance in order to retain key executives and attract quality executives from outside the business to ensure that the Group delivers on its strategic objectives.

REMUNERATION STRUCTURE



FIXED BASE SALARY AND BENEFITS

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

Base salary

Annual base salaries, across all levels of the Group, are set at levels that are competitive with the rest of the market. This enables us to attract, motivate and retain the right calibre of diverse people to achieve the Group's strategic business objectives. The fixed base salary reflects the relative skill, experience, contribution and performance of the individual. Remuneration is directly linked to formal annual performance assessments. Annual increases are determined with reference to the scope of the employee's role, his/her competence and performance, the projected consumer price index and comparable increases in the general and retail market.

Retirement funding

It is a condition of employment that all employees, including variable-time employees,[3] join one of the retirement funds provided by the Group. The Group contributes up to 8.7% of the individual employee's salary towards retirement funding, depending on the fund and the terms and conditions of employment.

13th cheque

A 13th cheque is 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 to receive this benefit.

Leave

Annual leave accumulates from the date of starting employment and varies between three and five 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 also provides family responsibility and religious leave, where applicable.

Long service

The Group rewards long service with a cash award in the month an employee attains a five-year service anniversary, and again for every five-year anniversary thereafter. Long service is also recognised with an additional allocation of leave, depending on the terms and conditions of employment, at five-year intervals.

Medical aid

Medical aid provisions are in place for all full-time[1], part-time[2] and variable-time[3] employees. We provide a number of medical aid schemes. Membership is compulsory for all employees at junior 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. We contribute 50% of medical aid contributions on behalf of employees.

Motor vehicle benefit

Certain employees in middle management and above are entitled to a motor vehicle benefit. Depending on the requirements of their role, it may be in the form of a travel allowance or provision of a company car. This benefit may include payment of maintenance, fuel and insurance.

Low-interest loans

All employees have access to low-interest loans from the Group. The primary objective is to assist employees with the acquisition of residential property. Loan values are capped at varying amounts, depending on the employee's position. Affordability tests are performed before any loan is granted to ensure that the employee does not experience financial strain.

All housing loans are secured by the employee's retirement funding. No financial assistance is provided to assist employees to buy shares in the Group. For further details on employee loans, refer to note 14 on page 63 of the 2019 AFS.

[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] NMBU refers to our non-management bargaining unit.

REMUNERATION REPORT (continued)

SHORT-TERM VARIABLE INCENTIVES

The short-term incentive bonus is discretionary. It is triggered by the attainment of a threshold target of growth in PBTAE, as set by the remuneration committee. The primary short-term performance target is supported by secondary short-term targets aligned to the Group's strategic plan. Refer to page 97.

The bonus pool is self-funding and is created after the achievement of predefined 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. Each individual's share of the bonus pool is dependent on the overall Group target being reached and on their own individual performance, as measured through the Group's annual performance appraisal process.

Bonuses are capped at the following multiples:

Grades	Category	Bonus cap
A	CEO	24 x basic monthly salary
A	Group executive	12 x basic monthly salary
B	Senior management	6 x basic monthly salary
C and D	Middle management	4 x basic monthly salary
E and F	Junior management	13th cheque

The bonus paid to middle management is reduced by the value of the fixed 13th cheque. Other, more frequent incentive bonuses are paid to qualifying staff at store level. These incentives are linked directly to short-term store performance targets, including turnover, stockholdings, shortages and waste.

LONG-TERM VARIABLE INCENTIVES

It is Group policy to maintain a broad-based share scheme for employees. This is an integral part of our remuneration philosophy and ensures that the long-term interests of staff are aligned with those of shareholders. The primary performance targets are long-term sustainable HEPS growth and share price appreciation. All levels of management can acquire Group shares, affording them the opportunity for economic upliftment, and it encourages employee retention. It is a key differentiator between the Group and other retail employers in South Africa.

The Group operates two share incentive schemes:

1. Share option scheme
2. Forfeitable share plan (FSP)

Funding of share incentive schemes

Shareholders have authorised the Board to utilise up to 63.9 million shares of Pick n Pay Stores Limited, representing 13% of issued share capital, for the purpose of managing the Group's share schemes. Both the Group's share schemes fall within this limit, which means the aggregate number of shares that can be awarded under both schemes cannot exceed the authorised limits.

The two share schemes are further constrained by an aggregate limit of 5% of the issued share capital of Pick n Pay Stores Limited, in respect of the amount of new shares that can be issued to cover obligations under the employee share schemes.

The Group issued 5 million shares during the year. The Group has cumulatively issued 15.7 million shares to date and is therefore able to issue a further 8.9 million shares or 1.8% of its issued share capital to fund future obligations under the share schemes. Refer to notes 5 and 18 of the 2019 AFS for further details of the outstanding options and limits available under the schemes.

1. SHARE OPTION SCHEME

The employee share option scheme (the scheme) facilitates broad employee share ownership, fosters trust and loyalty among employees and rewards performance. The scheme incentivises management and employees through the acquisition of Group shares, thereby aligning interests with shareholders and encouraging employee retention. Furthermore, binary share options incentivise senior management to achieve specified market-related performance targets.

During the 2019 financial year, 6.5 million Pick n Pay Stores Limited (PIK) options were issued to employees in respect of their progress and performance. A total of 27.8 million PIK share options were held by employees at year-end, amounting to 5.6% of shares in issue. Refer to note 5 of the 2019 AFS for further information.

The future net realisable value of all outstanding share options as at 3 March 2019:

Year	Average grant price R	Number of options 000's	Net realisable value* Rm
Outstanding share options may be taken up during this following financial periods:			
2020	37.67	11 830.5	372.2
2021	57.33	2 294.2	27.1
2022	58.61	2 217.7	23.3
2023	68.46	3 251.5	2.2
2024 and after	67.74	8 178.7	11.4
		27 772.6	436.2

* *The net realisable value of outstanding share options was calculated using the prevailing market share price at year-end of R69.13 less the average grant price. Binary share options include performance hurdles that, if met, trigger discounted grant prices.*

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.

This is a broad-based scheme, rewarding and empowering employees at all levels of management and, as such, no further performance conditions are attached. Vesting is only dependent on the employee remaining in the employ of the Group over the specified vesting period. If the employee leaves the employ of the Group before the end of a vesting period, unvested share options lapse.

Performance share options – service conditions attached

Middle-management employees may be eligible for performance "top-up" share options in recognition of their individual performance and contribution to the Group. These options vest in the same manner as status share options.

In order to encourage employee retention, status and performance shares vest in three tranches (vesting periods) as follows:

3 years of service **40%**

5 years of service **30%**

7 years of service **30%**

Binary share options – service and performance conditions attached

Binary share options are granted to employees in senior management positions. These three- to six-year options may only be taken up when prescribed performance conditions linked to the growth of the PIK share price are met. Should further performance hurdles be achieved, discounted grant prices may apply. If the initial eligibility hurdle is not met, the options are forfeited.

Binary share options issued to executive director

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 and were initially due to vest in November 2017, subject to the attainment of prescribed share price conditions.

In September 2017 the remuneration committee extended the vesting term of these binary options to November 2018, in light of the earnings impact of the voluntary severance programme (VSP) undertaken in that year, and the potential for a negative short-term impact on the share price in an increasingly volatile local equities market. The VSP was an important step in repositioning the Group for sustainable growth in a difficult economic climate, and the committee agreed that the CEO should not be unreasonably disadvantaged for strategic action taken for the long-term benefit of the Group.

The salient features are summarised below:

Hurdles	Share price November 2018	Annual compound growth rate	Exercise price November 2018
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 2018 reached R105.11 (representing an annual compound growth rate of 20% from grant date), a cash bonus of R10.6 million would be paid.

The 20-day VWAP on 14 November 2018 was R69.18, and as such the binary shares vested in full and were available for take-up at an exercise price of R42.24. As the 20-day VWAP did not reach R105.11, no further cash bonus was paid.

2. THE FORFEITABLE SHARE PLAN (FSP)

The FSP recognises key employees who have a significant role to play in delivering Group strategy and ensuring the growth and sustainability of the business in the future. Through the attachment of performance conditions, the FSP incentivises participating employees to deliver earnings growth in the future. An award of shares may also be used to attract talented prospective employees.

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.

The remuneration committee awards shares to participants. The actual number of shares awarded takes into account recognised market benchmarks, and each participant's individual contribution to value creation, annual salary, employment grade and other relevant retention and attraction requirements.

The performance conditions are linked to the Group's financial performance, with growth in headline earnings per share (HEPS) as the primary performance measure. Performance conditions are applied on a linear, rising scale, allowing for the vesting of an increasing number of shares, as earnings thresholds are met and exceeded. All growth thresholds are after recognising the applicable IFRS 2 share-based payments expense, which is charged to the income statement over the vesting term of the forfeitable shares. The scheme is therefore self-funding.

To ensure that the FSP is aligned with the best interests of the Group and its shareholders, the performance conditions are subject to an overriding condition that the Group'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 the Group has generated a real return for shareholders before rewarding its management team.

REMUNERATION REPORT (continued)

FSP awards

The HEPS performance conditions attached to FSP awards are adjusted to reflect relevant changes in accounting policy over the vesting period of the shares, as appropriate.

2015 award (FSP 2)

Issue date: August 2015

Vesting date: June 2018

Performance conditions:

2015 Baseline HEPS Cents	Three-year CAGR %	2018 HEPS Cents	Position of shares which vest %	Number of shares which vest 000's	Net realisable value* Rm
173.34	< 10	< 230.72	All forfeited	–	–
173.34	10	230.72	30	330.1	25.9
173.34	11	237.07	65	715.3	56.1
173.34	12	243.53	100	1 100.4	86.3

* *The net realisable value of outstanding FSP shares was calculated using the prevailing market share price at the date of vesting of R78.38.*

The Group delivered HEPS of 276.98 cents in FY18, exceeding the stretch target of 243.53 cents per share. FSP fully vested on 25 June 2018, delivering 1.1 million shares to the value of R86.3 million to 98 participants.

2016 award (FSP 3)

Issue date: August 2016

Vesting date: June 2019

Performance conditions:

2016 Baseline HEPS Cents	Three-year CAGR %	2019 HEPS Cents	Position of shares which vest %	Number of shares which vest 000's	Net realisable value* Rm
215.22	< 10	< 286.46	All forfeited	–	–
215.22	10	286.46	30	456.8	31.6
215.22	12	302.37	65	989.6	68.4
215.22	14	318.86	100	1 522.5	105.3

* *The net realisable value of outstanding FSP shares was calculated using the prevailing market share price at year-end of R69.13.*

The Group delivered HEPS of 322.65 in FY19 (normalised for a 52-week trading calendar), exceeding the stretch target of 318.86 cents. The 2016 FSP award will vest on 25 June 2019. A total of 1.5 million shares are held by a CSDP on behalf of 103 participants.

2017 award (FSP 4)

Issue date: June 2017

Vesting date: June 2020

Performance conditions:

2017 Baseline HEPS Cents	Three-year CAGR %	2020 HEPS Cents	Position of shares which vest %	Number of shares which vest 000's	Net realisable value* Rm
258.65	< 10	< 344.29	All forfeited	–	–
258.65	10	344.29	30	1 123.6	77.7
258.65	11	353.76	65	2 434.6	168.3
258.65	12	363.41	100	3 745.5	258.9

* *The net realisable value of outstanding FSP shares was calculated using the prevailing market share price at year-end of R69.13.*

A total of 3.7 million shares are held by a CSDP on behalf of 118 participants.

2018 award (FSP 5)

Issue date: June 2018

Vesting date: June 2021

Performance conditions:

2018 Baseline HEPS Cents	Three-year CAGR %	2021 HEPS Cents	Position of shares which vest %	Number of shares which vest 000's	Net realisable value* Rm
276.98	< 10	< 368.66	All forfeited		
276.98	10	368.66	30	947.1	65.5
276.98	11	389.14	65	2 052.1	141.9
276.98	12	410.36	100	3 157.0	218.2

* *The net realisable value of outstanding FSP shares was calculated using the prevailing market share price at year-end of R69.13.*

A total of 3.2 million shares are held by a CSDP on behalf of 121 participants.

SERVICE CONTRACTS

Executive directors and senior management are employed in terms of the Group's standard contract of employment. They are only employed under fixed-term contracts under specific circumstances. Senior management personnel are required to give a reasonable notice period of their intention to terminate their services, which varies from one to 12 calendar months.

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. Discretionary termination or restraint of trade payments may be made in this regard.

The retirement age for all employees is 60 years. The Group's Chief Finance Officer, Bakar Jakoet, has reached retirement age and was employed under a fixed-term contract in FY19. Bakar has announced his retirement from the Group, and will step down as Group CFO during FY20.

REMUNERATION STRUCTURE: 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. Refer to page 105 for more detail on the proposed fees for 2020. Fees are not subject to attendance of meetings as attendance of Board meetings is generally good.

Non-executive director remuneration is not linked to the performance of the Group or the Group's share price performance. Non-executive directors do not receive performance-related bonuses and are not granted any share awards.

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.

REMUNERATION REPORT (continued)

SECTION 3: IMPLEMENTATION OF REMUNERATION POLICY

WORK PERFORMED AND DECISIONS TAKEN BY REMUNERATION COMMITTEE

The main items considered and approved by the remuneration committee during the 2019 financial period were as follows:

EXECUTIVE DIRECTOR REMUNERATION BENCHMARKING, INCLUDING A REVIEW OF ALL BENEFITS PROVIDED

The remuneration committee reviewed the total remuneration of executive directors, including all benefits, to ensure alignment with the Group's strategic objectives and best practice in the market. The balance between guaranteed remuneration and short- and long-term incentives was considered to ensure its appropriateness to drive the delivery of both short- and long-term strategic objectives. The remuneration is considered fair and competitive against market benchmarks and the role and performance of each individual executive director.

REVIEWING AND SETTING THE ANNUAL COMPENSATION FOR THE CEO

In setting Richard Brasher's annual base salary at R10.1 million, the remuneration committee considered his extensive experience in the retail industry and the Group's strong and consistent profit growth delivered under Richard's stewardship. The remuneration committee is satisfied that Richard's benchmarked base salary is fair in relation to the market, his expertise and his considerable contribution to date.

DETERMINING ANNUAL INCREASES IN FIXED REMUNERATION FOR EXECUTIVE DIRECTORS, AND AN OVERALL SALARY INCREASE FOR SALARIED STAFF ACROSS THE GROUP

The increase in total fixed base salary and benefits (fixed remuneration) paid to executive directors year on year was 3.2%, reflecting lower remuneration in 2019 for Richard van Rensburg and Jonathan Ackerman. Richard van Rensburg's fixed remuneration is up 1.8% year on year, with one-off fringe benefits in the base. The 20.4% decrease in Jonathan Ackerman's remuneration reflects his personal decision to reduce the size of his executive role in the business. On a normalised basis, the increase in executive fixed remuneration is 5.0%, against an average for the Group of 7.0%, excluding employees governed by a labour union agreement (NMBU). The average annual increase for NMBU employees was between 7.5% and 9.6%. Annual increases were determined in April 2018 after formal performance reviews, and reflect individual performance against key performance indicators, the scope of each role, as well as comparable increases in the general and retail market, and a projected consumer price index of 5.0%.

DETERMINING AN APPROPRIATE SHORT-TERM INCENTIVE BONUS, AND THE REASONABLE ALLOCATION THEREOF TO EXECUTIVE DIRECTORS AND QUALIFYING EMPLOYEES

The remuneration committee sets annual performance targets (threshold, target and stretch) in line with the Group's strategic objectives that must be achieved before a short-term incentive bonus is 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 PBTAE targets for FY19, on a comparable 52-week financial calendar basis, were as follows:

10% Threshold

15% Target

20% Stretch

Secondary performance targets are set, which include turnover growth, improved operating cost and other efficiency ratios and key working capital metrics. However, the overarching PBTAE threshold target must first be met before a short-term bonus is considered. Thereafter, the bonus is allocated based on the level of delivery against the secondary performance targets and individual performance, as evaluated through a formal performance appraisal process.

The Group delivered PBTAE of R2 067.5 million, for the comparable 52 weeks ended 24 February 2019, a 15.6% increase on the prior period, and in line with the target set by the remuneration committee. As a result, a short-term incentive bonus was awarded to all qualifying management personnel, in recognition of progress delivered in a more challenging trading environment.

The remuneration committee agreed to a full bonus of R20.6 million for CEO Richard Brasher, in recognition of his sterling leadership over the past year, and his success in navigating the Group through a difficult economy, while maintaining the Group's positive earnings trajectory. The remuneration committee awarded CFO Bakar Jakoet a full annual bonus of R5.2 million, in recognition of his valuable stewardship over the year. In addition, the remuneration committee granted Bakar an additional award of R10.0 million on his retirement, in appreciation of his outstanding contribution to the Group over the 34 years of his career. Bakar will step down once the Board has formally appointed his successor. The remuneration committee will then assess the value of outstanding share options and FSP shares held by Bakar and determine an appropriate settlement value. CIO Richard van Rensburg was awarded a full bonus of R4.8 million, in recognition of his significant contribution in driving innovation in the Group, with income from value-added services up 41.5% year on year.

The remuneration committee has set new and appropriate targets for the 2020 financial period, based on a comparable 52-week financial calendar, which include overarching primary short-term PBTAE growth targets of:

8% Threshold

12% Target

15% Stretch

REVIEWING THE GROUP'S 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.

The remuneration committee asked the Group's senior executive team to perform a comprehensive performance review of its middle-management structures (levels C and D) to identify those employees who were considered top performers and would be important contributors to the future success of the business.

Recognising the importance of rewarding and retaining the future leaders of the business, the remuneration committee issued 2.1 million "top-up" performance share options to 112 employees. Individual awards reflected the scale of each position and the performance of each employee, with vesting terms over three, five and seven years.

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 agreed an annual award of forfeitable shares to senior management personnel, to ensure executives continue to have competitive and market-related long-term incentives in place to drive delivery of the long-term strategy. The FSP provides the Group with added security over the retention and tenure of key executives. The remuneration committee set the financial performance conditions to be attached to the June 2018 award (FSP 5) and agreed on the 121 participants and the level at which each would participate, with particular focus on allocations to executive directors. For further information, refer to page 103 this report.

REVIEWING AND RECOMMENDING NON-EXECUTIVE DIRECTORS' FEES FOR THE 2020 FINANCIAL PERIOD, FOR FINAL APPROVAL BY SHAREHOLDERS AT THE AGM

Fees (excluding value-added tax) for the current and proposed periods are as follows:

	Proposed 2020 R	Actual 2019 R	% Change
Chairman of the Board	4 660 000	4 438 000	5.0%
Lead independent non-executive director of the Board	145 000	138 000	5.0%
Non-executive director of the Board	435 000	413 000	5.3%
Chairman of the audit, risk and compliance committee	375 000	340 000	10.0%#
Member of the audit, risk and compliance committee	145 000	138 000	7.0%#
Chairman of the remuneration committee	200 000	181 000	10.5%#
Member of the remuneration committee	94 500	90 000	5.0%
Member of the nominations committee[1]	90 000	85 000	5.9%
Member of the social and ethics committee[2]	94 500	90 000	5.0%
Chairman of the corporate finance committee[3]	200 000	193 000	3.6%
Member of the corporate finance committee[3]	135 000	130 000	3.8%
Member of the corporate governance committee[4]	90 000	–	–
Trustee of the employee share purchase trust	42 000	40 000	5.0%

 # Above inflation increases were agreed for the Chairman and members of the audit, risk and compliance committee, and for the Chairman of the remuneration committee in recognition of the scale of the roles and the increased level of compliance and regulation in these areas.

[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. No formal meetings were held during the 2018 financial period, and therefore no fees were paid.

[4] Historically, no fee was paid to members of the corporate governance committee. This anomaly has been corrected. The Chairman of the corporate governance committee is Chairman of the Board and does not receive an additional fee for chairing this committee.

REMUNERATION REPORT (continued)

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 R4.6 million, the remuneration committee (Gareth Ackerman recused himself from the discussion) considered the active role he plays in the corporate governance of the Group 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 does make himself available to the executive team in an advisory capacity.

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 AGM to be held on 30 July 2019.

PAYMENTS, ACCRUALS AND AWARDS TO DIRECTORS

TOTAL REMUNERATION OF EXECUTIVE DIRECTORS

	Fees for board meetings* R'000	Base salary R'000	Retirement and medical contri-butions R'000	Fringe and other benefits R'000	Total fixed remune-ration R'000	Dis-cretionary award** R'000	Bonus and gratuity^Δ R'000	Total remune-ration R'000	Long-term share awards expense# R'000
2019									
Richard Brasher	–	10 140.0	916.4	293.7	11 350.1	–	20 640.0	31 990.1	32 477.3
Bakar Jakoet	–	5 088.6	33.8	152.6	5 275.0	–	15 216.0^Δ	20 491.0	4 628.4
Richard van Rensburg	–	4 720.5	408.8	323.6	5 452.9	–	4 800.0	10 252.9	4 628.4
Suzanne Ackerman-Berman	–	2 832.0	262.2	286.6	3 380.8	–	720.0	4 100.8	2 603.2
Jonathan Ackerman	–	1 393.7	257.0	297.5	1 948.2	–	360.0	2 308.2	1 733.8
Total remuneration	–	24 174.8	1 878.2	1 354.0	27 407.0	–	41 736.0	69 143.0	46 071.1
2018									
Richard Brasher	1.5	9 474.0	857.1	288.5	10 621.1	800.0	–	11 421.1	23 618.5
Bakar Jakoet	1.5	4 605.0	34.6	389.0	5 030.1	400.0	–	5 430.1	5 882.4
Richard van Rensburg	1.5	4 423.5	383.1	547.6	5 355.7	375.5	–	5 731.2	5 882.4
Suzanne Ackerman-Berman	1.5	2 586.1	245.9	278.8	3 112.3	224.0	–	3 336.3	3 446.6
Jonathan Ackerman	1.5	1 844.8	320.2	282.1	2 448.6	112.0	–	2 560.6	2 940.6
Total remuneration	7.5	22 933.4	1 840.9	1 786.0	26 567.8	1 911.5	–	28 479.3	41 770.5

* *Executive directors no longer receive fees for attending board meetings.*

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

Δ *A gratuity of R10.0 million was granted to Bakar Jakoet on his retirement, in appreciation of his outstanding contribution to the Group over his 34-year career.*

\# *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 on pages 102 to 103 are met.*

TOTAL REMUNERATION OF NON-EXECUTIVE DIRECTORS

	Directors' fees R'000	Lead independent director R'000	Audit committee R'000	Remune-ration committee R'000	Nomi-nations committee R'000	Corporate finance committee R'000	Social and ethics committee R'000	Employee share trust R'000	Total remune-ration R'000
2019									
Gareth Ackerman	4 438.0	–	–	–	–	–	–	–	4 438.0
David Friedland	413.0	–	138.0	–	85.0	–	–	–	636.0
Hugh Herman	413.0	138.0	138.0	181.0	–	–	–	40.0	910.0
Alex Mathole	413.0	–	–	–	–	–	90.0	–	503.0
Audrey Mothupi	413.0	–	138.0	90.0	–	–	–	40.0	681.0
Lorato Phalatse*	206.5	–	–	–	42.5	61.5	45.0	–	355.5
David Robins	413.0	–	–	–	–	–	–	–	413.0
Jeff van Rooyen	413.0	–	340.0	90.0	–	–	–	40.0	883.0
Total remuneration	7 122.5	138.0	754.0	361.0	127.5	61.5	135.0	120.0	8 819.5
2018									
Gareth Ackerman	4 187.0								4 187.0
David Friedland	390.0	–	130.0	–	80.0	–	–	–	600.0
Hugh Herman	390.0	130.0	130.0	171.0	–	–	–	38.0	859.0
Alex Mathole	390.0	–	–	–	–	–	42.5	–	432.5
Audrey Mothupi	390.0	–	130.0	85.0	–	–	–	38.0	643.0
Lorato Phalatse	390.0	–	–	–	80.0	–	85.0	–	555.0
David Robins	390.0	–	–	–	–	–	–	–	390.0
Jeff van Rooyen	390.0	–	321.0	85.0	–	–	–	38.0	834.0
Total remuneration	6 917.0	130.0	711.0	341.0	160.0	–	127.5	114.0	8 500.5

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

6 OUR GOVERNANCE

REMUNERATION REPORT (continued)

SHARE AWARDS GRANTED TO EXECUTIVE DIRECTORS

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

* *The exercising of these binary options was subject to specific performance criteria relating to the growth of the Company's share price over the term of the option. These performance criteria were met during the period under review; refer to page 101 for more information.*

DIRECTORS' INTERESTS IN PICK N PAY STORES LIMITED ORDINARY SHARES

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

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

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

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

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

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

REMUNERATION REPORT (continued)

DIRECTORS' INTERESTS IN PICK N PAY STORES LIMITED B SHARES

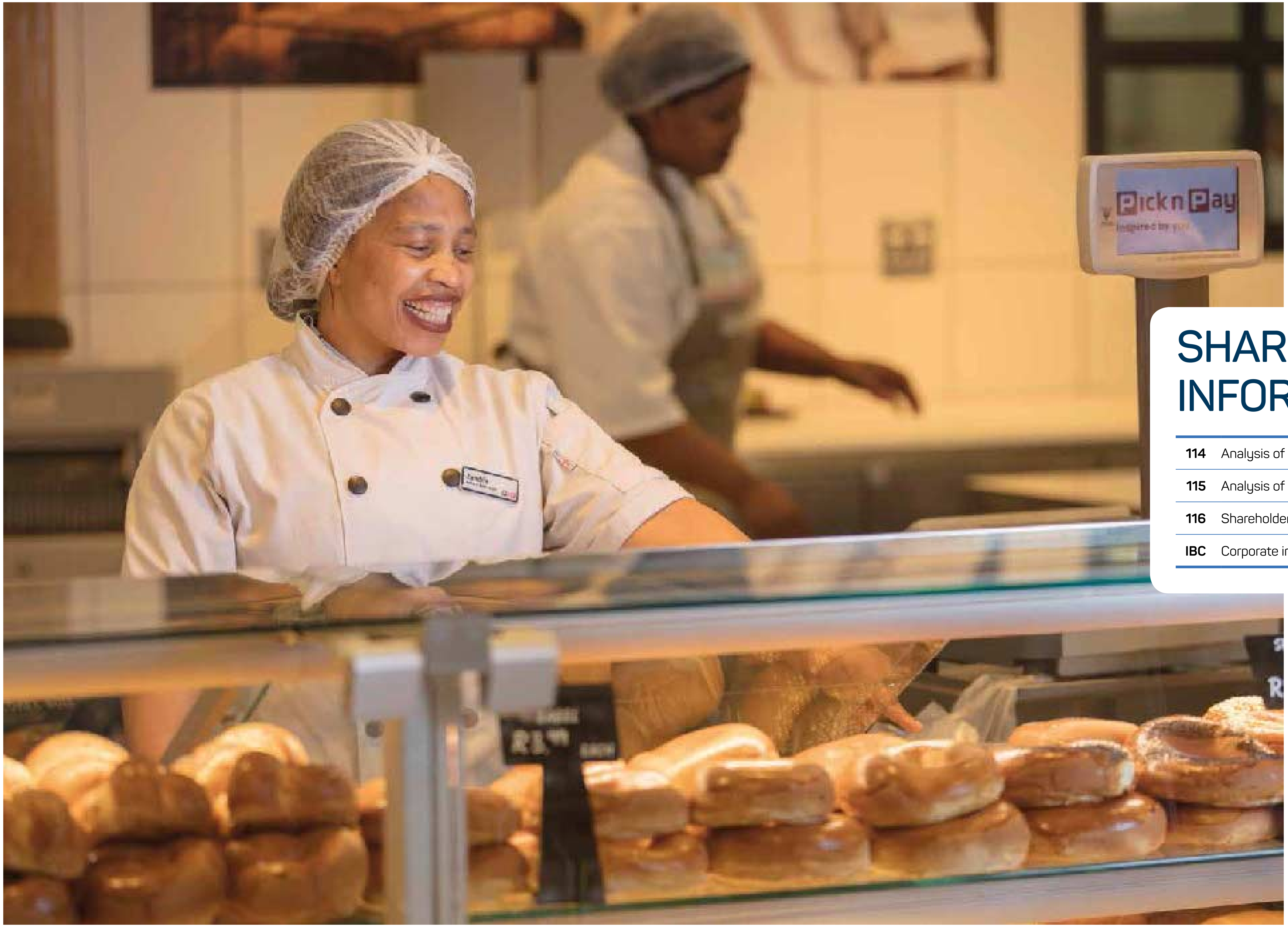
2019	How held*	Balance held at 25 February 2018	Additions/ (disposals)	Balance held at 3 March 2019@	Beneficial/ non-beneficial interest
Gareth Ackerman	direct	522	–	522	Beneficial
	indirect	3 227 861	–	3 227 861	Beneficial
	indirect	39 140	–	39 140	Non-beneficial
Ackerman Investment Holdings Proprietary Limited**	indirect	246 936 847	–	246 936 847	Non-beneficial
Mistral Trust ***	indirect	5 349 559	–	5 349 559	Non-beneficial
Suzanne Ackerman-Berman	direct	233 767	–	233 767	Beneficial
	indirect	926 084	–	926 084	Beneficial
Jonathan Ackerman	direct	243 307	–	243 307	Beneficial
	indirect	1 135 009	–	1 135 009	Beneficial
	indirect	21 862	–	21 862	Non-beneficial
David Robins	direct	1 931	–	1 931	Beneficial
	indirect	179 118	–	179 118	Non-beneficial

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

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

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

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



SHAREHOLDERS' INFORMATION

ANALYSIS OF ORDINARY SHAREHOLDERS

PICK N PAY STORES LIMITED

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

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

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

ANALYSIS OF B SHAREHOLDERS

PICK N PAY STORES LIMITED

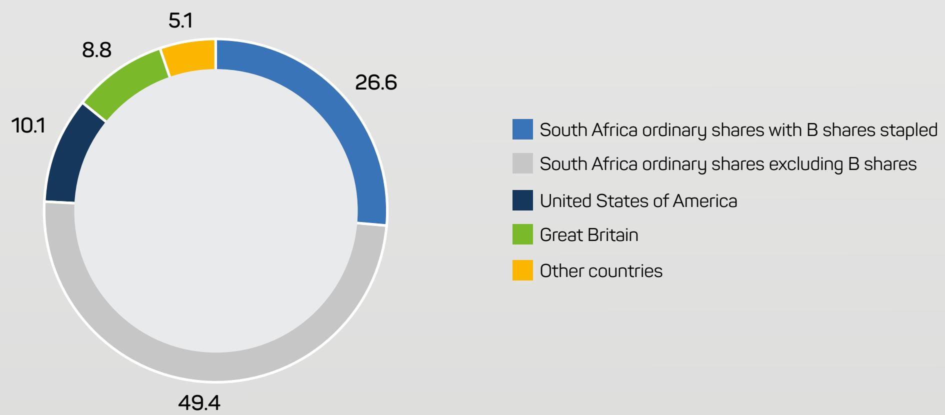
B shares are stapled to ordinary shares and cannot be traded separately from each other. Stapled ordinary shares, together with B shares, are subject to restrictions on disposal. The holders of B shares are entitled to the same voting rights as holders of ordinary shares, but are not entitled to dividends or any other economic benefits.

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

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

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

GEOGRAPHIC SPREAD OF SHAREHOLDERS – %



7 SHAREHOLDERS' INFORMATION

SHAREHOLDERS' INFORMATION

ANNUAL GENERAL MEETING – 30 JULY 2019

The 51st annual general meeting of shareholders of Pick n Pay Stores Limited (AGM) will be held at the Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town 7708 on Tuesday, 30 July 2019.

Registration for the AGM will commence at 08:00.

The minutes of the previous year's AGM held on 30 July 2018 are available on our investor relations website at **www.picknpayinvestor.co.za**.

DIVIDENDS

	Number	Amount (cents)	Last day of trade	Date of payment
Interim	97	29.90	6 December 2016	12 December 2016
Final	98	146.40	6 June 2017	12 June 2017
Interim	99	33.40	5 December 2017	11 December 2017
Final	100	155.40	5 June 2018	11 June 2018
Interim	101	39.10	4 December 2018	10 December 2018
Final	102	192.00	4 June 2019	10 June 2019
Interim	103		3 December 2019*	9 December 2019*
Final	104		2 June 2020*	8 June 2020*

* Estimated

2020 RESULTS ANNOUNCEMENTS

Interim to 1 September 2019	October 2019
Final to 1 March 2019	April 2020

PUBLICATION OF ANNUAL FINANCIAL STATEMENTS

2019	June 2019
2020	June 2020

PUBLICATION OF INTEGRATED ANNUAL REPORT AND CORPORATE GOVERNANCE REPORT

2019	June 2019
2020	June 2020

PUBLICATION OF SUSTAINABILITY REPORT (EVERY TWO YEARS)

2019	June 2019
2021	June 2021

CORPORATE INFORMATION

PICK N PAY STORES LIMITED

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

BOARD OF DIRECTORS

EXECUTIVE

Richard Brasher (CEO)
Aboubakar (Bakar) Jakoet (CFO)
Richard van Rensburg (CIO)
Suzanne Ackerman-Berman
Jonathan Ackerman

NON-EXECUTIVE

Gareth Ackerman (Chairman)
David Robins

INDEPENDENT NON-EXECUTIVE

Hugh Herman
David Friedland
Alex Mathole
Audrey Mothupi
Lorato Phalatse (resigned during August 2018)
Jeff van Rooyen

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
Cape Town 7735

REGISTRAR

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank 2196
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: **pennygerber@pnp.co.za**

INVESTOR RELATIONS

David North
Email address: **dnorth@pnp.co.za**

Penny Gerber
Email address: **pennygerber@pnp.co.za**

WEBSITE

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

CUSTOMER CARE LINE

Tel: +27 800 11 22 88
Email address: **customercare@pnp.co.za**

ONLINE SHOPPING

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

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SOUTH AFRICA'S MOST INFLUENTIAL BRAND

2019 AUDITED ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED
3 MARCH 2019

Pick n Pay

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

DIRECTORS' RESPONSIBILITY STATEMENT

PICK N PAY STORES LIMITED GROUP

The directors are responsible for the preparation and fair presentation of the Group annual financial statements and annual financial statements of Pick n Pay Stores Limited (the Company), comprising the statements of financial position at 3 March 2019, and the statements of comprehensive income, changes in equity and cash flows for the period then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa No. 71 of 2008 (Companies Act) and the directors' report.

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

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

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

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

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

Gareth Ackerman
Chairman

Richard Brasher
Chief Executive Officer

COMPANY SECRETARY'S CERTIFICATE

PICK N PAY STORES LIMITED GROUP

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

Debra Muller
Company Secretary

25 April 2019

DIRECTORS' REPORT

PICK N PAY STORES LIMITED GROUP

NATURE OF BUSINESS

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

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

OVERVIEW OF FINANCIAL RESULTS AND ACTIVITIES

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

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

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

AUDIT AND RISK COMMITTEE

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

DIVIDENDS DECLARED

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

SHARE CAPITAL

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

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

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

GOING CONCERN

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

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

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

LEGAL PROCEEDINGS

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

DIRECTORS' REPORT (continued)

SPECIAL RESOLUTIONS

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

DIRECTORS' FEES FOR THE 2019 AND 2020 ANNUAL FINANCIAL PERIOD

Shareholders approved the directors' fees.

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

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

GENERAL APPROVAL TO REPURCHASE COMPANY SHARES

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

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

DIRECTORS AND SECRETARY

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

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

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

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

The Company Secretary is Debra Muller.

DIRECTORS' INTEREST IN SHARES

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

BORROWINGS

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

Gareth Ackerman	**Richard Brasher**
Chairman	*Chief Executive Officer*

25 April 2019

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF PICK N PAY STORES LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OPINION

We have audited the consolidated and separate financial statements of Pick n Pay Stores Limited set out on pages 26 to 83 and 86 to 95, which comprise the consolidated and separate statements of financial position as at 3 March 2019, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the period then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the company and group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA code) and other independence requirements applicable to performing the audit of the consolidated and separate financial statements of Pick n Pay Stores Limited. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of the consolidated and separate financial statements of Pick n Pay Stores Limited. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements. We have determined that there are no key audit matters relating to the separate financial statements and the identified key audit matters relate only to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
INVENTORY VALUATION – REBATES AND PROVISIONS	
The gross carrying value of inventory, provisions for shrinkage, obsolescence and mark downs against inventory are disclosed in note 15. The two areas noted below relating to inventory valuation have been assessed as a key audit matter in the current year: 1. Rebates and other income that have been received as a reduction in the purchase price of inventories. 2. Provision for obsolete, redundant and slow-moving inventory items. 1. Rebates and other income that have been received as a reduction in the purchase price of inventories. The Group earns significant amounts of rebates and other income, and recognises the relevant portion of these as a reduction in the cost of inventory where the payments do not relate to a specific and genuine service. Management have applied significant judgement relating to the determining of these rebates and other income received as a reduction in the purchase price of inventory which has an impact on the measurement of inventory as at 3 March 2019. Assessing the nature and amounts of the rebates and other income for recognition as a reduction in the purchase price of inventories and recognising the relevant portion of these as a reduction in the closing cost of inventory is an area of complexity requiring a detailed understanding of the contractual arrangements themselves and judgement to the extent these relate to the cost of inventory, which can vary from period to period. Accordingly, the matter has been considered a key audit matter. 2. Provision for obsolete, redundant and slow-moving inventory items. Obsolete, redundant and slow-moving inventory items are identified on a regular basis by management across the procurement and supply chain channel and are written down to their estimated net realisable values, including for shrinkage and anticipated mark downs. This requires significant management judgement related to future trading expectations and the expectation of sales volumes of the products being considered. Changes in trading conditions each period and consumer behaviour as well as the composition of what inventory is on hand at period end all impact this assessment and thus require specific audit attention on an annual basis. The matter has been considered a key audit matter.	1. Our procedures relating to the effect of rebates and other income that has been received as a reduction in the purchase price of inventories on the valuation of inventory included, amongst others: • We reviewed a number of major supplier agreements to understand their terms; • We assessed management's conclusion as to whether or not the rebate relates to a specific and genuine service, and consequently the treatment of the rebate in relation to the measurement of the cost of inventory at year end, through comparison to prior year treatment and evaluation of the types and terms of rebates received with reference to contractual terms; • We assessed the systems used to calculate rebates as well as the controls implemented in the process of rebate calculation; • We recalculated and assessed the rebate amounts recognised and the period in which they were recognised. This was based on the review of contractual performance obligations on a sample of contracts with suppliers to assess the conditions required for supplier rebates to be recognised and whether or not these had been met; • We assessed the recognition and classification of the rebates and other income and related costs in terms of the requirements of IAS 2, Inventories. 2. Our procedures relating to provisions against inventory included, amongst others: • We evaluated the methodology, assumptions and judgements applied by management in determining the shrinkage, obsolescence and mark down provisions, by reviewing and testing historical information, and assessing data trends and ageing profiles; and • We evaluated the overall reasonableness of the provisions by performing analytical procedures on provisioning levels, including a comparison against historical experience and taking into account potential future trends. • We assessed the disclosures of the provisions in terms of IAS 2, Inventories.

INDEPENDENT AUDITOR'S REPORT (continued)

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
ACCOUNTING FOR INVESTMENT IN ASSOCIATE: TM SUPERMARKETS (PVT) LIMITED, ZIMBABWE	
As disclosed in note 1.5, significant judgement has been applied in the reporting and translation of the investment in TM Supermarkets (Pvt) Limited which is accounted for as an associate in terms of IAS 28, Investments in associates and joint ventures. The Reserve Bank of Zimbabwe ('RBZ'), effective October 2018, instructed banks in Zimbabwe to separate bank accounts into Nostro FCAs (foreign currency accounts, typically US Dollars ('USD')) and Real Time Gross Settlement FCAs (RTGS balances ('RTGS')). This resulted in the need for Pick n Pay to reassess the functional currency of the Zimbabwe associate in compliance with IAS 21, The Effects of Changes in Foreign Exchange Rates. Such reassessment concluded that the functional currency had changed to RTGS effective 1 October 2018. The RBZ announcement on 22 February 2019 that the RTGS Dollar would be recognised as an official currency in Zimbabwe further evidenced a change in functional currency of the Zimbabwean associate. As a result of a lack of an observable legal exchange rate from 1 October 2018 to 20 February 2019 and limited liquidity in the observable RTGS Dollar to foreign currencies to 3 March 2019, the directors have estimated the exchange rates at which to report and translate the Zimbabwean associate. The directors have applied significant judgement in estimating the exchange rates to the RTGS and RTGS Dollar. The inputs considered in this estimate include; • Fuel prices; • The official inflation rate; and • The premium at which Old Mutual and PPC shares trade on the Zimbabwe stock exchange versus the Johannesburg Stock Exchange. Given the intricacies and significant judgments involved in the determination of the change in functional currency and estimation of the exchange rates used in the translation of the Zimbabwe associate, we consider this to be a key audit matter.	Our procedures included, amongst others: • We evaluated the significant monetary and exchange control changes and economic developments in Zimbabwe, including the instructions by the RBZ to banks to separate USD bank accounts into Nostro FCA and RTGS FCA balances during October 2018 and the consequential impact on the functional currency of TM Supermarkets (Pvt) Limited in Zimbabwe; • We considered the amendment to the Reserve Bank of Zimbabwe Act, introducing a new currency called RTGS Dollar, on 22 February 2019 and we consulted our IFRS experts on the following: – the appropriate functional currency for TM Supermarkets, – date of change in functional currency, – and accounting framework for the foreign currency transactions and translation impacts on the reported TM Supermarkets (Pvt) Limited's results; • We considered the constrained exchangeability between the RTGS FCA and Nostro FCA, and the new RTGS Dollar from 22 February 2019 for immediate delivery by evaluating management's assessment of the appropriate foreign exchange rates to be applied to TM Supermarkets (Pvt) Limited. This evaluation included assessing management's methodology, assumptions and calculations and utilising our valuation experts to evaluate the exchange rates; and • We assessed the disclosure relating to the investment in TM Supermarkets (Pvt) Limited in terms of IAS 21, The Effects of Changes in Foreign Exchange Rates and IAS 28, Investments in associates and joint ventures.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Company Secretary's certificate, Directors' report and the Audit, risk and compliance committee report as required by the Companies Act of South Africa and the Directors' responsibility statement, Review of operations, Dividend declaration, Analysis of ordinary shareholders, Analysis of B shareholders, Appendix of Proforma information and Corporate Information which we obtained prior to the date of this report, and the Integrated Annual Report and Corporate Governance Report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the Integrated Annual Report and the Corporate Governance Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

INDEPENDENT AUDITOR'S REPORT (continued)

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Pick n Pay Stores Limited group's and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Pick n Pay Stores Limited group or company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pick n Pay Stores Limited group's or company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pick n Pay Stores Limited group's or company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated or separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Pick n Pay Stores Limited group or company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Pick n Pay Stores Limited group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Pick n Pay Stores Limited group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of Pick n Pay Stores Limited for 4 years.

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

Waterway House
3 Dock Road
V&A Waterfront
Cape Town

25 April 2019

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

PICK N PAY STORES LIMITED GROUP

INTRODUCTION

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

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

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

COMPOSITION AND ACTIVITIES OF THE COMMITTEE

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

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

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

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

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

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

RESPONSIBILITIES AND ACTIVITIES PERFORMED

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

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

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT (continued)

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

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

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

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

INTEGRATED AND FINANCIAL REPORTING AND FINANCE FUNCTION

RESPONSIBILITIES	ACTIVITIES PERFORMED AND AREAS OF FOCUS
• Providing independent oversight and assessment of the effectiveness of the Group's assurance functions and services, with particular focus on combined assurance arrangements, including internal audit, external assurance service providers and the finance function • Providing independent oversight and assessment of the integrity of the annual financial statements and other external reports issued by the Group • Providing independent oversight and assessment of the management of financial and other risks that affect the integrity of external reports issued by the Group • Ensuring that the necessary internal controls and checks and balances are in place • Establishing that management are enforcing use of the controls • Overseeing any tender process adopted to establish whether new external auditors should be appointed • Acting as a liaison between the external auditors and the Board	• Reviewed and recommended to the Board for approval the annual financial statements, interim results, preliminary results announcement, summarised financial statements and Integrated Annual Report • Ensured and recommended to the Board that financial and integrated reporting was reliable and was in conformity with International Financial Reporting Standards (IFRS), the Companies Act, the JSE Listing Requirements and the King IV Report on Corporate Governance™ for South Africa 2016 (King IV)[1] • Reviewed and approved the appropriateness of accounting policies, restatements, disclosure policies and the effectiveness of internal financial controls • Continued focus on ensuring that the Group's financial systems, processes and controls are operating effectively, meet the requirements of the Group and are responsive to changes in the environment and industry • Reviewed the sustainability disclosure in the Integrated Annual Report and ensured that it was consistent with financial information reported • Considered the expertise, experience and resources of the Group's finance function • Reviewed the Group's integrated reporting function and progress, considering factors and risks that could impact on the integrity of the Integrated Annual Report • Reviewed and considered representations by management on the going concern statement for the Group and recommended the adoption of the going concern concept to the Board • Reviewed and adopted the accounting processes required to reflect the inclusion of week 53 in the 2019 financial period • Ensured that additional pro forma financial information, prepared in accordance with IFRS and the JSE Listing Requirements, was provided to stakeholders on an equivalent 52-week basis, to assist stakeholders with their assessment of the Group's comparable performance • Reviewed and considered the approach planned by management in the adoption of new accounting standards that have an impact on future reporting, namely: – IFRS 16 relating to leases • Monitored the political and economic situation in Zimbabwe and the accounting treatment of the Group's investment in its associate, TM Supermarkets (Pvt) Ltd

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT (continued)

INTERNAL AUDIT

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

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

EXTERNAL AUDIT

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

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

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

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

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT (continued)

EXTERNAL AUDIT (continued)

RESPONSIBILITIES	ACTIVITIES PERFORMED AND AREAS OF FOCUS
• Acting as a liaison between the external auditors and the Board • Nominating the external auditor for appointment by shareholders • Determining annually the scope of audit and non-audit services that the external auditors may provide to the Group • Approving the remuneration of the external auditors and assess their performance • Assessing annually the independence of the external auditors • Ensuring a process is in place for the committee to be informed of any reportable irregularities identified by the external auditor	• Ensured the appointment as external auditor a registered auditor, who, in the opinion of the committee, was independent of the Group and recommended approval for the re-appointment of EY as external auditors • Ensured that the re-appointment of the external auditor complied with relevant legislation • Assessed the competence of the designated audit partner • Ensured that the Group's designated audit partner would be rotated during the 2021 financial year, in compliance with section 92 of the Act • Reviewed IRBA's rule on the requirements of mandatory audit firm rotation • Determined the fees to be paid to the external auditor, as well as the terms of engagement • Pre-approved non-audit services provided by the Group's external auditors • Considered and confirmed the independence of the external auditors, taking into account all non-audit services performed and circumstances known to the committee • Reviewed the external audit coverage plan to ensure adequate coverage of critical risk areas and dealt with questions arising from audit activities • Met with management, independently of the auditors, to discuss issues relevant to the audit and for purposes of evaluating the quality and effectiveness of the external audit function • Evaluated the performance, and reviewed the reports, of the external auditors and ensured that the reporting was reliable, transparent and a fair representation for the use by stakeholders • Received and appropriately dealt with any complaints relating to the accounting practices of the Group, the content or auditing of its financial statements, the internal financial controls of the Group or to any related matter • Made submissions to the Board on any matter concerning the Group's accounting policies, financial controls, records and reporting • Met separately with both the external and internal auditors to confirm that full co-operation was received by them from management

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT (continued)

RISK MANAGEMENT

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

RESPONSIBILITIES	ACTIVITIES PERFORMED AND AREAS OF FOCUS
• Ensuring that the Group has adequate processes in place to identify, monitor and manage all significant business and financial risk areas • Assisting management to identify risk areas, and evaluates management in the handling of identified risks • Ensuring that the Group's assets are secure • Ensuring that the accounting system and controls are adequate and function effectively • Ensuring that the effectiveness of the internal control measures are continually evaluated • Ensuring that systems exist that adequately provide for the Group's conformance with all laws, regulations and codes	• Discharged all audit, risk and compliance committee responsibilities of all the subsidiary companies in the Group • Together with the external auditors and management, reviewed the findings of the financial review committees of the material operating divisions in the Group • Pre-approved non-audit services provided by the Group's external auditors • Ensured that management's processes and procedures were adequate to identify, assess, manage and monitor enterprise-wide risks • Reviewed operational risks, in particular how they were managed • Met with management to review their progress on identifying and addressing material risk areas within the business • Chairman met regularly with key management to keep abreast of emerging issues which, during the 2019 financial period, included: – The inclusion of week 53 in the 2019 financial period – Continued monitoring of corporate governance failures and their implications on risk management and director responsibilities in oversight of management – The unfolding political and economic events in Zimbabwe and in other countries in Africa in which the Group is operating or considering operating – The impact of the imposition of a statutory minimum wage • Reviewed both global and local governance failures, to ensure that the Group's risk management remained robust and relevant

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT (continued)

POLICY ON NON-AUDIT SERVICES

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

EXPERTISE AND EXPERIENCE OF CHIEF FINANCE OFFICER AND FINANCE FUNCTION

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

LEGAL REQUIREMENTS

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

EFFECTIVENESS OF THE DESIGN AND IMPLEMENTATION OF INTERNAL FINANCIAL CONTROLS

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

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

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

ANNUAL FINANCIAL STATEMENTS AND GOING CONCERN

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

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

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

APPROVAL OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

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

Jeff van Rooyen
Chairman: audit, risk and compliance committee

25 April 2019

REVIEW OF OPERATIONS

PICK N PAY STORES LIMITED GROUP

PICK N PAY DELIVERS IN A TOUGH MARKET

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

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

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

RESULT HIGHLIGHTS
FOR THE PRO FORMA 52 WEEKS ENDED 24 FEBRUARY 2019

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

REVIEW OF OPERATIONS (continued)

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

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

Performance highlights over the period include:

LOWER PRICES, BETTER VALUE

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

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

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

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

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

GREATER REWARD FOR LOYALTY CUSTOMERS

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

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

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

OUR FRESH PROMISE

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

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

OWN BRAND INNOVATION

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

REVIEW OF OPERATIONS (continued)

GREATER RELEVANCE

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

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

GREATER EFFICIENCY ACROSS THE SUPPLY CHAIN

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

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

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

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

A MODERN ESTATE, WITH A WIDER REACH

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

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

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

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

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

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

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

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

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

REVIEW OF OPERATIONS (continued)

LEADING ONLINE OFFER

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

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

STRONGER VALUE-ADDED SERVICES

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

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

GROWTH OUTSIDE SOUTH AFRICA

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

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

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

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

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

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

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

REVIEW OF FINANCIAL PERFORMANCE

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

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

TURNOVER

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

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

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

REVIEW OF OPERATIONS (continued)

TURNOVER (continued)

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

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

GROSS PROFIT

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

OTHER INCOME

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

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

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

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

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

TRADING EXPENSES

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

Employee costs – increased by 6.2% to R7.1 billion, driven by growth across the Group's store estate.

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

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

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

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

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

NET INTEREST

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

REVIEW OF OPERATIONS (continued)

REST OF AFRICA SEGMENT

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

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

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

CAPITAL ITEMS

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

PROFIT BEFORE TAX AND BEFORE CAPITAL ITEMS

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

TAX

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

EARNINGS PER SHARE

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

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

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

REVIEW OF FINANCIAL POSITION

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

WORKING CAPITAL

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

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

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

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

REVIEW OF OPERATIONS (continued)

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

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

CAPITAL INVESTMENT

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

SHARE CAPITAL

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

SHAREHOLDER DISTRIBUTION

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

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

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

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

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

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

SUSTAINABLE GROWTH IN A TOUGH MARKET

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

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

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

Gareth Ackerman
Chairman

Richard Brasher
Chief Executive Officer

25 April 2019

DIVIDEND DECLARATION

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

Number of shares in issue: 493 450 321

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

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

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

DIVIDEND DATES

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

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

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

On behalf of the Board of directors

Debra Muller
Company Secretary

25 April 2019

GROUP ANNUAL FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED

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

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

STATEMENT OF FINANCIAL POSITION

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

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

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED

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

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 3 MARCH 2019

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Reporting entities

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

1.2 Statement of compliance

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

1.3 Basis of preparation

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

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

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

The accounting policies set out below have been applied consistently to all periods presented in these Group annual financial statements and to all companies in the Group, except where the Group has adopted IFRS and IFRIC (International Financial Reporting Interpretations Committee) interpretations and amendments that became effective during the period. The Group applied IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers for the first time in the annual reporting period commencing 26 February 2018. The impact of the adoption of these standards has been disclosed in notes 1.13, 1.14, 1.17 and 29.

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

1.4 Foreign currency transactions and translations

Functional and presentation currency

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

Transactions and balances

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

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

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

Foreign operations

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.5 Use of estimates, judgements and assumptions

The preparation of these annual financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The assumptions and estimates used in the Group's accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period include, but are not limited to, the following:

Income earned from suppliers

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

Rebates are accrued for as part of cost of merchandise sold when they are closely related to the purchase of inventory. Judgement is required by management to assess the nature of the rebates for recognition as a reduction in the purchase price of inventories and recognising the relevant portion as a reduction in the cost of inventory.

Taking into account cumulative purchases of inventory to date, as well as historical and forecasted performance, management uses judgement to estimate the probability of meeting contractual obligations and thereby uses judgement in determining the amount of volume-related rebates recognised. As a result, the rebates actually received may vary from that which has been accrued.

Other income earned from suppliers is recognised in revenue, within other income, when services are provided to suppliers that are not closely related to the purchase of inventory and when the Group can reasonably estimate the fair value of the service. Management uses judgement in determining whether the services provided to suppliers are sufficiently separable from the purchase of inventory, by determining if the supplier could have entered into an agreement with a party, other than a purchaser of its inventory, in order to receive those services. Refer to note 1.17.

Measurement of deferred revenue in respect of customer loyalty programme and prepaid gift cards

Reward credits (loyalty points) granted to customers participating in the Group's Smart Shopper loyalty programme and prepaid gift cards provide rights to customers that need to be accounted for as separate performance obligations. The consideration allocated to unredeemed loyalty points and unredeemed gift cards are measured by reference to its stand-alone selling prices adjusted for an expected forfeiture rate. The Group applies statistical projection methods in its estimation of forfeiture rates by using customers' historical redemption patterns as the main input, and is therefore subject to uncertainty. The expected forfeiture rate is updated regularly and the liabilities for unredeemed loyalty points and unredeemed gift cards are adjusted accordingly. Refer to note 23.

Estimating variable consideration for returns

The Group estimates variable consideration to be included in the transaction price for the sale of goods where customers are entitled to a right of return within a specified time frame. The Group uses statistical projection methods for forecasting sales returns which is based on historical return data. Any significant changes in experience as compared to historical return patterns will impact the expected return percentages estimated by the Group. Estimated return percentages are updated regularly and the refund liability is adjusted accordingly. Refer to note 23.

Measurements of share-based payments

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

Estimates of useful lives and residual values of intangible assets

Intangible assets are amortised over their useful lives, taking into account applicable residual values. Useful lives and residual values are reviewed at each reporting date, taking into account factors such as the manner of recovery, innovation in technology and relevant market information.

Estimates of useful lives and residual values of property, plant and equipment

Property, plant and equipment are depreciated over their useful lives, taking into account applicable residual values. Useful lives and residual values are reviewed at each reporting date, taking into account factors such as the manner of recovery and relevant market information.

Measurements of the recoverable amounts of cash-generating units

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.5 Use of estimates, judgements and assumptions (continued)

Measurements of post-retirement defined-benefit obligations

The Group operates post-retirement defined-benefit schemes. Actuarial valuations are performed to assess the financial position of these various schemes and are based on assumptions such as the discount rate, future salary increases, future pension increases and increases in healthcare rates. Refer to note 21.

Consolidation of the Group's share trust

The Group operates an employee share option scheme through the Employee Share Purchase Trust. According to management's judgement, the Group controls the trust as it has exposure or rights to variable returns from its involvement with the investee and has the ability to affect returns from the trust through its power over the trust. The Group has therefore consolidated the trust into its results. Refer to notes 18 and 19.

Classification of leases

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

Income and deferred taxes

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

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

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

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

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

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

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

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

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

Impairment reviews of investment in associate

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.5 Use of estimates, judgements and assumptions (continued)

Inventory net realisable value allowances

The Group evaluates its inventory to ensure that it is carried at the lower of cost and net realisable value. Allowances are made against slow moving, obsolete and damaged items. Damaged inventories are identified and written down through inventory verification processes. Allowance for slow moving and obsolete inventories are assessed continuously. Obsolescence is assessed based on a comparison of the level of inventory holding and the projected likely future sales, taking into account factors existing at the reporting date. Refer to note 15.

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

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

1.6 Basis of consolidation

Investment in subsidiaries

The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the Group annual financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

All inter-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Interest in equity-accounted investees

Associates are those entities over which the Group exercises significant influence but not control. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group's interest in equity-accounted investees comprises its interests in associates.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The aggregate of the Group's share of profit or loss of an associate is shown in the statement of comprehensive income and represents profit or loss after tax and after non-controlling interests in the subsidiaries of the associate. Where there are changes recognised directly in the OCI or equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of other comprehensive income and statement of changes in equity, respectively. Any dividends received by the Group is credited against the investment in associate.

Unrealised gains or losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value.

1.7 Property, plant and equipment

Property, plant and equipment are tangible assets held by the Group for use in the supply of goods or for administrative purposes and are expected to be used for more than one financial period. Property, plant and equipment are initially recognised at cost if it is probable that associated future economic benefits will flow to the Group and the cost can be measured reliably. All property, plant and equipment are subsequently measured at cost less accumulated depreciation and impairment losses, with the exception of land. Land is measured at cost less impairment losses as it has an indefinite useful life and is not depreciated.

Cost

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

The Group recognises in the carrying amount of property, plant and equipment subsequent expenditure, including the cost of replacing part of such an item, when that cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as day-to-day servicing costs, are recognised in the statement of comprehensive income as an expense when incurred.

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.7 Property, plant and equipment (continued)

Depreciation

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

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

Depreciation is recognised as an expense in the statement of comprehensive income, within operational expenses, on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment from the date that they are available for use. Leasehold improvements are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

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

Useful lives

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

Property	
• Land	Indefinite
• Buildings and major components	10 to 40 years
Furniture, fittings, equipment and vehicles	
• Furniture and fittings	5 to 14 years
• Equipment	2 to 15 years
• Vehicles	4 to 5 years
Leasehold improvements	3 to 8 years
Aircraft and major components	7 to 20 years

Impairment

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

Derecognition

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

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

Non-current asset held for sale

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

1.8 Intangible assets

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

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

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

Intangible assets that are developed are initially recognised at cost if the cost can be measured reliably, the intangible assets are technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete the development.

If not, the development expenses are recognised in the statement of comprehensive income when they are incurred.

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

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

Cost

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.8 Intangible assets (continued)

Cost (continued)

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

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

Amortisation

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

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

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

Useful lives

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

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

Impairment

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

Derecognition

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

1.9 Leases

Finance leases

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

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

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

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

Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. The Group acts as both lessee and lessor. Rentals payable or receivable under operating leases are charged or credited to the statement of comprehensive income on a straight-line basis over the term of the relevant lease. This results in the raising of a liability for future lease expenses and an asset for future lease income on the statement of financial position. These operating lease liabilities and assets are classified as non-current liabilities or assets, with the exception of the portion with a maturity date of less than 12 months of the reporting date which are disclosed as current liabilities or assets and are included under trade and other payables and trade and other receivables respectively.

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

1.10 Inventory

Inventory comprises merchandise for resale and consumables. Inventory is measured at the lower of cost and net realisable value, and is classified as a current asset as it is expected to be sold within the Group's normal operating cycle.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.10 Inventory (continued)

Cost is calculated on the weighted-average basis and includes expenditure incurred in acquiring the inventory and bringing it to its existing location and condition, including distribution costs, and is stated net of relevant purchase rebates.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Obsolete, redundant and slow-moving items are identified on a regular basis and are written down to their estimated net realisable values.

The carrying amount of inventories sold is recognised as an expense in the statement of comprehensive income.

1.11 Right of return assets and refund liabilities

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

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

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

1.12 Provisions

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

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

1.13 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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

Initial recognition and measurement

The classification of the Group's financial instruments at initial recognition depends on the financial instrument's contractual cash flow characteristics and the Group's model for managing them. The Group manages its financial assets in order to generate cash flows, by determining whether cash flows will result from collecting cash flows, selling the financial asset or both and whether the contractual cash flows are solely payments of principal amounts and interest.

The Group classifies its financial instruments into the following categories: financial assets at amortised cost, financial instruments at fair value through profit or loss, financial liabilities at amortised cost and derivatives designated as hedging instruments.

A financial instrument is recognised on trade date when the Group becomes a party to the contractual provisions of the instrument and are initially recognised at fair value, plus transaction costs for financial instruments not measured at fair value through profit or loss.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. Where there is no active market, the Group uses valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the annual financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.13 Financial instruments (continued)

Initial recognition and measurement (continued)

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

Derecognition

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

Financial liabilities are derecognised if the Group's obligations specified in the contract expire, are discharged or cancelled. The resulting differences between the carrying values on derecognition of the financial instrument and the amount received or paid is recognised in the statement of comprehensive income.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, when the Group has a legally enforceable right to offset the recognised amounts, and intends either to settle on a net basis, or to realise the net assets and settle the liability simultaneously.

Subsequent measurement

Financial assets at amortised cost (previously categorised as loans and receivables)

The Group measures financial assets at amortised cost if both the following conditions are met:

- The financial asset is held with the objective to hold the financial asset in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade and other receivables, cash and cash equivalents and loans. Trade and other receivables mainly comprise franchisee receivables. Certain trade and other receivables are considered to be long term in nature and are recorded as non-current in the statement of financial position. Loans mainly comprise housing and other employee loans with maturity dates of more than 12 months after the reporting date.

Trade and other receivables and loans

Trade and other receivables and loans are measured at amortised cost, using the EIR method, less impairment losses. The EIR amortisation is included in finance income in the statement of comprehensive income.

Cash and cash equivalents and overnight borrowings

Cash and cash equivalents and overnight borrowings are measured at amortised cost, using the EIR method, less accumulated impairments. The EIR amortisation is included in finance income or costs in the statement of comprehensive income. Cash and cash equivalents comprise cash on hand and amounts held on short-term deposit at financial institutions. Overnight borrowings include short-term borrowings repayable on demand.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits net of outstanding overnight borrowings. Overnight borrowings are repayable on demand, managed on a daily basis and are considered an integral part of the Group's cash management.

Financial instruments at fair value through profit or loss

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

The Group's investment in the insurance cell captive measured at fair value through profit or loss as cash flows are not solely payments of principal and interest. In addition, the Group manages this investment and evaluates performance based on its fair value in accordance with the Group's documented risk management or investment strategy. Any fair value gains or losses as a result of subsequent measurement are recognised in the statement of comprehensive income.

Financial liabilities at amortised cost

Financial liabilities at amortised cost mainly comprise of borrowings and trade and other payables.

Borrowings

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

Trade and other payables

Trade and other payables are measured at amortised cost using the EIR method. The EIR amortisation is included in finance costs in the statement of comprehensive income. Trade and other payables mainly comprise trade payables for merchandise for resale and are all short term in nature.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.13 Financial instruments (continued)

Derivatives designated as hedging instruments

The Group holds derivative financial instruments, being forward exchange contracts (FEC's) that are defined as hedging instruments, in order to mitigate the risks associated with the firm commitment of purchasing imported inventory, defined as the hedged item.

The relationship between the FEC's and the underlying inventory is classified as a cash flow hedge, as the FEC's are used to hedge the variability in cash flows attributable to the foreign currency risks of importing inventory. The Group qualified for the application of hedge accounting in terms of its first time adoption of IFRS 9.

The hedge is deemed to be highly effective as the terms of the FEC match the terms of the purchase of imported inventory. The effective portion of the change in fair value of the FEC's are recognised in other comprehensive income and accumulated in the cash flow hedging reserve within equity. The accumulated amount in the reserve is released to profit or loss when the underlying inventory is sold. Where a forecast transaction is no longer expected to occur, the cumulative unrealised gain or loss is recognised immediately in profit or loss for the period.

FEC's are measured at fair value and are carried as derivative financial assets when the fair value is positive and as derivative financial liabilities when the fair value is negative.

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

1.14 Impairment of assets

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

Financial assets

The Group recognises an allowance for expected credit losses (ECL's) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group applies a simplified approach for measuring impairment on trade receivables at an amount equal to lifetime ECLs. To measure lifetime ECLs, trade receivables are assessed on an individual basis. The ECL rates are based on historical credit loss experienced during the period, adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the debtors to settle their receivables.

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

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

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

Non-financial assets

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

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

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.14 Impairment of assets (continued)

Non-financial assets (continued)

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

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

1.15 Share capital

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

1.16 Treasury shares

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

When treasury shares are sold or reissued, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from retained earnings.

Dividends received on treasury shares are eliminated on consolidation.

1.17 Revenue

Revenue is recognised when the Group satisfies performance obligations and transfers control of goods or services to its customers at an amount that reflects the consideration the Group expects to be entitled to in exchange for these goods or services, allocated to each specific performance obligation. Revenue is measured at the fair value of consideration received or receivable.

Turnover

Revenue from the sale of goods, or turnover, comprises sales to customers through its owned stores and the Group's supply arrangements. All turnover is stated exclusive of value added tax.

Turnover is recognised at a point in time when the Group transfers control of goods to its customer at the point of sale and is measured at the fair value of consideration received or receivable, net of returns, trade discounts, loyalty discounts, and volume rebates. Discounts, rebates or loyalty payments to customers are deducted from turnover, unless it is directly funded by suppliers. Payment of the transaction price in respect of sale of goods is due immediately when the customer purchases goods and takes delivery.

Turnover recognised through deferred revenue transactions (Smart Shopper loyalty programme and prepaid gift cards) is not recognised at the time of the initial transaction, but is deferred and recognised as a contract liability (deferred revenue) when the consideration is received, and recognised as turnover over time when the Group's obligations are fulfilled.

Smart Shopper loyalty programme

The Group has a customer loyalty programme in South Africa, Smart Shopper, whereby customers are awarded with reward credits (loyalty points) which are effectively used as cash back against future purchases. Loyalty points granted to customers participating in the Smart Shopper loyalty programme provide rights to customers that need to be accounted for as a separate performance obligation.

The fair value of the consideration received under the Smart Shopper programme is allocated between the sale of goods supplied and the loyalty points granted. The consideration allocated to the loyalty points is measured by reference to their relative stand-alone selling price which is calculated as the amount for which the loyalty points could be separately sold, adjusted for an expected forfeiture rate. Such consideration is not recognised as turnover at the time of the sales transaction, but is recognised as a deferred revenue liability until the loyalty points have been redeemed or forfeited. The likelihood of redemption, based on management's judgement of expected redemption rates, is reviewed on a regular basis and any adjustments to the deferred revenue liability is recognised in turnover. Refer to note 23.

Prepaid gift cards

Gift cards represent a prepaid value card which effectively can be redeemed as cash consideration against future purchases. The consideration allocated to prepaid gift cards is measured at the fair value of the consideration received in advance, adjusted for an expected forfeiture rate. Such consideration is not recognised as turnover at the time of the initial transaction, but is recognised as a deferred revenue liability until the prepaid gift card has been redeemed or when the Group's obligations have been fulfilled. The Group updates its estimates of forfeiture on a regular basis and any adjustments to the deferred revenue liability are recognised in turnover. Refer to note 23.

Franchise fee income

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

Operating lease income

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.17 Revenue (continued)

Commissions and other income

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

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

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

Finance income

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

Dividend income

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

1.18 Borrowing costs

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

1.19 Taxes

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity.

Current tax

Current tax comprises tax payable calculated on the basis of the expected taxable income for the period using tax rates enacted or substantively enacted at the reporting date and any adjustment of tax payable for previous periods.

Deferred tax

Deferred tax is recognised for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of the assets and liabilities at the reporting date.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination, and that affects neither accounting nor taxable profit; and investments in subsidiaries, to the extent that the holding company has the ability to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in the statement of comprehensive income, except to the extent that it relates to a transaction that is recognised directly in equity or other comprehensive income, or a business combination. The effect on deferred tax of any changes in tax rates is recognised in the statement of comprehensive income, except to the extent that it relates to items previously recognised in other comprehensive income or directly to equity, in which case it is recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Dividends withholding tax

Dividends withholding tax is a tax levied on shareholders and is applicable on dividends declared. The Company withholds dividends tax on behalf of their shareholders at a rate of 20% on dividends declared for shareholders that are not exempt from this tax.

1.20 Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits is recognised as an expense during the period in which the employee renders the related service.

Accruals for employee entitlements to wages, salaries, bonuses and annual leave represent the amount which the Group has a present obligation to pay as a result of employees' services provided up to the reporting date. The accruals have been calculated at undiscounted amounts based on current wage and salary rates.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.20 Employee benefits (continued)

Share-based payment transactions

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

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

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

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

Retirement benefits

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

Defined-contribution plans

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

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

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

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

Defined-benefit plans

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

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

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

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

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

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

1.21 Expenses

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.22 Dividends distributed to shareholders

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

1.23 Operating segments

The Group discloses segmental financial information which is used internally by the entity's Chief Operating Decision-Maker (CODM) in order to assess performance and allocate resources. The Group annually performs a detailed review of the executive, or group of executives, that could be considered the appropriate and relevant CODM of the Group. During the current and prior period under review, the CODM of the Group comprised the Group executive committee, which consisted of the Chief Executive Officer, Chief Information Officer and Chief Financial Officer.

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

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

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

1.24 Net asset value per share

Net asset value per share is calculated by taking the total equity value of the Group, adjusted with the differential between the carrying value and market value of property, divided by the number of shares held outside the Group.

1.25 Earnings per share

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

Dilutive earnings per share is calculated by adjusting the profit attributable to ordinary holders of the Group, and the weighted average number of shares in issue, for the effects of all dilutive potential ordinary shares. Share options held by participants in the Group's employee share schemes and forfeitable shares have dilutive potential.

1.26 Pro forma information

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

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

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

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

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

4 DIRECTORS' REMUNERATION AND INTEREST IN SHARES

4.1 Directors' remuneration

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

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

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

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

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

4 DIRECTORS' REMUNERATION AND INTEREST IN SHARES (continued)

4.2 Directors' interest in ordinary shares

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

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

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

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

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

4 DIRECTORS' REMUNERATION AND INTEREST IN SHARES (continued)

4.2 Directors' interest in ordinary shares (continued)

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

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

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

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

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

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

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

4 DIRECTORS' REMUNERATION AND INTEREST IN SHARES (continued)

4.3 Directors' interest in B shares

2019	How held*	Balance held at 25 February 2018	Balance held at 3 March 2019	Beneficial/ non-beneficial interest
Gareth Ackerman	direct	522	522	Beneficial
	indirect	3 227 861	3 227 861	Beneficial
	indirect	39 140	39 140	Non-beneficial
Ackerman Investment Holdings Proprietary Limited**	indirect	246 936 847	246 936 847	Non-beneficial
Mistral trust ***	indirect	5 349 559	5 349 559	Non-beneficial
Suzanne Ackerman-Berman	direct	233 767	233 767	Beneficial
	indirect	926 084	926 084	Beneficial
Jonathan Ackerman	direct	243 307	243 307	Beneficial
	indirect	1 135 009	1 135 009	Beneficial
	indirect	21 862	21 862	Non-beneficial
David Robins	direct	1 931	1 931	Beneficial
	indirect	179 118	179 118	Non-beneficial

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

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

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

2018	How held*	Balance held at 26 February 2017	Disposal	Balance held at 25 February 2018	Beneficial/ non-beneficial interest
Gareth Ackerman	direct	522	–	522	Beneficial
	indirect	3 227 861	–	3 227 861	Beneficial
	indirect	39 140	–	39 140	Non-beneficial
Ackerman Investment Holdings Proprietary Limited**	indirect	246 936 847	–	246 936 847	Non-beneficial
Mistral trust***	indirect	5 349 559	–	5 349 559	Non-beneficial
Suzanne Ackerman-Berman	direct	233 767	–	233 767	Beneficial
	indirect	926 084	–	926 084	Beneficial
Jonathan Ackerman	direct	243 307	–	243 307	Beneficial
	indirect	1 135 009	–	1 135 009	Beneficial
	indirect	21 862	–	21 862	Non-beneficial
David Robins	direct	1 931	–	1 931	Beneficial
	indirect	184 742	(5 624)#	179 118	Non-beneficial

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

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

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

4 DIRECTORS' REMUNERATION AND INTEREST IN SHARES (continued)

4.4 Share awards granted to directors

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

4 DIRECTORS' REMUNERATION AND INTEREST IN SHARES (continued)

4.4 Share awards granted to directors (continued)

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

5 SHARE-BASED PAYMENTS

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

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

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

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

The following share options have been issued to employees:

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

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

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

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

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

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

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

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

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

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

		53 weeks to 3 March 2019 Number of options 000's	52 weeks to 25 February 2018 Number of options 000's
5	**SHARE-BASED PAYMENTS (continued)**		
5.1	**Outstanding share options**		
	Reconciliation of the total number of share options granted:		
	At beginning of period	29 597.7	32 126.4
	New options granted	6 473.3	6 182.5
	Options taken up	(6 824.2)	(5 922.4)
	Options forfeited	(1 474.2)	(2 788.8)
	At end of period	27 772.6	29 597.7
	The weighted average grant price of outstanding share options are as follows:		
	At beginning of period	R46.14	R39.75
	New options granted	R69.66	R65.08
	Options taken up	R36.61	R34.54
	Options forfeited	R56.37	R39.10
	At end of period	R53.43	R46.14
	Outstanding share options may be taken up during the following financial periods:		
	Year — **Average grant price**		
	2020 — R37.67	11 830.5	14 334.5
	2021 — R57.33	2 294.2	4 138.7
	2022 — R58.61	2 217.7	2 334.8
	2023 — R68.46	3 251.5	2 326.4
	2024 and thereafter — R67.74	8 178.7	6 463.3
		27 772.6	29 597.7
	Number of outstanding options as a percentage of issued shares	5.6%	6.1%

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

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

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

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

		53 weeks to 3 March 2019 Number of share awards 000's	52 weeks to 25 February 2018 Number of share awards 000's
5	**SHARE-BASED PAYMENTS (continued)**		
5.3	**Total outstanding share awards**		
	Share options (note 5.1)	**27 772.6**	29 597.7
	Forfeitable shares (note 5.2)	**8 494.0**	6 853.5
	Total	**36 266.6**	36 451.2
	Number of share awards as a percentage of issued shares	**7.3%**	7.5%

		000's	000's
	Total shares authorised to be utilised, from issued share capital, for settling obligations under the employee share schemes	**63 892.8**	63 892.8
	Shares remaining for utilisation under current authorisations	**27 626.2**	27 441.6
	Refer to note 4 for details of share options held by directors and forfeitable share plan shares issued to directors.		
5.4	**Shares held within the Group, reflected as treasury shares (note 19)**		
	As hedge against shares options granted	**9 576.5**	6 654.9
	As hedge against shares issued under forfeitable share plan	**8 494.0**	6 853.5
		18 070.5	13 508.4

5.5 Fair value – equity-settled share options

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

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

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

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

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

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

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

		53 weeks to 3 March 2019 Rm	52 weeks to 25 February 2018 Rm
6	**INCOME TAX**		
6.1	**Tax recognised in profit or loss**		
	Normal tax	622.7	445.8
	– current period	650.6	464.4
	– prior period over provision	(27.9)	(18.6)
	Deferred tax (note 12)	(72.4)	26.0
		550.3	471.8
6.2	**Tax paid**		
	Owing – beginning of period	213.7	87.8
	Recognised in profit or loss	622.7	445.8
	Purchase of operations (note 28)	–	0.5
	Foreign currency translations	–	(0.1)
	Owing – end of period	(19.1)	(213.7)
	Total tax paid	817.3	320.3

		%	%
6.3	**Reconciliation of effective tax rate**		
	South African statutory tax rate	28.0	28.0
	Exempt income – tax free allowances received and other tax free income	(1.6)	(1.0)
	Impact of foreign tax rates	(0.5)	(0.3)
	Non-deductible impairment loss on intangible assets	0.1	0.1
	Non-deductible leasehold improvement and property depreciation	2.4	2.5
	Impact of share options expense	(2.9)	(1.5)
	Other non-deductible expenditure	0.5	0.2
	Net prior period over provisions	(1.0)	(1.3)
	Effective tax rate	25.0	26.7

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

		53 weeks to 3 March 2019 Cents per share	52 weeks to 25 February 2018 Cents per share
7	**EARNINGS PER SHARE**		
	Basic	**347.17**	273.64
	Diluted	**342.85**	268.33
	Headline	**346.69**	276.98
	Diluted headline	**342.37**	271.61

		Rm	Rm
7.1	**Reconciliation between basic and headline earnings**		
	Profit for the period – basic earnings for the period	**1 649.5**	1 296.3
	Adjustments:	**(2.3)**	15.8
	(Profit)/loss on sale of property, plant and equipment	**(11.0)**	10.6
	Tax effect of profit/(loss) on sale of property, plant and equipment	**1.6**	(3.0)
	Impairment loss on property, plant and equipment	**–**	3.5
	Tax effect of impairment loss on property, plant and equipment	**–**	(1.0)
	Impairment loss on intangible assets	**5.3**	6.9
	Impairment loss on property, plant and equipment of associate	**2.8**	1.2
	Tax effect of impairment loss on property, plant and equipment of associate	**(0.9)**	(0.4)
	Profit on sale of property, plant and equipment of associate	**(0.1)**	(3.1)
	Tax effect of profit on sale of property, plant and equipment of associate	**–**	1.1
	Headline earnings for the period	**1 647.2**	1 312.1

		53 weeks to 3 March 2019 000's	52 weeks to 25 February 2018 000's
7.2	**Number of ordinary shares**		
	Number of ordinary shares in issue (note 18)	**493 450.3**	488 450.3
	Weighted average number of ordinary shares (excluding treasury shares)	**475 126.9**	473 717.3
	Diluted weighted average number of ordinary shares in issue	**481 116.5**	483 091.1
	Reconciliation of weighted average number of ordinary shares to diluted weighted average number of ordinary shares:		
	Weighted average number of ordinary shares (excluding treasury shares)	**475 126.9**	473 717.3
	Dilutive effect of share awards	**5 989.6**	9 373.8
	Diluted weighted average number of ordinary shares in issue	**481 116.5**	483 091.1

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

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

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

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

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

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

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

The impairment charge in the current financial year of R5.3 million (2018: R6.9 million) arose in one (2018: two) CGU in the South Africa operating segment. The CGU is an individual owned store, which is not material to the Group's overall portfolio of stores. This impairment was as a result of a significant reduction in the future expected revenue of the CGU due to a weakening in the general economic conditions in which the CGU operates.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

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

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

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

Non-current asset held for sale

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

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

11 OPERATING LEASES

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

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

13 INVESTMENT IN ASSOCIATE

13.1 Accounting for investment in associate

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

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

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

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

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

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

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

13 INVESTMENT IN ASSOCIATE (continued)

13.4 Summary financial information of associate

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

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

13.5 Sensitivity analysis

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)
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	53 weeks to 3 March 2019 Rm	52 weeks to 25 February 2018 Rm
14 LOANS		
Employees	**79.5**	69.2
Executive directors	**0.4**	0.4
Other employees	**79.1**	68.8
Other	**22.5**	10.1
	102.0	79.3

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

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

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

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

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

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

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

16 TRADE AND OTHER RECEIVABLES (continued)
16.1 Allowance for impairment losses

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

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

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

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

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

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

16.2 Credit risk exposure

Set out below is the credit risk exposure on the Group's trade and other receivables. Refer to note 27.2 for the Group's credit risk management disclosure.

53 weeks to 3 March 2019	Gross receivables Rm	Within payment terms Rm	Exceeding payment terms by less than 14 days Rm	Exceeding payment terms by more than 14 days Rm
	4 199.5	**3 185.9**	**127.8**	**885.7**
Trade receivables from contracts with customers	**4 035.6**	**3 093.4**	**127.8**	**814.4**
Other receivables	**163.9**	**92.5**	**–**	**71.3**
52 weeks to 25 February 2018				
Gross receivables	3 650.7	2 843.9	79.2	727.6
Gross receivables without impairments	3 340.6	2 759.6	61.7	519.3
Gross receivables with impairments	310.1	84.3	17.5	208.3

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

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

Cash and cash equivalents

Cash and cash equivalents includes cash floats at stores as well as the Group's current account balances. The Group's primary banker, which at period-end, maintained its long-term credit rating of zaAA+, facilitates the collection of cash at stores, provides general banking facilities and facilitates the payment of suppliers via an electronic banking platform. The interest rate on the current account varied between 5.8% and 6.1% per annum (2018: 6.1% and 6.3% per annum). Refer to note 27.3.2.

Overnight borrowings

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

		53 weeks to 3 March 2019 Rm	52 weeks to 25 February 2018 Rm
18	**SHARE CAPITAL**		
18.1	**Ordinary share capital**		
	Authorised		
	800 000 000 (2018: 800 000 000) ordinary shares of 1.25 cents each	**10.0**	10.0
	Issued		
	493 450 321 (2018: 488 450 321) ordinary shares of 1.25 cents each	**6.0**	6.0

	000's	000's
The number of ordinary shares in issue at end of period is made up as follows:		
Treasury shares held as hedge against share options granted (note 19)	**9 576.5**	6 654.9
Treasury shares allocated under the forfeitable share plan (note 19)	**8 494.0**	6 853.5
Shares held outside the Group	**475 379.8**	474 941.9
Total shares in issue at end of period	**493 450.3**	488 450.3

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

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

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

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

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

B shares are stapled to ordinary shares and cannot be traded separately from each other. Stapled ordinary shares, together with B shares, are subject to restrictions upon disposal.

The holders of B shares are entitled to the same voting rights as holders of ordinary shares, but are not entitled to any rights to distributions by the Company or any other economic benefits. Refer to note 18.1.

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

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

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

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

21 RETIREMENT BENEFITS

The Group, through its trading and employer subsidiaries, provides post-retirement benefits to its employees in accordance with local benchmarks in the countries in which it operates. These benefits are mainly provided through the Pick n Pay Retirement schemes which incorporates the Pick n Pay Paid-up Pension Fund and The Pick n Pay Contributory Provident Fund defined contribution plans.

The Group's largest defined contribution fund is the Pick n Pay Contributory Provident Fund. Certain members of this fund were guaranteed that should their defined-contribution benefit be less than their previous defined-benefit guarantee (under the previous Pick n Pay Retirement Fund) they would retain the latter. Due to this guarantee, and the fact that the pensioners are paid by the Pick n Pay Paid-up Pension Fund, the Retirement scheme's liabilities may be broken down between those which are defined contribution in nature and those which are defined benefit in nature and for which the employer has an obligation to make additional contributions to ensure this element of the scheme is fully funded. The defined benefit and defined contribution plans are regulated by the Pensions Funds Act, 1956 (of South Africa) and is governed by a board of trustees of the Pick n Pay Contributory Provident Fund and Pick n Pay Paid-up Pension Fund, in line with governance policies set in terms of the PF130 circulars. The board of trustees of the Pick n Pay Contributory Provident Fund comprises 6 employer-appointed and 6 member-elected trustees and for the Pick n Pay Paid-up Pension Fund it comprises of 2 employer-appointed and 2 member-elected trustees.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

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

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

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

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

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

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

The following assumptions were used in the sensitivity analysis:

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

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

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

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

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

Prepaid gift card liability

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

Smart Shopper loyalty programme liability

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

Refund liability

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

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

24 COMMITMENTS

24.1 Capital commitments

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

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

24.2 Operating lease commitments

Refer to note 11

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

25 OPERATING SEGMENTS

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

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

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

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

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

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

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

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

26 RELATED PARTY TRANSACTIONS

26.1 Transactions between Group subsidiaries

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

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

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

26.2 Transactions with equity accounted associate

Refer to note 13 for further information.

26.3 Loans to executive directors

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

26.4 Key management personnel

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

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

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

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

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FOR THE PERIOD ENDED 3 MARCH 2019

27 FINANCIAL INSTRUMENTS

Overview

The Group's principal financial liabilities comprise borrowings, trade and other payables and derivatives designated as hedging instruments. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include loans, trade and other receivables, and cash and short-term deposits that derive directly from its operations. The Group also holds fair value through profit or loss financial instruments and enters into derivative transactions.

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

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

27.1 Financial assets and financial liabilities by category

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

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

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

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

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

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

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

27.2 Credit risk
Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. Financial assets, which potentially subject the Group to credit risk, consist principally of cash and cash equivalents, trade and other receivables and loans.

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

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

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

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

27 FINANCIAL INSTRUMENTS (continued)

27.3 Market risk management

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk (such as equity price risk). Financial instruments affected by market risk include loans and borrowings, deposits, fair value through profit or loss financial instruments and derivative financial instruments. The objective of market risk management is to manage and control exposure to market risk, while optimising the return on the risk.

27.3.1 Currency risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities and the Group's net investment in foreign subsidiaries.

Transactional currency risk

The Group has transactional currency exposures arising from the acquisition of goods and services in currencies other than its functional currency. The Group operates internationally and is exposed to currency risk through the importation of merchandise, however it does not have material foreign creditors as inventory imports are mostly prepaid. Investments in foreign operations and master franchise agreements with international counter parties do not contribute to transactional currency risk as the related transactions and balances are denominated in South African rands.

The Group imports inventory from foreign countries and is exposed to fluctuations in foreign exchange rates. The Group uses FEC's to mitigate its foreign exchange risks from the import of inventory. It is the Group's policy to cover all foreign inventory purchases via a derivative contract (FEC). The Group does not use derivatives for speculative purposes.

The Group's FEC's qualified for hedge accounting during the period under review and have been designated as cash flow hedges of firm commitments in US dollar, GBP and Euro. All firm commitments are expected to be realised within 12 months.

An economic relationship exists between the hedged items and the hedging instruments. The Group has established a hedge ratio of 1:1, as the terms of the FEC's match the terms of the firm commitments. To test hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve. During the period under review, R9.1 million was reclassified to cost of sales in the statement of comprehensive income.

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

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

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

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

27 FINANCIAL INSTRUMENTS (continued)

27.3.2 Interest rate risk management

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

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

Sensitivity of the Group's exposure to interest rate risk is estimated by assessing the impact of a reasonable expected movement in the relevant interest rates on the statement of comprehensive income and statement of changes in equity of the Group. A sensitivity analysis is not presented as the estimated impact of the expected movement in the relevant interest rates is not material.

27.4 Liquidity risk

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

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

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

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

27 FINANCIAL INSTRUMENTS (continued)

27.4 Liquidity risk (continued)

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

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

27.5 Fair value of financial instruments

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

Financial instruments measured at fair value are classified using a 3 level hierarchy to rank inputs used in measuring fair value. The levels are explained below:

Level 1 – quoted prices (unadjusted) in an active market for identical assets or liabilities.

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

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

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

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

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

27 FINANCIAL INSTRUMENTS (continued)

27.5 Fair value of financial instruments (continued)

Basis for determining fair values

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

The fair value of the investment in insurance cell captive is determined based on the net asset value of the underlying cell captive at the reporting date.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Foreign exchange forward contracts are valued using a forward pricing model utilising present valuation techniques, allowing for counterparty credit risk.

The carrying value of all other financial instruments held at amortised cost approximate their fair value.

There have been no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy during the period.

27.6 Capital management

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

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

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

	2019	2018
Return on capital employed	**38.9%**	32.2%

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

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

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

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

28 PURCHASE OF OPERATIONS

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

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

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

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

29 ADOPTION OF NEW ACCOUNTING STANDARDS AND PRIOR PERIOD RESTATEMENTS

29.1 Adoption of new accounting standards

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

IFRS 9 Financial instruments

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

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

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

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

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

IFRS 15 Revenue from contracts with customers

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

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

The measurement of revenue is determined based on the amount to which the Group expects to be entitled, allocated to each specific performance obligation. Depending on whether certain criteria are met, revenue is recognised either over time or at a point in time, as or when control of goods or services is transferred to the customer. The Group has applied IFRS 15 using the full retrospective method of adoption. The Group has not presented the impact of the adoption on the period under review, as the standard provides an optional practical expedient.

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

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

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

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

	Restated 52 weeks to 25 February 2018 Rm	Impact of IFRS 15 Rm	As previously published 52 weeks to 25 February 2018 Rm
29 ADOPTION OF NEW ACCOUNTING STANDARDS AND PRIOR PERIOD RESTATEMENTS (continued)			
29.2 Impact of adoption of IFRS 15 on the statement of comprehensive income for the 52 weeks ended 25 February 2018			
Revenue	82 489.6	(1 015.2)	83 504.8
Turnover	80 523.5	(1 036.6)	81 560.1
Cost of merchandise sold	(65 294.6)	1 015.2	(66 309.8)
Gross profit	15 228.9	(21.4)	15 250.3
Other income	1 782.0	21.4	1 760.6
Commissions and other income	935.8	21.4	914.4
Profit for the period	1 296.3	–	1 296.3

	Restated As at 25 February 2018 Rm	Impact of IFRS 15 Rm	As previously published As at 25 February 2018 Rm
29.3 Impact of adoption of IFRS 15 on the statement of financial position as at 25 February 2018			
Inventory	5 944.1	(19.6)	5 963.7
Right of return asset	19.6	19.6	–
Trade and other payables	10 539.3	(281.3)	10 820.6
Deferred revenue	281.3	281.3	–

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

30 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED

International Financial Reporting Standards (IFRS)

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

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

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

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

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

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

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

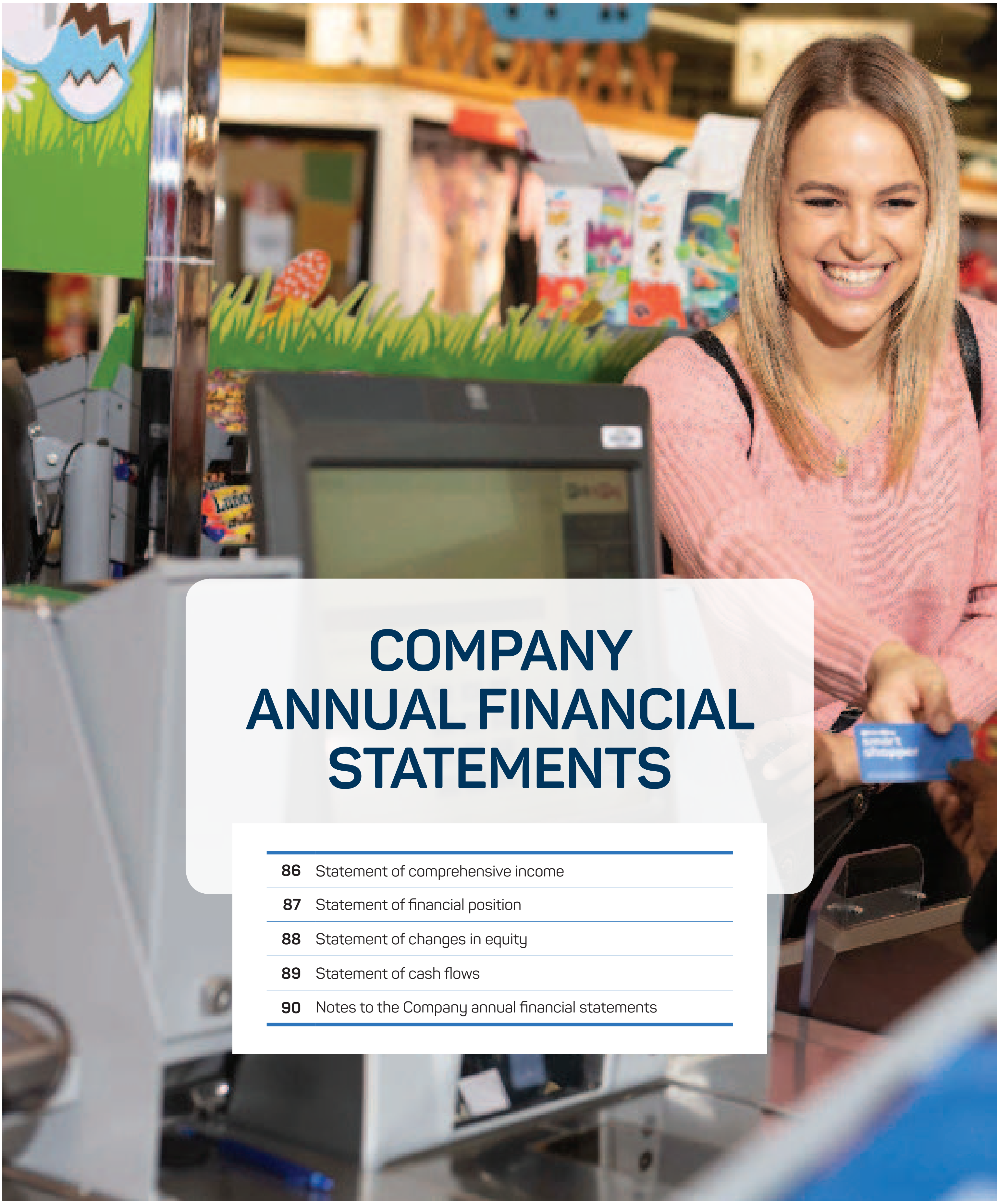
30 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED (continued)

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

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

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

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



COMPANY ANNUAL FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED

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

STATEMENT OF FINANCIAL POSITION

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

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED

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

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED

	Note	53 weeks to 3 March 2019 Rm	52 weeks to 25 February 2018 Rm
Cash flows from operating activities			
Profit before tax		958.4	322.7
Adjusted for dividend income	8.1	(973.4)	(336.4)
Cash utilised before movements in working capital		(15.0)	(13.7)
Movements in working capital		0.9	0.6
Movements in trade and other payables		0.9	0.6
Cash utilised in operations		(14.1)	(13.1)
Dividends received	8.1	973.4	336.4
Dividends paid	4.1	(952.0)	(878.2)
Tax paid	3	(0.1)	–
Cash generated from operating activities		7.2	(554.9)
Cash flows from investing activities			
Loans (advanced to)/repaid by subsidiary	8.2	(376.0)	555.5
Cash generated (utilised in)/from investing activities		(376.0)	555.5
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital	7.1	369.9	–
Cash generated from financing activities		369.9	–
Net movement in cash and cash equivalents		1.1	0.6
Cash and cash equivalents at beginning of period		2.6	2.0
Cash and cash equivalents at end of period	6	3.7	2.6

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 3 MARCH 2019

1. ACCOUNTING POLICIES

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

1.1 Statement of compliance

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

1.2 Basis of preparation

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

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

1.3 Foreign currency transactions and translations

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

1.4 Revenue

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

Revenue is measured based on the amount which the Company expects to be entitled to, allocated to each specific performance obligation. Depending on whether certain criteria are met, revenue is recognised either over time or at a point in time, as or when the control of goods or services is transferred to the customer. Revenue is measured at the fair value of consideration received or receivable and is stated net of related rebates and discounts granted.

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

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

1.5 Investments in subsidiaries

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

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

2. ADMINISTRATION EXPENSES
Administration expenses are stated after taking into account the following expenses:

2.1 Directors' remuneration*
Directors' remuneration paid by Pick n Pay Stores Limited is detailed below.

	Fees for board meetings R'000	Fees for committee and other work R'000	Total remuneration R'000
2019			
Non-executive directors			
Gareth Ackerman	**4 438.0**	**–**	**4 438.0**
David Friedland	**413.0**	**223.0**	**636.0**
Hugh Herman	**413.0**	**497.0**	**910.0**
Alex Mathole	**413.0**	**90.0**	**503.0**
Audrey Mothupi	**413.0**	**268.0**	**681.0**
Lorato Phalatse**	**206.5**	**149.0**	**355.5**
David Robins	**413.0**	**–**	**413.0**
Jeff van Rooyen	**413.0**	**470.0**	**883.0**
Total remuneration	**7 122.5**	**1 697.0**	**8 819.5**
2018			
Non-executive directors			
Gareth Ackerman	4 187.0	–	4 187.0
David Friedland	390.0	210.0	600.0
Hugh Herman	390.0	469.0	859.0
Alex Mathole	390.0	42.5	432.5
Audrey Mothupi	390.0	253.0	643.0
Lorato Phalatse	390.0	165.0	555.0
David Robins	390.0	–	390.0
Jeff van Rooyen	390.0	444.0	834.0
Total remuneration	6 917.0	1 583.5	8 500.5

* *Executive directors salaries are paid by a subsidiary company. Refer to note 4 of the Group annual financial statements.*
** *Lorato Phalatse resigned as a director of Pick n Pay Stores Limited on 31 August 2018.*

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

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 3 MARCH 2019

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

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

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

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

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

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

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

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

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

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

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

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

B shares are stapled to ordinary shares and cannot be traded separately from each other. Stapled ordinary shares, together with B shares, are subject to restrictions upon disposal.

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

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

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

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

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

8.3 Ordinary shares held by directors

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

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

8.4 B shares held by directors

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

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

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

9. FINANCIAL INSTRUMENTS

Overview

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

9.1 Credit risk

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

9.2 Liquidity risk

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

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

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

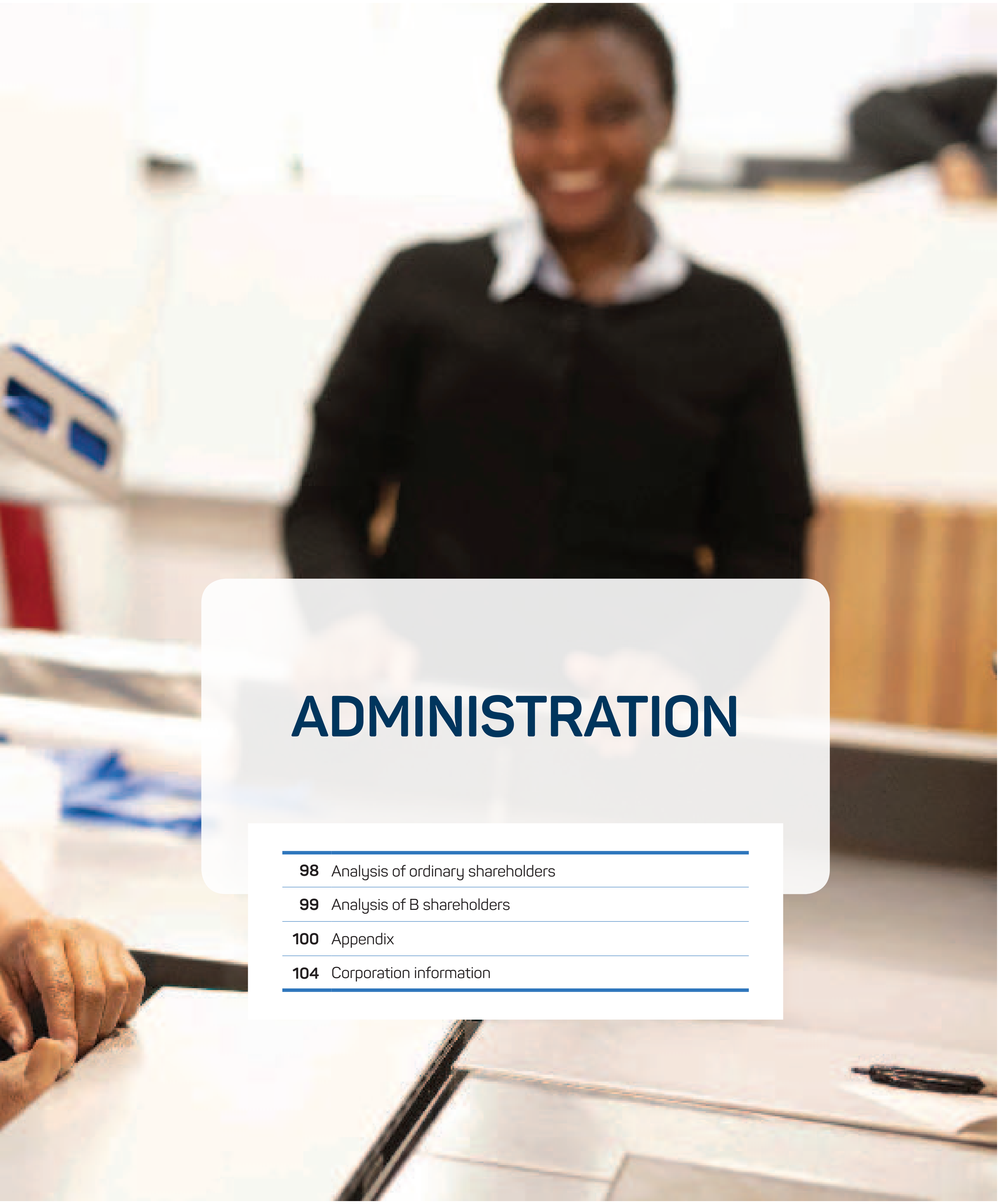
* *All contractual cash flows repayable within 1 year*

9.3 Capital management

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

9.4 Suretyships

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



ADMINISTRATION

ANALYSIS OF ORDINARY SHAREHOLDERS

PICK N PAY STORES LIMITED

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

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

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

ANALYSIS OF B SHAREHOLDERS

PICK N PAY STORES LIMITED

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

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

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

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

APPENDIX

PICK N PAY STORES LIMITED GROUP

PRO FORMA INFORMATION

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

BASIS OF PREPARATION: 52-WEEK FINANCIAL INFORMATION

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

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

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

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

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

The 53rd week financial impact was calculated as follows:

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

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

APPENDIX (continued)

PRO FORMA INFORMATION (continued)

The table below presents the impact of week 53:

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

1 *Presents the audited Group result for the 53 weeks ended 3 March 2019*
2 *Presents the financial impact of the week from 25 February 2019 to 3 March 2019 (the 53rd week)*
3 *Presents the 52-week financial information for the 52 weeks ended 24 February 2019*
4 *Presents the audited Group result for the 52 weeks ended 25 February 2018*

APPENDIX (continued)

PRO FORMA INFORMATION (continued)

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

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

APPENDIX (continued)

PRO FORMA INFORMATION (continued)

BASIS OF PREPARATION: CONSTANT CURRENCY PRO FORMA INFORMATION

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

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

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

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

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

ADDITIONAL INFORMATION

LIKE-FOR-LIKE TURNOVER GROWTH COMPARISONS

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

CORPORATE INFORMATION

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

BOARD OF DIRECTORS
EXECUTIVE
Richard Brasher (CEO)
Aboubakar (Bakar) Jakoet (CFO)
Richard van Rensburg (CIO)
Suzanne Ackerman-Berman
Jonathan Ackerman

NON-EXECUTIVE
Gareth Ackerman (Chairman)
David Robins

INDEPENDENT NON-EXECUTIVE
David Friedland
Hugh Herman
Alex Mathole
Audrey Mothupi
Lorato Phalatse (resigned during August 2018)
Jeff van Rooyen

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ATTORNEYS
Edward Nathan Sonnenberg

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First National Bank

COMPANY SECRETARY
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PROMOTION OF ACCESS TO INFORMATION ACT
Information Officer – Penny Gerber
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Penny Gerber
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