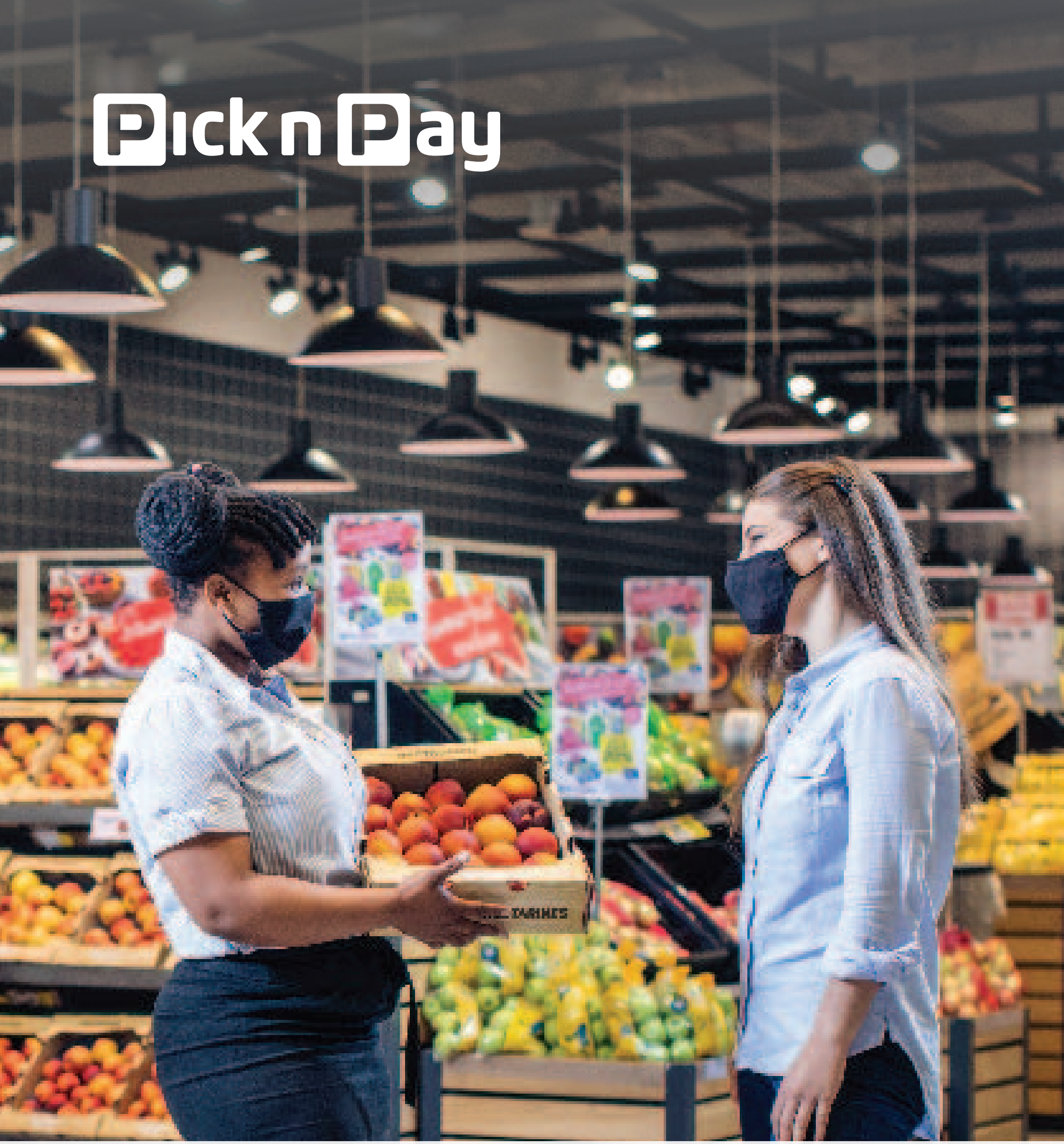

SUMMARISED AUDITED GROUP ANNUAL FINANCIAL STATEMENTS

For the 52 weeks ended 28 February 2021

Summarised audited Group annual financial statements

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KEY METRICS

Turnover
+4.3%
R93.1 billion

Core food and grocery sales
+10%

Comparable HEPS
-16.8%
235.42 cents

Comparable HEPS, excluding once-off compensation costs
-6.1%
265.58 cents

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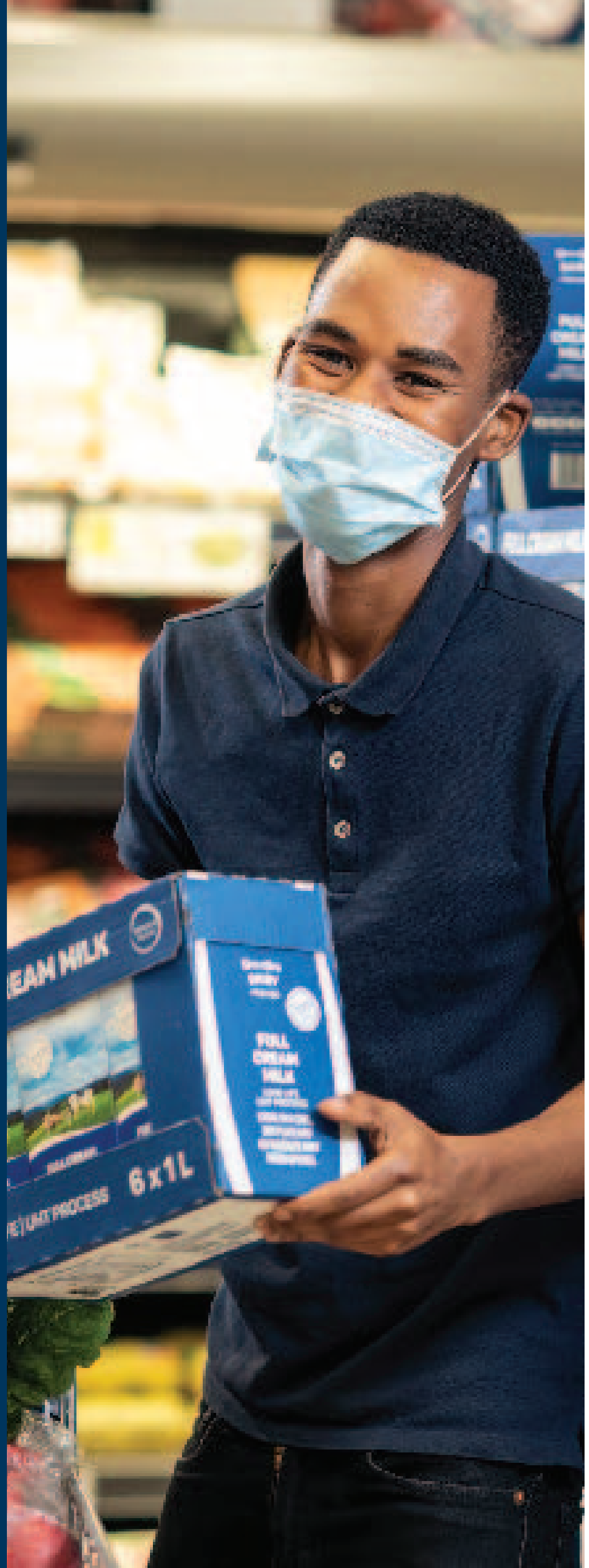


Outstanding performance in extraordinary times

KEY FINANCIAL INDICATORS	**52 weeks to 28 February 2021 FY21**	52 weeks to 1 March 2020[1] FY20	**% change**
Group turnover	**R93.1 billion**	R89.3 billion	**4.3%**
Group turnover – South Africa	**R89.9 billion**	R85.6 billion	**5.0%**
Gross profit margin	**19.8%**	19.7%	
Trading profit	**R2 707.8 million**	R3 174.5 million	**(14.7%)**
Profit before tax and capital items	**R1 554.2 million**	R1 940.4 million	**(19.9%)**
Comparable profit before tax and capital items (PBT)[3]	**R1 583.4 million**	R1 897.2 million	**(16.5%)**
Comparable PBT – excluding once-off compensation costs[2]	**R1 783.4 million**	R1 897.2 million	**(6.0%)**
Profit for the period, after tax	**R967.1 million**	R1 194.7 million	**(19.1%)**
Headline earnings per share (HEPS)	**229.31 cents**	291.90 cents	**(21.4%)**
Comparable HEPS[3]	**235.42 cents**	282.82 cents	**(16.8%)**
Comparable HEPS – excluding once-off compensation costs[2]	**265.58 cents**	282.82 cents	**(6.1%)**
FY21 – total dividend per share	**179.74 cents**	215.86 cents	**(16.7%)**

[1] *Reported prior year headline earnings and headline earnings per share have been restated to accord with the guidance contained within SAICA Circular 1/2019: Headline Earnings, related to IFRS 16 Leases. Please refer to note 4 for further information.*

[2] *The Group incurred R200 million (R144 million net of South African income tax at 28%) of once-off compensation costs in respect of voluntary and structured staff severance programmes undertaken during the course of the year. The measures were an important step in delivering on the Group's productivity and efficiency goals under Project Future, the Group's modernisation programme. Further information is provided below under employee costs.*

[3] *Profit before tax and capital items and headline earnings per share (HEPS) include non-cash hyperinflation net monetary adjustments recognised in respect of the Group's investment in its associate, TM Supermarkets in Zimbabwe, under the requirements of IAS 29 Financial Reporting in Hyperinflationary Economies (IAS 29). Comparable profit before tax and capital items, and Comparable HEPS, exclude these non-cash hyperinflation net monetary adjustments. Please refer to Appendix 2 for further information.*

Result summary

The Group delivered an outstanding performance in a year which fell almost entirely within the National State of Disaster caused by Covid-19. Sales growth of 10% in core food and groceries[4] in South Africa led the market in a year of unprecedented disruption. Taking into account additional costs associated with Covid-19 and the once-off compensation costs arising from severance programmes, the Group demonstrated considerable strength and momentum in its underlying quality of earnings.

The Group's primary role throughout the Covid-19 pandemic has been to feed the nation by keeping our stores open, safe and fully stocked of essential food and groceries. Our Pick n Pay and Boxer teams have achieved this with distinction, and the Board expresses its profound thanks to them for their dedication and service.

FY21 Group earnings reflect the full impact of measures taken to contain the spread of the virus, including trading restrictions over non-essential goods and services for parts of the year. These resulted in an estimated R4 billion in lost sales, and R200 million in additional costs arising from the Group's operational response.

Throughout the crisis, the Group has remained resolute in its execution of its clear and customer-led strategy. Project Future was launched over a year ago to drive modernisation and efficiency, enabling the Group to invest in lower prices, better value and improved service for customers. The Group delivered R600 million of cost savings in the first year of Project Future, and is on-track to deliver the target of R1 billion over two years. In doing so, the Group simplified its store, supply chain and support office infrastructure, drove productivity and efficiency gains across its operations and improved the overall quality and relevance of its store estate. The benefit of this work is evidenced in the FY21 result through the Group's exceptional gross profit margin management, strong cost discipline and tight working capital management.

R200 million once-off costs were incurred in compensation payments arising from a voluntary severance programme and some further retrenchments to improve support office efficiency.

[4] *Core food and grocery sales include all food, grocery and general merchandise categories (including value-added categories impacted by trading restrictions such as hot foods, deli and bakery products), but exclude liquor, clothing and tobacco.*

The Group worked closely with strategic funders to optimise cost-effective, short-term funding lines, maintaining high levels of liquidity throughout the year. The Group's positive net funding position, after maintaining an uninterrupted dividend cycle with the payment of the FY20 final and FY21 interim dividends in December 2020, reflects the Group's careful and considered cash management, with a keen focus on capital and working capital returns and exceptional discipline in respect of all non-critical spend. The Board has declared a final dividend of 161.00 cents per share, bringing the total FY21 dividend to 179.74 cents per share, down 16.7% year-on-year in line with comparable headline earnings per share.

FY21 highlights

- Resilient and responsive store and supply chain infrastructure, ensuring continuous business operations over the year and high levels of product availability
- Market-leading core food and grocery performance in South Africa, up 10.0% year-on-year (8.4% like-for-like) with 5.1% like-for-like volume growth in the second half of the year
- Solid market share gains over the second half of the year, led by an outstanding Boxer performance
- Sustained improvement in the Group's underlying core retail offer, delivering improved trading densities with tighter and more tailored ranges
- Pick n Pay clothing achieved market share gains through increased customer demand for its high-quality, affordable offer
- Rapid expansion of South Africa's largest online grocery platform – with the on-demand grocery service Bottles augmenting Pick n Pay's scheduled delivery and Click n Collect services
- Gross profit margin expansion, with cost savings and efficiency gains across the supply chain countering the impact of trading restrictions on the Group's higher-margin categories
- Competitive prices and value, with internal selling price inflation kept to 3.8% over the year against CPI Food of 4.8%, driven by strong promotions and an increasingly integrated Smart Shopper loyalty programme
- Smart Shopper was recognised by the Sunday Times as South Africa's favourite retail loyalty programme of the past decade and, with 8.5 million active members, has grown loyalty participation to 75% of sales
- Project Future is driving a culture of cost discipline, with growth in trading expenses contained at 5.6% (3.1% like-for-like), excluding additional Covid-19 and once-off compensation costs
- Positive net cash funding position of R132.5 million, R500 million stronger than last year on a like-for-like basis, underpinned by strong working capital management
- Improved store estate, with 112 new stores across all Pick n Pay and Boxer formats, reflecting targeted investment in smaller community-based stores providing greater value and convenience
- The Group's Feed the Nation campaign raised R136 million in hunger relief efforts over the year, providing more than 28 million meals to vulnerable families

Detailed review of financial and operational performance

Turnover

Group turnover increased 4.3% year-on-year, with like-for-like growth of 3.1%. On a constant currency basis, excluding local currency weakness in the Rest of Africa, Group turnover increased 4.6%. Turnover from South African operations increased 5.0%, with like-for-like growth of 3.8%.

	Turnover growth		
	1H FY21 26 weeks to 30 August 2020 %	2H FY21 26 weeks to 28 February 2021 %	**FY21 52 weeks to 28 February 2021 %**
Group	2.6	6.0	**4.3**
Like-for-like	1.0	5.0	**3.1**
South Africa	3.4	6.8	**5.0**
Like-for-like	1.7	5.9	**3.8**

Covid-19 trading restrictions introduced by government in its initial lockdown impacted up to 20% of the Group's revenue – including in higher-margin categories such as liquor, clothing, general merchandise, and hot foods, deli and bakery products. Sales were also impacted by reduced trading hours, limits on the number of customers in store, and by temporary store closures following the identification of positive Covid-19 cases among staff. Group turnover growth accelerated from 2.6% in the first half of the year to 6.0% in the second half of the year.

Core food and grocery

The Group delivered a market-leading sales performance in its core retail offer in South Africa, increasing its growth from 9.9% in the first half of the year to 10.1% in the second half – at a time when the more discretionary areas of the consumer economy were opening up.

	Turnover growth		
Core food and grocery*	1H FY21 26 weeks to 30 August 2020 %	2H FY21 26 weeks to 28 February 2021 %	**FY21 52 weeks to 28 February 2021 %**
Group	8.7	9.0	**8.9**
South Africa	9.9	10.1	**10.0**
Like-for-like	7.6	9.3	**8.4**
Selling price inflation	3.4	4.2	**3.8**
Like-for-like volume growth	4.2	5.1	**4.6**

* *Core retail sales include all food, grocery and general merchandise categories (including value-added categories impacted by trading restrictions such as hot foods, deli and bakery products), but exclude liquor, clothing and tobacco.*

This performance reflected sustained improvements in the Group's customer offer, which drove 5.1% like-for-like volume growth in South Africa in the second half of the year, with the strongest acceleration at the value end of the market.

Liquor and tobacco

The Group's liquor and tobacco categories were significantly affected by government trading restrictions. The Group lost 209 liquor trading days over FY21 (126 days in the first half and 83 days in the second), with reduced trading hours for all but three weeks of the financial year. The sale of cigarettes and other tobacco products was prohibited between 27 March and 17 August. These combined measures had a profound impact on the Group's liquor and tobacco sales, with negative growth of 31.0% over the year.

	Turnover growth		
	1H FY21 26 weeks to 30 August 2020 %	2H FY21 26 weeks to 28 February 2021 %	**FY21 52 weeks to 28 February 2021 %**
South Africa Liquor and tobacco	(47.5)	(17.3)	**(31.0)**

To assist recovery of the local wine industry, Pick n Pay has committed to the purchase of at least 25 million bottles of South African wine this year, and will work closely with farmers to grow their sales through the launch of new ranges, strong promotions and more dedicated shelf space. The Group added 35 new liquor stores during the year, and plans to add 40 more in FY22.

Clothing

Clothing sales were severely impacted by trading restrictions in the first half of the year, with sales prohibited during Level 5 lockdown and subject to continuing restrictions under Level 4. The Group's clothing sales increased 1.3% year-on-year, with 6.7% growth in the second half of the year.

	Turnover growth		
	1H FY21 26 weeks to 30 August 2020 %	2H FY21 26 weeks to 28 February 2021 %	**FY21 52 weeks to 28 February 2021 %**
South Africa Clothing	(4.2)	6.7	**1.3**

The Group's clothing division consistently outperformed the overall apparel market over the year, with outstanding performances in its ladieswear, childrenswear and babywear categories. Local sourcing increased close to 40% year-on-year, as the Group developed partnerships with local designers and entrepreneurs to mitigate Covid-19 supply chain disruption, reduce order lead times and improve availability. The Group added 22 clothing stores during the year and will continue to expand its reach through targeted investment in stand-alone clothing stores, additional space in supermarkets, and a growing online offer. The Group plans to expand its online offer in FY22, alongside the addition of a further 30 new clothing stores.

Strong plan, responsive to changing customer needs

Customers have responded to the Covid-19 crisis by shopping less frequently for bigger baskets. They have demonstrated a greater preference for one-stop shopping in stores which offer safety, convenience, a relevant range, consistent availability, and above all low prices and great value.

Lower prices and integrated loyalty

The Group continues to invest efficiency savings into lower prices and greater value for customers. Pick n Pay and Boxer followed a simple and effective programme of deep value promotions this year, including multi-buys and daily deals targeted at the food and grocery product lines most important to our customers.

Pick n Pay extended its value proposition through its personalised Smart Shopper loyalty programme, providing Smart Shoppers with R3.5 billion in savings this year. Everyday low Smart Prices, alongside bi-weekly personalised discounts, have driven loyalty participation to 75% of sales, from 65% last year. The programme has 8.5 million active customers, and provides invaluable information for Pick n Pay and its suppliers. The Smart Shopper programme was recently recognised by the Sunday Times as South Africa's favourite retail loyalty programme over the past decade.

Notwithstanding cost pressures across the value chain, particularly in the second half of the year, the Group contained its internal selling price inflation in South Africa to 3.8% year-on-year, against CPI Food of 4.8%.

Greater relevance and improved store operations

Pick n Pay completed a comprehensive range review across its segmented Value, Core and Select supermarkets this year, supported by strong and effective collaboration with suppliers and franchise partners. As a result, Pick n Pay removed 4 500 duplicate and uneconomic products, and re-invigorated a number of under-performing categories. Pick n Pay's product offer is increasingly clear, uncluttered and relevant, enabling improved forecasting, supplier replenishment, reduced waste and higher on-shelf availability.

Boxer remains South Africa's fastest growing discount retailer, with a tailored range of 3 000 products, and a strong meat offer. It has maintained double-digit sales growth over a number of years by offering unbeatable value and by being highly responsive to the needs of customers.

Leading online offer

Pick n Pay has led online grocery retailing in South Africa for two decades. Its mature grocery platform was able to respond quickly and effectively to meet the surge in demand during the Covid-19 crisis. In addition to expanding its scheduled delivery service, Pick n Pay extended its Click n Collect offer, and repositioned its one-hour liquor delivery partnership with Bottles into an on-demand essential grocery service. The Group's franchise partners also moved quickly to serve their customers through safe and convenient home deliveries.

Online sales more than doubled over the year, with a 150% increase in active online customers. As a result of consistent levels of availability and good on-time delivery rates, customer satisfaction was up 8.5 percentage points year-on-year. Bottles is the highest-rated mobile app in its category, ahead of any other online grocery delivery service in South Africa.

Pick n Pay Online is available in all major centres across South Africa, operating out of two dedicated online warehouses and more than 140 supermarkets country wide, and provides online customers access to South Africa's broadest e-commerce grocery range, with over 10 000 products. Building on the tremendous momentum achieved during the year, the Group purchased the Bottles business in the second half of the financial year to drive integration and innovation across our platform.

The combination of a strong and established digital platform, dedicated fulfilment centres and in-store picking, alongside a decade of detailed loyalty data, provides Pick n Pay with a strong position from which to continue to drive innovation in e-commerce in South Africa.

Greater convenience, wider reach

The Group has 1 994 stores across all Pick n Pay and Boxer formats, including 1 172 company-owned stores, 761 franchise stores, and 61 stores operated by our associate in Zimbabwe. The Group opened 112 new stores this year, with a programme to maximise returns through targeted investment in smaller, community-based supermarkets, and a growing clothing and liquor offer.

The Group's new space growth strategy focuses on increasing its store footprint in the lower- to middle-income communities of South Africa. The Group believes that this area of the South African retail market will deliver the greatest growth over the medium- to long-term, driven by an expanding working-age population, urbanisation, and the ongoing formalisation of the informal market. The Group is under-represented in this area, which provides a strong growth opportunity for its Pick n Pay Value and Boxer supermarkets.

Aligned with this strategy, the Group converted 34 franchise stores into company-owned stores this year – including 22 value supermarkets (13 Boxer and nine Pick n Pay) – providing customers with a revitalised, modern and convenient shopping experience and delivering stronger trade performances and higher investment returns off a significantly reduced and tailored range.

New stores and conversions added 2.3% to the Group's turnover growth for the period, fully mitigating the impact of Covid-19 restrictions on the construction industry during the year under review. To further improve the overall quality of its store estate, the Group closed 43 stores during the year across all formats, resulting in a turnover contribution from net new stores, including closures, of 1.2%.

The Group curtailed its capital investment programme in the first half of the year, preserving cash and liquidity as the Covid-19 crisis unfolded. As trading operations normalise, the Group looks forward to delivering against a strong store pipeline.

The Group's hypermarket division has continued to improve its underlying profitability through a platform of targeted promotions, a stronger fresh offer and general merchandise range, and an expanding wholesale offer serving independent traders.

The Group has a strong portfolio of 761 franchise stores across all formats. While it closed and converted a number of franchise stores during the year to improve underlying investment returns, the Group opened 43 new franchise stores, including six supermarkets and 10 market stores, expanding the reach of the Pick n Pay brand into under-served parts of South Africa. The Pick n Pay franchise model remains a highly effective vehicle for emerging retail entrepreneurs to build successful businesses, leveraging the buying, distribution and systems capability of the Pick n Pay Group. The Group plans to open a further 40 franchise stores, across all formats, in FY22. The Board extends its thanks to our franchise partners for their invaluable teamwork throughout the Covid-19 crisis.

Gross profit

Gross profit increased 4.7% to R18.4 billion, with an expansion in the gross profit margin to 19.8% of turnover. The Group mitigated the severe impact of Covid-19 trading restrictions on its higher margin categories, delivering cost savings, efficiency gains and increased centralisation across its supply chain, while providing greater value for customers. The Group's effective promotional strategy, including greater personalised value through Pick n Pay's Smart Shopper programme, is driving underlying volume growth and related increases in supplier incentive income.

Highly effective central distribution channel

The Group's supply chain team has been highly effective in responding to the Covid-19 crisis, working closely with suppliers and service providers to maintain an uninterrupted supply of goods and services in the face of severe disruption. The Group consistently maintained its on-shelf availability of essential food and groceries at 95% throughout the year, including over key month-end trading periods.

Improved supply chain efficiency and cost control

Pick n Pay delivered further progress in the optimisation of its central supply chain, meeting accelerated cost and efficiency targets under Project Future. Pick n Pay rationalised its distribution centre operational management through the appointment of two functional outsource partners. These strategic partnerships deliver greater skill and efficiency in operations, as well as stability in labour relations across our distribution facilities.

The supply chain team also continues to improve the efficiency of its fleet, with fewer trucks on the road and fewer kilometres travelled despite growing volumes being transported. The improvements in labour productivity and transport efficiency have reduced Pick n Pay's cost of distribution across both grocery and perishable lines, and have helped to achieve an outstanding reduction in waste and shrink.

Greater levels of centralised supply in Boxer

Boxer made further progress in centralising its supply chain. The opening of its new Polokwane distribution centre in September 2020 took its centralised supply to 55%. As Boxer centralises more of its supply chain, stores increasingly benefit from improvements in forecasting and replenishment, leading to even better on-shelf availability. Boxer's centralisation strategy has also delivered sustainable gross profit margin improvements for the Group through increases in supplier incentive income, and meaningful working capital improvements.

Greater value and innovation through own brand

The Group's growing range of Pick n Pay and Boxer own brand products is an important and effective tool in providing customers with trusted quality and greater value. Pick n Pay grew its own brand sales by 12% this year, anchored by a strong performance in edible groceries, with its own brand participation now at 25% of participating categories. To advance its own brand strategy, Pick n Pay has successfully insourced the research and development of its own brand offer within its central commercial and procurement team.

Boxer's own brand participation now stands at 23% of participating categories. With sustained double-digit sales growth in key value commodity lines, many of its own brand products are performing well ahead of national brands.

The Group remains confident that it can grow its own brand participation to 30% or more over the medium-term, and with greater control over input costs, will deliver further sustainable gross profit margin benefits.

Other income

Other income increased 0.7% to R1.6 billion.

Franchise fee income – the Group's royalty fee income, earned on franchise point of sale turnover, increased 3.6% to R412.7 million, reflecting both the impact of Covid-19 trade restrictions on Pick n Pay franchise partners and the impact of a number of store closures and store conversions over the course of the year.

Commissions and other income – this broad category of income includes income from value-added services and all other commission and incentive income not directly related to the sale of inventory. Commissions and other income decreased 0.5% year-on-year to R1.0 billion, reflecting the impact of Covid-19 restrictions on this income line.

Income from value-added services – commissions earned on travel and event ticketing and financial services were all down year-on-year, reflecting the restrictions on many activities during the Covid-19 lockdown. Income earned from third-party bill payments, courier services and the sale of gift cards remained resilient.

The Group continues to expand its value-added services platform, harnessing the strength of its systems infrastructure to deliver on customer demand for greater convenience and digital innovation.

Through a strategic partnership with MTN, Pick n Pay and Boxer were the first grocery retailers to launch their own mobile virtual network this year. PnP Mobile and BoxerCom are providing customers with exceptional value on cellular airtime, data and other services, including unbeatable promotions linked to the Pick n Pay Smart Shopper loyalty programme.

Trading expenses

Trading expenses grew 8.1% year-on-year to R17.3 billion, with like-for-like expense growth of 5.7%.

Trading expenses reflect R200 million of additional costs directly related to the Group's Covid-19 operational response, with additional hygiene and safety costs of R130 million; a R50 million appreciation bonus paid to front-line staff, and security and communication costs of R20 million.

The Group has not removed these costs when reporting its comparable headline earnings performance over the year. The Group recognises that Covid-19 regulations resulted in some cost savings over the period, principally in staff scheduling, training and transport, with some benefit from rental reductions and government employee relief schemes. Furthermore, a portion of these operating costs are expected to persist as a result of the Group's strengthened health, safety and security protocols (albeit at a lower value).

Trading expenses further reflect R200 million once-off compensation costs related to voluntary and structured employee severance programmes undertaken during the year (detailed below).

Trading expenses were up 5.6% year-on-year (3.1% like-for-like) excluding these additional Covid-19 costs and once-off compensation costs.

Employee costs – increased 8.0% to R8.0 billion (5.8% like-for-like) and include the impact of the two staff restructuring programmes:

Voluntary severance programme

R100 million of once-off compensation payments to colleagues who volunteered for the voluntary severance programme (VSP) in Pick n Pay at the beginning of the financial year. The cost of VSP compensation payments has been fully recouped through savings in employee costs in the second half of the year.

Structured S189 severance programme

R100 million of once-off compensation payments to colleagues who left the business through a S189 severance programme to improve supply chain and support office efficiency. The full cost of this programme was borne in the second half of the financial year and is expected to be fully recouped through cost savings next year.

The voluntary and targeted severance programmes were an important part of the Group's Project Future initiatives and will play a significant part in ensuring the Group remains competitive over the long term. Notwithstanding these initiatives, the Group created over 2 000 new roles through its store opening programme this year.

Excluding these once-off compensation costs, and additional Covid-19 related costs, employee costs were up 4.6% (2.3% like-for-like) and, at 8.3% of turnover, were in line with last year.

The year-on-year increase is primarily driven by increased staff costs in Boxer as it took over a number of Pick n Pay franchise stores this year, as well as retirement gratuities and performance bonuses paid to senior management for an outstanding performance in a difficult year (FY20: nil). The increase also reflects a lower cost base in FY20, which benefitted from a net R100 million reversal of share incentive costs related to the forfeit of long-term executive share awards.

The Group sought limited government assistance in the form of TERS* benefits, as the Group endeavoured to keep the majority of its staff working, including through the temporary transfer of staff from closed liquor and clothing stores into our supermarkets and online business.

* *Temporary employer/employee relief scheme.*

RESULT SUMMARY (continued)

Occupancy costs – increased 8.1% to R2.4 billion (4.3% like-for-like), reflecting sustained increases in rates, insurance and security costs, including additional costs necessitated by the Covid-19 crisis. The Group received rental concessions from landlords in respect of clothing and liquor store closures over the period, with the Group directing these savings, where necessary, to assisting our franchisees and other sub-tenants in our leasehold portfolio.

Operations costs – increased 8.0% to R4.1 billion (3.9% like-for-like) largely reflecting the impact of an expanded repairs and maintenance programme, reinforced to meet stringent hygiene and safety protocols including the daily decontamination of stores. The Group also continues to mitigate the impact of government regulated utility increases through increased levels of operational discipline and significantly reduced energy consumption under Project Future.

Increased occupancy and operations costs also reflect the impact of the Group's store conversion programme, with 34 franchise stores converted to company-owned Pick n Pay and Boxer stores over the year. The Group is leveraging the flexibility of the Group's store estate to drive greater investment returns over the long-term, including through improved sales growth and operating margins.

Merchandising and administration costs – increased 8.5% year-on-year to R2.8 billion (9.5% like-for-like). This broad category of costs reflects the Group's strengthened marketing campaign over the year, alongside escalating bank charges and credit card commissions as customers demonstrate a preference for contactless card payments over the handling of cash, and unrealised foreign exchange losses of R68.5 million (FY20: R23.4 million) mainly related to the translation of the Group's foreign lease portfolio under the provisions of IFRS 16.

Trading profit

Trading profit decreased 14.7% year-on-year to R2.7 billion. Group trading profit excluding the once-off compensation costs of R200 million was down 8.4% year-on-year.

Net interest

Net interest paid, including implied interest charges under IFRS 16, decreased 5.1% year-on-year to R1.2 billion.

The Group exercised exceptional strategic control over its capital investment, operating costs and working capital this year, fully mitigating the initial pressure on liquidity and cash due to the Covid-19 pandemic. As a result, the Group's cost of net funding decreased 51.0% year-on-year, from R114.0 million to R55.9 million, also supported by lower interest rates over the period.

The Group's implied IFRS 16 net interest charge decreased 0.7% year-on-year, reflecting ongoing stability in its broad lease portfolio.

Rest of Africa segment

The Group's Rest of Africa segment contributed R4.3 billion of segmental revenue, down 8.6% on last year. Removing the impact of currency weakness, segmental revenue was down 2.5% in constant currency terms. Difficult trading conditions persisted across the Group's southern African operations, reflecting local currency weakness, high levels of inflation and escalating unemployment.

Government responses to the Covid-19 pandemic differed in severity across the regions in which the Group traded. However, most markets experienced stock shortages and inconsistent on-shelf availability due to their reliance on imported stock and trading and border restrictions.

Group operations outside South Africa mitigated the impact of Covid-19 measures with exceptional cost discipline and working capital management. The Group's franchise operations remained resilient across Namibia, Botswana, eSwatini and Lesotho.

The Rest of Africa division delivered profit before tax of R148.1 million, before the application of hyperinflation accounting, up R58.0 million on last year. The result is underpinned by the underlying resilience of the Group's associate, TM Supermarkets in Zimbabwe.

Zambia

The Group's team in Zambia have made significant progress in building a leaner and more agile business this year, better able to respond to the severe demands of the recessionary environment. The Group is repositioning its Zambian store operations into a lean and efficient limited range discount model. To this end, the team delivered strong cost control, anchored by a significant reduction in occupancy costs through the elimination and re-negotiation of US dollar-based rentals. The team has remained focused on its range optimisation initiatives, reinvigorating key categories during the year, and delivering strong growth in a number of produce, bakery and liquor lines under extremely difficult trading conditions. The Group acquired four stores from a competing retailer this year, all of which are delivering stronger trade and earnings performances under the Group's discount model.

Zimbabwe

TM Supermarkets (TM), the Group's 49%-owned associate in Zimbabwe, delivered another solid trading and earnings performance under extremely challenging hyperinflationary conditions. The business is resolute in its cost and working capital discipline and continues to grow its market share in the region by providing customers with an outstanding shopping experience in modern and well-stocked stores.

Investment in TM Supermarkets	FY21 Rm	FY20 Rm
Opening balance	**50.4**	184.4
Earnings before impairment	**80.0**	66.3
Trading result	108.0	102.5
Foreign exchange difference on translation of foreign debt	1.2	(79.4)
Hyperinflation accounting – net monetary differences	(29.2)	43.2
Foreign translation recorded in equity	**20.9**	(26.7)
Impairment	**(81.6)**	(173.6)
Closing balance	**69.7**	50.4

TM Supermarkets continues to be entirely self-funding and does not require any additional capital investment from Pick n Pay in order to operate and grow the business in Zimbabwe. TM Supermarkets settled its outstanding trade debt with Pick n Pay in full over the year, and trade through the Pick n Pay supply chain in South Africa has resumed, on an upfront cash basis.

The Group has re-assessed the fair value of its investment in TM Supermarkets at R69.7 million, from R50.4 million last year, recognising its strong underlying operating performance over the period, and the reduction in its foreign-currency denominated debt. TM added three new stores during the year taking its store footprint to 61 stores in Zimbabwe, with 28 stores trading under the Pick n Pay banner.

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

The Group's Comparable PBT was down 16.5% year-on-year to R1.6 billion. Excluding the once-off costs of the severance programmes, Group Comparable PBT was down just 6.0% year-on-year, an exceptional performance in the face of significant economic and operational disruption.

Capital losses

The Group incurred capital losses of R145.9 million this year, against a R204.4 million charge in the prior year. Capital losses include an R81.6 million impairment (FY20: R173.6 million) of the Group's investment in its associate in Zimbabwe, due to the application of hyperinflation accounting in the region. Other capital losses relate to the sale, closure or impairment of a small number of under-performing stores. Capital losses are added back in the calculation of headline earnings.

Tax

The Group's effective tax rate at 31.3% is in line with last year and reflects lower levels of profitability in operations outside of South Africa. The Group expects its tax rate to remain above South Africa's statutory tax rate of 28.0% for the foreseeable future, driven in particular by hyperinflation in Zimbabwe and difficult trading conditions in Zambia.

Earnings per share

Comparable headline earnings per share (comparable HEPS) – excluding the full impact of hyperinflation (and all related impairments) related to TM Supermarkets in Zimbabwe, decreased by 16.8% to 235.42 cents per share.

Comparable HEPS excluding the R200 million once-off cost of severance programmes is down 6.1% year-on-year, to 265.58 cents per share, reflecting the Group's outstanding performance in extraordinary times.

Headline earnings per share (HEPS) – decreased by 21.4% to 229.31 cents per share and includes the Group's share of non-cash hyperinflation adjustments in TM Supermarkets. All related impairment losses and other capital items are added back in the calculation of headline earnings per share.

Earnings per share (EPS) – decreased by 19.3% to 202.52 cents per share and includes the impact of hyperinflation and all items of a capital nature.

Detailed review of financial position

The Group has, and will continue to deliver significant value for its stakeholders over the course of its long-term plan, building a strong and agile multi-format and multi-channel retail business, providing an increasingly tailored customer offer across a broad socio-demographic reach. The Group has targeted clear and consistent investment returns, within measured and considered risk parameters. The Group has funded sustained investment into its growing store portfolio and increasingly efficient operating infrastructure through strong free cash flow, and has maintained low levels of gearing for a number of years, with no long-term debt.

Liquidity

The Group manages its operating and working capital needs through short-term and cost-effective, ZAR-denominated funding facilities. The Group has drawn approximately 50% of its available facilities to protect the Group against any short-term market liquidity risks as a result of Covid-19, with all surplus funds invested in high-yield money market accounts. In addition, the Group has taken advantage of the low interest rate environment to term out shorter-dated debt into six-month and 12-month funding.

Net funding position	28 February 2021 Rm	1 March 2020 Rm
Cash balances	1 915.1	1 947.3
Cash investments	3 500.0	–
Cost-effective overnight borrowings	(1 951.4)	(2 050.0)
Cash and cash equivalents	**3 463.7**	(102.7)
One to three-month borrowings	(1 881.2)	(935.0)
Six to 12-month borrowings	(1 450.0)	–
Net funding position at year-end	**132.5**	(1 037.7)
Financial calendar cut-off*	–	642.5
Net funding position, excluding cut-off	**132.5**	(395.2)

* *Month-end supplier payments prior to year-end last year.*

Removing the impact of financial calendar cut-off on supplier payments, the Group has strengthened its net funding position by R500 million year-on-year. The Covid-19 pandemic and all related costs and trading restrictions had a significant impact on Group earnings and inventory levels over the period. The Group's strengthened cash and liquidity position is testament to the careful management of operating expenses, working capital and capital investment over the period. The Board extends its thanks to the Group's strategic funding partners, who have provided such exceptional support over a year characterised by illiquidity and volatility in debt markets.

Working capital

Inventory

Inventory at R7.2 billion was up 10.3% on last year, reflecting the addition of 80 net new company-owned stores and increased centralisation in Boxer over the past 12 months. The Group's inventory days on hand improved marginally on last year, notwithstanding the impact of trading restrictions in January and February on alcohol stocks and the Group's significant strategic investment into essential food and grocery lines ahead of the month-end trading period. The Group continues to deliver solid progress against its range optimisation goals, removing R450 million of duplicate and uneconomic inventory lines during the year with further improvements targeted for FY22.

Debtors

Trade and other receivables (current and non-current) decreased by 8.3% on last year to R3.9 billion. The decrease reflects decisive and strategic action by the Group to improve the quality of its debtors' book, including through the closure of 22 franchise stores over the period, and the conversion of a further 34 franchise stores (22 supermarkets and 12 liquor stores) to company-owned stores during the year, targeting overall improved store profitability going forward.

The Group exercised prudence in its assessment of the fair value of its debtors' book at year-end, particularly in the context of the more difficult trading environment. The Group wrote-off R195.6 million in overdue debt during the year (FY20: R106.7 million) and holds an impairment provision of 4.1% of the value of the trade debtors' book. The Group is confident with the quality of its debtors' book at year-end, with the majority of its franchisees demonstrating resilience over the course of the Covid-19 crisis, and benefitting from tremendous customer loyalty for their convenient, community-based stores.

Creditors

Trade and other payables increased by 8.4% on last year to R12.2 billion, reflecting timing benefits in respect of the Group's financial calendar cut-off. The Group's fully integrated supply chain finance programme (Pick n Pay Fast Pay) is providing suppliers with the opportunity for immediate or early settlement of invoices at competitive funding rates. This successful programme is providing suppliers with enhanced liquidity and the Group with improved working capital returns.

Capital investment

The Group pared back its capital investment programme, specifically during the first half of the year, delaying all non-critical capital spend in order to preserve cash in a year disrupted by Covid-19. The Group invested R1.6 billion in capital projects this year (FY20: R1.7 billion) – with half of the spend directed to new stores, ensuring that the Covid-19 disruptions did not impact the Group's strong store opening pipeline. Capital spend includes investment related to the Group's highly effective store conversion programme, initiated under Project Future, which seeks to leverage the flexibility of the Group's estate by tailoring store formats and models to better serve the needs of customers.

The Group converted 34 franchise stores to Pick n Pay and Boxer company-owned stores this year. The conversions required limited capital investment and disruption and are delivering higher investment returns, with operating models and product ranges specifically designed to meet the needs of our value customers.

The Group plans to invest a further R2.5 billion in delivering on its growth strategy next year. The investment includes a strong store pipeline across our Pick n Pay and Boxer formats and further investment in expanding the reach of the Group's central supply chain, and ongoing investment in the Group's modern and flexible system infrastructure.

The Pick n Pay Longmeadow distribution centre in Gauteng is forecast to reach capacity in the next 24 to 36 months and the Group plans, in partnership with Fortress REIT Limited, to acquire and develop a larger and more efficient facility that will provide for the Group's long-term needs. The Group will own 60% of the asset by the completion of the development, and will enter into a long-term lease for the 40% balance. Capital investment is estimated at R1.2 billion over the next 24 months and will be funded through highly cost-effective long-term debt secured from a local funding partner.

Shareholder distribution

The Board declared a final dividend of 161.00 cents per share. This brings the total FY21 dividend to 179.74 cents per share, down 16.7% on last year in line with the decrease in comparable headline earnings per share, and maintaining a dividend cover of 1.3 times comparable headline earnings per share.

A solid platform for future growth

An extraordinary year

The Group has made considerable progress in its turnaround and modernisation programme over the past eight years. We believe that our FY21 performance will stand out from all these years for the quality and resilience of the Group's performance in the most challenging of circumstances. The Group grew its market share over the year, improved the productivity of its operations, and provided customers with ever greater value, including through a growing own brand offer and a highly personalised loyalty programme.

The Board owes a significant debt of gratitude to Richard Brasher for his tremendous leadership over an eight-year tenure, and in particular for his extraordinary commitment this year, when he delayed his retirement to steer the business effectively through the Covid-19 crisis. The Board expresses its sincere thanks to Richard for his invaluable contribution and wishes him well in his retirement.

Looking forward

The business is well placed for the next chapter of its growth, under the leadership of new CEO Pieter Boone. Pieter joins the Group with a successful and diverse career in retail, most recently with the Metro AG group. Pieter has significant expertise and global experience in the retail, food service and wholesale sectors and has a strong record of delivering retail growth in challenging and emerging market economies. The Group has a solid platform from which to deliver long-term sustainable growth, and everyone in the Group looks forward to working with Pieter to deliver on our high expectations and those of our stakeholders.

Gareth Ackerman
Chairman

Richard Brasher
Chief Executive Officer

20 April 2021

COMPARABLE EARNINGS PERFORMANCE

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

	52 weeks to 28 February 2021 Rm	% of turnover	% change	Restated@ 52 weeks to 1 March 2020 Rm	% of turnover
Turnover	**93 078.8**		4.3	89 281.5	
Cost of merchandise sold	**(74 657.1)**			(71 679.8)	
Gross profit	**18 421.7**	19.8	4.7	17 601.7	19.7
Other income	**1 580.9**	1.7	0.7	1 570.2	1.8
Franchise fee income	**412.7**	0.4	3.6	398.3	0.4
Operating lease income	**142.5**	0.2	1.3	140.7	0.2
Commissions and other income	**1 025.7**	1.1	(0.5)	1 031.2	1.2
Trading expenses	**(17 294.8)**	18.6	8.1	(15 997.4)	17.9
Employee costs	**(7 959.0)**	8.6	8.0	(7 368.2)	8.3
Occupancy	**(2 427.1)**	2.6	8.1	(2 245.0)	2.5
Operations	**(4 144.4)**	4.5	8.0	(3 836.0)	4.3
Merchandising and administration	**(2 764.3)**	3.0	8.5	(2 548.2)	2.9
Trading profit	**2 707.8**	2.9	(14.7)	3 174.5	3.6
Net finance costs	**(1 233.6)**	1.3	(5.1)	(1 300.4)	1.5
Net funding	**(55.9)**	0.1	(51.0)	(114.0)	0.1
Leases	**(1 177.7)**	1.3	(0.7)	(1 186.4)	1.3
Share of associate's earnings excluding net monetary adjustments*	**109.2**			23.1	
Comparable profit before tax before capital items	**1 583.4**	1.7	(16.5)	1 897.2	2.1
Share of associate's hyperinflation net monetary (loss)/gain*	**(29.2)**			43.2	
Profit before tax before capital items	**1 554.2**			1 940.4	
Loss on capital items	**(145.9)**			(204.4)	
Loss on sale of assets	**(21.4)**			(18.8)	
Impairment loss on assets	**(124.5)**			(185.6)	
Profit before tax	**1 408.3**	1.5	(18.9)	1 736.0	1.9
Tax	**(441.2)**	0.5	(18.5)	(541.3)	0.6
Profit for the period	**967.1**	1.0	(19.1)	1 194.7	1.3
Comparable headline earnings*	**1 124.2**		(16.5)	1 346.7	

* *Profit before tax and capital items, headline earnings, headline earnings per share (HEPS) and diluted headline earnings per share (DHEPS) includes hyperinflationary net monetary adjustments in respect of the Group's investment in associate under the requirements of IAS 29. In order to present the underlying operating performance of the Group on a comparable basis, the share of associate's earnings has been separately disclosed between components including and excluding hyperinflation net monetary adjustments. The Group has therefore presented comparable profit before tax and capital items, comparable headline earnings, comparable HEPS and comparable DHEPS which excludes hyperinflation net monetary adjustments. Refer to Appendix 2.*

@ *Restatement of prior period capital items to reflect the adoption of the SAICA Circular 1/2019. Gains or losses on the termination of leases are no longer classified as a remeasurement, as defined by the circular. The prior period gain on termination of leases of R26.5 million, relating to South African operations, has therefore been reclassified from capital items to occupancy costs in order for the capital items section to solely reflect remeasurements as defined by SAICA Circular 1/2019. The reclassification had a net nil impact on profit before tax. All relevant subtotals presented on the comparable earnings performance analysis has been restated accordingly.*

COMPARABLE EARNINGS PERFORMANCE (continued)

The table below presents the Group's earnings performance for the current and previous period on a comparable basis. Comparable earnings excludes hyperinflation net monetary adjustments in respect of the Group's investment in associate attributable to IAS 29 *Financial Reporting in Hyperinflationary Economies* (IAS 29). Comparable earnings metrics excluding once-off costs, further removes the impact of once-off employee compensation costs of R200 million (R144 million net of 28% South African tax) relating to the Group's severance programmes. Refer to Appendix 2 for further information.

	52 weeks to 28 February 2021 Rm	**Once-off costs 52 weeks to 28 February 2021 Rm**	**Earnings excluding once-off costs 52 weeks to 28 February 2021 Rm**	% of turnover	% change	Restated[@] 52 weeks to 1 March 2020 Rm	% of turnover
Turnover	93 078.8	–	93 078.8		4.3	89 281.5	
Cost of merchandise sold	(74 657.1)	–	(74 657.1)			(71 679.8)	
Gross profit	18 421.7	–	18 421.7	19.8	4.7	17 601.7	19.7
Other income	1 580.9	–	1 580.9	1.7	0.7	1 570.2	1.8
Franchise fee income	412.7	–	412.7	0.4	3.6	398.3	0.4
Operating lease income	142.5	–	142.5	0.2	1.3	140.7	0.2
Commissions and other income	1 025.7	–	1 025.7	1.1	(0.5)	1 031.2	1.2
Trading expenses	(17 294.8)	200.0	(17 094.8)	18.4	6.9	(15 997.4)	17.9
Employee costs	(7 959.0)	200.0	(7 759.0)	8.3	5.3	(7 368.2)	8.3
Occupancy	(2 427.1)	–	(2 427.1)	2.6	8.1	(2 245.0)	2.5
Operations	(4 144.4)	–	(4 144.4)	4.5	8.0	(3 836.0)	4.3
Merchandising and administration	(2 764.3)	–	(2 764.3)	3.0	8.5	(2 548.2)	2.9
Trading profit	2 707.8	200.0	2 907.8	3.1	(8.4)	3 174.5	3.6
Net finance costs	(1 233.6)	–	(1 233.6)	1.3	(5.1)	(1 300.4)	1.5
Net funding	(55.9)	–	(55.9)	0.1	(51.0)	(114.0)	0.1
Leases	(1 177.7)	–	(1 177.7)	1.3	(0.7)	(1 186.4)	1.3
Share of associate's earnings excluding net monetary adjustments*	109.2	–	109.2			23.1	
Comparable profit before tax before capital items	1 583.4	200.0	1 783.4	1.9	(6.0)	1 897.2	2.1
Share of associate's hyperinflation net monetary (loss)/gain*	(29.2)	–	(29.2)			43.2	
Profit before tax before capital items	1 554.2	200.0	1 754.2			1 940.4	
Loss on capital items	(145.9)	–	(145.9)			(204.4)	
Loss on sale of assets	(21.4)	–	(21.4)			(18.8)	
Impairment loss on assets	(124.5)	–	(124.5)			(185.6)	
Profit before tax	1 408.3	200.0	1 608.3	1.7	(7.4)	1 736.0	1.9
Tax	(441.2)	(56.0)	(497.2)	0.5	(8.1)	(541.3)	0.6
Profit for the period	967.1	144.0	1 111.1	1.2	(7.0)	1 194.7	1.3
Comparable headline earnings*^	1 124.2	144.0	1 268.2		(5.8)	1 346.7	

* *Profit before tax and capital items, headline earnings, headline earnings per share (HEPS) and diluted headline earnings per share (DHEPS) includes hyperinflationary net monetary adjustments in respect of the Group's investment in associate under the requirements of IAS 29. In order to present the underlying operating performance of the Group on a comparable basis, the share of associate's earnings has been separately disclosed between components including and excluding hyperinflation net monetary adjustments. The Group has therefore presented comparable profit before tax and capital items, comparable headline earnings, comparable HEPS and comparable DHEPS which excludes hyperinflation net monetary adjustments. Refer to Appendix 2.*

@ *Restatement of prior period capital items to reflect the adoption of the SAICA Circular 1/2019. Gains or losses on the termination of leases are no longer classified as a remeasurement, as defined by the circular. The prior period gain on termination of leases of R26.5 million, relating to South African operations, has therefore been reclassified from capital items to occupancy costs in order for the capital items section to solely reflect remeasurements as defined by SAICA Circular 1/2019. The reclassification had a net nil impact on profit before tax. All relevant subtotals presented on the comparable earnings performance analysis has been restated accordingly.*

^ *Headline earnings, headline earnings per share (HEPS) and diluted headline earnings per share (DHEPS) has been restated to reflect the adoption of SAICA Circular 1/2019. For the period ended 1 March 2020, headline earnings have therefore been increased by R19.1 million (net of tax) to R1 389.9 million, HEPS has been increased by 4.01 cents to 291.90 cents and DHEPS has been increased by 3.99 cents to 290.38 cents. All comparable performance metrics have been restated accordingly. Refer to Appendix 3.*

COMPARABLE EARNINGS PERFORMANCE (continued)

	52 weeks to 28 February 2021 Rm	**Once-off costs 52 weeks to 28 February 2021 Rm**	**Earnings excluding once-off costs 52 weeks to 28 February 2021 Rm**	% change	Restated[@] 52 weeks to 1 March 2020 Rm
South Africa operating segment					
Turnover	89 919.2		89 919.2	5.0	85 628.3
Profit before tax before capital items	1 435.3	200.0	1 635.3	(9.5)	1 807.1
Rest of Africa operating segment					
Total segmental revenue	4 264.1		4 264.1	(8.6)	4 666.1
Comparable profit before tax before capital items*	148.1		148.1	64.4	90.1
Earnings per share^	Cents		Cents		Cents
Basic earnings per share	202.52		202.52	(19.3)	250.90
Diluted earnings per share	200.93		200.93	(19.5)	249.60
Headline earnings per share	229.31		229.31	(21.4)	291.90
Diluted headline earnings per share	227.51		227.51	(21.7)	290.38
Comparable headline earnings per share^	Cents		Cents		Cents
Headline earnings per share	235.42		235.42	(16.8)	282.82
Diluted headline earnings per share	233.57		233.57	(17.0)	281.35
Comparable headline earnings per share excluding once-off costs	Cents	Cents	Cents		Cents
Headline earnings per share	235.42	30.16	265.58	(6.1)	282.82
Diluted headline earnings per share	233.57	29.92	263.49	(6.3)	281.35

* *Profit before tax and capital items, headline earnings, headline earnings per share (HEPS) and diluted headline earnings per share (DHEPS) includes hyperinflationary net monetary adjustments in respect of the Group's investment in associate under the requirements of IAS 29. In order to present the underlying operating performance of the Group on a comparable basis, the share of associate's earnings has been separately disclosed between components including and excluding hyperinflation net monetary adjustments. The Group has therefore presented comparable profit before tax and capital items, comparable headline earnings, comparable HEPS and comparable DHEPS which excludes hyperinflation net monetary adjustments. Refer to Appendix 2.*

@ *Restatement of prior period capital items to reflect the adoption of the SAICA Circular 1/2019. Gains or losses on the termination of leases are no longer classified as a remeasurement, as defined by the circular. The prior period gain on termination of leases of R26.5 million, relating to South African operations, has therefore been reclassified from capital items to occupancy costs in order for the capital items section to solely reflect remeasurements as defined by SAICA Circular 1/2019. The reclassification had a net nil impact on profit before tax. All relevant subtotals presented on the comparable earnings performance analysis has been restated accordingly.*

^ *Headline earnings, headline earnings per share (HEPS) and diluted headline earnings per share (DHEPS) has been restated to reflect the adoption of SAICA Circular 1/2019. For the period ended 1 March 2020, headline earnings have therefore been increased by R19.1 million (net of tax) to R1 389.9 million, HEPS has been increased by 4.01 cents to 291.90 cents and DHEPS has been increased by 3.99 cents to 290.38 cents. All comparable performance metrics have been restated accordingly. Refer to Appendix 3.*

Pick n Pay Stores Limited
Incorporated in the Republic of South Africa
Registration number: 1968/008034/06
ISIN: ZAE000005443
JSE share code: PIK

DIVIDEND DECLARATION

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 106) of 161.00 cents per share out of income reserves.

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

The tax payable is 32.20 cents per share, resulting in shareholders who are not exempt from dividends tax with a net dividend of 128.80 cents per share.

Dividend dates

The last day of trade in order to participate in the dividend (CUM dividend) will be Tuesday, 1 June 2021.

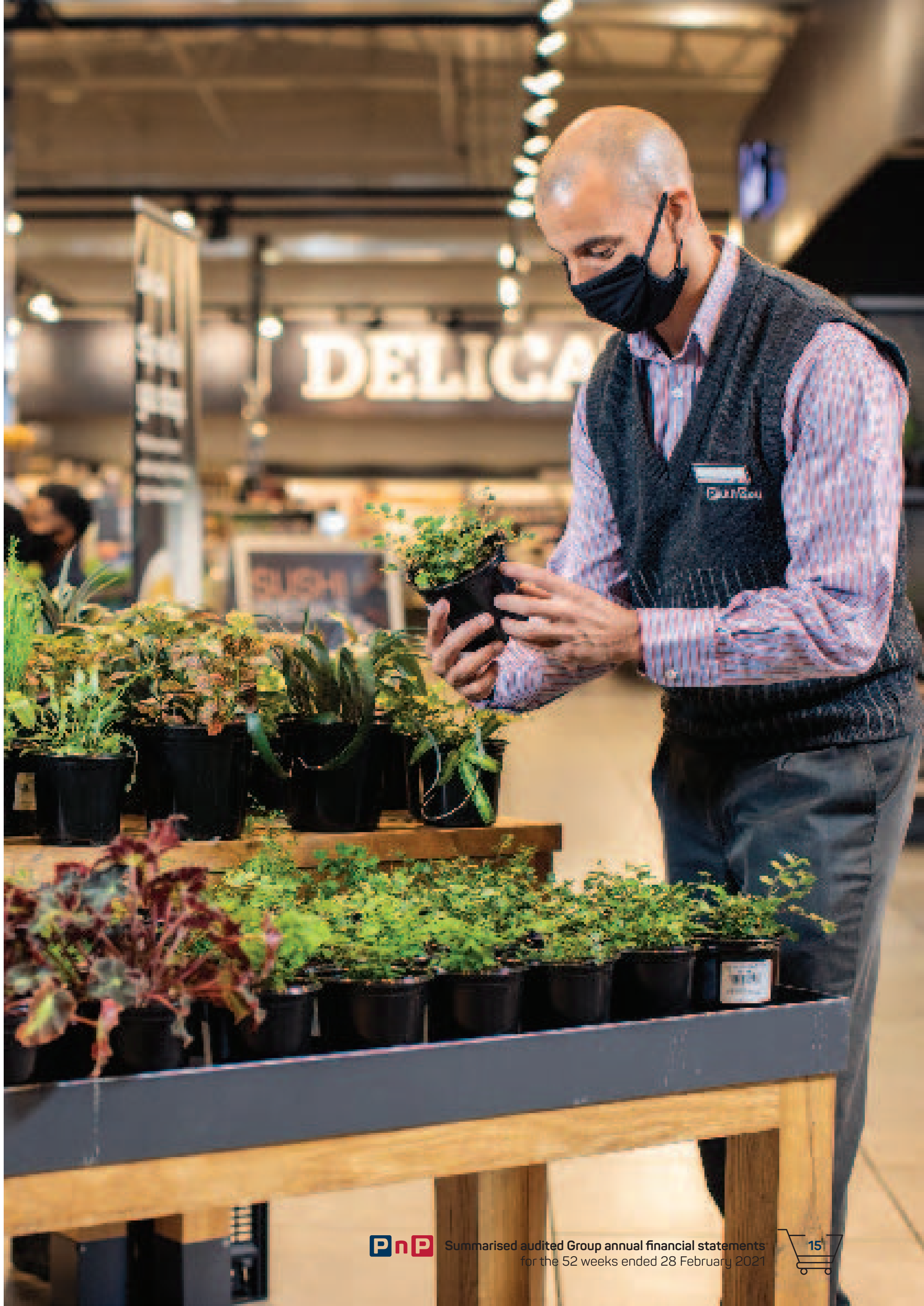
The shares will trade EX dividend from the commencement of business on Wednesday, 2 June 2021 and the record date will be Friday, 4 June 2021. The dividends will be paid on Monday, 7 June 2021.

Share certificates may not be dematerialised or rematerialised between Wednesday, 2 June 2021 and Friday, 4 June 2021, both dates inclusive.

On behalf of the Board of directors

Debra Muller
Company Secretary

20 April 2021



GROUP STATEMENT OF COMPREHENSIVE INCOME

for the period ended

	Note	52 weeks to 28 February 2021 Rm	Restated* 52 weeks to 1 March 2020 Rm
Revenue	2	95 108.6	91 323.4
Turnover	2	93 078.8	89 281.5
Cost of merchandise sold		(74 657.1)	(71 679.8)
Gross profit		18 421.7	17 601.7
Other income		1 580.9	1 570.2
Franchise fee income	2	412.7	398.3
Operating lease income	2	142.5	140.7
Commissions, dividend and other income	2	1 025.7	1 031.2
Trading expenses		(17 294.8)	(15 997.4)
Employee costs		(7 959.0)	(7 368.2)
Occupancy		(2 427.1)	(2 245.0)
Operations		(4 144.4)	(3 836.0)
Merchandising and administration		(2 764.3)	(2 548.2)
Trading profit		2 707.8	3 174.5
Finance income	2	448.9	471.7
Finance costs	3	(1 682.5)	(1 772.1)
Share of associate's earnings	7	80.0	66.3
Profit before tax before capital items		1 554.2	1 940.4
Loss on capital items		(145.9)	(204.4)
Loss on sale of property, plant and equipment		(21.4)	(18.8)
Impairment loss on property, plant and equipment		(18.1)	(8.2)
Impairment loss on intangible assets		(10.7)	(3.8)
Impairment loss on right-of-use assets		(14.1)	–
Impairment loss on investment in associate	7	(81.6)	(173.6)
Profit before tax		1 408.3	1 736.0
Tax		(441.2)	(541.3)
Profit for the period		967.1	1 194.7
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss		7.8	(4.5)
Remeasurement in retirement scheme assets		10.9	(6.2)
Tax on items that will not be reclassified to profit or loss		(3.1)	1.7
Items that may be reclassified to profit or loss		12.5	(33.2)
Foreign currency translations		28.4	(42.0)
Movement in cash flow hedge		(16.9)	6.3
Tax on items that may be reclassified to profit or loss		1.0	2.5
Total comprehensive income for the period		987.4	1 157.0
Earnings per share		Cents	Cents
Basic earnings per share	4	202.52	250.90
Diluted earnings per share	4	200.93	249.60

* *Restatement of prior period capital items to reflect the adoption of SAICA Circular 1/2019. Gains or losses on the termination of leases are no longer classified as a remeasurement, as defined by the circular. The prior period gain on termination of leases, of R26.5 million, has therefore been reclassified from capital items to occupancy costs, in order for the capitals items section to solely reflect remeasurements as defined by SAICA Circular 1/2019. This reclassification had a nil impact on the profit before tax. All relevant subtotals presented on the statement of comprehensive income have been restated accordingly.*

GROUP STATEMENT OF FINANCIAL POSITION

	Note	As at 28 February 2021 Rm	As at 1 March 2020 Rm
ASSETS			
Non-current assets			
Intangible assets		1 006.0	865.4
Property, plant and equipment		6 642.6	6 622.4
Right-of-use assets		10 050.6	9 880.6
Net investment in lease receivables		2 134.1	2 129.9
Deferred tax assets		912.7	753.1
Investment in associate	7	69.7	50.4
Loans		59.2	86.6
Retirement scheme assets		82.7	68.7
Investment in insurance cell captive	11	32.7	54.9
Operating lease assets		11.0	13.0
Trade and other receivables	8	166.7	93.6
		21 168.0	20 618.6
Current assets			
Inventory		7 193.3	6 519.8
Trade and other receivables	8	3 743.7	4 168.5
Cash and cash equivalents		5 415.1	1 947.3
Net investment in lease receivables		277.1	221.0
Right-of-return assets		19.3	20.7
Derivative financial instruments	11	–	9.4
		16 648.5	12 886.7
Total assets		37 816.5	33 505.3
EQUITY AND LIABILITIES			
Equity			
Share capital	5	6.0	6.0
Treasury shares	6	(873.4)	(961.7)
Retained earnings		4 573.5	4 303.2
Other reserves		(6.6)	5.3
Foreign currency translation reserve		(313.3)	(342.7)
Total equity		3 386.2	3 010.1
Non-current liabilities			
Lease liabilities		14 312.6	14 188.5
Deferred tax liabilities		10.1	3.1
		14 322.7	14 191.6
Current liabilities			
Trade and other payables		12 198.8	11 255.2
Lease liabilities		2 046.8	1 716.7
Deferred revenue		353.3	298.8
Bank overdraft and overnight borrowings		1 951.4	2 050.0
Borrowings		3 331.2	935.0
Current tax liabilities		218.6	47.9
Derivative financial instruments	11	7.5	–
		20 107.6	16 303.6
Total equity and liabilities		37 816.5	33 505.3
Number of ordinary shares in issue – thousands	5.1	493 450.3	493 450.3
Weighted average number of ordinary shares in issue – thousands	4.2	477 524.8	476 161.6
Diluted weighted average number of ordinary shares in issue – thousands	4.2	481 304.5	478 647.8
Net asset value (property value based on directors' valuation) – cents per share		769.9	776.2

GROUP STATEMENT OF CHANGES IN EQUITY

for the period ended

	Share capital Rm	Treasury shares Rm	Retained earnings Rm	Other reserves Rm	Foreign currency translation reserve Rm	Total equity Rm
At 3 March 2019	6.0	(993.7)	4 331.9	(6.0)	(303.2)	3 035.0
Total comprehensive income for the period	–	–	1 190.2	6.3	(39.5)	1 157.0
Profit for the period	–	–	1 194.7	–	–	1 194.7
Foreign currency translations	–	–	–	–	(39.5)	(39.5)
Movement in cash flow hedge	–	–	–	6.3	–	6.3
Remeasurement in retirement scheme assets	–	–	(4.5)	–	–	(4.5)
Other reserve movements	–	–	–	5.0	–	5.0
Transactions with owners	–	32.0	(1 218.9)	–	–	(1 186.9)
Dividends paid	–	–	(1 125.7)	–	–	(1 125.7)
Share purchases	–	(87.6)	–	–	–	(87.6)
Net effect of settlement of employee share awards	–	119.6	(118.9)	–	–	0.7
Share-based payments expense	–	–	25.7	–	–	25.7
At 1 March 2020	**6.0**	**(961.7)**	**4 303.2**	**5.3**	**(342.7)**	**3 010.1**
Total comprehensive income for the period	**–**	**–**	**974.9**	**(16.9)**	**29.4**	**987.4**
Profit for the period	**–**	**–**	**967.1**	**–**	**–**	**967.1**
Foreign currency translations	**–**	**–**	**–**	**–**	**29.4**	**29.4**
Movement in cash flow hedge	**–**	**–**	**–**	**(16.9)**	**–**	**(16.9)**
Remeasurement in retirement scheme assets	**–**	**–**	**7.8**	**–**	**–**	**7.8**
Other reserve movements	**–**	**–**	**–**	**5.0**	**–**	**5.0**
Transactions with owners	**–**	**88.3**	**(704.6)**	**–**	**–**	**(616.3)**
Dividends paid	**–**	**–**	**(934.7)**	**–**	**–**	**(934.7)**
Net effect of settlement of employee share awards	**–**	**88.3**	**(88.3)**	**–**	**–**	**–**
Share-based payments expense	**–**	**–**	**318.4**	**–**	**–**	**318.4**
At 28 February 2021	6.0	(873.4)	4 573.5	(6.6)	(313.3)	3 386.2

GROUP STATEMENT OF CASH FLOWS

for the period ended

	Note	**52 weeks to 28 February 2021 Rm**	Restated* 52 weeks to 1 March 2020 Rm
Cash flows from operating activities			
Trading profit		**2 707.8**	3 174.5
Adjusted for dividend income		**(40.0)**	–
Adjusted for non-cash items		**3 404.7**	2 941.0
Depreciation on property, plant and equipment		**1 187.3**	1 132.9
Depreciation on right-of-use assets		**1 793.0**	1 646.9
Amortisation on intangible assets		**131.9**	151.0
Share-based payments expense		**318.4**	25.7
Profit on termination of leases		**(36.3)**	(26.5)
Movement in operating lease assets		**2.0**	(0.2)
Rent concessions		**(54.9)**	–
Movement in retirement scheme assets		**(3.1)**	(2.7)
Fair value and foreign exchange adjustments		**66.4**	13.9
Cash generated before movements in working capital		**6 072.5**	6 115.5
Movements in working capital		**591.5**	249.9
Movements in trade and other payables and deferred revenue		**998.1**	951.5
Movements in inventory and right-of-return assets		**(645.9)**	(821.2)
Movements in trade and other receivables		**239.3**	119.6
Cash generated from trading activities		**6 664.0**	6 365.4
Other interest received		**240.4**	275.6
Other interest paid		**(296.3)**	(389.6)
Interest received on net investment in lease receivables		**205.9**	183.3
Interest paid on lease liabilities		**(1 519.4)**	(1 312.1)
Cash generated from operations		**5 294.6**	5 122.6
Dividends received		**57.1**	–
Dividends paid		**(934.7)**	(1 125.7)
Tax paid		**(425.2)**	(487.1)
Cash generated from operating activities		**3 991.8**	3 509.8
Cash flows from investing activities			
Investment in intangible assets		**(81.2)**	(91.5)
Investment in property, plant and equipment		**(1 204.0)**	(1 653.7)
Purchase of operations	12	**(199.5)**	(22.8)
Proceeds on disposal of intangible assets		**0.7**	0.3
Proceeds on disposal of property, plant and equipment		**14.7**	61.2
Principal net investment in lease receipts		**254.4**	220.0
Lease incentives received		**42.8**	121.0
Loans repaid		**34.9**	15.4
Loans advanced		**(7.5)**	–
Cash utilised in investing activities		**(1 144.7)**	(1 350.1)
Cash flows from financing activities			
Principal lease liability payments		**(1 677.0)**	(1 487.4)
Borrowings raised		**7 540.3**	12 760.0
Repayment of borrowings		**(5 144.1)**	(13 150.0)
Share purchases		**–**	(87.6)
Proceeds from employees on settlement of share awards		**–**	0.7
Cash generated from/(utilised in) financing activities		**719.2**	(1 964.3)
Net increase in cash and cash equivalents		**3 566.3**	195.4
Net cash and cash equivalents at beginning of period		**(102.7)**	(296.8)
Foreign currency translations		**0.1**	(1.3)
Net cash and cash equivalents at end of period		**3 463.7**	(102.7)
Consisting of:			
Cash and cash equivalents		**5 415.1**	1 947.3
Overnight borrowings		**(1 951.4)**	(2 050.0)

* *Trading profit and non-cash items of the prior year has been restated to reflect the adoption of SAICA Circular 1/2019. Gains or losses on the partial or full termination of leases are no longer classified as a remeasurement, as defined by the circular. Accordingly, trading profit has been increased by R26.5 million to R3 174.5 million, and non-cash items have been increased by R26.5 million to R2 941.0 million. SAICA Circular 1/2019 had no impact on the cash position or the profitability of the Group for the period ended 1 March 2020.*

1 Basis of preparation and accounting policies

The summarised Group annual financial statements for the period ended 28 February 2021 are prepared in accordance with the requirements of the JSE Listings Requirements for abridged reports, and the requirements of the Companies Act, as applicable to summarised financial statements. The Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA *Financial Reporting Guides*, as issued by the Accounting Practices Committee, and the Financial Pronouncements, as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

The summarised Group annual financial statements do not include all the information required by IFRS for full financial statements and should be read in conjunction with the 2021 audited Group annual financial statements. The accounting policies applied in the preparation of the audited Group annual financial statements, from which the summarised Group annual financial statements were derived, are in terms of IFRS and are consistent with those applied in the financial statements for the 52 weeks ended 1 March 2020, except for the adoption of SAICA *Circular 1/2019* on headline earnings and the early adoption of the amendments to IFRS 16 *Leases* where the Group elected to apply the practical expedient to all rent concessions received during the period, as a result of the COVID-19 pandemic, all of which were recorded in the statement of comprehensive income. Refer to note 4 for further information on the Group's adoption of SAICA *Circular 1/2019*. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

These summarised Group annual financial statements are themselves not audited, but are extracted from audited information. The audited Group annual financial statements were audited by Ernst & Young Inc., who expressed an unmodified opinion thereon. Refer to Appendix 4 for an extraction of the key audit matters included in the auditor's report, and an extraction of the relevant notes to the audited Group annual financial statements to which those key audit matters relate. The audited Group annual financial statements and the auditor's report thereon are available for inspection at the Company's (Pick n Pay Stores Limited) registered office.

The directors take full responsibility for the preparation of these summarised Group annual financial statements and the correct extraction of financial information from the underlying audited Group annual financial statements.

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

2 Revenue

	52 weeks to 28 February 2021 Rm	52 weeks to 1 March 2020 Rm
Revenue from contracts with customers	**94 477.2**	90 711.0
Turnover	**93 078.8**	89 281.5
Franchise fee income	**412.7**	398.3
Commissions and other income	**985.7**	1 031.2
Operating lease income	**142.5**	140.7
Dividend income from investment in insurance cell captive*	**40.0**	–
Finance income	**448.9**	471.7
Bank balances and investments	**201.7**	205.1
Trade receivables and other	**38.7**	70.5
Net investment in lease receivables	**208.5**	196.1
	95 108.6	91 323.4

Revenue from contracts with customers is further disaggregated into geographical regions. Refer to note 9.

* *Reserves declared out of the insurance cell captive, offset by a corresponding decrease in the fair value of the investment in insurance cell captive which was recorded within trading expenses.*

3 Finance costs

	52 weeks to 28 February 2021 Rm	52 weeks to 1 March 2020 Rm
Lease liabilities	**1 386.2**	1 382.5
Borrowings and other	**296.3**	389.6
	1 682.5	1 772.1

4 Basic, headline and diluted earnings per share

	52 weeks to 28 February 2021 Cents per share	Restated* 52 weeks to 1 March 2020 Cents per share
Basic earnings per share	**202.52**	250.90
Diluted earnings per share	**200.93**	249.60
Headline earnings per share	**229.31**	291.90
Diluted headline earnings per share	**227.51**	290.38

4.1 Reconciliation between basic and headline earnings

	Rm	Rm
Profit for the period – basic earnings for the period	**967.1**	1 194.7
Adjustments:	**127.9**	195.2
Loss on sale of property, plant and equipment	**21.4**	18.8
Tax effect of loss on sale of property, plant and equipment	**(6.0)**	(5.3)
Impairment loss on property, plant and equipment	**18.1**	8.2
Tax effect of impairment loss on property, plant and equipment	**(5.1)**	(2.3)
Impairment loss on intangible assets	**10.7**	3.8
Tax effect of impairment loss on intangible assets	**(3.0)**	(1.1)
Impairment loss on right-of-use assets	**14.1**	–
Tax effect of impairment loss on right-of-use assets	**(3.9)**	–
Impairment loss on investment in associate	**81.6**	173.6
Profit on sale of property, plant and equipment of associate	**–**	(0.5)
Headline earnings for the period	**1 095.0**	1 389.9

4.2 Number of ordinary shares

	000's	000's
Number of ordinary shares in issue	**493 450.3**	493 450.3
Weighted average number of ordinary shares (excluding treasury shares)	**477 524.8**	476 161.6
Diluted weighted average number of ordinary shares in issue	**481 304.5**	478 647.8
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)	**477 524.8**	476 161.6
Dilutive effect of share awards	**3 779.7**	2 486.2
Diluted weighted average number of ordinary shares in issue	**481 304.5**	478 647.8

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

* *Headline earnings, headline earnings per share (HEPS) and diluted headline earnings per share (DHEPS) have been restated to reflect the adoption of SAICA Circular 1/2019. Gains or losses on the partial or full termination of leases are no longer classified as a remeasurement, as defined by the circular. For the period ended 1 March 2020, headline earnings have been increased by R19.1 million (net of tax) to R1 389.9 million, HEPS has been increased by 4.01 cents to 291.90 cents and DHEPS has been increased by 3.99 cents to 290.38 cents.*

5 Share capital

5.1 Ordinary share capital

	52 weeks to 28 February 2021 Rm	52 weeks to 1 March 2020 Rm
Authorised		
800 000 000 (2020: 800 000 000) ordinary shares of 1.25 cents each	**10.0**	10.0
Issued		
493 450 321 (2020: 493 450 321) ordinary shares of 1.25 cents each	**6.0**	6.0
	000's	000's
The number of shares in issue is made up as follows:		
Treasury shares (note 6)	**15 268.6**	16 115.2
Shares held outside the Group	**478 181.7**	477 335.1
Total shares in issue at end of period	**493 450.3**	493 450.3

The Company can issue new shares to settle the Group's obligations under its employee share schemes, but issues in this regard are limited, in aggregate, to 5% of total issued share capital or 24 672 516 (2020: 24 672 516) shares. To date, 15 743 000 (2020: 15 743 000) shares have been issued, resulting in 8 929 516 (2020: 8 929 516) 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 5.2.

5.2 B share capital

	52 weeks to 28 February 2021 Rm	52 weeks to 1 March 2020 Rm
Authorised		
1 000 000 000 (2020: 1 000 000 000) unlisted, non-convertible, non-participating, no par value B shares	**–**	–
Issued		
259 682 869 (2020: 259 682 869) unlisted, non-convertible, non-participating, no par value B shares	**–**	–

B shares are stapled to certain ordinary shares and cannot be traded separately from each other. Stapled ordinary shares, together with B shares, are subject to restrictions upon disposal.

The holders of B shares are entitled to the same voting rights as holders of ordinary shares, but are not entitled to any rights to distributions by the Company or any other economic benefits. Refer to note 5.1.

6 Treasury shares

	52 weeks to 28 February 2021 Rm	52 weeks to 1 March 2020 Rm
At beginning of period	**961.7**	993.7
Shares purchased during the period	**–**	87.6
Settlement of employee share awards	**(88.3)**	(119.6)
At end of period	**873.4**	961.7
	000's	000's
The movement in the number of treasury shares held is as follows:		
At beginning of period	**16 115.2**	18 070.5
Shares purchased during the period	**–**	1 306.5
Shares forfeited during the period pursuant to employee share schemes	**696.1**	–
Shares sold during the period pursuant to the take-up of share options by employees	**(163.4)**	(1 599.3)
Shares delivered to participants of restricted share plan	**(1 379.3)**	(1 662.5)
At end of period	**15 268.6**	16 115.2

7 Investment in associate

7.1 Accounting for investment in associate

The Group has a 49% investment in TM Supermarkets (Pvt) Limited (TM Supermarkets), a private company incorporated in Zimbabwe, and which operates supermarkets throughout Zimbabwe. The Group accounts for its investment in associate under the equity method of accounting in accordance with IAS 28 *Investment in Associates and Joint Ventures*.

In accordance with the provisions of IAS 29 *Financial Reporting in Hyperinflationary Economies* (IAS 29), entities operating in Zimbabwe have been assessed to be operating in a hyperinflationary economy. The equity accounted results of TM Supermarkets included in this Group result have therefore been prepared in accordance with IAS 29, with the following key accounting principles applied within the results of TM Supermarkets:

- All previously published financial information was restated to reflect the current buying power of the Zimbabwe dollar (ZWL$), and
- All assets and liabilities were revalued to reflect current values, which resulted in a net monetary loss/gain recognised in the statement of comprehensive income of TM Supermarkets

As the Group's presentation currency is not that of a hyperinflationary economy, the comparative information of the Group's financial results related to TM Supermarkets is not restated. Any difference between the Group's share of the TM Supermarkets adjusted equity balance after applying IAS 29 and the balance previously recorded by the Group as at 1 March 2020 is recognised in other comprehensive income in the current period, as part of foreign currency translations.

7 Investment in associate (continued)

7.2 Exchange rates applied in translating the results of investment in associate

The share of associate's income and net asset value of TM Supermarkets have been translated into the Group's presentation currency at the closing rate in accordance with the hyperinflationary provisions of IAS 21 *The Effects of Changes in Foreign Exchange Rates*.

During the prior period, Zimbabwe utilised an inter-bank foreign exchange market to establish formalised trading in ZWL$ with other currencies (referred to as the inter-bank exchange rate). Effective 1 June 2020, Zimbabwe suspended this market and implemented a formal market-based foreign exchange trading system to establish formalised trading in ZWL$ with other currencies (referred to as the auction rate). The intention of this auction rate system is expected to bring transparency and efficiency in the trading of foreign currency in the economy.

In line with prior period assessments, management assessed that the closing auction rate of 0.18 ZWL$ to the South African rand (2020: 0.87 ZWL$ inter-bank closing rate) is not available for immediate settlement, as shortages of foreign currency results in the official exchange rate not being liquid, and was therefore not an appropriate rate to use when accounting for the Group's investment in associate. An estimated exchange rate of 0.13 ZWL$ (2020: 0.51 ZWL$) to the South African rand was used when translating the result of TM Supermarkets as at 28 February 2021. Inputs considered in this estimate include the official inflation rate and the in-country fuel price. During the prior period, in addition to the inputs considered in the current year, the premium at which Old Mutual and PPC Ltd. shares traded on the Zimbabwe Stock Exchange compared to trades on the Johannesburg Stock Exchange was also considered.

The table below summarises the exchange rates at which the results of TM Supermarkets have been translated into South African rand, for the relevant periods under review. The closing ZWL$ to ZAR exchange rate was calculated using the official USD to ZAR exchange rate divided by the management estimated USD to ZWL$ exchange rate. For comparative informational purposes, exchange rates based on the USD to ZWL$ auction rate (2020: USD to ZWL$ inter-bank exchange rate) have also been presented.

	1.0 ZWL$: 1.0 ZAR	1.0 USD : 1.0 ZAR	1.0 USD : 1.0 ZWL$
Closing rates at 28 February 2021			
Exchange rates used by management	0.13	15.08	115.00
Auction rate	0.18	15.08	83.90
Closing rates at 1 March 2020			
Exchange rates used by management	0.51	15.61	30.80
Interbank exchange rate	0.87	15.61	17.95

7.3 Reconciliation of investment in associate

	52 weeks to 28 February 2021 Rm	52 weeks to 1 March 2020 Rm
At beginning of period	**50.4**	184.4
Share of associate's earnings	**80.0**	66.3
Share of associate's earnings before net monetary adjustments	**109.2**	23.1
Share of associate's hyperinflation net monetary (loss)/gain	**(29.2)**	43.2
Foreign currency translations	**20.9**	(26.7)
Impairment loss on investment in associate	**(81.6)**	(173.6)
At end of period	**69.7**	50.4

7 Investment in associate (continued)

7.4 Impairment of investment in associate

During the period under review, significant judgement was applied by management in determining that the following impairment indicators of the Group's investment in associate exist:

- The devaluation and illiquidity of currency in Zimbabwe and the resultant impact on the Zimbabwean economy – the jurisdiction in which TM Supermarkets trades in,
- Currency shortages and currency devaluation which led to high levels of food and other inflation, and shortages of fuel and other staple goods in the country,
- Rapid increases in Zimbabwe inflation rates as published by the RBZ; and
- The upward valuation of the assets of TM Supermarkets as a result of the application of hyperinflation accounting in terms of IAS 29.

Impairment reviews were performed and the Group concluded that the carrying value of its investment in associate exceeded its recoverable amount, resulting in an impairment loss of R81.6 million recognised by the Group.

The recoverable amount of TM Supermarkets was determined based on value-in-use calculations. The calculation discounts future cash flow forecasts at an appropriate pre-tax rate that reflects the specific risks and challenges relating to TM Supermarkets. Management-approved future cash flow forecasts, over a period of five years, were based on past experience and the expected performance of the retail market in Zimbabwe. Cash flows beyond this period were extrapolated by applying a nil growth rate. The pre-tax discount rate applied to cash flow projections was 49.3%.

Management believes that the carrying value of the Group's investment in associate of R69.7 million is reflective of the value of its investment in TM Supermarkets and that any reasonable possible change in key assumptions on which the recoverable amounts are based would not result in any additional significant impairment losses. Refer to note 7.5.

7.5 Sensitivity analysis

The following tables present the sensitivity analysis performed by management on the significant judgements applied in the accounting of the Group's investment in associate for the 52 weeks ended 28 February 2021.

7.5.1 Exchange rates applied in the translation of the results of the Group's investment in associate

If the exchange rate applied by management had been 10% higher or 10% lower, or the auction rate was applied, with all other variables held constant, the impact on the statement of comprehensive income and statement of financial position would have been as follows:

	+10% 1.0 ZWL$: 0.12 ZAR	Exchange rate applied by management 1.0 ZWL$: 0.13 ZAR	-10% 1.0 ZWL$: 0.14 ZAR	Auction rate* 1.0 ZWL$: 0.18 ZAR
Impact on statement of comprehensive income				
Share of associate's earnings (Rm)	72.7	80.0	88.9	109.7
Impairment on investment in associate (Rm)	74.2	81.6	90.7	111.8
Impact on statement of financial position				
Investment in associate (Rm)	63.4	69.7	77.4	95.5

* *Calculated by applying the auction rate of 1 USD to 83.90 ZWL$.*

7 Investment in associate (continued)

7.5 Sensitivity analysis (continued)

7.5.2 Discount rate applied in the assessment of the recoverable amount of the Group's investment in associate

If the discount rate had been 10% higher or 10% lower, with all other variables held constant, the impact on the statement of comprehensive income and statement of financial position would have been as follows:

	+10%	As reported	-10%
Impact on statement of comprehensive income			
Impairment on investment in associate (Rm)	95.6	81.6	59.9
Impact on statement of financial position			
Investment in associate (Rm)	55.7	69.7	91.4

7.5.3 Growth rate applied in the assessment of the recoverable amount of investment in associate

The sensitivity of the Group's exposure to the growth rate risk is estimated by assessing the impact of a reasonable expected movement in the relevant growth rates on our investment in TM Supermarkets. A sensitivity analysis is not presented as the estimated impact is not considered to be material.

	52 weeks to 28 February 2021 Rm	52 weeks to 1 March 2020 Rm
8 Trade and other receivables		
Gross trade and other receivables	**4 110.1**	4 396.4
Allowance for impairment losses	**(199.7)**	(134.3)
Net trade and other receivables	**3 910.4**	4 262.1
Disclosed as:		
Non-current	**166.7**	93.6
Current	**3 743.7**	4 168.5
8.1 Allowance for impairment losses		
Balance at the beginning of the period	**134.3**	115.6
Irrecoverable debts written off	**(130.2)**	(88.0)
Additional impairment losses recognised	**205.2**	128.0
Prior allowances for impairment reversed	**(9.6)**	(21.3)
At end of period	**199.7**	134.3

9 Operating segments

	South Africa Rm	Rest of Africa Rm	Total operations Rm
52 weeks to 28 February 2021			
Total segment revenue	91 871.6	4 264.1	96 135.7
Revenue from contracts with customers (note 2)	91 304.7	3 172.5	94 477.2
Operating lease income (note 2)	141.6	0.9	142.5
Finance income (note 2)	425.3	23.6	448.9
Direct deliveries*	–	1 067.1	1 067.1
Segment external turnover (note 2)	89 919.2	3 159.6	93 078.8
Comparable profit before tax before capital items^**	1 435.3	148.1	1 583.4
Profit before tax**	1 383.1	25.2	1 408.3
Other information			
Statement of comprehensive income			
Finance costs (note 3)	1 654.4	28.1	1 682.5
Depreciation and amortisation on property, plant and equipment and intangible assets	1 278.2	41.0	1 319.2
Depreciation on right-of-use assets	1 754.7	38.3	1 793.0
Loss on sale of property, plant and equipment	20.1	1.3	21.4
Impairment loss on property, plant and equipment	7.5	10.6	18.1
Impairment loss on intangible assets	10.5	0.2	10.7
Impairment loss on right-of-use assets	14.1	–	14.1
Impairment loss on investment in associate (note 7)	–	81.6	81.6
Share of associate's earnings (note 7)	–	80.0	80.0
Statement of financial position			
Total assets	36 346.2	1 470.3	37 816.5
Total liabilities	33 572.2	858.1	34 430.3
Investment in associate (note 7)	–	69.7	69.7
Additions to non-current assets	3 629.4	79.3	3 708.7
52 weeks to 1 March 2020			
Total segment revenue	87 641.1	4 666.1	92 307.2
Revenue from contracts with customers (note 2)	87 045.8	3 665.2	90 711.0
Operating lease income (note 2)	137.1	3.6	140.7
Finance income (note 2)	458.2	13.5	471.7
Direct deliveries*	–	983.8	983.8
Segment external turnover (note 2)	85 628.3	3 653.2	89 281.5
Comparable profit before tax before capital items^$**	1 807.1	90.1	1 897.2
Profit before tax**	1 781.0	(45.0)	1 736.0
Other information			
Statement of comprehensive income			
Finance costs (note 3)	1 753.5	18.6	1 772.1
Depreciation and amortisation on property, plant and equipment and intangible assets	1 240.8	43.1	1 283.9
Depreciation on right-of-use assets	1 595.5	51.4	1 646.9
Loss on sale of property, plant and equipment	18.8	–	18.8
Impairment loss on property, plant and equipment	3.5	4.7	8.2
Impairment loss on intangible assets	3.8	–	3.8
Impairment loss on investment in associate (note 7)	–	173.6	173.6
Share of associate's earnings (note 7)	–	66.3	66.3
Statement of financial position			
Total assets	32 160.9	1 344.4	33 505.3
Total liabilities	29 638.1	857.1	30 495.2
Investment in associate (note 7)	–	50.4	50.4
Additions to non-current assets	3 281.0	82.7	3 363.7

* *Included in segmental revenue, as reviewed by the Chief Operating Decision Maker of the Group, are deliveries made directly to franchisees by in-country suppliers, in those 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 those 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 "segmental comparable profit before tax before capital items" are reported measures used for evaluating the performance of the Group's operating segments. On an overall basis, these metrics equal the Group's reported "profit before tax", and "comparable profit before tax before capital items", respectively. These metrics, for the Rest of Africa segment, comprise 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.*

^ *Calculated as profit before tax before capital items, excluding the Group's share of hyperinflation net monetary adjustments recognised by the Group's associate as a result of IAS 29. This is not a defined term under IFRS; however, it is a key measure of the comparable performance of the Group's operations in Rest of Africa. Refer to note 7 and the Appendices for more information.*

$ *Restatement of prior period capital items to reflect the adoption of the SAICA Circular 1/2019. Gains or losses on the termination of leases are no longer classified as a remeasurement, as defined by the circular. The prior period gain on termination of leases of R26.5 million, relating to South African operations, has therefore been reclassified from capital items to occupancy costs in order for the capital items section to solely reflect remeasurements as defined by SAICA Circular 1/2019. The reclassification had a net nil impact on profit before tax. All relevant subtotals presented on the statement of comprehensive income have been restated accordingly.*

NOTES TO THE FINANCIAL INFORMATION (continued)

10 Related party transactions

During the period under review, in the ordinary course of business, certain companies within the Group entered into transactions with each other. These intergroup transactions and related balances are eliminated on consolidation. Intergroup transactions are similar to those in the prior year and related parties remain unchanged from those reported at 1 March 2020.

11 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, as set out below:

	52 weeks to 28 February 2021 Rm	52 weeks to 1 March 2020 Rm
Financial instruments at fair value through profit or loss		
Investment in insurance cell captive – Level 2	32.7	54.9
Derivative financial instruments (designated as hedging instruments)		
Forward exchange contract (liabilities)/assets – Level 2	(7.5)	9.4

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.

The carrying value of all other financial instruments 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.

12 Purchase of operations

During November 2020, the Group purchased the application system infrastructure and the related intellectual property relating to the Bottles on-demand mobile application, for a purchase price of R33 million. No goodwill arose from this transaction as the fair value of the underlying assets purchased equated to the consideration paid.

In addition, the Group converted 34 franchise stores to company-owned Pick n Pay and Boxer stores, none of which are individually material to the Group. These acquisitions had no significant impact on the Group's results, but are now delivering stronger store sales growth and improved store profitability. The goodwill arising from these acquisitions represents the value creation that the Group expects to realise in the future.

	52 weeks to 28 February 2021 Rm	52 weeks to 1 March 2020 Rm
The net assets arising from these acquisitions were as follows:		
Identifiable net assets		
Property, plant and equipment	**72.4**	3.1
Inventory	**21.2**	0.3
Intangible assets	**33.0**	–
Total identifiable net assets at fair value	**126.6**	3.4
Goodwill		
Purchase price of acquisitions at fair value	**296.5**	22.8
Less: total identifiable net assets at fair value	**(126.6)**	(3.4)
Goodwill acquired	**169.9**	19.4
Net cash paid in respect of acquisitions		
Purchase price of acquisitions at fair value	**296.5**	22.8
Less: amounts net settled against trade and other receivables	**(97.0)**	–
Net cash paid	**199.5**	22.8

13 Commitments

	52 weeks to 28 February 2021 Rm	52 weeks to 1 March 2020 Rm
Authorised capital expenditure		
Contracted for	**383.4**	181.8
Property	**3.3**	–
Furniture, fittings, equipment and vehicles	**364.3**	181.0
Intangible assets	**15.8**	0.8
Not contracted for	**2 116.6**	1 818.2
Property	**232.9**	46.0
Furniture, fittings, equipment and vehicles	**1 810.4**	1 680.6
Intangible assets	**73.3**	91.6
Total commitments	**2 500.0**	2 000.0

APPENDIX 1

Pro forma information

Certain financial information presented in these summarised annual financial statements constitutes pro forma financial information.

Constant currency disclosures

Constant currency information constitutes pro forma information. The Group discloses constant currency information in order to report on the Group's turnover and the Group's Rest of Africa 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.

The Group's turnover growth in constant currency is calculated by translating the prior period local currency turnover at the current period average exchange rates on a country-by-country basis and then comparing that against the current period turnover translated at current period average exchange rates.

The segmental revenue growth in constant currency is calculated by translating the prior period local currency segmental revenue at the current period average exchange rates on a country-by-country basis and then comparing that against the current period segmental revenue translated at the current period average exchange rates.

The average Zambia kwacha exchange rate to the South African rand for the 52 weeks ended 28 February 2021 is 1.18 (52 weeks ended 1 March 2020: 0.91) and the average Botswana pula exchange rate to the South African rand for the 52 weeks ended 28 February 2021 is 0.69 (52 weeks ended 1 March 2020: 0.73).

The constant currency pro forma information presented in accordance with the JSE Listings Requirements, is the responsibility of the Board of directors of the Group and is presented for illustrative purposes only. Because of its nature, the pro forma financial information may not fairly present the Group's financial position, changes in equity, results of operations or cash flows.

The Group's external auditor has issued a reporting accountant's report on the constant currency pro forma information, which is available for inspection at the Company's (Pick n Pay Stores Limited) registered office.

52 weeks ended 28 February 2021	**Increase/ (decrease) reported currency**	**Increase/ (decrease) constant currency**
Group turnover (%)	**4.3**	**4.6**
Rest of Africa segmental revenue (%)	**(8.6)**	**(2.5)**

APPENDIX 2

Additional information

Additional information may not represent a defined term under IFRS and, as a result, it may not be comparable with similarly titled measures reported by other companies. Additional information is the responsibility of the Board of directors of the Group, is presented for illustrative purposes only and has not been reviewed nor reported on by the Group's auditors.

1 Comparable year-on-year earnings performance

Zimbabwe is classified as a hyperinflationary economy. The equity accounted earnings of the Group's investment in associate operating in Zimbabwe is therefore accounted for under IAS 29 *Financial Reporting in Hyperinflationary Economies* (IAS 29), with the impact presented below.

	52 weeks to 28 February 2021 Rm	52 weeks to 1 March 2020 Rm
Share of associate's earnings excluding net monetary adjustments	109.2	23.1
Share of associate's hyperinflation net monetary (loss)/gain	(29.2)	43.2
Reported share of associate's earnings	80.0	66.3
Impairment loss on investment in associate as a result of hyperinflation accounting	(81.6)	(173.6)
	(1.6)	(107.3)

Reported profit before tax and reported headline earnings include the impact of hyperinflation accounting attributable to the Group's investment in associate. In management's view, this impact of hyperinflation accounting does not provide stakeholders with an accurate assessment of the Group's comparable year-on-year earnings performance. As a result, the Group has presented its earnings for the current and prior period on a comparable basis, by excluding the Group's share of associate's hyperinflation net monetary loss of R29.2 million (2020: net monetary gain of R43.2 million), with no impact on tax. The table below presents the key changes to items presented.

52 weeks to 28 February 2021	**As reported Rm**	**Remove impact of IAS 29 Rm**	**Comparable Rm**
Rest of Africa profit before tax before capital items	118.9	29.2	148.1
Group profit before tax before capital items	1 554.2	29.2	1 583.4
Group headline earnings	1 095.0	29.2	1 124.2
	Cents	**Cents**	**Cents**
Headline earnings per share	229.31	6.11	235.42
Diluted headline earnings per share	227.51	6.06	233.57

APPENDIX 2 (continued)

1 Comparable year-on-year earnings performance (continued)

52 weeks to 1 March 2020	As reported Rm	Remove impact of IAS 29 Rm	Comparable Rm
Rest of Africa profit before tax before capital items	133.3	(43.2)	90.1
Group profit before tax before capital items*	1 940.4	(43.2)	1 897.2
Group headline earnings*	1 389.9	(43.2)	1 346.7
	Cents	Cents	Cents
Headline earnings per share*	291.90	(9.08)	282.82
Diluted headline earnings per share*	290.38	(9.03)	281.35

Refer to note 7 of the summarised audited Group annual financial statements for more information.

* *Headline earnings, headline earnings per share (HEPS) and diluted headline earnings per share (DHEPS) have been restated to reflect the adoption of SAICA Circular 1/2019, refer to note 4 of the summarised audited Group annual financial statements. In line with the Group's adoption of SAICA Circular 1/2019, and in order to improve disclosure, gains or losses on the termination of leases have been reclassified on the statement of comprehensive income and are now presented within trading expenses. Accordingly, Group profit before tax before capital items of the prior year has been restated by R26.5 million (R19.1 million, net of tax) with a net nil impact on the Group's profit before tax.*

2 Comparable year-on-year earnings performance, excluding once-off costs relating to the Group's severance programmes

During the period under review, the Group incurred R200 million once-off compensation costs (144 million net of 28% South African tax) relating to the Group's severance programmes. Refer to note 3 of the 2021 audited Group annual financial statements. As tabled below, comparable earnings performance excluding these once-off costs has been provided.

52 weeks to 28 February 2021	**Comparable Rm**	**Remove once-off costs Rm**	**Comparable excluding once-off costs Rm**
Group headline earnings	1 124.2	144.0	1 268.2
	Cents	**Cents**	**Cents**
Headline earnings per share	235.42	30.16	265.58
Diluted headline earnings per share	233.57	29.92	263.49

3 Like-for-like turnover and expense growth comparisons

Like-for-like turnover and expense growth comparisons remove the impact of store openings, closures and conversions in the current and previous reporting periods.

APPENDIX 3

The table below presents the Group's basic, diluted and headline earnings performance for the current and previous periods on a comparable basis. Comparable headline earnings exclude hyperinflation net monetary adjustments in respect of the Group's investment in associate attributable to IAS 29 *Financial Reporting in Hyperinflationary Economies*. Comparable headline earnings excluding once-off costs removes the impact of once-off employee compensation costs relating to the Group's severance programmes. Refer to Appendix 2. The information contained in this Appendix is the responsibility of the Board of directors, is presented for illustrative purposes and has not been reviewed nor reported on by the Group's auditors.

	% change	52 weeks to 28 February 2021 Cents per share	Restated* 52 weeks to 1 March 2020 Cents per share
Earnings per share			
Basic earnings per share	(19.3)	**202.52**	250.90
Diluted earnings per share	(19.5)	**200.93**	249.60
Headline earnings per share	(21.4)	**229.31**	291.90
Diluted headline earnings per share	(21.7)	**227.51**	290.38
Comparable headline earnings per share			
Headline earnings per share	(16.8)	**235.42**	282.82
Diluted headline earnings per share	(17.0)	**233.57**	281.35
Comparable headline earnings per share excluding once-off costs			
Headline earnings per share	(6.1)	**265.58**	282.82
Diluted headline earnings per share	(6.3)	**263.49**	281.35

	Rm	Rm
Reconciliation between basic and headline earnings		
Profit for the period – basic earnings for the period	**967.1**	1 194.7
Adjustments:	**127.9**	195.2
Loss on sale of property, plant and equipment	**21.4**	18.8
Tax effect of loss on sale of property, plant and equipment	**(6.0)**	(5.3)
Impairment loss on property, plant and equipment	**18.1**	8.2
Tax effect of impairment loss on property, plant and equipment	**(5.1)**	(2.3)
Impairment loss on intangible assets	**10.7**	3.8
Tax effect of impairment loss on intangible assets	**(3.0)**	(1.1)
Impairment loss on right-of-use assets	**14.1**	–
Tax effect of impairment loss on right-of-use assets	**(3.9)**	–
Impairment loss on investment in associate	**81.6**	173.6
Profit on sale of property, plant and equipment of associate	**–**	(0.5)
Headline earnings for the period (note 4)	**1 095.0**	1 389.9
Adjusted for hyperinflation net monetary loss/(gain) (note 7)	**29.2**	(43.2)
Comparable headline earnings	**1 124.2**	1 346.7
Adjusted for once-off costs relating to severance programmes	**200.0**	–
Adjusted for the tax effect of once-off costs	**(56.0)**	–
Comparable headline earnings excluding once-off costs	**1 268.2**	1 346.7

The table below presents the Group's share information	000's	000's
Number of ordinary shares in issue	**493 450.3**	493 450.3
Weighted average number of ordinary shares in issue (excluding treasury shares)	**477 524.8**	476 161.6
Diluted weighted average number of ordinary shares in issue	**481 304.5**	478 647.8

* *Headline earnings, headline earnings per share (HEPS) and diluted headline earnings per share (DHEPS) have been restated to reflect the adoption of SAICA Circular 1/2019. Gains or losses on the partial or full termination of leases are no longer classified as a remeasurement, as defined by the circular. Accordingly, headline earnings have been increased by R19.1 million (net of tax) to R1 389.9 million, HEPS has been increased by 4.01 cents to 291.90 cents and DHEPS has been increased by 3.99 cents to 290.38 cents.*

APPENDIX 4

These summarised financial statements are themselves not audited, but are extracted from audited information. The audited Group annual financial statements were audited by Ernst & Young Inc., who expressed an unmodified opinion thereon.

The table below, which provides information on the key audit matters applicable to the audit of the Group annual financial statements, is an extraction of the Ernst & Young Inc. audit report and should be read in conjunction with the full audit report. Where applicable, an extraction of notes to the 2021 audited Group Annual Financial Statements have been included.

The audited Group annual financial statements, and the auditor's report thereon, are available for inspection at the Company's (Pick n Pay Stores Limited) registered office.

Extract of Ernst & Young Inc. Report on the Audit of the Pick n Pay Stores Limited Consolidated and Separate Financial Statements:

Key Audit Matter: Cash Generating Units (CGU) and Goodwill Impairment

Goodwill for the Group has a carrying value of R603.5 million at 28 February 2021 (2020: R444.1 million). Goodwill originated from the purchase of subsidiaries in prior years, and the purchase of individual stores in the current and in prior years.

Management performs a goodwill impairment test annually and applies judgement in determining the assumptions and inputs to calculate the fair value less costs of disposal and value-in-use to be used as the recoverable amount for each cash generating unit (subsidiaries and stores).

In light of COVID-19 related impacts on consumer behaviour and a weakened economy, we focused our attention on the assumptions applied and inputs used by management in forecasting cash flows as well as those used in the calculation of fair value less costs of disposal, including forecast growth rates for the explicit and terminal forecast periods and forecast trading margins. Furthermore, we focused our attention on the assumptions and inputs used in calculating discount rates, including the judgement involved in quantifying a specific risk premium for the increased number of stores to which the goodwill is attributable due to the significant increase in stores purchased compared to prior periods.

The difficult trading environment and deteriorating macro-economic outlook in the current year, the assessment of the reasonableness of assumptions relating to cash flow forecasts required robust dialogue and extensive use of internal valuation specialists in determining what adjustments are reasonable compared to prior periods given that some of the changes in current year performance may be isolated to the impact of lockdown and others to ongoing macro-economic factors. Accordingly, the matter has been considered a key audit matter.

The disclosures required by the standard for goodwill are included in notes 1.6, 1.7 and 9 of the financial statements.

How the matter was addressed in the audit

Our procedures relating to the impairment assessment of goodwill recognised on the purchase of stores included, amongst others:

- In conjunction with our internal valuation specialists:
  - » Evaluating the methodology applied by management in determining the fair value less costs of disposal and value-in-use for cash generating units, with reference to the requirements of accounting standards and our knowledge of the business;
  - » Evaluating the key assumptions and judgements in management's forecasts, including the revenue growth rates, trading margins, cost growth rate assumptions, working capital and capital expenditure cash flows, and the weighted average cost of capital used to discount the forecast cash flows, by assessing the reasonableness of key assumptions against historic performance and market information;
  - » Assessing the discount rates against external market references and recalculating the discount rates used;
  - » Assessing the assumptions and calculations of fair value less cost of disposal for cash generating units with reference to recent market transactions and to evaluate the reasonableness of management's assessments.
- Recalculating management's discounted cash flow models for arithmetical accuracy.
- In conjunction with our internal financial reporting specialists, we assessed the completeness and accuracy of the disclosures relating to the impairment assessments with reference to the requirements of IAS 36 Impairment of Assets.

APPENDIX 4 (continued)

Extract of Ernst & Young Inc. Report on the Audit of the Pick n Pay Stores Limited Consolidated and Separate Financial Statements (continued)

Key Audit Matter: IFRS 16 Leases	How the matter was addressed in the audit
The Group's statement of financial position reflects right-of-use ('ROU') assets, net investment in leases, and lease liabilities with carrying values as at 28 February 2021 totalling R10 050.6 million, R2 411.2 million and R16 359.4 million respectively. The right-of-use assets represent 26.6% of the total assets of the group and lease liabilities represent 47.5% of the total liabilities. The group has numerous property and non-property lease contracts where management are required to make significant judgements in the initial recognition of new leases and for the subsequent measurement of existing ROU assets and lease liabilities. Lockdown-related trade restrictions arising from efforts by government to curb the COVID-19 pandemic impacted lease contracts in the form of rent concessions and separately resulted in a potential impairment indicator for the cash generating units containing the ROU assets and net investment in leases.	Our procedures, amongst others, included: • We evaluated management's policies, processes and controls to identify, capture and account for active leases across the group by obtaining an understanding of the system through discussions with management and assessing it against the requirements of IFRS 16. • For a sample from the approved store opening roster, we compared the commencement date to the IFRS 16 lease database to evaluate the completeness of property leases identified by management and for the accuracy of the commencement dates – accompanied by year on year analytics on revenue, issue of inventory to franchisees, and inventory held per store. • For a sample of lease contracts, we: » inspected the terms and conditions of the underlying contracts and evaluated management's identification of relevant lease terms to determine whether the leases were correctly accounted for in terms of the standard and for the correct lease term; » inspected the details of the contract to assess the accuracy of management's determination of the commencement date and the lease end date (considering option periods contained in the contract); » assessed the accuracy of the discount rates determined by management with reference to entity-specific borrowing rates and external market data with the assistance of our internal quantitative analyst specialists; » recalculated the lease liabilities, ROU assets, finance costs and depreciation based on the underlying contractual terms; » reperformed the calculation of the modification and reassessment impacts on the ROU assets and lease liabilities with reference to terms in renewed or amended contracts.

APPENDIX 4 (continued)

Extract of Ernst & Young Inc. Report on the Audit of the Pick n Pay Stores Limited Consolidated and Separate Financial Statements (continued)

Key Audit Matter: IFRS 16 Leases (continued)	How the matter was addressed in the audit
This resulted in a key audit matter in the current year due to the extent of auditor effort and involvement of internal specialists required in the evaluation of managements significant judgements and application of complex accounting principles to the volume and value of lease movements including: • Recognition of new agreements on the appropriate commencement date; • Determination and application of inherent borrowing rates impacted by change in market lending rates; • Establishing the lease term including any renewal options that are reasonably certain to be elected; • Identification of circumstances classified as contract reassessments or modifications, requiring subsequent remeasurement and the complexity involved in accounting for these frequent events; • Assessing the impact of Covid-19 with regards to rent concessions; • Assessing the ROU assets and net investment in leases for impairment and whether the extent of impairment was appropriate (where applicable). The disclosures required by the standard for these balances and their related transactions are contained in notes 1.6, 1.9, 1.10, 1.17, 11, 12 and 24.	• Evaluating management's impairment assessments included the procedures and considerations with respect to the assessment of cash generating unit impairment as described in the above KAM and included: » considering impairment indicators with reference to store profits and the wider economic environment; » assessing a sample of ROU assets' impairment in line with IAS 36 by evaluating the recoverable amount of the related cash generating units with reference to recent market transactions; and » assessing a sample of net investment in lease receivables by recalculating the expected credit loss, assessing the probability of default and loss given default with the assistance of our internal quantitative analyst specialists, and verifying the calculation inputs to source documentation. • Assessing the adequacy of the disclosures made by management with reference to the requirements of IFRS 16, with the assistance of our internal financial reporting specialists where appropriate.

APPENDIX 4 (continued)

The below provides an extract of relevant notes from the 2021 audited Group annual financial statements, to which the key audit matters refer.

Extract of the 2021 audited Group annual financial statements

1.6 Accounting Policies: Use of estimates, judgements and assumptions

The preparation of these annual financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Estimates, judgements and assumptions used in the Group's accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period include, but are not limited to, the following:

Provision for expected credit losses on net investment in lease receivables, 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 net investment in lease receivables, loans and trade and other receivables and the economic environment. At each reporting period, the historical observed default rates are updated and changes in forward-looking estimates are analysed. The 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.

Estimates of useful lives of right-of-use assets

Right-of-use assets are depreciated over their useful lives, and are directly linked to the lease term of the underlying lease agreement that has been accounted for in the measurement of the corresponding lease liabilities. Useful lives are reviewed at each reporting date, considering factors such as lease term extension and termination options.

Classification of leases

Judgement is applied when assessing whether an arrangement should be treated as a lease. Where the Group acts as a lessor, judgement is applied in determining whether the risks and rewards of the underlying asset have been transferred in order to classify leases as either finance leases or operating leases.

Estimates of lease terms of lease agreements

Lease terms applicable to lease agreements, relating to the Group's net investment in lease receivables and lease liabilities, are negotiated on an individual basis and contain a wide range of various terms and conditions. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. Management exercises judgement in determining the reasonable certainty of exercising termination or extension options in determining the lease term, including considerations of the age of the lease, the nature of the leased asset and the expected return on the underlying cash-generating unit to which the leased asset belongs.

Subsequent to the commencement date of lease agreements, lease terms are reassessed when there is a significant event or change in circumstances that is within the Group's control and affects its ability to exercise or not to exercise the option to renew or to terminate. Significant events could include a change in the Group's assessment of whether it is reasonably certain to exercise a renewal or termination option, the incurrences of unanticipated significant leasehold improvements or the negotiation of unanticipated lease incentives.

APPENDIX 4 (continued)

Extract of the 2021 audited Group annual financial statements (continued)

1.6 Accounting Policies: Use of estimates, judgements and assumptions (continued)

Estimates of incremental borrowing rates applied in the measurement of lease liabilities

Incremental borrowing rates applied in the measurement of lease liabilities are specific to the country, term, currency and start date of the applicable lease agreement. Incremental borrowing rates are based on a series of inputs including the prime lending rate, the repo rate, a credit risk adjustment and a country-specific adjustment.

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.

Measurements of the recoverable amounts of cash-generating units

The recoverable amount of cash-generating units (CGU) containing goodwill is determined by calculating its value-in-use. The Group treats a store as a separate CGU for impairment testing of intangible assets, property, plant and equipment and right-of-use assets. 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 of CGUs are disclosed in note 9.

Covid-19 pandemic

The Covid-19 pandemic has placed strain on global economies, has influenced customer trends and has influenced trading activities of the Group. During the period under review, various government-imposed restrictions on trade occurred during the lockdown period in order to curb the spread of the virus. At period end, uncertainty remains on the longevity of the virus and its impact on future trading activities. This uncertainty has been considered in the key assumptions, estimates and judgements made by management when assessing the carrying value of property, plant and equipment, intangible assets, right-of-use assets, retirement scheme assets, deferred tax assets, investment in associate, net investment in lease receivables, trade and other receivables, inventory and lease liabilities.

1.7 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 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.

APPENDIX 4 (continued)

Extract of the 2021 audited Group annual financial statements (continued)

1.7 Intangible assets (continued)

Cost

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

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

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

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

Amortisation

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

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

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

Useful lives

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

Goodwill	Indefinite
Systems development	7 years
Licences	5 to 10 years

Impairment

Intangible assets are assessed for impairment as non-financial assets in accordance with 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.

APPENDIX 4 (continued)

Extract of the 2021 audited Group annual financial statements (continued)

1.9 Right-of-use assets

The Group enters into various lease agreements as the lessee of property, equipment and vehicles. Where leases convey the right to control the use of the underlying leased assets, the Group classifies these leases as right-of-use assets in a consistent manner to its property, plant and equipment. Right-of-use assets are initially recognised at cost at the date at which the Group gains control of the right to use the leased asset, referred to as the commencement date of lease agreements, and are subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

Cost

The cost of right-of-use assets includes the initial measurement of the corresponding lease liabilities, any initial direct costs less any lease incentives received and less any dismantling or restoration costs expected to be incurred in order to restore the asset or the site on which it is located.

Depreciation

Depreciation is based on the cost of the right-of-use asset over its useful life. At the commencement date of lease agreements, management determines useful lives as the lease term of corresponding lease liabilities. These lease terms are reviewed at each reporting date and adjusted, if appropriate. Any adjustments are accounted for prospectively as a change in estimate.

Depreciation is recognised as an expense in the statement of comprehensive income, within occupancy costs, on a straight-lined basis over the estimated useful lives of the right-of-use assets.

Useful lives

The estimated useful lives, per category of right-of-use assets, are as follows:

Property	5 to 30 years
Equipment and vehicles	5 to 11 years

Impairment

Right-of-use assets are assessed for impairment as non-financial assets in accordance with note 1.14.

Derecognition

Right-of-use assets are derecognised upon the loss of control by the Group of the right to use the leased assets. Gains or losses on derecognition are determined by comparing the value of corresponding lease liabilities, with the carrying amount of right-of-use assets and are recognised directly in the statement of comprehensive income.

1.10 Net investment in lease receivables

In addition to its primary property lease portfolio, the Group holds head-leases over strategic franchise sites. These sites are sub-let to franchisees, with the franchisees holding the right to control the use of the leased assets. Where the Group does not retain the right to control the use of leased assets, due to the leased asset being subjected to a sub-lease, right-of-use assets are not recognised by the Group. The Group recognises the present value of future lease payments under head leases as lease liabilities (refer to note 1.17) and capitalises the present value of future lease receivables under sub-leases as net investment in lease receivables.

Initial measurement

At the date when the franchisee gains the right to control the use of leased assets, referred to as the commencement date of sub-lease agreements, the Group measures the net investment in lease receivable at the present value of the lease payments to be received over the lease term, discounted using the rate implicit in the sub-lease. If the rate implicit in the sub-lease cannot be readily determined, the Group applies the same rate applied in accounting for the corresponding lease liability.

The Group determines the lease term of the net investment in lease receivable as the non-cancellable period of the lease, and determines the incremental borrowing rate as the rate applicable to the corresponding head lease liability.

APPENDIX 4 (continued)

Extract of the 2021 audited Group annual financial statements (continued)

1.10 Net investment in lease receivables (continued)

Subsequent measurement

Net investment in lease receivables are subsequently measured at amortised cost using the effective interest method, reduced by future lease receipts net of interest earned.

Impairment

Net investment in lease receivables are assessed for impairment as financial assets in accordance with note 1.14.

Derecognition

Net investment in lease receivables are derecognised when the Group regains the right to control the use of leased assets. Gains or losses on derecognition are determined by comparing the carrying value of corresponding lease liabilities with the carrying value of net investment in lease receivables, and are recognised directly in the statement of comprehensive income.

1.17 Lease liabilities

The Group enters into various lease agreements as the lessee of property, equipment and vehicles. Where lease agreements convey the right to control the use of underlying leased assets, the Group recognises the present value of future lease payments under the lease as lease liabilities.

Initial recognition

At the date when the Group gains the right to control the use of underlying leased assets, referred to as the commencement date, the Group measures the lease liability at the present value of the lease payments to be made over the lease term, discounted at an applicable discount rate.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised. Judgement is applied in determining the likelihood of exercising extension or termination options in determining the lease period.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised or termination options reasonably certain not to be exercised. Variable lease payments are initially measured using the index or rate at the commencement date.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used. The incremental borrowing rate is the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

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

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

APPENDICES (continued)

APPENDIX 4 (continued)

Extract of the 2021 audited Group annual financial statements (continued)

1.17 Lease liabilities (continued)

Subsequent measurement

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

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

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

Derecognition

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

Variable lease payments

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

Leasing of low-value assets and short-term leases

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

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

APPENDIX 4 (continued)

Extract of the 2021 audited Group annual financial statements (continued)

	Goodwill Rm	Systems development Rm	Licences Rm	Total Rm
9 Intangible assets				
52 weeks to 28 February 2021				
Carrying value	**603.5**	**382.3**	**20.2**	**1 006.0**
Cost	**650.2**	**748.9**	**84.0**	**1 483.1**
Accumulated amortisation and impairment losses	**(46.7)**	**(366.6)**	**(63.8)**	**(477.1)**
Reconciliation of carrying value				
Carrying value at beginning of period	**444.1**	**396.6**	**24.7**	**865.4**
Additions	**–**	**81.0**	**0.2**	**81.2**
Expansion of operations	**–**	**19.4**	**0.2**	**19.6**
Maintaining operations	**–**	**61.6**	**–**	**61.6**
Amortisation	**–**	**(127.2)**	**(4.7)**	**(131.9)**
Impairment	**(10.5)**	**(0.2)**	**–**	**(10.7)**
Disposals	**–**	**(0.7)**	**–**	**(0.7)**
Purchase of operations	**169.9**	**33.0**	**–**	**202.9**
Foreign currency translations	**–**	**(0.2)**	**–**	**(0.2)**
Carrying value at end of period	**603.5**	**382.3**	**20.2**	**1 006.0**
52 weeks to 1 March 2020				
Carrying value	444.1	396.6	24.7	865.4
Cost	480.3	1 232.8	89.8	1 802.9
Accumulated amortisation and impairment losses	(36.2)	(836.2)	(65.1)	(937.5)
Reconciliation of carrying value				
Carrying value at beginning of period	428.5	452.4	28.9	909.8
Additions	–	90.7	0.8	91.5
Expansion of operations	–	57.9	0.8	58.7
Maintaining operations	–	32.8	–	32.8
Amortisation	–	(146.0)	(5.0)	(151.0)
Impairment	(3.8)	–	–	(3.8)
Disposals	–	(0.3)	–	(0.3)
Purchase of operations	19.4	–	–	19.4
Foreign currency translations	–	(0.2)	–	(0.2)
Carrying value at end of period	444.1	396.6	24.7	865.4

APPENDIX 4 (continued)

Extract of the 2021 audited Group annual financial statements (continued)

9 Intangible assets (continued)

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 (2020: 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% (2020: 7.0%), 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. The pre-tax discount rate applied to cash flow projections was 10.3% (2020: 11.3%). Management believes that any reasonable 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 R468.5 million (2020: R309.1 million), relates to various acquisitions or conversions of franchise stores to owned stores, none of which are significant in comparison to the Group's total carrying amount of goodwill. Of the remaining goodwill, R164.4 million (2020: R61.8 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 10.3% (2020: 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 R10.5 million (2020: R3.8 million) arose in two (2020: one) CGUs in the South Africa operating segment. These CGUs are individual owned stores, which are 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.

APPENDIX 4 (continued)

Extract of the 2021 audited Group annual financial statements (continued)

11 Right-of-use assets

The Group enters into various lease agreements as the lessee of property, equipment and vehicles. Where leases convey the right to control the use of the underlying leased assets, the Group classifies these leases as right-of-use assets in a consistent manner to its property, plant and equipment.

	52 weeks to 28 February 2021 Rm	52 weeks to 1 March 2020 Rm
Reconciliation of carrying value of right-of-use assets		
Carrying value at beginning of period	**9 880.6**	10 102.9
Additions	**2 148.2**	1 596.0
Depreciation	**(1 793.0)**	(1 646.9)
Property	**(1 496.9)**	(1 349.5)
Equipment and vehicles	**(296.1)**	(297.4)
Other movements*	**(120.7)**	(139.5)
Impairment	**(14.1)**	-
Foreign currency translations	**(50.4)**	(31.9)
Carrying value at end of period	**10 050.6**	9 880.6
Comprising of:		
Property	**8 558.3**	8 313.8
Equipment and vehicles	**1 492.3**	1 566.8

* *Includes lease incentives received, remeasurements and termination of leases.*

The Group treats each store as a separate CGU for impairment testing of right-of-use assets. The recoverable amount of each CGU is the higher of its value-in-use and its fair value less costs of disposal. Each CGU is tested for impairment at the reporting date to determine if any indicators of impairment have been identified. Impairment loss indicators include loss-making stores.

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.

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 10.3% (2020: 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 R14.1 million (2020: Rnil) arose in two (2020: none) CGUs. These CGUs are individual owned stores, which are 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.

APPENDIX 4 (continued)

Extract of the 2021 audited Group annual financial statements (continued)

12 Net investment in lease receivables

In addition to its primary property lease portfolio, the Group holds head leases over strategic franchise sites. These sites are sub-let to franchisees, with the franchisees holding the right to control the use of leased assets. Where the Group does not retain the right to control the use of leased assets due to the leased asset being subjected to a sub-lease, right-of-use assets are not recognised on the statement of financial position. The Group recognises the present value of future lease payments under head leases as lease liabilities (note 24), and capitalises the present value of future lease receivables under sub-leases as net investment in lease receivables. Future lease payments are discounted at an average borrowing rate of 8.5% (2020: 8.9%).

	52 weeks to 28 February 2021 Rm	52 weeks to 1 March 2020 Rm
12.1 Reconciliation of net investment in lease receivables		
At beginning of period	**2 350.9**	2 109.7
New leases	**434.2**	480.1
Lease receipts	**(460.3)**	(403.3)
Principal lease receipts	**(254.4)**	(220.0)
Interest received	**(205.9)**	(183.3)
Finance income	**208.5**	196.1
Other movements*	**(111.5)**	(31.7)
Foreign currency translations	**(10.6)**	–
At end of period	**2 411.2**	2 350.9
Net investment in lease receivables are presented in the statement of financial position as follows:		
Current	**277.1**	221.0
Non-current	**2 134.1**	2 129.9

* *Includes remeasurements and terminations of leases*

	52 weeks to 28 February 2021 Rm	52 weeks to 1 March 2020 Rm
12.2 Lease receipts		
Lease receipts included in the measurement of net investment in lease receivables	**460.3**	403.3
Variable lease receipts not included in the measurement of net investment in lease receivables	**11.5**	4.4
	471.8	407.7

Certain property sub-leases contain variable receipts terms linked to sales generated from franchise stores, referred to as turnover rent. Turnover rent income averages 1.5% of turnover (2020: 1.5% of turnover) of franchise stores.

APPENDIX 4 (continued)

Extract of the 2021 audited Group annual financial statements (continued)

12 Net investment in lease receivables (continued)

12.3 Maturity analysis

	52 weeks to 28 February 2021 Rm	52 weeks to 1 March 2020 Rm
The undiscounted contractual maturities of lease receivables are as follows:		
Less than one year	467.6	414.8
One to two years	463.7	437.8
Two to three years	450.7	428.7
Three to four years	449.1	406.5
Four to five years	360.6	388.4
More than five years	1 163.4	1 273.2
Total undiscounted lease receivables	3 355.1	3 349.4
Unearned finance income	(943.9)	(998.5)
Net investment in lease receivables	2 411.2	2 350.9

24 Lease liabilities

The Group enters into various lease agreements as the lessee of property, equipment and vehicles. Where leases convey the right to control the use of underlying leased assets, the Group recognises the present value of future lease payments under the lease contract as lease liabilities. Future lease payments are discounted at an average borrowing rate of 8.6% (2020: 8.9%).

24.1 Reconciliation of lease liabilities

	52 weeks to 28 February 2021 Rm	52 weeks to 1 March 2020 Rm
At beginning of period	15 905.2	15 311.9
New leases	2 582.4	2 076.1
Lease payments	(3 196.4)	(2 799.5)
Principal lease liability payments	(1 677.0)	(1 487.4)
Interest paid	(1 519.4)	(1 312.1)
Rent concessions	(54.9)	–
Finance costs	1 386.2	1 382.5
Other movements*	(179.8)	(76.7)
Foreign currency translations	(83.3)	10.9
At end of period	16 359.4	15 905.2
Lease liabilities are presented in the statement of financial position as follows:		
Current	2 046.8	1 716.7
Non-current	14 312.6	14 188.5

* *Includes remeasurements and terminations of leases*

APPENDIX 4 (continued)

Extract of the 2021 audited Group annual financial statements (continued)

24 Lease liabilities (continued)

24.2 Lease payments

	52 weeks to 28 February 2021 Rm	52 weeks to 1 March 2020 Rm
Lease payments included in the measurement of lease liabilities	3 196.4	2 799.5
Variable lease payments not included in the measurement of lease liabilities	50.9	30.3
Short-term and low-value lease payments	31.7	23.1
	3 279.0	2 852.9

Certain property head leases contain variable payment terms linked to sales generated from retail owned stores, referred to as turnover rent. Turnover rent expense averages 1.5% of turnover (2020: 1.5% of turnover).

24.3 Maturity analysis

	52 weeks to 28 February 2021 Rm	52 weeks to 1 March 2020 Rm
The undiscounted contractual maturities of lease liabilities are as follows:		
Less than one year	3 310.5	2 952.9
One year to five years	11 673.7	10 985.4
Five to ten years	6 769.6	7 872.8
More than ten years	1 023.8	1 444.5
Total undiscounted lease liabilities	22 777.6	23 255.6
Finance costs to be incurred in future	(6 418.2)	(7 350.4)
Lease liabilities	16 359.4	15 905.2

24.4 Lease terms

Lease terms include any non-cancellable periods and reasonably certain extension or termination options. Approximately 63% (2020: 60%) of the Group's portfolio of property leases contain extension options and approximately 21% (2020: 30%) contain termination options. The majority of extension and termination options held are exercisable by the Group and not by the respective lessor.

The average lease term of the Group's portfolio of qualifying leases are:

	52 weeks to 28 February 2021	52 weeks to 1 March 2020
Property	11 years	10 years
Equipment and vehicles	7 years	7 years

NUMBER OF STORES

COMPANY-OWNED	1 March 2020	Opened	Closed	Converted openings	Converted closures	28 February 2021
Pick n Pay	**794**	**39**	**(19)**	**16**	**–**	**830**
Hypermarkets	21	–	–	–	–	21
Supermarkets	295	12	(6)	9	–	310
Clothing	225	18	(8)	–	–	235
Liquor	252	9	(4)	7	–	264
Pharmacy	1	–	(1)	–	–	–
Boxer	**298**	**27**	**(1)**	**18**	**–**	**342**
Supermarkets	181	15	(1)	13	–	208
Build	30	–	–	–	–	30
Liquor	70	12	–	5	–	87
Punch	17	–	–	–	–	17
Total company-owned	**1 092**	**66**	**(20)**	**34**	**–**	**1 172**
FRANCHISE						
Pick n Pay						
Supermarkets	308	6	(8)	–	(22)	284
Market	29	10	(1)	–	–	38
Express	170	8	(4)	–	–	174
Clothing	16	4	–	–	–	20
Liquor	249	14	(9)	–	(12)	242
Pharmacy	2	1	–	–	–	3
Total franchise	**774**	**43**	**(22)**	**–**	**(34)**	**761**
Total Group stores	**1 866**	**109**	**(42)**	**34**	**(34)**	**1 933**
TM Supermarkets – associate	**59**	**3**	**(1)**	**–**	**–**	**61**
Total with TM Supermarkets	**1 925**	**112**	**(43)**	**34**	**(34)**	**1 994**
AFRICAN FOOTPRINT – included in total stores above	**154**	**14**	**(5)**	**–**	**–**	**163**
Pick n Pay company-owned	20	5	(1)	–	–	24
Boxer company-owned	9	–	–	–	–	9
Pick n Pay franchise	66	6	(3)	–	–	69
TM Supermarkets – associate	59	3	(1)	–	–	61
AFRICAN FOOTPRINT – by country	**154**	**14**	**(5)**	**–**	**–**	**163**
Botswana	12	–	(1)	–	–	11
Lesotho	2	2	–	–	–	4
Namibia	38	–	(2)	–	–	36
eSwatini	23	4	–	–	–	27
Zambia	20	5	(1)	–	–	24
Zimbabwe	59	3	(1)	–	–	61

CORPORATE INFORMATION

Pick n Pay Stores Limited
Registration number: 1968/008034/06
JSE share code: PIK
ISIN: ZAE000005443

Board of directors
Executive directors
Richard Brasher (CEO)*
Lerena Olivier (CFO)
Richard Van Rensburg (CISO)**
Suzanne Ackerman-Berman
Jonathan Ackerman

Non-executive
Gareth Ackerman (Chairman)
Aboubakar Jakoet
David Robins

Independent non-executive
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Mariam Cassim
David Friedland
Hugh Herman
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Annamarie van der Merwe
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* *Richard Brasher will retire as CEO of the Group at the end of April 2021, CEO-designate Pieter Boone will be appointed in his stead.*
** *Richard van Rensburg retired from the Group at the end of March 2021.*

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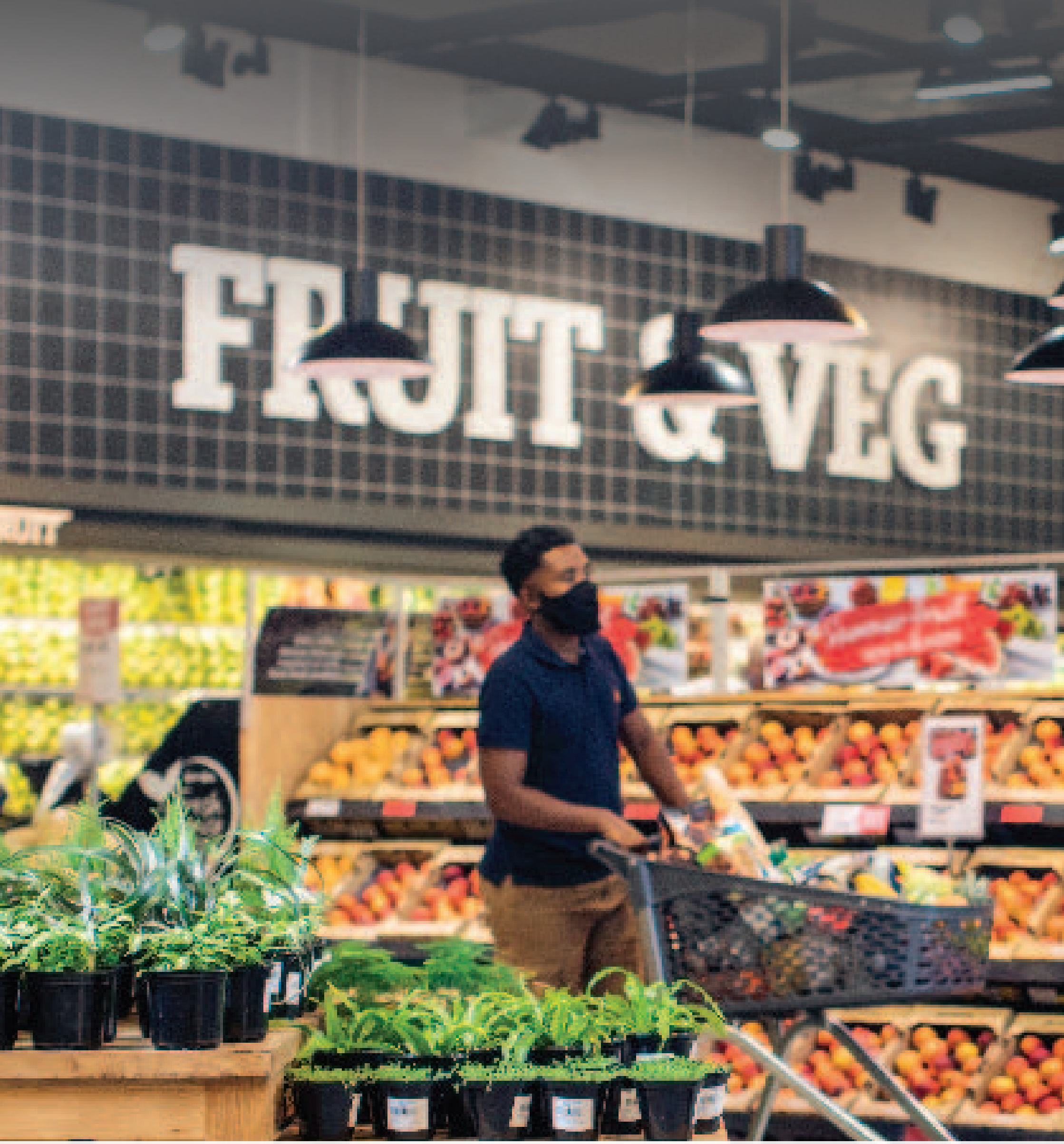

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