



UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

FOR THE 26 WEEKS ENDED 27 AUGUST

2017

TURNOVER	TRADING PROFIT*	HEPS*	INTERIM DIVIDEND
↑ 5.1%	↑ 15.8%	↑ 11.6%	↑ 11.7%
R39.3 billion	**R641.5 million**	**91.99 cents**	**33.40 cents**
(2016: R37.4 billion)	(2016: R554.1 million)	(2016: 82.43 cents)	(2016: 29.90 cents)

*Normalised

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UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

REVIEW OF OPERATIONS

KEY FINANCIAL INDICATORS*

	26 weeks to 27 August 2017	26 weeks to 28 August 2016	% change
Turnover	**R39.3bn**	R37.4bn	5.1
Gross profit margin	**17.8%**	17.9%	
Trading expenses	**R7.0bn**	R6.6bn	5.1
Trading profit	**R641.5m**	R554.1m	15.8
Trading profit margin	**1.6%**	1.5%	
Profit before tax before capital items	**R610.9m**	R548.2m	11.4
Profit before tax before capital items margin	**1.6%**	1.5%	
Profit for the period	**R438.8m**	R381.8m	14.9
Normalised basic earnings per share	**91.14c**	78.69c	15.8
Normalised diluted earnings per share	**89.52c**	76.24c	17.4
Normalised headline earnings per share**	**91.99c**	82.43c	11.6
Normalised diluted headline earnings per share**	**90.36c**	79.87c	13.1
Basic earnings per share ("EPS")	**61.03c**	78.69c	(22.4)
Diluted earnings per share ("DEPS")	**59.94c**	76.24c	(21.4)
Headline earnings per share ("HEPS")**	**61.88c**	82.43c	(24.9)
Diluted headline earnings per share ("DHEPS")**	**60.78c**	79.87c	(23.9)
Interim dividend per share	**33.40c**	29.90c	11.7

* *The result commentary is presented on a normalised basis, excluding the impact of the once-off voluntary severance programme ("VSP") completed in the first half of the current financial year, and excluding the impact of the unbundling of the Pick n Pay Holdings Limited RF Group in the prior year. The principal differences between the Group's normalised and published results are set out in the appendix to the review of operations – 'summary of non-recurring items'.*

** *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

- Accelerated delivery of turnaround plan, reducing costs and increasing efficiency to create headroom for lower prices and better value for customers
- Turnover growth of 5.1%; up 1.8% on a like-for-like basis
- Internal price inflation restricted to 3.6%; CPI food inflation of 6.9%
- Trading profit up 15.8% from R554.1 million to R641.5 million
- Trading margin improvement of 0.1 percentage point from 1.5% to 1.6%
- Normalised diluted headline earnings per share up 13.1% to 90.36 cents per share
- Normalised headline earnings per share up 11.6% to 91.99 cents per share
- Including once-off impact of VSP, diluted headline earnings per share down 23.9% and headline earnings per share down 24.9%
- Interim dividend of 33.40 cents per share up 11.7% on the prior year, in line with the growth in headline earnings per share on a normalised basis

REVIEW OF OPERATIONS continued

The Group's turnaround plan since the 2014 financial year has been to grow its sales by giving customers a better value offer and a more modern shopping experience, reducing its costs, and modernising its operations, in particular by centralising its buying and supply chain.

By the end of the 2015 financial year, the Group completed the first stage of its three-stage plan, having stabilised the business through strong financial control, greater operating efficiency and effective business management systems.

The second stage of the Group's plan, is to change the trajectory of performance and deliver sustainable trading margin improvement. Among the key objectives in this second stage are improved store efficiency, reductions in operating costs, and further progress on supply chain centralisation. These and other steps create meaningful headroom to deliver lower prices and better value for customers.

With low levels of economic growth, rising costs and high unemployment, customers are now more than ever seeking out low prices and exceptional value. Against this background, the Group took decisive steps in the first half of this year to accelerate its plan, in particular by reducing its costs and modernising its operations in order to deliver better value and a better offer to customers.

REDUCING COSTS AND IMPROVING OPERATING EFFICIENCY

Decisive action taken by the Group to reduce its costs and improve its efficiency over the past six months include the following:

Voluntary severance programme

During the period under review, the Group completed a company-wide voluntary severance programme ("VSP") in Pick n Pay. This was designed to improve the efficiency and productivity of staff across the business, including in stores, supply chain and head office, by removing roles and functions which were no longer required as a result of improved planning, processes and ways of working. The programme was conducted in accordance with the longstanding positive values of the Group, and participation by employees was entirely voluntary. The programme enabled 10% of roles and functions to be removed across Pick n Pay.

The cost of making compensation payments to departing staff fell entirely within the first half of the financial year, and is expected to be recovered in full by the end of the financial year. The reduction in employee numbers is expected to have a substantial positive impact on the operating costs of the Group in future years.

Supply chain centralisation

The Group has continued to make progress in centralising its supply chain to deliver more efficient and reliable product replenishment, better on-shelf availability and lower cost. Over the first half of the financial year, the Group increased the total volume of goods centralised by a further five percentage points, to 65%. Centralisation in the Gauteng region has increased by seven percentage points to 69% (groceries at 73%), and in the Western Cape region by three percentage points to 76% (groceries at 89%).

The Group is due to open a new Pick n Pay distribution centre in KwaZulu-Natal before the end of the financial year. The Group has also extended the reach of its Philippi distribution centre in the Western Cape, to serve its stores along the Garden Route.

Modernising the Smart Shopper programme

The Group introduced its Smart Shopper customer loyalty programme in 2011. It has been highly successful, with over seven million active members, and has been recognised as South Africa's favourite loyalty programme for five consecutive years in the Sunday Times Top Brands Awards.

In a difficult economy, customer feedback has increasingly indicated the need for more immediate discounts, individually tailored to those products purchased most often. As a result, the Group modernised its Smart Shopper programme in March 2017. The improved scheme places a greater focus on weekly personalised discounts, with less emphasis on points awarded automatically on the basis of customer spend. The increase in product-specific discounts enables greater supplier participation and funding. These steps have had the effect of reducing the cost of the programme to the Group, allowing for greater price investment and enhanced benefits for customers.

Buy-for-less programme

The Group initiated a buy-for-less programme with suppliers in the first half of the financial year. The programme emphasises the benefits which accrue to customers, suppliers and the Group from working together to identify opportunities to improve efficiency, deliver lower prices and create exceptional value. The buy-for-less programme is supported by the development and implementation of a dedicated supplier IT platform at Pick n Pay which provides comprehensive, real-time product and supplier data, facilitating transparent engagement and accurate decision-making. Training on the platform has been provided to almost 3 000 suppliers, providing greater insight into the performance of their products within Pick n Pay, and enabling improved product management and stronger collaboration.

Building on knowledge gained over the past few years, the Group has launched a comprehensive review of its product categories, including brand participation and space allocation, with the aim of delivering stronger ranges which are better targeted to differing customer needs around the country.

DELIVERING BETTER VALUE FOR CUSTOMERS

The Group is confident that, in addition to improving the efficiency and effectiveness of its operations, the above steps will deliver at least R1.0 billion in a full year to invest in better value for customers and deliver an enhanced shopping experience.

Tangible progress has been achieved in pursuit of these customer goals over the past six months, and some key areas are highlighted below.

Lower prices and stronger promotions

In March 2017, the Group announced an investment of R500.0 million in lower prices, beginning with reductions in price across 1 300 everyday grocery items. The Group has been encouraged by the response of customers, and plans to extend price reductions to a wider range of products in the second half of the year.

Customer service

In July 2017, Pick n Pay launched Fan Score, an internal programme focused on improving customer service across all its stores. The programme measures stores on a monthly basis against customer feedback received, and ranks stores in order of their performance across the Group. The programme provides employee incentives for those stores which deliver exceptional service. The programme has been effective in engaging store staff on the importance of customer service, identifying and remedying inconsistent service across our stores and in motivating and rewarding staff to deliver continuous improvement. The programme has also encouraged stronger engagement with customers.

Smart Shopper

The Group is encouraged by the positive customer response to the modernisation of Smart Shopper.

A key element of the new programme is to deliver personalised discounts to customers each week, based on their actual shopping habits, either by email, kiosk or through the Smart Shopper app. The Group is pleased with the growth in the number of customers accessing and redeeming their weekly Smart Shopper discounts. To encourage even more customers to do so, the Group has relaunched its Pick n Pay mobile app, which offers an enhanced and simplified experience.

Private label and convenience range

The Group launched a further 400 private label products in the first half of the financial year. Of these, 163 were new, and 237 were redesigned and improved products. Pick n Pay's private label range has grown to more than 2 000 products, with participation of 19.0%.

Convenience foods are a key part of the Group's strategy to grow its private label offer. Products in this range are selected on the basis of exceptional taste and innovation, and are displayed prominently in-store, with modern and attractive packaging. During the period under review, Pick n Pay achieved 12 first-place awards in the Sunday Times Food Awards, an independent taste test dedicated to finding South Africa's best supermarket foods. Pick n Pay was awarded more than double the first-place awards of any other retailer.

The Group will continue to innovate in this area, including through the launch of Pick n Pay's new convenience range of meals for children in the second half of this year.

The Group has established firm links between its plan to grow its private label offer, and its enterprise and supplier development programme, which seeks to nurture and develop entrepreneurs in South Africa.

A better, more convenient and modern estate

The Group opened 63 new stores in the first half of the financial year, including 40 company-owned stores and 23 franchise stores. The Group continues to strengthen its partnership with franchisees and this part of the business continues to perform well.

A total of 13 new Pick n Pay clothing stores were opened, with the clothing business continuing to grow ahead of the market.

The Group's store refurbishment programme for the first half of the financial year encompassed 34 stores. Major store refurbishments included the Pick n Pay flagship supermarket in Constantia, Cape Town and the Group's Durban North Hypermarket, both of which are due to be completed in the second half of the year. These stores demonstrate the ongoing development of the Group's Next Generation format and operating model. The Group's estate included 183 Next Generation stores across Pick n Pay and Boxer by the end of the period.

At the end of August, the Group had 1 613 stores, including stores held through its investment in TM Supermarkets, in Zimbabwe.

Multi-channel and financial services

Responding to the growing customer demand for convenience, the Group continued to invest in Pick n Pay Online. In September 2017, the Group redesigned and launched its new mobile-enabled website, marking a further step towards a fully multi-channel grocery business. Pick n Pay's online service enables customers to collect products ordered online in some stores as an alternative to having them delivered to their home or office. Visitors to the Pick n Pay Online website increased by 32% year-on-year.

Online customers in the Western Cape have benefited from a dedicated warehouse since 2015, which has delivered a stronger range, better availability and improved efficiency. Online sales in this region increased 25.0% year-on-year. Building on this success, the Group opened a second dedicated warehouse in Gauteng to serve customers in that region, during the period.

Customer awareness of the Group's online offer was demonstrated by the customer response to the Knysna fire relief appeal, with customers donating more than R1 million in groceries online in two weeks.

The Group's money transfer product, in partnership with TymeDigital by the Commonwealth Bank SA (a subsidiary of the Commonwealth Bank of Australia), had 200 000 customers registered either with Pick n Pay or Boxer by the end of the period. In line with its plans to launch a digital bank, TymeDigital was recently awarded a banking licence by the South African Reserve Bank, a first in 18 years. The Group will be working closely with TymeDigital to provide greater access to financial services for its customers. This will support improved financial inclusion and offer better value to our customers in stores across South Africa.

In September, the Group launched its Pick n Pay Store Account. It gives qualifying Pick n Pay customers access to a responsible credit facility that offers up to 55 days interest-free, provided the customer's balance is fully paid off monthly, and no hidden fees for customers who choose to spread their payments. The account is accessed through the customer's existing Smart Shopper card with the credit provider carrying all associated funding costs and credit risk. The Pick n Pay Store Account has been designed to offer the most affordable form of credit in the market with no transaction, joining or hidden administration fees. The Group's customer-focused and innovative approach to the Pick n Pay Store Account enables consumers to manage their spend wisely and cost-effectively.

BOXER

The Boxer brand celebrates its 40th anniversary in 2017. The Group is proud of the development and progress of this exceptional business, and the loyalty it inspires in its customers. The Group remains determined to continue to develop the business into a national brand.

Focusing on middle-income and lower-income customers, Boxer accelerated its turnover growth in the period in a competitive market. It has consistently demonstrated the ability to win customers in tough times through a well-defined range, highly competitive prices, and a compelling fresh meat offer.

During the period, Boxer converted a further 21 stores to its Next Generation format. Altogether 70% of Boxer stores in KwaZulu-Natal are now operating out of this improved format.

Boxer opened 13 stores during the first half of the year, and grew its presence in the Western Cape, with two new stores in Mitchells Plain and Worcester. The Group is confident that these two stores will be as successful as its Boxer store in Khayelitsha.

Boxer has also made considerable progress on the centralisation of its supply chain. The Boxer distribution centre in Cato Ridge, outside Durban, is now supplying all Boxer Superstores and Boxer Punch stores in KwaZulu-Natal. Boxer has recently opened a second distribution centre in East London, which will supply groceries to Eastern Cape stores from the second half of this financial year.

REST OF AFRICA

The Group has a presence in Botswana, Lesotho, Namibia, Swaziland, Zambia and Zimbabwe (49% investment in its associate, TM Supermarkets). It remains committed to extending its offer in markets outside South Africa on a planned and measured basis.

In the period under review, the Group opened four new stores outside South Africa, one in Namibia and three in Swaziland. Two underperforming stores were closed in Namibia during the period, taking the total number of stores outside South Africa to 142 (including TM Supermarkets).

The Group's franchise businesses outside South Africa, together with the Group's share of profits of TM Supermarkets (its associate in Zimbabwe), continue to make a positive growth contribution. Despite the ongoing challenging trading environment in Zambia, the Group remains positive about its long-term prospects in the region.

Financial review

As noted previously, Pick n Pay completed a company-wide voluntary severance programme ("VSP") in the first half of the financial year. The total cost of the VSP has been accounted for during the reporting period, offset in part by related savings during the period under review. The net impact of the VSP amounted to R200.0 million, before tax, and has had an impact on employee costs under trading expenses. This cost is expected to be fully recovered by the end of the financial year through resulting savings in employee costs.

The Group modernised its control structure in the first half of the previous financial year, with the unbundling of the Pick n Pay Holdings Limited RF Group. Although there were material non-recurring items in certain individual categories of other trading income and trading expenses, the transaction had no impact on trading profit or headline earnings in the prior period.

The financial review presented below excludes all material non-recurring items related to the Group's voluntary severance programme in the first half of this financial year, and the unbundling of the Pick n Pay Holdings Limited RF Group in the same period last year. The result commentary is presented on a normalised basis. The principal differences between the Group's normalised and published results are set out in the appendix to the review of operations – 'summary of non-recurring items'.

TURNOVER

Group turnover increased 5.1% to R39.3 billion, with like-for-like turnover growth of 1.8%. This reflects the pressures of a challenging trading environment, some disruption from store refurbishments and closures, the temporary displacement of staff through the VSP, and the investment in lower prices to customers. Internal price inflation was restricted to 3.6%, well below CPI food inflation of 6.9%.

On a constant currency basis, Group turnover was up 5.2% with like-for-like growth of 1.8%. Please refer to the appendix to the review of operations for further information on the constant currency and like-for-like calculations.

GROSS PROFIT

Gross profit increased by 4.5% to R7.0 billion. Gross profit margin declined by 0.1 percentage point from 17.9% to 17.8%. The Group continues to realise greater operational efficiency and cost savings. Increased centralisation, better buying and strong discipline on supply chain related cost, including improved management of waste, enabled meaningful price investment across essential every day grocery lines.

OTHER TRADING INCOME

Other trading income consists of franchise fee income, operating lease income and commissions, dividends received and income from value added services.

Franchise fee income was up 14.3% to R202.5 million, driven by the 46 net new franchise stores opened over the last 12 months. A number of legacy franchise agreements have been restructured to bring them in line with the standard terms and conditions of the Group's current franchise arrangements. Any increase in franchise fees received as a result of this alignment has been offset by higher loyalty payments to franchisees on products purchased through the Group's supply chain (included within gross profit). The Group continues to strengthen its partnership with franchisees through lower prices and improved availability in its supply chain and through ongoing administrative and operational support.

Operating lease income increased by 25.5% to R211.8 million, largely driven by new head leases added over the last 12 months.

Strategic head leases safeguard the long-term tenancy of Pick n Pay franchise stores located at key sites. The increase in rental income received is matched with an equal corresponding increase in rent paid (included within occupancy costs).

Commissions, dividends received and income from value added services ("VAS") grew 33.9% to R217.0 million. This includes service fee income earned in respect of merchandising services, now performed in-house for a small number of suppliers, which did not occur in the prior year. The related cost of the in-house function is included within employee costs. Excluding the first-time merchandising fees received, commissions and VAS income grew by 15.0% year-on-year, predominantly driven by commissions received on third party bill payments and prepaid electricity purchases.

On a comparable basis, excluding the items of income detailed above that have a corresponding increase in operating costs, other trading income increased by 8.2%.

TRADING EXPENSES

Trading expenses of R7.0 billion were up 5.1% on the prior year with like-for-like expense growth contained at 1.6%, demonstrating the Group's success in improving the management of its operating costs.

Employee costs increased by 1.9% on the prior year to R3.3 billion, and improved by 0.3 percentage points from 8.6% to 8.3% of turnover. The like-for-like decrease of 0.7% reflected the improved efficiency delivered through continued improvements in labour scheduling and further support office efficiencies.

Occupancy costs were up 15.3% to R1.5 billion, driven by the 89 net new company-owned stores added to the estate over the last 12 months. Like-for-like occupancy costs increased by 10.2%, driven by annual rental escalations, above-inflation regulatory increases in rates and a substantial step-up in security costs, essential in ensuring the safety of our customers and staff.

Occupancy costs also reflect the addition of strategic head leases over a number of key franchise stores.

Operations costs increased just 4.2% on last year to R1.6 billion, notwithstanding ongoing regulatory increases in electricity and utility charges, which were well above inflation. Capital investment costs, with related depreciation and amortisation charges up only 5.5%, continued to be well managed.

Merchandising and administration costs increased by only 1.7% to R613.1 million, reflecting substantial savings in professional, legal and other support services over the period.

TRADING PROFIT

Trading profit increased by 15.8% to R641.5 million, driven by greater operational efficiency and strong cost control. Trading profit margin improved by 0.1 percentage point, from 1.5% to 1.6% of turnover.

NET INTEREST

Net interest paid increased from R34.4 million to R70.6 million. Lower net cash balances year-on-year reflect the Group's sustained investment in its store opening, refurbishment and centralisation programme over the past few years. The Group's net funding position has improved over the past six months, notwithstanding cash outflows in respect of employee compensation payments under the Group's VSP, and share purchases related to employee share incentive schemes.

LOSSES ON CAPITAL ITEMS

The Group incurred capital losses to the value of R5.7 million (2016: R6.2 million) in respect of the disposal or impairment of assets, largely related to its refurbishment programme. A further impairment loss of R13.9 million was incurred in the prior year, arising on the unbundling of the Pick n Pay Holdings Limited RF Group. Capital items are added back in the calculation of headline earnings.

PROFIT BEFORE TAX BEFORE CAPITAL ITEMS

Profit before tax before capital items, is up 11.4%, with the underlying margin improving from 1.5% to 1.6% of turnover.

REST OF AFRICA SEGMENT

Segmental revenue for the Rest of Africa division increased 12.6% year-on-year to R2.3 billion, with segmental revenue in constant currency up 14.3%, 2.0% on a like-for-like basis.

Profit before tax was up 22.3% from R103.7 million to R126.8 million, in part due to a strong performance from the Group's associate in Zimbabwe, TM Supermarkets (TM), which performed well in a difficult operating environment. The Group's share of TM's earnings grew 40.4% on last year to R40.0 million. TM Supermarkets has 56 stores in Zimbabwe, 16 of which trade under the Pick n Pay banner.

The Group's franchise business continues to make a positive contribution to the performance of this segment, while its Zambian operation continues to trade in a tough environment.

TAX

The effective tax rate of 27.5% is down on the 27.7% of the prior period, as a result of the Group's increased profitability with no corresponding change in the level of non-deductible expenditure. The effective rate is in line with that of the full 2017 financial year.

Financial position

The increase in the Group's assets was due to its ongoing capital investment programme, in particular investment in new and refurbished stores across the Group, as well as further investment in its centralised supply chain infrastructure.

WORKING CAPITAL

The Group generated cash from working capital of R790.2 million over the first half of the year, compared with R443.4 million last year.

The year-on-year improvement in working capital primarily arose from better inventory management. The Group reported inventory of R6.0 billion at the end of August 2017, an increase of 6.1% year-on-year. The increase was driven by the addition of 89 net new company-owned stores over the past 12 months. Reducing stock levels is a key area of focus for the Group. On a like-for-like basis, excluding the impact of new stores and inflation, inventory was down 5.1% year-on-year, reflecting improved forecasting and replenishment, as well as progress made on reducing holdings of slow moving products through an ongoing range rationalisation process.

Trade and other payables of R11.4 billion was in line with last year. Trade and other receivables increased 9.2% to R3.6 billion, reflecting the addition of 46 net new franchise stores over the past 12 months, and an increase in sales to franchisees through the Group's supply chain. The quality of the debtors' book improved year-on-year, with the impairment allowance reducing to 3.0% from 3.3% of the outstanding balance.

CASH AND CASH EQUIVALENTS

	27 August 2017 Rm	26 February 2017 Rm	28 August 2016 Rm
Cash	**966.3**	961.9	1 080.9
Cost-effective short-term borrowings	**(1 800.0)**	(1 800.0)	(750.0)
Cash and cash equivalents	**(833.7)**	(838.1)	330.9
Total borrowings	**(128.6)**	(133.2)	(135.3)
Net funding	**(962.3)**	(971.3)	195.6

The Group's net funding position has improved since February 2017, with strong working capital management mitigating the impact of cash outflows in respect of VSP compensation payments and shares purchased in respect of employee share incentive schemes.

In addition, the Group invested a further R778.1 million in capital, and paid dividends of R705.5 million to shareholders (up 15.7% year-on-year). The Group remains cash generative, with cash generated from operations up 13.9% to R1.9 billion, notwithstanding the impact of the VSP. The Group's liquidity position remains strong, with 25% of available borrowing facilities utilised at period end. The Group is confident of its ability to meet its capital expenditure requirements through internal cash generation and cost-effective short-term borrowings.

CAPITAL INVESTMENT

The Group invested R778.1 million in capital improvements, 80% of this investment is focused on its store opening and refurbishment programme with the objective to improve the customer experience.

Shareholder distribution

The Board declared an interim dividend of 33.40 cents per share, up 11.7% on last year in line with the growth in normalised headline earnings per share.

The right plan for tougher times

This year is a notable one for Pick n Pay, celebrating the 50th anniversary of its founding by Raymond Ackerman. It is also the year that Pick n Pay has been named the most trusted retailer in South Africa as voted for by consumers.

The Group has articulated and pursued a clear and consistent turnaround plan since 2013. Its key objective is to deliver profit and turnover growth by reducing costs and investing in the value and quality of the customer offer. The recent downturn in the economy has underlined the relevance of this plan, and the importance of its successful delivery.

The Group has taken a series of determined steps in the first half of this financial year to accelerate delivery of its plan, and in doing so has strengthened its business to succeed in tougher times. In particular, it has substantively lowered its costs to enable it to deliver lower prices and better value for customers in a firmly price-driven market. These steps have had some impact on turnover in the period. However, the Group has delivered its ninth consecutive period of profit growth, and is more firmly and confidently positioned for future success.

Gareth Ackerman
Chairman

Richard Brasher
Chief Executive Officer

16 October 2017

APPENDIX TO THE REVIEW OF OPERATIONS

Summary of non-recurring items

The table below presents the profit for the current and previous periods on a normalised basis, excluding all non-recurring items, as detailed overleaf:

	Normalised Unaudited 26 weeks to 27 August 2017 Rm	% of turnover	% change	Normalised Unaudited 26 weeks to 28 August 2016 Rm	% of turnover
Revenue	**39 999.1**		**5.5**	37 925.5	
Turnover	**39 271.1**		**5.1**	37 357.1	
Cost of merchandise sold	**(32 300.1)**		**5.3**	(30 686.3)	
Gross profit	**6 971.0**	**17.8**	**4.5**	6 670.8	17.9
Other trading income	**631.3**	**1.6**	**24.2**	508.1	1.4
Franchise fee income	**202.5**	**0.5**	**14.3**	177.2	0.5
Operating lease income	**211.8**	**0.5**	**25.5**	168.8	0.5
Commissions, dividends received and other income	**217.0**	**0.6**	**33.9**	162.1	0.4
Trading expenses	**(6 960.8)**	**17.7**	**5.1**	(6 624.8)	17.7
Employee costs	**(3 267.5)**	**8.3**	**1.9**	(3 205.9)	8.6
Occupancy	**(1 502.1)**	**3.8**	**15.3**	(1 302.3)	3.5
Operations	**(1 578.1)**	**4.0**	**4.2**	(1 513.8)	4.1
Merchandising and administration	**(613.1)**	**1.6**	**1.7**	(602.8)	1.6
Trading profit	**641.5**	**1.6**	**15.8**	554.1	1.5
Finance income	**96.7**	**0.2**	**60.4**	60.3	0.2
Finance costs	**(167.3)**	**0.4**	**76.7**	(94.7)	0.3
Share of associate's income	**40.0**	**0.1**	**40.4**	28.5	0.1
Profit before tax before capital items	**610.9**	**1.6**	**11.4**	548.2	1.5
Losses on capital items	**(5.7)**			(20.1)	
Loss on sale of property, plant and equipment	**(4.3)**			(6.2)	
Impairment loss on property, plant and equipment	**(1.4)**			–	
Impairment loss on available-for-sale financial instruments	**–**			(13.9)	
Profit before tax	**605.2**	**1.5**	**14.6**	528.1	1.4
Tax	**(166.4)**	**0.4**	**13.7**	(146.3)	0.4
Profit for the period	**438.8**	**1.1**	**14.9**	381.8	1.0

	Cents		Cents
Normalised			
Basic earnings per share	**91.14**	**15.8**	78.69
Diluted earnings per share	**89.52**	**17.4**	76.24
Headline earnings per share	**91.99**	**11.6**	82.43
Diluted headline earnings per share	**90.36**	**13.1**	79.87

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 period. The transaction did not have an impact on trading profit or headline earnings, however, there were material non-recurring items in certain individual categories of income and expense, as detailed below:

Other trading income – included a dividend in specie of R412.3 million, representing the value of the Pick n Pay Stores Limited shares (now held as treasury shares) received by the Group on the unbundling of Pick n Pay Holdings Limited RF.

Employee costs – the Group operates an employee share incentive scheme where eligible employees were granted share 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 general meeting held on 25 July 2016. Employee costs included 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.

Merchandising and administration costs – included a net fair value loss of R206.5 million in respect of the Group's investment in Pick n Pay Holdings Limited RF. The 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.

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

THE VOLUNTARY SEVERANCE PROGRAMME ("VSP")

The Group's voluntary severance programme is reflected in the interim 2018 financial period. Employee compensation costs as a result of the VSP, net of the related recoveries during the period, amounted to R200.0 million, before tax, which has been reflected in trading expenses, as a part of employee costs. These costs are expected to be fully recovered by the end of the financial year. The VSP tax effect was calculated at the Group's effective tax rate for the reporting period.

Summary of non-recurring items continued

The table below details the impact of the non-recurring items on the current and previous reporting periods:

Unaudited	As reported 26 weeks to 27 August 2017 Rm	Non-recurring items 26 weeks to 27 August 2017 Rm	Normalised 26 weeks to 27 August 2017 Rm	As reported 26 weeks to 28 August 2016 Rm	Non-recurring items 26 weeks to 28 August 2016 Rm	Normalised 26 weeks to 28 August 2016 Rm
Revenue	**39 999.1**	**–**	**39 999.1**	38 337.8	(412.3)	37 925.5
Turnover	**39 271.1**	**–**	**39 271.1**	37 357.1	–	37 357.1
Cost of merchandise sold	**(32 300.1)**	**–**	**(32 300.1)**	(30 686.3)	–	(30 686.3)
Gross profit	**6 971.0**	**–**	**6 971.0**	6 670.8	–	6 670.8
Other trading income	**631.3**	**–**	**631.3**	920.4	(412.3)	508.1
Dividend income in specie	**–**	**–**	**–**	412.3	(412.3)	–
Franchise fee income	**202.5**	**–**	**202.5**	177.2	–	177.2
Operating lease income	**211.8**	**–**	**211.8**	168.8	–	168.8
Commissions, dividends received and other income	**217.0**	**–**	**217.0**	162.1	–	162.1
Trading expenses	**(7 160.8)**	**200.0**	**(6 960.8)**	(7 037.1)	412.3	(6 624.8)
Employee costs	**(3 467.5)**	**200.0**	**(3 267.5)**	(3 411.7)	205.8	(3 205.9)
Occupancy	**(1 502.1)**	**–**	**(1 502.1)**	(1 302.3)	–	(1 302.3)
Operations	**(1 578.1)**	**–**	**(1 578.1)**	(1 513.8)	–	(1 513.8)
Merchandising and administration	**(613.1)**	**–**	**(613.1)**	(809.3)	206.5	(602.8)
Trading profit	**441.5**	**200.0**	**641.5**	554.1	–	554.1
Finance income	**96.7**	**–**	**96.7**	60.3	–	60.3
Finance costs	**(167.3)**	**–**	**(167.3)**	(94.7)	–	(94.7)
Share of associate's income	**40.0**	**–**	**40.0**	28.5	–	28.5
Profit before tax before capital items	**410.9**	**200.0**	**610.9**	548.2	–	548.2
Losses on capital items	**(5.7)**	**–**	**(5.7)**	(20.1)	–	(20.1)
Loss on sale of property, plant and equipment	**(4.3)**	**–**	**(4.3)**	(6.2)	–	(6.2)
Impairment loss on property, plant and equipment	**(1.4)**	**–**	**(1.4)**	–	–	–
Impairment loss on available-for-sale financial instruments	**–**	**–**	**–**	(13.9)	–	(13.9)
Profit before tax	**405.2**	**200.0**	**605.2**	528.1	–	528.1
Tax	**(111.4)**	**(55.0)**	**(166.4)**	(146.3)	–	(146.3)
Profit for the period	**293.8**	**145.0**	**438.8**	381.8	–	381.8
Earnings per share	**Cents**	**Cents**	**Cents**	**Cents**	**Cents**	**Cents**
Basic	**61.03**	**30.11**	**91.14**	78.69	–	78.69
Diluted	**59.94**	**29.58**	**89.52**	76.24	–	76.24
Headline	**61.88**	**30.11**	**91.99**	82.43	–	82.43
Diluted headline	**60.78**	**29.58**	**90.36**	79.87	–	79.87

Pro forma information

Certain financial information presented in these consolidated interim financial results constitutes pro forma financial information. The pro forma financial information is the responsibility of the Board of directors of the Company and is presented for illustrative purposes only. Because of its nature, the pro forma financial information may not fairly present the Group's financial position, changes in equity, result of operations or cash flows. This information has not been reviewed and reported on by the Group's auditors.

PRO FORMA CONSTANT CURRENCY DISCLOSURES

The Group discloses constant currency information in order to report on the Group's Rest of Africa segmental revenue results, excluding the impact of foreign currency fluctuations. The segmental revenue growth in constant currency is calculated by translating the prior year local currency segmental revenue at the current year average exchange rates on a country-by-country basis and then comparing that against the current year segmental revenue translated at the current year average exchange rates. The major currencies that are contributing to the exchange rate movements is the Zambian kwacha and the Botswana pula.

August 2017	**% increase reported currency**	**% increase constant currency**
Rest of Africa segmental revenue	12.6	14.3
Group turnover	5.1	5.2

Additional information

LIKE-FOR-LIKE TURNOVER GROWTH COMPARISONS

Like-for-like turnover growth is a measure of the Group's comparable turnover growth, removing the impact of store openings and closures in the current or previous reporting periods.

Gareth Ackerman
Chairman

Richard Brasher
Chief Executive Officer

16 October 2017

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 99) of 33.40 cents per share out of income reserves.

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

The tax payable is 6.68000 cents per share, resulting in shareholders who are not exempt from dividends tax with a net dividend of 26.72000 cents per share.

DIVIDEND DATES

The last day of trade in order to participate in the dividend (CUM dividend) will be Tuesday, 5 December 2017.

The shares will trade EX dividend from the commencement of business on Wednesday, 6 December 2017 and the record date will be Friday, 8 December 2017. The dividends will be paid on Monday, 11 December 2017.

Share certificates may not be dematerialised or rematerialised between Wednesday, 6 December 2017 and Friday, 8 December 2017, both dates inclusive.

On behalf of the Board of directors

Debra Muller
Company Secretary

16 October 2017

GROUP STATEMENT OF COMPREHENSIVE INCOME
for the period ended

	Notes	Unaudited 26 weeks to 27 August 2017 Rm	Unaudited 26 weeks to 28 August 2016 Rm	Audited 52 weeks to 26 February 2017 Rm
Revenue	2	**39 999.1**	38 337.8	79 117.8
Turnover	2	**39 271.1**	37 357.1	77 486.1
Cost of merchandise sold		**(32 300.1)**	(30 686.3)	(63 549.4)
Gross profit		**6 971.0**	6 670.8	13 936.7
Other trading income	2	**631.3**	920.4	1 505.6
Trading expenses		**(7 160.8)**	(7 037.1)	(13 668.5)
Employee costs		**(3 467.5)**	(3 411.7)	(6 619.8)
Occupancy		**(1 502.1)**	(1 302.3)	(2 678.9)
Operations		**(1 578.1)**	(1 513.8)	(2 961.7)
Merchandising and administration		**(613.1)**	(809.3)	(1 408.1)
Trading profit		**441.5**	554.1	1 773.8
Finance income	2	**96.7**	60.3	126.1
Finance costs		**(167.3)**	(94.7)	(218.6)
Share of associate's income		**40.0**	28.5	80.2
Profit before tax before capital items		**410.9**	548.2	1 761.5
Losses on capital items		**(5.7)**	(20.1)	(46.3)
Loss on sale of property, plant and equipment		**(4.3)**	(6.2)	(20.4)
Impairment loss on property, plant and equipment		**(1.4)**	–	(5.9)
Impairment loss on intangible assets		**–**	–	(6.1)
Impairment loss on available-for-sale financial instruments		**–**	(13.9)	(13.9)
Profit before tax		**405.2**	528.1	1 715.2
Tax		**(111.4)**	(146.3)	(471.7)
Profit for the period		**293.8**	381.8	1 243.5
Other comprehensive income, net of tax				
Items that will not be reclassified to profit or loss		**0.3**	2.4	1.5
Remeasurement in retirement scheme assets		**0.3**	3.3	2.1
Tax on remeasurement in retirement scheme assets		**–**	(0.9)	(0.6)
Items that may be reclassified to profit or loss		**4.7**	(64.1)	(96.9)
Foreign currency translations		**4.7**	(31.6)	(64.4)
Fair value loss on available-for-sale financial instruments		**–**	(32.5)	(32.5)
Total comprehensive income for the period		**298.8**	320.1	1 148.1

	Notes	Cents	Cents	Cents
Earnings per share				
Basic earnings per share	3	**61.03**	78.69	256.67
Diluted earnings per share	3	**59.94**	76.24	250.20
Headline earnings per share	3	**61.88**	82.43	264.35
Diluted headline earnings per share	3	**60.78**	79.87	257.69
Normalised earnings per share				
Basic earnings per share	3	**91.14**	78.69	256.67
Diluted earnings per share	3	**89.52**	76.24	250.20
Headline earnings per share	3	**91.99**	82.43	264.35
Diluted headline earnings per share	3	**90.36**	79.87	257.69

GROUP STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited As at 27 August 2017 Rm**	**Unaudited As at 28 August 2016 Rm**	**Audited As at 26 February 2017 Rm**
ASSETS				
Non-current assets				
Property, plant and equipment		**5 802.2**	5 242.3	5 583.6
Intangible assets		**991.3**	965.1	984.3
Operating lease assets		**212.9**	183.7	198.3
Financial instruments at fair value through profit or loss		**18.8**	23.4	13.7
Investment in associate		**333.3**	286.3	309.7
Participation in export partnerships		**–**	14.1	–
Loans		**89.3**	101.6	85.1
Retirement scheme assets		**96.7**	92.7	95.3
Deferred tax assets		**218.1**	220.1	218.0
		7 762.6	7 129.3	7 488.0
Current assets				
Inventory		**5 992.0**	5 647.1	5 994.6
Trade and other receivables		**3 556.0**	3 257.6	3 445.1
Cash and cash equivalents		**966.3**	1 080.9	961.9
		10 514.3	9 985.6	10 401.6
Non-current asset held for sale		**212.8**	–	212.8
Total assets		**18 489.7**	17 114.9	18 102.4
EQUITY AND LIABILITIES				
Equity				
Share capital	4	**6.0**	6.0	6.0
Treasury shares	5	**(839.2)**	(516.2)	(554.3)
Retained earnings		**4 295.5**	3 977.5	4 652.1
Foreign currency translation reserve		**(19.8)**	8.3	(24.5)
Total equity		**3 442.5**	3 475.6	4 079.3
Non-current liabilities				
Borrowings		**80.9**	87.5	84.0
Operating lease liabilities		**1 488.9**	1 302.4	1 398.6
Deferred tax liabilities		**15.9**	9.9	14.6
		1 585.7	1 399.8	1 497.2
Current liabilities				
Trade and other payables		**11 384.7**	11 368.2	10 490.2
Bank overdraft and overnight borrowings		**1 800.0**	750.0	1 800.0
Borrowings		**47.7**	47.8	49.2
Current tax liabilities		**227.6**	70.0	174.8
Derivative financial instruments		**1.5**	3.5	11.7
		13 461.5	12 239.5	12 525.9
Total equity and liabilities		**18 489.7**	17 114.9	18 102.4
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	3.2	**478 623.8**	478 738.5	482 237.5
Diluted weighted average number of ordinary shares in issue – thousands	3.2	**487 283.9**	494 112.9	494 709.6
Net asset value – cents per share (property value based on directors' valuation)		**829.8**	828.3	979.5

GROUP STATEMENT OF CHANGES IN EQUITY

for the period ended

Unaudited	Notes	Share capital Rm	Treasury shares Rm	Fair value reserve Rm	Retained earnings Rm	Foreign currency translation reserve Rm	Total equity Rm
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
Remeasurement in retirement scheme assets		–	–	–	2.4	–	2.4
Foreign currency translations		–	–	–	–	(31.6)	(31.6)
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
Total comprehensive income for the period		–	–	–	860.8	(32.8)	828.0
Profit for the period		–	–	–	861.7	–	861.7
Remeasurement in retirement scheme assets		–	–	–	(0.9)	–	(0.9)
Foreign currency translations		–	–	–	–	(32.8)	(32.8)
Transactions with owners		–	(38.1)	–	(186.2)	–	(224.3)
Dividends paid		–	–	–	(143.8)	–	(143.8)
Share purchases		–	(159.9)	–	–	–	(159.9)
Net effect of settlement of employee share options		–	121.8	–	(156.0)	–	(34.2)
Share-based payments expense		–	–	–	113.6	–	113.6
At 26 February 2017		**6.0**	**(554.3)**	**–**	**4 652.1**	**(24.5)**	**4 079.3**
Total comprehensive income for the period		**–**	**–**	**–**	**294.1**	**4.7**	**298.8**
Profit for the period		**–**	**–**	**–**	**293.8**	**–**	**293.8**
Foreign currency translations		**–**	**–**	**–**	**–**	**4.7**	**4.7**
Remeasurement in retirement scheme assets		**–**	**–**	**–**	**0.3**	**–**	**0.3**
Transactions with owners		**–**	**(284.9)**	**–**	**(650.7)**	**–**	**(935.6)**
Dividends paid		**–**	**–**	**–**	**(705.5)**	**–**	**(705.5)**
Share purchases		**–**	**(332.9)**	**–**	**–**	**–**	**(332.9)**
Net effect of settlement of employee share options		**–**	**48.0**	**–**	**(47.0)**	**–**	**1.0**
Share-based payments expense		**–**	**–**	**–**	**101.8**	**–**	**101.8**
At 27 August 2017		**6.0**	**(839.2)**	**–**	**4 295.5**	**(19.8)**	**3 442.5**

GROUP STATEMENT OF CASH FLOWS
for the period ended

	Note	Unaudited 26 weeks to 27 August 2017 Rm	Unaudited 26 weeks to 28 August 2016 Rm	Audited 52 weeks to 26 February 2017 Rm
Cash flows from operating activities				
Trading profit		**441.5**	554.1	1 773.8
Adjusted for dividend income		**–**	–	(18.0)
Adjusted for non-cash items		**696.6**	668.6	1 356.7
Depreciation and amortisation		**534.4**	506.5	981.5
Equity-settled share-based payment expense		**101.8**	423.6	537.2
Cash-settled share-based payment expense		**–**	(124.6)	(124.6)
Movement in net operating lease liabilities		**75.7**	50.7	132.3
Movement in provisions		**–**	(0.2)	(0.2)
Fair value (gain)/loss on financial instruments at fair value through profit or loss		**(15.3)**	224.9	242.8
Dividend in specie received upon unbundling	7	**–**	(412.3)	(412.3)
Cash generated before movements in working capital		**1 138.1**	1 222.7	3 112.5
Movements in working capital		**790.2**	443.4	(986.3)
Movements in trade and other payables		**894.5**	867.6	(28.1)
Movements in inventory		**6.6**	(492.8)	(839.3)
Movements in trade and other receivables		**(110.9)**	68.6	(118.9)
Cash generated from trading activities		**1 928.3**	1 666.1	2 126.2
Interest received		**96.7**	60.3	126.1
Interest paid		**(167.3)**	(94.7)	(218.6)
Cash generated from operations		**1 857.7**	1 631.7	2 033.7
Dividends received		**–**	–	18.0
Dividends paid		**(705.5)**	(609.7)	(753.5)
Tax paid		**(58.7)**	(215.0)	(469.2)
Cash generated from operating activities		**1 093.5**	807.0	829.0
Cash flows from investing activities				
Investment in intangible assets		**(39.6)**	(39.7)	(134.0)
Investment in property, plant and equipment		**(671.5)**	(729.1)	(1 736.0)
Investment in financial instruments at fair value		**–**	(6.7)	(6.7)
Purchase of operations		**(71.0)**	(9.3)	1.8
Proceeds on disposal of property, plant and equipment		**26.9**	16.9	49.8
Loans (advanced)/repaid		**(4.2)**	(5.2)	11.3
Participation in export partnership		**–**	–	14.1
Retirement obligation		**(1.1)**	0.5	(2.4)
Cash utilised in investing activities		**(760.5)**	(772.6)	(1 802.1)
Cash flows from financing activities				
Borrowings raised		**22.2**	10.9	48.7
Repayment of borrowings		**(26.8)**	(405.2)	(445.1)
Share purchases		**(332.9)**	(185.5)	(345.4)
Proceeds from employees on settlement of share options		**1.0**	1.3	8.0
Cash utilised in financing activities		**(336.5)**	(578.5)	(733.8)
Net decrease in cash and cash equivalents		**(3.5)**	(544.1)	(1 706.9)
Net cash and cash equivalents at beginning of period		**(838.1)**	882.9	882.9
Foreign currency translations		**7.9**	(7.9)	(14.1)
Net cash and cash equivalents at end of period		**(833.7)**	330.9	(838.1)
Consisting of:				
Cash and cash equivalents		**966.3**	1 080.9	961.9
Bank overdraft and overnight borrowings		**(1 800.0)**	(750.0)	(1 800.0)

NOTES TO THE FINANCIAL INFORMATION
for the period ended 27 August 2017

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), 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 consolidated 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 26 February 2017. These consolidated interim financial statements have been prepared by the Finance Division under the supervision of the Chief Finance Officer, Mr Bakar Jakoet CA(SA), and have not been audited or reviewed by the Group's external auditors, Ernst & Young Inc.

Normalised basic and headline earnings exclude the once-off net cost of the voluntary severance programme ("VSP"). Please refer to note 3 for further detail regarding the VSP. We believe normalised basic and headline earnings is a useful measure of the Group's sustainable and comparable trading performance. However, this is not a defined term under IFRS and may not be comparable with similarly titled measures reported by other companies.

2. REVENUE

	Unaudited 26 weeks to 27 August 2017 Rm	Unaudited 26 weeks to 28 August 2016 Rm	Audited 52 weeks to 26 February 2017 Rm
Turnover	**39 271.1**	37 357.1	77 486.1
Finance income	**96.7**	60.3	126.1
Bank balances and investments	**70.3**	40.5	81.4
Trade and other receivables	**25.0**	17.8	40.3
Staff loans and other	**1.4**	2.0	4.4
Other trading income	**631.3**	920.4	1 505.6
Dividend in specie received upon unbundling (note 7)	**–**	412.3	412.3
Franchise fee income	**202.5**	177.2	349.8
Operating lease income	**211.8**	168.8	345.3
Commissions, dividends received and other income	**217.0**	162.1	398.2
Revenue	**39 999.1**	38 337.8	79 117.8

3. BASIC, HEADLINE AND DILUTED EARNINGS PER SHARE

	% change	Unaudited 26 weeks to 27 August 2017 Cents	Unaudited 26 weeks to 28 August 2016 Cents	Audited 52 weeks to 26 February 2017 Cents
Earnings per share				
Basic earnings per share	(22.4)	**61.03**	78.69	256.67
Diluted earnings per share	(21.4)	**59.94**	76.24	250.20
Headline earnings per share	(24.9)	**61.88**	82.43	264.35
Diluted headline earnings per share	(23.9)	**60.78**	79.87	257.69
Normalised earnings per share*				
Basic earnings per share	15.8	**91.14**	78.69	256.67
Diluted earnings per share	17.4	**89.52**	76.24	250.20
Headline earnings per share	11.6	**91.99**	82.43	264.35
Diluted headline earnings per share	13.1	**90.36**	79.87	257.69

	Rm	Rm	Rm
3.1 Basic and headline earnings			
Reconciliation between basic and headline earnings:			
Profit for the period	**293.8**	381.8	1 243.5
Profit attributable to forfeitable share plan shares	**(1.7)**	(5.1)	(5.7)
Basic earnings for the period	**292.1**	376.7	1 237.8
Adjustments:	**4.1**	18.3	37.2
Loss on sale of property, plant and equipment	**4.3**	6.2	20.4
Tax effect of loss on sale of property, plant and equipment	**(1.2)**	(1.8)	(5.7)
Impairment loss on property, plant and equipment	**1.4**	–	5.9
Tax effect of impairment loss on property, plant and equipment	**(0.4)**	–	(1.7)
Impairment loss on intangible assets	**–**	–	6.1
Tax effect of impairment loss on intangible assets	**–**	–	(1.7)
Impairment loss on available-for-sale financial instruments	**–**	13.9	13.9
Adjustments attributable to forfeitable share plan shares	**–**	(0.4)	(0.2)
Headline earnings for the period	**296.2**	394.6	1 274.8
Adjusted for the once-off impact of voluntary severance programme*:	**144.1**	–	–
Profit before tax – net employee costs	**200.0**	–	–
Tax effect calculated at the Group's effective tax rate	**(55.0)**	–	–
Related profit attributable to forfeitable share plan shares	**(0.9)**	–	–
Normalised headline earnings for the period*	**440.3**	394.6	1 274.8

**During the period under review the Group embarked on a voluntary severance programme ("VSP"), through which employees were offered 1.5 weeks of pay per completed year of service, plus four weeks of notice pay. The full cost of the VSP is recorded in this result, offset only in part by the related savings during the reporting period. The cost of the VSP will be fully recovered by the end of the financial year through resulting savings in employee costs. Normalised basic and headline earnings is calculated by excluding the once-off net cost of the VSP. The once-off impact as presented is the same for both basic and headline earnings.*

3. BASIC, HEADLINE AND DILUTED EARNINGS PER SHARE continued

	Unaudited 26 weeks to 27 August 2017 000's	Unaudited 26 weeks to 28 August 2016 000's	Audited 52 weeks to 26 February 2017 000's
3.2 Number of ordinary shares			
Number of ordinary shares in issue (note 4.1)	**488 450.3**	488 450.3	488 450.3
Weighted average number of ordinary shares in issue (excluding treasury shares)	**478 623.8**	478 738.5	482 237.5
Diluted weighted average number of ordinary shares in issue	**487 283.9**	494 112.9	494 709.6
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)	**478 623.8**	478 738.5	482 237.5
Dilutive effect of share options	**8 660.1**	15 374.4	12 472.1
Diluted weighted average number of ordinary shares in issue	**487 283.9**	494 112.9	494 709.6

The outstanding forfeitable shares, granted in terms of the employee share scheme, that have not met the performance hurdles, had no dilutive impact on the weighted average number of shares for the current and prior period.

4. SHARE CAPITAL

	Unaudited 26 weeks to 27 August 2017 Rm	Unaudited 26 weeks to 28 August 2016 Rm	Audited 52 weeks to 26 February 2017 Rm
4.1 Ordinary share capital			
Authorised			
800 000 000 (2016: 800 000 000) ordinary shares of 1.25 cents each	**10.0**	10.0	10.0
Issued			
488 450 321 (2016: 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	**10 819.3**	5 833.5	6 531.8
Shares held under the forfeitable share plan	**2 881.0**	9 490.0	9 336.5
Shares held outside the Group	**474 750.0**	473 126.8	472 582.0
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 or 24 422 516 (2016: 24 422 516) shares. To date 10 743 000 (2016: 10 743 000) shares have been issued, resulting in 13 679 516 (2016: 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.

	Rm	Rm	Rm
4.2 B share capital			
Authorised			
1 000 000 000 (2016: 1 000 000 000) unlisted, non-convertible, non-participating, no par value B shares	**–**	–	–
Issued			
259 682 869 (2016: 259 682 869) unlisted non-convertible, non-participating, no par value B shares	**–**	–	–

B shares are stapled to certain ordinary shares and cannot be traded separately from each other. Stapled ordinary shares, together with B shares, are subject to restrictions upon disposal. Refer to note 7 for further detail.

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 27 August 2017 Rm	Unaudited 26 weeks to 28 August 2016 Rm	Audited 52 weeks to 26 February 2017 Rm
At beginning of period	**554.3**	63.5	63.5
Share purchases	**332.9**	185.5	345.4
Take-up of share options by employees	**(48.0)**	(145.1)	(266.9)
Shares received upon unbundling (note 7)	**–**	412.3	412.3
Shares delivered to forfeitable share plan participants	**–**	–	–
At end of period	**839.2**	516.2	554.3

	000's	000's	000's
The movement in the number of treasury shares is as follows:			
At beginning of period	**15 868.3**	9 675.4	9 675.4
Shares purchased during the period	**5 429.4**	2 367.4	4 332.7
Shares sold during the period pursuant to the take-up of share options by employees	**(1 232.4)**	(2 136.2)	(4 016.5)
Shares delivered to forfeitable share plan participants	**(6 365.0)**	–	–
Shares allocated under forfeitable share plan	**–**	–	1 417.0
Shares received upon unbundling (note 7)	**–**	5 416.9	4 459.7
At end of period	**13 700.3**	15 323.5	15 868.3
Comprises of:			
Shares allocated under forfeitable share plan	**2 881.0**	9 490.0	9 336.5
Shares held by the Group	**10 819.3**	5 833.5	6 531.8

6. OPERATING SEGMENTS

Unaudited	South Africa Rm	Rest of Africa Rm	Total operations Rm
26 weeks to 27 August 2017			
Total segment revenue	**38 106.4**	**2 303.3**	**40 409.7**
External revenue	**38 106.4**	**1 892.7**	**39 999.1**
Direct deliveries*	**–**	**410.6**	**410.6**
Segment external turnover	**37 398.6**	**1 872.5**	**39 271.1**
Profit before tax**	**278.4**	**126.8**	**405.2**
Other information			
Statement of comprehensive income			
Finance income	**93.7**	**3.0**	**96.7**
Finance costs	**167.3**	**–**	**167.3**
Depreciation and amortisation	**512.5**	**21.9**	**534.4**
Impairment loss on property, plant and equipment	**1.4**	**–**	**1.4**
Share of associate's income	**–**	**40.0**	**40.0**
Statement of financial position			
Total assets	**16 652.5**	**1 837.2**	**18 489.7**
Total liabilities	**14 579.1**	**468.1**	**15 047.2**
Investment in associate	**–**	**333.3**	**333.3**
Additions to non-current assets	**755.2**	**22.9**	**778.1**
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
Investment in associate	–	286.3	286.3
Additions to non-current assets	746.6	29.2	775.8

* *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 (a 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 previous 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 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. The 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 4.2). These shares were issued to the existing controlling shareholders of Pick n Pay Holdings Limited RF so as to retain the control structure of the Group as before the unbundling.

Related parties are unchanged from those reported at 26 February 2017. For further information please refer to note 27 of the 2017 audited Group annual financial statements and note 8 of the 2017 audited 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 and financial instruments at fair value through profit or loss, as set out below:

	Unaudited 26 weeks to 27 August 2017 Rm	**Unaudited 26 weeks to 28 August 2016 Rm**	**Audited 52 weeks to 26 February 2017 Rm**
Derivative financial instruments – liabilities			
Forward exchange contracts – level 2	**1.5**	3.5	11.7
Financial instruments at fair value through profit of loss			
Investment in Guardrisk Insurance Company Limited – level 2	**18.8**	23.4	13.7

The fair value of financial instruments that are not traded in active markets are 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 period.

9. COMMITMENTS

	Unaudited 26 weeks to 27 August 2017 Rm	Unaudited 26 weeks to 28 August 2016 Rm	Audited 52 weeks to 26 February 2017 Rm
Authorised capital expenditure			
Contracted for	**752.4**	1 112.3	275.1
Property	**8.3**	28.6	26.5
Furniture, fittings, equipment and vehicles	**712.0**	1 018.6	230.1
Intangible assets	**32.1**	65.1	18.5
Not contracted for	**62.6**	75.2	1 524.9
Property	**–**	–	30.4
Furniture, fittings, equipment and vehicles	**60.7**	60.7	1 404.9
Intangible assets	**1.9**	14.5	89.6
Total commitments	**815.0**	1 187.5	1 800.0

NUMBER OF STORES

COMPANY-OWNED	26 February 2017	Opened	Closed	Converted openings	Converted closures	27 August 2017
Pick n Pay	**661**	**27**	**(4)**	**4**	**(1)**	**687**
Hypermarkets	20	–	–	–	–	**20**
Supermarkets	237	5	(1)	1	(1)	**241**
Local	31	3	–	1	–	**35**
Clothing	156	13	(2)	–	–	**167**
Liquor	214	6	(1)	2	–	**221**
Pharmacy	3	–	–	–	–	**3**
Boxer	**229**	**13**	**(1)**	**–**	**–**	**241**
Superstores	144	7	(1)	–	–	**150**
Build	31	–	–	–	–	**31**
Liquor	34	6	–	–	–	**40**
Punch	20	–	–	–	–	**20**
Total company-owned	**890**	**40**	**(5)**	**4**	**(1)**	**928**
FRANCHISE						
Pick n Pay						
Supermarkets	**299**	**2**	**(5)**	**1**	**(2)**	**295**
Family	279	2	(5)	1	(2)	**275**
Mini-markets	19	–	–	–	–	**19**
Daily	1	–	–	–	–	**1**
Spaza	6	–	–	–	–	**6**
Express	111	4	–	–	–	**115**
Clothing	17	–	–	–	–	**17**
Liquor	181	17	–	–	(2)	**196**
Total franchise	**614**	**23**	**(5)**	**1**	**(4)**	**629**
Total Group stores	**1 504**	**63**	**(10)**	**5**	**(5)**	**1 557**
TM Supermarkets	**56**	**–**	**–**	**–**	**–**	**56**
Total with TM Supermarkets	**1 560**	**63**	**(10)**	**5**	**(5)**	**1 613**
AFRICAN FOOTPRINT – included in total stores above	**140**	**4**	**(2)**	**–**	**–**	**142**
Pick n Pay company-owned	17	–	–	–	–	**17**
Boxer company-owned	5	2	–	–	–	**7**
Pick n Pay franchise	62	2	(2)	–	–	**62**
TM Supermarkets – associate	56	–	–	–	–	**56**
AFRICAN FOOTPRINT – by country	**140**	**4**	**(2)**	**–**	**–**	**142**
Botswana	12	–	–	–	–	**12**
Lesotho	3	–	–	–	–	**3**
Namibia	38	1	(2)	–	–	**37**
Swaziland	14	3	–	–	–	**17**
Zambia	17	–	–	–	–	**17**
Zimbabwe	56	–	–	–	–	**56**

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
Alex Mathole
Audrey Mothupi
David Friedland
Jeff van Rooyen
Hugh Herman
Lorato Phalatse

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Edward Nathan Sonnenberg

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