



## Pick n Pay Stores Limited

Unaudited condensed consolidated interim results  
for the 26 weeks ended 30 August 2015

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# Review of operations

## Turnaround strategy gains momentum

### KEY FINANCIAL INDICATORS

	26 weeks to 30 August 2015	26 weeks to 31 August 2014	% change
Turnover	<b>R34.9 billion</b>	R32.1 billion	8.5%
Gross profit margin	<b>17.7%</b>	17.7%	
Trading expense margin	<b>17.3%</b>	17.5%	
Trading profit	<b>R462.8 million</b>	R386.6 million	19.7%
Trading profit margin	<b>1.3%</b>	1.2%	
Profit before tax	<b>R451.0 million</b>	R366.8 million	23.0%
Profit before tax margin	<b>1.3%</b>	1.1%	
Profit after tax	<b>R322.5 million</b>	R261.9 million	23.1%
Basic earnings per share	<b>66.40 cents</b>	54.39 cents	22.1%
Headline earnings per share	<b>66.62 cents</b>	53.98 cents	23.4%
Interim dividend per share	<b>24.20 cents</b>	19.60 cents	23.5%

### RESULT SUMMARY

Pick n Pay demonstrated encouraging momentum in the first half of the financial year as it embarked on Stage 2 of its long-term plan – to change the trajectory of the business. A stronger sales performance, combined with sound gross margin management and tightly controlled capital and operating costs, drove headline earnings per share up 23.4%.

Turnover growth accelerated to 8.5% from 6.1% in the previous financial year, despite an increasingly challenging market environment. Turnover growth came from a good balance between sales from new stores and improved like-for-like growth of 4.4% – evidence that Pick n Pay is winning back customers with tangible improvements in the customer offer. The Group supported customers with competitive pricing and meaningful promotions over the period, containing internal selling price inflation at 3.0%, well below CPI-food inflation of 4.8%.

Gross margin management was a key focus over the reporting period. The Group continued to achieve greater operating efficiency, with benefits invested in the shopping trip, to strengthen the

offer and provide support to customers at an increasingly challenging time. The Group maintained its gross profit margin at 17.7%, notwithstanding price investment through an expanded Brand Match, a more personalised Smart Shopper programme and other initiatives.

Sound management of both capital and operating costs has helped deliver a stronger and more stable business. The Group continues to find opportunity to remove cost and operate in a more efficient manner. This work enabled the Group to reduce trading expenses expressed as a percentage of turnover from 17.5% to 17.3%. The improved management of net working capital strengthened cash balances over the period and supported a further reduction in long-term debt, with net interest paid down 23.3% on last year.

Segmental pre-tax profit in the core South Africa division grew by 44.7% on last year, underpinned by stronger sales and greater operating efficiency. Total segment revenue in the Rest of Africa division grew 13.0% to R2.0 billion. However the 14.4% decrease in segmental pre-tax profit of this division reflects the challenging trading conditions in Zambia and the effect of currency fluctuations.

### OPERATIONAL REVIEW

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

#### Better for customers

The Group has accelerated its improvement of the shopping trip, with customers noticing the benefits at store level. Closer collaboration with producers, combined with better cold chain management is improving the quality and shelf life of fresh produce. The Group has completed its first full round of product category reviews and has streamlined and strengthened its product range. Detailed planograms in key categories are resulting in more effective product display, better on-shelf replenishment and improved product availability. The Group has also made good progress on its plan to enhance its private label range, launching 37 new products over the period, and redesigning the packaging of more than 300 lines.

Smart Shopper was once again voted as South Africa's favourite loyalty programme in the recent 2015 Sunday Times Top Brands Awards. The Group expanded its Smart Shopper "Partner Programme" over the last six months, personalised vouchers through a "Just for You" mailing campaign, and boosted its "Instant Savings" programme, enabling customers to earn an instant 10% off over 800 items in store simply by swiping their cards.

The Group doubled the number of products covered by its successful Brand Match campaign, which is continuing to improve the customer perception of Pick n Pay prices relative to those of its peers. Successful promotional campaigns included a vibrant 48th birthday month and a Stikeez campaign towards the end of the financial period. Designed as a fun thank you to Pick n Pay customers for their custom and loyalty, the Stikeez

campaign captured the imaginations of South Africans young and old.

#### A flexible and winning estate

The Group opened 83 Pick n Pay and Boxer stores in the 26 weeks to August, including 14 new supermarkets in communities in which it had not previously traded. This compares with 46 stores in the same period last year. This accelerated rate of growth reflects a stronger new space plan which benefits from greater format flexibility and operational efficiencies developed over the past two years.

The Group added 21 new smaller convenience stores over the period, including under our Local, Express and Punch formats. These stores have been well received by customers and are an exciting growth opportunity. The performance of our larger Hypermarket format is improving as we become more innovative in the use of space, more focused on a differentiated product offer and more relevant in our promotional activity.

In Stage 1 of its plan, the Group closed a number of under-performing stores, substantially improving the quality of its estate. Having completed this stage, the number of under-performing stores has reduced considerably, with just four closures over the period.

The Group continued with the refurbishment programme which began in the second half of last year, with the commencement of a further 27 refurbishments in the 26 weeks to August.

The franchise business performed well over the period, with an encouraging increase in sales to franchisees and a decrease in franchise debt. Pick n Pay added 27 net new franchise stores over the period. The franchise model strengthens the Group by including within its ranks a team of passionate, experienced and highly skilled retailers

with a strong commitment to the Pick n Pay brand. It also provides an excellent opportunity for emerging entrepreneurs to develop and fulfil their ambitions.

Pick n Pay Online continued to deliver strong growth, particularly in the Western Cape where a new dedicated picking warehouse at the Brackenfell Hypermarket has substantially broadened the product range for online shoppers and has improved availability.

### **Efficient and effective operations**

The Group has consistently recognised that improvements to the efficiency of its operations are key to unlocking cost savings, improving service to customers, creating headroom to invest in the shopping trip and enhancing the profitability of the business. Further progress has been made over the period in reducing trading expenses as a percentage of turnover, both in head office costs and at store level.

Over the past six months, Pick n Pay's "next generation" store programme has brought together the progress achieved across various areas of the business to deliver new and refurbished stores which offer customers a substantially improved shopping environment, better product ranges and lower operating costs. These stores are characterised by wider aisles, enhanced lighting and signage and dedicated product category alcoves for easy store navigation. Operational improvements include faster checkouts, WiFi connectivity and automatic ordering and replenishment. Product offer has improved as a result of category reviews, product innovation and an expanded private label range. Three "next generation" stores were opened in the first half of the year (one new store and two refurbishments) and the Group is very encouraged by the positive response from customers.

### **Every product, every day**

A central supply chain increases efficiency, lowers cost and improves availability for customers. It enables the Group to reduce back-up storage areas in stores, creating more space for trade and enabling colleagues to spend more time on customers and less on back-end administration.

The Group has made good progress in the period under review, bringing within its centralised supply chain more than 200 new suppliers, more than was achieved over the full 2015 financial year. Volumes issued from Pick n Pay distribution centres were up substantially on last year, contributing to a good improvement in on-shelf availability. The Group is steadily progressing towards its aim of a fully centralised supply chain with every product delivered every day to our stores on a short lead time.

The Western Cape region, serviced by the Philippi distribution centre, is at 62% centralisation (80% on groceries). The level of centralisation in our Inland region, serviced by the Longmeadow distribution centre, has reached 55% (65% on groceries). Across all regions, the Group has reached 55% centralisation. The Group is exploring central supply chain opportunities in KwaZulu-Natal and the Eastern Cape. Improvements in the operational efficiencies at our distribution centres, particularly at Longmeadow, have enabled the Group to reduce its cost per case.

### **A winning team**

The Group employs close to 50 000 people in its corporate business, and a roughly equivalent number through its franchisees. Pick n Pay launched its "war on waste" campaign in July 2015, which – alongside commitments on

## Review of operations continued

reducing food waste and energy usage – pledged the Group to creating 5 000 new jobs per year between 2015 and 2020, representing 20 new jobs per day. We are already demonstrating meaningful progress, with 1 800 new jobs created over the reporting period.

The Group's new performance management system, introduced for senior managers last year, has now been launched to junior managers. The Group is also making progress on more efficient and streamlined processes in HR management and on core skills training.

### **Boxer – a national brand**

Boxer opened 12 new stores over the period across its range of formats. The business continues to grow despite increasingly challenging economic conditions. Over the period under review, the business focused on further strengthening its price positioning, and improving the quality of its fresh produce and grocery ranges. Tight cost control is imperative in this low-margin environment and the Group is encouraged by Boxer's progress in managing overhead costs as a percentage of sales.

Boxer, in line with Group strategy, will move towards a central distribution model. It has built a new distribution centre in KwaZulu-Natal, with the commencement of outbound deliveries in October 2015.

The Group remains confident of the opportunity to grow Boxer into a national brand in South Africa, and will open its first Boxer store in the Western Cape this year.

### **Rest of Africa – second engine of growth**

Growing our business outside of South Africa remains a strategic priority for Pick n Pay, notwithstanding the challenging trading

conditions facing some regions. Pick n Pay opened six stores outside South Africa during the period, three in Namibia, one in Zambia and two in Zimbabwe. The Rest of Africa division recorded growth in segmental revenue (including direct supplier deliveries) of 13.0%. Segmental revenue was up 14.3% in local currency terms, with like-for-like segmental revenue growth of 2.2%.

The Group's franchise operation outside South Africa, in Botswana, Lesotho, Namibia and Swaziland, delivered strong turnover growth over the period. In addition, the Group's share of the profits of its associate in Zimbabwe, TM Supermarkets (TM), grew 42.0% over the period to R15.7 million. The business demonstrated improved profitability and operational efficiency in what remains a tough and competitive market. TM is seeing stronger trading results out of its newly refurbished stores, particularly those bearing the Pick n Pay brand, and is working closely with Pick n Pay management to strengthen its procurement capability and the quality of its fresh produce and grocery range.

Notwithstanding these strong performances from operations outside South Africa, the segmental pre-tax profit of the Rest of Africa division was down 14.4% on last year. This reflects the difficult trading conditions in Zambia and the weakening of the kwacha, as economic conditions deteriorated in a region dependent on the strength of the copper price and the availability of hydro-electricity. However, the long-term opportunities in the region remain good, and the Group plans to open three more stores in Zambia in the next year.

The Group is in the early stages of developing a business in Ghana and will open its first store in that country in the 2016 calendar year.

## FINANCIAL REVIEW

### Turnover

Group turnover at R34.9 billion was up 8.5% on last year, an improvement on the 6.1% growth recorded in the 2015 financial year. Like-for-like turnover grew 4.4% on last year, an improved performance on the 3.6% recorded in 2015, with new stores adding 4.1% to turnover growth. This performance was achieved in a tough market in which consumer confidence deteriorated in the face of escalating energy, fuel and utility costs, higher taxes, increased costs of borrowing and a weakening rand.

Greater business efficiency assisted the Group to bear down on inflation. Internal food inflation fell to 3.0% over the period, down from 6.3% in the second half of last year, and compares to CPI food inflation of 4.8% for the period.

### Gross profit

Gross profit increased by 8.4% to R6.2 billion. The gross profit margin was unchanged on last year at 17.7%, notwithstanding our investment in price through our expanded Brand Match campaign, our stronger Smart Shopper programme and a successful 48th birthday promotion. The centralisation of supply is a key strategic priority for the Group, and as the Group increases the volume of inventory going through its distribution centres, it will continue to unlock cost savings and operational efficiencies to reinvest in the shopping trip.

### Other trading income

Other trading income increased by 1.3% to R320.0 million.

**Commissions and other income** – once-off commissions earned in the prior period on the sale of iTunes vouchers were not repeated this year. As a result, commissions and other income

was down 14.9%. Other value-added services including financial services, prepaid electricity, third party account payments and gift cards all showed encouraging growth, underlining the good opportunity for Pick n Pay and Boxer to grow services allied to the shopping trip.

**Franchise income** – was up 10.8% on last year, reflecting the 27 net new franchise stores added over the period and the encouraging growth in franchise turnover.

**Operating lease income** – was up 25.6% on last year, which includes substantial new head leases in Pick n Pay. The related operating lease expenses are included within occupancy costs.

### Trading expenses

The Group reduced trading expenses as a percentage of turnover, from 17.5% to 17.3%. The increase in like-for-like expenses was restricted to 4.6%.

**Employee costs** – steady improvement in the efficiency of in-store processes and labour scheduling restricted the increase in employee costs to 6.9% (like-for-like 5.5%), notwithstanding the 52 net new corporate stores added over the period. Employee costs include a charge of R58.6 million in respect of the Group's employee forfeitable share plan, against a corresponding R2.7 million charge in the same period last year.

**Occupancy costs** – are up on last year reflecting the new store openings since August last year. Group like-for-like occupancy costs were contained at 6.6%, notwithstanding rising rental pressures across the sector, the impact of dollar-based rentals outside South Africa, and the growing cost of providing adequate security in our stores.

## Review of operations continued

**Operations** – the biggest driver of the 9.2% increase in operations costs was regulatory increases in electricity and utility charges, which increased well ahead of inflation. Depreciation and amortisation charges were up 6.7% as a result of our store opening and refurbishment programme.

### Merchandising and administration costs

– were down 6.6%, as a result of lower bank charges associated with the cost of interchange, and the Group's reduced use of external consultancy support.

### Trading profit

Trading profit increased by 19.7% to R462.8 million. The trading margin improved from 1.2% to 1.3% of turnover.

### Net interest

The net interest charge was down 23.3% to R26.0 million due to stronger net working capital management and the repayment of long-term debt.

### Profit before tax

Profit before tax is up 23.0% to R451.0 million, representing a margin improvement from 1.1% to 1.3% of turnover.

### Tax

The tax rate remains unchanged from February 2015 at 28.5%.

### Earnings per share

**Basic earnings per share (EPS)** – increased 22.1% from 54.39 to 66.40 cents per share.

**Headline earnings per share (HEPS)** – increased 23.4% from 53.98 to 66.62 cents per share.

The add-back of capital losses on the sale of assets of R1.1 million, net of tax, has been taken

into account in the calculation of headline earnings, against the deduction of capital profits of R2.0 million, net of tax, in the prior year.

## Financial position

	Sunday 30 August 2015 Rm	Sunday 31 August 2014 Rm
Inventory	5 218.0	4 153.6
Trade and other receivables	3 146.7	2 709.4
Cash and cash equivalents	1 439.9	965.4
Other current liabilities*	(11 106.6)	(9 122.5)
<b>Net working capital</b>	<b>(1 302.0)</b>	<b>(1 294.1)</b>

\* Excludes the short-term portion of long-term borrowings

Net working capital was down only 0.6% on last year, notwithstanding the substantial capital investment over the period as a result of the Group's accelerated store opening and refurbishment programme. This reflects sound control over all capital and operating expenditure and improved management of working capital, which has removed the need for additional funding and enabled the further repayment of long-term debt.

**Inventory** – the increased inventory levels at August 2015 were due to the new stores opened over the period, planned stock provisioning ahead of a potential transport strike, and the increase in the centralisation of suppliers, which elevated stock levels in the short term.

**Trade and other receivables** – increased by R437.3 million or 16.1% to R3 146.7 million as a result of the 27 net new franchise stores and an encouraging increase in issues to franchisees. The quality of the debtors' book has improved over



the last year, with the impairment allowance down 1.9 percentage points, expressed as a percentage of trade and other receivables.

### Cash and cash equivalents

	Sunday 30 August 2015 Rm	Sunday 31 August 2014 Rm
Cash balances	1 439.9	1 285.4
Bank overdrafts and overnight borrowings	—	(320.0)
<b>Cash and cash equivalents</b>	<b>1 439.9</b>	<b>965.4</b>
Total borrowings	(536.1)	(781.3)
<b>Net funding position</b>	<b>903.8</b>	<b>184.1</b>

The net funding position was R719.7 million stronger than last year, reflecting the reduced debt levels in the Group and some positive benefit at period-end from the financial calendar cut-off.

Stronger working capital management offset the effect of the increased capital spend over the period, with net finance charges down 23.3% on last year. Group capital expenditure was R611.5 million in the first half of the year, compared with R397.8 million over the same period last year, with 84.0% of the investment focused on expansion and improving the customer experience.

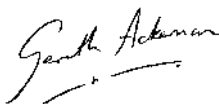
### Shareholder distribution

The Board declared an interim dividend of 24.20 cents per share, up 23.5% on last year, in line with the growth in headline earnings per share and maintaining a dividend cover of 1.5 times earnings for the full year.

### MAINTAINING MOMENTUM IN A CHALLENGING ENVIRONMENT

Trading conditions remain tough in South Africa and other markets, with strong retail competition for customers who are coming under increasing financial pressure at all levels of society. Against this background the Group has remained focused on improving its operational efficiency and delivering greater value and a better shopping trip for customers. This has delivered positive results in the first half of the year and the Group is focused on maintaining this momentum throughout the year.

We wish to thank every member of the Pick n Pay team for their hard work and commitment in delivering this result. They recognise, as we do, that as Pick n Pay grows, so does our contribution to the communities we serve in South Africa and beyond.



**Gareth Ackerman**  
Chairman



**Richard Brasher**  
Chief Executive Officer

12 October 2015

# Dividend declaration

## **Pick n Pay Stores Limited – Tax reference number: 9275/141/71/2**

Number of shares in issue: 488 450 321

Notice is hereby given that the directors have declared an interim gross dividend (number 95) of 24.20 cents per share out of income reserves.

The dividend declared is subject to dividend withholding tax at 15%.

The tax payable is 3.63000 cents per share, leaving shareholders who are not exempt from dividends tax with a net dividend of 20.57000 cents per share.

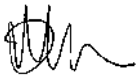
### **Dividend dates**

The last day of trade in order to participate in the dividend (CUM dividend) will be Friday, 4 December 2015.

The shares will trade EX dividend from the commencement of business on Monday, 7 December 2015 and the record date will be Friday, 11 December 2015. The dividends will be paid on Monday, 14 December 2015.

Share certificates may not be dematerialised or rematerialised between Monday, 7 December 2015 and Friday, 11 December 2015, both dates inclusive.

On behalf of the board of directors



**Debra Muller**  
*Company Secretary*

12 October 2015

# Consolidated statement of comprehensive income

for the period ended

	Unaudited 26 weeks to 30 August 2015 Rm	% of turnover	Change %	Unaudited 26 weeks to 31 August 2014 Rm	% of turnover	Audited 52 weeks to 1 March 2015 Rm	% of turnover
<b>Revenue</b>	<b>35 205.5</b>		8.5	32 452.6		67 603.1	
<b>Turnover</b>	<b>34 855.8</b>		8.5	32 110.6		66 940.8	
Cost of merchandise sold	(28 689.5)		8.6	(26 424.7)		(54 994.3)	
<b>Gross profit</b>	<b>6 166.3</b>	17.7	8.4	5 685.9	17.7	11 946.5	17.8
Other trading income	320.0	0.9	1.3	316.0	1.0	602.9	0.9
Trading expenses	(6 023.5)	17.3	7.3	(5 615.3)	17.5	(11 309.3)	16.9
Employee costs	(3 014.2)	8.6	6.9	(2 818.6)	8.8	(5 653.8)	8.4
Occupancy	(1 032.4)	3.0	15.1	(897.0)	2.8	(1 867.6)	2.8
Operations	(1 399.5)	4.0	9.2	(1 281.2)	4.0	(2 618.8)	3.9
Merchandising and administration	(577.4)	1.7	(6.6)	(618.5)	1.9	(1 169.1)	1.7
<b>Trading profit</b>	<b>462.8</b>	1.3	19.7	386.6	1.2	1 240.1	1.9
(Loss)/profit on sale of property, plant and equipment	(1.5)			3.0		10.4	
Finance income	29.7		14.2	26.0		59.4	
Finance costs	(55.7)		(7.0)	(59.9)		(119.0)	
Share of associate's income	15.7		42.0	11.1		14.3	
<b>Profit before tax</b>	<b>451.0</b>	1.3	23.0	366.8	1.1	1 205.2	1.8
Tax	(128.5)		22.5	(104.9)		(343.5)	
<b>Profit for the period</b>	<b>322.5</b>	0.9	23.1	261.9	0.8	861.7	1.3
<b>Other comprehensive income, net of tax</b>							
<b>Items that will not be reclassified to profit or loss</b>	<b>4.9</b>			1.7		33.0	
Remeasurement in retirement scheme assets	6.8			2.4		45.9	
Tax on remeasurement in retirement scheme assets	(1.9)			(0.7)		(12.9)	
<b>Items that may be reclassified to profit or loss</b>							
Exchange rate differences on translating foreign operations	2.9			(6.5)		(11.4)	
<b>Total comprehensive income for the period</b>	<b>330.3</b>	0.9	28.5	257.1	0.8	883.3	1.3
	<b>Cents</b>			<b>Cents</b>		<b>Cents</b>	
<b>Basic earnings per share</b>	<b>66.40</b>		22.1	54.39		178.79	
<b>Diluted earnings per share</b>	<b>65.13</b>		21.7	53.52		176.24	
<b>Headline earnings per share</b>	<b>66.62</b>		23.4	53.98		177.26	
<b>Diluted headline earnings per share</b>	<b>65.35</b>		23.0	53.12		174.72	

# Consolidated statement of financial position

	Unaudited As at 30 August 2015 Rm	Unaudited As at 31 August 2014 Rm	Audited As at 1 March 2015 Rm
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4 336.8	3 947.8	4 187.0
Intangible assets	991.1	1 016.3	1 010.2
Operating lease assets	159.6	145.8	149.8
Investment in associate	195.9	177.0	180.2
Participation in export partnerships	16.0	26.9	23.4
Loans	95.8	108.7	100.6
Retirement scheme assets	71.9	94.3	70.1
Deferred tax assets	191.4	206.9	198.8
	<b>6 058.5</b>	<b>5 723.7</b>	<b>5 920.1</b>
<b>Current assets</b>			
Inventory	5 218.0	4 153.6	4 654.5
Trade and other receivables	3 146.7	2 709.4	2 956.7
Cash and cash equivalents	1 439.9	1 285.4	1 173.8
Derivative financial instruments	9.6	–	1.4
	<b>9 814.2</b>	<b>8 148.4</b>	<b>8 786.4</b>
<b>Total assets</b>	<b>15 872.7</b>	<b>13 872.1</b>	<b>14 706.5</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	6.0	6.0	6.0
Treasury shares	(171.2)	(162.7)	(169.1)
Retained earnings	3 209.4	2 709.7	3 311.4
Foreign currency translation reserve	(15.3)	(13.3)	(18.2)
<b>Total equity</b>	<b>3 028.9</b>	<b>2 539.7</b>	<b>3 130.1</b>
<b>Non-current liabilities</b>			
Borrowings	92.2	741.1	492.8
Operating lease liabilities	1 201.1	1 108.6	1 138.5
	<b>1 293.3</b>	<b>1 849.7</b>	<b>1 631.3</b>
<b>Current liabilities</b>			
Trade and other payables	11 023.9	9 069.0	9 025.8
Bank overdraft and overnight borrowings	–	320.0	500.0
Borrowings	443.9	40.2	291.5
Current tax liabilities	82.1	45.9	126.8
Provisions	0.6	4.5	1.0
Derivative financial instruments	–	3.1	–
	<b>11 550.5</b>	<b>9 482.7</b>	<b>9 945.1</b>
<b>Total equity and liabilities</b>	<b>15 872.7</b>	<b>13 872.1</b>	<b>14 706.5</b>
<b>Net asset value – cents per share (property valued based on directors' valuation)</b>	<b>728.30</b>	<b>613.60</b>	<b>746.60</b>

# Consolidated statement of changes in equity

for the period ended 30 August 2015

Unaudited	Share capital Rm	Treasury shares Rm	Retained earnings Rm	Foreign currency translation reserve Rm	Total equity Rm
<b>At 2 March 2014</b>	6.0	(145.7)	2 849.1	(6.8)	2 702.6
<b>Total comprehensive income for the period</b>	–	–	263.6	(6.5)	257.1
Profit for the period	–	–	261.9	–	261.9
Exchange rate differences on translating foreign operations	–	–	–	(6.5)	(6.5)
Remeasurement in retirement scheme assets	–	–	1.7	–	1.7
<b>Transactions with owners</b>	–	(17.0)	(403.0)	–	(420.0)
Dividends paid	–	–	(366.8)	–	(366.8)
Share repurchases	–	(122.7)	–	–	(122.7)
Net effect of settlement of employee share options	–	105.7	(75.5)	–	30.2
Share-based payments expense	–	–	39.3	–	39.3
<b>At 31 August 2014</b>	6.0	(162.7)	2 709.7	(13.3)	2 539.7
<b>Total comprehensive income for the period</b>	–	–	631.1	(4.9)	626.2
Profit for the period	–	–	599.8	–	599.8
Exchange rate differences on translating foreign operations	–	–	–	(4.9)	(4.9)
Remeasurement in retirement scheme assets	–	–	31.3	–	31.3
<b>Transactions with owners</b>	–	(6.4)	(29.4)	–	(35.8)
Dividends paid	–	–	(95.0)	–	(95.0)
Share repurchases	–	(55.2)	–	–	(55.2)
Net effect of settlement of employee share options	–	48.8	(35.0)	–	13.8
Share-based payments expense	–	–	100.6	–	100.6
<b>At 1 March 2015</b>	<b>6.0</b>	<b>(169.1)</b>	<b>3 311.4</b>	<b>(18.2)</b>	<b>3 130.1</b>
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>–</b>	<b>327.4</b>	<b>2.9</b>	<b>330.3</b>
Profit for the period	–	–	322.5	–	322.5
Exchange rate differences on translating foreign operations	–	–	–	2.9	2.9
Remeasurement in retirement scheme assets	–	–	4.9	–	4.9
<b>Transactions with owners</b>	<b>–</b>	<b>(2.1)</b>	<b>(429.4)</b>	<b>–</b>	<b>(431.5)</b>
Dividends paid	–	–	(473.0)	–	(473.0)
Share repurchases	–	(61.8)	–	–	(61.8)
Net effect of settlement of employee share options	–	59.7	(42.7)	–	17.0
Share-based payments expense	–	–	86.3	–	86.3
<b>At 30 August 2015</b>	<b>6.0</b>	<b>(171.2)</b>	<b>3 209.4</b>	<b>(15.3)</b>	<b>3 028.9</b>

# Consolidated statement of cash flows

for the period ended

	Unaudited 26 weeks to 30 August 2015 Rm	Unaudited 26 weeks to 31 August 2014 Rm	Audited 52 weeks to 1 March 2015 Rm
<b>Cash flows from operating activities</b>			
Trading profit	462.8	386.6	1 240.1
Depreciation and amortisation	455.8	427.3	869.5
Share-based payments expense	86.3	39.3	139.9
Movement in net operating lease liabilities	52.8	52.9	78.8
Movement in provisions	(0.4)	(3.6)	(7.1)
Fair value adjustments	(8.2)	6.6	2.1
<b>Cash generated before movements in working capital</b>	<b>1 049.1</b>	<b>909.1</b>	<b>2 323.3</b>
<b>Movements in working capital</b>	<b>1 254.4</b>	<b>943.9</b>	<b>152.5</b>
Movements in trade and other payables	1 998.1	983.9	940.7
Movements in inventory	(553.7)	(171.7)	(672.6)
Movements in trade and other receivables	(190.0)	131.7	(115.6)
<b>Cash generated by trading activities</b>	<b>2 303.5</b>	<b>1 853.0</b>	<b>2 475.8</b>
Interest received	29.7	26.0	59.4
Interest paid	(55.7)	(59.9)	(119.0)
<b>Cash generated by operations</b>	<b>2 277.5</b>	<b>1 819.1</b>	<b>2 416.2</b>
Dividends paid	(473.0)	(366.8)	(461.8)
Tax paid	(151.0)	(136.3)	(284.5)
<b>Cash generated by operating activities</b>	<b>1 653.5</b>	<b>1 316.0</b>	<b>1 669.9</b>
<b>Cash flows from investing activities</b>			
Investment in intangible assets	(8.6)	(67.6)	(159.2)
Investment in property, plant and equipment	(546.8)	(281.4)	(897.3)
Purchase of operations	(65.8)	(50.9)	(50.9)
Proceeds on disposal of intangible assets	—	1.6	4.7
Proceeds on disposal of property, plant and equipment	14.7	27.8	57.3
Loans repaid/(advanced)	4.8	(16.7)	(8.6)
Participation in export partnerships	7.4	(1.8)	1.7
Retirement obligation	5.0	(6.8)	60.9
<b>Cash utilised in investing activities</b>	<b>(589.3)</b>	<b>(395.8)</b>	<b>(991.4)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings*	1.8	400.0	400.0
Repayment of borrowings*	(250.0)	(1 103.6)	(1 100.6)
Share repurchases	(61.8)	(122.7)	(177.9)
Proceeds from employees on settlement of share options	1.2	0.8	1.0
<b>Cash utilised in financing activities</b>	<b>(308.8)</b>	<b>(825.5)</b>	<b>(877.5)</b>
<b>Net increase in cash and cash equivalents</b>	<b>755.4</b>	<b>94.7</b>	<b>(199.0)</b>
Cash and cash equivalents at beginning of period	673.8	870.3	870.3
Effect of exchange rate fluctuations on cash and cash equivalents	10.7	0.4	2.5
<b>Net cash and cash equivalents at end of period</b>	<b>1 439.9</b>	<b>965.4</b>	<b>673.8</b>
Consisting of:			
Cash and cash equivalents	1 439.9	1 285.4	1 173.8
Bank overdraft and overnight borrowings	—	(320.0)	(500.0)

\* Borrowings raised/repaid for the 26-week period ended 31 August 2014 has been restated to be shown separately, in line with full year disclosures.

# Notes to the financial information

for the period ended 30 August 2015

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards, IAS 34 *Interim Financial Reporting*, the SAICA *Financial Reporting Guides* as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the financial statements for the 52 weeks ended 1 March 2015. These interim financial statements have been prepared by the Finance Division under the supervision of the Chief Financial Officer, Mr Bakar Jakoet CA(SA), and have not been audited or reviewed by the Group's external auditors, Ernst & Young Inc.

## 2. RELATED PARTY TRANSACTIONS

During the period, certain companies within the Group entered into transactions with each other. These intra-group transactions are eliminated on consolidation. Related parties are unchanged from those reported at 1 March 2015. For further information please refer to note 27 of the 2015 Group financial statements and note 9 of the 2015 Company financial statements.

## 3. SHARE CAPITAL

	Unaudited 26 weeks to 30 August 2015 Rm	Unaudited 26 weeks to 31 August 2014 Rm	Audited 52 weeks to 1 March 2015 Rm
<b>Authorised</b>			
800 000 000 (2014: 800 000 000) ordinary shares of 1.25 cents each	10.0	10.0	10.0
<b>Issued</b>			
488 450 321 (2014: 487 322 321) ordinary shares of 1.25 cents each	6.0	6.0	6.0

24 422 516 of the unissued shares of the Company may be utilised to settle the Company's obligations under the employee share schemes. To date, 10 743 000 shares have been issued, resulting in 13 679 516 remaining.

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.

During the 26 week period ended 30 August 2015, 1.1 million shares were issued with a value of R61.07 per share to subsidiary companies within the Group to be utilised as share based payments in terms of a forfeitable share plan (FSP) as approved by shareholders at the extraordinary general meeting held on 12 February 2014.

## 4. REVENUE

	Unaudited 26 weeks to 30 August 2015 Rm	Unaudited 26 weeks to 31 August 2014 Rm	Audited 52 weeks to 1 March 2015 Rm
Turnover	34 855.8	32 110.6	66 940.8
Finance income	29.7	26.0	59.4
Other trading income	320.0	316.0	602.9
Franchise fee income	161.5	145.8	294.4
Operating lease income	42.2	33.6	67.3
Commissions and other income	116.3	136.6	241.2
	35 205.5	32 452.6	67 603.1

## Notes to the financial information continued

for the period ended 30 August 2015

### 5. OPERATING SEGMENTS

Unaudited	South Africa Rm	Rest of Africa Rm	Total operations Rm
<b>2015</b>			
<b>Total segment revenue</b>	<b>33 650.0</b>	<b>1 958.3</b>	<b>35 608.3</b>
External revenue	33 650.0	1 555.5	35 205.5
Direct deliveries*	–	402.8	402.8
<b>Segment external turnover</b>	<b>33 307.6</b>	<b>1 548.2</b>	<b>34 855.8</b>
<b>Segmental profit**</b>	<b>335.3</b>	<b>115.7</b>	<b>451.0</b>
<b>Other information</b>			
<b>Statement of comprehensive income</b>			
Finance income	27.5	2.2	29.7
Finance costs	55.7	–	55.7
Depreciation and amortisation	441.4	14.4	455.8
Share of associate's income	–	15.7	15.7
<b>Statement of financial position</b>			
Total assets	14 727.3	1 145.4	15 872.7
Total liabilities	12 527.9	315.9	12 843.8
Additions to non-current assets	596.4	15.1	611.5
<b>2014</b>			
<b>Total segment revenue</b>	<b>31 030.1</b>	<b>1 732.4</b>	<b>32 762.5</b>
External revenue	31 030.1	1 422.5	32 452.6
Direct deliveries*	–	309.9	309.9
<b>Segment external turnover</b>	<b>30 688.1</b>	<b>1 422.5</b>	<b>32 110.6</b>
<b>Segmental profit**</b>	<b>231.7</b>	<b>135.1</b>	<b>366.8</b>
<b>Other information</b>			
<b>Statement of comprehensive income</b>			
Finance income	23.5	2.5	26.0
Finance costs	59.9	–	59.9
Depreciation and amortisation	416.3	11.0	427.3
Share of associate's income	–	11.1	11.1
<b>Statement of financial position</b>			
Total assets	12 853.1	1 019.0	13 872.1
Total liabilities	11 011.2	321.2	11 332.4
Additions to non-current assets	391.2	6.6	397.8

\* Direct deliveries are issues to franchisees directly by Group suppliers facilitated through the Group's supply chains that are not included in revenue on the statement of comprehensive income.

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



## 6. BASIC, HEADLINE AND DILUTED EARNINGS PER SHARE

	Unaudited 26 weeks to 30 August 2015 Cents per share	Unaudited 26 weeks to 31 August 2014 Cents per share	Audited 52 weeks to 1 March 2015 Cents per share
Basic earnings per share	66.40	54.39	178.79
Diluted earnings per share	65.13	53.52	176.24
Headline earnings per share	66.62	53.98	177.26
Diluted headline earnings per share	65.35	53.12	174.72
	Rm	Rm	Rm
<b>6.1 Basic and headline earnings</b>			
<b>Reconciliation between basic and headline earnings:</b>			
<b>Profit for the period</b>	<b>322.5</b>	261.9	861.7
Profit attributable to forfeitable share plan shares	(4.6)	–	(6.5)
Basic earnings for the period	317.9	261.9	855.2
Adjustments:	1.1	(2.0)	(7.4)
Loss/(profit) on sale of property, plant and equipment	1.5	(3.0)	(10.4)
Tax effect of (loss)/profit on sale of property, plant and equipment	(0.4)	1.0	3.0
Adjustments attributable to forfeitable share plan shares	–	–	–
<b>Headline earnings</b>	<b>319.0</b>	259.9	847.8
	000's	000's	000's
<b>6.2 Number of shares</b>			
Weighted average number of ordinary shares in issue	478 689.7	481 536.3	478 309.0
Diluted weighted average number of ordinary shares in issue	488 053.9	489 333.6	485 245.3
Number of shares in issue	488 450.3	487 322.3	487 322.3

## 7. FINANCIAL INSTRUMENTS

All financial instruments held by the Group are measured at amortised cost, with the exception of derivative financial instruments and certain items included in trade and other payables. The latter are measured at fair value through profit or loss, are categorised into level 2 of the fair value hierarchy and are considered to be immaterial. Level 2 is defined as using inputs other than quoted prices that are observable for the asset or liability either directly (prices) or indirectly (derived from prices). The carrying value of all financial instruments approximate their fair value.

## Number of stores

	2 March 2015	Opened	Closed	Converted – openings	Converted – closings	30 August 2015
<b>COMPANY OWNED</b>						
Pick n Pay	510	37	–	5	–	552
Hypermarkets	20	–	–	–	–	20
Supermarkets	215	13	–	3	–	231
Clothing	102	16	–	–	–	118
Liquor	170	8	–	2	–	180
Pharmacy	3	–	–	–	–	3
Boxer	189	12	(2)	–	–	199
Superstores	125	5	–	–	–	130
Hardware	21	1	–	–	–	22
Liquor	22	2	–	–	–	24
Punch	21	4	(2)	–	–	23
<b>Total company owned</b>	<b>699</b>	<b>49</b>	<b>(2)</b>	<b>5</b>	<b>–</b>	<b>751</b>
<b>FRANCHISE</b>						
Pick n Pay						
Supermarkets	288	6	(2)	–	(3)	289
Family	266	6	(1)	–	(3)	268
Mini Market	21	–	(1)	–	–	20
Daily	1	–	–	–	–	1
Express	46	15	–	–	–	61
Clothing	16	1	–	–	–	17
Liquor	140	12	–	–	(2)	150
<b>Total franchise</b>	<b>490</b>	<b>34</b>	<b>(2)</b>	<b>–</b>	<b>(5)</b>	<b>517</b>
<b>Total Group stores</b>	<b>1 189</b>	<b>83</b>	<b>(4)</b>	<b>5</b>	<b>(5)</b>	<b>1 268</b>
TM Supermarkets	53	2	–	–	–	55
<b>Total with TM Supermarkets</b>	<b>1 242</b>	<b>85</b>	<b>(4)</b>	<b>5</b>	<b>(5)</b>	<b>1 323</b>
<b>AFRICAN FOOTPRINT</b>						
– included in total stores above	116	6	–	–	–	122
Pick n Pay company owned	10	1	–	–	–	11
Boxer company owned	5	–	–	–	–	5
Pick n Pay franchise	48	3	–	–	–	51
TM Supermarkets – associate	53	2	–	–	–	55
<b>AFRICAN FOOTPRINT</b>						
– by country	116	6	–	–	–	122
Botswana	9	–	–	–	–	9
Lesotho	3	–	–	–	–	3
Namibia	27	3	–	–	–	30
Swaziland	14	–	–	–	–	14
Zambia	10	1	–	–	–	11
Zimbabwe	53	2	–	–	–	55

# Corporate information

## PICK N PAY STORES LIMITED

Registration number: 1968/0080304/06  
JSE share code: PIK  
ISIN: ZAE000005443

## BOARD OF DIRECTORS

### Executive

Richard Brasher (CEO)  
Richard van Rensburg (deputy CEO)  
Aboubakar (Bakar) Jakoet (CFO)  
Suzanne Ackerman-Berman  
Jonathan Ackerman

### Non-executive

Gareth Ackerman (Chairman)  
David Friedland  
David Robins

### Independent non-executive

Hugh Herman  
Lorato Phalatse  
Jeff van Rooyen  
Audrey Mothupi  
John Gildersleeve

## REGISTERED OFFICE

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## JSE LIMITED SPONSOR

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## AUDITORS

Ernst & Young Inc.

## ATTORNEYS

Edward Nathan Sonnenberg

## PRINCIPAL TRANSACTIONAL BANKERS

Absa Limited  
First National Bank

## COMPANY SECRETARY

Debra Muller  
email address: dmuller@pnp.co.za

## PROMOTION OF ACCESS TO INFORMATION ACT

Information officer – Penny Gerber  
email address: pgerber@pnp.co.za

## INVESTOR RELATIONS

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

## WEBSITE

Pick n Pay: [www.picknpay.co.za](http://www.picknpay.co.za)  
Investor relations: [www.picknpayinvestor.co.za](http://www.picknpayinvestor.co.za)

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