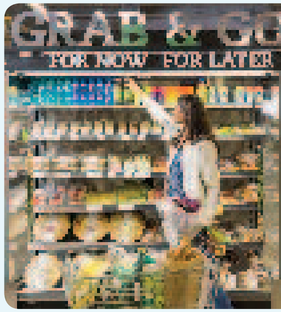
Pick n Pay Stores Limited

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE 26 WEEKS ENDED 28 AUGUST 2016



Contents

1	Review of operations
9	Dividend declaration
10	Group statement of comprehensive income
11	Group statement of financial position
12	Group statement of changes in equity
13	Group statement of cash flows
14	Notes to the financial information
24	Number of stores
IBC	Corporate information

EARNINGS GROWTH IN A TOUGH MARKET

KEY FINANCIAL INDICATORS

	26 weeks to 28 August 2016	26 weeks to 30 August 2015	% change
Turnover	**R37.4 billion**	R34.9 billion	7.2
Gross profit margin	**17.9%**	17.7%	
Trading profit	**R554.1 million**	R462.8 million	19.7
Trading profit margin	**1.5%**	1.3%	
Profit before tax (before capital items)	**R548.2 million**	R452.5 million	21.1
Profit before tax margin (before capital items)	**1.5%**	1.3%	
Profit for the period	**R381.8 million**	R322.5 million	18.4
Basic earnings per share (EPS)*	**78.69 cents**	66.40 cents	18.5
Headline earnings per share (HEPS)*	**82.43 cents**	66.62 cents	23.7
Diluted headline earnings per share (DHEPS)*	**79.87 cents**	65.35 cents	22.2
Interim dividend per share	**29.90 cents**	24.20 cents	23.6

** Headline earnings per share and diluted headline earnings per share exclude capital losses, which accounts for the difference in the year-on-year increase between EPS, HEPS and DHEPS.*

RESULT SUMMARY

The Group delivered its seventh consecutive reporting period of headline earnings growth in excess of 20%. Despite a challenging trading environment – characterised by sluggish economic growth, depressed consumer confidence and heightened competition – trading profit margin improved from 1.3% to 1.5% of turnover. Headline earnings per share increased 23.7% on last year.

The Group's long-term strategy – built on a combination of greater operating efficiency, margin improvement and sales growth – remains on track.

In particular, the Group demonstrated strong financial control and tight management of costs despite the inflationary environment. The growth in like-for-like trading expenses was restricted to 3.8%, against CPI for the period of 6.1%, notwithstanding high regulatory increases in electricity, rates and other utilities.

The Group strengthened its gross profit margin from 17.7% to 17.9%, with further efficiency gains and cost savings across its procurement and supply chain channel. This created headroom for price investment at a time when customers faced acute pressure from inflation. The Group contained its selling price inflation at 5.5%, well below CPI food inflation of 10.7% over the period.

Turnover increased 7.2% for the first half of the year (7.5% constant currency), with like-for-like growth of 3.5% (3.8% constant currency).

This reflected the tougher trading environment, together with some internal disruption from store refurbishments as the Group continued to improve the quality of its estate. The two-year compound growth rate, which smooths the impact of disruption, was close to 8.0%.

The Boxer team once again delivered a strong sales and gross margin performance in a challenging environment, balancing its ongoing price investment in basic commodities with a strengthened butchery, fresh produce and convenience offer.

The Group delivered growth in other trading income (excluding dividend income) of 18.8%, driven by a stronger value-added services proposition in both Pick n Pay and Boxer.

Profit before tax (before capital items) grew 21.1% on last year. The 10.3% decrease in the segmental pre-tax profit of the Rest of Africa division reflected difficult trading conditions in Zambia.

The first half of this year saw the Group take a significant step forward in its modernisation, with the elimination of its pyramid control structure and the unbundling of the Pick n Pay Holdings Limited RF Group. The simplified Group structure will be more cost-effective in administration and, with a substantially increased free float, should improve the Group's appeal to investors. The Group thanks its shareholders for their valued engagement over the last few months and for their overwhelming support of the transaction.

OPERATIONAL HIGHLIGHTS

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

Better for customers

The Group maintained a competitive approach to pricing and a compelling and relevant programme of promotions. A weak economy and high general inflation bear most on low-income customers. Both in its Pick n Pay and Boxer stores, the Group sought to relieve this pressure on customers through targeted promotions, including on staple commodity products. The Group is encouraged that the high levels of food inflation seen in recent months are beginning to alleviate. This should bring some welcome respite to customers.

Brand Match continues to give customers and the Group confidence in our pricing, with a high percentage of zero and low value coupons issued. The Group continued to strengthen its Smart Shopper programme, which was recognised as South Africa's favourite loyalty programme (Sunday Times Top Brands Awards) for the fourth consecutive year. It also re-launched its Fresh Living magazine, South Africa's number one food and lifestyle publication, making it free to Smart Shoppers, and increasing its reach to 500 000 customers per month.

The Group has made substantial progress in building a compelling private label offer, introducing around 700 new products over the period, with a focus on No Name, fresh and convenience.

The Group delivered growth of 39.4% in revenue from valued-added services. The Group has strengthened its offer, improved its systems and processes – including introducing money counters at the front of our Next Generation stores – and benefited from synergies across Pick n Pay and Boxer.

A flexible and winning estate

The Group made good progress in its capital investment programme. It opened 74 new stores over the period (38 owned and 36 franchise), across all formats of Pick n Pay and Boxer. New stores contributed 3.7% to turnover growth and added 2.1% to total trading space.

Nine Pick n Pay Local stores and 23 Express stores were opened during the period. This reflects a growing customer demand for convenience, and the Group's ability to satisfy this through smaller, neighbourhood and forecourt formats. Pick n Pay Express is becoming increasingly meaningful in expanding the convenience footprint of the Pick n Pay brand, with 103 stores across all major regions of South Africa. Our first "Spaza-to-Store" pilot project in Soweto has been well received in the community and is trading successfully. The Group is developing four more sites in Gauteng, all of which will open by the end of the year.

The Group refurbished 35 stores, including 19 Pick n Pay and Boxer Supermarkets, and six Local stores. This is almost triple the number of stores refurbished in the prior period. The Group completed the refurbishment of its Boksburg Hypermarket during the year, and is encouraged by its subsequent strong turnover growth.

The Group opened eight clothing stores and 17 liquor stores during the period, on both an owned and franchise basis. Both divisions delivered strong turnover growth. While they remain a small part of the Group, they are an important element of its growth strategy and are making an increasing profit contribution.

Thirty-six new franchise stores were opened over the period. The Group increased its collaboration and engagement with franchisees, which delivered improvements in administration, ordering and on-shelf availability. The quality of the franchise book continues to strengthen, with bad debts and impairments showing reductions year-on-year.

Pick n Pay Online turnover grew 33.7% year-on-year, with particularly strong growth in the Western Cape region. The Western Cape benefits from its dedicated online warehouse, situated at the Brackenfell Hypermarket, which has driven sales through a strengthened and tailored range, better availability and improved productivity. The Group has commenced the development of an online warehouse in Isando, outside Johannesburg, to service the Inland region of South Africa. It will open in January 2017. The Group also brought the delivery arm of its online business in-house during the period. This has lowered the cost of running the service, and improved overall customer delivery.

Efficient and effective operations

The Group's determination to improve the efficiency and cost effectiveness of its operations continues to contribute to earnings growth.

The Group is pleased with its performance on employee costs, with the growth in like-for-like employee costs restricted to 1.7%. This should be viewed in the context of a new wage agreement implemented from March 2016 which was worth over 8% to existing staff, and demonstrates substantive improvements in efficiency and productivity across the Group and a real savings in hours worked.

All new and refurbished owned stores have been opened under the Next Generation blueprint, delivering more trading space, an improved layout, energy efficient refrigeration and lighting and greater front-line efficiency. The Next Generation store operating model is underpinned by improvements in technology, management structures and minimum operating standards, all of which are driving operating efficiency. The improved operating model is being rolled-out to all company-owned stores.

Every product, every day

The Group added a further 95 suppliers to its centralised distribution channel in the first half of the year. Centralisation continues to improve the operating efficiencies of the Group's two major distribution centres in Philippi (servicing the Western Cape region) and Longmeadow (servicing the Inland region), and has lowered the cost per case delivered in both groceries and perishables. Volumes issued from Pick n Pay distribution centres were up 22.4% on last year, with issues of fresh produce up 32.7%. This has enabled the Group to further improve on-shelf availability in our stores.

The level of centralised supply now stands at 65% in the Western Cape region (groceries – 85%; fresh and perishable produce – 57%), and at 64% in the Inland region (groceries – 75%; fresh and perishable produce – 57%).

The Group completed the development of its new fresh distribution centre in the Western Cape. The facility sits alongside the grocery distribution centre in Philippi and will enable the full centralisation of all fresh and perishable products in the region. Issues from the facility commenced on 12 September 2016.

The Group brought the management of its Philippi distribution centre in-house during the period, and completed the implementation of the SAP EWM warehouse management system in Longmeadow. These two major distribution centres are now managed by Pick n Pay using the same SAP platform, enhancing operational efficiency, transport management and reporting capability across the channel.

A winning team

The Group concluded a new three-year wage agreement with SACCAWU for staff in Pick n Pay owned stores. This will ensure certainty and stability through a crucial period in the delivery of the Group's long-term plan. The agreement, combined with the implementation of Pick n Pay's new operating model in stores, will enable the Group to further improve the cost-effectiveness of its store operations over time. The wage agreement also introduces a minimum guarantee of 85 hours work per month for Pick n Pay employees. This is a major step forward in providing employment certainty for colleagues across the business.

The Group is on track with its 2015 plan to create 5 000 new jobs per year by 2020. A further 2 100 new jobs were created in the first half of this year, bringing the benefits of work to more employees and their families.

The Group strengthened its senior executive team through two external appointments. Pearl Maposhe was appointed as the Head of Human Resources. Pearl has extensive experience in the retail industry and will focus on building a strong, skilled and productive team which reflects the diversity of the communities served. Paula Disberry has joined Pick n Pay to lead our Commercial Division. Paula's wealth of experience across a variety of commercial and retail operations, will ensure the delivery of a stronger, more competitive and compelling range of products for our customers. Paulo Peereboom, previously the head of our Commercial Division, will now lead the Group's Retail Operations and Supply Chain, ensuring that the Group benefits from synergies across these significant operating divisions.

Boxer – a national brand

Boxer delivered good turnover growth, underpinned by stronger contributions from both existing and new stores. Its improved like-for-like performance was driven by stronger fresh and value-added departments, including an enhanced butchery and deli offer.

Boxer engaged closely with suppliers to deliver a compelling promotional calendar, giving customers exceptional value in tough times, including price investment on basic commodity items. Strong working capital management, including good inventory and shrink control, delivered a stronger gross profit margin. Boxer saw substantive growth in income from value-added services, with customers using more of these services such as prepaid electricity, third-party bill payments and financial services.

Boxer opened 15 new stores over the first six months and closed three under-performing stores, extending its breadth and improving the underlying quality of its estate.

Rest of Africa – second engine of growth

Segmental revenue for the Rest of Africa Division, in constant currency terms, increased 8.2%, with like-for-like revenue growth of 2.7%. Reported segmental revenues were up 4.4%, (like-for-like revenue retraction of 1.2%), with local currency weakness in Zambia having a negative impact on translation. Profit before tax for this division was down 10.3% on last year.

The Group opened seven new supermarkets outside South Africa during the period, three in Namibia, three in Zambia and one in Zimbabwe.

The weaker performance of the Rest of Africa Division reflects the difficult trading environment in Zambia. However, the Group remains confident of the long-term prospects of the region and it plans to open three new stores in Zambia in the remainder of the year.

The Group's share of the profits of TM Supermarkets (its associate in Zimbabwe) grew by 53.7% in local currency terms. TM Supermarkets now has 58 stores in Zimbabwe, 15 of which trade under the Pick n Pay banner.

The Group is on track with developing its operations in Ghana and Nigeria, with both businesses in an early start-up phase. There has been no capital expenditure in these regions to date, and administrative costs related to the development of local infrastructure and support systems have been well managed. The Group plans to open its first store in Ghana towards the end of the 2017 calendar year, with our first store in Nigeria likely to open in 2018.

DETAILED FINANCIAL REVIEW

The unbundling of the Pick n Pay Holdings Limited RF Group

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

Summary of non-recurring items included in trading profit

	As reported 26 weeks to 28 August 2016 Rm	Non-recurring items 26 weeks to 28 August 2016 Rm	Excluding non-recurring items 26 weeks to 28 August 2016 Rm	% of turnover	Change %	26 weeks to 30 August 2015 Rm	% of turnover
Revenue	**38 337.8**	412.3	**37 925.5**		7.4	35 313.3	
Turnover	**37 357.1**	—	**37 357.1**		7.2	34 855.8	
Cost of merchandise sold	**(30 686.3)**	—	**(30 686.3)**		7.0	(28 689.5)	
Gross profit	**6 670.8**	—	**6 670.8**	17.9	8.2	6 166.3	17.7
Other trading income	**920.4**	412.3	**508.1**	1.4	18.8	427.8	1.2
Dividend income	**412.3**	412.3	**—**			—	
Franchise fee income	**177.2**	—	**177.2**	0.5	9.7	161.5	0.5
Operating lease income	**168.8**	—	**168.8**	0.5	12.5	150.0	0.4
Commissions and other income	**162.1**	—	**162.1**	0.4	39.4	116.3	0.3
Trading expenses	**(7 037.1)**	(412.3)	**(6 624.8)**	17.7	8.0	(6 131.3)	17.6
Employee costs	**(3 411.7)**	(205.8)	**(3 205.9)**	8.6	5.1	(3 051.1)	8.8
Occupancy	**(1 302.3)**	—	**(1 302.3)**	3.5	14.2	(1 140.2)	3.3
Operations	**(1 513.8)**	—	**(1 513.8)**	4.1	8.2	(1 399.5)	4.0
Merchandising and administration	**(809.3)**	(206.5)	**(602.8)**	1.6	11.5	(540.5)	1.6
Trading profit	**554.1**	—	**554.1**	1.5	19.7	462.8	1.3

Other trading income – includes a dividend in specie of R412.3 million, representing the value of the Pick n Pay Stores Limited shares received by the Group on the unbundling of Pick n Pay Holdings Limited RF. Excluding this dividend income, other trading income increased 18.8% to R508.1 million.

Employee costs – the Group operates an employee share incentive scheme where eligible employees were granted shares options in PWK. These share options were cancelled and replaced with Pick n Pay Stores Limited share options, in terms of the shareholder approval received at the extraordinary general meeting held on 25 July 2016.

Employee costs include the share-based payment expense related to the increase in the market value of PWK share options prior to the unbundling, as well as the cancellation and replacement cost of these options. Excluding this charge of R205.8 million, employee costs increased 5.1% to R3.2 billion.

Merchandising and administration costs – include a net fair value loss of R206.5 million in respect of the Group's investment in Pick n Pay Holdings Limited RF. This fair value movement was as a result of the increased market value of PWK shares prior to the unbundling, and the subsequent write-off of the investment on the receipt of the dividend in specie distribution. Excluding this net fair value adjustment, merchandising and administration costs increased 11.5% to R602.8 million.

The dividend in specie, increased share-based payment costs and related fair value adjustments detailed above, had no impact on trading profit or headline earnings.

The **losses on capital items** include an impairment loss incurred by a subsidiary company in respect of its investment in Pick n Pay Holdings Limited RF of R13.9 million. The loss is added back for the purposes of calculating headline earnings per share.

The detailed financial review provided below, excludes the material non-recurring items included in trading profit.

Turnover

Group turnover at R37.4 billion, increased 7.2% on last year. On a constant currency basis, Group turnover was up 7.5%, with currency weakness in Zambia impacting reported turnover growth. Like-for-like turnover grew 3.5% (3.8% constant currency) with new stores contributing 3.7% to turnover growth. This trading performance was delivered in a challenging consumer environment, with increasingly price sensitive customers shopping more frequently for smaller baskets. This is reflected in the 6.0% increase in the total number of customer transactions, against an increase in the average basket value of 1.3%. The Group remains committed to delivering competitive prices and good value to its customers, restricting its selling price increases over the period to 5.5%, well below CPI food inflation of 10.7%.

Gross profit

Gross profit increased by 8.2% to R6.7 billion. The gross profit margin increased by 0.2 percentage points to 17.9% of turnover. The Group delivered this solid improvement in gross profit margin despite substantial price investment. This was achieved through better and more efficient procurement and progress in the Group's supply chain strategy.

Other trading income

Other trading income increased 18.8% to R508.1 million.

Franchise fee income increased 9.7% to R177.2 million, underpinned by a net increase of 66 franchise stores over the last 12 months and an improved franchise turnover performance.

Operating lease income increased 12.5% to R168.8 million, and expressed as a percentage of turnover, is 0.1 percentage points ahead of last year. In order to safeguard long-term tenancy, the Group continues to add strategic head leases to its property portfolio, which has increased rental income received. The related operating lease expenses are included within occupancy costs.

Commissions and other income increased by 39.4% to R162.1 million, reflecting the Group's stronger value-added services proposition. Both Pick n Pay and Boxer showed strong double-digit growth in all categories of value-added services, including prepaid electricity, third-party bill payments, cellular, financial services, ticketing and travel.

Trading expenses

Trading expenses at R6.6 billion were up 8.0% on last year and as a percentage of turnover, were up 0.1 percentage points to 17.7%, with much of the increase driven by new store openings.

Strong expense management has been essential in a tough trading environment. The Group restricted the increase in like-for-like trading expenses to 3.8%, below CPI of 6.1% for the period. Regulated increases in rates, electricity and other utilities put upward pressure on the overall expenses ratios, and new stores added 4.2% to expense growth.

Employee costs increased 5.1% to R3.2 billion, and expressed as a percentage of turnover reduced from 8.8% to 8.6%. Improvements in scheduling and productivity restricted the increase in like-for-like employee costs to 1.7%, below the 3.5% like-for-like increase in turnover.

Occupancy costs increased 14.2% on last year to R1.3 billion, with a net new 88 corporate stores added across all formats over the past 12 months accounting for 5.4% of the increase. Like-for-like occupancy costs rose 8.8%, reflecting the increasing cost of security in our stores and the impact of high regulatory hikes in rates. Occupancy costs, expressed as a percentage of turnover, were up 0.2 percentage points to 3.5% of turnover. Net rent paid was up 0.1 percentage points on last year, as a result of the rental income collected on new strategic head leases in the Group.

Operations costs were up 8.2% on last year to R1.5 billion. The like-for-like increase in operations costs was well managed at 3.1%, notwithstanding the above-CPI increase in electricity costs, and higher depreciation charges related to our capital investment programme.

Merchandise and administration costs increased 11.5% on last year, with a like-for-like increase of 7.8%. The increase is largely due to the impact of exchange-rate fluctuations on the value of forward exchange contracts, and higher bank charges related to the increased participation of debit and credit card tender. Bad debts were down a further 6.6% on last year, reflecting the improved health of our franchise business.

Trading profit

Trading profit increased 19.7% to R554.1 million. The trading profit margin improved by 0.2 percentage points, from 1.3% to 1.5% of turnover.

Net interest

Net interest paid at R34.4 million increased on last year, as a result of lower cash balances over the period. Cash balances reflect the Group's increased investment in capital and inventory related to its accelerated store opening and refurbishment programme, and the increased centralisation of distribution. Higher interest rates payable on overnight borrowings also had an impact on the total net interest bill over the period.

Share of associate's income

TM Supermarkets, the Group's associate in Zimbabwe delivered a strong result in a difficult trading environment. The Group's share of TM's earnings grew 81.5% on the same period last year to R28.5 million, with growth of 53.7% in local currency terms.

Profits and losses on capital items

The Group incurred R20.1 million of capital losses, compared with R1.5 million in the prior year. The losses include a R13.9 million impairment loss incurred by a subsidiary company in respect of its investment in Pick n Pay Holdings Limited RF, as a result of the unbundling transaction detailed earlier. R6.2 million of the loss relates to the disposal of property, plant and equipment due to the Group's refurbishment programme, compared with R1.5 million in the comparative period. These capital items are added back in calculating headline earnings.

Profit before tax

Profit before tax is up 17.1% to R528.1 million, representing an underlying profit before tax margin improvement from 1.3% to 1.4%. Profit before tax, excluding capital items, is up 21.1%, representing an underlying profit before tax margin improvement from 1.3% to 1.5%.

Tax

The effective tax rate reduced from 28.5% to 27.7%, in line with the tax rate achieved for the 2016 financial year. The reduction is as a direct result of our improved profitability, with no material corresponding change in the level of non-deductible expenditure in the Group.

Earnings per share

Basic earnings per share (EPS) – increased 18.5% from 66.40 to 78.69 cents per share.

Headline earnings per share (HEPS) – increased 23.7% from 66.62 to 82.43 cents per share.

The difference between the growth in basic earnings per share and headline earnings per share relates to the effect of profits and losses of a capital nature in the calculation of headline earnings. Capital losses of R18.3 million, net of tax, was taken into account in the calculation of headline earnings in the current period, against R1.1 million in the prior period.

Diluted headline earnings per share (DHEPS) – increased 22.2% from 65.35 to 79.87 cents per share. DHEPS reflects the dilution effect of share options held by participants in the Group's employee share schemes.

The dilution increased marginally over the period on the unbundling of Pick n Pay Holdings Limited RF, with employees that had previously held share options in Pick n Pay Holdings Limited RF receiving replacement share options in Pick n Pay Stores Limited.

Financial position

The increase in the Group's assets reflects its ongoing investment in its turnaround strategy, including its accelerated store opening and refurbishment programme and its investment in its centralised supply chain and systems infrastructure.

Working capital

The Group remains focused on delivering improvements in working capital management. Movements in working capital over the period generated positive cash flow of R443.4 million. The cash movement from both inventory and trade and other receivables is an improvement on last year. Trade and other payables generated R867.6 million of cash this year, against R1.8 billion in the prior period, due to the positive effects of the financial calendar cut-off experienced last year.

Inventory was up 8.2% on last year, to R5 647.1 million, reflecting the 88 net new stores opened over the last 12 months and the impact of increased levels of centralisation in the short term. On a like-for-like basis, removing the impact of new stores and inflation, inventory is down 2.1% year-on-year. Inventory provisioning has been well managed and reflects the positive impact of ongoing, detailed product category reviews. Notwithstanding the Group's focus on delivering improved levels of on-shelf availability, its days stock on hand remains in line with last year.

The Group believes there is good opportunity to reduce stock levels in the business through stronger assortment management and keener forecast and replenishment. This is a focus area going forward, including the tighter management of shrink and waste.

Trade and other receivables increased 3.5% on last year to R3 257.6 million. This reflects strong debt management, with 66 net new franchise stores added over the last 12 months. The quality of the debtors' book improved substantially over last year, with the impairment allowance down 1.4 percentage points to 3.9% of the outstanding balance.

Trade and other payables increased by 6.2% on last year, to R11 368.2 million. The increase in trade and other payables is mainly as a result of the increase in inventory.

Cash and cash equivalents

	Sunday 28 August 2016 Rm	Sunday 30 August 2015 Rm
Cash balances	**1 080.9**	1 073.5
Bank overdrafts and overnight borrowings	**(750.0)**	—
Cash and cash equivalents	**330.9**	1 073.5
Total borrowings	**(135.3)**	(536.1)
Net funding position	**195.6**	537.4

The Group remains in a positive net funding position.

Greater levels of capital investment and inventory as a result of new stores, refurbishments and centralisation, resulted in lower cash balances at the end of the period. This investment, together with the repayment of long-term structured debt of R400.0 million and the positive effect of the calendar cut-off on accounts payable in the prior period, resulted in lower cash flows over the period.

Group capital expenditure related to the Group's capital investment programme at R775.8 million, was up R164.3 million on the same period last year. The Group will focus the majority of its capital investment this year on expansion and refurbishment in order to improve the customers' shopping experience.

Shareholder distribution

The Board declared an interim dividend of 29.90 cents per share, up 23.6% on last year, in line with the growth in headline earnings per share and maintaining a dividend cover of 1.5 times headline earnings per share for the full year.

Strong determination to deliver on plan

The Group has demonstrated resilience in the face of a weakening consumer environment in South Africa, delivering strong growth in headline earnings per share of 23.7%. The performance has been driven by ongoing improvements across the business, including sound gross margin management, greater financial discipline, improved operating efficiency, and a stronger value-added services proposition. The Group remains confident in its long-term strategy as a platform for further, sustainable growth over the remainder of the year and beyond.

Gareth Ackerman
Chairman

Richard Brasher
Chief Executive Officer

17 October 2016

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 97) of 29.90 cents per share out of income reserves.

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

The tax payable is 4.48500 cents per share, leaving shareholders who are not exempt from dividends tax with a net dividend of 25.41500 cents per share.

DIVIDEND DATES

The last day of trade in order to participate in the dividend (CUM dividend) will be Tuesday, 6 December 2016.

The shares will trade EX dividend from the commencement of business on Wednesday, 7 December 2016 and the record date will be Friday, 9 December 2016. The dividend will be paid on Monday, 12 December 2016.

Share certificates may not be dematerialised or rematerialised between Wednesday, 7 December 2016 and Friday, 9 December 2016, both dates inclusive.

On behalf of the Board of directors

Debra Muller
Company Secretary

17 October 2016

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the period ended

	Note	Unaudited 26 weeks to 28 August 2016 Rm	Restated* Unaudited 26 weeks to 30 August 2015 Rm	Audited 52 weeks to 28 February 2016 Rm
Revenue	2	**38 337.8**	35 313.3	73 477.3
Turnover		**37 357.1**	34 855.8	72 445.1
Cost of merchandise sold		**(30 686.3)**	(28 689.5)	(59 474.8)
Gross profit		**6 670.8**	6 166.3	12 970.3
Other trading income	2	**920.4**	427.8	971.3
Trading expenses		**(7 037.1)**	(6 131.3)	(12 425.3)
Employee costs		**(3 411.7)**	(3 051.1)	(6 060.6)
Occupancy		**(1 302.3)**	(1 140.2)	(2 337.6)
Operations		**(1 513.8)**	(1 399.5)	(2 848.1)
Merchandising and administration		**(809.3)**	(540.5)	(1 179.0)
Trading profit		**554.1**	462.8	1 516.3
Losses on capital items		**(20.1)**	(1.5)	(32.6)
Loss on sale of property, plant and equipment		**(6.2)**	(1.5)	(24.0)
Impairment loss on intangible assets		**—**	—	(8.6)
Impairment loss on available-for-sale financial instruments		**(13.9)**	—	—
Finance income		**60.3**	29.7	60.9
Finance costs		**(94.7)**	(55.7)	(117.0)
Share of associate's income		**28.5**	15.7	45.9
Profit before tax		**528.1**	451.0	1 473.5
Tax		**(146.3)**	(128.5)	(408.1)
Profit for the period		**381.8**	322.5	1 065.4
Other comprehensive income, net of tax				
Items that will not be reclassified to profit or loss		**2.4**	4.9	14.8
Remeasurement in retirement scheme assets		**3.3**	6.8	20.5
Tax on remeasurement in retirement scheme assets		**(0.9)**	(1.9)	(5.7)
Items that may be reclassified to profit or loss		**(64.1)**	14.3	59.4
Foreign currency translations		**(31.6)**	2.9	58.1
Fair value (loss)/gain on available-for-sale financial instruments		**(32.5)**	11.4	1.3
Total comprehensive income for the period		**320.1**	341.7	1 139.6
		Cents	Cents	Cents
Basic earnings per share	3	**78.69**	66.40	219.11
Diluted earnings per share	3	**76.24**	65.13	215.05
Headline earnings per share	3	**82.43**	66.62	224.04
Diluted headline earnings per share	3	**79.87**	65.35	219.90

** Prior period amounts restated and/or reclassified. Refer to note 9.*

GROUP STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at 28 August 2016 Rm	Restated* Unaudited As at 30 August 2015 Rm	Audited As at 28 February 2016 Rm
ASSETS				
Non-current assets				
Property, plant and equipment		**5 242.3**	4 336.8	4 950.9
Intangible assets		**965.1**	991.1	1 004.9
Operating lease assets		**183.7**	159.6	171.6
Financial assets at fair value through profit or loss		**23.4**	295.3	232.1
Available-for-sale financial instruments		—	53.6	46.4
Investment in associate		**286.3**	195.9	285.5
Participation in export partnerships		**14.1**	16.0	14.1
Loans		**101.6**	95.8	96.4
Retirement scheme assets		**92.7**	71.9	90.8
Deferred tax assets		**220.1**	191.4	225.1
		7 129.3	6 407.4	7 117.8
Current assets				
Inventory		**5 647.1**	5 218.0	5 152.0
Trade and other receivables		**3 257.6**	3 146.7	3 326.2
Cash and cash equivalents		**1 080.9**	1 073.5	982.9
Derivative financial instruments		—	9.6	6.0
		9 985.6	9 447.8	9 467.1
Total assets		**17 114.9**	15 855.2	16 584.9
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	4	**6.0**	6.0	6.0
Treasury shares	5	**(516.2)**	(58.9)	(63.5)
Fair value reserve		—	42.6	32.5
Retained earnings		**3 977.5**	3 170.6	3 882.9
Foreign currency translation reserve		**8.3**	(15.3)	39.9
Total equity		**3 475.6**	3 145.0	3 897.8
Non-current liabilities				
Borrowings		**87.5**	92.2	83.0
Operating lease liabilities		**1 302.4**	1 201.1	1 239.6
Deferred tax liabilities		**9.9**	—	9.5
		1 399.8	1 293.3	1 332.1
Current liabilities				
Trade and other payables		**11 368.2**	10 701.0	10 500.6
Share-based payment liability		—	189.3	124.6
Bank overdraft and overnight borrowings		**750.0**	—	100.0
Borrowings		**47.8**	443.9	446.6
Current tax liabilities		**70.0**	82.1	183.0
Provisions		—	0.6	0.2
Derivative financial instruments		**3.5**	—	—
		12 239.5	11 416.9	11 355.0
Total equity and liabilities		**17 114.9**	15 855.2	16 584.9
Number of ordinary shares in issue – thousands	4	**488 450.3**	488 450.3	488 450.3
Weighted average number of ordinary shares in issue – thousands	3	**478 738.5**	478 689.7	478 873.4
Diluted weighted average number of ordinary shares in issue – thousands	3	**494 112.9**	488 053.9	487 894.0
Net asset value – cents per share (property valued based on directors' valuation)		**828.3**	752.5	910.0

** Prior period amounts restated and/or reclassified. Refer to note 9.*

GROUP STATEMENT OF CHANGES IN EQUITY
for the period ended

Unaudited	Note	Share capital Rm	Treasury shares* Rm	Fair value reserve* Rm	Retained earnings* Rm	Foreign currency translation reserve Rm	Total equity* Rm
At 1 March 2015 as previously published		6.0	(169.1)	—	3 311.4	(18.2)	3 130.1
Prior year restatements*		—	109.0	31.2	(8.5)	—	131.7
At 1 March 2015 restated		6.0	(60.1)	31.2	3 302.9	(18.2)	3 261.8
Total comprehensive income for the period		—	—	11.4	327.4	2.9	341.7
Profit for the period		—	—	—	322.5	—	322.5
Remeasurement in retirement scheme assets		—	—	—	4.9	—	4.9
Foreign currency translations		—	—	—	—	2.9	2.9
Fair value gain on available-for-sale financial instruments		—	—	11.4	—	—	11.4
Transactions with owners		—	1.2	—	(459.7)	—	(458.5)
Dividends paid		—	—	—	(473.0)	—	(473.0)
Share purchases		—	(54.1)	—	—	—	(54.1)
Net effect of settlement of employee share options		—	55.3	—	(38.3)	—	17.0
Share-based payments expense		—	—	—	51.6	—	51.6
At 30 August 2015		6.0	(58.9)	42.6	3 170.6	(15.3)	3 145.0
Total comprehensive income for the period		—	—	(10.1)	752.8	55.2	797.9
Profit for the period		—	—	—	742.9	—	742.9
Remeasurement in retirement scheme assets		—	—	—	9.9	—	9.9
Foreign currency translations		—	—	—	—	55.2	55.2
Fair value loss on available-for-sale financial instruments		—	—	(10.1)	—	—	(10.1)
Transactions with owners		—	(4.6)	—	(40.5)	—	(45.1)
Dividends paid		—	—	—	(116.5)	—	(116.5)
Share purchases		—	(72.1)	—	—	—	(72.1)
Net effect of settlement of employee share options		—	67.5	—	(48.9)	—	18.6
Share-based payments expense		—	—	—	124.9	—	124.9
At 28 February 2016		**6.0**	**(63.5)**	**32.5**	**3 882.9**	**39.9**	**3 897.8**
Total comprehensive income for the period		**—**	**—**	**(32.5)**	**384.2**	**(31.6)**	**320.1**
Profit for the period		**—**	**—**	**—**	**381.8**	**—**	**381.8**
Foreign currency translations		**—**	**—**	**—**	**—**	**(31.6)**	**(31.6)**
Remeasurement in retirement scheme assets		**—**	**—**	**—**	**2.4**	**—**	**2.4**
Fair value gain on available-for-sale financial instruments		**—**	**—**	**26.6**	**—**	**—**	**26.6**
Reclassification to profit or loss		**—**	**—**	**(59.1)**	**—**	**—**	**(59.1)**
Transactions with owners		**—**	**(452.7)**	**—**	**(289.6)**	**—**	**(742.3)**
Dividends paid		**—**	**—**	**—**	**(609.7)**	**—**	**(609.7)**
B share capital issued	4.2	**—**	**—**	**—**	**—**	**—**	**—**
Shares received upon unbundling	7	**—**	**(412.3)**	**—**	**—**	**—**	**(412.3)**
Share purchases		**—**	**(185.5)**	**—**	**—**	**—**	**(185.5)**
Net effect of settlement of employee share options		**—**	**145.1**	**—**	**(103.5)**	**—**	**41.6**
Share-based payments expense		**—**	**—**	**—**	**423.6**	**—**	**423.6**
At 28 August 2016		**6.0**	**(516.2)**	**—**	**3 977.5**	**8.3**	**3 475.6**

** Prior period amounts restated and/or reclassified. Refer to note 9.*

GROUP STATEMENT OF CASH FLOWS
for the period ended

	Note	Unaudited 26 weeks to 28 August 2016 Rm	Restated* Unaudited 26 weeks to 30 August 2015 Rm	Audited 52 weeks to 28 February 2016 Rm
Cash flows from operating activities				
Trading profit		**554.1**	462.8	1 516.3
Depreciation and amortisation		**506.5**	455.8	940.9
Equity-settled share-based payment expense		**423.6**	51.6	176.5
Cash-settled share-based payment expense		**(124.6)**	71.6	13.0
Movement in net operating lease liabilities		**50.7**	52.8	79.3
Movement in provisions		**(0.2)**	(0.4)	(0.8)
Fair value loss/(gain) on financial instruments at fair value through profit or loss		**224.9**	(55.1)	11.1
Dividend in specie received upon unbundling	7	**(412.3)**	—	—
Cash generated before movements in working capital		**1 222.7**	1 039.1	2 736.3
Movements in working capital		**443.4**	1 047.3	728.7
Movements in trade and other payables		**867.6**	1 811.3	1 610.9
Movements in inventory		**(492.8)**	(553.7)	(492.4)
Movements in trade and other receivables		**68.6**	(210.3)	(389.8)
Cash generated by trading activities		**1 666.1**	2 086.4	3 465.0
Interest received		**60.3**	29.7	60.9
Interest paid		**(94.7)**	(55.7)	(117.0)
Cash generated by operations		**1 631.7**	2 060.4	3 408.9
Dividends paid		**(609.7)**	(473.0)	(589.5)
Tax paid		**(215.0)**	(151.0)	(335.8)
Cash generated by operating activities		**807.0**	1 436.4	2 483.6
Cash flows from investing activities				
Investment in intangible assets		**(39.7)**	(8.6)	(85.7)
Investment in property, plant and equipment		**(729.1)**	(546.8)	(1 623.1)
Investment in financial instruments at fair value		**(6.7)**	(7.7)	(16.1)
Purchase of operations		**(9.3)**	(65.8)	(87.6)
Proceeds on disposal of property, plant and equipment		**16.9**	14.7	40.0
Loans (advanced)/repaid		**(5.2)**	4.8	4.2
Participation in export partnership		**—**	7.4	9.3
Retirement obligation		**0.5**	5.0	(0.2)
Cash utilised in investing activities		**(772.6)**	(597.0)	(1 759.2)
Cash flows from financing activities				
Borrowings raised		**10.9**	1.8	—
Repayment of borrowings		**(405.2)**	(250.0)	(254.7)
Share purchases		**(185.5)**	(54.1)	(126.2)
Proceeds from employees on settlement of share options		**1.3**	1.2	0.3
Cash utilised in financing activities		**(578.5)**	(301.1)	(380.6)
Net increase in cash and cash equivalents		**(544.1)**	538.3	343.8
Cash and cash equivalents at beginning of period		**882.9**	524.5	524.5
Foreign currency translations		**(7.9)**	10.7	14.6
Net cash and cash equivalents at end of period		**330.9**	1 073.5	882.9
Consisting of:				
Cash and cash equivalents		**1 080.9**	1 073.5	982.9
Bank overdraft and overnight borrowings		**(750.0)**	—	(100.0)

** Prior period amounts restated and/or reclassified. Refer to note 9.*

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 28 February 2016. 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. REVENUE

	Unaudited 26 weeks to 28 August 2016 Rm	Restated* Unaudited 26 weeks to 30 August 2015 Rm	Audited 52 weeks to 28 February 2016 Rm
Turnover	**37 357.1**	34 855.8	72 445.1
Finance income	**60.3**	29.7	60.9
Other trading income	**920.4**	427.8	971.3
Dividend in specie received upon unbundling (note 7)	**412.3**	—	—
Franchise fee income	**177.2**	161.5	316.7
Operating lease income	**168.8**	150.0	329.1
Commissions and other income	**162.1**	116.3	325.5
	38 337.8	35 313.3	73 477.3

** Prior period amounts restated and/or reclassified. Refer to note 9.*

3. BASIC, HEADLINE AND DILUTED EARNINGS PER SHARE

	Unaudited 26 weeks to 28 August 2016 Cents per share	% change	Unaudited 26 weeks to 30 August 2015 Cents per share	Audited 52 weeks to 28 February 2016 Cents per share
Basic earnings per share	**78.69**	18.5	66.40	219.11
Diluted earnings per share	**76.24**	17.1	65.13	215.05
Headline earnings per share	**82.43**	23.7	66.62	224.04
Diluted headline earnings per share	**79.87**	22.2	65.35	219.90

3.1 Basic and headline earnings

	Unaudited 26 weeks to 28 August 2016 Rm	Unaudited 26 weeks to 30 August 2015 Rm	Audited 52 weeks to 28 February 2016 Rm
Reconciliation between basic and headline earnings:			
Profit for the period	**381.8**	322.5	1 065.4
Profit attributable to forfeitable share plan shares	**(5.1)**	(4.6)	(16.2)
Basic earnings for the period	**376.7**	317.9	1 049.2
Adjustments:	**18.3**	1.1	23.3
Loss on sale of property, plant and equipment	**6.2**	1.5	24.0
Tax effect of loss on sale of property, plant and equipment	**(1.8)**	(0.4)	(6.8)
Impairment loss on intangible assets	**—**	—	8.6
Tax effect of impairment loss on intangible assets	**—**	—	(2.5)
Impairment loss on available-for-sale financial instruments	**13.9**	—	—
Tax effect of impairment loss on available-for-sale financial instruments	**—**	—	—
Adjustments attributable to forfeitable share plan shares	**(0.4)**	—	0.4
Headline earnings	**394.6**	319.0	1 072.9

3.2 Number of ordinary shares

	000's	000's	000's
Number of ordinary shares			
Number of ordinary shares in issue (note 4)	**488 450.3**	488 450.3	488 450.3
Weighted average number of ordinary shares in issue (excluding treasury shares)	**478 738.5**	478 689.7	478 873.4
Diluted weighted average number of ordinary shares in issue	**494 112.9**	488 053.9	487 894.0
Reconciliation of weighted average number of ordinary shares to diluted weighted average number of ordinary shares			
Weighted average number of ordinary shares in issue (excluding treasury shares)	**478 738.5**	478 689.7	478 873.4
Dilutive effect of share options	**15 374.4**	9 364.2	9 020.6
Diluted weighted average number of ordinary shares in issue	**494 112.9**	488 053.9	487 894.0

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

4. SHARE CAPITAL

4.1 Ordinary share capital

	Unaudited 26 weeks to 28 August 2016 Rm	Unaudited 26 weeks to 30 August 2015 Rm	Audited 52 weeks to 28 February 2016 Rm
Authorised			
800 000 000 (2015: 800 000 000) ordinary shares of 1.25 cents each	**10.0**	10.0	10.0
Issued			
488 450 321 (2015: 488 450 321) ordinary shares of 1.25 cents each	**6.0**	6.0	6.0
	000's	000's	000's
The number of shares in issue at end of period is made up as follows:			
Treasury shares held by the Group	**5 833.5**	1 668.3	1 752.4
Shares held under the forfeitable share plan	**9 490.0**	8 073.0	7 923.0
Shares held outside the Group	**473 126.8**	478 709.0	478 774.9
Total shares in issue at end of period	**488 450.3**	488 450.3	488 450.3

The Company can issue new shares to settle the Group's obligations under its employee share schemes, but issues in this regard are limited to, in aggregate, 5% of total issued share capital (currently 24 422 516 shares). To date, 10 743 000 shares have been issued, resulting in 13 679 516 shares remaining for this purpose.

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

	Unaudited 26 weeks to 28 August 2016 Rm	Unaudited 26 weeks to 30 August 2015 Rm	Audited 52 weeks to 28 February 2016 Rm
4.2 B share capital			
Authorised			
1 000 000 000 (2015: nil) unlisted, non-convertible, non-participating, no par value B shares	**—**	—	—
Issued			
259 682 869 (2015: nil) unlisted non-convertible, non-participating, no par value B shares	**—**	—	—

During the period under review, a new class of shares was created as a result of the unbundling of the Pick n Pay Holdings Group, as approved by shareholders on 25 July 2016 (refer to note 7). 259 682 869 (2015: nil) B shares were issued to the existing controlling ordinary shareholders of Pick n Pay Holdings Limited RF, and are stapled to such ordinary shares and cannot be traded separately from each other. Stapled ordinary shares, together with B shares, are subject to restrictions upon disposal. For further information refer to the Company's Memorandum of Incorporation available on our website, www.picknpayinvestor.co.za.

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.

5. TREASURY SHARES

	Unaudited 26 weeks to 28 August 2016 Rm	Restated* Unaudited 26 weeks to 30 August 2015 Rm	Audited 52 weeks to 28 February 2016 Rm
At beginning of period	**63.5**	60.1	60.1
Share purchases	**185.5**	54.1	126.2
Take-up of share options by employees	**(145.1)**	(55.3)	(122.8)
Shares received upon unbundling (note 7)	**412.3**	—	—
At end of period	**516.2**	58.9	63.5
	000's	000's	000's
The movement in the number of treasury shares is as follows:			
At beginning of period	**9 675.4**	8 671.9	8 671.9
Shares purchased during the period	**2 367.4**	1 070.2	2 220.2
Shares sold during the period pursuant to the take-up of share options by employees	**(2 136.2)**	(1 128.8)	(2 344.7)
Shares issued under forfeitable share plan	**—**	1 128.0	1 128.0
Shares received upon unbundling (note 7)	**5 416.9**	—	—
At end of period	**15 323.5**	9 741.3	9 675.4
Comprises:			
Shares held under forfeitable share plan	**9 490.0**	8 073.0	7 923.0
Shares held by the Group	**5 833.5**	1 668.3	1 752.4

** Prior period amounts restated and/or reclassified. Refer to note 9.*

6. OPERATING SEGMENTS

Unaudited	South Africa* Rm	Rest of Africa Rm	Total operations* Rm
26 weeks to 28 August 2016			
Total segment revenue	**36 700.0**	**2 045.0**	**38 745.0**
External revenue	**36 700.0**	**1 637.8**	**38 337.8**
Direct deliveries**	**—**	**407.2**	**407.2**
Segment external turnover	**35 733.0**	**1 624.1**	**37 357.1**
Profit before tax***	**424.4**	**103.7**	**528.1**
Other information			
Statement of comprehensive income			
Finance income	**57.5**	**2.8**	**60.3**
Finance costs	**94.7**	**—**	**94.7**
Depreciation and amortisation	**491.3**	**15.2**	**506.5**
Impairment loss on available-for-sale financial instruments	**13.9**	**—**	**13.9**
Share of associate's income	**—**	**28.5**	**28.5**
Statement of financial position			
Total assets	**15 714.4**	**1 400.5**	**17 114.9**
Total liabilities	**13 296.2**	**343.1**	**13 639.3**
Additions to non-current assets	**746.6**	**29.2**	**775.8**
26 weeks to 30 August 2015			
Total segment revenue	33 757.8	1 958.3	35 716.1
External revenue	33 757.8	1 555.5	35 313.3
Direct deliveries**	—	402.8	402.8
Segment external turnover	33 307.6	1 548.2	34 855.8
Profit before tax***	335.3	115.7	451.0
Other information			
Statement of comprehensive income			
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
Statement of financial position			
Total assets	14 709.8	1 145.4	15 855.2
Total liabilities	12 394.3	315.9	12 710.2
Additions to non-current assets	596.4	15.1	611.5

* *Prior period amounts restated and/or reclassified. Refer to note 9.*

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

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

7. 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 inter-group transactions and related balances are eliminated on consolidation.

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

During the period under review, at the General Meeting held on 25 July 2016, shareholders approved the unbundling of the Pick n Pay Holdings Group in order to remove the existing pyramid control structure. As a result of the unbundling, related party transactions occurred. This included a dividend in specie share distribution by Pick n Pay Holdings Limited RF, of R412.3 million, to entities within the Pick n Pay Stores Group who at the time held shares in Pick n Pay Holdings Limited RF. This dividend in specie consisted of shares in Pick n Pay Stores Limited. It also included the creation and issuance of a new class of unlisted voting shares (B shares) in Pick n Pay Stores Limited (refer to note 4). These were issued to the existing controlling shareholders of Pick n Pay Holdings Limited RF so as to retain the control structure of the Group before the unbundling. Refer to the review of operations for further information on the non-recurring items recorded in these interim financial statements as a result of the unbundling of the Pick n Pay Holdings Group.

Other than those reported on above, related parties are unchanged from those reported at 28 February 2016. For further information please refer to note 27 of the 2016 Group annual financial statements and note 8 of the 2016 Company annual financial statements.

8. FINANCIAL INSTRUMENTS

All financial instruments held by the Group are measured at amortised cost, with the exception of derivative financial instruments, financial instruments at fair value through profit or loss and available-for-sale financial instruments, as set out below:

	Unaudited 26 weeks to 28 August 2016 Rm	Restated* Unaudited 26 weeks to 30 August 2015 Rm	Audited 52 weeks to 28 February 2016 Rm
Derivative financial instruments			
Forward exchange contracts – Level 2	**(3.5)**	9.6	6.0
Financial instruments at fair value through profit or loss			
Investment in Pick n Pay Holdings Limited RF – Level 1 (note 7)	**—**	251.8	218.5
Investment in Guardrisk Insurance Company Limited – Level 2	**23.4**	43.5	13.6
Available-for-sale financial instruments			
Investment in Pick n Pay Holdings Limited RF – Level 1 (note 7)	**—**	53.6	46.4

The fair value of the investment in Pick n Pay Holdings Limited RF shares are determined based on the price in an active securities market and is included in level 1 of the fair value hierarchy. During the period under review, these shares were derecognised as a result of the unbundling of the Pick n Pay Holdings Group. Refer to note 7.

The fair value of financial instruments that are not traded in active markets is determined by using valuation techniques. If all significant inputs required to fair value an instrument are observable, the instruments are 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 year.

** Prior period amounts restated and/or reclassified. Refer to note 9.*

9. PRIOR PERIOD RESTATEMENTS AND RECLASSIFICATIONS

In line with the prior period restatements and reclassifications reported in the 2016 Group annual financial statements, the following prior interim period restatements were made in the Group's South Africa operating segment:

Recognition and measurement

The Group's investment in an insurance cell captive was historically treated as a wholly owned subsidiary and consolidated. On re-evaluating the definition of control in terms of IFRS 10 *Consolidated Financial Statements*, it is appropriate to account for this investment as a financial instrument at fair value through profit or loss in accordance with IAS 39 *Financial Instruments*.

The Group owned Pick n Pay Holdings Limited RF shares (PWK shares) to settle obligations under the Group's share incentive scheme. Previously these shares were accounted for as treasury shares and the related share-based payment as equity settled. On review, the investment in PWK shares should be accounted for as a financial instrument in accordance with IAS 39 *Financial Instruments* and the related share-based payment as cash settled in terms of IFRS 2 *Share-based Payments*.

These errors were corrected in the 2016 financial year and comparative 2015 financial year figures restated. The corresponding changes have now been made in the comparative interim result of the 2016 financial year. The errors did not require any adjustment to the previously reported profit for the period, including reported basic, diluted and headline earnings per share.

Reclassifications

In the comparative period certain rent received from franchisees, in terms of sublease agreements, was erroneously accounted for under occupancy costs in the statement of comprehensive income. An instance was found where an amount was incorrectly classified as trade and other payables rather than cash and cash equivalents in the statement of financial position.

These reclassification errors were corrected in the 2016 financial year and comparative 2015 financial year figures restated. The corresponding changes have now been made in the comparative interim result of the 2016 financial year. These reclassifications had no impact on the previously reported profit for the period, including reported basic, diluted and headline earnings per share.

The corrections are set out below:

9.1 Prior period restatement and reclassifications impact on the statement of comprehensive income for the 26 weeks ended 30 August 2015

Unaudited	Restated 26 weeks to 30 August 2015 Rm	Reclassi-fications Rm	Restatement Parent company share investment Rm	As previously published 26 weeks to 30 August 2015 Rm
Revenue	35 313.3	107.8	—	35 205.5
Other trading income	427.8	107.8	—	320.0
Employee costs	(3 051.1)	—	(36.9)	(3 014.2)
Occupancy	(1 140.2)	(107.8)	—	(1 032.4)
Merchandising and administration	(540.5)	—	36.9	(577.4)
Other comprehensive income, net of tax				
Fair value gain on available-for-sale financial instruments	11.4	—	11.4	—

9. PRIOR PERIOD RESTATEMENTS AND RECLASSIFICATIONS (continued)

9.2 Prior period restatements and reclassifications impact on the statement of financial position as at 30 August 2015

Unaudited	Restated As at 30 August 2015 Rm	Restatement investment in insurance cell captive Rm	Reclassi-fications Rm	Restatement Parent company share investment Rm	As previously published As at 30 August 2015 Rm
Financial assets at fair value through profit or loss	295.3	43.5	—	251.8	—
Available-for-sale financial instruments	53.6	—	—	53.6	—
Cash and cash equivalents	1 073.5	(73.5)	(292.9)	—	1 439.9
Treasury shares	(58.9)	—	—	112.3	(171.2)
Fair value reserve	42.6	—	—	42.6	—
Retained earnings	3 170.6	—	—	(38.8)	3 209.4
Trade and other payables	10 701.0	(30.0)	(292.9)	—	11 023.9
Share-based payment liability	189.3	—	—	189.3	—
Net asset value – cents per share (property valued based on directors' valuation)	752.5	—	—	24.2	728.3

9. PRIOR PERIOD RESTATEMENTS AND RECLASSIFICATIONS (continued)

9.3 Prior period restatements and reclassifications impact on the statement of cash flows for the 26 weeks ended 30 August 2015

Unaudited	Restated As at 30 August 2015 Rm	Restatement investment in insurance cell captive Rm	Reclassi-fications Rm	Restatement Parent company share investment Rm	As previously published As at 30 August 2015 Rm
Equity-settled share-based payment expense	51.6	—	—	(34.7)	86.3
Cash-settled share-based payment expense	71.6	—	—	71.6	—
Fair value gain on financial instruments at fair value through profit or loss	(55.1)	(10.0)	—	(36.9)	(8.2)
Movements in trade and other payables	1 811.3	29.1	(215.9)	—	1 998.1
Movements in trade and other receivables	(210.3)	(20.3)	—	—	(190.0)
Investment in financial instruments at fair value	(7.7)	—	—	(7.7)	—
Share purchases	(54.1)	—	—	7.7	(61.8)
Cash and cash equivalents at beginning of period	524.5	(72.3)	(77.0)	—	673.8
Net cash and cash equivalents at end of period	1 073.5	(73.5)	(292.9)	—	1 439.9

10. COMMITMENTS

	Unaudited 26 weeks to 28 August 2016 Rm	Unaudited 26 weeks to 30 August 2015 Rm	Audited 52 weeks to 28 February 2016 Rm
Authorised capital expenditure			
Contracted for	**1 112.3**	1 376.3	395.9
Property	**28.6**	75.7	78.8
Furniture, fittings, equipment and vehicles	**1 018.6**	1 254.1	211.5
Intangible assets	**65.1**	46.5	105.6
Not contracted for	**75.2**	84.1	1 783.1
Property	**—**	—	27.5
Furniture, fittings, equipment and vehicles	**60.7**	46.3	1 694.9
Intangible assets	**14.5**	37.8	60.7
Total commitments	**1 187.5**	1 460.4	2 179.0

NUMBER OF STORES

	28 February 2016	Opened	Closed	Converted – openings	Converted – closings	**28 August 2016**
COMPANY-OWNED						
Pick n Pay	**596**	**23**	**—**	**—**	**—**	**619**
Hypermarkets	20	—	—	—	—	**20**
Supermarkets	226	3	—	—	—	**229**
Local	17	9	—	—	—	**26**
Clothing	134	8	—	—	—	**142**
Liquor	196	3	—	—	—	**199**
Pharmacy	3	—	—	—	—	**3**
Boxer	**208**	**15**	**(3)**	**—**	**—**	**220**
Superstores	136	6	(2)	—	—	**140**
Hardware	24	5	—	—	—	**29**
Liquor	27	4	—	—	—	**31**
Punch	21	—	(1)	—	—	**20**
Total company-owned	**804**	**38**	**(3)**	**—**	**—**	**839**
FRANCHISE						
Supermarkets	289	3	(1)	—	—	**291**
Family	269	3	(1)	—	—	**271**
Mini Market	19	—	—	—	—	**19**
Daily	1	—	—	—	—	**1**
Express	80	23	—	—	—	**103**
Clothing	17	—	—	—	—	**17**
Liquor	163	10	(1)	—	—	**172**
Total franchise	**549**	**36**	**(2)**	**—**	**—**	**583**
Total Group Stores	**1 353**	**74**	**(5)**	**—**	**—**	**1 422**
TM Supermarkets	**57**	**1**	**—**	**—**	**—**	**58**
Total with TM Supermarkets	**1 410**	**75**	**(5)**	**—**	**—**	**1 480**
AFRICAN FOOTPRINT – included in total stores above	**130**	**7**	**—**	**—**	**—**	**137**
Pick n Pay company-owned	11	3	—	—	—	**14**
Boxer company-owned	5	—	—	—	—	**5**
Pick n Pay franchise	57	3	—	—	—	**60**
TM Supermarkets – associate	57	1	—	—	—	**58**
AFRICAN FOOTPRINT – by country	**130**	**7**	**—**	**—**	**—**	**137**
Botswana	10	—	—	—	—	**10**
Lesotho	3	—	—	—	—	**3**
Namibia	35	3	—	—	—	**38**
Swaziland	14	—	—	—	—	**14**
Zambia	11	3	—	—	—	**14**
Zimbabwe	57	1	—	—	—	**58**

CORPORATE INFORMATION

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

BOARD OF DIRECTORS
Executive
Richard Brasher (CEO)
Richard van Rensburg (Deputy CEO)
Aboubakar (Bakar) Jakoet (CFO)
Suzanne Ackerman-Berman
Jonathan Ackerman

Non-executive
Gareth Ackerman (Chairman)
David Robins

Independent non-executive
Hugh Herman
Lorato Phalatse
Jeff van Rooyen
Audrey Mothupi
David Friedland

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

Postal address
PO Box 23087
Claremont
Cape Town 7735

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

Postal address
PO Box 61051
Marshalltown 2107

JSE LIMITED SPONSOR
Investec Bank Limited
100 Grayston Drive
Sandton 2196

AUDITORS
Ernst & Young Inc.

ATTORNEYS
Edward Nathan Sonnenberg

PRINCIPAL TRANSACTIONAL BANKERS
Absa Limited
First National Bank

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

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

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

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

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

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

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

ENGAGE WITH US ON

BASTION GRAPHICS

101 Rosmead Avenue
Kenilworth 7708
Cape Town

Please recycle