Pick n Pay

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 27 AUGUST

2023

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KEY METRICS

Turnover
+5.4%
R54.1 billion

Gross profit margin
18.5%

Trading profit
R31.8 million

Pro forma loss before tax[1]
R-837.2 million

Pro forma HEPS[1]
-129.30 cents

1 *Refer to Appendix 1 for further information on the Group's pro forma earnings.*

REVIEW OF OPERATIONS

Financial results for the 26 weeks ended 27 August 2023 (H1 FY24)

KEY FINANCIAL INDICATORS	26 weeks to 27 August 2023 H1 FY24	26 weeks to 28 August 2022 H1 FY23	% change
Group turnover	R54.1 billion	R51.3 billion	5.4
Gross profit margin	18.5%	19.4%	
Trading expenses	R11.2 billion	R9.8 billion	13.7
Trading profit	R31.8 million	R1 253.3 million	(97.5)
Trading profit margin	0.1%	2.4%	
(Loss)/profit before tax and capital items	(R880.2 million)	R671.8 million	(231.0)
Pro forma (loss)/profit before tax[1]	(R837.2 million)	R588.0 million	(242.4)
Pro forma (loss)/profit before tax – South Africa[1]	(R921.4 million)	R456.1 million	(302.0)
(Loss)/profit after tax	(R571.3 million)	R453.3 million	(226.0)
Headline (loss)/earnings per share (HEPS)	(138.24 cents)	97.73 cents	(241.5)
Pro forma HEPS[1]	(129.30 cents)	88.76 cents	(245.7)
Interim dividend per share	0.00 cents	44.85 cents	(100.0)

1 *H1 FY23 pro forma, profit before tax (PBT) and pro forma headline earnings per share (HEPS) exclude R145.2 million (R104.5 million net of tax) business interruption insurance proceeds received and accounted for in FY23, but previously included in FY22 pro forma earnings. In line with normal Group practice, pro forma earnings also exclude all non-cash hyperinflation gains and losses related to the Group's TM business in Zimbabwe. The Group has not added back any of the R565 million incremental abnormal costs for purposes of calculating the pro forma earnings metrics. Pro forma HEPS is the Group's dividend driver.*

Result summary

The Group delivered a disappointing result in a period heavily impacted by load shedding and increased competitive intensity. The R396 million spent on diesel to run generators and keep stores open not only impacted expense growth, but also constrained Pick n Pay's ability to respond to increased promotional activity in the market.

Group turnover increased 5.4%, with a strong contribution by Boxer SA (+16.1%). Gross profit margin declined 0.9% to 18.5%, while gross profit in rand terms grew +0.4% year-on-year. Other income grew 7.3%. Trading expenses increased 13.7%, driven by energy costs and employee restructuring costs. Trading profit declined to R31.8 million including the impact of R565.0 million incremental abnormal costs (R259.0 million employee restructuring costs, R190.0 million net incremental energy costs, and R116.0 million of duplicated supply chain costs from the Eastport distribution centre transition).

Loss before tax was further impacted by a 47.3% increase in net finance charges (bank and lease interest) to R913.1 million, resulting in a pro forma loss before tax and capital items of R837.2 million.

The R31.8 million trading profit for the period would have been R596.8 million if one were to exclude the incremental abnormal costs. On this basis, the pro forma loss before tax and capital items would have been R272.2 million.

Notwithstanding the difficult trading environment and the incremental abnormal costs, the Board was disappointed with the Group's performance, particularly in Pick n Pay supermarkets, and took critical action. As a consequence, the Board decided on new leadership, appointing Sean Summers, a Pick n Pay veteran who previously led the Group through a highly successful period, as CEO from 30 September 2023.

Highlights from the period include:

- Boxer, SA's leading soft-discounter, delivered SA sales growth of 16.1%, with 27 new stores opened to take the portfolio to 454 Boxer stores
- Pick n Pay Clothing opened 20 company-owned stores, and delivered market-leading sales growth of 13.8% from standalone stores
- Online sales growth of 76.3%, driven by 100% year-on-year growth in our on-demand platforms asap! and Pick n Pay groceries on Takealot's Mr D app
- R334 million Project Future savings, driven by Goods Not For Resale (GNFR), logistics, and the early benefits of the Voluntary Severance Programme (VSP), Junior Store Management restructure, and multi-skilling initiatives
- R124 million energy savings as the Group strives to reduce the impact of load shedding related expenditure
- The acquisition of Tomis, a state-of-the-art abattoir, meat packaging and processing business supplying high quality fresh meat, which will allow the Group to materially improve the quality of its fresh meat offer
- Seamlessly transferring inland distribution to the new Eastport distribution centre (DC) and selling the Longmeadow facility
- Value-added services income (reported within commissions and other income) growing a healthy 13.5%, as the Group focused on maximising its opportunities in banking and financial services.

Progress on response to load shedding

The load shedding crisis continues to have a profound impact on the Group and the country as a whole. All Pick n Pay and Boxer stores have backup power and are operational throughout load shedding.

However, load shedding results in customer disruption, supply chain and procurement challenges, significant diesel expenditure costs to run generators, extra repairs and maintenance on generators running ahead of normal demands, and product spoilage in instances when generators break down and cannot be immediately replaced.

Diesel cost to run generators is the most significant challenge, costing the Group R652 million in FY23 and R396 million in H1 FY24. In response to this challenge, in May 2023 the Group announced an energy reduction plan, targeting annualised energy cost savings of at least R200 million. The Group achieved H1 FY24 savings of R124 million and is therefore on track to achieve the FY24 target, subject to the risk of increases in diesel prices from this point. Key components of our energy savings initiatives during the half were centrally-planned and cheaper procurement of diesel, roll-out of more energy efficient equipment (including significant increases in stores using LED lighting and refrigeration controllers), and better store disciplines in reducing energy usage, particularly during hours of load shedding. Pick n Pay is also trialling a BESS (Battery Energy Storage System) solution.

Detailed review of financial and operational performance

Turnover

Group turnover growth for the period was 5.4%, with like-for-like sales growth of 2.3%. Internal selling price inflation for the period was 8.3%, well below Statistics SA Food CPI of 11.4% for the period, as the Group maintained its commitment to delivering low prices for customers.

The Group's South Africa Segment (96.2% of consolidated Group sales) grew sales 5.1% to R52.0 billion, with like-for-like sales growth of 1.8%. South African sales growth was driven by Boxer, with South African sales growth of 16.1% to R17.4 billion. Pick n Pay South Africa (Pick n Pay and QualiSave banners combined) grew sales 0.3% to R34.6 billion.

	H1 FY24 Rm	H1 FY23 Rm	% change	Like-for-like % change
Pick n Pay SA sales	34 630.7	34 526.6	0.3	0.8
Boxer SA sales	17 380.5	14 969.5	16.1	4.2
SA total sales	52 011.2	49 496.1	5.1	1.8
Rest of Africa sales (inc. DSDs*)	2 726.6	2 382.8	14.4	11.8
Total segment turnover	54 737.8	51 878.9	5.5	2.3
Elimination of RoA DSDs	(676.3)	(581.9)		
Group turnover	54 061.5	51 297.0	5.4	2.3

* *DSDs included in Rest of Africa sales are in-country direct-to-store deliveries by Group suppliers to certain foreign franchisees that are not included in Group turnover as per IFRS requirements.*

Boxer continues to deliver strong organic growth

Boxer's 16.1% South Africa sales growth was driven by 4.2% like-for-like sales growth and a continuation of the accelerated pace of new store rollout. Boxer opened 27 new stores in H1 FY24, vs. 26 in H1 FY23. While the majority of the H1 openings were liquor stores, the second half will see a ramp-up of supermarket openings. The estate now totals 454 stores. Boxer is on track to finish FY24 with 55 new stores, behind the 75 targeted at the beginning of the year. Nevertheless, this still represents an accelerated rollout pace in the context of the 36 and 60 new stores opened in FY22 and FY23 respectively. Boxer remains on track to achieve the goal of opening 200 new stores between FY22 and FY26 and doubling sales in the process.

Boxer's outstanding performance continues to be underpinned by its great value branded and confined label grocery range, its basic commodities focus, and its quality butchery, bakery and fresh produce offer. Importantly, Boxer's sales momentum and highly efficient business model have allowed it to successfully negotiate the challenges of the half, and Boxer expects to grow FY24 profits relative to FY23.

Pick n Pay and Pick n Pay QualiSave growth muted in a promotional environment

The Pick n Pay and QualiSave banners grew H1 FY24 sales 0.3%, with like-for-like sales of 0.8%. While sales growth for the period was below expectation, momentum improved during the period from -0.4% in Q1 to 1.1% in Q2. The disappointing sales performance was primarily the consequence of these banners struggling to compete in an increasingly promotional market, given the considerable impact of load shedding costs on Pick n Pay's operating margin.

The total number of owned food and grocery supermarkets reduced by a net four stores in the half, while franchised food and grocery supermarkets reduced by a net seven stores. These banners continue to prioritise the effort to drive a like-for-like sales recovery ahead of space growth.

Group liquor sales grew 9.6% year-on-year for the period. 26 new stores were opened during the half to take the total to 669 stores.

Strong Online sales growth maintained via asap! and Mr D

The Group reported total online sales growth for H1 FY24 of 76.3%, slightly ahead of the 72% reported for full year FY23. Growth was driven by 100% year-on-year growth in the Group's on-demand online services, Pick n Pay asap! and Pick n Pay groceries on the Mr D app.

Online execution continues to be ramped up, with 25,000 products now available on asap! and 500 stores (including supermarkets and liquor stores) now on the platform. The customer's delivery experience continues to be enhanced, with a 36% year-on-year reduction in order preparation time and a 20% improvement in delivery time. The asap! application was refreshed and relaunched with enhanced functionality, including AI-driven search, in early October 2023 to offer customers world class end-to-end service. The Group is driving non-grocery online sales via Pick n Pay Clothing's online platform and Pick n Pay Home.

Pick n Pay is relaunching its Smart Shopper loyalty programme in October 2023, with the objective of making it simpler and more rewarding for customers – introducing a totally new app which will enable more seamless offers and communications, and make it even easier for customers to collect and spend points.

Pick n Pay Clothing continues to drive profitable market share growth

Pick n Pay Clothing's sharp focus on casualwear and value-oriented family shoppers continue to deliver strong results. Clothing sales growth from stand-alone stores was 13.8% (4.4% like-for-like) for the period. During H1 FY24 Pick n Pay Clothing gained market share across all market segments[1], with the highest gains in menswear and kidswear.

Pick n Pay Clothing opened 20 company-owned stores in the period (17 new stores and three franchise conversions), to bring the total estate to 349 stores, consisting of 329 corporate stores and 20 franchise stores. Pick n Pay Clothing remains on-track to open 60 new stores for the year, in-line with existing guidance.

[1] *According to RLC (Retailers' Liaison Committee) data.*

Franchise model modernisation impact on gross profit and franchise income

During the period under review the Group embarked on a collaborative journey with our franchisees in order to modernise the franchise agreement and ensure we offer the best franchise model in South Africa. The core element of the proposed new model (the early stages of which have already been introduced on a trial basis) is a higher purchasing rebate to our franchisees to encourage them to increase purchases through our chain (loyalty) in exchange for a higher franchisee royalty. The objective of the model change is the creation of a win-win situation through an increased franchisee loyalty rate whereby franchisees gain (through a reduced purchase price from Pick n Pay and can thus operate more profitably), and Pick n Pay also gains (due to extra volumes through its system and a higher royalty fee).

The purchasing rebate is recorded against sales and the royalty fee in other income. As a result, the H1 FY24 gross profit margin was negatively impacted by the franchise model change, with an offsetting increase in franchise income, recorded within other income. The initial phase of the new franchise model was implemented with effect from June 2023, and was thus only effective for Q2 FY24. All in, the impact of the changed model on Group profit for this period was broadly neutral, with benefits expected to come into the future.

Gross profit

Gross profit rose 0.4% to R10.0 billion, with reported gross profit margin declining 0.9% to 18.5%. Excluding the 0.3% impact from the franchise model change (offset by increased franchise income) and the once-off duplicated logistics costs from the Longmeadow to Eastport DC transition (0.2% impact), underlying gross profit margin for the period declined 0.4% year-on-year.

The underlying gross profit margin pressure was a consequence of (a) rising promotional participation as a percentage of sales, due to under-pressure consumers increasingly shopping promotions, and a rise in the number of products on promotion across the market, and (b) lower supplier incentives received, partially due to reduced supplier support for the CVP upgrades as these were cut back.

Other income

Reported other income increased 7.3% to R1.2 billion. The year-on-year comparison of other income growth was impacted by two factors (a) R145.2 million of civil unrest related insurance recoveries in the previous period, and (b) a change to the terms of our franchise model in this period, which had the effect of boosting other income in this period by R156 million. These two factors offset each other, leaving underlying other income growth of 7.3%.

Franchise fee income – the Group's royalty fee income, earned on franchise point of sale turnover, increased 76.0% to R380.0 million. Growth was boosted by a change to the franchise model, which included an increase in the royalty rate received from franchisees. Excluding the impact of the franchise model change, underlying franchise fee income increased 3.8%.

Commissions and other income – this broad category includes income from value-added services and all other commission and incentive income not directly related to the sale of inventory. Commissions and other income grew 11.0% year-on-year to R728.2 million. Within this category, value-added services grew 13.5% as the Group drives to maximise this opportunity. Financial services has shown strong growth in banking services, particularly money transfers and deposits. In addition, we have increased the many ways for our customers to pay digitally in-store, including the introduction of Buy Now, Pay Later with PayJustNow and virtual credit with Mobicred for non-food purchases.

Trading expenses

Trading expenses increased 13.7% year-on-year to R11.2 billion. H1 FY24 trading expenses included R190 million net incremental energy costs and R259 million employee restructuring costs. Excluding these two items, underlying trading expense growth was 9.1%, and like-for-like trading expense growth was 5.7%.

Employee costs – increased 12.1% to R4.7 billion over the period. Excluding the R259 million of restructuring costs from the VSP and Junior Store Management restructuring, underlying employee cost growth was 5.9% and 2.8% like-for-like. Group employee cost growth was well contained despite the aggressive Boxer and Clothing store rollout, reflecting tight employee cost control, especially in Pick n Pay South Africa.

Occupancy costs – increased 14.8% (9.6% like-for-like) to R1.7 billion. Occupancy cost growth was driven by both the accelerated Boxer and Clothing store rollouts, and the impact on the July 2021 civil unrest continuing to filter into occupancy costs through higher insurance and security costs. In this regard, insurance cost growth for the period was up 37.4% year-on-year (and up 105.9% over two years) as insurers escalated premiums.

Operations costs – increased 22.8% to R3.1 billion, primarily driven by the R190 million net incremental energy costs. Excluding this, underlying operations costs increased 15.2% (9.7% like-for-like). Other important cost drivers within this segment include repairs and maintenance (+19.6%) and depreciation and amortisation (+15.0%).

Merchandising and administration costs – increased 3.1% year-on-year to R1.7 billion as the Group carefully controlled variable expenses, while focussing on ensuring we increase our voice to market.

Project Future Phase 2 encompasses a range of projects focused on improving efficiency, increasing flexibility, and reducing costs by R3 billion between FY23 and FY25. R334 million of Project Future savings were achieved in H1 FY24 (excluding the R124 million energy savings), following the R800 million of savings reported for FY23. Key areas of achievement over the period include GNFR and employee cost savings from multi-skilling and tighter scheduling. The completion of the VSP and Junior Store Management restructure lays the ground work for efficiency and savings in future periods.

Net interest

Net interest paid, including implied interest charges under IFRS 16, increased 47.3% year-on-year to R913.1 million.

Funding interest – The Group's net funding cost (net of trade receivables interest) increased from R39.0 million to R243.3 million, reflecting increased net gearing (driven by increased capital investment) and higher interest rates over the period (275 basis point repo rate rise between August 2022 and August 2023).

Lease interest – implied net interest charges under IFRS 16 increased 15.3% year-on-year to R669.8 million.

Rest of Africa Segment

The Group's Rest of Africa segment contributed R2.7 billion of consolidated segmental sales, up 14.4% year-on-year, and up 12.2% in constant currency terms. The Rest of Africa segment delivered pro forma profit before tax (PBT) and capital items of R84.2 million (before the application of hyperinflation accounting) down 36.2% on the R131.9 million achieved in H1 FY23. The underlying Rest of Africa PBT decline was the result of a 55.8% decline in Zimbabwe earnings (excluding net monetary adjustments), combined with a satisfactory PBT increase from consolidated Rest of Africa operations.

The performance of the Group's key consolidated African operations are summarised as follows:

- **Franchise operations:** Our 82 Pick n Pay franchise stores in Namibia, eSwatini, Botswana and Lesotho continue to trade well, in aggregate, despite challenging economic conditions across Southern Africa
- **Zambia corporate stores:** Our 23 Pick n Pay corporate stores sustained their recovery trend over H1 FY24, with strong like-for-like growth in sales and volumes, and an improved trading profit margin. Management, with their hands on approach, successfully continues to implement and maintain robust operational standards to enhance the customer value proposition.

TM Supermarkets, Zimbabwe

The 73 stores of our 49% associate-accounted investment had an extremely challenging period, driven by inflationary expense pressures and a 79% depreciation of the ZWL$ auction rate vs. the Rand, which impacted local currency translation into Rand earnings. The Group's share of TM's earnings, before any hyperinflation net monetary adjustments, declined 55.8% year-on-year to R44.1 million. A hyperinflation net monetary loss adjustment of R43.0 million resulted in the Group's share of TM's reported earnings declining to just R1.1 million. Sharp local currency devaluation during the year meant that hyperinflation and local currency translation into Rands negatively impacted the result. The Group received a R6.6 million dividend from TM in this period (R16 million in H1 FY23). The investment is currently valued at R33.1 million (R72.4 million at February 2023).

(Loss)/profit before tax – before hyperinflation and capital items (Pro forma PBT)

The Group's pro forma PBT declined 242.4% year-on-year to a loss of R837.2 million. Group pro forma PBT growth was driven by a 302% decrease in South African pro forma PBT to a loss of R921.4 million, together with a 36.2% decline in Rest of Africa pro forma PBT to R84.2 million.

	H1 FY24 Rm	H1 FY23 Rm	% change
(Loss)/profit before tax and capital items (PBT)	(880.2)	671.8	(231.0)
Non-cash hyperinflation net monetary loss	43.0	61.4	(30.0)
Insurance recoveries reversed		(145.2)	
Pro forma PBT[1]	(837.2)	588.0	(242.4)
South Africa	(921.4)	456.1	(302.0)
Rest of Africa	84.2	131.9	(36.2)

[1] *Pro forma PBT excludes Zimbabwe net monetary adjustments, and in H1 FY23 excludes R145.2 million (R104.5 million net of tax) of business interruption insurance proceeds received and accounted for in that period, but relating to FY22.*

Tax

The Group's effective tax rate of 24.7% (30.7% in H1 FY23) reflects lower levels of profitability. The Group expects its tax rate to be above South Africa's statutory tax rate of 27.0% for the foreseeable future.

Earnings per share

Pro forma diluted headline earnings per share (pro forma diluted HEPS) – excludes the Group's share of non-cash hyperinflation accounting remeasurements in TM Supermarkets, and also excludes R145.2 million (R104.5 million net of tax) business interruption insurance proceeds received and accounted for in H1 FY23, but previously included in FY22 pro forma HEPS. All impairment losses and other capital items are excluded from the calculation of pro forma headline earnings per share. Diluted pro forma HEPS declined 245.4% year-on-year to a loss of 128.95 cents per share.

Diluted headline earnings per share (diluted HEPS) – declined 241.2% to a loss of 137.86 cents per share and includes the Group's share of non-cash hyperinflation accounting remeasurements in TM Supermarkets. All related impairment losses and other capital items are excluded from the calculation of headline earnings per share.

Diluted earnings per share (diluted EPS) – declined by 225.6% to a loss of 118.37 cents per share and includes the Group's share of non-cash hyperinflation remeasurements in TM Supermarkets, and all items of a capital nature.

Detailed review of financial position

Gearing

Group net gearing (excluding leases) rose marginally from R3.7 billion at February 2023, to R3.8 billion at August 2023. The limited rise in gearing in the context of the reported loss was the result of an intense focus on working capital management and prudent capital allocation. The Group raised R5.5 billion of medium-and long-term facilities during the period at attractive rates, to rebalance its debt portfolio towards a longer-term maturity profile. R4.5 billion of this facility has been drawn down, while repaying some short-term facilities, resulting in 53.2% of the R8.5 billion gross debt at period end being medium- and long-term.

	27 August 2023 Rm	26 February 2023 Rm	28 August 2022 Rm
Gross debt	8 466.3	5 669.4	6 693.0
Cash and cash equivalents	(4 627.9)	(1 997.8)	(5 253.6)
Net gearing	3 838.4	3 671.6	1 439.4

Working capital

The Group released R2.1 billion of liquidity from working capital during H1 FY24, primarily as a result of an inventory reduction and a trade creditors increase.

Inventory

Inventory declined 6% from February 2023 to R10.0 billion, releasing R623.4 million. The inventory reduction was the result of a sharp focus on improved stock efficiency, the sell through of investment buys, and the clearance of the R400 million of duplicate stock held at February 2023, which was a consequence of the handover from Longmeadow to the new Eastport DC.

Trade and other receivables

Trade and other receivables (current and non-current) increased by 3.0%, or R108.7 million from February 2023 to R4.7 billion at August 2023. Within this, net franchise debt increased 1.3% over the six-month period to R3.8 billion. The Group raised the provision on franchise debt from 5.4% at February 2023 to 6.0% at August 2023, as a matter of prudence given the impact of the difficult trading environment, including load shedding costs borne by franchisees. The Group is confident in the quality of its debtors' book and in the prudence of its impairments.

Creditors

Trade and other payables increased 10.4%, or R1.5 billion, over the six-month period to R16.2 billion. The increase in payables was partly the result of a timing difference, which accounted for approximately R600 million of the payables increase.

Reported payables understates the Group's underlying payables position as suppliers on the Group's Fast Pay invoice financing platform are reported within net debt in terms of IFRS requirements. This facility totalled R591.3 million at period end.

Capital investment

The Group invested R1.9 billion in capital projects in H1 FY24, a 29.3% increase on the R1.5 billion invested in H1 FY23. Net capital investment for the period (i.e. net of proceeds from asset disposals) totalled R1.4 billion, approximately flat on H1 FY23.

Gross capital investment for full year FY24 is likely to be approximately R4 billion, including the upfront cash consideration for the Tomis acquisition. Net capital investment, after an estimated R1 billion proceeds from asset disposals, is guided to be approximately R3 billion. Key elements of this include:

- Longmeadow sale proceeds of R500 million, received in H1 FY24
- R323 million upfront cash consideration for the R340 million Tomis acquisition, payable in H2 FY24
- Approximately R500 million proceeds from the sale of two of the properties in the Group's retail portfolio, to be received in H2 FY24.

Shareholder distribution

Owing to the pro forma loss declared for the period, the Board has not declared an interim dividend.

Changes to the board

Jonathan Ackerman retired as an executive director on 31 March 2023 and was appointed as a non-executive director from that date. Jeff van Rooyen retired as a non-executive director on 19 July 2023. Pieter Boone resigned from the board as an executive director on 30 September 2023 and was replaced by new CEO Sean Summers, effective 30 September 2023.

Leadership change, strategic direction, and outlook

H1 FY24 was a difficult period for the Group as it dealt with load shedding costs, and the impacts of these costs, particularly on Pick n Pay's ability to competitively respond in an increasingly promotional environment. The results of the Group's key growth drivers, Online, Boxer, and Clothing was pleasing. Against this, the performance of the core Pick n Pay supermarkets business was disappointing, both at the sales and profitability level. Revamped stores and the QualiSave format continue to outperform non-revamped Pick n Pay supermarkets, but the water-level for all Pick n Pay supermarkets is below what it should be. Employee restructuring projects completed in the period will produce R300 million of annualised ongoing savings, which will begin to contribute from the second half of the year.

The Group took action to ensure that the lower profitability did not have an undue impact on the balance sheet by reviewing capital expenditure plans and prioritising working capital management. This focus will be maintained in the latter part of the year.

While recognising that the turnaround will be a multi-year journey, new CEO Sean Summers' immediate focus is to return the core Pick n Pay supermarkets business to growth and profitability through sharpened execution. While doing so, he will ensure that the Group's key growth drivers of Online, Boxer and Clothing continue to deliver on their accelerated growth objectives. Given that Mr Summers stayed in close touch with the Group prior to his appointment, he will hit the ground running and make an immediate impact.

Key initial strategic focus areas within the Pick n Pay supermarkets business are:

- Re-engaging customers and rekindling their love for the Pick n Pay brand
- Improving customer service levels and execution within Pick n Pay supermarkets
- Energising staff and focusing their efforts on the critical tasks ahead
- Enhancing Pick n Pay's buying capabilities through in-depth engagement with suppliers
- Finalisation of the new franchise agreement, and ensuring execution thereon optimises outcomes for both Pick n Pay and franchisees

Management expects to face continued headwinds in the latter half of the year, but anticipates the H2 FY24 earnings outlook to be stronger than H1 FY24, driven by (a) more supportive earnings seasonality, (b) net incremental energy cost growth to be relatively low (given the high H2 FY23 base), (c) non-repeat of supply chain cost duplication, and (d) efficiency gains from the H1 FY24 Project Future initiatives beginning to contribute.

H2 FY24 earnings are, however, likely to be below H2 FY23. As a consequence, in terms of section 3.4(b) of the JSE Listing requirements, the Group advises shareholders that it expects earnings per share (EPS), headline earnings per share (HEPS), and pro forma headline earnings per share (pro forma HEPS) for full year FY24 to decrease by more than 20% when compared to EPS, HEPS and pro forma HEPS reported for full year FY23.

We thank all Boxer and Pick n Pay colleagues, and our valued franchise partners, for their commitment and contribution, and for their dedication to customers and communities. In particular we thank our colleagues and partners for their ongoing energy and commitment to the Group.

Gareth Ackerman
Chairman

Sean Summers
Chief Executive Officer

17 October 2023

PRO FORMA EARNINGS PERFORMANCE

The table alongside presents the Group's earnings performance on a pro forma basis for the current and prior period.

The financial result for the prior period included insurance proceeds received of R145.2 million (R104.5 million net of tax) relating to civil unrest losses suffered by the Group during the 2022 financial year. The Group presented its pro forma earnings for the prior period by excluding the insurance proceeds received. Please refer to the 2023 annual Group financial statements at www.picknpayinvestor.co.za for further information on the Group's pro forma earnings for the prior period.

In addition, in line with normal Group practice, the Group has excluded non-cash hyperinflation net monetary adjustments from earnings for the current and prior periods under review in respect of the Group's investment in associate attributable to the application of IAS 29 *Financial Reporting in Hyperinflationary Economies* (IAS 29).

Refer to Appendix 1 for further information.

	Pro forma 26 weeks to 27 August 2023 Rm	% of turnover	% change	Pro forma 26 weeks to 28 August 2022 Rm	% of turnover
Turnover	54 061.5		5.4	51 297.0	
Cost of merchandise sold	(44 048.7)			(41 324.0)	
Gross profit	10 012.8	18.5	0.4	9 973.0	19.4
Other income	1 168.5	2.2	23.8	943.5	1.8
Franchise fee income	380.0	0.7	76.0	215.9	0.4
Operating lease income	60.3	0.1	(15.5)	71.4	0.1
Commissions and other income	728.2	1.4	11.0	656.2	1.3
Trading expenses	(11 149.5)	20.6	13.7	(9 808.4)	19.1
Employee costs	(4 708.0)	8.7	12.1	(4 201.6)	8.2
Occupancy	(1 688.4)	3.1	14.8	(1 471.0)	2.9
Operations	(3 052.1)	5.6	22.8	(2 485.6)	4.8
Merchandising and administration	(1 701.0)	3.1	3.1	(1 650.2)	3.2
Trading profit	31.8	0.1	(97.1)	1 108.1	2.1
Net finance costs	(913.1)	1.7	47.3	(619.8)	1.2
Net funding	(243.3)	0.5	523.8	(39.0)	0.1
Leases	(669.8)	1.2	15.3	(580.8)	1.1
Share of associate's earnings excluding net monetary adjustments*	44.1		(55.8)	99.7	
(Loss)/profit before tax, before capital items and before net monetary adjustments*	(837.2)	1.5	(242.4)	588.0	1.1
Share of associate's hyperinflation net monetary adjustments*	(43.0)			(61.4)	
(Loss)/profit before tax before capital items*	(880.2)	1.6	(267.1)	526.6	1.0
Profit/(loss) on capital items	121.7			(17.6)	
Profit/(loss) on sale and insurance recoveries on scrapping of assets	191.6			5.1	
Loss from impairments of assets	(69.9)			(22.7)	
(Loss)/profit before tax	(758.5)	1.4	(249.0)	509.0	1.0
Tax	187.2	0.3	(216.8)	(160.2)	0.3
(Loss)/profit for the period	(571.3)	1.1	(263.8)	348.8	0.7
South Africa operating segment**					
Sales from customers	52 011.2		5.1	49 496.1	
(Loss)/profit before tax before capital items	(921.4)		(302.0)	456.1	
Rest of Africa operating segment**					
Sales from customers	2 726.6		14.4	2 382.8	
(Loss)/profit before tax, before capital items and before net monetary adjustments*	84.2		(36.2)	131.9	

* *Profit/loss before tax before capital items include non-cash hyperinflationary net monetary adjustments in respect of the Group's investment in associate attributable to the requirements of IAS 29. In order to present the underlying performance of the Group on a comparable basis, the share of associate's earnings has been separately disclosed between components including and excluding these non-cash hyperinflation net monetary adjustments. In addition, the Group has presented pro forma profit/loss metrics for the current and prior period. Refer to Appendix 1 for further information on pro forma earnings.*

** *Refer to note 9 for further information on the Group's operating segment performance.*

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the period ended

	Note	Unaudited 26 weeks to 27 August 2023 Rm	Unaudited 26 weeks to 28 August 2022 Rm	Audited 52 weeks to 26 February 2023 Rm
Revenue	2	55 422.5	52 645.2	109 278.2
Turnover	2	54 061.5	51 297.0	106 561.8
Cost of merchandise sold		(44 048.7)	(41 324.0)	(85 625.2)
Gross profit		10 012.8	9 973.0	20 936.6
Other income		1 168.5	1 088.7	2 265.3
Franchise fee income	2	380.0	215.9	447.7
Operating lease income	2	60.3	71.4	157.4
Commissions and other income	2	728.2	656.2	1 399.5
Insurance recoveries	2	–	145.2	260.7
Trading expenses		(11 149.5)	(9 808.4)	(20 153.9)
Employee costs		(4 708.0)	(4 201.6)	(8 347.9)
Occupancy		(1 688.4)	(1 471.0)	(3 054.2)
Operations		(3 052.1)	(2 485.6)	(5 384.3)
Merchandising and administration*		(1 701.0)	(1 650.2)	(3 367.5)
Trading profit		31.8	1 253.3	3 048.0
Finance income	2	192.5	259.5	451.1
Finance costs	3	(1 105.6)	(879.3)	(1 773.9)
Share of associate's earnings	7	1.1	38.3	75.0
(Loss)/profit before tax before capital items		(880.2)	671.8	1 800.2
Profit/(loss) on capital items		121.7	(17.6)	(92.6)
Profit/(loss) on sale and insurance recoveries on scrapping of assets		191.6	5.1	(20.1)
Loss from impairments of assets		(69.9)	(22.7)	(66.8)
Impairment loss on investment in associate	7	–	–	(5.7)
(Loss)/profit before tax		(758.5)	654.2	1 707.6
Tax		187.2	(200.9)	(537.7)
(Loss)/profit for the period		(571.3)	453.3	1 169.9
Other comprehensive income, net of tax				
Items that will not be reclassified to profit or loss		17.4	(15.2)	(0.2)
Remeasurement in retirement scheme assets		23.8	(22.1)	(1.6)
Tax on items that will not be reclassified to profit or loss		(6.4)	6.9	1.4
Items that may be reclassified to profit or loss		(47.1)	(19.6)	(38.1)
Foreign currency translations		(26.3)	(29.2)	(67.3)
Movement in cash flow hedge		(20.8)	9.6	29.7
Tax on items that may be reclassified to profit or loss		–	–	(0.5)
Total comprehensive (loss)/income for the period		(601.0)	418.5	1 131.6
Earnings per share		Cents	Cents	Cents
Basic (loss)/earnings per share	4	(118.69)	94.34	243.37
Diluted (loss)/earnings per share	4	(118.37)	94.23	242.54

* *Included in merchandising and administration expenses are expected credit loss allowances related to the Group's trade and other receivables of R70.9 million (2022: R54.4 million). Refer to note 8.*

GROUP STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at 27 August 2023 Rm	Unaudited As at 28 August 2022 Rm	Audited As at 26 February 2023 Rm
ASSETS				
Non-current assets				
Intangible assets		1 439.9	1 143.3	1 424.4
Property, plant and equipment		9 614.3	7 760.2	8 893.2
Right-of-use assets	15	12 399.0	10 311.2	11 195.0
Net investment in lease receivables		1 931.4	1 961.6	1 949.1
Deferred tax assets		1 087.0	751.9	734.1
Investment in associate	7	33.1	82.7	72.4
Loans		175.8	131.4	117.8
Retirement scheme assets		73.7	53.7	68.6
Investment in insurance cell captive	11	76.3	60.8	71.3
Operating lease assets		9.7	8.3	8.9
Trade and other receivables	8	68.0	90.6	84.7
		26 908.2	22 355.7	24 619.5
Current assets				
Inventory		10 006.3	8 899.9	10 647.0
Trade and other receivables	8	4 627.4	4 326.0	4 472.0
Cash and cash equivalents		4 627.9	5 253.6	1 997.8
Net investment in lease receivables		336.8	337.8	333.4
Right-of-return assets		23.6	22.6	23.4
Derivative financial instruments	11	1.2	1.9	22.0
		19 623.2	18 841.8	17 495.6
Non-current assets held for sale	14	255.1	–	250.0
Total assets		46 786.5	41 197.5	42 365.1
EQUITY AND LIABILITIES				
Equity				
Share capital	5	6.0	6.0	6.0
Treasury shares	6	(556.9)	(653.8)	(643.8)
Retained earnings		3 422.9	4 189.3	4 685.2
Other reserves		(20.8)	9.6	20.1
Foreign currency translation reserve		(391.0)	(326.1)	(364.7)
Total equity		2 460.2	3 225.0	3 702.8
Non-current liabilities				
Lease liabilities	15	16 354.3	14 130.7	15 133.2
Long-term borrowings	15	4 500.0	–	–
		20 854.3	14 130.7	15 133.2
Current liabilities				
Trade and other payables		16 194.3	13 707.7	14 661.0
Lease liabilities	15	2 499.4	2 637.0	2 470.8
Deferred revenue		497.6	511.9	377.9
Bank overdraft and overnight borrowings		2 250.0	2 800.0	2 800.0
Borrowings		1 716.3	3 893.0	2 869.4
Current tax liabilities		237.0	193.9	269.8
Provisions*		77.4	98.3	80.2
		23 472.0	23 841.8	23 529.1
Total equity and liabilities		46 786.5	41 197.5	42 365.1
Number of ordinary shares in issue – thousands	5.1	493 450.3	493 450.3	493 450.3
Weighted average number of ordinary shares in issue – thousands	4.2	481 350.5	480 501.2	480 702.1
Diluted weighted average number of ordinary shares in issue – thousands	4.2	482 653.1	481 040.3	482 344.2
Net asset value (property value based on directors' valuation) – cents per share		554.3	742.0	803.0

* *In order to improve disclosure, the Group has separately disclosed provisions previously recorded within trade and other payables.*

GROUP STATEMENT OF CHANGES IN EQUITY

for the period ended

Unaudited	Share capital Rm	Treasury shares Rm	Retained earnings Rm	Other reserves Rm	Foreign currency translation reserve Rm	Total equity Rm
At 27 February 2022	6.0	(702.1)	4 717.3	(8.6)	(296.9)	3 715.7
Total comprehensive income for the period	–	–	438.1	9.6	(29.2)	418.5
Profit for the period	–	–	453.3	–	–	453.3
Foreign currency translations	–	–	–	–	(29.2)	(29.2)
Movement in cash flow hedge	–	–	–	9.6	–	9.6
Remeasurement in retirement scheme assets	–	–	(15.2)	–	–	(15.2)
Other reserve movements	–	–	–	8.6	–	8.6
Transactions with owners	–	48.3	(966.1)	–	–	(917.8)
Dividends paid	–	–	(906.2)	–	–	(906.2)
Share purchases	–	(90.1)	–	–	–	(90.1)
Net effect of settlement of employee share awards	–	138.4	(138.4)	–	–	–
Share-based payments expense	–	–	78.5	–	–	78.5
At 28 August 2022	6.0	(653.8)	4 189.3	9.6	(326.1)	3 225.0
Total comprehensive income for the period	–	–	731.6	20.1	(38.6)	713.1
Profit for the period	–	–	716.6	–	–	716.6
Foreign currency translations	–	–	–	–	(38.6)	(38.6)
Movement in cash flow hedge	–	–	–	20.1	–	20.1
Remeasurement in retirement scheme assets	–	–	15.0	–	–	15.0
Other reserve movements	–	–	–	(9.6)	–	(9.6)
Transactions with owners	–	10.0	(235.7)	–	–	(225.7)
Dividends paid	–	–	(206.6)	–	–	(206.6)
Net effect of settlement of employee share awards	–	10.0	(10.0)	–	–	–
Share-based payments expense	–	–	(19.1)	–	–	(19.1)
At 26 February 2023	6.0	(643.8)	4 685.2	20.1	(364.7)	3 702.8
Total comprehensive loss for the period	–	–	(553.9)	(20.8)	(26.3)	(601.0)
Loss for the period	–	–	(571.3)	–	–	(571.3)
Foreign currency translations	–	–	–	–	(26.3)	(26.3)
Movement in cash flow hedge	–	–	–	(20.8)	–	(20.8)
Remeasurement in retirement scheme assets	–	–	17.4	–	–	17.4
Other reserve movements	–	–	–	(20.1)	–	(20.1)
Transactions with owners	–	86.9	(708.4)	–	–	(621.5)
Dividends paid	–	–	(686.9)	–	–	(686.9)
Net effect of settlement of employee share awards	–	86.9	(86.9)	–	–	–
Share-based payments expense	–	–	65.4	–	–	65.4
At 27 August 2023	6.0	(556.9)	3 422.9	(20.8)	(391.0)	2 460.2

GROUP STATEMENT OF CASH FLOWS

for the period ended

	Note	Unaudited 26 weeks to 27 August 2023 Rm	Unaudited 26 weeks to 28 August 2022 Rm	Audited 52 weeks to 26 February 2023 Rm
Cash flows from operating activities				
Trading profit		31.8	1 253.3	3 048.0
Adjusted for non-cash items		1 996.6	1 751.4	3 626.3
Depreciation of property, plant and equipment		736.5	628.5	1 320.5
Depreciation of right-of-use assets		1 173.0	1 060.2	2 148.2
Amortisation of intangible assets		53.4	65.5	96.6
Share-based payments expense		65.4	78.5	59.4
Lease adjustments		(44.9)	(37.3)	(28.9)
Movement in operating lease assets		(0.8)	(0.4)	(1.0)
Movement in retirement scheme assets		18.7	(3.8)	51.8
Fair value and foreign exchange adjustments		(4.7)	(39.8)	(20.3)
Cash generated before movements in working capital		2 028.4	3 004.7	6 674.3
Movements in working capital		2 129.0	184.9	(968.2)
Movements in inventory and right-of-return assets		623.4	(603.8)	(2 338.2)
Movements in trade and other receivables		(138.6)	(128.9)	(298.9)
Movements in trade and other payables, provisions and deferred revenue		1 644.2	917.6	1 668.9
Cash generated from trading activities		4 157.4	3 189.6	5 706.1
Other interest received		85.7	153.1	251.7
Other interest paid		(340.7)	(203.6)	(431.4)
Interest received on net investment in lease receivables		94.0	96.2	191.9
Interest paid on lease liabilities		(778.9)	(667.0)	(1 446.0)
Cash generated from operations		3 217.5	2 568.3	4 272.3
Dividends received	7	6.6	16.0	16.0
Dividends paid		(686.9)	(906.2)	(1 112.8)
Tax paid		(204.9)	(209.2)	(458.4)
Cash generated from operating activities		2 332.3	1 468.9	2 717.1
Cash flows from investing activities				
Investment in intangible assets		(130.8)	(77.2)	(231.5)
Investment in property, plant and equipment		(1 782.0)	(1 242.9)	(3 401.9)
Purchase of operations	12	–	(125.6)	(329.7)
Proceeds on disposal of intangible assets		–	–	25.7
Proceeds on disposal of property, plant and equipment		517.9	12.2	42.6
Insurance proceeds on capital items		–	–	13.8
Principal net investment in lease receipts		171.5	141.7	299.1
Lease incentives received		20.9	49.1	89.6
Loans repaid		53.4	35.8	62.4
Loans advanced		(106.9)	(77.9)	(94.3)
Cash utilised in investing activities		(1 256.0)	(1 284.8)	(3 524.2)
Cash flows from financing activities				
Principal lease liability payments		(1 246.8)	(1 163.5)	(2 408.8)
Borrowings raised		12 560.2	3 574.4	6 804.8
Repayment of borrowings		(9 213.2)	(3 684.5)	(7 938.5)
Share purchases	6	–	(90.1)	(90.1)
Cash generated from/(utilised in) financing activities		2 100.2	(1 363.7)	(3 632.6)
Net increase/(decrease) in cash and cash equivalents		3 176.5	(1 179.6)	(4 439.7)
Net cash and cash equivalents at beginning of period		(802.2)	3 625.3	3 625.3
Foreign currency translations		3.6	7.9	12.2
Net cash and cash equivalents at end of period		2 377.9	2 453.6	(802.2)
Consisting of:				
Cash and cash equivalents		4 627.9	5 253.6	1 997.8
Bank overdraft and overnight borrowings		(2 250.0)	(2 800.0)	(2 800.0)

NOTES TO THE FINANCIAL INFORMATION

for the period ended 27 August 2023

1 Basis of preparation and accounting policies

The condensed consolidated interim financial statements for the period ended 27 August 2023 are prepared in accordance with the requirements of the JSE Listings Requirements for condensed reports, and the requirements of the Companies Act, as applicable to summarised financial statements. The Listings Requirements require condensed reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and the Financial Pronouncements, as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

The accounting policies applied in the preparation of these condensed consolidated interim financial statements are in terms of IFRS and are consistent with those applied in the financial statements for the 52 weeks ended 26 February 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

These condensed consolidated interim financial statements have been prepared by the Finance Division under the supervision of the Chief Finance Officer, Lerena Olivier CA(SA), and have not been audited or reviewed by the Group's external auditors, Ernst & Young Inc.

2 Revenue

2.1 Revenue

	Unaudited 26 weeks to 27 August 2023 Rm	Unaudited 26 weeks to 28 August 2022 Rm	Audited 52 weeks to 26 February 2023 Rm
Revenue from contracts with customers	55 169.7	52 169.1	108 409.0
Turnover (note 2.2)	54 061.5	51 297.0	106 561.8
Franchise fee income	380.0	215.9	447.7
Commissions and other income	728.2	656.2	1 399.5
Insurance recoveries	–	145.2	260.7
Operating lease income	60.3	71.4	157.4
Finance income	192.5	259.5	451.1
Bank balances and investments	50.4	139.4	196.5
Trade receivables and other	47.0	25.2	63.8
Net investment in lease receivables	95.1	94.9	190.8
	55 422.5	52 645.2	109 278.2

2.2 Disaggregation of turnover

	Unaudited 26 weeks to 27 August 2023 Rm	Unaudited 26 weeks to 28 August 2022 Rm	Audited 52 weeks to 26 February 2023 Rm
South Africa operating segment (note 9)	52 011.2	49 496.1	102 721.3
Pick n Pay	34 630.7	34 526.6	71 372.2
Boxer	17 380.5	14 969.5	31 349.1
Rest of Africa operating segment (note 9)	2 050.3	1 800.9	3 840.5
Pick n Pay	1 769.1	1 536.4	3 292.5
Boxer	281.2	264.5	548.0
	54 061.5	51 297.0	106 561.8

3 Finance costs

	Unaudited 26 weeks to 27 August 2023 Rm	Unaudited 26 weeks to 28 August 2022 Rm	Audited 52 weeks to 26 February 2023 Rm
Lease liabilities	764.9	675.7	1 342.5
Borrowings and other	340.7	203.6	431.4
	1 105.6	879.3	1 773.9

Notes to the financial information

	Unaudited 26 weeks to 27 August 2023 Cents per share	Unaudited 26 weeks to 28 August 2022 Cents per share	Audited 52 weeks to 26 February 2023 Cents per share
4 Basic, headline and diluted earnings per share			
Basic (loss)/earnings per share	(118.69)	94.34	243.37
Diluted (loss)/earnings per share	(118.37)	94.23	242.54
Headline (loss)/earnings per share	(138.24)	97.73	259.25
Diluted headline (loss)/earnings per share	(137.86)	97.62	258.36

4.1 Reconciliation between basic and headline earnings

	Rm	Rm	Rm
(Loss)/profit for the period – basic earnings	(571.3)	453.3	1 169.9
Adjustments:	(94.1)	16.3	76.3
(Profit)/loss on sale of assets	(191.6)	8.7	33.9
Tax effect of profit/(loss) on sale of assets	29.9	(2.5)	(9.5)
Loss from impairments of assets	69.9	22.7	66.8
Tax effect of loss from impairments of assets	(2.3)	(2.7)	(10.7)
Insurance recoveries on scrapping of assets due to civil unrest	–	(13.8)	(13.8)
Tax effect of insurance recoveries on scrapping of assets due to civil unrest	–	3.9	3.9
Impairment loss on investment in associate	–	–	5.7
Headline earnings for the period	(665.4)	469.6	1 246.2

For pro forma headline earnings per share and pro forma diluted headline earnings per share, refer to Appendix 1.4.

4.2 Number of ordinary shares

	000's	000's	000's
Number of ordinary shares in issue	493 450.3	493 450.3	493 450.3
Weighted average number of ordinary shares in issue (excluding treasury shares)	481 350.5	480 501.2	480 702.1
Diluted weighted average number of ordinary shares in issue	482 653.1	481 040.3	482 344.2
Reconciliation of weighted average number of ordinary shares to diluted weighted average number of ordinary shares:			
Weighted average number of ordinary shares in issue (excluding treasury shares)	481 350.5	480 501.2	480 702.1
Dilutive effect of share awards	1 302.6	539.1	1 642.1
Diluted weighted average number of ordinary shares in issue	482 653.1	481 040.3	482 344.2

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

5 Share capital

5.1 Ordinary share capital

	Unaudited 26 weeks to 27 August 2023 Rm	Unaudited 26 weeks to 28 August 2022 Rm	Audited 52 weeks to 26 February 2023 Rm
Authorised			
800 000 000 (2022: 800 000 000) ordinary shares of 1.25 cents each	10.0	10.0	10.0
Issued			
493 450 321 (2022: 493 450 321) ordinary shares of 1.25 cents each	6.0	6.0	6.0
	000's	000's	000's
The number of shares in issue is made up as follows:			
Treasury shares (note 6)	10 796.6	12 548.1	12 380.1
Shares held outside the Group	482 653.7	480 902.2	481 070.2
Total shares in issue at end of period	493 450.3	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 (2022: 24 672 516) shares. To date 15 743 000 (2022: 15 743 000) shares have been issued, resulting in 8 929 516 (2022: 8 929 516) shares remaining for this purpose.

In addition, the Company can issue new shares for cash as and when suitable situations arise. Issues in this regard are limited to 5% of the ordinary issued share capital excluding treasury shares, as at the date of shareholder approval, resulting in a limit of 24 053 508 ordinary shares.

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

Certain ordinary shares are stapled to B shares and are subject to restrictions upon disposal. Refer to note 5.2.

5.2 B share capital

	Unaudited 26 weeks to 27 August 2023 Rm	Unaudited 26 weeks to 28 August 2022 Rm	Audited 52 weeks to 26 February 2023 Rm
Authorised			
1 000 000 000 (2022: 1 000 000 000) unlisted, non-convertible, non-participating, no par value B shares	–	–	–
Issued			
259 682 869 (2022: 259 682 869) unlisted, non-convertible, non-participating, no par value B shares	–	–	–

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

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

	Unaudited 26 weeks to 27 August 2023 Rm	Unaudited 26 weeks to 28 August 2022 Rm	Audited 52 weeks to 26 February 2023 Rm

6 Treasury shares

	Unaudited 26 weeks to 27 August 2023 Rm	Unaudited 26 weeks to 28 August 2022 Rm	Audited 52 weeks to 26 February 2023 Rm
At beginning of period	643.8	702.1	702.1
Shares purchased during the period	–	90.1	90.1
Settlement of employee share awards	(86.9)	(138.4)	(148.4)
At end of period	556.9	653.8	643.8
	000's	000's	000's
The movement in the number of treasury shares held is as follows:			
At beginning of period	12 380.1	13 224.8	13 224.8
Shares purchased during the period	–	1 617.9	1 617.9
Shares sold during the period pursuant to the take-up of share options by employees	(1.1)	(1 479.1)	(1 647.1)
Shares delivered to participants of restricted share plan	(1 582.4)	(815.5)	(815.5)
At end of period	10 796.6	12 548.1	12 380.1

7 Investment in associate

7.1 Accounting for investment in associate

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

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

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

Previously, the ZWL$ consumer price index (CPI) was used to restate previously published financial information and revalue assets and liabilities to reflect current buying power. During the period under review, the government of Zimbabwe gazetted SI 27 of 2023 which led to the discontinued publication of the ZWL$ CPI and replaced this with the weighted average CPI (blended index). The weighted average CPI does not comply with IAS 29 which requires the use of a general price index of the hyperinflationary currency (ZWL$) as a basis of restatement. The institute of Chartered Accountants of Zimbabwe (ICAZ) issued guidance to its members on how to determine the general price index. Following ICAZ guidance the Group estimated the general price index for the period by adjusting the last published ZWL$ CPI based on the monthly movement of the total consumption poverty line (TCPL) published by the Zimbabwe National Statistics Agency (ZIMSTATS).

As the Group's presentation currency is not that of a hyperinflationary economy, the comparative information of the Group's financial results related to TM Supermarkets is not restated. Any difference between the Group's share of the TM Supermarkets adjusted net asset value balance after applying IAS 29 and the balance previously recorded by the Group, and resulting differences in any accumulated impairments recognised by the Group, is recognised in other comprehensive income in the current period, as part of foreign currency translations.

7 Investment in associate (continued)

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

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

Zimbabwe operates a formal market-based foreign exchange trading system to establish formalised trading in ZWL$ with other currencies (referred to as the auction rate). The intention of this auction rate system is expected to bring transparency and efficiency in the trading of foreign currency in the economy.

In line with prior period assessments, management assessed that the closing auction rate of 0.0041 ZWL$ (2022: 0.031 ZWL$) to the South African rand is not available for immediate settlement, as shortages of foreign currency results in the official exchange rate not being liquid, and is therefore not an appropriate rate to use when accounting for the Group's investment in associate. An estimated exchange rate of 0.0037 ZWL$ (2022: 0.025 ZWL$) to the South African rand was used when translating the result of TM Supermarkets as at 27 August 2023. Inputs considered in this estimate include the food poverty line and TCPL published by ZIMSTATS, the in-country fuel price, and the exchange rate applicable to dividends received from the Group's investment in associate during the period.

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

	ZWL$: ZAR	USD : ZAR	USD : ZWL$
Closing rates at 27 August 2023			
Exchange rates used by management	0.0037	18.89	5 128.01
Auction rate	0.0041	18.89	4 608.11
Closing rates at 26 February 2023			
Exchange rates used by management	0.019	18.22	966.00
Auction rate	0.020	18.22	889.10
Closing rates at 28 August 2022			
Exchange rates used by management	0.025	16.81	673.00
Auction rate	0.031	16.81	546.80

7.3 Reconciliation of investment in associate

	Unaudited 26 weeks to 27 August 2023 Rm	Unaudited 26 weeks to 28 August 2022 Rm	Audited 52 weeks to 26 February 2023 Rm
At beginning of period	72.4	106.0	106.0
Dividend declared and received	(6.6)	(16.0)	(16.0)
Share of associate's earnings	1.1	38.3	75.0
Share of associate's earnings before net monetary adjustments	44.1	99.7	98.4
Share of associate's hyperinflation net monetary loss	(43.0)	(61.4)	(23.4)
Foreign currency translations	(33.8)	(45.6)	(86.9)
Impairment loss on investment in associate	–	–	(5.7)
At end of period	33.1	82.7	72.4

7 Investment in associate (continued)

7.4 Impairment of investment in associate

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

- The devaluation and illiquidity of currency in Zimbabwe and the resultant impact on the Zimbabwean economy;
- Currency shortages and currency devaluation led to high levels of food and other inflation;
- Significant increases in Zimbabwe's TCPL published by ZIMSTATS; and
- The upward valuation of the assets of TM Supermarkets attributable to the application of hyperinflation accounting in terms of IAS 29.

Impairment reviews were performed and the Group concluded that the recoverable amount of its investment in associate equated to its carrying value after equity accounting, resulting in no impairment 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 42.1% (2022: 46.1%).

Management believes that the carrying value of the Group's investment in associate of R33.1 million is reflective of the value of its investment in TM Supermarkets and that any reasonable possible change in key assumptions on which the recoverable amounts are based would not result in any additional significant impairment movements. Refer to note 7.5.

7.5 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 26 weeks ended 27 August 2023.

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

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

	+10% 1.0 ZWL$: 0.0033 ZAR	Exchange rate applied by management 1.0 ZWL$: 0.0037 ZAR	-10% 1.0 ZWL$: 0.0041 ZAR	Auction rate* 1.0 ZWL$: 0.0041 ZAR
Impact on statement of comprehensive income				
Share of associate's earnings (Rm)	1.0	1.1	1.2	1.2
Impact on statement of financial position				
Investment in associate (Rm)	30.1	33.1	36.8	36.8

* *Calculated by applying the auction rate of 1 USD to 4 608.1 ZWL$*

Notes to the financial information

7 Investment in associate (continued)

7.5 Sensitivity analysis (continued)

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

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

	+10%	As reported	-10%
Impact on statement of comprehensive income			
Impairment movements on Investment in associate (Rm)	(8.1)	–	–
Impact on statement of financial position			
Investment in associate (Rm)	25.0	33.1	33.1

7.5.3 Growth rate applied in the assessment of the recoverable amount of the Group's 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.

	Unaudited 26 weeks to 27 August 2023 Rm	Unaudited 26 weeks to 28 August 2022 Rm	Audited 52 weeks to 26 February 2023 Rm
8 Trade and other receivables			
Gross trade and other receivables	5 025.4	4 630.3	4 853.1
Allowance for impairment losses	(330.0)	(213.7)	(296.4)
Net trade and other receivables	4 695.4	4 416.6	4 556.7
Disclosed as:			
Non-current	68.0	90.6	84.7
Current	4 627.4	4 326.0	4 472.0
8.1 Allowance for impairment losses			
At beginning of period	296.4	207.1	207.1
Irrecoverable debts written off	(37.3)	(47.8)	(109.6)
Additional impairment losses recognised	81.3	56.9	209.4
Prior allowances for impairment reversed	(10.4)	(2.5)	(10.5)
At end of period	330.0	213.7	296.4

Unaudited	South Africa Rm	Rest of Africa Rm	Total operations Rm

9 Operating segments

26 weeks to 27 August 2023

	South Africa Rm	Rest of Africa Rm	Total operations Rm
Sales from customers	52 011.2	2 726.6	54 737.8
Turnover (note 2)	52 011.2	2 050.3	54 061.5
Direct deliveries*	–	676.3	676.3
Sales from customers disaggregated by brand	52 011.2	2 726.6	54 737.8
Pick n Pay	34 630.7	2 445.4	37 076.1
Boxer	17 380.5	281.2	17 661.7
Revenue	53 348.1	2 074.4	55 422.5
Revenue from contracts with customers (note 2)	53 111.3	2 058.4	55 169.7
Operating lease income (note 2)	59.7	0.6	60.3
Finance income (note 2)	177.1	15.4	192.5
Pro forma (loss)/profit before tax before capital items and before net monetary adjustments^**	(921.4)	84.2	(837.2)
Loss/(profit) before tax before capital items	(921.4)	41.2	(880.2)
Hyperinflation net monetary adjustments	–	43.0	43.0
(Loss)/profit before tax**	(799.7)	41.2	(758.5)
Other information			
Statement of comprehensive income			
Depreciation and amortisation	1 927.0	35.9	1 962.9
Finance costs (note 3)	1 086.1	19.5	1 105.6
Share of associate's earnings (note 7)	–	1.1	1.1
Profit on sale of assets	191.6	–	191.6
Loss from impairments of assets	69.9	–	69.9
Statement of financial position			
Total assets	45 010.5	1 776.0	46 786.5
Total liabilities	43 328.5	997.8	44 326.3
Investment in associate (note 7)	–	33.1	33.1

* *Included in sales from customers, as reviewed by the Chief Operating Decision Maker (CODM) of the Group, are deliveries made directly to franchisees by in-country suppliers, in those countries where the Group does not have a statutory presence. These deliveries do not qualify as sales, or turnover, in terms of IFRS but are included in sales from customers for the purposes of the Group's review of operating segments. In those countries where the Group has a statutory presence, including South Africa, direct deliveries are included in the Group's reported turnover.*

** *"Segmental profit/loss before tax" and "segmental pro forma profit/loss before tax, before capital items and before net monetary adjustments" are reported measures used for evaluating the performance of the Group's operating segments. On an overall basis, these metrics equal the Group's reported "profit/loss before tax", and "pro forma profit/loss before tax, before capital items and before net monetary adjustments", respectively. These metrics, for the Rest of Africa segment, comprise the segment's trading result and directly attributable costs only. No allocations are made for indirect or incremental costs incurred by the South Africa segment relating to the Rest of Africa segment.*

^ *Refer to Appendix 1 for further detail on the Group's pro forma financial information.*

9 Operating segments (continued)

26 weeks to 28 August 2022

Unaudited	South Africa Rm	Rest of Africa Rm	Total operations Rm
Sales from customers	49 496.1	2 382.8	51 878.9
Turnover (note 2)	49 496.1	1 800.9	51 297.0
Direct deliveries*	–	581.9	581.9
Sales from customers disaggregated by brand	49 496.1	2 382.8	51 878.9
Pick n Pay	34 526.6	2 118.3	36 644.9
Boxer	14 969.5	264.5	15 234.0
Revenue	50 821.0	1 824.2	52 645.2
Revenue from contracts with customers (note 2)	50 361.5	1 807.6	52 169.1
Operating lease income (note 2)	70.8	0.6	71.4
Insurance recoveries (note 2)	145.2	–	145.2
Finance income (note 2)	243.5	16.0	259.5
Pro forma profit before tax before capital items and before net monetary adjustments^**	456.1	131.9	588.0
Profit before tax before capital items	601.3	70.5	671.8
Hyperinflation net monetary adjustments	–	61.4	61.4
Insurance recoveries	(145.2)	–	(145.2)
Profit before tax**	590.1	64.1	654.2
Other information			
Statement of comprehensive income			
Depreciation and amortisation	1 718.5	35.7	1 754.2
Finance costs (note 3)	860.0	19.3	879.3
Share of associate's earnings (note 7)	–	38.3	38.3
Profit on sale and insurance recoveries on scrapping of assets	5.1	–	5.1
Loss from impairments of assets	16.0	6.7	22.7
Statement of financial position			
Total assets	39 518.4	1 679.1	41 197.5
Total liabilities	36 994.3	978.2	37 972.5
Investment in associate (note 7)	–	82.7	82.7

* *Included in sales from customers, as reviewed by the Chief Operating Decision Maker (CODM) of the Group, are deliveries made directly to franchisees by in-country suppliers, in those countries where the Group does not have a statutory presence. These deliveries do not qualify as sales, or turnover, in terms of IFRS but are included in sales from customers for the purposes of the Group's review of operating segments. In those countries where the Group has a statutory presence, including South Africa, direct deliveries are included in the Group's reported turnover.*

** *"Segmental profit before tax" and "segmental pro forma profit before tax, before capital items and before net monetary adjustments" are reported measures used for evaluating the performance of the Group's operating segments. On an overall basis, these metrics equal the Group's reported "profit before tax", and "pro forma profit before tax, before capital items and before net monetary adjustments", respectively. These metrics, for the Rest of Africa segment, comprise the segment's trading result and directly attributable costs only. No allocations are made for indirect or incremental costs incurred by the South Africa segment relating to the Rest of Africa segment.*

^ *Refer to Appendix 1 for further detail on the Group's pro forma financial information.*

Notes to the financial information

10 Related party transactions

During the period under review, in the ordinary course of business, certain companies within the Group entered into transactions with each other. These intergroup transactions and related balances are eliminated on consolidation. Intergroup transactions are similar to those in the prior year and related parties remain unchanged from those reported at 26 February 2023.

For further information, refer to note 29 of the 2023 audited Group annual financial statements and note 8 of the 2023 audited Company annual financial statements. For disclosures relating to the Group's investment in associate, refer to note 7 of this publication.

11 Financial instruments

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

	Unaudited 26 weeks to 27 August 2023 Rm	Unaudited 26 weeks to 28 August 2022 Rm	Audited 52 weeks to 26 February 2023 Rm
Financial instruments at fair value through profit or loss			
Investment in insurance cell captive – Level 2	76.3	60.8	71.3
Derivative financial instruments (designated as hedging instruments)			
Forward exchange contract assets – Level 2	1.2	1.9	22.0

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques, consistent with those disclosed in the 2023 audited Group annual financial statements. These valuation techniques maximise the use of observable market data, where it is available, and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The carrying value of all other financial instruments held at amortised cost approximate their fair value.

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

12 Purchase of operations

The Group converted three (2022: ten) franchise stores to Pick n Pay and Boxer company owned stores, none of which is individually material to the Group. These acquisitions had no significant impact on the Group's results. Any goodwill arising from these acquisitions represents the value creation that the Group expects to realise in the future.

	Unaudited 26 weeks to 27 August 2023 Rm	Unaudited 26 weeks to 28 August 2022 Rm	Audited 52 weeks to 26 February 2023 Rm
The net assets arising from these acquisitions were as follows:			
Identifiable net assets			
Property, plant and equipment	4.1	19.4	30.0
Inventory	3.0	11.3	34.4
Total identifiable net assets at fair value	7.1	30.7	64.4
Goodwill			
Purchase price of acquisitions at fair value	7.1	170.1	397.2
Less: total identifiable net assets at fair value	(7.1)	(30.7)	(64.4)
Goodwill acquired	–	139.4	332.8
Net cash paid in respect of acquisitions			
Purchase price of acquisitions at fair value	7.1	170.1	397.2
Less: amounts net settled against trade and other receivables	(7.1)	(44.5)	(67.5)
Net cash paid	–	125.6	329.7

13 Commitments

	Unaudited 26 weeks to 27 August 2023 Rm	Unaudited 26 weeks to 28 August 2022 Rm	Audited 52 weeks to 26 February 2023 Rm
Authorised capital expenditure			
Contracted for	1 883.0	926.4	740.0
Not contracted for	17.0	1 573.6	3 260.0
Total commitments	1 900.0	2 500.0	4 000.0

14 Non-current assets held for sale

During the current period, the Group entered into sale agreements for two of its properties, to fund the post-period acquisition of the Tomis operations. Refer to note 16 for further detail. As a result, the Group reclassified these properties, from property, plant and equipment to non-current assets held for sale. The sale remains subject to Competition Commission approval.

At period-end, the properties were recognised at carrying value of R255.1 million, which is the lower of carrying value and fair value less costs to sell. The reclassification had no impact on the statement of comprehensive income. These properties forms part of the South Africa operating segment.

The Group sold its Longmeadow property and related equipment, previously classified as a non-current asset held for sale, for a selling price of R500 million, resulting in a profit on disposal of R217.3 million.

15 Significant items

15.1 Eastport distribution centre

The Group has now completed the development of the new Eastport distribution centre in Gauteng in partnership with Fortress Reit Limited, replacing the Longmeadow distribution centre. The financing arrangements for this development has been finalised during the current period under review and the Group has entered into a lease arrangement for 100% of the property, with a lease commencement date of 1 June 2023 and an initial lease term of 15 years. The Group will pay rental based on an initial yield of 8.5% on total development cost (estimated to be R2.1 billion), with a rental escalation of 6% per annum and an incremental borrowing rate of 11.1%.

The impact of the Eastport distribution centre property lease for the current period has been presented below:

	Unaudited 26 weeks to 27 August 2023 Rm
Statement of comprehensive income	
Depreciation expense	(39.3)
Finance costs	(65.7)
Statement of financial position	
Right-of-use asset	1 774.3
Lease liability	1 838.9

15.2 Long-term funding

During the period under review, the Group entered into long-term borrowing agreements consisting of a bilateral loan of R1.0 billion and a syndicated loan of R4.5 billion. The bilateral loan of R1 billion and R3.5 billion of the syndicated loan were drawn down during the period and are repayable between 3 and 5 years, bearing interest rates varying between 9.6% and 10.0%.

16 Subsequent events

The Group has concluded the sale and purchase agreement to acquire 100% of the business operations and assets of the Tomis group of companies ("Tomis") for a purchase consideration of R340 million. The purchase price is split into an upfront cash consideration of R323 million, and a fixed capped deferred price of R17 million payable on the third anniversary of the transaction. Tomis is a state-of-the-art abattoir and meat processing and packaging business, supplying lamb, beef and other quality fresh meat products to wholesalers and retailers.

Subsequent to period-end, the relevant regulatory approvals were finalised by the Competition Commission and the purchase of operation was effective on 1 October 2023. The acquisition date fair values of the identifiable assets acquired and liabilities assumed were not finalised by the time of release of these interim financial statements. The accounting impact of this purchase will be reflected within the measurement period in the annual financial statements for the 52 weeks ending 25 February 2024.

APPENDIX 1

Pro forma information

Certain financial information presented in these unaudited condensed consolidated interim financial statements constitutes pro forma financial information.

1. Pro forma earnings metrics

The pro forma earnings information presented in accordance with the JSE Listing Requirements and the SAICA guide on Pro forma Financial Information, is the responsibility of the Board of directors of the Group and is presented for illustrative purposes only. This information has not been reviewed nor reported on by the Group's auditors. Because of its nature, the pro forma earnings information may not fairly present the Group's financial position, changes in equity, results of operations or cash flows. The pro forma earnings information is based on the unaudited condensed consolidated interim financial information of the Group for the period ended 27 August 2023 and has been prepared using the accounting policies of the Group which comply with IFRS and are consistent with those applied in the 2023 audited Group annual financial statements.

1.1 Insurance proceeds received during the prior period

The financial result for the prior period included the cash receipt of R145.2 million (R104.5 million net of tax) of insurance proceeds within the Group's South Africa operating segment. These insurance recoveries related directly to the civil unrest losses suffered by the Group during the 2022 financial period and which was accounted for in the pro forma earnings presented in the 2022 financial period.

In management's view, these losses and insurance recoveries should be viewed together for a comparable performance. As a result, the insurance recoveries of R145.2 million (R104.5 million net of tax) were excluded in prior year pro forma earnings.

1.2 Hyperinflation net monetary adjustments

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

Hyperinflation net monetary adjustments impact:

	26 weeks to 27 August 2023 Rm	26 weeks to 28 August 2022 Rm
Share of associate's earnings excluding net monetary adjustments	44.1	99.7
Share of associate's hyperinflation net monetary loss	(43.0)	(61.4)
Reported share of associate's earnings	**1.1**	**38.3**

Reported profit/loss before tax and reported headline earnings include the impact of hyperinflation accounting attributable to the Group's investment in associate in the Rest of Africa operating segment. In management's view, this impact of hyperinflation accounting does not provide stakeholders with an accurate assessment of the Group's comparable year-on-year earnings performance. As a result, the Group has presented its earnings for the current and prior period on a pro forma basis, by excluding the Group's share of associate's hyperinflation net monetary loss of R43.0 million (2022: R61.4 million), with no impact on tax.

Pro forma information (continued)

1. Pro forma earnings metrics (continued)

1.3 The tables below present the key changes to items presented on a pro forma basis:

26 weeks to 27 August 2023	As reported Rm	Remove Impact of IAS 29 Rm	Pro forma Rm
Group			
Loss before tax before capital items	(880.2)	43.0	(837.2)
Loss before tax	(758.5)	–	(758.5)
Tax income	(187.2)	–	(187.2)
Loss for the period	(571.3)	–	(571.3)
Headline earnings (Appendix 1.4)	(665.4)	43.0	(622.4)
South Africa operating segment			
Loss before tax before capital items	(921.4)	–	(921.4)
Rest of Africa operating segment			
Profit before tax before capital items	41.2	43.0	84.2
	Cents	**Cents**	**Cents**
Headline loss per share (Appendix 1.4)	(138.24)	8.94	(129.30)
Diluted headline loss per share (Appendix 1.4)	(137.86)	8.91	(128.95)

26 weeks to 28 August 2022	As reported Rm	Remove insurance proceeds received during the period Rm	Remove Impact of IAS 29 Rm	Pro forma Rm
Group				
Other income	1 088.7	(145.2)	–	943.5
Trading profit	1 253.3	(145.2)	–	1 108.1
Profit before tax before capital items	671.8	(145.2)	61.4	588.0
Profit before tax	654.2	(145.2)	–	509.0
Tax expense	200.9	(40.7)	–	160.2
Profit for the period	453.3	(104.5)	–	348.8
Headline earnings (Appendix 1.4)	469.6	(104.5)	61.4	426.5
South Africa operating segment				
Profit before tax before capital items	601.3	(145.2)	–	456.1
Rest of Africa operating segment				
Profit before tax before capital items	70.5	–	61.4	131.9
	Cents	**Cents**	**Cents**	**Cents**
Headline earnings per share (Appendix 1.4)	97.73	(21.75)	12.78	88.76
Diluted headline earnings per share (Appendix 1.4)	97.62	(21.73)	12.77	88.66

Pro forma information (continued)

1. Pro forma earnings metrics (continued)

1.4 Reconciliation of the Group's earnings per share on a pro forma basis:

	26 weeks to 27 August 2023 Cents per share	26 weeks to 28 August 2022 Cents per share	52 weeks to 26 February 2023 Cents per share
Earnings per share			
Basic (loss)/earnings per share	(118.69)	94.34	243.37
Diluted (loss)/earnings per share	(118.37)	94.23	242.54
Headline (loss)/earnings per share	(138.24)	97.73	259.25
Diluted headline (loss)/earnings per share	(137.86)	97.62	258.36
Pro forma headline earnings per share			
Pro forma headline (loss)/earnings per share	(129.30)	88.76	242.37
Pro forma diluted headline (loss)/earnings per share	(128.95)	88.66	241.55
	Rm	**Rm**	**Rm**
Reconciliation between basic and headline earnings			
(Loss)/profit for the period – basic earnings	(571.3)	453.3	1 169.9
Adjustments:	(94.1)	16.3	76.3
(Profit)/loss on sale of assets	(191.6)	8.7	33.9
Tax effect of profit/(loss) on sale of assets	29.9	(2.5)	(9.5)
Loss from impairments of assets	69.9	22.7	66.8
Tax effect of loss from impairments of assets	(2.3)	(2.7)	(10.7)
Insurance recoveries on scrapping of assets due to civil unrest	–	(13.8)	(13.8)
Tax effect of insurance recoveries on scrapping of assets due to civil unrest	–	3.9	3.9
Impairment loss on investment in associate	–	–	5.7
Headline (loss)/earnings for the period (note 4)	(665.4)	469.6	1 246.2
Adjusted for hyperinflation net monetary adjustment (note 7)	43.0	61.4	23.4
Adjusted for insurance proceeds received	–	(145.2)	(145.2)
Adjusted for tax effects of insurance proceeds received	–	40.7	40.7
Pro forma headline earnings	(622.4)	426.5	1 165.1

The table below presents the Group's share information

	000's	000's	000's
Number of ordinary shares in issue	493 450.3	493 450.3	493 450.3
Weighted average number of ordinary shares in issue (excluding treasury shares)	481 350.5	480 501.2	480 702.1
Diluted weighted average number of ordinary shares in issue	482 653.1	481 040.3	482 344.2

Pro forma information (continued)

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 turnover and the Group's Rest of Africa sales from customers results, excluding the impact of foreign currency fluctuations (collectively the "constant currency pro forma information").

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

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

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

The average Zambia kwacha exchange rate to the South African rand for the 26 weeks ended 27 August 2023 is 1.03 (2022: 1.07) and the average Botswana pula exchange rate to the South African rand for the 26 weeks ended 27 August 2023 is 0.72 (2022: 0.76).

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

26 weeks ended 27 August 2023	Increase in reported currency	Increase in constant currency
Group turnover (%)	5.4	5.3
Rest of Africa sales from customers (%)	14.4	12.2

APPENDIX 2

ADDITIONAL INFORMATION

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

1 Like-for-like turnover and expense growth comparisons

Like-for-like turnover growth comparisons remove the impact of store openings, closures and conversions in the current and previous reporting periods, and in the current period removes the impact of the new interim franchise model trialled by the Group. This franchise model offers a higher purchasing rebate to our franchisees (recorded against turnover) in exchange for a higher franchise royalty fee (recorded in other income). Refer to review of operations for further detail.

Like-for-like expense growth comparisons remove the impact of store openings, closures and conversions in the current and previous reporting periods, and removes the impact of abnormal costs of incremental energy costs and employee restructuring programmes. Refer below for further information.

2 Abnormal costs incurred in the current and previous reporting periods

2.1 Incremental energy costs

During the period, the Group incurred R190 million (2022: R85 million) of net incremental energy costs incurred related to loadshedding in South Africa. The R190 million reflects management's best estimate of the incremental costs of running diesel generators to power the Group's estate during loadshedding which amounted to R229 million (2022: R115 million), net of estimated electricity cost savings we would have incurred if there was no loadshedding of R39 million (2022: R30 million).

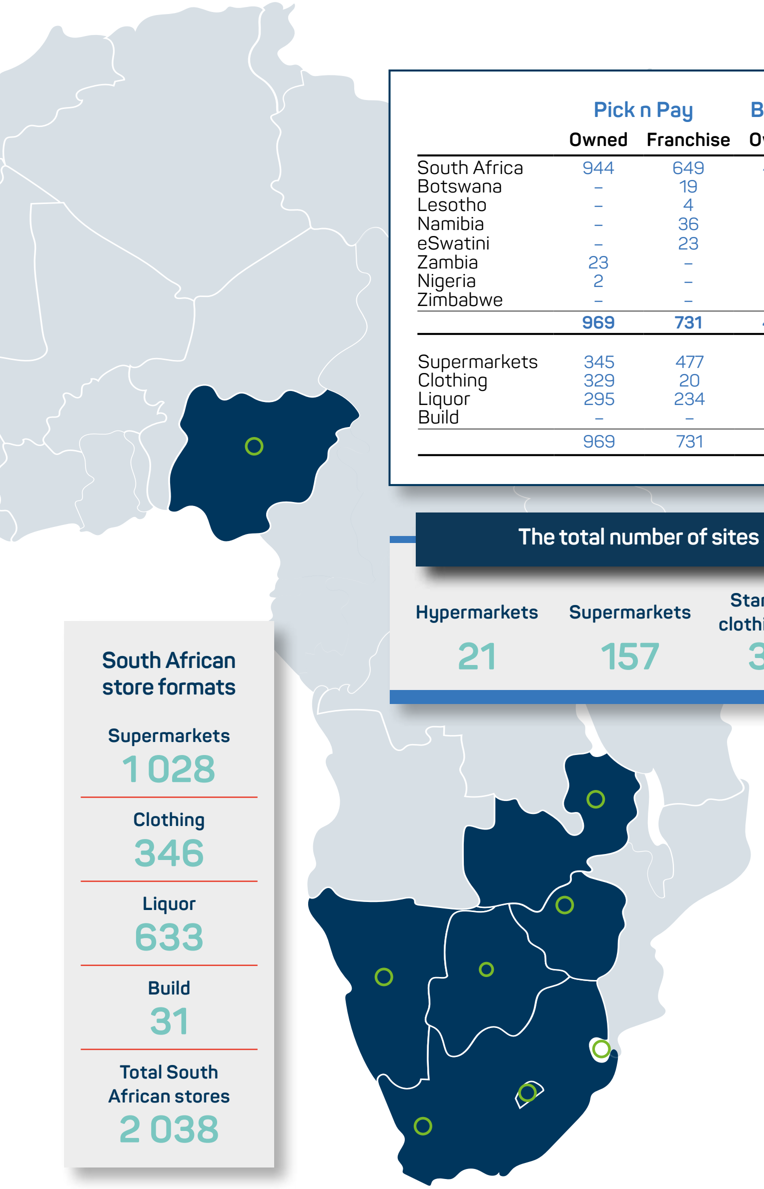
2.2 Employee restructuring programmes

Companies within the Pick n Pay Stores Limited Group formalised and communicated a Voluntary Severance Programme (VSP), and a junior store management s189 restructuring programme aimed at delivering targeted benchmarks in terms of support office and store-level efficiency gains, during March 2023. The current year reported earnings for the Group therefore include a once-off cost of R259 million relating to these restructuring programmes.

2.3 Duplicated logistics costs

The Group sold its Longmeadow distribution centre during the current period under review, and entered into its newly leased Eastport distribution centre. During the transition phase, the Group incurred duplicated logistics costs of R116 million, which is included in the reported earnings for the current period.

AN OVERVIEW OF OUR STORE ESTATE



	Pick n Pay		Boxer	TM	
	Owned	Franchise	Owned	Associate	Total
South Africa	944	649	445	–	2 038
Botswana	–	19	–	–	19
Lesotho	–	4	–	–	4
Namibia	–	36	–	–	36
eSwatini	–	23	9		32
Zambia	23	–	–	–	23
Nigeria	2	–	–	–	2
Zimbabwe	–	–	–	73	73
	969	**731**	**454**	**73**	**2 227**
Supermarkets	345	477	283	61	1 166
Clothing	329	20	–	–	349
Liquor	295	234	140	12	681
Build	–	–	31	–	31
	969	731	454	73	2 227

The total number of sites selling clothing

Hypermarkets	Supermarkets	Stand-alone clothing stores	Total clothing sites
21	157	349	527

South African store formats

Supermarkets
1 028

Clothing
346

Liquor
633

Build
31

Total South African stores
2 038

NUMBER OF STORES

	26 February 2023	Opened	Closed	Converted openings	Converted closures	27 August 2023
Company-owned						
Pick n Pay	**957**	**21**	**(13)**	**4**	**–**	**969**
Hypermarkets	21	–	–	–	–	21
Supermarkets	328	1	(6)	1	–	324
Clothing	311	17	(2)	3	–	329
Liquor	297	3	(5)	–	–	295
Boxer	**428**	**27**	**–**	**–**	**(1)**	**454**
Supermarkets	279	5	–	–	(1)	283
Build	31	–	–	–	–	31
Liquor	118	22	–	–	–	140
Total company-owned	**1 385**	**48**	**(13)**	**4**	**(1)**	**1 423**
Franchise						
Pick n Pay						
Supermarkets	272	1	(3)	–	–	270
Market	21	–	(8)	–	–	13
Express	191	5	(2)	–	–	194
Clothing	22	1	–	–	(3)	20
Liquor	241	1	(8)	–	–	234
Total franchise	**747**	**8**	**(21)**	**–**	**(3)**	**731**
Associate						
TM Supermarkets	**72**	**1**	**–**	**–**	**–**	**73**
Total Group stores	**2 204**	**57**	**(34)**	**4**	**(4)**	**2 227**
African footprint						
– included in total stores above	**186**	**3**	**–**	**–**	**–**	**189**
Pick n Pay company-owned	25	–	–	–	–	25
Boxer company-owned	9	–	–	–	–	9
Pick n Pay franchise	80	2	–	–	–	82
TM Supermarkets – associate	72	1	–	–	–	73
African footprint						
– by country	**186**	**3**	**–**	**–**	**–**	**189**
Botswana	19	–	–	–	–	19
Lesotho	4	–	–	–	–	4
Namibia	35	1	–	–	–	36
eSwatini	31	1	–	–	–	32
Zambia	23	–	–	–	–	23
Nigeria	2	–	–	–	–	2
Zimbabwe	72	1	–	–	–	73

CORPORATE INFORMATION

Pick n Pay Stores Limited
Registration number: 1968/008034/06
JSE and A2X share code: PIK
ISIN: ZAE000005443

Board of directors
Executive
Sean Summers (CEO)[1]
Lerena Olivier (CFO)

Non-executive
Gareth Ackerman (Chair)
Suzanne Ackerman
Jonathan Ackerman[2]
David Robins

Independent non-executive
Haroon Bhorat
Mariam Cassim
James Formby
David Friedland
Aboubakar Jakoet
Audrey Mothupi
Annamarie van der Merwe

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Registrar
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Rosebank 2196
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Saxonwold 2132

JSE Limited sponsor
Investec Bank Limited
100 Grayston Drive
Sandton 2196

Auditors
Ernst & Young Inc.

Principal transactional bankers
Absa Limited
First National Bank

Company Secretary
Penelope Gerber
Email address: CompanySecretary@pnp.co.za

Promotion of Access to Information Act
informationofficer@pnp.co.za

Investor relations
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Email address: StephenCarrott@pnp.co.za

Website
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Pick n Pay Clothing: www.picknpayclothing.co.za
Investor relations: www.picknpayinvestor.co.za

Customer careline
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Tel: +27 860 30 30 30
Email address: customercare@pnp.co.za

Boxer
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Email address: customercare@boxer.co.za

Online shopping
Tel: +27 860 30 30 30
www.pnp.co.za

Engage with us on

1 Sean Summers was appointed on 30 September 2023 on the resignation of Pieter Boone.
2 Jonathan Ackerman retired as an executive director on 31 March 2023 and was appointed as a non-executive director on that date.

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