Pick n Pay

REVIEWED PRELIMINARY CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 MARCH 2020

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KEY METRICS

Comparable Turnover*

+4.7%

R89.2 billion

2019: R85.2 billion

Comparable PBT – South Africa*

+15.2%

R1 780.6 million

2019: R1 545.2 million

Comparable HEPS*

-0.6%

278.81 cents

2019: 280.60 cents*

* *Presented on a comparable basis. Refer to the result summary for more information.*

FEEDING THE NATION IN CHALLENGING TIMES: COVID-19 UPDATE AND FY20 FINANCIAL RESULTS

KEY FINANCIAL INDICATORS	52 weeks to 1 March 2020	53 weeks to 3 March 2019*	Pro forma 52 weeks to 24 February 2019*	Pro forma % change
Turnover – comparable#	**R89.2 billion**	R87.2 billion	**R85.2 billion**	**4.7**
Turnover – reported#	**R89.3 billion**	R88.3 billion	**R86.3 billion**	**3.5**
Gross profit margin	**19.7%**	19.1%	**19.1%**	
Trading profit	**R3 148.0 million**	R3 054.9 million	**R2 915.9 million**	**8.0**
Trading profit margin	**3.5%**	3.5%	**3.4%**	
Comparable profit before tax and capital items (Comparable PBT)**	**R1 870.7 million**	R1 883.0 million	**R1 756.4 million**	**6.5**
Comparable PBT margin	**2.1%**	2.1%	**2.0%**	
Comparable PBT – South Africa	**R1 780.6 million**	R1 658.8 million	**R1 545.2 million**	**15.2**
Comparable PBT margin – South Africa	**2.1%**	2.0%	**1.9%**	
Profit for the period, after tax	**R1 194.7 million**	R1 444.6 million	**R1 349.7 million**	**(11.5)**
Reported HEPS♦	**287.89 cents**	300.58 cents	**280.60 cents**	**2.6**
Reported diluted HEPS (DHEPS)♦	**286.39 cents**	296.83 cents	**277.11 cents**	**3.3**
Comparable HEPS♦	**278.81 cents**	300.58 cents	**280.60 cents**	**(0.6)**
Comparable DHEPS♦	**277.36 cents**	296.83 cents	**277.11 cents**	**0.1**

* *IFRS 16 Restatement – the financial information presented for the prior period is on a restated basis, with the full retrospective adoption of IFRS 16 Leases (IFRS 16). Refer to note 15 of the reviewed preliminary condensed consolidated annual financial statements for further information.*

\# *Comparable Turnover – following a strategic change in arrangements with cellular airtime and data providers this year, the Group now only transacts airtime and data on an agency basis. Relevant sales and related purchases previously recognised on a gross basis within turnover and cost of sales are now recognised on a net basis within other income. Comparable Turnover information is provided, with relevant airtime and data sales excluded, to allow for an accurate assessment of year-on-year performance. Refer to Appendix 2 for further information.*

** *Comparable Profit before Tax and Capital Items (Comparable PBT) – excludes a net monetary hyperinflation gain recognised in the current year in respect of the Group's investment in its associate, TM Supermarkets in Zimbabwe, under the requirements of IAS 29 Financial Reporting in Hyperinflationary Economies (IAS 29). Comparable PBT therefore excludes the impact of hyperinflation accounting.*

♦ *Reported Headline Earnings (HEPS) and Reported Diluted Headline Earnings per share (DHEPS) include a net monetary hyperinflation gain recognised in the current year in respect of the Group's investment in its associate, TM Supermarkets in Zimbabwe, under the requirements of IAS 29 Financial Reporting in Hyperinflationary Economies (IAS 29). Comparable Headline Earnings and Comparable Diluted Headline Earnings per share exclude the impact of hyperinflation accounting. Refer to our "Review of Financial Performance" and the appendices provided for further information.*

INTRODUCTION

The Pick n Pay Group is publishing its FY20 financial results in the unprecedented circumstances of the COVID-19 pandemic, with the country operating under a National State of Disaster and subject to an extended nationwide lockdown.

We embrace our responsibility to help feed the nation as an essential service provider. Our Pick n Pay and Boxer teams are working tirelessly with our suppliers and partners to maintain an effective supply chain and to ensure our stores are well-stocked with food and groceries. In fulfilling this role, the safety and well-being of our colleagues and customers is our top priority. True to our values, we have also provided over 5 million meals to the most vulnerable in our communities across the country, through our Feed the Nation campaign.

We set out in this report:

A. A review of our performance over the FY20 financial year – which ended on 1 March 2020. This was four days before the first confirmed COVID-19 case in South Africa, and the result was not impacted by the pandemic

B. A summary of our actions in response to the COVID-19 outbreak, up to the time of publication of this report

C. A comment on current trading conditions and the uncertain outlook for the remainder of our FY21 financial year

D. An update on progress in delivering our long-term plan, which has strengthened our ability to play a crucial role in the current crisis, and in the years to follow

A. FY20 FINANCIAL RESULT: SOUTH AFRICAN OPERATIONS DELIVER IN A CHALLENGING ECONOMY

The Group traded in difficult economic conditions throughout the year, with low growth, high unemployment, rising household costs and constrained consumer spending in all regions.

Group Comparable Turnover growth of 4.7% (South Africa: 5.1%) was delivered against a strong base in the previous year, and reflects deteriorating economic conditions throughout the year, and a final quarter disrupted by lengthy power outages (load shedding) in South Africa, alongside some supply chain labour disruption. Viewed over a two-year period, the Group has delivered comparable compound annual sales growth of 6%, ahead of the South African retail market. We are particularly pleased with the progress and performance of our Boxer business, together with our Pick n Pay stores serving lower- and middle-income customers. Exceptional quality and value are driving positive volume growth for the Group in this important section of the market.

By unlocking further efficiency gains, the Group has lifted the gross profit margin to 19.7%, and has restricted the growth in trading expenses to 6.3% year-on-year, and just 2.9% in the second half.

Operations in Zambia and Zimbabwe impacted the result, reducing Group earnings by 8.7% pts year-on-year. However, the Group's result was protected by a resilient performance from the core South African business, which lifted its Comparable Profit before Tax by 15.2% this year, enabling the Group to deliver Comparable Headline Earnings in line with last year.

Group earnings have also been impacted by the increase in the tax rate from 24.3% last year to 31.2% this year, driven by losses in certain jurisdictions outside South Africa, hyperinflation in Zimbabwe and the reversal of related deferred tax assets.

Comparable Headline Earnings per Share, which excludes the impact of hyperinflation accounting in Zimbabwe, at 278.81 cents per share is in line with last year on a comparable 52-week basis.

REVIEW OF FINANCIAL PERFORMANCE

Please note the following technical accounting elements in the presentation of these financial results:

Financial calendar – the FY20 financial year is a 52-week period, and its results are not directly comparable with those of the 53 weeks of FY19. Unless specifically stated otherwise, the result commentary that follows is on a comparable 52-week basis. Please refer to Appendix 1 provided for the basis of preparation of this pro forma 52-week financial information, which was restated for the adoption of IFRS 16.

COVID-19 pandemic – COVID-19 did not impact the Group's financial performance over FY20. However, it is a significant post-period end event. The Group has considered the impact that the pandemic – and the measures taken so far by government to defeat it – may have on our financial liquidity and reported financial position, including the value of inventory on hand, the recoverability of receivables, the adequacy of provisions, the availability of debt funding and the Group's ability to meet its working capital obligations. Additional disclosures are provided where applicable.

For information on all other technical considerations, including IFRS 16 *Leases* and IAS 29 *Financial Reporting in Hyperinflationary Economies* – please refer to the preliminary condensed consolidated financial statements.

Turnover

Group Comparable Turnover increased by 4.7% in FY20 to R89.2 billion, with like-for-like turnover growth of 1.5%. Net new stores added 3.2% to sales growth, with notable growth in new Boxer supermarkets and Pick n Pay clothing stores.

The Group restricted its selling price inflation to 2.6% year-on-year, with inflation increasing moderately from 2.2% in the first half of the year to 2.8% in the second half.

Group Comparable Turnover growth slowed to 3.5% in the second half of the year from the 6.0% delivered in H1 FY20. This reflects the base effect of a strong performance in the second half of last year (turnover growth of 7.8%), and the impact of labour disruption in our supply chain alongside increasingly difficult trading conditions, including low consumer confidence and spending, and power disruptions (load shedding) in the final quarter.

Our core South Africa division delivered Comparable Turnover growth of 5.1%, with like-for-like turnover growth of 1.9%. South African turnover growth slowed from 6.5% in the first half of the year to 3.8% in the second half. This was again due in part to trading against a strong base in the second half of last year. However, sales were also impacted by supply chain labour disruption at our Longmeadow distribution centre in Gauteng in December 2019. This had a significant impact on stock availability and sales growth in the region over the festive season. The Group continues to work with its labour partners to improve ways of working.

Trading conditions in Zambia remained challenging over the year, with the weaker Zambian kwacha and negative revenue growth weighing on Group turnover growth. On a constant currency basis, Group Comparable Turnover grew 5.0% year-on-year. Refer to the appendices provided for further information on the Group's constant currency and like-for-like turnover calculations.

A wider reach

The Group has 1 925 stores across all Pick n Pay and Boxer formats, including 1 092 company-owned stores, 774 franchise stores and 59 stores operated by our associate in Zimbabwe. We opened 160 new stores this year, including 80 Pick n Pay and Boxer company-owned stores across all formats.

Reflecting our customers' desire for greater convenience, our new stores are now, on average, 25% smaller than a few years ago. The Group closed 30 under-performing stores, improving the overall quality of the estate.

Progress in modernising Pick n Pay hypermarkets continued, including the re-opening of our smaller and refurbished Vaal and Steeledale hypermarkets and the conversion of a large supermarket in Witbank to a modern compact hypermarket. 13 of our 21 hypermarkets have been refurbished over the past five years, delivering improved profitability through a stronger fresh offer, more relevant general merchandise, and targeted promotional campaigns. Our hypermarket division also provides a growing wholesale offer to cater for an expanding customer base of independent traders.

Pick n Pay's high-quality clothing business continued to gain traction, with a strong performance in womenswear, and market share gains in baby, kids and menswear departments. Our clothing division ran effective multi-buy promotions, and refurbished stores in key locations including Eastgate, Gateway, Fourways and Tygervalley. Pick n Pay opened a net 24 new clothing stores this year, and now has 241 stand-alone clothing stores.

Our liquor business grew ahead of food and grocery categories, driven by wine, gin and craft beer sales. The Group opened 49 net new Pick n Pay and Boxer liquor stores over the year, on an owned and franchise basis, taking its stand-alone liquor footprint to 571 stores.

The Group opened 77 new franchise stores this year, including 15 supermarkets, nine local convenience market stores and 20 express stores on BP forecourts. The Group closed six under-performing franchise supermarkets during the period, and converted six franchise stores to company-owned Pick n Pay and Boxer formats.

Greater clarity and relevance

Pick n Pay re-organised its store operations into three customer segments: Value, Core and Select, enabling the team to optimise product range, promotions and customer engagement for each customer segment. Range optimisation delivered a 10% reduction in Pick n Pay's overall product count this year. Effective range optimisation strengthens the offer for customers through greater clarity, relevance and availability. Stores in Pick n Pay's value segment delivered strong volume growth against a 35% reduction in range. South African consumers recognised Pick n Pay as the number one supermarket for range in the TNS customer spotlight survey this year. Boxer delivered industry-leading sales growth with a tight range of 3 000 products. Boxer's retail market share in many commodity products – including maize, oil, sugar and chicken – is now over 15%.

Integrated loyalty

Pick n Pay's fully integrated and digital Smart Shopper loyalty programme was recognised as South Africa's best loyalty programme for the seventh consecutive year by the Sunday Times Top Brands Awards. The programme is a key value driver for Pick n Pay customers, with targeted discounts and personalised promotions, as well as loyalty points. Alongside new "Smart Price" promotions for loyalty customers, Smart Shoppers were issued over R4.0 billion in personalised vouchers this year and, with longer validity dates, the number of voucher redemptions have grown by 50%. Smart Shopper's value collaboration with TymeBank saw 1.2 million TymeBank customers earn double points on purchases at Pick n Pay. 2.5 million loyalty customers have taken advantage of our partnership with BP, earning R150 million in Smart Shopper points on their fuel purchases. New strategic partners include Kauai, Steers and Wimpy.

Leading online offer

Online sales grew 17% year-on-year, with a 12% increase in customers. The Group changed its logistics partner, and invested in a dedicated online customer services team. Alongside availability and on-time delivery rates of 98%, these initiatives increased our customer satisfaction rating to 96%. Pick n Pay online introduced a "Grocery Genius" service – enabling customers to set up an automatic weekly or monthly delivery. A stronger online operation enabled the Group to expand its offer rapidly in response to heavy customer demand in the COVID-19 crisis. This is covered later in this report.

Value for customers

The Group maintained its commitment to unbeatable prices and promotions, supported by cost discipline and efficiency gains across its operations. Pick n Pay and Boxer focused on fewer, deeper promotions to deliver greater value on products that matter the most to customers, with our increasingly efficient operating model supporting ongoing price investment. The team delivered a strong programme of deep value promotions this year without any sacrifice in gross profit margin.

GROSS PROFIT

Gross profit increased 6.5% to R17.6 billion, with gross profit margin improving by 0.6 percentage points from 19.1% to 19.7% of turnover. The Group once again demonstrated tight gross profit margin management, unlocking further value across its supply chain, notwithstanding sustained price investment and the margin impact of supply chain labour disruption in the last quarter of the year.

Greater efficiency and cost control

The Group's gross profit margin improvement benefited from a strong performance from the Group's Boxer business, which now takes 45% of its volume through its centralised distribution network, driving greater levels of supply chain productivity and efficiency. With centralised supply now close to 80% in Pick n Pay, the team is focused on optimising its systems and infrastructure. Benefiting also from its work on range rationalisation and store segmentation, Pick n Pay delivered a 10% reduction in fresh waste and a 11% reduction in shrink this year.

Own brand

The team redesigned and relaunched close on 5 000 own brand products this year, receiving accolades for quality and innovation, including five Sunday Times Food awards. Sales of Boxer's own brand products grew over 30% year-on-year, with many of its staple own brand products – including maize, baked beans, mayonnaise and washing powder – reaching a sales participation of over 35%.

Other income

Other income increased 6.5% to R1.6 billion.

Franchise fee income – increased 2.2% year-on-year, to R398.3 million. The growth in franchise fee income was impacted by the Group's new agency agreement for cellular airtime and data sales. Franchise fee income excluding the impact of the agency agreement was up 3.6%.

Commissions and other income – increased 6.1% to R1.0 billion, and includes commission and incentive income not directly related to the sale of inventory, such as advertising income from the Group's Fresh Living magazine, and the provision of data analytics support to suppliers. This broad revenue category includes income from value-added services, which increased 14.2% year-on-year.

Value-added services

The Group delivered growth across all categories of value-added services, including commissions from third-party bill payments, travel and event ticketing and financial services. The Group's strategic partnership with TymeBank has provided a low-cost banking solution for 1.2 million customers across South Africa, making it the fastest-growing digital bank in the world in its first year of operation.

8 000 insurance policies were sold through an in-store partnership with Hollard. We were the first retailer to offer deposits at till point through partnerships including FNB, Investec, Discovery and TymeBank, and 4.6 million domestic and cross-border money transfers were facilitated.

Trading expenses

Trading expenses grew 6.3% year-on-year to R16.0 billion, with like-for-like expense growth contained at 4.0%. The trading expense margin grew from 17.5% to 17.9% of turnover, as operating costs continue to grow ahead of turnover. However, the Group responded effectively to an escalating trend in costs in the second half of the year by restricting the growth in trading expenses in these six months to just 2.9%.

Employee costs increased 3.7% to R7.4 billion, and 1.4% on a like-for-like basis. This reflects the positive impact of the reversal of a portion of share incentive costs in the second half of the year, offset by retirement and other gratuity payments, including bonuses to lower levels of management. Ignoring this net benefit of R100 million, employee costs grew 5.3% year-on-year, and 2.9% like-for-like, representing important progress on the 12.5% increase reported in the first half.

Occupancy costs grew 9.5% to R2.3 billion, and 8.2% on a like-for-like basis, driven largely by increases in rates, insurance and security costs. Under IFRS 16, property rentals previously recorded in occupancy costs have been replaced by depreciation (recorded in occupancy costs) and implied interest charges (recorded within finance costs). The Group remains committed to reducing its cash cost of occupancy, and continues to engage with landlords to secure fair rental and escalation terms which sustain mutual growth.

Operations costs increased 10.8% (7.1% like-for-like) to R3.8 billion. The increase in store operating costs largely reflects the impact of load shedding on the business (for example: running diesel generators, and higher levels of repairs and maintenance for equipment damaged by power disruptions and surges). In addition, higher regulated electricity tariffs drove electricity costs up 15.0% year-on-year (10.5% like-for-like), despite more efficient electricity use in our stores for the tenth consecutive year.

Merchandising and administration costs increased 4.4% (1.8% like-for-like) to R2.5 billion, with ongoing discipline in advertising costs, professional fees and other administrative costs.

Net interest

Net interest paid, including implied interest charges under IFRS 16, increased 2.5% year-on-year to R1.3 billion. The Group's implied IFRS 16 net interest charge remained flat year-on-year at R1.2 billion, reflecting annual stability in our broad lease portfolio. The cost of the Group's net funding increased 26.0% year-on-year, from R90.5 million to R114.0 million, reflecting increased borrowings over the second half of the year, driven by higher inventory levels. Please refer to the working capital and net funding sections of this report for further information.

Rest of Africa segment

The Group's Rest of Africa segment contributed R4.7 billion of segmental revenue, down 1.7% on the 52 weeks of last year. Removing the impact of currency weakness, segmental revenue was up 2.8% in constant currency terms.

The performance of the Rest of Africa division reflects difficult trading conditions across southern Africa, particularly in Zambia and Zimbabwe. The division delivered Comparable Profit before Tax, before capital items and before the impact of hyperinflation in Zimbabwe, of R90.1 million, down 57.3% year-on-year.

Zambia

The difficult economic conditions in Zambia have impacted our business over a number of years. Trading conditions deteriorated further in FY20, and local currency weakness drove up US dollar-based operating costs, fuelling higher levels of inflation. The retail sector in Zambia remains highly competitive, and Pick n Pay responded with tight cost control, stronger working capital management and improved operational efficiency, delivering lower prices and a better shopping experience for customers.

Zimbabwe

Over the past 18 months, the Group's associate in Zimbabwe, TM Supermarkets, has grappled with severe currency shortages, currency devaluation, high levels of inflation, shortages of fuel and other staple goods, and shortages of power and water. The financial performance of TM Supermarkets reflects these significant challenges. Our share of associate's income fell from R109.0 million last year to R66.3 million this year, impacted by foreign exchange losses on the translation of foreign liabilities, and includes a net monetary gain of R43.2 million on the application of hyperinflation accounting in the region.

	52 weeks to 1 March 2020 Rm	53 weeks to 3 March 2019 Rm
Share of TM's earnings, before the application of hyperinflation accounting	**23.1**	109.0
TM Supermarkets trading result	**102.5**	151.1
Forex loss on translation of foreign debt	**(79.4)**	(42.1)
Application of hyperinflation accounting	**43.2**	–
Net monetary gain on the re-indexing of assets		
Share of associate's income	**66.3**	109.0
Impairment of investment in associate	**(173.6)**	–
TM's impact on the Group's PBT	**(107.3)**	109.0

The Group assessed the fair value of its investment in TM Supermarkets, and as a result of severe currency illiquidity and currency devaluation in the region, has impaired the value of its investment by a further R173.6 million to a carrying value of R50.4 million. The hard work of the TM Supermarkets team over the past few years to build customer and supplier loyalty has paid off in difficult times. TM Supermarkets has kept its shelves stocked, and has been rewarded with market share growth. TM Supermarkets was recognised as the 2019 Retailer of the Year in Zimbabwe, alongside numerous other community-based awards. TM Supermarkets is able to remit funds to South Africa as liquidity becomes available in the region, reducing its amount owed to Pick n Pay from R132.9 million at the beginning of the year, to R40.1 million at year-end.

Capital items

The Group incurred net capital losses of R177.9 million in FY20, against net capital profits of R25.4 million last year. The capital loss is driven by the Group's R173.6 million impairment of its investment in associate in Zimbabwe due to hyperinflation, alongside losses on the sale of stores assets in respect of store closures and the conversion of company-owned stores to franchise stores.

The Group recognised R26.5 million of capital profits on the termination of leases this year, under the provision of IFRS 16 (FY19: R19.7 million). Capital items are added back in the calculation of headline earnings.

Comparable Profit before Tax before Capital Items (which excludes hyperinflation gains)

The Group's Comparable PBT was up 6.5% year-on-year to R1.9 billion, with the Comparable PBT margin improving from 2.0% last year to 2.1% of turnover.

Comparable PBT from our South African segment increased 15.2% year-on-year, with an improvement in its Comparable PBT margin from 1.9% to 2.1% of segmental turnover. Ignoring the once-off net benefit of the reversal of share incentive costs during the second half of the year, Comparable PBT from our South African segment increased 8.8% year-on-year.

Tax

The Group's effective tax rate, excluding the impact of hyperinflation and related impairments, increased from 24.3% last year to 27.9% this year. The significant increase has been driven by losses incurred in operations outside of South Africa, and the reversal of related deferred tax assets. In addition, pessimistic investor sentiment across the South African equities market and its impact on the Group share price over the year, reduced the deferred tax asset recognised in respect of the Group's share incentive obligations. Hyperinflation accounting, and all related impairments, further increased the effective tax rate to 31.2%.

Earnings per share

Earnings per share (EPS) decreased by 11.7% to 250.90 cents, reflecting the impact of the Group's capital losses this period, largely due to hyperinflation in Zimbabwe, against capital profits in the prior year.

Headline Earnings per Share (HEPS) increased by 2.6% to 287.89 cents, reflecting the impact of the Group's share of hyperinflation gains in TM Supermarkets in Zimbabwe. All related impairment losses and other capital items were added back in the calculation of HEPS.

Comparable Headline Earnings per Share (Comparable HEPS) is in line with last year at 278.81 cents per share, excluding the impact of hyperinflation accounting in Zimbabwe. Comparable Diluted Headline Earnings per Share is also flat year-on-year at 277.36 cents.

REVIEW OF FINANCIAL POSITION

The strength of the Group's period end reflects its sustained and effective capital investment programme. The Group's net asset value was impacted by the impairment of its investment in TM Supermarkets to a fair value of R50.4 million (2019: R184.4 million), driven by the translation of our investment in TM Supermarkets at a rate of 30.8 Zimbabwe dollars to 1.0 US dollar (FY19: 3.3 Zimbabwe dollars to 1.0 US dollar).

Working capital

The Group generated cash from working capital of R249.9 million over the year (52 weeks), compared to an outflow of R708.5 million last year (53 weeks), with positive benefits from the financial calendar cut-off in FY20.

The working capital position at 3 March 2019 last year reflected the impact of month-end supplier payments in line with the Group's normal trade terms, annual provisional tax payments and a substantive increase in rental and other prepayments.

Group inventory balances increased by R826.4 million, or 14.5% year-on-year, to R6.5 billion. The investment in inventory reflects the addition of 73 net new company-owned stores, greater levels of centralisation by Boxer, and strategic investment buys at period-end to take advantage of competitive prices for customers. On a comparable 52-week basis, excluding the impact of new stores and cost inflation, like-for-like inventory values were up 4.3% on last year. The Group did not sustain its positive FY19 momentum on reducing stock levels, and this had an impact on cash balances. Removing old and slow-moving stock from the business remains a key focus area in unlocking value within working capital.

Trade and other receivables remain well-controlled. On a comparable 52-week basis, and excluding the impact of financial calendar cut-off, franchise and other trade debt (current and non-current) is in line with last year, notwithstanding the addition of 55 net new franchise stores over the year and a growing wholesale offer. The Group is satisfied with the overall quality of its debtors' book, with an impairment allowance of 2.7%.

Net funding

The Group has maintained a low level of gearing for a number of years. The Group has no long-term funding, and is geared through cost-effective short-term borrowings only, mainly funding the business through internally generated cash flow and an effective working capital cycle.

	1 March 2020 Rm	3 March 2019 Rm
Cash balances	**1 947.3**	1 503.2
Cost-effective overnight borrowings	**(2 050.0)**	(1 800.0)
Cash and cash equivalents	**(102.7)**	(296.8)
One to three-month borrowings	**(935.0)**	(1 325.0)
Net funding position	**(1 037.7)**	(1 621.8)

The Group's improved net funding position at 1 March 2020 reflects the positive impact of financial calendar cut-off, with a greater level of supplier payments reflected last year, in line with the Group's normal trade terms. The Group's average level of short-term borrowings increased over the second half of this year, driven by higher inventory levels, with net funding interest up 26.0% year-on-year. The Group remains highly cash generative, generating R1.8 billion of free cash flow this year, before the payment of dividends to shareholders and share buy-backs in respect of share incentive schemes. The Group's liquidity position remained strong, with R6.0 billion of unutilised and available facilities at period-end.

Capital investment

The Group invested R1.7 billion in capital improvements in FY20. The Group commits the majority of its capital spend to customer-facing initiatives, which generate sustainable long-term returns. Over the year, R545 million was invested in new stores, R874 million on refurbishments, and R298 million on supply chain capability and IT infrastructure. The Group will continue to invest in expanding and modernising its estate, and is confident of its ability to meet its capital investment requirements through internally generated cash flow.

SHAREHOLDER DISTRIBUTION

In light of the current economic upheaval from the COVID-19 pandemic, the Board has decided that it would be prudent not to declare a dividend at this time but rather to preserve cash. It is anticipated that a formal dividend declaration will be considered and communicated once the full impact of the COVID-19 pandemic on the Group's operations can reasonably be known and assessed. But for the pandemic, the Board would have declared a final dividend of 173.06 cents per share, maintaining the Group's dividend cover of 1.3 times Comparable Headline Earnings per Share on a 52-week basis. Further communication in this regard will follow at the time of the Group's FY21 interim results publication.

B. OUR ACTIONS IN RESPONSE TO THE COVID-19 OUTBREAK

The close of our FY20 financial year on 1 March 2020 coincided closely with the beginning of the COVID-19 outbreak in South Africa, with the first confirmed case in the Republic announced on 5 March 2020. The President declared a National State of Disaster on 15 March, and imposed a nationwide lockdown from 27 March 2020.

We are proud of our response to the crisis across the Pick n Pay business, our Boxer business and our excellent franchisees – inside and outside South Africa. Our actions have been co-ordinated and led by a steering committee, established in February 2020, comprising key executives from across our Pick n Pay and Boxer teams.

Our teams have a crucial role to play throughout the crisis. In the unprecedented conditions of the nationwide lockdown, and the subsequent move to level 4, our teams have been performing an essential service in ensuring the distribution and supply of food and basic goods. We have communicated this responsibility as being to *Feed the Nation*, explaining that, to achieve this, we must *Stay Safe, Stay Open, Stay Full, and Stay Working*.

Stay safe

Our goals here are to protect the health of our colleagues and customers by upholding rigorous hygiene standards across our stores, offices and supply chain, and to support the national imperative of minimising person-to-person transmission through "social distancing" measures. Our decisions are guided by the advice of expert scientific bodies, including the South African Department of Health and the National Institute for Communicable Diseases.

Our actions include:

- **Reinforcing personal hygiene**: communicating to all employees that the best way to combat the virus is to follow a rigorous and effective personal hygiene regime, in particular by washing our hands often with soap and water for at least 20 seconds. We regularly reinforce this message to all colleagues. In line with guidance from the Department of Health, we have also provided all front-line employees with cloth face masks
- **Cleaning and sanitising**: early strengthening of the already rigorous cleaning regime in our stores, including sanitising all till points and trolleys regularly throughout the day, and encouraging customers to use freely available wipes and sprays to sanitise their hands in our stores
- **Effective sickness protocol**: establishing and communicating a clear protocol to ensure that no colleagues are at work if they have the symptoms of COVID-19, and setting out the steps they must take to isolate and protect themselves in these circumstances
- **Social distancing in stores**: introducing Perspex screens at checkouts to provide separation between customers and cashiers; introducing floor markings at checkouts to ensure customers stay 1.5 metres apart when queuing; limiting the number of customers in stores to preserve effective social distancing; and adopting various measures outside stores to ensure social distancing when queuing

Stay open

We embrace the responsibility placed upon us – alongside other national grocery retailers – to maintain public confidence through a period of unprecedented disruption, uncertainty and anxiety by keeping our stores open.

Our actions include:

- **Registration as an essential service provider to operate throughout the nationwide lockdown**: securing registration on the first available day for our Pick n Pay, Boxer and supply chain operations, and ensuring that colleagues have permits to travel as essential workers
- **Ensuring adequate public transport**: liaising with government on solutions to disruptions to public transport, and where necessary providing our own transport for colleagues
- **Clarity on goods permitted for sale**: working closely with government to ensure clarity on what can and cannot be sold during the various levels set out in the government's Risk Adjusted Strategy, so that customer needs are met
- **Closing some operations**: our stand-alone clothing and liquor stores were closed during the nationwide lockdown, alongside wine, tobacco, clothing and some other departments in our supermarkets. Winter clothing sales have been permitted since the move to level 4
- **Helping vulnerable customers**: we were the first retailer in South Africa to introduce a dedicated shopping hour for the elderly, and have introduced measures to make shopping easier for healthcare workers

Stay full

Our role is to help maintain public confidence throughout the crisis by keeping our stores well-stocked with the food and basic goods that people need.

Our actions include:

- **Maintaining supply**: working closely with our supplier base to ensure steady production and distribution of key products. Over 90% of food sold in our stores is manufactured domestically, and suppliers report that overall production and distribution remains resilient, notwithstanding the trying circumstances

- **Customer communications**: providing regular reassurance of our determination and ability to feed the nation throughout the crisis. When necessary, we have encouraged customers to resist the temptation to buy more than they need
- **Maintaining availability**: introducing temporary individual customer purchasing limits in some categories (e.g. hygiene products) when these are in particular demand
- **Pricing**: we have given an assurance that we will never increase the prices of key products just because they are in high demand during the COVID-19 crisis

Stay working

Our business resilience plan is designed to minimise the impact of the pandemic on our colleagues and our functions.

Our actions include:

- **Reducing the risk of sickness**: our actions on personal hygiene, social distancing, and our sickness protocol, are all designed to reduce the risk of infection and the risk of passing the virus onto colleagues or customers if we do get sick
- **Social distancing in the office**: most of our office employees are currently working from home. We have replaced physical meetings with online meetings. Where colleagues remain in the office to perform essential office-based functions, we have implemented stringent social distancing measures
- **Employee absences**: despite taking important precautions, our contingency plan anticipates the risk of higher employee absences during the outbreak. We have implemented a plan to focus stores on the more essential tasks in these circumstances. In our offices we have put in place plans for essential employees to nominate their deputies, and ensure that they are physically separate to reduce the risk of them becoming sick at the same time
- **Travel**: prior to the lockdown, we prohibited all local and international work-related travel, alongside any personal international and non-essential domestic air travel
- **Financial robustness**: as covered elsewhere in this report, we are pro-active in safeguarding our financial robustness, liquidity and management of risk

Rewarding colleagues and supporting communities

We were exceptionally proud to hear our President recognise grocery shop workers as unsung heroes in the fight against COVID-19. To add our thanks for the incredible work being done by our front-line colleagues, we have awarded them a special bonus of R1 000 each, with R500 paid at the end of April and a further R500 to be paid at the end of May.

As well as supporting many vulnerable communities across the country, we have launched a Feed the Nation campaign in partnership with a number of national and regional charities. Through this campaign, our colleagues are inspiring customers to support us in helping to feed those who are in the greatest need during the crisis.

C. CURRENT TRADING CONDITIONS AND OUTLOOK FOR THE REMAINDER OF FY21

As noted elsewhere in this report, trading conditions for South African grocery retailers were already difficult before the COVID-19 outbreak. However, in the space of less than a month, COVID-19 turned a difficult situation into an unprecedented one in terms of new challenges.

Current trading conditions

Trading has been significantly disrupted as a result of the COVID-19 outbreak. At the time of publication, the situation is still evolving. However, we can discern three separate stages in terms of trading:

1. *Disruption to international trade – mid to end-February 2020*
   During this period, consumer demand and behaviour remained in an essentially pre-crisis pattern, with a small but noticeable uptick in the purchasing of personal hygiene and household cleaning products towards the end of February 2020, as the number of countries infected by COVID-19 increased. During this period, the Group also experienced some disruption to imports – principally of clothing and general merchandise products commonly imported from Asia – as China and other Asian economies introduced restrictions in an attempt to control outbreaks in their territories.

2. *Spike in demand – 1 March to 26 March*
   The Group experienced a significant spike in demand for personal hygiene and cleaning products in the week of the first confirmed COVID-19 case on 5 March.

   This expanded to cover non-perishable foods (e.g. tinned and packaged products) and household items (e.g. toilet paper) after the President's declaration of a National State of Disaster on 15 March.

   This demand spike continued up to 26 March, the final day before the introduction of the nationwide lockdown. Demand for some products was so elevated that it induced temporary shortages in some stores, and the Group responded by imposing certain temporary limits on individual purchases. However, spikes in demand were not uniform across all stores, and were much more noticeable in stores serving higher-income customers.

3. *Lockdown and level 4 conditions – 27 March to present*
   This period, which persists at the time of publication, is characterised by severely limited trading, as a result of the following factors:

   - **Regulations confining the population to their place of residence.** Although shopping for food and basic goods is permitted, the regulations and government statements make it clear that these should be limited to essential journeys. As a result, customers have significantly reduced the frequency of their shopping trips, and the number of stores visited on each trip.
   - **Prohibitions on the sale of some goods.** The regulations permit the sale of food products, cleaning and hygiene products, and some "basic goods" including airtime and electricity. At the time of publication, a broad range of products normally sold by the Group are prohibited from sale, including liquor, tobacco, and many general merchandise categories. Clothing sales were not permitted during the nationwide lockdown, but winter clothing sales are allowed under level 4 restrictions.
   - **Reduction in economic activity bearing down on consumer incomes and spending.** There are anecdotal reports from some other countries that social restrictions to limit the spread of COVID-19 – e.g. prohibitions on gatherings, closure of cafes, restaurants and "non-essential" shops - may be advantageous to food and grocery retailers in shifting consumer spending from discretionary sectors to non-discretionary products, principally food. Experience from the South African lockdown to date is that the impact of any such shift is outweighed by the negative impact on consumer spending resulting from the shutdown of large parts of the economy, and the consequent reduction in the payment of wages and salaries – notwithstanding the economic assistance measures introduced by government to mitigate some of the effect.

While the growth in demand for online grocery sales has generally been slow in South Africa in recent years, it has significantly accelerated as a result of the COVID-19 outbreak. With the largest and most developed online grocery business in sub-Saharan Africa, Pick n Pay was uniquely placed to respond. Our team rapidly increased its capacity and reach, and met the needs of many new customers. Pick n Pay's one-hour liquor delivery partnership with "Bottles" has been re-engineered during the nationwide lockdown to deliver same-day grocery essentials to customers. We have also rolled out a "Click and Collect" service across many of our Pick n Pay stores, and many of our company-owned and franchise stores now encourage customers to email or WhatsApp their orders directly to the store, for collection or delivery.

Despite the growth in online demand, at the time of publication, the impact of the COVID-19 outbreak and the measures taken by government to tackle it have been negative for Group trading relative to how we would have expected to trade under normal circumstances. The eventual outcome will depend on the duration of the outbreak, and the speed with which the government is able to transition from the more restrictive levels 5 and 4 of its Risk Adjusted Strategy onto less restrictive levels.

Impact on margin

The current crisis is likely to put pressure on profit margins for the following reasons:

a) An inability during the lockdown and level 4 period to trade in some key categories, including liquor, tobacco and most clothing and general merchandise lines. These categories make up approximately 20% of our revenues, and have relatively high margins compared with basic food and grocery lines

b) A general reduction in overall consumer and trading activity, as summarised above

c) Additional costs on the business, arising for example from extra hygiene and social distancing measures which are essential in protecting colleagues and customers, and the cost of providing appreciation bonuses to front-line colleagues for their work during the nationwide lockdown

Impact on liquidity

The Group has, as a rule, followed a prudent gearing strategy, financing its growth and refurbishment initiatives through internally generated cash flow, and focusing its capital investment on lower-risk domestic opportunities, with potential for long-term sustainable returns. The Group has no long-term structured debt, and has actively managed its working capital needs through short-term cost-effective facilities. In so doing, the Group has developed strong strategic partnerships with local and international banks, and institutional funders in the capital market. This approach positioned the Group well for the COVID-19 crisis, providing it with a stable funding platform and necessary liquidity.

The Group has constructively engaged with all its strategic funders, and has now drawn down 65% of its available facilities to protect itself against possible liquidity pressures in financial markets. Short-term cash resources raised as a result are prudently invested in low-risk call deposit funds. Furthermore, we are in the advanced stages of terming out a portion of our uncommitted short-term facilities, into longer-term, fully committed lines, while ensuring our cost of funding remains competitive.

At this early stage of the crisis, our net gearing remains low and our overall liquidity remains sufficient and stable to meet our working capital and operational needs over the foreseeable future. The Group remains committed to paying all suppliers and service providers in line with negotiated terms, and providing our essential employees with the assurance of pay and benefits. We will protect our liquidity through tightly managed operating costs, and the delay of all non-critical capital spend.

Outlook for the remainder of FY21

It is impossible to predict at this stage the trajectory and outcome of the COVID-19 outbreak, the measures that government will need to continue to take to minimise it, the resulting impact on the economy, consumer confidence and spending, and the broader implications for grocery retail.

A number of important factors cannot be known at this stage, including:

- the extent and duration of the COVID-19 outbreak globally, in sub-Saharan Africa, and specifically in South Africa;
- the speed and effectiveness of the public health response internationally, in Africa and in South Africa;
- the duration and extent of the nationwide lockdown, during which the greatest downward impact on economic activity is concentrated;
- the risk of reinfection in any part of the globe, leading to a second wave of disruption and economic damage, including in southern Africa; and
- the global and local policy response, and its ability to mitigate the financial and economic losses resulting from the measures to suppress the epidemic.

Depending on how each of these factors plays out, forecasts range from:

- an "optimistic" scenario in which disruption to the economy, albeit significant, lasts for three to four months, but is followed by a rapid growth rebound; to
- a "pessimistic" scenario in which the outbreak and the disruption flowing from it extends into 2021, resulting in a prolonged global and local recession

Under either scenario, the economic recession in South Africa would deepen significantly, with current annual GDP forecasts ranging from around -5% to -9% in real terms.

Earnings are currently impacted as a result of the mitigation measures taken by the government to combat COVID-19. However, the many uncertainties in which everyone is operating mean that it is simply not possible at this stage to estimate or quantify the likely impact over the full financial year.

D. PROGRESS ON OUR LONG-TERM PLAN

Over the coming months, businesses, institutions and individuals will inevitably devote much of their focus to navigating short-term disruption and uncertainty. The period will continue to require swiftness and dexterity in decision-making, and huge flexibility in response to new and unprecedented challenges.

However, we are certain that the pandemic will be overcome, and it is vital that organisations devote attention to the future after COVID-19. For the Pick n Pay Group, this means taking stock of the turnaround that has been delivered over the past few years, being clear on what remains to be done, and having a definite and well-defined programme to deliver it.

A successful turnaround

Over the past seven years, the Group has changed beyond recognition, altering the trajectory of its performance and prospects. Long-term achievements include:

- Next-generation stores have transformed the shopping trip for customers and now account for well over half of our estate
- A step-change in our fresh meat and produce offer, which we believe provides the best combination of quality and value in the market
- A centralised supply chain delivering exceptional availability, freshness and reliability to corporate and franchise stores
- A transformed and rapidly growing Boxer business, which has become the best limited-range discounter in sub-Saharan Africa
- A modern online and retail services offer across Pick n Pay and Boxer stores, which provides a tangible second engine of growth within the Group

Despite operating in an increasingly difficult economy, these and other steps have enabled the Group to deliver substantial improvements in its PBT margin over time, with a clear ambition to deliver more.

The remaining challenge

Food and grocery retail is undergoing major changes in every country. Customers are demanding higher quality and traceability in the products they buy, a seamless offer across online and physical stores, greater convenience in the location and size of stores, and a broad range of services which enable them to fulfil many of their needs under one roof. Above all, customers continue to demand better value from their retailers.

This is both a global trend and an immutable reality in the South African market, where the vast majority of customers subsist on very limited incomes in a challenging economy. The financial and economic dislocation resulting from the COVID-19 outbreak will heighten the need for retailers to respond by offering even greater value.

The priorities for the Pick n Pay Group are to:

- Further reduce our costs in order to deliver the better value that customers were demanding before COVID-19, a demand which will be heightened during and after the crisis
- Become even more customer-focused around our Select, Core and Value structures in Pick n Pay, with an optimised range and offer at each level of the market. One consequence of the COVID-19 crisis and the customer response to it, is a deeper understanding of the core range of products on which customers genuinely depend, in good times and bad
- Continue to expand our Boxer business, benefiting more customers in more communities to become the premier limited-range discounter in every region of the country
- Accelerate private label penetration across Pick n Pay and Boxer – to provide more unbeatable value and innovation for customers, together with better control of production and margin for the Group
- Build rapidly on our excellent online and retail service offer. The COVID-19 outbreak may have provided a catalyst for a rapid acceleration in online grocery shopping in South Africa, and we intend to build on our position as the largest and most reliable player in the market
- Rolling out a limited-range discount format for sustainable growth outside South Africa. We believe that the potential for growth in the rest of Africa can be fulfilled through a more flexible, lower-cost model attuned to the needs of local customers

A programme for action

To accelerate progress towards delivering these objectives, the Group launched an internal change programme, Project Future, in January this year. Two objectives are core to this programme:

- **A reduction of R1 billion over two years in the costs of the Pick n Pay business.** This will be delivered by identifying cost reductions across the Company, including reducing waste in our operations and offices, increasing efficiency in our operations, and being more effective in our use of resources including property, energy and water. Pick n Pay is committed to reduce other costs before we reduce the number of our people. However, the focus on greater efficiency must include the cost of employing people, which is the single biggest expense in the Company. As a result, the Company launched a voluntary severance programme in March 2020, open to all colleagues in Pick n Pay. This programme is an opportunity for colleagues to choose to leave the business on a voluntary basis, with a more generous package than would be the case with any statutory retrenchment programme.
- **A simpler and more effective organisation.** The Group is modernising its ways of working, including the structure and organisation of our head office teams, our meeting and decision-making processes, and our use of information and other technologies. As with many other organisations and individuals around the world, the COVID-19 outbreak is rapidly teaching us about the power of modern communications and remote working, and about what is really required to run a business effectively, even in the most difficult of times.

CONCLUSION

We are proud of our role as an essential service in the crisis, which we see as being entirely consistent with our core value of customer sovereignty and our belief that doing good is good business.

We extend our thanks to our Pick n Pay and Boxer teams, particularly those on the front line, who have worked with urgency and determination to put rigorous health and hygiene measures in place to protect staff and customers, and to keep our shelves stocked at a time when our customers need it the most.

We are determined to fulfil with distinction our responsibility to help feed the nation. We are a much stronger, more flexible and more effective business than we were seven years ago, and are confident that we will be able to respond and adapt to whatever is required of us in the coming months.

Our greater strength and dexterity reflects the progress we have made through our long-term plan. We know there is more to do on this journey, and will ensure that we make further progress to deliver on the expectations of customers, colleagues, shareholders and other stakeholders – not just in the current crisis, but in the better years that will follow it.

Gareth Ackerman
Chairman

Richard Brasher
Chief Executive Officer

11 May 2020

GROUP STATEMENT OF COMPREHENSIVE INCOME
for the period ended

Reviewed	Note	52 weeks to 1 March 2020 Rm	Restated* 53 weeks to 3 March 2019 Rm
Revenue	2	**91 323.4**	90 236.6
Turnover	2	**89 281.5**	88 293.2
Cost of merchandise sold		**(71 679.8)**	(71 436.7)
Gross profit		**17 601.7**	16 856.5
Other income		**1 570.2**	1 497.9
Franchise fee income	2	**398.3**	399.1
Operating lease income	2	**140.7**	112.7
Commissions and other income	2	**1 031.2**	986.1
Trading expenses		**(16 023.9)**	(15 299.5)
Employee costs		**(7 368.2)**	(7 238.9)
Occupancy		**(2 271.5)**	(2 088.7)
Operations		**(3 836.0)**	(3 515.1)
Merchandising and administration		**(2 548.2)**	(2 456.8)
Trading profit		**3 148.0**	3 054.9
Finance income	2	**471.7**	445.5
Finance costs	3	**(1 772.1)**	(1 726.4)
Share of associate's income	7	**66.3**	109.0
Profit before tax before capital items		**1 913.9**	1 883.0
(Loss)/profit on capital items		**(177.9)**	25.4
(Loss)/profit on sale of property, plant and equipment		**(18.8)**	11.0
Impairment loss on property, plant and equipment		**(8.2)**	–
Impairment loss on intangible assets		**(3.8)**	(5.3)
Profit on termination of leases		**26.5**	19.7
Impairment loss on investment in associate	7	**(173.6)**	–
Profit before tax		**1 736.0**	1 908.4
Tax		**(541.3)**	(463.8)
Profit for the period		**1 194.7**	1 444.6
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss		**(4.5)**	(21.4)
Remeasurement in retirement scheme assets		**(6.2)**	(29.9)
Tax on items that will not be reclassified to profit or loss		**1.7**	8.5
Items that may be reclassified to profit or loss		**(33.2)**	(256.5)
Foreign currency translations		**(42.0)**	(275.0)
Movement in cash flow hedge		**6.3**	3.1
Tax on items that may be reclassified to profit or loss		**2.5**	15.4
Total comprehensive income for the period		**1 157.0**	1 166.7
Earnings per share**		**Cents**	Cents
Basic earnings per share	4	**250.90**	304.04
Diluted earnings per share	4	**249.60**	300.26

* *Prior period amounts restated for the adoption of IFRS 16 Leases, refer to note 15.*

** *Refer to the Appendix for more information on the Group's comparable earnings performance and comparable headline and diluted headline earnings per share.*

GROUP STATEMENT OF FINANCIAL POSITION

Reviewed	Note	As at 1 March 2020 Rm	Restated* As at 3 March 2019 Rm	Restated* As at 25 February 2018 Rm
ASSETS				
Non-current assets				
Intangible assets		**865.4**	909.8	944.1
Property, plant and equipment		**6 622.4**	6 189.3	6 054.4
Right-of-use assets	5	**9 880.6**	10 102.9	9 765.6
Net investment in lease receivables	6	**2 129.9**	1 860.8	1 778.8
Deferred tax assets		**753.1**	785.4	590.1
Investment in associate	7	**50.4**	184.4	365.6
Loans		**86.6**	102.0	79.3
Retirement scheme assets		**68.7**	72.2	97.6
Investment in insurance cell captive	13	**54.9**	35.2	25.7
Operating lease assets		**13.0**	12.8	10.2
Trade and other receivables		**93.6**	82.3	105.4
		20 618.6	20 337.1	19 816.8
Current assets				
Inventory		**6 519.8**	5 693.4	5 940.3
Trade and other receivables		**4 168.5**	4 301.4	3 525.5
Cash and cash equivalents		**1 947.3**	1 503.2	1 129.1
Net investment in lease receivables	6	**221.0**	248.9	231.6
Right-of-return assets		**20.7**	20.6	19.6
Derivative financial instruments	13	**9.4**	3.1	–
		12 886.7	11 770.6	10 846.1
Non-current asset held for sale		**–**	–	217.2
Total assets		**33 505.3**	32 107.7	30 880.1
EQUITY AND LIABILITIES				
Equity				
Share capital	8	**6.0**	6.0	6.0
Treasury shares	9	**(961.7)**	(993.7)	(863.4)
Retained earnings		**4 303.2**	4 331.9	3 841.1
Other reserves		**5.3**	(6.0)	–
Foreign currency translation reserve		**(342.7)**	(303.2)	(43.6)
Total equity		**3 010.1**	3 035.0	2 940.1
Non-current liabilities				
Lease liabilities	10	**14 188.5**	13 635.1	13 100.1
Deferred tax liabilities		**3.1**	14.2	13.7
Borrowings		**–**	–	79.5
		14 191.6	13 649.3	13 193.3
Current liabilities				
Trade and other payables		**11 255.2**	10 346.3	10 473.5
Lease liabilities	10	**1 716.7**	1 676.8	1 520.4
Deferred revenue		**298.8**	256.2	281.3
Overnight borrowings		**2 050.0**	1 800.0	1 800.0
Borrowings		**935.0**	1 325.0	449.3
Current tax liabilities		**47.9**	19.1	213.7
Derivative financial instruments		**–**	–	8.5
		16 303.6	15 423.4	14 746.7
Total equity and liabilities		**33 505.3**	32 107.7	30 880.1
Number of ordinary shares in issue – thousands	8	**493 450.3**	493 450.3	488 450.3
Weighted average number of ordinary shares in issue – thousands	4.2	**476 161.6**	475 126.9	473 717.3
Diluted weighted average number of ordinary shares in issue – thousands	4.2	**478 647.8**	481 116.5	483 091.1
Net asset value (property value based on directors' valuation) – cents per share		**776.2**	786.7	738.1

* *Prior period amounts restated for the adoption of IFRS 16 Leases, refer to note 15.*

GROUP STATEMENT OF CHANGES IN EQUITY
for the period ended

Reviewed	Note	Share capital Rm	Treasury shares Rm	Retained earnings Rm	Other reserves Rm	Foreign currency translation reserve Rm	Total equity Rm
At 25 February 2018 as published		6.0	(863.4)	4 951.7	–	(70.7)	4 023.6
Adoption of IFRS 16 *Leases**	15	–	–	(1 110.6)	–	27.1	(1 083.5)
At 25 February 2018 restated		6.0	(863.4)	3 841.1	–	(43.6)	2 940.1
Adoption of IFRS 9 *Financial Instruments*		–	–	(30.2)	–	–	(30.2)
Total comprehensive income for the period		–	–	1 423.2	3.1	(259.6)	1 166.7
Profit for the period*		–	–	1 444.6	–	–	1 444.6
Foreign currency translations*		–	–	–	–	(259.6)	(259.6)
Movement in cash flow hedge		–	–	–	3.1	–	3.1
Remeasurement in retirement scheme assets		–	–	(21.4)	–	–	(21.4)
Other reserve movements		–	–	–	(9.1)	–	(9.1)
Transactions with owners		–	(130.3)	(902.2)	–	–	(1 032.5)
Dividends paid		–	–	(938.0)	–	–	(938.0)
Share purchases		–	(311.2)	–	–	–	(311.2)
Net effect of settlement of employee share awards		–	180.9	(180.6)	–	–	0.3
Share-based payments expense		–	–	216.4	–	–	216.4
At 3 March 2019 restated		**6.0**	**(993.7)**	**4 331.9**	**(6.0)**	**(303.2)**	**3 035.0**
Total comprehensive income for the period		**–**	**–**	**1 190.2**	**6.3**	**(39.5)**	**1 157.0**
Profit for the period		**–**	**–**	**1 194.7**	**–**	**–**	**1 194.7**
Foreign currency translations		**–**	**–**	**–**	**–**	**(39.5)**	**(39.5)**
Movement in cash flow hedge		**–**	**–**	**–**	**6.3**	**–**	**6.3**
Remeasurement in retirement scheme assets		**–**	**–**	**(4.5)**	**–**	**–**	**(4.5)**
Other reserve movements		**–**	**–**	**–**	**5.0**	**–**	**5.0**
Transactions with owners		**–**	**32.0**	**(1 218.9)**	**–**	**–**	**(1 186.9)**
Dividends paid		**–**	**–**	**(1 125.7)**	**–**	**–**	**(1 125.7)**
Share purchases		**–**	**(87.6)**	**–**	**–**	**–**	**(87.6)**
Net effect of settlement of employee share awards		**–**	**119.6**	**(118.9)**	**–**	**–**	**0.7**
Share-based payments expense		**–**	**–**	**25.7**	**–**	**–**	**25.7**
At 1 March 2020		**6.0**	**(961.7)**	**4 303.2**	**5.3**	**(342.7)**	**3 010.1**

* *Prior period amounts restated for the adoption of IFRS 16 Leases, refer to note 15.*

GROUP STATEMENT OF CASH FLOWS
for the period ended

Reviewed	Note	52 weeks to 1 March 2020 Rm	Restated* 53 weeks to 3 March 2019 Rm
Cash flows from operating activities			
Trading profit		**3 148.0**	3 054.9
Adjusted for non-cash items		**2 967.5**	3 001.0
Depreciation on property, plant and equipment		**1 132.9**	1 026.1
Depreciation on right-of-use assets	5	**1 646.9**	1 561.5
Amortisation on intangible assets		**151.0**	175.4
Share-based payments expense		**25.7**	216.4
Movements in operating lease assets		**(0.2)**	(2.6)
Movements in retirement scheme assets		**(2.7)**	(4.5)
Fair value and foreign exchange adjustments		**13.9**	28.7
Cash generated before movements in working capital		**6 115.5**	6 055.9
Movements in working capital		**249.9**	(708.5)
Movements in trade and other payables and deferred revenue		**951.5**	(152.3)
Movements in inventory and right-of-return assets		**(821.2)**	238.6
Movements in trade and other receivables		**119.6**	(794.8)
Cash generated from trading activities		**6 365.4**	5 347.4
Other interest received		**275.6**	258.8
Other interest paid	3	**(389.6)**	(349.3)
Interest received on net investment in lease receivables		**183.3**	155.6
Interest paid on lease liabilities		**(1 312.1)**	(1 278.6)
Cash generated from operations		**5 122.6**	4 133.9
Dividends paid		**(1 125.7)**	(938.0)
Tax paid		**(487.1)**	(817.3)
Cash generated from operating activities		**3 509.8**	2 378.6
Cash flows from investing activities			
Investment in intangible assets		**(91.5)**	(137.9)
Investment in property, plant and equipment		**(1 653.7)**	(1 312.5)
Proceeds on sale of non-current asset held for sale		**–**	217.2
Purchase of operations		**(22.8)**	(10.5)
Proceeds on disposal of intangible assets		**0.3**	0.3
Proceeds on disposal of property, plant and equipment		**61.2**	168.2
Principal net investment in lease receipts		**220.0**	231.8
Lease incentives		**121.0**	36.7
Loans repaid/(advanced)		**15.4**	(22.7)
Cash utilised in investing activities		**(1 350.1)**	(829.4)
Cash flows from financing activities			
Principal lease liability payments		**(1 487.4)**	(1 668.5)
Borrowings raised		**12 760.0**	4 700.0
Repayment of borrowings		**(13 150.0)**	(3 903.8)
Share purchases		**(87.6)**	(311.2)
Proceeds from employees on settlement of share awards		**0.7**	0.3
Cash utilised in financing activities		**(1 964.3)**	(1 183.2)
Net increase in cash and cash equivalents		**195.4**	366.0
Net cash and cash equivalents at beginning of period		**(296.8)**	(670.9)
Foreign currency translations		**(1.3)**	8.1
Net cash and cash equivalents at end of period		**(102.7)**	(296.8)
Consisting of:			
Cash and cash equivalents		**1 947.3**	1 503.2
Overnight borrowings		**(2 050.0)**	(1 800.0)

* *Prior period amounts restated for the adoption of IFRS 16 Leases, refer to note 15.*

NOTES TO THE REVIEWED PRELIMINARY CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the period ended 1 March 2020

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The reviewed preliminary condensed consolidated annual financial statements for the period ended 1 March 2020 are prepared in accordance with the requirements of the JSE Listings Requirements for preliminary reports, and the requirements of the Companies Act of South Africa. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA *Financial Reporting Guides* as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

The accounting policies applied in the preparation of these reviewed preliminary condensed consolidated annual financial statements are in terms of IFRS and are consistent with those applied in the Group annual financial statements for the 53 weeks ended 3 March 2019, except where the Group has applied new accounting policies or adopted new standards effective for annual reporting periods beginning on or after 1 January 2019. Refer to note 7 and note 15 for further information. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The preliminary condensed consolidated financial statements have been reviewed by the Group's independent external auditors, Ernst & Young Inc. and their unmodified review report is available for inspection at the Company's (Pick n Pay Stores Limited) registered office. The review was performed in accordance with ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. Any reference to future financial performance included in this announcement has not been reviewed or reported on by the Group's external auditors. The auditor's review report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's review engagement, they should obtain a copy of the auditor's review report together with the accompanying financial information from the company's registered office.

The directors take full responsibility for the preparation of these reviewed preliminary condensed consolidated annual financial statements, which have been prepared by the Finance Division under the supervision of the Chief Finance Officer, Lerena Olivier CA(SA).

	Reviewed 52 weeks to 1 March 2020 Rm	Restated* Reviewed 53 weeks to 3 March 2019 Rm

2 REVENUE

	Reviewed 52 weeks to 1 March 2020 Rm	Restated* Reviewed 53 weeks to 3 March 2019 Rm
Revenue from contracts with customers	**90 711.0**	89 678.4
Turnover	**89 281.5**	88 293.2
Franchise fee income	**398.3**	399.1
Commissions and other income	**1 031.2**	986.1
Operating lease income	**140.7**	112.7
Finance income	**471.7**	445.5
Bank balances and investments	**205.1**	190.7
Trade receivables and other	**70.5**	68.1
Net investment in lease receivables (note 6)	**196.1**	186.7
	91 323.4	90 236.6

3 FINANCE COSTS

	Reviewed 52 weeks to 1 March 2020 Rm	Restated* Reviewed 53 weeks to 3 March 2019 Rm
Lease liabilities (note 10)	**1 382.5**	1 377.1
Borrowings and other	**389.6**	349.3
	1 772.1	1 726.4

* *Prior period amounts restated for the adoption of IFRS 16 Leases, refer to note 15.*

	Reviewed 52 weeks to 1 March 2020 Cents per share	Restated* Reviewed 53 weeks to 3 March 2019 Cents per share
4 BASIC, HEADLINE AND DILUTED EARNINGS PER SHARE		
Basic earnings per share	**250.90**	304.04
Diluted earnings per share	**249.60**	300.26
Headline earnings per share	**287.89**	300.58
Diluted headline earnings per share	**286.39**	296.83

	Rm	Rm
4.1 Reconciliation between basic and headline earnings		
Profit for the period - basic earnings for the period	**1 194.7**	1 444.6
Adjustments:	**176.1**	(16.5)
Loss/(profit) on sale of property, plant and equipment	**18.8**	(11.0)
Tax effect of (loss)/profit on sale of property, plant and equipment	**(5.3)**	1.6
Profit on termination of leases	**(26.5)**	(19.7)
Tax effect of profit on termination of leases	**7.4**	5.5
Impairment loss on property, plant and equipment	**8.2**	–
Tax effect of impairment loss on property, plant and equipment	**(2.3)**	–
Impairment loss on intangible assets	**3.8**	5.3
Tax effect of impairment loss on intangible assets	**(1.1)**	–
Impairment loss on investment in associate	**173.6**	–
Impairment loss on property, plant and equipment of associate	**–**	2.8
Tax effect of impairment loss on property, plant and equipment of associate	**–**	(0.9)
Profit on sale of property, plant and equipment of associate	**(0.5)**	(0.1)
Headline earnings for the period	**1 370.8**	1 428.1

	000's	000's
4.2 Number of ordinary shares		
Number of ordinary shares in issue (note 8)	**493 450.3**	493 450.3
Weighted average number of ordinary shares (excluding treasury shares)	**476 161.6**	475 126.9
Diluted weighted average number of ordinary shares in issue	**478 647.8**	481 116.5
Reconciliation of weighted average number of ordinary shares to diluted weighted average number of ordinary shares:		
Weighted average number of ordinary shares (excluding treasury shares)	**476 161.6**	475 126.9
Dilutive effect of share awards	**2 486.2**	5 989.6
Diluted weighted average number of ordinary shares in issue	**478 647.8**	481 116.5

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

* *Prior period amounts restated for the adoption of IFRS 16 Leases, refer to note 15.*

5 RIGHT-OF-USE ASSETS

The Group enters into various lease agreements as the lessee of property, equipment and vehicles. Where leases convey the right to control the use of the underlying leased assets, the Group classifies these leases as right-of-use assets in a consistent manner to its property, plant and equipment. Refer to note 15 for further information on the Group's adoption of IFRS 16 *Leases*.

	Reviewed 52 weeks to 1 March 2020 Rm	Reviewed 53 weeks to 3 March 2019 Rm
Reconciliation of carrying value of right-of-use assets		
Carrying value at beginning of period	**10 102.9**	9 765.6
Additions	**1 596.0**	1 992.1
Depreciation	**(1 646.9)**	(1 561.5)
Other movements*	**(139.5)**	(87.8)
Foreign currency translations	**(31.9)**	(5.5)
Carrying value at end of period	**9 880.6**	10 102.9

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

6 NET INVESTMENT IN LEASE RECEIVABLES

In addition to its primary property lease portfolio, the Group holds head leases over strategic franchise sites. These sites are sub-let to franchisees, with the franchisees holding the right to control the use of leased assets. Where the Group does not retain the right to control the use of leased assets due to the leased asset being subjected to a sub-lease, right-of-use assets are not recognised on the statement of financial position. The Group recognises the present value of future lease payments under head leases as lease liabilities (note 10), and capitalises the present value of future lease receivables under sub-leases as net investment in a lease receivables. Refer to note 15 for further information on the Group's adoption of IFRS 16 *Leases*.

	Reviewed 52 weeks to 1 March 2020 Rm	Reviewed 53 weeks to 3 March 2019 Rm
Reconciliation of net investment in lease receivables		
At beginning of period	**2 109.7**	2 010.4
New leases	**480.1**	259.0
Lease receipts	**(403.3)**	(387.4)
Principal lease receipts	**(220.0)**	(231.8)
Interest received	**(183.3)**	(155.6)
Finance income	**196.1**	186.7
Other movements*	**(31.7)**	41.0
At end of period	**2 350.9**	2 109.7
Net investment in lease receivables are presented in the statement of financial position as follows:		
Current	**221.0**	248.9
Non-current	**2 129.9**	1 860.8

* *Includes remeasurements and terminations of leases.*

7 INVESTMENT IN ASSOCIATE

7.1 Accounting for investment in associate

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

On 11 October 2019, Zimbabwe was classified as a hyperinflationary economy in accordance with the provisions of IAS 29 *Financial Reporting in Hyperinflationary Economies* (IAS 29), applicable to entities operating in Zimbabwe with financial periods ended on or after 1 July 2019.

The equity accounted results of TM Supermarkets included in this Group result have therefore been prepared in accordance with IAS 29 as if the economy had been hyperinflationary from 1 October 2018, with the following key accounting principles applied within the results of TM Supermarkets:

- all previously published financial information was restated to reflect the current buying power of the Zimbabwe dollar; and
- all assets and liabilities were revalued to reflect current values, which resulted in a net monetary gain recognised in the statement of comprehensive income of TM Supermarkets, driven by the upwards revaluation of property, right-of-use assets and other store assets.

As the Group's presentation currency is not that of a hyperinflationary economy, the comparative information of the Group's financial results relating to TM Supermarkets is not restated. Any difference between our share of TM Supermarkets adjusted equity balance after applying IAS 29 and the balance previously recorded by the Group as at 3 March 2019 is recognised in other comprehensive income in the current period, as part of foreign currency translations.

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

During the prior reporting period:

- Since the adoption of multiple currencies by the Zimbabwean government in 2009, entities in Zimbabwe were operating in a multi-currency regime. As a result of this regime, and prior to 1 October 2018, the US dollar was designated as the functional and presentation currency of TM Supermarkets. The Group applied official average and closing US dollar (USD) to rand (ZAR) exchange rates during this period.
- On 1 October 2018, following the directive issued by the Reserve Bank of Zimbabwe (RBZ), the Real Time Gross Settlement (RTGS) dollar was adopted as the functional and presentation currency of TM Supermarkets. The application of the change in functional currency was applied prospectively.
- The share of associate's income and net asset value of TM Supermarkets were translated into the Group's presentation currency, at the average and closing rates respectively, in accordance with the provisions of IAS 21 *The Effects of Changes in Foreign Exchange Rates* (IAS 21). As disclosed in the 2019 Group annual financial statements, significant judgement was applied in the estimation and application of exchange rates used when translating the results of TM Supermarkets for the 2019 financial year. As tabled below, closing and average RTGS to ZAR exchange rates were calculated using the official USD to ZAR exchange rate divided by the management estimated USD to RTGS exchange rate. For comparative informational purposes, exchange rates have been presented based on the USD to RTGS official interbank exchange rates.

	1.0 RTGS:ZAR	1.0 USD:ZAR	1.0 USD:RTGS
Closing rates at 3 March 2019			
Exchange rates used by management	4.28	14.12	3.30
Official interbank exchange rate	5.65	14.12	2.50
Average rates for the period 1 October 2018 to 3 March 2019			
Exchange rates used by management	4.29	14.15	3.30
Official interbank exchange rate	5.66	14.15	2.50

7 INVESTMENT IN ASSOCIATE (continued)

7.2 Exchange rates applied in translating the results of investment in associate (continued)

During the current reporting period:

- On 24 June 2019, the RBZ introduced statutory instrument 142 of 2019 resulting in the renaming of the RTGS dollar to the Zimbabwe dollar (ZWL$) and resulting in the ZWL$ being the only form of legal tender in the country. The ZWL$ was therefore adopted as the functional and presentation currency of TM Supermarkets prospectively from this date.

- Significant judgement was applied in the estimation and application of the ZWL$ to ZAR exchange rate. These judgements and assessments are in line with those applied during the 2019 financial year. Management assessed that the official interbank exchange rate is not available for immediate settlement as shortages of foreign currency results in the official exchange rate not being liquid. Estimated exchange rates were therefore used when translating the result of TM Supermarkets. Inputs considered in this estimate includes the official inflation rate and the premium at which Old Mutual and PPC Ltd. shares trade on the Zimbabwe Stock Exchange compared to trades on the Johannesburg Stock Exchange (Old Mutual implied exchange rate).

- The share of associate's income and net asset value of TM Supermarkets have been translated into the Group's presentation currency at the closing rate in accordance with the hyperinflationary provisions of IAS 21. As tabled below, the closing ZWL$ to ZAR exchange rate was calculated using the official USD to ZAR exchange rate divided by the management estimated USD to ZWL$ exchange rate. For comparative informational purposes, exchange rates have been presented based on the USD to ZWL$ official interbank exchange rates.

	1.0 ZWL$:ZAR	1.0 USD:ZAR	1.0 USD:ZWL$
Closing rates at 1 March 2020			
Exchange rates used by management	0.51	15.61	30.80
Official interbank exchange rate	0.87	15.61	17.95

7 INVESTMENT IN ASSOCIATE (continued)

7.3 Reconciliation of investment in associate

	Reviewed 52 weeks to 1 March 2020 Rm	Reviewed 53 weeks to 3 March 2019 Rm
At beginning of period	**184.4**	365.6
Share of associate's income	**66.3**	109.0
Share of associate's earnings excluding net monetary gain	**23.1**	109.0
Share of associate's net monetary gain as a result of hyperinflation accounting	**43.2**	–
Foreign currency translations	**(26.7)**	(290.2)
Impairment loss on investment in associate	**(173.6)**	–
At end of period	**50.4**	184.4
7.4 Amounts owing by associate included in trade and other receivables	**40.1**	132.9

7.5 Impairment of investment in associate

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

- The devaluation and illiquidity of currency in Zimbabwe and the resultant impact on the Zimbabwean economy – the jurisdiction in which TM Supermarkets trades in,
- Currency shortages and currency devaluation which led to high levels of food and other inflation, and shortages of fuel and other staple goods in the country,
- The rapid increase in year-on-year Zimbabwe inflation rates, from 21% in October 2018 to 540% in February 2020, as published by the RBZ,
- Exposure to ZAR denominated debt by TM Supermarkets and, as a result, TM Supermarkets incurred significant foreign exchange losses during the period, and
- Furthermore, the application of IAS 29 resulted in the upward valuation of the assets of TM Supermarkets.

Impairment reviews were performed and the Group concluded that the carrying value of its investment in associate exceeded its recoverable amount, resulting in an impairment loss of R173.6 million recognised by the Group.

The recoverable amount of TM Supermarkets was determined based on value-in-use calculations. The calculation discounts future cash flow forecasts at an appropriate pre-tax rate that reflects the specific risks and challenges relating to TM Supermarkets. Management approved future cash flow forecasts over a period of five years were based on past experience and the expected performance of the retail market in Zimbabwe. Cash flows beyond this period were extrapolated by applying a nil growth rate. The pre-tax discount rate applied to cash flow projections was 52.8%.

Management believes that the carrying value of the Group's investment in associate of R50.4 million remains reflective of the value of its investment in TM Supermarkets and that any reasonable possible change in key assumptions on which the recoverable amounts are based would not result in any additional significant impairment losses. Refer to note 7.6.

7 INVESTMENT IN ASSOCIATE (continued)

7.6 Sensitivity analysis

The following tables represent the sensitivity analysis performed by management on the significant judgements applied in the accounting of the Group's investment in associate for the 52 weeks ended 1 March 2020.

7.6.1 Exchange rates applied in the translation of the financial results of our investment in associate

If either the Old Mutual implied exchange rate or the official interbank exchange rate was applied, with all other variables held constant, the impact on the statement of comprehensive income and statement of financial position would have been as follows:

	Old Mutual implied exchange rate* 1.0 ZWL$: 0.3 ZAR	Exchange rate applied by management 1.0 ZWL$: 0.5 ZAR	Official interbank exchange rate** 1.0 ZWL$: 0.9 ZAR
Impact on statement of comprehensive income			
Share of associate's income (Rm)	43.7	66.3	115.9
Impairment on investment in associate (Rm)	117.2	173.6	297.9
Impact on statement of financial position			
Investment in associate (Rm)	34.1	50.4	86.5

* *Calculated by applying the Old Mutual implied rate of 1 USD to 45.62 ZWL$.*
** *Calculated by applying the official interbank exchange rate of 1 USD to 17.95 ZWL$.*

7.6.2 Discount rate applied in the assessment of the recoverable amount of our investment in associate

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

	+10% 62.8%	As reported 52.8%	-10% 42.8%
Impact on statement of comprehensive income			
Impairment on investment in associate (Rm)	181.7	173.6	160.3
Impact on statement of financial position			
Investment in associate (Rm)	42.3	50.4	63.7

7.6.3 Growth rate applied in the assessment of the recoverable amount of our investment in associate

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

	Reviewed 52 weeks to 1 March 2020 Rm	Reviewed 53 weeks to 3 March 2019 Rm
8 SHARE CAPITAL		
8.1 Ordinary share capital		
Authorised		
800 000 000 (2019: 800 000 000) ordinary shares of 1.25 cents each	**10.0**	10.0
Issued		
493 450 321 (2019: 493 450 321) ordinary shares of 1.25 cents each	**6.0**	6.0
	000's	000's
The number of shares in issue is made up as follows:		
Treasury shares	**16 115.2**	18 070.5
Shares held outside the Group	**477 335.1**	475 379.8
Total shares in issue at end of period	**493 450.3**	493 450.3

The Company can issue new shares to settle the Group's obligations under its employee share schemes, but issues in this regard are limited, in aggregate, to 5% of total issued share capital or 24 672 516 (2019: 24 672 516) shares. To date, 15 743 000 (2019: 15 743 000) shares have been issued, resulting in 8 929 516 (2019: 8 929 516) shares remaining for this purpose.

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

Certain ordinary shares are stapled to B shares and are subject to restrictions upon disposal. Refer to note 8.2.

	Reviewed 52 weeks to 1 March 2020 Rm	Reviewed 53 weeks to 3 March 2019 Rm
8.2 B share capital		
Authorised		
1 000 000 000 (2019: 1 000 000 000) unlisted, non-convertible, non-participating, no par value B shares	**–**	–
Issued		
259 682 869 (2019: 259 682 869) unlisted non-convertible, non-participating, no par value B shares	**–**	–

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

The holders of B shares are entitled to the same voting rights as holders of ordinary shares, but are not entitled to any rights to distributions by the Company or any other economic benefits. Refer to note 8.1.

	Reviewed 52 weeks to 1 March 2020 Rm	Reviewed 53 weeks to 3 March 2019 Rm

9 TREASURY SHARES

At beginning of period	**993.7**	863.4
Shares purchased during the period	**87.6**	311.2
Settlement of employee share awards	**(119.6)**	(180.9)
At end of period	**961.7**	993.7
	000's	000's
The movement in the number of treasury shares held is as follows:		
At beginning of period	**18 070.5**	13 508.4
Shares purchased during the period	**1 306.5**	4 249.6
Shares sold during the period pursuant to the take-up of share options by employees	**(1 599.3)**	(3 606.5)
Shares delivered to participants of forfeitable share plan	**(1 662.5)**	(1 081.0)
Shares issued	**–**	5 000.0
At end of period	**16 115.2**	18 070.5

10 LEASE LIABILITIES

The Group enters into various lease agreements as the lessee of property, equipment and vehicles. Where leases convey the right to control the use of underlying leased assets, the Group recognises the present value of future lease payments under the lease as lease liabilities. Refer to note 15 for further information on the Group's adoption of IFRS 16 *Leases*.

	Reviewed 52 weeks to 1 March 2020 Rm	Reviewed 53 weeks to 3 March 2019 Rm
Reconciliation of lease liability		
At beginning of period	**15 311.9**	14 620.5
New leases	**2 076.1**	2 251.1
Lease payments	**(2 799.5)**	(2 947.1)
Principal lease liability payments	**(1 487.4)**	(1 668.5)
Interest paid	**(1 312.1)**	(1 278.6)
Finance costs (note 3)	**1 382.5**	1 377.1
Other movements*	**(76.7)**	(29.8)
Foreign currency translations	**10.9**	40.1
At end of period	**15 905.2**	15 311.9
Lease liabilities are presented in the statement of financial position as follows:		
Current	**1 716.7**	1 676.8
Non-current	**14 188.5**	13 635.1

* *Includes remeasurements and terminations of leases.*

11 OPERATING SEGMENTS

Reviewed	South Africa Rm	Rest of Africa Rm	Total operations Rm
52 weeks to 1 March 2020			
Total segment revenue	87 641.1	4 666.1	92 307.2
Revenue from contracts with customers (note 2)	87 045.8	3 665.2	90 711.0
Operating lease income (note 2)	137.1	3.6	140.7
Finance income (note 2)	458.2	13.5	471.7
Direct deliveries*	–	983.8	983.8
Segment external turnover	85 628.3	3 653.2	89 281.5
Profit before tax before capital items and before net monetary gain^	1 780.6	90.1	1 870.7
Profit before tax **	1 781.0	(45.0)	1 736.0
Other information			
Statement of comprehensive income			
Finance costs (note 3)	1 753.5	18.6	1 772.1
Depreciation and amortisation on property, plant and equipment and intangible assets	1 240.8	43.1	1 283.9
Depreciation of right-of-use assets (note 5)	1 595.5	51.4	1 646.9
Loss on sale of property, plant and equipment	18.8	–	18.8
Impairment loss on property, plant and equipment	3.5	4.7	8.2
Impairment loss on intangible assets	3.8	–	3.8
Profit on termination of leases	26.5	–	26.5
Impairment loss on investment in associate (note 7)	–	173.6	173.6
Share of associate's income (note 7)	–	66.3	66.3
Statement of financial position			
Total assets	32 160.9	1 344.4	33 505.3
Total liabilities	29 638.1	857.1	30 495.2
Investment in associate (note 7)	–	50.4	50.4
Additions to non-current assets	3 281.0	82.7	3 363.7

* *Included in segmental revenue, as reviewed by the Chief Operating Decision Maker of the Group, are direct deliveries by in-country suppliers to foreign franchisees, in countries where the Group does not have a statutory presence. These deliveries do not qualify as revenue in terms of IFRS but are included in segmental revenue for the purposes of the Group's review of operating segments. In countries where the Group has a statutory presence, including South Africa, direct deliveries are included in the Group's reported revenue.*

** *"Segmental profit before tax" and "segmental profit before tax before capital items and before net monetary gain" (together referred to as "segmental profit") are reported measures used for evaluating the performance of the Group's operating segments. On an overall basis, the segmental profit is equal to the Group's reported profit before tax, and profit before tax before capital items and before net monetary gain, respectively. The Rest of Africa segment's segmental profit comprises the segment's trading result and directly attributable costs only. No allocations are made for indirect or incremental costs incurred by the South Africa segment relating to the Rest of Africa segment.*

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

Reviewed	South Africa Rm	Rest of Africa Rm	Total operations Rm

11 OPERATING SEGMENTS (continued)

53 weeks to 3 March 2019#

	South Africa Rm	Rest of Africa Rm	Total operations Rm
Total segment revenue	86 316.1	4 835.4	91 151.5
Revenue from contracts with customers (note 2)	85 774.5	3 903.9	89 678.4
Operating lease income (note 2)	108.3	4.4	112.7
Finance income (note 2)	433.3	12.2	445.5
Direct deliveries*	–	914.9	914.9
Segment external turnover	84 401.4	3 891.8	88 293.2
Profit before tax before capital items and before net monetary gain**	1 658.8	224.2	1 883.0
Profit before tax**	1 684.9	223.5	1 908.4
Other information			
Statement of comprehensive income			
Finance costs (note 3)	1 705.3	21.1	1 726.4
Depreciation and amortisation on property, plant and equipment and intangible assets	1 157.6	43.9	1 201.5
Depreciation of right-of-use assets (note 5)	1 500.3	61.2	1 561.5
Profit on sale of property, plant and equipment	11.0	–	11.0
Impairment loss on intangible assets	4.6	0.7	5.3
Profit on termination of leases	19.7	–	19.7
Share of associate's income (note 7)	–	109.0	109.0
Statement of financial position			
Total assets	30 482.5	1 625.2	32 107.7
Total liabilities	28 266.1	806.6	29 072.7
Investment in associate (note 7)	–	184.4	184.4
Additions to non-current assets	3 356.5	94.7	3 451.2

* *Included in segmental revenue, as reviewed by the Chief Operating Decision Maker of the Group, are direct deliveries by in-country suppliers to foreign franchisees, in countries where the Group does not have a statutory presence. These deliveries do not qualify as revenue in terms of IFRS but are included in segmental revenue for the purposes of the Group's review of operating segments. In countries where the Group has a statutory presence, including South Africa, direct deliveries are included in the Group's reported revenue.*

** *"Segmental profit before tax" and "segmental profit before tax before capital items and before net monetary gain" (together referred to as "segmental profit") are reported measures used for evaluating the performance of the Group's operating segments. On an overall basis, the segmental profit is equal to the Group's reported profit before tax, and profit before tax before capital items and before net monetary gain, respectively. The Rest of Africa segment's segmental profit comprises the segment's trading result and directly attributable costs only. No allocations are made for indirect or incremental costs incurred by the South Africa segment relating to the Rest of Africa segment.*

\# *Prior period amounts restated for the adoption of IFRS 16 Leases, refer to note 15.*

12 RELATED PARTY TRANSACTIONS

During the period under review, in the ordinary course of business, certain companies within the Group entered into transactions with each other. These intergroup transactions and related balances are eliminated on consolidation. Intergroup transactions are similar to those in the prior year and related parties remain unchanged from those reported at 3 March 2019. For disclosures relating to our investment in associate, refer to note 7.

13 FINANCIAL INSTRUMENTS

All financial instruments held by the Group are measured at amortised cost, with the exception of financial instruments at fair value through profit or loss and derivatives designated as hedging instruments, as set out below:

	Reviewed 52 weeks to 1 March 2020 Rm	Reviewed 53 weeks to 3 March 2019 Rm
Financial assets at fair value through profit or loss		
Investment in insurance cell captive – Level 2	**54.9**	35.2
Derivative financial instruments (designated as hedging instruments)		
Forward exchange contract assets – Level 2	**9.4**	3.1

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The carrying value of all other financial instruments approximate their fair value.

There have been no transfers between level 1, level 2 and level 3 of the fair value hierarchy during the period.

14 COMMITMENTS

	Reviewed 52 weeks to 1 March 2020 Rm	Reviewed 53 weeks to 3 March 2019 Rm
Authorised capital expenditure		
Contracted for	**181.8**	41.4
Furniture, fittings, equipment and vehicles	**181.0**	39.9
Intangible assets	**0.8**	1.5
Not contracted for	**1 818.2**	1 958.6
Property	**46.0**	39.5
Furniture, fittings, equipment and vehicles	**1 680.6**	1 829.2
Intangible assets	**91.6**	89.9
Total commitments	**2 000.0**	2 000.0

15 ADOPTION OF NEW ACCOUNTING STANDARDS

There are a number of new standards, amendments to standards and interpretations which became effective and applicable to the Group during the current year and have been applied in the preparation these reviewed preliminary condensed consolidated annual financial statements. Noteworthy standards and interpretations adopted by the Group include IFRS 16 *Leases* (IFRS 16) and IFRIC 23 *Uncertainty Over Income Tax Treatments* (IFRIC 23).

Refer to the notes below for the impact of the adoption of IFRS 16.

The IFRIC 23 interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 *Income Taxes*, and did not have a significant impact on the Group.

15.1 Adoption of IFRS 16 *Leases*

IFRS 16 *Leases* (IFRS 16) is applicable to the Group for the 2020 annual financial period and replaces IAS 17 *Leases* (IAS 17). The Group implemented the standard using the full retrospective approach and accordingly, the comparative information in these reviewed preliminary condensed consolidated annual financial statements have been restated. The purpose of the new standard is to largely align the accounting of operating leased assets with the accounting of owned and finance leased assets. The new standard therefore brings the majority of the Group's long-term leases onto the statement of financial position, with the exception of short-term, low-value and variable-in-nature leases.

The key impacts of IFRS 16 include the recognition of a lease liability and corresponding right-of-use asset at the commencement date of each lease. The value of the lease liability reduces over the lease term by rental payments, net of implied interest charges, while the right-of-use asset reduces over the lease term by straight-lined depreciation charges. IFRS 16 therefore substitutes the straight-line rent cost previously recognised in respect of operating leases under IAS 17 with the cost of interest charges on outstanding lease liabilities and depreciation charged on right-of-use assets. The net impact on the statement of comprehensive income is the same under IAS 17 and IFRS 16, but the timing of the impact is different over the lease term.

In addition to its primary property lease portfolio, the Group holds head leases over strategic franchise sites. These sites are sub-let to franchisees, with the franchisees holding the right to control the use of the leased assets. Where the Group does not retain the right to control the use of the leased assets due to the assets being subjected to a sub-lease, right-of-use assets are not recognised on the statement of financial position. IFRS 16 requires the recognition of the present value of future lease payments under the head lease as a lease liability, and to capitalise the present value of future lease receivables under the sub-lease as net investment in lease receivables. In most instances, the accounting for the head lease and the sub-lease under IFRS 16 has an equal and opposite impact on the statement of comprehensive income and statement of financial position, similar to the net impact under IAS 17. Previously, the Group recognised rent paid to landlords under head lease agreements, with an equal and opposite rent received from its franchisees. IFRS 16 replaces this rent paid and rent received, with interest charged on lease liabilities and interest earned on net investment in lease receivables.

At the date of initial application, the Group elected to use the practical expedient provided by IFRS 16, which allows the Group to apply IFRS 16 to only those contracts that were previously identified as leases under IAS 17 and IFRIC 4 *Determining Whether an Arrangement Contains a Lease*. The Group also elected to account for non-lease components together with the lease components to which it relates. The lease and non-lease components will therefore be accounted for as a single lease component. In addition, the Group further elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

The new standard had a significant impact on the Group's statement of financial position, statement of comprehensive income and the classification of cash flows relating to lease contracts, as well as several key reporting metrics such as earnings per share, headline earnings per share, and net asset value. This impact has been detailed in the notes that follow.

For further details on the impact of IFRS 16, refer to the Group's unaudited "Implementation of IFRS 16: *Leases*" SENS announcement which was published on 25 September 2019, available on the Group's website at www.picknpayinvestor.co.za.

15 ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

15.2 IFRS 16 accounting policies

At inception of a contract, the Group assesses whether the agreement contains a lease. An agreement contains a lease if it transfers the right to control the use of an asset identified by a period of time in exchange for consideration. The Group reassesses whether an agreement contains a lease if there is a change to the terms and conditions of the agreement.

The Group enters into lease contracts for retail stores, distribution centres, offices, vehicles and equipment, and acts as both lessee and lessor. A lease liability and corresponding right-of-use asset is recognised on the date at which the Group gains the right to control the leased asset. A lease liability and a corresponding net investment in lease receivable is recognised at the date on which the Group's right to control the leased asset is given to the sub-lessee.

Lease liabilities

At the commencement date, the Group measures lease liabilities at the present value of the lease payments to be made over the lease term discounted at an applicable discount rate.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised. Management exercises significant judgement in assessing the likelihood of exercising termination or extension options in determining the lease term. The Group's portfolio of qualifying leases has an average lease term of 10 years (2019: 10 years).

Lease payments included in the measurement of the lease liability comprises fixed payments (including in substance fixed lease payments), variable payments based on an index or rate and payments arising from options reasonably certain to be exercised or termination options reasonably certain not to be exercised. Variable lease payments are initially measured using the index or rate at the commencement date.

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

The discount rate used for the Group's commercial vehicles fleet is the interest rate implicit in the lease. All other lease payments are discounted using the Group's incremental borrowing rate specific to the lease term, country, currency and start date of the lease. Incremental borrowing rates are based on a series of inputs including the prime lending rate, the repo rate, a credit risk adjustment and a country specific adjustment. The Group's portfolio of qualifying leases has an average borrowing rate of 8.9% (2019: 8.8%).

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

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

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

15 ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

15.2 IFRS 16 accounting policies (continued)

Right-of-use assets

At the commencement date, the Group recognises right-of-use assets at cost. The cost of right-of-use assets includes the initial measurement of corresponding lease liabilities and any initial direct costs less any lease incentives received.

Right-of-use assets are subsequently depreciated on a straight-line basis over the useful life of the underlying right-of-use asset and are tested for impairment when there are indicators of impairment. The Group's accounting policy for the assessment of impairment of non-financial assets remains unchanged from that reported on in the 2019 Group annual financial statements. Depreciation and any applicable impairment costs are recorded in the statement of comprehensive income.

Net investment in lease receivables

At the commencement date, the Group measures the net investment in lease receivable at the present value of the lease payments to be received over the lease term, discounted at the Group's incremental borrowing rate.

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

The net investment in lease receivable is subsequently measured at amortised cost using the effective interest method, reduced by future lease receipts net of interest earned. The net investment in lease receivable is assessed for impairment in line with impairment principals applied for financial assets. The Group's accounting policy for impairment of financial assets remain unchanged from that reported on in the 2019 audited Group annual financial statements. Interest income and any applicable impairment costs are recorded in the statement of comprehensive income.

Short-term leases and leases of low-value assets

Payments associated with short-term leases and all leases of low-value assets are recognised in the statement of comprehensive income on a straight-line basis in the period in which they occur. Short-term leases are leases with a lease term of 12 months or less.

Variable lease payments

Certain property head leases and sub-leases contain variable payment terms linked to sales generated from retail owned and franchise stores. Turnover rent expense and rent income average 1.5% of turnover (2019: 1.5% of turnover) of the retail owned and franchise stores and are recognised in the statement of comprehensive income in the period in which the event or condition that triggers the payment occurs.

15 ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

15.3 Impact of the adoption of IFRS 16 *Leases* on the statement of comprehensive income for the 53 weeks ended 3 March 2019

Reviewed	Restated 53 weeks to 3 March 2019 Rm	Impact of IFRS 16 Rm	As reported 53 weeks to 3 March 2019 Rm
Revenue	90 236.6	(228.4)	90 465.0
Turnover	88 293.2	–	88 293.2
Cost of merchandise sold	(71 436.7)	102.6	(71 539.3)
Gross profit	16 856.5	102.6	16 753.9
Other income	1 497.9	(415.1)	1 913.0
Franchise fee income	399.1	–	399.1
Operating lease income	112.7	(415.1)	527.8
Commissions and other income	986.1	–	986.1
Trading expenses	(15 299.5)	1 191.8	(16 491.3)
Employee costs	(7 238.9)	–	(7 238.9)
Occupancy	(2 088.7)	1 238.1	(3 326.8)
Operations	(3 515.1)	0.4	(3 515.5)
Merchandising and administration	(2 456.8)	(46.7)	(2 410.1)
Trading profit	3 054.9	879.3	2 175.6
Finance income	445.5	186.7	258.8
Finance costs	(1 726.4)	(1 377.1)	(349.3)
Share of associate's income	109.0	–	109.0
Profit before tax before capital items	1 883.0	(311.1)	2 194.1
Profit on capital items	25.4	19.7	5.7
Profit on sale of property, plant and equipment	11.0	–	11.0
Impairment loss on intangible assets	(5.3)	–	(5.3)
Profit on termination of leases	19.7	19.7	–
Profit before tax	1 908.4	(291.4)	2 199.8
Tax	(463.8)	86.5	(550.3)
Profit for the period	1 444.6	(204.9)	1 649.5
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss	(21.4)	–	(21.4)
Remeasurement in retirement scheme assets	(29.9)	–	(29.9)
Tax on items that will not be reclassified to profit or loss	8.5	–	8.5
Items that may be reclassified to profit or loss	(256.5)	6.6	(263.1)
Foreign currency translations	(275.0)	6.6	(281.6)
Movement in cash flow hedge	3.1	–	3.1
Tax on items that may be reclassified to profit or loss	15.4	–	15.4
Total comprehensive income for the period	1 166.7	(198.3)	1 365.0
Headline earnings	1 428.1	(219.1)	1 647.2
Earnings per share	Cents	Cents	Cents
Basic earnings per share	304.04	(43.13)	347.17
Diluted earnings per share	300.26	(42.59)	342.85
Headline earnings per share	300.58	(46.11)	346.69
Diluted headline earnings per share	296.83	(45.54)	342.37

15 ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

15.4 Impact of the adoption of IFRS 16 *Leases* on the statement of financial position as at 3 March 2019

Reviewed	Restated As at 3 March 2019 Rm	Impact of IFRS 16* Rm	As reported As at 3 March 2019 Rm
ASSETS			
Non-current assets			
Intangible assets	909.8	(60.8)	970.6
Property, plant and equipment	6 189.3	–	6 189.3
Right-of-use assets	10 102.9	10 102.9	–
Net investment in lease receivables	1 860.8	1 860.8	–
Deferred tax assets	785.4	482.0	303.4
Investment in associate	184.4	–	184.4
Loans	102.0	–	102.0
Retirement scheme assets	72.2	–	72.2
Investment in insurance cell captive	35.2	–	35.2
Operating lease assets	12.8	(239.3)	252.1
Trade and other receivables	82.3	–	82.3
	20 337.1	12 145.6	8 191.5
Current assets			
Inventory	5 693.4	(3.8)	5 697.2
Trade and other receivables	4 301.4	(137.3)	4 438.7
Cash and cash equivalents	1 503.2	–	1 503.2
Net investment in lease receivables	248.9	248.9	–
Right-of-return assets	20.6	–	20.6
Derivative financial instruments	3.1	–	3.1
	11 770.6	107.8	11 662.8
Total assets	32 107.7	12 253.4	19 854.3
EQUITY AND LIABILITIES			
Equity			
Share capital	6.0	–	6.0
Treasury shares	(993.7)	–	(993.7)
Retained earnings	4 331.9	(1 315.5)	5 647.4
Other reserves	(6.0)	–	(6.0)
Foreign currency translation reserve	(303.2)	33.7	(336.9)
Total equity	3 035.0	(1 281.8)	4 316.8
Non-current liabilities			
Lease liabilities	13 635.1	13 635.1	–
Operating lease liabilities	–	(1 719.4)	1 719.4
Deferred tax liabilities	14.2	–	14.2
	13 649.3	11 915.7	1 733.6
Current liabilities			
Trade and other payables	10 346.3	(57.3)	10 403.6
Lease liabilities	1 676.8	1 676.8	–
Deferred revenue	256.2	–	256.2
Overnight borrowings	1 800.0	–	1 800.0
Borrowings	1 325.0	–	1 325.0
Current tax liabilities	19.1	–	19.1
	15 423.4	1 619.5	13 803.9
Total equity and liabilities	32 107.7	12 253.4	19 854.3
Net asset value (property value based on directors' valuation) – cents per share	786.7	(269.6)	1 056.3

* *The impact of IFRS 16 differs from the unaudited information previously published on implementation of the new standard. Subsequent to the Group's external auditor's review thereof, amendments to deferred tax assets (R37.9 million), retained earnings (R77.6 million) and lease liabilities (R115.5 million) were made to the previous publication.*

15 ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

15.5 Impact of the adoption of IFRS 16 *Leases* on the statement of cash flows for the 53 weeks ended 3 March 2019

Reviewed	Restated 53 weeks to 3 March 2019 Rm	Impact of IFRS 16* Rm	As reported 53 weeks to 3 March 2019 Rm
Cash flows from operating activities			
Trading profit	3 054.9	879.3	2 175.6
Adjusted for non-cash items	3 001.0	1 482.6	1 518.4
Depreciation on property, plant and equipment	1 026.1	–	1 026.1
Depreciation on right-of-use-assets	1 561.5	1 561.5	–
Amortisation on intangible assets	175.4	–	175.4
Share-based payments expense	216.4	–	216.4
Movement in operating lease assets	(2.6)	(125.6)	123.0
Movements in retirement scheme assets	(4.5)	–	(4.5)
Fair value and foreign exchange adjustments	28.7	46.7	(18.0)
Cash generated before movements in working capital	6 055.9	2 361.9	3 694.0
Movements in working capital	(708.5)	142.2	(850.7)
Movements in trade and other payables and deferred revenue	(152.3)	8.5	(160.8)
Movements in inventory and right-of-return assets	238.6	–	238.6
Movements in trade and other receivables	(794.8)	133.7	(928.5)
Cash generated from trading activities	5 347.4	2 504.1	2 843.3
Other interest received	258.8	–	258.8
Other interest paid	(349.3)	–	(349.3)
Interest received on net investment in lease receivables	155.6	155.6	–
Interest paid on lease liabilities	(1 278.6)	(1 278.6)	–
Cash generated from operations	4 133.9	1 381.1	2 752.8
Dividends paid	(938.0)	–	(938.0)
Tax paid	(817.3)	–	(817.3)
Cash generated from operating activities	2 378.6	1 381.1	997.5
Cash flows from investing activities			
Investment in intangible assets	(137.9)	13.6	(151.5)
Investment in property, plant and equipment	(1 312.5)	–	(1 312.5)
Proceeds on sale of non-current asset held for sale	217.2	–	217.2
Purchase of operations	(10.5)	–	(10.5)
Proceeds on disposal of intangible assets	0.3	–	0.3
Proceeds on disposal of property, plant and equipment	168.2	–	168.2
Principal net investment in lease receipts	231.8	231.8	–
Lease incentives	36.7	36.7	–
Loans advanced	(22.7)	–	(22.7)
Cash utilised in investing activities	(829.4)	282.1	(1 111.5)
Cash flows from financing activities			
Principal lease liability payments	(1 668.5)	(1 668.5)	–
Borrowings raised	4 700.0	–	4 700.0
Repayment of borrowings	(3 903.8)	–	(3 903.8)
Share purchases	(311.2)	–	(311.2)
Proceeds from employees on settlement of share awards	0.3	–	0.3
Cash (utilised in)/generated from financing activities	(1 183.2)	(1 668.5)	485.3
Net increase in cash and cash equivalents	366.0	(5.3)	371.3
Net cash and cash equivalents at beginning of period	(670.9)	–	(670.9)
Foreign currency translations	8.1	5.3	2.8
Net cash and cash equivalents at end of period	(296.8)	–	(296.8)
Consisting of:			
Cash and cash equivalents	1 503.2	–	1 503.2
Overnight borrowings	(1 800.0)	–	(1 800.0)

* *In line with amendments made to the previously published impact of IFRS 16 on the statement of financial position, the previously published impact of IFRS 16 on the statement of cash flows has been amended.*

15 ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

15.6 Impact of the adoption of IFRS 16 *Leases* on the statement of financial position as at 25 February 2018

Reviewed	Restated As at 25 February 2018 Rm	Impact of IFRS 16* Rm	As reported As at 25 February 2018 Rm
ASSETS			
Non-current assets			
Intangible assets	944.1	(47.2)	991.3
Property, plant and equipment	6 054.4	–	6 054.4
Right-of-use assets	9 765.6	9 765.6	–
Net investment in lease receivables	1 778.8	1 778.8	–
Deferred tax assets	590.1	395.3	194.8
Investment in associate	365.6	–	365.6
Loans	79.3	–	79.3
Retirement scheme assets	97.6	–	97.6
Investment in insurance cell captive	25.7	–	25.7
Operating lease assets	10.2	(217.1)	227.3
Trade and other receivables	105.4	–	105.4
	19 816.8	11 675.4	8 141.4
Current assets			
Inventory	5 940.3	(3.8)	5 944.1
Trade and other receivables	3 525.5	(3.6)	3 529.1
Cash and cash equivalents	1 129.1	–	1 129.1
Net investment in lease receivables	231.6	231.6	–
Right-of-return assets	19.6	–	19.6
	10 846.1	224.2	10 621.9
Non-current asset held for sale	217.2	–	217.2
Total assets	30 880.1	11 899.6	18 980.5
EQUITY AND LIABILITIES			
Equity			
Share capital	6.0	–	6.0
Treasury shares	(863.4)	–	(863.4)
Retained earnings	3 841.1	(1 110.6)	4 951.7
Foreign currency translation reserve	(43.6)	27.1	(70.7)
Total equity	2 940.1	(1 083.5)	4 023.6
Non-current liabilities			
Lease liabilities	13 100.1	13 100.1	–
Operating lease liabilities	–	(1 571.6)	1 571.6
Deferred tax liabilities	13.7	–	13.7
Borrowings	79.5	–	79.5
	13 193.3	11 528.5	1 664.8
Current liabilities			
Trade and other payables	10 473.5	(65.8)	10 539.3
Lease liabilities	1 520.4	1 520.4	–
Deferred revenue	281.3	–	281.3
Overnight borrowings	1 800.0	–	1 800.0
Borrowings	449.3	–	449.3
Current tax liabilities	213.7	–	213.7
Derivative financial instruments	8.5	–	8.5
	14 746.7	1 454.6	13 292.1
Total equity and liabilities	30 880.1	11 899.6	18 980.5
Net asset value (property value based on directors' valuation) – cents per share	738.1	(228.1)	966.2

* *The impact of IFRS 16 differs from the unaudited information previously published on implementation of the new standard. Subsequent to our external auditor's review thereof, amendments to deferred tax assets (R37.9 million), retained earnings (R77.6 million) and lease liabilities (R115.5 million) were made to the previous publication.*

16 SUBSEQUENT EVENTS

16.1 COVID-19 pandemic

In terms of IAS 10 *Events after the Reporting Period*, management have applied judgement and assessed that the impact of the COVID-19 pandemic is a non-adjusting subsequent event. The first COVID-19 case in South Africa was confirmed 4 days after the period end, and the pandemic does not affect the economic assumptions and estimates made at 1 March 2020 for measurement purposes.

In the subsequent event period, trading has been significantly disrupted as a result of the COVID-19 outbreak, and sales and earnings growth is negative relative to Group expectations under normal circumstances. The pandemic is also expected to impact certain financial risks arising from inherent business exposures as well as its use of financial instruments. These include market, interest rate, currency exchange rate, credit and liquidity risk.

Refer to the Section C of the Review of Operations for information on the Group's trading conditions subsequent to the financial period end.

It is anticipated that the COVID-19 pandemic will have a negative impact on the Group's trading and profitability for the following financial year. Consequently, subsequent to year-end, the Group has considered the impact of the COVID-19 pandemic, the State of Disaster and lockdown announced by the South African government, and the reduction of 200bps in the repo rate announced by the South African Reserve Bank on the business performance for the 2021 year to date and considered a range of future scenarios to estimate the potential financial impact on aspects of the Groups financial position where forward looking assumptions are used.

The aspects assessed include impairment of goodwill, property, plant and equipment, retirement scheme assets, investment in associate, deferred tax asset recognition, impairment of trade and other receivables, net investment in lease receivables, inventory net realisable value allowances, forward exchange contract assets and operating lease liabilities.

Further information is set out below for each category.

Solvency and liquidity

It is currently not possible to accurately predict the full financial impact on the Group of the COVID-19 pandemic, and the future measures taken by the South African Government to tackle it. There are too many uncertainties at this time, including the extent and duration of the COVID-19 outbreak, the extent and duration of the nationwide lockdown and global and local Government fiscal policy response. As such, the Board of Directors have considered a range of scenario forecasts to understand the potential outcomes on the Group. In line with standard governance practice, the Board of directors have made an assessment of the Group's solvency and liquidity by applying these forecast scenarios and evaluated the scenario's in light of borrowing facilities available to the Group and is satisfied of the Group's ability to continue as a going concern for the foreseeable future.

Impairment of intangible assets, right-of-use assets and property, plant and equipment (PPE)

The carrying amount of assets are reviewed annually to determine whether there is any indication of impairment. If such indication exists, or if the asset has an indefinite useful life and is not subject to depreciation and amortisation, such as goodwill, the asset's recoverable amount is estimated and tested for impairment. An impairment loss is recognised when the carrying amount of an asset, or its cash generating unit (CGU) to which it belongs, exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value-in-use. In assessing the value-in-use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. The majority of the Group's intangible assets, right-of-use assets and PPE do not generate largely independent cash inflows. The recoverable amount of these assets are therefore, in most instances, based on the cash generating unit to which the asset belongs, which have been identified as retail stores or store clusters.

16 SUBSEQUENT EVENTS (continued)

16.1 COVID-19 pandemic (continued)

Impairment of intangible assets, right-of-use assets and property, plant and equipment (PPE) (continued)

Estimates and assumptions applied in these value-in-use calculations include discount rates, long term growth rates and expected changes to future cash flows.

Subsequent to the period end date, the Group carried out further sensitivity analysis for its portfolio of store cash-generating units taking into account the negative impact of South Africa's nationwide COVID-19 lockdown on trade, and the additional and any further costs incurred in implementing substantive hygiene and social distancing measures across its operations. The full financial impact of the COVID-19 pandemic is impossible to predict with any level of certainty.

Retirement scheme assets

Subsequent to the period end date, a further review of the key financial assumptions relating to the Group's retirement scheme assets indicate that market movements still fall within the range of sensitivities performed at period end date. It is too early to assess the impact of COVID-19 upon the Group's long term life expectancy assumptions. The fair value of plan assets is expected to be volatile in the short term due to uncertain market conditions, however it is expected to remain stable over the longer term.

Investment in associate (TM Supermarkets)

Subsequent to the period end date, and on review of the potential impact of the COVID-19 pandemic on Zimbabwe and the Group's associate, TM Supermarkets that trades in Zimbabwe, management reassessed the key financial assumptions considered when assessing the recoverable amount of the Group's investment in associate. For more information on sensitivities refer to note 7.

Deferred tax asset recognition

Deferred tax assets can only be recognised to the extent it is probable there will be future related taxable profits. Subsequent to the period end date, the Group has reviewed the current impact of COVID-19 on those future taxable profits.

Impairment of trade and other receivables and net investment in lease receivables

The Group recognises an allowance for the lifetime expected credit losses (ECLs) of its trade receivables and net investment in lease receivables (NIL), which mainly comprise of amounts owing by franchisees and future lease receipts expected to be received from franchisee sublease agreements. To measure lifetime ECLs, trade receivables and NILs are assessed on an individual basis using rates based on historical credit loss experienced, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the franchisees to settle their receivables.

Inventory net realisable value allowances

The Group evaluates its inventory to ensure that it is carried at the lower of cost and net realisable value. Allowances are made for slow moving, obsolete and damaged items.

The nationwide lockdown in South Africa, as a result of the COVID-19 pandemic, has been negative for Group trading relative to how the Group would have expected to trade under normal circumstances. Restrictions imposed by the South African Government has prohibited the Group from selling certain items of inventory, including liquor, tobacco and many clothing and general merchandise categories.

Subsequent to the period end date, management has reassessed the key assumptions used in estimating the net realisable value of inventory on hand. As many categories of inventory are either being sold under current lockdown conditions, or will be sold once lockdown restrictions have been lifted, management concluded that the Group is exposed to additional allowances in future for slow moving or obsolete inventory on categories that are currently restricted from being traded.

16 SUBSEQUENT EVENTS (continued)

16.1 COVID-19 pandemic (continued)

Forward exchange contract assets

The Group commercially hedges its foreign currency exposure through the utilisation of forward exchange contracts (FECs) over the purchase of inventory from all foreign suppliers. South African rand (ZAR) weakness over the last few months of the financial year resulted in an FEC asset for the Group. Subsequent to the period end date, the ZAR weakened further driven by uncertainty in global currency markets as a result of the COVID-19 pandemic, and compounded by deteriorating domestic economic conditions and the decision by international credit ratings agencies to down-grade South Africa's credit rating to below investment grade. The Group's policy to cover foreign purchases with FECs continues to protect the Group from foreign exchange currency weakness. The Group's FEC asset will continue to reflect volatility in currency markets, however the majority of inventory is purchased locally.

Lease liabilities

Subsequent to the period end date, and as a result of the COVID-19 nationwide lockdown, certain retail stores within the Group have been prohibited from trading. As such, the Group may consider negotiating future concessions with its lessors. It is currently not possible to predict the outcome of these negotiations, however it is likely that any concessions received will be short-term in nature.

Whilst each category has been assessed in different reasonable scenarios, as the pandemic's infection rate and the impact on economic conditions remain fluid, it is not currently possible to make a reasonable estimate of the financial effect of the subsequent event.

16.2 Voluntary severance programme (VSP)

Companies within the Pick n Pay Stores Limited Group formalised and communicated a voluntary severance programme (VSP) during March 2020. Participation in the scheme is entirely voluntary, and acceptance of applications is at the Group's discretion. The VSP and the financial consequences thereof, including the cost of severance packages, are expected to be finalised by the end of May 2020.

APPENDIX 1

PRO FORMA INFORMATION

Certain financial information presented in these reviewed preliminary condensed consolidated annual financial statements constitutes pro forma financial information. The pro forma financial information is the responsibility of the Board of directors of the Company and is presented for illustrative purposes only. Because of its nature, the pro forma financial information may not fairly present the Group's financial position, changes in equity, results of operations or cash flows.

1 Basis of preparation: Prior period 52-week financial information

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

In order to provide useful and transparent comparative information, a 52-week result for the prior year ("prior period 52-week financial information") is presented for comparison against the current year 52-week result. The prior period 52-week financial information constitutes pro forma financial information.

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

The prior period 52-week financial information has been extracted from the 52-week financial information included in the 2019 Group annual financial statements, which has been restated for the Group's adoption of IFRS 16. Refer to the Group's "Implementation of IFRS 16: Leases" SENS announcement which was published on 25 September 2019, available on the Group's website at www.picknpayinvestor.co.za, for more information on the IFRS 16 restatement impact on the prior period 52-week financial information and the prior period 53rd week.

2 Constant currency disclosures

Constant currency information constitutes pro forma information. The Group discloses constant currency information in order to report on the Group's comparable turnover and the Group's Rest of Africa segmental revenue results, excluding the impact of foreign currency fluctuations (collectively the "constant currency pro forma information").

The constant currency pro forma information has been presented to illustrate the impact of changes in the Group's major foreign currencies, namely the Zambia kwacha and the Botswana pula, and has been presented on a comparable 52-week basis.

The Group's comparable turnover growth in constant currency is calculated by translating the prior 52-week period local currency comparable turnover at the current period average exchange rates on a country-by-country basis and then comparing that against the current period comparable turnover translated at current period average exchange rates. Refer to Appendix 2 for information on comparable turnover.

The segmental revenue growth in constant currency is calculated by translating the prior 52-week period local currency segmental revenue at the current period average exchange rates on a country-by-country basis and then comparing that against the current period segmental revenue translated at the current period average exchange rates.

2 Constant currency disclosures (continued)

The average Zambia kwacha exchange rate to the South African rand for the 52 weeks ended 1 March 2020 is 0.91 (52 weeks ended 24 February 2019: 0.79) and the average Botswana pula exchange rate to the South African rand for the 52 weeks ended 1 March 2020 is 0.73 (52 weeks ended 24 February 2019: 0.76).

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

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

52 weeks to 1 March 2020	% (decrease)/ increase reported currency	% increase constant currency
Rest of Africa segmental revenue	(1.7)	2.8
Group comparable turnover	4.7	5.0

ADDITIONAL INFORMATION

In order to provide useful and transparent comparative information, additional information has been presented on a 52-week basis.

1 Comparable turnover growth

Revenue earned on the sale of airtime and data include both those earned on a principal basis and those earned on an agency basis. Revenue earned on a principal basis is recognised as turnover, with related purchases recognised as cost of sales. Revenue earned on an agency basis is recognised, net of related purchase costs, within other income. Historically the Group transacted as both a principal and an agent when selling airtime and data.

After a strategic change in our arrangements with airtime and data providers this year, the Group now only transacts on an agency basis in accordance with IFRS 15 *Revenue from Contracts with Customers* (IFRS 15). Airtime and data sales and related purchases previously recognised on a principal or gross basis within turnover and cost of sales, are now recognised on an agency or net basis within other income. As a result of this strategic change, all future revenue earned on the sale of airtime and data and related purchase costs are now recognised on a net basis within other income.

In order to provide stakeholders with a comparable assessment of year-on-year turnover performance, the Group has eliminated the impact of the change over from principal to agent and has presented a comparable turnover number, with the impact presented below.

	52 weeks to 1 March 2020 Rm	52 weeks to 24 February 2019 Rm	53 weeks to 3 March 2019 Rm
Comparable turnover	**89 186.5**	85 190.8	87 212.8
Turnover from airtime sales recognised on a principal basis	**95.0**	1 080.4	1 080.4
Reported turnover	**89 281.5**	86 271.2	88 293.2

2 Comparable year-on-year earnings performance, excluding the impact of hyperinflation accounting

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

	52 weeks to 1 March 2020 Rm	52 weeks to 24 February 2019 Rm
Share of associate's earnings excluding net monetary gain	**23.1**	109.0
Share of associate's net monetary gain as a result of hyperinflation accounting	**43.2**	–
Reported share of associate's earnings	**66.3**	109.0

2 Comparable year-on-year earnings performance, excluding the impact of hyperinflation accounting (continued)

Profit before tax and headline earnings reported under IAS 29 includes a hyperinflation accounting net monetary gain. In management's view, this impact of hyperinflation accounting does not provide stakeholders with an accurate assessment of the Group's comparable year-on-year earnings performance. As a result, the Group has presented its earnings for the current period on a comparable basis, excluding the Group's share of associates net monetary gain of R43.2 million (with no impact on tax). Refer to Appendix 3. The table below presents the key changes to items presented.

52 weeks to 1 March 2020	As reported Rm	Remove Impact of IAS 29 Rm	Comparable Rm
Rest of Africa profit before tax before capital items	133.3	(43.2)	90.1
Group profit before tax before capital items	1 913.9	(43.2)	1 870.7
Group headline earnings	1 370.8	(43.2)	1 327.6
	cents	cents	cents
Headline earnings per share	287.89	(9.08)	278.81
Diluted headline earnings per share	286.39	(9.03)	277.36

Refer to note 7 of the reviewed preliminary condensed consolidated annual financial statements for more information.

3 Like-for-like turnover and expense growth comparisons

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

APPENDIX 3

The table below presents the Group's earnings performance for the current and previous annual periods on a comparable 52-week basis.

	52 weeks to 1 March 2020 Rm	% of turnover	% change	Restated* Pro forma 52 weeks to 24 February 2019 Rm	% of turnover
Turnover	**89 281.5**			86 271.2	
Comparable turnover**	**89 186.5**		4.7	85 190.8	
Turnover from airtime sales recognised on a principal basis	**95.0**			1 080.4	
Cost of merchandise sold	**(71 679.8)**			(69 751.5)	
Gross profit	**17 601.7**	19.7	6.5	16 519.7	19.1
Other income	**1 570.2**	1.8	6.5	1 474.8	1.7
Franchise fee income	**398.3**	0.4	2.2	389.9	0.5
Operating lease income	**140.7**	0.2	24.8	112.7	0.1
Commissions and other income	**1 031.2**	1.2	6.1	972.2	1.1
Trading expenses	**(16 023.9)**	17.9	6.3	(15 078.6)	17.5
Employee costs	**(7 368.2)**	8.3	3.7	(7 102.0)	8.2
Occupancy	**(2 271.5)**	2.5	9.5	(2 073.8)	2.4
Operations	**(3 836.0)**	4.3	10.8	(3 462.6)	4.0
Merchandising and administration	**(2 548.2)**	2.9	4.4	(2 440.2)	2.8
Trading profit	**3 148.0**	3.5	8.0	2 915.9	3.4
Net interest paid	**(1 300.4)**	1.5	2.5	(1 268.5)	1.5
Net interest costs incurred on net funding	**(114.0)**	0.1	26.0	(90.5)	0.1
Net IFRS 16 interest costs	**(1 186.4)**	1.3	0.7	(1 178.0)	1.4
Share of associate's earnings excluding net monetary gain***	**23.1**			109.0	0.1
Profit before tax before capital items and before net monetary gain	**1 870.7**	2.1	6.5	1 756.4	2.0
Share of associate's net monetary gain as a result of hyperinflation***	**43.2**			–	
Profit before tax before capital items	**1 913.9**			1 756.4	
(Loss)/profit on capital items	**(177.9)**			25.4	
(Loss)/profit on sale of property, plant and equipment	**(18.8)**			11.0	
Impairment loss on property, plant and equipment	**(8.2)**			–	
Impairment loss on intangible assets	**(3.8)**			(5.3)	
Profit on termination of leases	**26.5**			19.7	
Impairment loss on investment in associate	**(173.6)**			–	
Profit before tax	**1 736.0**	1.9	(2.6)	1 781.8	2.1
Tax	**(541.3)**	0.6	25.3	(432.1)	0.5
Profit for the period	**1 194.7**	1.3	(11.5)	1 349.7	1.6
South Africa operating segment	**Rm**			Rm	
Comparable turnover	**85 533.3**		5.1	81 371.5	
Profit before tax before capital items	**1 780.6**		15.2	1 545.2	
Rest of Africa operating segment	**Rm**			Rm	
Total segmental revenue	**4 666.1**		(1.7)	4 745.9	
Profit before tax before capital items and before net monetary gain	**90.1**		(57.3)	211.2	
Earnings per share	**Cents**			Cents	
Basic earnings per share	**250.90**		(11.7)	284.07	
Diluted earnings per share	**249.60**		(11.0)	280.53	
Headline earnings per share	**287.89**		2.6	280.60	
Diluted headline earnings per share	**286.39**		3.3	277.11	
Comparable earnings per share^	**Cents**			Cents	
Headline earnings per share	**278.81**		(0.6)	280.60	
Diluted headline earnings per share	**277.36**		0.1	277.11	

* *Prior period amounts restated for the impact of the adoption of IFRS 16 Leases, refer to note 15 of the reviewed preliminary condensed consolidated annual financial statements.*

** *Comparable turnover excludes the turnover earned from the sale of airtime, data and related purchases on a principal basis. Refer to Appendix 2.*

*** *To ensure comparability, the share of associate's income as disclosed in note 7 of the reviewed preliminary condensed consolidated annual financial statements has been separately disclosed between components including and excluding the net monetary gain of IAS 29 Financial Reporting in Hyperinflationary Economies (IAS 29).*

^ *In order to present the comparable underlying operating performance of the Group, comparable headline and diluted headline earnings per share is presented, excluding the hyperinflation accounting net monetary gain (with no impact on tax), in the current year, and excluding the impact of the 53rd week of trading in the prior year. Refer to Appendix 4.*

APPENDIX 4

The table below presents the Group's headline earnings for the current and prior period on a comparable 52-week basis.

	2020 Rm	Restated* 2019 Rm
Reconciliation between basic and headline earnings		
Profit for the period – basic earnings for the period	**1 194.7**	1 444.6
Adjustments:	**176.1**	(16.5)
Loss/(profit) on sale of property, plant and equipment	**18.8**	(11.0)
Tax effect of (loss)/profit on sale of property, plant and equipment	**(5.3)**	1.6
Profit on termination of leases	**(26.5)**	(19.7)
Tax effect of profit on termination of leases	**7.4**	5.5
Impairment loss on property, plant and equipment	**8.2**	–
Tax effect of impairment loss on property, plant and equipment	**(2.3)**	–
Impairment loss on intangible assets	**3.8**	5.3
Tax effect of impairment loss on intangible assets	**(1.1)**	–
Impairment loss on investment in associate	**173.6**	–
Impairment loss on property, plant and equipment of associate	**–**	2.8
Tax effect of impairment loss on property, plant and equipment of associate	**–**	(0.9)
Profit on sale of property, plant and equipment of associate	**(0.5)**	(0.1)
Headline earnings for the period (note 4)	**1 370.8**	1 428.1
Impact of the 53rd week of trading**	**–**	(94.9)
Non-cash net monetary gain as a result of hyperinflation accounting (note 7)	**(43.2)**	–
Comparable headline earnings for the 52 weeks	**1 327.6**	1 333.2

The table below presents the Group's share information.

	2020 000's	2019 000's
Number of ordinary shares in issue (note 8)	**493 450.3**	493 450.3
Weighted average number of ordinary shares in issue (excluding treasury shares)	**476 161.6**	475 126.9
Diluted weighted average number of ordinary shares in issue	**478 647.8**	481 116.5

* *Restated for the adoption of IFRS 16 Leases, refer to note 15 of the reviewed preliminary condensed consolidated annual financial statements.*
** *Refer to Appendix 5 for more information.*

APPENDIX 5

The table below presents the impact of week 53 on the Group's restated statement of comprehensive income of the prior period.

	Restated* Pro forma 52 weeks to 24 February 2019 Rm	Restated* Pro forma Week 53 Rm	Restated* 53 weeks to 3 March 2019 Rm
Turnover	86 271.2	2 022.0	88 293.2
Comparable turnover**	85 190.8	2 022.0	87 212.8
Turnover from airtime sales recognised on a principal basis	1 080.4	–	1 080.4
Cost of merchandise sold	(69 751.5)	(1 685.2)	(71 436.7)
Gross profit	16 519.7	336.8	16 856.5
Other income	1 474.8	23.1	1 497.9
Franchise fee income	389.9	9.2	399.1
Operating lease income	112.7	–	112.7
Commissions and other income	972.2	13.9	986.1
Trading expenses	(15 078.6)	(220.9)	(15 299.5)
Employee costs	(7 102.0)	(136.9)	(7 238.9)
Occupancy	(2 073.8)	(14.9)	(2 088.7)
Operations	(3 462.6)	(52.5)	(3 515.1)
Merchandising and administration	(2 440.2)	(16.6)	(2 456.8)
Trading profit	2 915.9	139.0	3 054.9
Finance income	445.5	–	445.5
Finance costs	(1 714.0)	(12.4)	(1 726.4)
Share of associate's income	109.0	–	109.0
Profit before tax before capital items	1 756.4	126.6	1 883.0
Profit on capital items	25.4	–	25.4
Profit on sale of property, plant and equipment	11.0	–	11.0
Impairment loss on intangible assets	(5.3)	–	(5.3)
Profit on termination of leases	19.7	–	19.7
Profit before tax	1 781.8	126.6	1 908.4
Tax	(432.1)	(31.7)	(463.8)
Profit for the period	1 349.7	94.9	1 444.6
Headline earnings	1 333.2	94.9	1 428.1
South Africa operating segment	Rm	Rm	Rm
Comparable turnover	81 371.5	1 949.5	83 321.0
Profit before tax before capital items	1 545.2	113.6	1 658.8
Rest of Africa operating segment	Rm	Rm	Rm
Total segmental revenue	4 745.9	89.5	4 835.4
Profit before tax before capital items	211.2	13.0	224.2
Earnings per share	Cents	Cents	Cents
Basic earnings per share	284.07	19.97	304.04
Diluted earnings per share	280.53	19.73	300.26
Headline earnings per share	280.60	19.98	300.58
Diluted headline earnings per share	277.11	19.72	296.83

* *Restated for the adoption of IFRS 16 Leases, refer to note 15 of the reviewed preliminary condensed consolidated annual financial statements.*

APPENDIX 6

The table below presents the impact of the adoption of IFRS 16 *Leases* on the previously published pro forma Group profit of the prior period, for the 53-week period from 25 February 2019 to 3 March 2019.

	As reported[1] Pro forma Week 53 Rm	Impact[2] of IFRS 16 Pro forma Week 53 Rm	Restated[3] Pro forma Week 53 Rm
Revenue	2 045.1	–	2 045.1
Turnover	2 022.0	–	2 022.0
Cost of merchandise sold	(1 685.2)	–	(1 685.2)
Gross profit	336.8	–	336.8
Other income	23.1	–	23.1
Franchise fee income	9.2	–	9.2
Commissions and other income	13.9	–	13.9
Trading expenses	(233.3)	12.4	(220.9)
Employee costs	(136.9)	–	(136.9)
Occupancy	(27.3)	12.4	(14.9)
Operations	(52.5)	–	(52.5)
Merchandising and administration	(16.6)	–	(16.6)
Trading profit	126.6	12.4	139.0
Finance costs	–	(12.4)	(12.4)
Profit before tax before capital items	126.6	–	126.6
Profit before tax	126.6	–	126.6
Tax	(31.7)	–	(31.7)
Profit for the period	94.9	–	94.9
Headline earnings	94.9	–	94.9
Earnings per share	Cents	Cents	Cents
Basic earnings per share	19.97	–	19.97
Diluted earnings per share	19.73	–	19.73
Headline earnings per share	19.98	–	19.98
Diluted headline earnings per share	19.72	–	19.72

1 *Presents the reported 53rd week from 25 February 2019 to 3 March 2019;*
2 *Presents the financial impact of the adoption of IFRS 16: Leases for the 53rd week from 25 February 2019 to 3 March 2019; and*
3 *Presents the restated result for the 53rd week from 25 February 2019 to 3 March 2019 after the impact of IFRS 16: Leases.*

NUMBER OF STORES

COMPANY-OWNED	3 March 2019	Opened	Closed	Converted closures	Converted openings	1 March 2020
Pick n Pay	**749**	**53**	**(10)**	**(1)**	**3**	**794**
Hypermarkets	20	–	–	–	1	**21**
Supermarkets	248	8	(1)	(1)	1	**255**
Local	38	2	–	–	–	**40**
Clothing	200	32	(7)	–	–	**225**
Liquor	241	11	(1)	–	1	**252**
Pharmacy	2	–	(1)	–	–	**1**
Boxer	**270**	**27**	**(3)**	**–**	**4**	**298**
Supermarkets	166	12	(1)	–	4	**181**
Build	31	–	(1)	–	–	**30**
Liquor	55	15	–	–	–	**70**
Punch	18	–	(1)	–	–	**17**
Total company-owned	**1 019**	**80**	**(13)**	**(1)**	**7**	**1 092**
FRANCHISE						
Pick n Pay						
Supermarkets	304	15	(6)	(5)	–	**308**
Family	287	14	(5)	(5)	–	**291**
Mini-markets	17	1	(1)	–	–	**17**
Market	20	9	–	–	–	**29**
Express	151	20	(1)	–	–	**170**
Clothing	17	–	(1)	–	–	**16**
Liquor	226	31	(7)	(1)	–	**249**
Pharmacy	1	2	(1)	–	–	**2**
Total franchise	**719**	**77**	**(16)**	**(6)**	**–**	**774**
Total Group stores	**1 738**	**157**	**(29)**	**(7)**	**7**	**1 866**
TM Supermarkets – associate	**57**	**3**	**(1)**	**–**	**–**	**59**
Total with TM Supermarkets	**1 795**	**160**	**(30)**	**(7)**	**7**	**1 925**
AFRICAN FOOTPRINT						
– included in total stores above	**148**	**8**	**(2)**	**–**	**–**	**154**
Pick n Pay company-owned	20	–	–	–	–	**20**
Boxer company-owned	9	–	–	–	–	**9**
Pick n Pay franchise	62	5	(1)	–	–	**66**
TM Supermarkets – associate	57	3	(1)	–	–	**59**
AFRICAN FOOTPRINT						
– by country	**148**	**8**	**(2)**	**–**	**–**	**154**
Botswana	12	–	–	–	–	**12**
Lesotho	3	–	(1)	–	–	**2**
Namibia	36	2	–	–	–	**38**
Eswatini	20	3	–	–	–	**23**
Zambia	20	–	–	–	–	**20**
Zimbabwe	57	3	(1)	–	–	**59**

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)
Lerena Olivier (CFO)
Richard van Rensburg (CIO)
Suzanne Ackerman-Berman
Jonathan Ackerman

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

Independent non-executive
David Friedland
Hugh Herman
Alex Mathole
Audrey Mothupi
Jeff van Rooyen

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

Postal address
PO Box 23087
Claremont
Cape Town 7735

REGISTRAR
Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank 2196
Tel +27 11 370 5000
Fax +27 11 688 5248

Postal address
PO Box 61051
Marshalltown 2107

JSE LIMITED SPONSOR
Investec Bank Limited
100 Grayston Drive
Sandton 2196

AUDITORS
Ernst & Young Inc.

ATTORNEYS
Edward Nathan Sonnenbergs

PRINCIPAL TRANSACTIONAL BANKERS
Absa Limited
First National Bank

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

PROMOTION OF ACCESS TO INFORMATION ACT
informationofficer@pnp.co.za

INVESTOR RELATIONS
Penny Gerber
Email address: pennygerber@pnp.co.za

WEBSITE
Pick n Pay: www.pnp.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.pnp.co.za

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