





ENGAGE WITH US ON THESE PLATFORMS



Pick n Pay Holdings Limited RF and Pick n Pay Stores Limited are investment holding companies listed on the JSE. Pick n Pay Stores Limited, through its subsidiaries and associate, operates in the retail sector in South Africa and the rest of the African continent.

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Report navigation

To best serve the needs of our various stakeholders, we produce a suite of publications. The following reports, which support our integrated annual report, are tailored to meet our readers' specific information requirements.



PUBLICATIONS

Integrated annual report 2016

A review of the Group's strategy, material issues, risks and opportunities, and our operational and financial performance for the year. The report includes relevant extracts of the 2016 audited Group annual financial statements, integrated disclosure on our work in the area of environmental and social sustainability, our governance structures and our remuneration philosophy.



REPORTING FRAMEWORK

- The King Report on Governance for South Africa, and the King Code of Governance Principles (King III code);
- The Global Reporting Initiative's G4 guidelines on reporting of non-financial information;
- The Companies Act, No 71 of 2008, as amended (Companies Act);
- The JSE Listings Requirements;
- International Financial Reporting Standards (IFRS); and
- The International Integrated Reporting <IR> Framework.

Annual financial statements 2016

The audited Group and Company annual financial statements for Pick n Pay Stores Limited and Pick n Pay Holdings Limited RF, for the 2016 financial period. The report includes our audit committee and directors' reports.



- Companies Act;
- The JSE Listings Requirements; and
- IFRS.

Corporate governance report 2016

A review of the Group's commitment to good corporate governance in the implementation of the Group's strategy and policy. The report includes our notice of the annual general meetings and Board committee reports.



- King III code;
- Companies Act; and
- The JSE Listings Requirements.

Summarised results and 2016 AGM notices Pick n Pay Stores Limited

A high-level review of our operational and financial performance for the year, including summarised audited Group annual financial statements, remuneration report, relevant shareholder information, and notice of the annual general meeting and proxy voting form.



- Companies Act;
- The JSE Listings Requirements; and
- IFRS.

Summarised results and 2016 AGM notices Pick n Pay Holdings Limited RF

A high-level review of our operational and financial performance for the year, including summarised audited Group annual financial statements, remuneration report, relevant shareholder information, and notice of the annual general meeting and proxy voting form.



- Companies Act;
- The JSE Listings Requirements; and
- IFRS.

Sustainable living report 2015

This report is published in full every two years. This report details our sustainability strategy, with a review of our performance against strategic non-financial targets.



- King III Code; and
- The Global Reporting Initiative's G4 guidelines on reporting of non-financial information.

Print version available

Information available on our website, www.picknpayinvestor.co.za

Pick n Pay

Our integrated report / Integrated annual report 2016

The Pick n Pay integrated annual report

Introduction

We are pleased to provide you with our integrated annual report for 2016.

To ensure that we follow best reporting practice, we have adopted the International Integrated <IR> Reporting Framework (the framework) of the International Integrated Reporting Council (IIRC) which provides an international standard for integrated reporting that enables companies globally to demonstrate, in a comparable manner, how they create value. We have also applied the principles outlined in the King Code of Corporate Principles (King III) in South Africa.

Scope and boundary of the report

Our integrated annual report is intended for all our stakeholders, with a specific focus on the providers of financial capital, being our shareholders and debt providers. We believe this report will provide our stakeholders with an improved understanding of our business, how we create value, and our strategic focus on ensuring that our value creation is sustainable in the short, medium and long term.

The report provides our stakeholders with a concise review of the Group's operations, strategic objectives and performance of Pick n Pay Holdings Limited RF and Pick n Pay Stores Limited and all their subsidiaries and associate (the Group), which operates on the African continent. This includes an insight into the operational highlights of the Group, the opportunities and related risks faced by the Group and how these underpin our strategic objectives and our creation of value, our governance structures and remuneration philosophy.

The report covers the 52 week period to 28 February 2016, with relevant comparisons to previous periods, and is consistent with information and performance indicators included in internal management reporting. The report has been compiled and

presented in line with the requirements and principles of the applicable reporting frameworks. Refer to our report navigation section on page 1.

The report presents a range of financial and non-financial disclosures and performance measures to assist our stakeholders in making an informed and objective assessment of the Group's overall performance in 2016. Non-financial disclosures provided in this report are specific to our Pick n Pay-branded owned business in South Africa. It is our intention to expand these disclosures in future in order to provide a comprehensive view of the social, human and environmental impacts of the Group as a whole, including our impacts outside South Africa.

Reporting comparability

When reviewing the 2016 financial performance of the Group, it should be noted that certain prior period financial information previously presented has been restated. These restatements had no impact on the previously reported profit for the period. For more information on the restatements, refer to note 30 of the audited Group annual financial statements, available on our website at www.picknpayinvestor.co.za.

Forward looking information

The report contains certain forward looking statements which relate to the possible future performance and financial position of the Group. All forward looking statements are solely based on the views and considerations of the directors. These statements involve risk and uncertainty as they relate to events and depend on circumstances that may or may not occur in the future. The Group does not undertake to update or revise any of these forward looking statements publicly, whether to reflect new information or future events or otherwise. These forward looking statements have not been reviewed or reported on by the Group's external auditors.

Materiality

Materiality has been applied in determining the scope and content of this report. It is determined, reviewed and approved annually by the Board, supported by senior management, and is based on matters that could substantively affect the Group's ability to create value over time and which could have a material impact on the current and projected revenue and profitability of the Group. More specifically, the review considers the material business risks that could have a material impact on the Group's ability to achieve the objectives of its strategic short, medium and long-term plan.

The Group has extensive interaction with the investor community, including shareholders and investment analysts, and our review of material issues considers those issues that are material to the investor community. These material issues are presented on pages 19 to 29 under the seven business acceleration pillars of our strategic long-term plan. We have not disclosed any information that is considered competitor-sensitive or price-sensitive.

Assurance

The Board, assisted by the audit and risk committee, is ultimately responsible for overseeing the integrity of the integrated annual report. This has been achieved by establishing skilled and experienced teams and accountability structures to undertake the reporting process and by performing a thorough review of the report. The content of the integrated annual report has been reviewed by the directors and management, but has not been externally assured. The annual financial statements have been audited by Ernst & Young Inc. (EY) who expressed an unmodified audit opinion. The audited annual financial statements are available on our website, www.picknpayinvestor.co.za. Accredited service providers and agencies have verified selected non-financial performance metrics contained in the report, including our carbon footprint and the BBEE rating, while management has verified the processes for measuring all other non-financial information.

Capitals and value creation

The framework supports reporting in terms of six forms of capital which impacts the ability to create value, classified as the financial, manufactured, intellectual, human, social and relationship, and natural capitals. The Group has elected not to apply the framework's terminology in this report as we do not use this terminology in our business; however the performance and activities relative to these capitals are covered throughout the report. To assist readers who are familiar with this terminology, we explain below how the capitals are used in the Group and indicate where they are covered throughout the report.

Financial capital refers to the financial resources of the Group and how these resources have been utilised by the Group. This is covered by the Chief Finance Officer's report and the five-year review on pages 42 to 48.

Manufactured capital refers to the physical infrastructure used in the Group's operations, which includes its retail estate, its procurement and distribution channel and the information technology used throughout the Group. This is covered by our strategic focus section of pages 19 to 29.

Intellectual capital refers to the knowledge, systems, processes, intellectual property and brands contained within the Group. This is covered by our strategic focus section on pages 19 to 29.

Human capital refers to the unique skills-set, competencies, capabilities, experience and leadership of the Group's executive and non-executive directors and employees. This is covered by our strategic focus section on pages 19 to 29, our governance section on pages 62 to 67 and our five-year review on pages 58 to 61.

Social and relationship capital refers to our stakeholder engagement and relationships and the Group's values. This is covered by our 'This is Pick n Pay' report on pages 4 to 6, our engaging with our stakeholders report on pages 16 to 17 and our year in review report on pages 38 to 41.

Natural capital relates to the environmental resources used in the Group's operations, and the impact of the Group's operations on our environment. This is primarily covered by our five-year review on pages 58 to 61.

Report structure and feedback

We are committed to achieving the highest standards of global best practice in reporting, and continue on our journey to implement these standards within the Group. In our ongoing effort to improve

our reporting, we have made some changes to the structure and presentation of information, particularly in respect of our business model on pages 8 to 9, our store formats on pages 12 to 15 and only a focus summary on our financial and governance information. We will continue to engage with all stakeholders to ensure that we improve year on year.

It has become best reporting practice for an integrated annual report to include summarised financial statements, with a full set of financial statements published separately. This report therefore does not contain the full audited Group annual financial statements, which has been made available on our website at www.picknpayinvestor.co.za.

We trust that the 2016 integrated annual report has achieved our objective of providing you with a deeper understanding of Pick n Pay – of who we are, how we do business and where we hope to be in the future. We are committed to building on and improving this report next year and would value your feedback. Any comments or requests for additional information can be emailed to our Company Secretary at demuller@pnp.co.za.

Online reporting

To align with the increasing trend towards online reporting and electronic access to information, we do not distribute printed copies of our integrated annual report, but rather make it available online on the Group's website at www.picknpayinvestor.co.za. Printed copies of the integrated annual report are available on request from our Company Secretary, Debra Muller, at demuller@pnp.co.za or by fax at +27 21 797 0314.

Approval of the integrated annual report

The audit and risk committee has reviewed the 2016 integrated annual report and recommended it for approval to the Board of directors.

The Board acknowledges its responsibility to ensure the integrity of the integrated annual report. The directors confirm that they have collectively reviewed the content of this report and agree that it addresses the material issues faced by the Group. They further agree that this report provides a fair presentation of the financial position of the Group as at 28 February 2016 and its performance for the related 52-week financial period. The directors consider the report to be presented in accordance with the IIRC's framework.

The Board approved the integrated annual report for release to shareholders on 22 June 2016.



Gareth Ackerman
Chairman



Richard Brasher
Chief Executive Officer

This is **Pick n Pay**

The Pick n Pay Group is a grocery, clothing and general merchandise retailer, selling a wide range of products at very competitive prices under our Pick n Pay and Boxer brands. Since 1967 when consumer champion Raymond Ackerman purchased the first four stores in Cape Town, the Group's vision has grown and expanded to encompass stores in South Africa, Namibia, Botswana, Zambia, Swaziland and Lesotho. In addition Pick n Pay owns a 49% share of a Zimbabwean supermarket business, TM Supermarkets. The Group is managed through its South Africa and Rest of Africa divisions.

- Owned and franchise stores in seven countries in southern Africa

- Brands: Pick n Pay and Boxer

- Hypermarkets, supermarkets, convenience stores and online platform

- Serving all customers across LSM 1 – 10

- Food, non-edible groceries, clothing, health and beauty, liquor, tobacco, pharmaceuticals, building and hardware and general merchandise

- Branded merchandise and private label

- Value-added services



OUR CUSTOMER OFFER

Our offer to customers focuses on food, non-edible groceries, clothing, liquor, tobacco, health and beauty products, pharmaceuticals, building and hardware and general merchandise. The offer also includes value-added services such as third-party bill payments, financial transactions at till points (including mobile money), ticketing services, air time sales and the sale of gift cards. In addition to manufacturer-branded products, we have a growing private label range, in both Pick n Pay and Boxer, to suit every budget.

The Group operates on both an owned and franchise basis and has 1 410 stores across all formats, including its investment in TM Supermarkets in Zimbabwe. Our stores range from large hypermarkets where customers can buy everything under one roof through to small convenience stores where customers can shop quickly for their immediate needs. In addition, we operate the largest online grocery business in Africa, giving customers the opportunity to shop from their homes and have their order delivered to their door in one-hour time slots.

We put customers at the heart of our business. Through our Pick n Pay and Boxer brands, the Group serves customers across the diverse spectrum of South African society, and is expanding its reach into the African continent. More than half of all South Africans shop regularly in our stores and we have some of the most loyal customers in the country.

52 900

Employees

9 million

Customers



1 410

Stores

GROWING OUTSIDE SOUTH AFRICA

The Rest of Africa gives us the opportunity to grow into new markets, representing a second engine of growth for the Group. Today we have 130 stores outside South Africa, which generated segmental revenue of over R4.0 billion this year and contributed meaningfully to our profits. We tailor our ownership model in each country to what is appropriate for the local market, whether establishing owned stores, franchised stores or a part-investment in an independent operation. Having established operations in Botswana, Lesotho, Namibia, Swaziland, Zambia and Zimbabwe, the Group is working on plans to bring Pick n Pay to Ghana and Nigeria over the next few years.

CENTRALISING OUR SUPPLY

The Group is supplied by more than 7 000 suppliers and service providers. The Group is developing its centralised distribution channel, with a strategic focus on accelerating the level of central supply in its business. The volume of supply that goes through our central supply chain now stands at 56%, up from 46% last year. The Group operates 11 distribution centres across the country catering for groceries, fresh and perishable produce, and clothing. Our two largest distribution centres are Longmeadow in Gauteng (fresh produce, perishables and groceries) and Philippi in the Western Cape (groceries only). The Group is currently developing fresh distribution capability at its Philippi distribution centre, which will open in September 2016. Boxer opened its first central distribution centre this year, in Cato Ridge, KwaZulu-Natal, and like Pick n Pay, will move from direct-to-store deliveries to a fully centralised distribution model.



This is Pick n Pay continued

WORLD CLASS TECHNOLOGY

The Group benefits from an outstanding information technology infrastructure, with an end-to-end SAP system, which allows for automated and centralised processing, including the forecast replenishment of inventory. Our powerful point of sale system ably supports our Brand Match campaign and has contributed to our Smart Shopper loyalty programme being voted South Africa's favourite loyalty programme for the past three years.

GROWING A WINNING TEAM

We employ 52 900 people in our owned stores and operations which, with franchised stores, extends to over 70 000 people working under the Pick n Pay and Boxer banners in seven countries. Working at Pick n Pay is more than a job; it is an opportunity to learn, develop new skills and benefit through teamwork. We are committed to training, developing and empowering our people.

OUR ENDURING VALUES

The Group will always adapt and remain relevant to the changing needs of our customers and the communities which we serve. There are however, three core principles that have remained central to the Group's success and progress over the last 49 years:

Consumer sovereignty

We put customers at the heart of our business. This philosophy informs everything we do, from how we treat our customers, the product range we offer, to how we design our stores. Every customer is different and their needs are constantly changing. Putting the customer first means we work hard to understand them and how we can serve them better. We are focused on delivering good quality at great prices; improving the shopping experience and serving our customers in a variety of store formats that are appropriate to their shopping needs. We appeal broadly across all sectors of society, and seek to move hand-in-hand with the changing needs and aspirations of our customers.

Business efficiency

We work in partnership with our more than 7 000 suppliers and service providers to provide outstanding value and convenience for our customers. We transport, store and display our products as efficiently as possible to keep costs to a minimum. Our focus on centralisation has increased our business efficiency. The scale of our business allows us to give our suppliers sufficient volume so that they can plan and manage their operations to reduce costs. Our scale also allows us to spread our fixed costs over substantial volumes, reducing our unit costs. By becoming more efficient we are able to reinvest in improving the customer experience, thereby increasing turnover and in turn enabling us to run an even more efficient business.

Doing good is good business

Customers reward those businesses that they believe are at the heart of society and who give back to the communities they serve. As customers reward us with their loyalty, we are able to grow, serve more customers, generate more jobs, and help more communities – whether by supporting local groups during times of crisis, helping to develop local suppliers and small businesses, tackling societal challenges like obesity and climate change, or building the capacity of our youth and women to contribute meaningfully to society.

For almost five decades Pick n Pay has played a valuable role in the economic and social development of southern Africa. We make a positive direct contribution to the communities we serve through the supply of high-quality, affordable food, and provide significant employment and economic opportunity across its value chain. We add to this through our comprehensive sustainability strategy and our work on environmental responsibility, employee opportunity and diversity, promoting healthy living and doing good in the local community. We are a strong brand, valued within society, built on a genuine desire to make life better for our customers and to make a positive contribution to the communities in which we live and work.



Our economic environment and consumer trends

South African consumers have come under increasing financial pressure over the past year.

The cost of living has risen, driven in particular by the impact of a prolonged drought on food production and prices, rising interest rates, above-inflation increases in electricity and other administered prices, and a weaker rand.

The pressure on household incomes has been exacerbated by recent increases in personal income tax, sluggish wage growth, slowing credit growth, and high levels of unemployment in South Africa.

CPI Food price inflation was 5.3% for the year ended February 2016. We restricted our own selling price inflation to 3.1%, providing valuable support to customers over the year. Despite the above challenges, the Pick n Pay Group has demonstrated good progress on its turnaround strategy. This year the Group delivered turnover growth of 8.2%, its highest since 2010. It has achieved a compound annual growth rate in headline earnings per share of 32.3% over the past three years. These achievements demonstrate that our strategy is focused on delivering sustainable growth notwithstanding the economic headwinds facing the country.

Pick n Pay is the most inclusive retailer in South Africa, benefiting from broad appeal across socio-economic groups. Although consumer confidence has fallen over the past year, our customer retention has been high across all customer segments, demonstrating the relevance of our offer. Customers under pressure to tighten their belts reward those retailers who provide a compelling offer in terms of price, quality and value. Our long-term growth strategy is both customer-led and cost driven, which enables us to respond strongly to customer demands. By operating a more efficient business, we are able to bear down on prices for our customers. We have improved our products, including by offering exceptional quality and value through our expanded private label range. We have doubled the size of our Brand Match programme and strengthened our Smart Shopper loyalty programme. The customer response has been positive, with increased engagement and redemptions under both programmes.

The retail market in South Africa has been characterised by strong competition and strong space growth over a number of years. Pick n Pay has adopted a measured approach to space growth, focusing on new space which we are confident will drive sustainable financial returns. We have significantly improved our capacity to

deliver sustainable new space, in particular by reducing our operating costs, increasing our efficiency and flexibility, and broadening our formats to include smaller, neighbourhood stores which reflect the growing customer demand for convenience. Successful pursuit of this growing market widens the pool of sites which Pick n Pay can serve customers either on a company-owned or franchise basis.

Traditionally Pick n Pay has been positioned in the more urbanised areas of South Africa, with particularly strong advocacy from South Africa's middle to upper-income consumer. However, there are many communities across the country, across all demographics, where Pick n Pay is not well represented and we look forward to bringing our offer to these communities, whether they be in urban, peri-urban or more rural areas. In recent years, strong retail growth has been recorded in the lower-income segment of the market. We believe that both our Pick n Pay and Boxer brands can continue to play a valuable and growing role for customers in these markets.

Pick n Pay has an established retail presence in southern Africa, with a strong and diverse portfolio of stores across seven countries. The Rest of Africa division delivered strong trading results from regions outside of South Africa, but the increasingly difficult trading conditions in Zambia had a negative impact on the overall profit growth of the division. The ongoing energy crisis in Zambia related to the impact of the drought on the availability of hydro-electricity, as well as job losses in the copper mining belt and a rapidly depreciating currency, has resulted in low consumer confidence and slower demand over the year. Notwithstanding this tough economic environment, the team in Zambia delivered an improved underlying trading performance in the second half of the year. The Group will expand into Ghana and Nigeria over the next few years and believe that the formalisation of food and grocery retail across the African continent provides a second engine of growth for the business.

The outlook for the coming year remains challenging. The South African government has committed to a nine point plan to grow our economy and reduce unemployment, and at the same time has recognised the valuable role that business can play in restoring South Africa to economic stability and financial security. We look forward to playing a constructive part in building a stronger economy and a stronger future.

Pick n Pay remains confident about the prospects of our business and believes that our customer-led strategy will continue to deliver on our substantial opportunities for growth.



How we create value

Our business model describes how the Pick n Pay Group creates long-term, sustainable value for all its stakeholders. Pick n Pay is a retail business in the fast moving consumer goods industry on the African continent – that believes doing good, is good business.

We procure quality products at the best available prices, and by operating a lean and efficient business, supported by a strong and talented team, are able to provide our customers with a tailored range of high quality food, grocery and general merchandise products at competitive prices. Through ongoing investment in the customer offer, we are able to drive sales, and grow value for all.

The business model is supported by outstanding information technology, which allows for integrated product forecast and replenishment, efficient staff scheduling and accurate and transparent reporting. Our point of sale systems are also able to provide extensive value-added services to our customers and support our world-class Brand Match and Smart Shopper programmes.

Our business model is underpinned by strong corporate and social governance, with unique values at its core. We have a strong and experienced management team that operates within a sound risk management framework, that ensure that the business can grow, adapt, change and innovate without placing stakeholders at any undue risk, and always considers the social and environmental impact of our operations. The business has demonstrated capital efficiency and working capital excellence in the funding of operations, delivering strong returns on capital employed.

Our business model, by keeping our customers at the very centre of our focus, has delivered long-term returns for all stakeholders across our value chain, for almost 50 years.

- Focused on customer service
- Most talented and diverse retail team
- More employment through growth

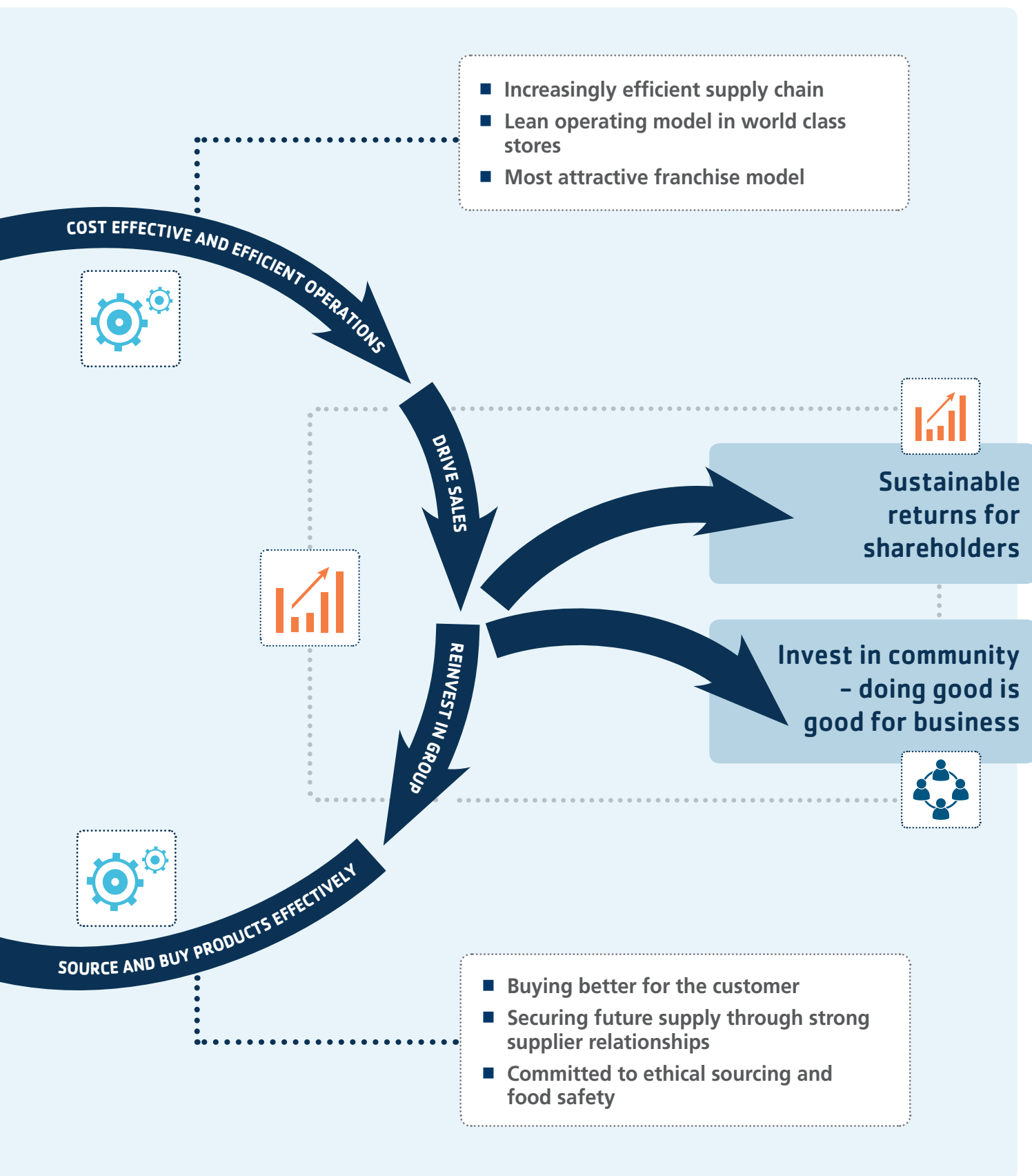
HIGH PERFORMANCE TEAM



COMPETITIVE IN CUSTOMER OFFER

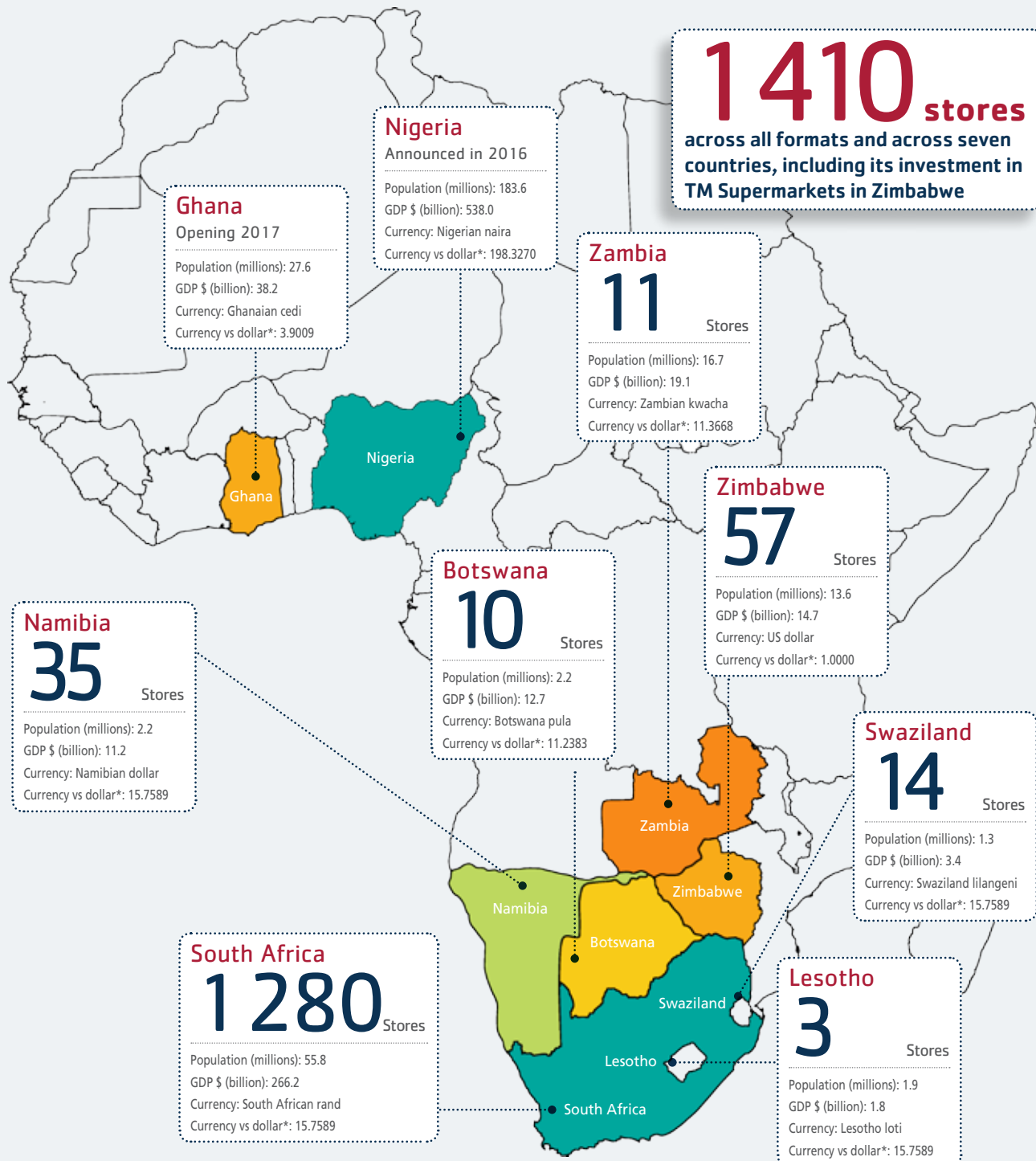


- Leading product offer at competitive prices
- World class stores within customer reach
- More convenience including value added services



Geographic footprint

The Group is intent on being the retailer of choice for all the communities we serve. Our expansion programme is focused on growing the business by opening stores which reflect the changing habits and needs of our customers and which will bring new customers and communities into the Pick n Pay family.



* Exchange rates as at 26 February 2016

Source of information: International Monetary Fund, World Economic Outlook Database, April 2016

Number of stores

	2 March 2015	Opened	Closed	Converted – openings	Converted – closings	28 February 2016
COMPANY-OWNED						
Pick n Pay	510	76	—	10	—	596
Hypermarkets	20	—	—	—	—	20
Supermarkets	210	16	—	—	—	226
Local	5	4	—	8	—	17
Clothing	102	32	—	—	—	134
Liquor	170	24	—	2	—	196
Pharmacy	3	—	—	—	—	3
Boxer	189	24	(5)	1	(1)	208
Superstores	125	11	(1)	1	—	136
Building and hardware	21	3	—	—	—	24
Liquor	22	6	(1)	—	—	27
Punch	21	4	(3)	—	(1)	21
Total company-owned	699	100	(5)	11	(1)	804
FRANCHISE						
Pick n Pay						
Supermarkets	288	11	(2)	—	(8)	289
Family	266	11	(1)	—	(7)	269
Mini Market	21	—	(1)	—	(1)	19
Daily	1	—	—	—	—	1
Express	46	34	—	—	—	80
Clothing	16	1	—	—	—	17
Liquor	140	25	—	—	(2)	163
Total franchise	490	71	(2)	—	(10)	549
Total Group stores	1 189	171	(7)	11	(11)	1 353
TM Supermarkets	53	4	—	—	—	57
Total with TM Supermarkets	1 242	175	(7)	11	(11)	1 410
AFRICAN FOOTPRINT						
– included in total stores above	116	14	—	—	—	130
Pick n Pay company-owned	10	1	—	—	—	11
Boxer company owned	5	—	—	—	—	5
Pick n Pay franchise	48	9	—	—	—	57
TM Supermarkets – associate	53	4	—	—	—	57
AFRICAN FOOTPRINT						
– by country	116	14	—	—	—	130
Botswana	9	1	—	—	—	10
Lesotho	3	—	—	—	—	3
Namibia	27	8	—	—	—	35
Swaziland	14	—	—	—	—	14
Zambia	10	1	—	—	—	11
Zimbabwe	53	4	—	—	—	57

Store formats



Pick n Pay is a multi-format, multi-channel retailer with a strong and diverse portfolio of stores.

- 7 countries
- 8 formats, including online
- 1 145 stores

Pick n Pay is an inclusive brand, not aimed at serving a single customer demographic but focused on being the retailer for all, from the most affluent sections of society to those who are less fortunate and for whom price is of the utmost importance. The middle-income South African consumer, however, makes up the largest portion of our customer base. Pick n Pay operates on both an owned and franchise basis, providing a wide range of products and value-added services, and includes an online offering. Pick n Pay is focused on delivering an exceptional customer offer, including range, quality, price, availability and service. Pick n Pay has a strong growth plan, benefiting from the flexibility of its formats and its leaner operating model, and will focus on bringing its offer to communities where we are not yet well represented, including through small convenience stores.



Pick n Pay Supermarkets

Pick n Pay supermarkets offer a wide range of groceries as well as a targeted range of clothing and general merchandise.

- 7 countries
- 515 stores (226 company owned; 289 franchise)
- 3 000 average m²
- 27 new stores in 2016
- 30 refurbishments in 2016

Customers can get everything they need from a quick daily top-up to a larger weekly or monthly bulk shop. Fresh produce and butchery offerings are complemented by an in-store bakery, deli and hot food counter. Pick n Pay supermarkets serve a wide range of communities, from lower and middle-income families to the most affluent households. Product ranges are tailored to meet the needs of customers, some stores focus on basic necessities and local produce while others boast specialty service counters, wine rooms, flower markets and sushi bars. Pick n Pay supermarkets trading under the Pick n Pay, Family, Daily and Mini Market banners, provide easily accessible locations and parking.

Pick n Pay Hypermarkets

Pick n Pay's largest format store, providing customers with an expanded range of groceries, clothing and general merchandise.

- South Africa
- 20 company-owned stores
- 15 000 average m²

A hypermarket is a "one-stop-shop" offering fresh produce, a butchery, deli, bakery and hot food counter, plus specialist categories not always available in a supermarket such as appliances, kitchenware, home improvement, garden and pool accessories, toys and an expanded health and beauty range. These retail sites are large, catering for destination shoppers, with wide aisles and ample parking. Prices are very competitive with a leaning towards multi-pack and bulk-buy items and increased targeted promotional activity.

Pick n Pay Local

Our small Pick n Pay Local stores offer neighbourhood convenience.

These stores serve a range of communities, from lower and middle-income families to those in more affluent suburbs. A Local store has a much smaller range than a traditional supermarket, tailored specifically to the community it serves. The range is focused on fresh and convenience, and can include a small bakery and butchery. Customers can pop in quickly for a daily top-up, but can still choose from a tailored grocery and general merchandise offer for a bigger weekly shop.

- South Africa
- 17 company-owned stores
- 12 new stores in 2016 (including conversions)
- 500 m² to 3 900 m²



Pick n Pay Express

Pick n Pay's partnership with BP, one of the world's leading international oil and gas companies, provides small 24-hour Pick n Pay Express convenience stores on BP service station forecourts in South Africa.

- South Africa
- 80 franchise stores
- 34 new stores in 2016
- 300 average m²

This is our smallest format store, offering a targeted convenience range that satisfies an immediate "top-up" shop or a quick meal solution. The range is limited and is mainly focused on daily needs. Value-added services offered include ATMs, lottery, air-time and electricity purchases. These sites are located in high traffic flow areas including high-density residential areas and public transport intersections.



Pick n Pay Online

Our internet shopping platform www.picknpayonline.co.za is a small, but growing part of the Pick n Pay business.

We are the largest online grocery retailer in Africa. The division is winning customers by offering online convenience, good availability and delivery in one-hour time slots. The online offer in the Western Cape has been expanded through the establishment of a dedicated online picking warehouse at our refurbished Brackenfell Hypermarket. The Group will invest in a similar solution in Gauteng this year.

- South Africa
- Delivery within 24 hours
- 99% on-time delivery record



Pick n Pay Clothing

Pick n Pay Clothing provides the whole family with quality, fashionable clothing and footwear at exceptional prices.

- 4 countries
- 151 stores (134 company owned; 17 franchise)
- 33 new stores in 2016
- 450 average m²

Our offer is broad, from baby and children's wear to men's and ladies' fashion and includes casual wear, sleep wear, active wear and formal attire. The private label, Real, is complemented by our exclusive rights to the international brands Cherokee and Maui & Sons. Our standalone clothing stores provide the same quality and value for money as our hypermarkets and supermarkets, but with an extended range.

Pick n Pay Liquor

Our liquor stores are situated close to our supermarkets but with separate entrances.

- 6 countries
- 359 stores (196 company owned; 163 franchise)
- 49 new stores in 2016
- 200 average m²

These stores provide customers with the added convenience of purchasing liquor while doing their grocery shop. Our liquor stores also help customers to cater for parties and functions by providing a full delivery service.

Pick n Pay Pharmacy

We are committed to giving our customers convenient and affordable healthcare, providing a wide range of vitamins, supplements, sports nutrition, self-medication, medical services, clinics and dispensaries.

- South Africa
- 23 pharmacies in-store, 3 standalone

Store formats continued



- 2 countries
- 4 formats
- 208 company-owned stores

Our Boxer stores provide a “one-stop-shop” for middle to lower-income shoppers in South Africa and Swaziland.

Boxer offers quality products and services at very affordable prices. Stores offer essential daily commodities such as maize meal, rice, samp, sugar, oil and beans, perishables, health and beauty, general merchandise and bulk-buy offers. The stores also offer fruit and vegetables, butcheries, bakeries and deli sections providing a choice of prepared convenience meals.

There are no franchise stores under this brand. While Boxer now has reach across all nine provinces in South Africa, with the recent opening of its new Khayelitsha store in Cape Town, its geographical heartland is KwaZulu-Natal and the Eastern Cape. Boxer will continue to grow and expand in areas where the Group knows it can serve the needs of communities through its wide product range, affordable prices and community-rooted staff.



Boxer Superstores

Boxer Superstores are full-service supermarkets offering a wide range of groceries.

- 2 countries
- 136 company-owned stores
- 11 new stores in 2016
- 10 refurbishments in 2016
- 1 855.96 average m²

The fresh produce offering is complemented by an in-store butchery, bakery and hot foods counter. The target markets are middle to lower-income urban, peri-urban and rural communities of South Africa and Swaziland. All stores are located close to public transportation hubs and have a welcoming market-style atmosphere.



Boxer Build stocks a diversified range of building and hardware supplies satisfying home owners and builders' DIY and home improvement needs at the most competitive prices.

Boxer Build stores offer savings cards and access to short-term credit facilities. Delivery of purchases is also arranged at store level.

- South Africa
- 24 company-owned stores
- 3 new stores in 2016
- 542.0 average m²



Boxer Punch is a smaller-sized supermarket located in compact sites that have considerable customer foot traffic.

- South Africa
- 21 company-owned stores
- 4 new stores in 2016
- 405.0 average m²

The store has a lower-cost operating model, enabling the business to further reduce the selling prices of products. Boxer Punch stores offer a relatively narrow range of convenience products including basic commodities, pre-packed frozen and fresh meat, and a limited range of breads and confectionery.



Boxer Liquors are situated close to Boxer supermarkets but with separate entrances.

These liquor stores provide customers with the added convenience of purchasing liquor at the same time as doing their grocery shopping.

- 2 countries
- 27 company-owned stores
- 6 new stores in 2016
- 185.7 average m²



TM Supermarkets

The Group has a 49% investment in its associate TM Supermarkets in Zimbabwe.

- 43  Supermarkets
- 14  Supermarkets

TM Supermarkets is one of the most trusted retail brands in Zimbabwe. With its pay off line "Real Value Always" customers are offered a wide range of groceries and perishables, with a limited range of general merchandise and a fresh offering which caters specifically for the communities they serve at competitive prices. With its reach, TM Supermarkets draws its customers from all communities and income groups across Zimbabwe, while store formats range from convenient small supermarkets to larger supermarkets.

TM Supermarkets won a number of prestigious retail awards this year, including Zimbabwe's supermarket of the year.

Engaging with our stakeholders

Our ability to create long-term sustainable value depends on open and constructive engagement with all our stakeholders. Stakeholders are those parties that can affect or be affected by our activities, objectives and policies. The Group identifies its key stakeholders through ongoing engagement with individuals, groups and organisations. Engagement enables us to identify and act upon the issues that affect our stakeholders and our business, improves our understanding of stakeholders' expectations, aspirations and interests, and strengthens the transparency and accountability through which we have established valued relationships.



Customers

We had more than 840 million interactions with customers this year

WHAT OUR CUSTOMERS TELL US IS MOST IMPORTANT TO THEM

- More convenience
- Low prices, good value
- Product quality and food safety
- Good, consistent availability
- Great service
- Rewards for loyalty
- Community involvement

HOW OUR STRATEGY RESPONDS TO CUSTOMER NEEDS

Strategic pillar: Better for customers

- Convenient store locations
- Leading product range
- Great prices and promotions
- Excellent place to shop
- Compelling value-added services
- Refer to the better for customers business acceleration pillar on page 21

WHY WE ENGAGE

- To improve our customer offer
- To respond to the changing needs of our customers
- To hold ourselves accountable to those we serve

HOW WE ENGAGE

- Daily engagements in our stores
- Dedicated Customer Director
- Customer care line
- One-on-one meetings
- Regular customer surveys, consumer forums and online customer panels
- Website www.picknpay.co.za and various social media forums
- Smart Shopper loyalty programme



Community

Focused on community development and upliftment, including through employment and buying from local communities

WHAT OUR COMMUNITY TELL US IS MOST IMPORTANT TO THEM

- Job creation
- Access to safe food, at low prices
- Poverty relief and community outreach programmes
- Environmental responsibility

HOW OUR STRATEGY RESPONDS TO THE COMMUNITY NEEDS

Doing good in our communities underpins all our strategic pillars

- Doing good is good business
- Be environmentally responsible
- Develop diverse and ethical suppliers
- Promote healthy and sustainable living
- Refer to the strategic focus section on pages 19 to 29

WHY WE ENGAGE

- To drive and share in the success and wellbeing of the communities in which we trade
- Local communities engage with those businesses that engage with them, promoting the sustainability of both

HOW WE ENGAGE

- Forums such as township co-operatives, university partnerships and the Pick n Pay Schools Club
- Individual stores' varied social responsibility programmes
- Collaboration with the Ackerman Pick n Pay Enterprise Development Fund, including income generation, community enterprise development and food security initiatives



Employees

We created 4 500 new jobs this year through our store opening programme

WHAT OUR EMPLOYEES TELL US IS MOST IMPORTANT TO THEM

- Competitive remuneration
- Training, career development and wellness programmes
- Fair and reasonable working hours, with certainty of hours and shifts
- Sustainable business performance
- Working for a responsible and ethical corporate citizen

HOW OUR STRATEGY RESPONDS TO EMPLOYEE NEEDS

Strategic pillar: A winning team

- Most talented South African retail business
- Effective and lean organisational structure
- Advance employee opportunity and diversity
- Refer to the winning team business acceleration pillar on page 25

WHY WE ENGAGE

- To get the best out of our team, we regularly engage with our employees on strategy, KPIs, financial performance and the role we expect each individual employee to play in our business
- To identify and recognise good performance
- To identify training and development needs
- To hold each team member accountable for the job they do

HOW WE ENGAGE

- Regular management updates
- Employee surveys
- Monthly internal publications
- In-house television and radio communications and employee conferences
- Skills development and training
- Ongoing engagement with labour unions

The Group's stakeholder universe includes customers, suppliers, shareholders, franchisees, employees, regulating authorities, media, various levels of government and community groups. We are committed to balancing their interests in a responsible and respectful manner. Here we detail our engagement with our key stakeholders, focusing on those groups that have either a significant interest in the operations of the Group or have significant influence over the way we do business and create value.



Franchisees

549 of our stores are owned and managed by franchisees

WHAT OUR FRANCHISEES TELL US IS MOST IMPORTANT TO THEM

- The opportunity to build a profitable and sustainable business
- Security and sustainability of supply, timely delivery of products, competitive pricing, product innovation, marketing support, quality of products and food safety
- Opportunities for cost reduction
- Resource efficiency (energy, water, waste, logistics)
- Transformation and enterprise development

HOW OUR STRATEGY RESPONDS TO FRANCHISEE NEEDS

- Strategic pillar: A flexible and winning estate**
- Offer the most successful, mutually beneficial franchise model in the retail industry
 - Operate as a sustainable franchisor of choice
 - Refer to the flexible and winning estate business acceleration pillar on page 22

WHY WE ENGAGE

- Our franchise stores are an important part of the Pick n Pay business, adding significantly to our scale and brand reach
- Our franchise model works well when our franchisees have opportunities to succeed and have an active voice in the business

HOW WE ENGAGE

- Regular store visits by franchise management team and service area consultants
- Bi-monthly meetings between regional operational teams
- Bi-monthly CEO forum meetings with national franchise representatives
- CSI programmes in the communities in which our franchisees operate
- Franchise conferences



Suppliers

The Group has more than 7 000 suppliers and service providers

WHAT OUR SUPPLIERS TELL US IS MOST IMPORTANT TO THEM

- Fair pricing, research and development support, transparent contracts and agreements, infrastructure and logistics support
- Opportunities for cost reduction
- Transformation and enterprise development
- Resource efficiency (energy, water, waste, logistics)

HOW OUR STRATEGY RESPONDS TO SUPPLIER NEEDS

- Strategic pillar: Every product, every day**
- To build fair, efficient and mutually beneficial business relationships
 - A cost effective and efficient supply chain
 - Product innovation to meet evolving customer needs
 - Continual development of small businesses and diverse and ethical suppliers
 - Contribute to job creation
 - Refer to the every product every day business acceleration pillar on page 24

WHY WE ENGAGE

- To ensure that we are able to source a leading range of high-quality produce and merchandise at the best possible prices and that we can commit to on-shelf availability, food safety and sustainable and ethical business practices

HOW WE ENGAGE

- Regular meetings in line with merchandise cycle timelines
- Regular food safety audits at production facilities
- Ongoing store visits with suppliers
- Joint business planning sessions
- Supplier conferences
- Dedicated enterprise development programme



Shareholders

32.3% compound annual growth in headline earnings per share since 2013

WHAT OUR SHAREHOLDERS TELL US IS MOST IMPORTANT TO THEM

- Improved and sustainable return on investment
- Understanding our business model, strategic direction and profit drivers
- Access to timely, accurate and relevant information
- Sufficient free float of shares for trade
- Good corporate governance
- A socially responsible and ethical corporate citizen

HOW OUR STRATEGY RESPONDS TO SHAREHOLDER NEEDS

- Strategic pillar: Efficient and effective operations**
- Generate consistent profits in a sustainable manner
 - Operate according to the highest corporate governance principles
 - Follow innovative business practices at acceptable levels of risk
 - Capital efficiency and working capital excellence
 - Provide attractive returns on investment
 - Refer to the efficient and effective operations business acceleration pillar on page 23

WHY WE ENGAGE

- To provide our shareholders with a comprehensive, transparent and objective understanding of the business, so that our shares may trade at a fair value and that our shareholders are aware of the risks and opportunities associated with investing in the Group

HOW WE ENGAGE

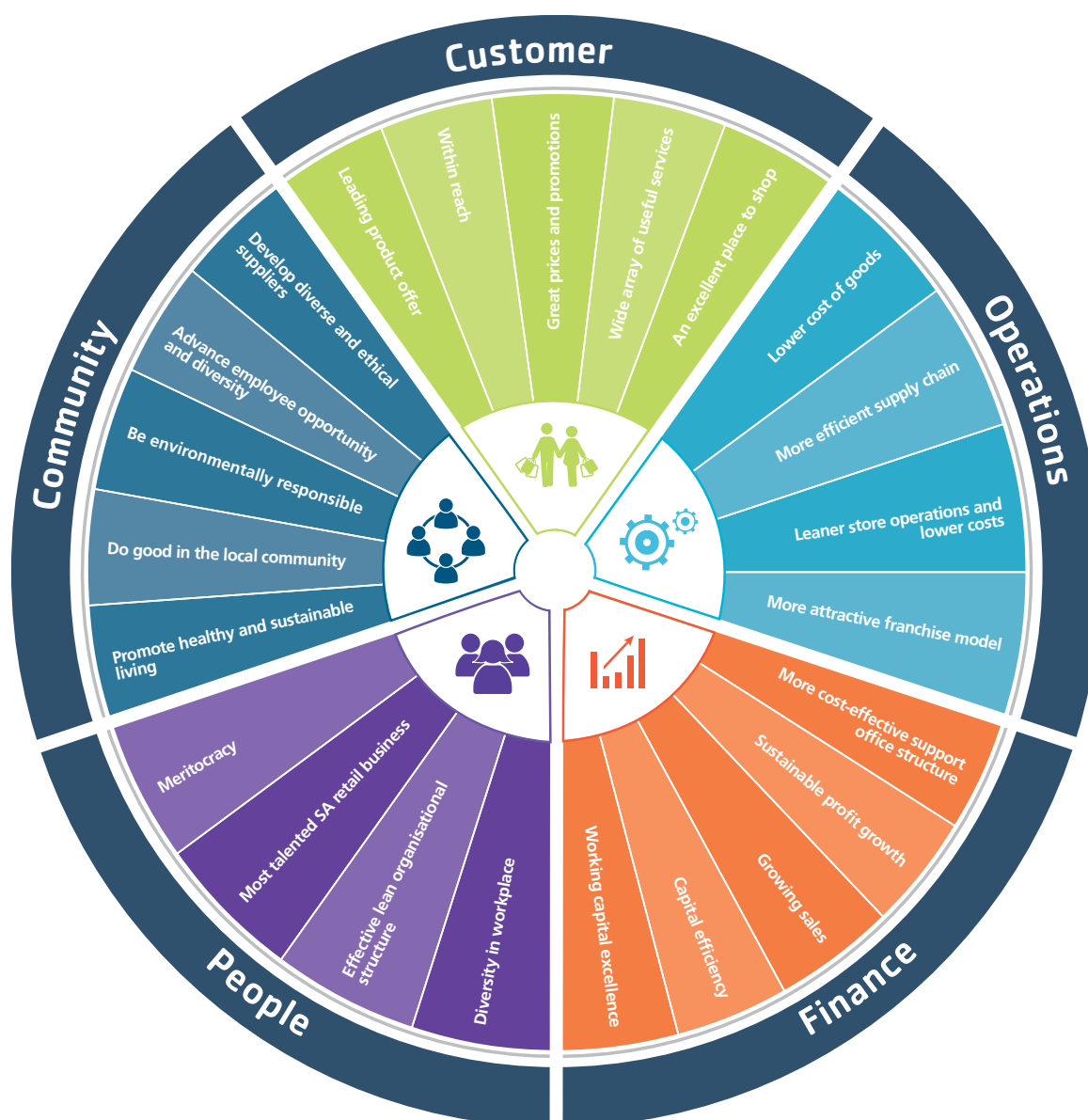
- At least four formal engagements a year: two financial results presentations, AGM and an investor day/strategic update
- Regular engagement with investors, analysts and fund managers
- Direct engagement on proposed resolutions prior to annual and extraordinary general meetings
- Dedicated investor relations website at www.picknpayinvestor.co.za

How we measure our balanced performance

Pick n Pay developed a balanced scorecard – or steering wheel – to underpin strategy formulation and govern the management of the Group.

It is structured around the five key performance areas of the business, each of which has a material impact on Group performance and our relationships with stakeholders. The steering wheel guides and charts the performance of the business. It ensures that focus and resources are allocated across the relevant areas of the business in an appropriate and balanced way.

The fact that this is a wheel indicates the increasingly integrated nature of our Group's thinking – that these performance areas are integrated and that performance and outcomes in one area impact those in other areas.



Strategic focus

The strategic focus of the business is to:

- **Grow sales in line with or ahead of the market by providing great value, service and innovation for customers:**
Focus here is on the core South African business; developing a strong multi-platform and multi-channel retail business also including online sales and standalone clothing and liquor stores, growing Boxer into becoming a national limited-range discount format and growing sales outside South Africa on a planned and prudent basis to deliver current and future growth opportunity.
- **Restore underlying profit margin to an historically sustainable level:**
Focus here is on improving the efficiency of the business in all areas, including by completing the centralisation of supply chain operations, increasing productivity in stores and ensuring that support office functions are delivered to benchmark levels of effectiveness and efficiency.

The business devised a strategic long-term recovery plan in 2014, recognising that a return to sustainable long-term growth could not be achieved overnight.

The three stages of our strategic plan



Stage 1 Stabilise the business

The end of the 2015 financial year marked the substantial completion of Stage 1 of the turnaround plan. Pick n Pay was a significantly more stable business than it had been at the end of 2013, having improved both its gross profit and net profit margins and strengthened the balance sheet with more cash and less debt. The following in particular had been achieved:

- Strict control over capital and operating spend
- Improved working capital management
- A clear plan on centralisation
- A leaner and more efficient store operating model
- The closure of unprofitable stores and the commencement of a strong opening and refurbishment programme
- A strengthened senior management team
- Customer innovation, including the introduction of the Brand Match programme

Strategic focus continued

Stage 2 **Changing the trajectory**

At the beginning of the 2016 financial year, the business was well positioned for Stage 2 of the long-term recovery plan – changing the trajectory of Pick n Pay.

Stage 2 is organised around seven business acceleration pillars. These pillars represent the seven material growth opportunities that can substantively affect the Group's ability to create value over the short, medium and long term. The pillars provide the senior management team with clear priorities, objectives and lines of accountability, and all are under-pinned by our commitment to doing good in the communities in which we operate.

Business acceleration pillars	The opportunity to create value
 Better for customers	Continued innovation, better availability, improved fresh produce, and private label and investment in price and promotions
 A flexible and winning estate	Strong new space and refurbishment programme, leveraging an improved operating model
 Efficient and effective operations	Unlock savings in operating costs and improve customer service
 Every product, every day	Centralise supply chain, with every product delivered every day to stores
 A winning team	The right skills and the right team throughout the organisation
 Boxer – a national brand	A national brand securing value leadership
 Rest of Africa – second engine of growth	A second engine of growth, extending the customer offer to markets outside South Africa

Stage 2

Business acceleration pillar: Better for customers

The key to the successful turnaround of Pick n Pay lies in a strong and consistent customer offer which is able to cement Pick n Pay as the supermarket of choice for all South Africans. The strong financial result in 2016 was underpinned by improved turnover growth, including positive like-for-like volume growth for the first time in many years, demonstrating the real progress we have made in being better for customers. We have improved the quality of our stores, our product range, our availability and our service.

2016

What we said we would do

2016

What we accomplished

2017

Focus areas for next year

Better on-shelf availability	Improved on-shelf availability in company-owned stores, from 92.6% last year to 96.0% this year.	Better on-shelf availability – we will harness the benefits of increased centralisation to deliver every product, every day to our stores, with direct to shelf replenishment.
Sharper prices and promotions	- Selling price inflation kept to just 3.1%. - Successful promotions over the year, including our 48th birthday promotion and a fun and engaging Stikeez campaign. - Doubled the size of Brand Match giving Pick n Pay customers' real confidence that they do not need to shop around for lower prices. - More savings than ever before under our Smart Shopper loyalty programme, with 7.2 million personalised vouchers redeemed under our "Just for You" campaign.	Sharper prices and promotions – we will innovate on price and promotion, and fight against price increases.
Invest in fresh	An enhanced fresh and perishable offering, including the introduction of more pre-prepared convenience meals to meet increasing demand for fresh convenience.	Stronger Smart Shopper – we will look for new ways to provide our customers with meaningful savings and great partnerships.
Expand private label	250 new private label products, with the relaunch of a further 650 products with newly designed packaging.	Improved fresh produce offer – customers are shopping more frequently for fresh and healthy produce and we will strengthen our offer to meet their needs.
Category reviews	Completed all category reviews and implemented detailed planograms to enhance and standardise the on-shelf display of products.	Expanded private label – we will give our customers more choice, quality and exceptional value, while providing smaller suppliers with a national market.
Customer service	- We introduced new service managers into our new stores with a specific focus on fresh departments and frontline tills. - New tills in our new and refurbished stores have resulted in a more efficient and pleasant checkout experience.	Improved customer service – with a specific focus on our fresh departments and on providing our customers with an efficient and courteous experience at our tills.

Material risks

Stock availability – non-delivery from suppliers or breakdowns in our own internal procurement and distribution processes that could result in empty shelves for customers
Incorrect range – we don't stock the items our customers need or want
Uncompetitive pricing – we charge too much
Food safety – unsafe food which could cause harm to our customers
Reliance on systems – any breakdown in technology which may impact our ability to process transactions at the checkout

How we are mitigating these risks

Closer engagement with all suppliers, and strengthened distribution capability – including a fully centralised and automated forecast and replenishment system.
- Smart Shopper loyalty data has informed the in-depth category reviews performed by our procurement team. - An improved automated forecast and replenishment system allows us to respond quickly to what customers want and don't want.
Brand Match tells us how competitive our pricing is.
- All suppliers are subject to an audit of their food safety standards by a third-party auditor. Non-compliance results in termination of supply agreements until compliance is restored. - All stores undergo stringent food safety audits on a regular basis.
Investment in outstanding information technology systems, with ongoing support and maintenance, including contingency plans to restore systems quickly and effectively in the event of a break-down.

Strategic focus continued

Stage 2 Business acceleration pillar: A flexible and winning estate

Pick n Pay has an extensive retail presence in South Africa, and delivered on a strong growth plan in 2016, leveraging off the greater format flexibility and operational efficiencies developed over the past two years. New stores added 4.4% to turnover growth in 2016, a considerable improvement against the 2.5% delivered in the previous year. There remain many communities across the country where the business is underrepresented, particularly outside the larger urban centres. The Group is focused on space growth which can provide sustainable long-term returns and believes that there remains great opportunity for Pick n Pay to extend its reach without impacting on existing stores, including through smaller stores which focus on the growing demand for convenience. The Group launched its first Next Generation stores during the year. These stores integrate and accelerate the progress delivered by Pick n Pay over the past three years, offering our customers a substantially improved shopping environment, with lower operating costs. Please refer to pages 30 to 31 for more information on our Next Generation stores.

2016

What we said we would do

2016

What we accomplished

2017

Focus areas for next year

Accelerate our opening programme	- Opened 175 new stores across all formats. - We brought Pick n Pay and Boxer to 28 new communities in South Africa, including Emoyeni in the North West, Hoopstad in the Free State, Sedgfield in the Eastern Cape and Sebokeng in Gauteng.	Open more profitable stores – harness the benefits of our lower cost operating model in order to open stores which generate sustainable long-term returns for the business.
Grow our convenience offer	We added 12 new Pick n Pay Local stores and 34 new Pick n Pay Express stores over the year, bringing the total number of our smaller, neighbourhood supermarkets to 117.	Increase the reach of our brands – we will focus on areas where we are underrepresented and where we believe the community can benefit from the Pick n Pay and Boxer brands. Grow our convenience offer – we will meet the demand our customers have shown for smaller, more convenient, neighbourhood stores by growing our Local and Express formats.
Open more franchise stores	Over one third of new stores opened were franchise stores, and we saw an encouraging increase in issues to franchisees out of the Pick n Pay supply chain.	Open more franchise stores – our franchisees are valuable business partners and we will continue to build on what we believe is the leading franchise model in South Africa.
Double the number of refurbishments	Refurbished 40 stores over the course of the year (2015: 20), with half of these reflecting our new Next Generation blueprint.	Improve the quality of our existing estate – through targeted refurbishments that add real value to customers and deliver improved turnover growth and return on investment.
Accelerate growth of our online business	Turnover from Pick n Pay Online grew 38% over the year, underpinned by a stronger range and a substantial improvement in product availability, particularly in the Western Cape, which benefited from the dedicated picking warehouse established at our Brackenfell Hypermarket in April 2015.	Increased investment in our online business – after the success of the online picking warehouse in the Western Cape, the Group will invest in a similar solution in the Gauteng region of South Africa. Improve the profitability of Hypermarkets – improving the performance of the Hypermarket division remains a key priority for the Group. We will focus on optimising the use of space, finding alternative uses for freed-up space, including through the introduction of bulk sales.

Material risks

How we are mitigating these risks

Competition for sites – we miss out on the best locations for new stores	We maintain regular contact and engagement with all developers and landlords. Our lower cost operating model now enables us to open in more locations in the future.
Insufficient investment returns – we open or refurbish stores that do not deliver sustainable returns	- Our store opening programme has been prudent, favouring only sites where we are certain of satisfactory returns. - We have stringent control over capital spend.
Loss of existing or potential new franchisees – franchise opportunities lost to competing retailers	Regular engagement with franchisees and review of our franchise model to ensure value creation for all.



Stage 2 Business acceleration pillar: Efficient and effective operations

The Group's turnaround strategy is both customer-led and cost driven. It remains a strategic imperative that the Group continues to remove unnecessary cost from the business and improve its operational efficiency and productivity. A well run, cost effective store unlocks value for further investment in the customer offer and allows us to serve our customers more effectively. Our specialist retail office, established in the 2015 financial year, is driving an efficient and effective operating model across all store formats, through the introduction of new standard operating procedures. We are starting to demonstrate, particularly through our Next Generation stores and our smaller convenience formats, that we can successfully operate a more efficient store on a leaner cost base.

2016

What we said
we would do

2016

What we accomplished

2017

Focus areas for next year

Less costs, more efficiency	- Kept the growth in total trading expenses to 8.1%, below the growth in turnover of 8.2%, notwithstanding double-digit increases in electricity, utilities and security costs. - Growth in like-for-like employee costs restricted to 4.7%, notwithstanding an average wage rate increase ahead of consumer price inflation and an additional R63.3 million first time costs associated with the Group's executive share plan. Excluding these costs, like-for-like labour costs were up just 3.7% on last year, with substantial savings in hours worked. - Improved working capital management led to stronger cash balances over the period, the repayment of a further R250.0 million of long-term debt and a 5.9% reduction in net finance charges paid.	Less costs/more efficiency – we will continue to improve the efficiency of our business through greater centralisation of supply, the roll out of improved in-store operating procedures, the simplification of processes and the effective use of systems.
Improve backdoor productivity	Our new Next Generation stores have achieved a much higher ratio of trading space to back-up areas, compared with existing stores.	Improved backdoor productivity – the ongoing centralisation of supply means more deliveries from our central distribution centre and fewer direct deliveries from suppliers. This makes the system more efficient and reduces administration on the backdoor and enables us to shift our focus and our resources to the front of the store.
Improve product flow and replenishment	The implementation of detailed planograms for all product categories have standardised the on-shelf display of merchandise and new "gap scan" technology is facilitating quick and efficient stock replenishment.	Improved stock replenishment – increased productivity at the backdoor will lead to improved product flow and a quicker and more effective in-store replenishment system.
Sharper execution on sales floor	Streamlined and simplified processes in store, rolled out by our Retail Office, allow staff to focus their efforts on the sales floor.	Stronger working capital management – a strong focus on optimising inventory days in the business will allow the Group to repay a further R400.0 million of structured finance this year, and increase its capital invested in new stores and refurbishments.
Improve frontline	Introduced more efficient frontline technology in our new store.	

Material risks

Business continuity – disruption to trade as a result of loss or damage to assets, supply chain capability or stores
Continued inefficiency – we fail to remove costs from the business
Interrupted electricity supply – in the case of further load-shedding by ESKOM, South Africa's national electricity supplier
Significant reliance on information technology – which could disrupt the business in the event of a material system failure

How we are mitigating these risks

We have a detailed enterprise-wide risk management programme in place and it is reviewed annually.
The Group's specialist Retail Office drives efficient and effective processes across all store formats.
All of our stores have generators and are able to trade through load-shedding. Our distribution centres incorporate environmentally friendly systems and processes and our new stores are 40% more energy efficient than those opened just five years ago, putting less pressure on the grid.
Pick n Pay Information Services division has implemented a formal disaster recovery strategy for all critical systems. Systems interruption and recovery plans are tested and updated on an ongoing basis.

Strategic focus continued

Stage 2 Business acceleration pillar: Every product, every day

The Group is making strong progress on developing an efficient and fully centralised procurement and distribution channel. This is significantly improving our in-store availability in order to drive more cost savings and efficiency across the business. We are now more than half way along the journey, increasing our level of centralised supply from 46% to 56% over the year and delivering every product, every day out of distribution centres, to stores across the country, on a short order lead time.

2016

What we said we would do

- More suppliers centralised
- Higher distribution centre productivity
- Fewer, more efficient deliveries
- Focus on fresh supply chain and new distribution centre capacity

2016

What we accomplished

- We increased the level of centralisation to 56%, up from 46% in the previous year, with an additional 241 suppliers taken through our centralised supply chain channel.
- Pick n Pay Distribution Centres increased the volume distributed to stores by 33% on last year.
- Good reductions in the cost of case delivered in both groceries and perishables.
- Boxer in the Western Cape supplied by the Pick n Pay Philippi Distribution Centre.
- Fewer direct to store deliveries, with every product every day distributed out of our distribution centres.
- We commenced with the construction of a fresh distribution centre at our Philippi distribution centre in the Western Cape.

2017

Focus areas for next year

- **More suppliers centralised**
– we will centralise supply, whenever it is more cost effective and efficient than direct-to-store deliveries.
- **Increased productivity**
– we will improve the pick rates in our two main distribution facilities, Philippi and Longmeadow, and improve strike rates to stores.
- **Focus on fresh supply chain**
– we will continue to improve the distribution of fresh and perishable goods, with a particular focus on maintaining the cold chain and increasing product shelf life.
- **Fewer deliveries, less kilometres travelled**
– with increased centralisation we benefit from a reduced number of direct-to-store deliveries and we will engage with our transport providers to optimise the efficiency of our distribution logistics, including route efficiency.
- **New distribution centre capability**
– we will open our new fresh distribution centre in the Western Cape in September 2016, and are exploring opportunities to build our grocery and fresh capability in KwaZulu-Natal and the Eastern Cape.

Material risks

- Loss of major suppliers or product ranges – impacting on our ability to serve customers
- Material damage to or loss of a distribution centre – as a result of natural or other disasters and the subsequent impact on product availability in stores
- An ineffective cold chain – and the impact on the quality of fresh produce

How we are mitigating these risks

- Increased level of constructive engagement with all major suppliers.
- Increased level of central supply – including the use of an automated forecast and replenishment system.
- Development of smaller suppliers specifically through the growth of our private label range and our various enterprise development initiatives.
- Comprehensive facilities risk management programme aimed at securing distribution centres and related assets in the event of a natural or other disaster.
- Our focus on fresh is leading to an improvement in shelf life of fresh and perishable product.

Stage 2

Business acceleration pillar: A winning team

The Group has an ambition to build the most skilled and talented retail business in South Africa, and in all the African countries in which it operates. In order to do so, we need to be the employer of choice for anyone looking to build a career in the retail industry. We attract staff by providing competitive pay and benefits, access to skills training and development, career advancement and recognition for a job well done.

2016

What we said we would do

2016

What we accomplished

2017

Focus areas for next year

Ensure core skills training	- Increased investment in skills development and training over the year, with 46 000 training courses reaching 40% of our staff. 1 200 support office staff went “back to the shop floor” for three days this year, refreshing their understanding of store operations and customer service.	More jobs – Pick n Pay will open more stores next year and in so doing create more jobs.
Focus on customer service	New management structures in Next Generation stores are aimed at improving customer service and the quality and availability of fresh produce. These structures will be rolled out across all our stores over time.	More training – we will provide training in customer service, food hygiene, butchery, bakery, logistics, finance and many others areas of the business.
Performance management	The performance management system introduced for senior managers last year has been extended to junior managers, to ensure staff are recognised and rewarded for making a positive difference to customers.	Focus on customer service – to ensure that we give our customers consistently good service in our stores.
Better communication	- Enhanced “Shelf Talk” the Group’s monthly staff magazine. - Our Retail Office is communicating standards of excellence in all in-store processes and procedures across our stores – and measuring and reporting back on the impact thereof.	Diverse workforce – we will continue to build a diverse workforce that mirrors the customers and communities that we serve across the broad spectrum of South African society and the other countries that we operate in. This will be a focus in all areas including new appointments, promotions and skills training.
Diverse workforce	Our commitment to building a diverse workforce was recognised by South Africa’s Department of Labour at its Excellence in Employment Equity Awards, where Pick n Pay was recognised as the overall private sector winner for transformation in the workplace.	
Create 20 jobs per day, or 5 000 jobs per year, by 2020	We created 4 500 new jobs this year through our store opening programme, making good progress against our 2020 target.	

Material risks

Staff retention – we fail to either attract or retain the right staff
Insufficient skills – across all employee demographics that disadvantage the business in any way
Increasing cost of labour – without a commensurate increase in return
Labour strike – labour unrest that affects the operation of our business

How we are mitigating these risks

In line with our remuneration policy we offer competitive remuneration, and a strong focus on career advancement, training and incentivisation.
Strong commitment to upskilling our employees.
Our labour time and attendance schedule optimises staff numbers in stores.
We are committed to maintaining open and constructive relationships with our labour unions and putting in place processes that enable us to proactively manage critical issues.

Strategic focus continued

Stage 2 Business acceleration pillar: Boxer – a national brand

Our Boxer business has delivered good growth over the last year, notwithstanding the difficult economic conditions facing the lower income and rural communities of South Africa and Swaziland. We are confident of the strong growth opportunities open to this valued brand and with the opening of our first store in the Western Cape this year, Boxer is now truly a national brand, and we are on the way to building Boxer into an impactful presence in the retail market of southern Africa.

2016

What we said we would do

2016

What we accomplished

2017

Focus areas for next year

Sharper prices and promotions
Accelerated new space growth
Improved distribution centre capacity

▪ Solid turnover growth in an exceedingly competitive environment and under tough economic conditions. ▪ Tight management of overhead costs allowed for investment into the customer offer at a time when customers needed all the support that they can get.
▪ Opened 24 new stores across all formats, including three Next Generation supermarkets. ▪ Opened our first Boxer store in the Western Cape.
▪ Introduction of central distribution with the opening of its first central distribution centre in Cato Ridge, KwaZulu-Natal. ▪ The new Boxer store in Khayelitsha, the Western Cape is supplied through the Pick n Pay distribution centre in Philippi, in that region.

▪ Sharper prices and promotions – low prices are absolutely critical to our Boxer customers and we will continue to do everything possible to bring value and support to poorer communities. ▪ Accelerated space growth – we will open more stores next year, including building on our presence in the Western Cape. ▪ Accelerated refurbishment programme – Boxer will spend an increased capital budget next year on refreshing its estate, including the refurbishment of some of its stores to its Next Generation format. ▪ Improved distribution centre capability – the Group will increase the volume of centralised product going through its new Cato Ridge distribution centre. ▪ Butchery and bakery – we will expand our range of fresh and convenience, particularly our butchery and bakery offer, to meet increasing demand. ▪ More synergies with the Pick n Pay business – we will continue to support Boxer's Western Cape stores through Pick n Pay's Philippi distribution centre, and look for further ways in which the scale and infrastructure of Pick n Pay can support the Boxer business. We will unlock cost savings and efficiencies for the Group – including through synergy with Pick n Pay through Boxer's recent SAP implementation.

Material risks

Low price environment – could erode margins to unsustainable levels
Operational and administrative support capacity – store operations grow ahead of the capacity of systems and administrative support structures

How we are mitigating these risks

▪ Prudent selection of sites with sufficient traffic to ensure the profitability of the low cost operating model. ▪ Leveraging off Group systems and support, including integration with the Group supply chain where appropriate.

Stage 2

Business acceleration pillar: Rest of Africa – a second engine of growth

The Group has an established presence in Botswana, Lesotho, Namibia, Swaziland and Zambia and has a 49% investment in our associate, TM Supermarkets, in Zimbabwe. Our foreign operations contributed just over R4.0 billion of segmental revenue this year, notwithstanding difficult trading conditions, heightened competition and political uncertainty in some of the regions in which we trade. We will open our first stores in Ghana in 2017, have announced our intention to take Pick n Pay to Nigeria, and will continue to look for profitable opportunities to grow our footprint outside South Africa in countries which offer political stability, economic growth, ease of business and the prospect of strategic scale.

2016

What we said we would do

2016

What we accomplished

2017

Focus areas for next year

Improve fresh offer in all markets	Improved the quality and breadth of our fresh range in our operations outside South Africa, contributing to stronger trade in the regions, particularly in the second half of the year.	Improve fresh offer in all markets – through a strong local range and closer engagement with suppliers.
More efficient operations	- Segmental profits – up 19.6% on last year. - Solid result from TM Supermarkets – with profits up more than 150% in constant currency terms due in part to increased management support from Pick n Pay. - Strong second half performance from Zambia – despite exceedingly tough trading conditions in the region. - Stronger franchise performance from our franchise operations specifically in Botswana and Swaziland.	More efficient operations – we will take our efficiency drive to all operations.
More stores in Zimbabwe and Zambia	Opened four stores in Zimbabwe and one store in Zambia this year, with eight new stores in Namibia and one in Botswana.	More stores in the rest of Africa – focusing on communities where we are not yet represented.
First store in Ghana	After some planning and development delays, we are now on track to open our first stores in Ghana in the 2017 calendar year.	First store in Ghana – we will continue to develop our operation Ghana with the view of opening our first store in calendar year 2017. Developing our business in Nigeria – we will cement our partnership with AG Leventis and begin the implementation of our business plan to open stores in the region over the next few years.

Material risks

How we are mitigating these risks

Economic or political instability	We only enter markets that are stable or where we are able to manage upheaval while trading profitably.
Lack of understanding of local markets	Formal and robust investigation into new markets, including partnerships with local businesses.

Strategic focus continued

Looking ahead

The three stages of our strategic plan



The Group substantially completed Stage 1 of its turnaround strategy at the end of February 2015. It is currently engaged in Stage 2. While the business has made substantial progress against its plan over the last few years, there is still a great deal of work to be done to change the long-term trajectory of Pick n Pay. We have not communicated a timeline, however Stage 2 will be complete when the business demonstrates the following characteristics:

A track record of consistent sales and profit growth over a number of years

Strong customer loyalty and advocacy

Continual innovation in-store and in our customer offer

An operating model that benchmarks internationally

Collaborative and enduring relations with a strong and diverse supplier base

A continuing growth strategy

An employer of choice that delivers opportunity for all

A resource efficient business which is a positive force in the countries in which it trades

The progress Pick n Pay has delivered over the past three years has put the business in a stronger position to ultimately reach Stage 3 of its plan – to deliver long-term sustainable growth. The business has begun to explore additional engines of growth for the final stage of its turnaround plan, and this includes the Group’s announcement that it will partner with AG Leventis in Nigeria to bring Pick n Pay to the largest economy in Africa.

The recovery and growth of Pick n Pay over the past three years has been positive for all the communities we serve. Our capital spend has injected over R4 billion into our local economies, and our store opening programme this year created 4 500 new jobs. We are committed to investing in enterprise development in

South Africa and in giving many more small and medium sized businesses access to a national retail platform through our stores – including through the growth of our private label range and through our “Boost your Biz” initiative. We opened stores in 28 new communities for Pick n Pay and Boxer, and we will continue to do so – bringing access to safe, reliable and affordable food in previously under-served communities, while providing new employees with reliable income, healthcare and other benefits.

Our values of consumer sovereignty, business efficiency and doing good is good business have endured and continue to guide our progress, and as we grow so will our contribution to society.



Introducing our Next Generation supermarket

We opened 26 new look stores this year. Named “Next Generation” stores, these world-class supermarkets reflect the real progress we have made across the business over the last few years – bringing together improvements in store design, space allocation, product range, store operations, labour efficiency, technology and customer service. The response has been positive, with both customers and staff loving the new look and feel, and with encouraging financial performances, we are confident that we have the right blueprint for all new stores and refurbishments going forward. This is no longer the supermarket of the future, but the supermarket for today.

A new look store

Next Generation stores are light, bright and spacious, and free of clutter, providing an enhanced customer experience. Customers enter our stores directly into the fresh area at the front of the store, evoking a sense of arrival into a fresh food market. Service counters are located to the rear of the fresh hall, leading customers through all fresh departments, with the use of vibrant colours, clear signage and modern lighting. The back aisle runs all the way to the furthestmost corner of the store, providing customers with uninterrupted views of the store and its offer, while providing dedicated product alcoves. Grocery aisles are wider, with gondola ends dedicated to promotional offers. The store layout draws customers through an efficient journey through the store, all the way to our new and improved tills.



Stronger offer, with a focus on fresh

Our Next Generation stores provide a stronger fresh offer with a third of the store dedicated to fresh and perishable produce, including an expanded “Grab & Go” convenience range. Fresh departments, from fish and sushi, to the butchery, bakery, deli and cheese, have been revitalised, including new service counters, innovative display fixtures and modern refrigeration. Comprehensive product category reviews have ensured that our Next Generation stores reflect enhanced and streamlined product ranges that reflect our customer needs, including stronger clothing, health and beauty and baby departments. All space has been fully planned and is managed according to detailed planograms, which has improved on-shelf replenishment and product availability.



More private label

Pick n Pay introduced or relaunched more than 900 private label products this year, all offering exceptional quality at competitive prices, with refreshed packaging. Our Next Generation stores feature expanded private label ranges and have shown good growth across all categories, particularly in our convenience range, where our garlic breads, pizzas, beef lasagne, and other ready meals have been well received. We will continue to improve and expand our private label offer, in order to drive innovation and differentiation in our stores.



Product alcoves

The speciality product alcoves are a specific feature of our Next Generation stores. These alcoves provide customers with the opportunity to pause and browse specialist product offerings such as wine, coffee, tea and homeware. Our alcoves differ from store to store, reflecting an offer specifically tailored to meet the needs of the customers we serve.

Advanced technology

The technology in a Next Generation store is simple, practical and innovative, designed to improve the efficiency of our store, make life easier for our employees and ultimately improve the service we offer to customers. Our advanced mobile technology includes dedicated store WiFi and mobile smart devices which allow staff to scan product barcodes to determine the quantity and location of stock on hand, order directly to the shop floor, and print shelf-edge labels. The advancement in technology has allowed us to reduce space in the back office and devote more space to the trading floor. Enhancements extend to our tills, where our cashiers are able to serve our customers more effectively and efficiently, with longer belts and faster scanners.



Money counters

The introduction of PnP money counters in our Next Generation stores has enabled the expansion of value-added services to include event and travel ticketing, Lotto, gift cards and financial services, while providing more customer-friendly processes for bill payments and pre-paid electricity purchases.

PnP money counters also offer a selected range of cellular products, including handsets and accessories, providing our customers with added convenience. PnP money counters, found at the front of the store, have become a destination point for customers, this has reduced queue times in our till lanes, with value-added service transactions migrating to our PnP money counters.



A more effective operating model

The management of a Next Generation store is underpinned by a more cost effective and efficient operating model. Customers experience the benefits of the enhancements in supply chain logistics, demand planning, on-shelf replenishment and staff training and scheduling, in the improved quality and availability of our products and in the quality and effectiveness of our service.

Chairman's report



Our trading results for the year clearly show that we have stabilised the business. Our turnaround is real and gathering pace, and we are firmly on a new trajectory. This achievement is thanks to the successful implementation of our strategy under the leadership of Richard Brasher, and the hard work and dedication of Pick n Pay's management and staff.

Gareth Ackerman / Chairman

By getting better as a business, Pick n Pay is helping more customers and more families in what is an increasingly difficult time for people in South Africa. Our regional economy is performing poorly, and South African customers in particular are feeling huge pressure from the rising cost of living. This demands of us special focus to keep our prices low, our quality high and inflation in check.

We must take particular care not to talk up inflation to the point where it becomes a self-fulfilling prophecy. While the drought in South Africa has undoubtedly had an impact on pricing, as has the weaker rand, inflation is also being driven by large increases in regulated prices, for example electricity, water, petrol and the import tariff for wheat. Each price increase may be justifiable on its own merits, but ultimately the impact falls on consumers. We are working hard to fight inflation on behalf of our customers, particularly our most vulnerable low income customers. To this end, we undertook strategic buy-ins of key categories ahead of price increases, bought better, saved costs in the supply chain to reinvest in price and kept our products 95% local to reduce exposure to foreign currencies. As a result, we restricted our internal inflation to 3.1% for the year, against CPI Food inflation of 5.3%, a creditable performance from our buying team.

In July 2015, we announced our "War on Waste" campaign, committing Pick n Pay to achieving three significant targets by the end of 2020: reducing our food waste to landfill by 20%, reducing energy used per square metre by 20% and creating 20 new jobs per day – or 5 000 jobs per year, for five years. We continue to make good progress in all three areas. This year we reduced our waste by donating 1 737 tonnes of safe food to Foodbank. We are now Foodbank's largest partner in fighting hunger in South Africa. We continue to cut our energy usage, having already saved R1 billion on energy costs over the past seven years through substantial energy saving initiatives.

We are proud of our contribution towards fighting unemployment in South Africa. At a time when many companies are shedding jobs to mitigate the economic downturn, Pick n Pay opened 175 stores this year and created 4 500 new jobs – bringing our job creation to 11 000 new jobs over the past three years. Our commitment to

building a diverse workforce, which reflects the communities we serve and provides opportunities for all, was recognised by South Africa's Department of Labour at its Excellence in Employment Equity Awards, where Pick n Pay was named as the overall private sector winner for transformation in the workplace.

We invested a further R1.8 billion in our business this year, bringing our total investment over the past three years to R4.2 billion and we plan to invest a further R5.0 billion over the next three years. All this investment is funded by our cash generation and no external funding should be required. This investment benefits our customers in existing stores and brings Pick n Pay and Boxer to new communities. This consistent level of investment in South Africa and in her future will be felt in job creation, SMME development and transformation. Imaginative projects such as our Boost Your Biz programme assist in bringing new emerging suppliers into our supply chain, while our growing levels of centralised distribution allow small suppliers access to a national market for the first time. Our policy in all our operations in Africa is to support local suppliers wherever possible.

There have been encouraging signs in recent months that the crucial role of business in creating growth, building confidence, and growing jobs is becoming better understood by government. Much is expected of the Business Working Group, the collaboration between the South African government and business leaders in the country, and we look forward to their report back. We do not believe that business should operate in a vacuum but should be a key stakeholder in the development of the country. Our industry is one of the largest employers and value add contributors to South Africa and needs effective dialogue with the government.

But two issues are specifically cause for concern. Firstly, I have highlighted what our business is doing to combat food inflation. Considering the economic circumstances in which South Africans find themselves, it is difficult to understand how the Reserve Bank can justify its current policy of raising interest rates. We understand the Reserve Bank's mandate to achieve and maintain price stability, but in current circumstances it is difficult to see how this can be achieved by increasing rates. Higher interest rates do nothing to fill

the supply gap caused by the drought, and have a limited impact on the rand. They do, however, have a very direct negative impact on families, making it even harder for them to make ends meet.

The second issue relates to the role of retail in both formal and informal economies. We need to make sure that the record of our business and our sector is clearly stated and clearly understood. The Competition Commission is set to launch its inquiry into a number of areas of the grocery retail market in South Africa, including a deliberation of the impact of the expansion, diversification and consolidation of national supermarket chains on small and independent retailers in townships, peri-urban areas and rural areas and the informal economy. Commentators have expressed concern that, as competition intensifies, informal traders will find it harder to compete. However, the reality is somewhat different: if a new supermarket opens in an area which previously lacked formal retail, the result is that families in these communities can now buy safe and affordable food at lower prices without incurring high transport costs to get to their store of choice. Jobs created in the stores and our investment encourages others to invest in the area therefore creating more local jobs in a ripple effect. This is a distinct benefit for the communities concerned.

We also believe strongly that it is not only possible, but ideal, for large and small retail to co-exist. The Pick n Pay franchise model has long been a very effective route for emerging entrepreneurs to create and build their own businesses, leveraging the buying, supply chain, systems and other benefits of a partnership with Pick n Pay. This is key to the transformation we all want to see. In February 2016, in partnership with the Gauteng government, the Group piloted its first "Spaza-to-Store" conversion in Diepkloof Soweto, Johannesburg. The project has given an existing spaza shop owner access to Pick n Pay's merchandise, business systems, supply chain and distribution network, together with management advice and mentoring. This pilot programme is still in its infancy, but has the potential to be another route through which small traders can become fully fledged entrepreneurs, and gives Pick n Pay the opportunity to play a positive role in growing the informal retail market in South Africa. More broadly, our growing business encourages and enables new suppliers to emerge and grow with us. In conjunction with the Ackerman Pick n Pay Foundation we set out to spot new products and new ideas. We nurture them through our commercial teams. When they are big enough our national supply chain gives them a route to market which would not otherwise have been available to them.

I have co-chaired the Consumer Goods Council of South Africa over the past year, and as of July last year, I have also co-chaired the international Consumer Goods Forum (CGF). Both of these bodies provide valuable and powerful platforms from which to ensure that the retail sector plays a pivotal role in tackling societal challenges, including the pressing issues of public health, product labelling, employment, sustainability and ethical corporate governance. The CGF has chosen Cape Town as the host city for its international conference in June this year, and this will bring some of the world's top leaders in retail, manufacturing and supply chain together to discuss issues of common global concern. Pick n Pay's involvement in the CGF allows it to be at the forefront of international retail trends, which is of great benefit to the Group and its future strategies and planning.

At the time of writing, we have prepared a proposal to create a new and much simplified shareholding structure for Pick n Pay. Once approval is secured by both the Pick n Pay Holdings and Pick n Pay Stores independent boards of directors, the proposal will be put to shareholders to gain their approval. The existence of both listed entities was created for all the right reasons, but we now believe the time is right to create a more modern structure that will see us into the future. Apart from reducing costs and increasing efficiency, the new structure would allow for a significantly higher free float of securities, increasing access to Pick n Pay Stores shares both locally and internationally.

The Ackerman family has directed and overseen significant change in the business since inception, but especially over the last five to six years. Only recently has the subject of competitive advantages of businesses controlled by family shareholder control groups become a topic in the corporate finance literature. Family-controlled firms are more inclined to have a long-term perspective, conservative financial management, and a strong corporate culture, all attractive attributes conducive to long-term share outperformance. This is a view strongly supported by Warren Buffett and others. Mark Zuckerberg follows the same strategy, stressing that being founder-led has helped Facebook resist the short-term pressures that often hurt companies. As he points out, this also gives the company the freedom to prioritise and take decisions that don't always pay off right away, but are in the long-term interests of both shareholders and communities. Importantly, a recent study in the US showed that of the top ten performing supermarkets in the US, eight out of ten were founder, family or employee-controlled companies. We believe that the continued involvement of the Ackerman family is in the long-term interests of Pick n Pay.

For more detail on the proposed transaction, please refer to the corporate governance report available on our website at www.picknpayinvestor.co.za.

As we conclude the trading year, I am particularly encouraged by the fact that our turnaround has been achieved by staying close to our core values of consumer sovereignty, doing good is good business, and business efficiency. They are part of the Pick n Pay DNA and they continue to serve us very well.

I would like to congratulate our founder and Life President, Mr Raymond Ackerman, on receiving another Honorary Doctorate, this time from Rutgers University in the US. He was honoured as a global leader who has excelled in his field of work, and who is an outstanding example of leadership. The Doctorate refers to his aspirations for excellence, his commitment to diversity and inclusion, as well as the upliftment of society through transformation.

I would also like to pay tribute to our co-Life President Mrs Wendy Ackerman, who was awarded Philanthropist of the Year at the All Africa Business Leaders Awards. This award honours remarkable leadership and game changers in business on the continent for their continuing commitment to excellence and innovation. This award is fitting recognition of her significant contribution to philanthropy and good causes over many years both in South Africa and in the rest of Africa.

Ben van der Ross and John Gildersleeve retired from the Pick n Pay Stores Limited Board during the year. I thank them both for their valued contribution to the Board, and in particular for their unique insight and support. Ben has served Pick n Pay for a great many years and his counsel and active involvement will be missed. I would like to specifically thank the boards of Pick n Pay Holdings and Stores for their ongoing support and guidance.

In conclusion, I acknowledge the tremendous efforts of our special team. I thank the entire team for the indispensable role they have played in turning round the fortunes of the Pick n Pay Group, and wish everyone well for another exciting year ahead.



Gareth Ackerman
Chairman

22 June 2016

Chief Executive Officer's report



Three years into my tenure as CEO of Pick n Pay, I see real progress across the business. We are buying better, demonstrating greater efficiency in our operations, making steady progress on centralising our supply chain, and instilling better management and performance management in every division.

Richard Brasher / Chief Executive Officer

Above all, we are getting better for customers: providing better value, better products and better service. Our progress was demonstrated by our 2016 financial result, with headline earnings per share up 26.4% on last year. I am pleased with this performance, and proud of what our team has achieved, particularly in helping our customers weather what are challenging economic times.

BETTER FOR CUSTOMERS: MORE VALUE

Trading conditions have become more difficult in South Africa over the past year, with the sustained drought, a weaker currency, higher interest rates and increasing energy and utility costs all placing additional financial pressure on South African consumers. Our strategy at Pick n Pay is to stand firm against inflation and keep prices as low as possible. We restricted our selling price inflation to just 3.1% over the year, below CPI Food inflation of 5.3%. This was achieved by becoming more efficient and reducing our costs, working with suppliers to restrict price increases only to instances where they were fully justified, and operating a strong and relevant promotional calendar. This included a successful 48th birthday promotion, a fun and engaging Stikeez campaign and our first "Black Friday", which delivered the strongest trading day in the Group's history.

This year we doubled the size of our Brand Match campaign to include 2 000 branded products. The campaign remains unique in South African retail. It enables us to price check a Pick n Pay basket against four major retailers across the country, and to match the price of the cheapest basket, including all promotions. With a high

percentage of zero and low value coupons, the programme has built customer confidence in the keenness of our pricing. The growing coupon redemption rate indicates increasing customer engagement in the programme and the valued support that Brand Match is giving to our customers.

Pick n Pay rewarded its loyal Smart Shoppers with more savings than ever before this year, with 7.2 million personalised vouchers redeemed under the "Just for You" campaign. I congratulate the team for finding new ways to strengthen Smart Shopper, which was voted as South Africa's favourite loyalty programme for the third successive year.

BETTER FOR CUSTOMERS: A CUSTOMER-LED STRATEGY

The Group rationalised its product range over the year, completing its programme of product category reviews, and implementing detailed planograms to display products on shelf more effectively and consistently. This has improved product availability and the effectiveness of in-store replenishment.

The Group is expanding, improving and refreshing its private label range. In doing so, we will give our customers more choice, better quality and exceptional value, while providing smaller, local suppliers with access to a national market. 250 new private label products were introduced this year, with a focus on convenient, pre-prepared value-added products. More than 650 products were re-launched with newly designed packaging.

We have made good progress in improving our on-shelf availability. We have strengthened our communication and engagement with suppliers to ensure that they are more effective in delivering what we order, and have implemented a centralised and fully automated forecast and replenishment system. This together with the benefits of an increasing level of central supply, has improved on-shelf availability in our owned stores to 96.0%.

Our customer offer includes valued-added services which save our customers time and deliver exceptional value. These include third-party bill payments, gift vouchers, cellular airtime and event and travel tickets. Both Pick n Pay and Boxer delivered double digit growth in sales of value-added services this year, with income from pre-paid electricity sales and third-party bill payments up 57%, and income from financial services up 42%.

The progress achieved by the Group in improving all areas of the customer shopping experience delivered the highest turnover growth since 2010, and positive like-for-like volume growth for the first time in a number of years.

A FLEXIBLE AND WINNING ESTATE: FINDING GROWTH IN A COMPETITIVE ENVIRONMENT

Our aim is to grow effectively within an expanding retail market in South Africa, serving more customers particularly in communities which currently do not have easy access to a Pick n Pay store. We are focused on opening space which can generate long-term sustainable returns for the business. This year we opened 175 new stores, across all our formats, without impacting materially on the turnover of existing stores. We brought Pick n Pay and Boxer to 28 communities across South Africa for the first time, including Emoyeni in the North West, Hoopstad in the Free State, Sebokeng in Gauteng and Sedgefield in the Eastern Cape. New stores contributed 4.4% to turnover growth this year, compared with just 2.5% in 2015.

Customers are increasingly seeking convenience through smaller, neighbourhood stores, and more flexible trading hours. Our increasingly centralised supply chain and lower cost operating model is expanding the range of locations in which the Group can successfully operate its convenience formats. With 12 new Pick n Pay Local stores and 36 Pick n Pay Express stores during the year, the Group now boasts more than 100 convenience supermarkets across South Africa.

We benefit increasingly from the breadth and flexibility of our formats. The Group opened 33 clothing stores and 49 new liquor stores over the year, both on an owned and franchise basis. These formats are becoming increasingly strong profit contributors to the Group, particularly our clothing division which is delighting customers with high-quality clothing for the whole family at exceptional value.

Our refurbished hypermarket stores are delivering stronger sales from less space. We are finding innovative alternative uses for freed-up space, including through rentals to other operators and dedicating space to the fulfilment of online grocery orders. Improving the performance of our largest format remains a key priority for the year ahead. We will focus on optimising the use of space and making the range more relevant for customers, such as through the introduction of bulk sales to wholesale traders.

The Pick n Pay franchise operation continues to provide exceptional opportunities for entrepreneurs to create and build successful businesses, and we value the role our franchise partners play in expanding the scale, expertise and passion of our business. We celebrated 21 years of franchise this year with the addition of 59 net new franchise stores, building on one of the leading franchise models in South Africa.

Pick n Pay was a pioneer of online retail in South Africa, and is now the biggest online grocery retailer on the African continent. With a stronger range and a substantial improvement in product availability, turnover growth from Pick n Pay Online accelerated to 38% over the year. The online business in the Western Cape benefited from the dedicated picking warehouse established at the Brackenfell Hypermarket last year, and the Group will look to invest in a similar solution in the Gauteng region of South Africa towards the end of this year.

A FLEXIBLE AND WINNING ESTATE: IMPROVING THE QUALITY OF OUR STORE ESTATE

Our capital investment programme is focused not only on growing our footprint, but also on improving the overall quality of our estate. We continued with the substantial refurbishment programme launched last year, refurbishing another 40 stores in 2016. We invested R1.8 billion this year on growing and refreshing our estate, and with tighter control over capital costs, delivered on our plan while saving R200 million against capital budgets.

We are determined to refresh each of our stores over the next five to seven years, and have first targeted those stores which will give our customers the most added value, while generating sustainable long-term investment returns for the Group.

Chief Executive Officer's report continued

A FLEXIBLE AND WINNING ESTATE: INTRODUCING THE PICK N PAY NEXT GENERATION STORE

I asked my team to open a Pick n Pay store which would demonstrate in a real and tangible manner the progress being made across the business. It needed to reflect our more cost-effective and efficient operating model, and bring together improvements in store design, space allocation, product range, store operations, product replenishment and customer service. We opened our first Next Generation store in Blue Hills, just outside Johannesburg, in June 2015. It was followed quickly by two Next Generation refurbishments of our Glen Garry store in Cape Town and Benmore in Johannesburg. The customer response has been overwhelmingly positive, and the financial performance of these stores has exceeded our expectations, giving us confidence that we have the right blueprint for future growth. We added a further 23 stores in the second half of the year, including three Next Generation Boxer stores, demonstrating that Next Generation is here to stay.

EFFICIENT AND EFFECTIVE OPERATIONS: TAKING UNNECESSARY COST OUT OF THE BUSINESS

The growth in trading expenses was contained at a rate below the growth in turnover, notwithstanding double-digit increases in electricity, water and security costs, with good management and control across all categories of expense. Stronger working capital management over the year, particularly improved control over inventory, led to stronger cash balances for the Group and a 5.9% reduction in net finance charges.

EVERY PRODUCT EVERY DAY: ACCELERATING THE CENTRALISATION OF SUPPLY

We remain committed to the centralisation of supply, wherever it can bring cost savings and efficiencies for the Group. We added 241 suppliers to our centralised distribution channel this year, increasing the total centralisation of supply from 46% last year to 56% at February 2016. The Western Cape region, serviced by the Philippi distribution centre in Cape Town, is at 68% centralisation (80% on groceries), with the Inland Region, serviced by the Longmeadow distribution centre in Johannesburg, at 62% (69% on groceries).

The increase in centralisation has improved operating effectiveness across the procurement and supply chain channel and lowered the cost per case delivered, both in groceries and perishables. Volumes issued from Pick n Pay distribution centres were up 33% on last year, contributing to a 3.4 percentage point improvement in on-shelf availability in our owned stores, which now stands at 96%. The Group's fresh distribution centre at Philippi in the Western Cape will open in September 2016, replacing its current facility next to Cape Town International Airport. This will substantially increase our fresh distribution capacity in the region. The Group is currently looking at opportunities to grow its central distribution capacity in KwaZulu-Natal and the Eastern Cape.

A WINNING TEAM: BUILDING A STRONG, DIVERSE AND CUSTOMER-CENTRIC WORKFORCE

The Group is committed to playing an important part in addressing the high level of unemployment facing South Africa today. At a time when many South African companies have been shedding jobs, Pick n Pay has created 4 500 new jobs, principally through our store opening programme. The Group increased its investment in skills development and training over the year, with 46 000 training courses reaching 40% of our staff. New management structures were implemented in all our new Next Generation stores to improve customer service and the quality and availability of fresh produce. These structures will be rolled out to all stores. The Group's new performance management system, introduced for senior managers last year, has been extended to junior managers. It will ensure that staff are recognised and rewarded for making a positive difference to customers. More than 1 200 support office staff went "Back to the Shop Floor" for three days this year, refreshing their understanding of store operations and the importance of putting the customer first.

BOXER: GROWING A NATIONAL BRAND

Boxer serves customers in the poorer and often more rural areas of South Africa and Swaziland, where low prices and convenient access to safe fresh produce and groceries is vital. With an unwavering focus on the needs of its customers and communities, Boxer delivered strong growth in both turnover and profit, despite the increasing economic challenges faced by the communities in which it operates. Sound gross margin management and tight expense control was central to this improved performance, at a time when the business supported its customers with much needed investment in the price of basic commodities.

Boxer opened 24 new stores this year across its range of formats, including three Next Generation stores. These bring a fresh layout to stores, with a focus on strengthening the fresh meat and grocery offer. Boxer opened its first store in the Western Cape in November 2015, serviced by Pick n Pay's Philippi distribution centre. This has established Boxer as a national brand. The store, situated at Nonkqubela station, Khayelitsha has exceeded expectations and the team is confident of the opportunity to grow the Boxer brand in the region.

REST OF AFRICA: SECOND ENGINE OF GROWTH

Our businesses outside South Africa performed well over the year, notwithstanding tough economic conditions in some of the regions in which we operate. The Rest of Africa segment result was underpinned by a stronger franchise performance in Botswana and Swaziland and an improved trading result from TM Supermarkets (TM) in Zimbabwe. TM benefited from increased operational support and expertise from an experienced Pick n Pay team over the year, driving profits up more than 150% in constant currency terms. The TM business continues to derive value from its ongoing and

substantial refurbishment programme, with encouraging results from its rebranded Pick n Pay supermarkets. The Group has 57 supermarkets in the region, 14 of which now trade as Pick n Pay. TM was recognised with a number of awards from the Confederation of Zimbabwean Retailers during the year, including the Best Retail Branch Network and the Consumer Choice award as Zimbabwe's Supermarket of the year.

The performance of the Rest of Africa division was negatively impacted by adverse trading conditions in Zambia, reflecting the country's energy crisis, job losses in the copper mining belt, drought and a rapidly depreciating currency. Low consumer confidence resulted in slower demand over the year, although the division delivered an improved underlying trading performance in the second half of the year.

The Group opened 14 new stores in its Rest of Africa division during the year, one in Botswana, eight in Namibia, one in Zambia and four in Zimbabwe. The Group remains confident of the long-term prospects in all of these regions and will continue to look for opportunities to grow its footprint next year, including opening its first stores in Ghana by the end of 2017.

REST OF AFRICA: PLANS TO ENTER NIGERIA

The Group has examined the opportunity in Nigeria in detail, given the opportunity for long-term growth in that region. We set three preconditions for success in the Nigerian market: a sound understanding of consumer needs in the region and how these are evolving; partnership with an experienced local partner; and an expansion plan which is followed in a deliberate and planned way, without putting the business under any risk. Following extensive on-the-ground market and consumer research over the past two years, the Group has announced that it will partner with Nigeria Stock Exchange-listed AG Leventis to enter the Nigerian market. AG Leventis has nearly 90 years' trading experience in the country, with substantial expertise in the FMCG, motor vehicle, supply chain logistics and real estate sectors, and notable FMCG capabilities through Leventis Foods. Pick n Pay will hold 51% of the operation which will roll out a combination of large and smaller formats to meet consumer needs in Nigeria, offering ranges tailored to local customer needs.

We are excited by the prospects for growth in Nigeria and in the other regions where we are situated outside South Africa. We now have access to nine African markets, comprising 300 million people, R15.0 trillion in gross domestic product and R4.2 trillion in retail sales. We are confident of the prospects on the African continent and are committed to building Pick n Pay as a truly African brand.

THANK YOU AND LOOKING FORWARD

2016 was an exciting year, characterised by determination, energy and momentum across the business. We delivered a strong result for shareholders, improved our trading profit margin and delivered another substantive improvement in profits. We are making progress on our turnaround plan and our goal to restore Pick n Pay to long-term sustainable growth.

We are already more than three months into our new financial year, and as always, there is still a great deal of work ahead. We are only part way through our long-term turnaround strategy, and recognise that there is much still to be done. I thank my team not only for their hard work and commitment to building a prosperous business, but for the manner in which they continue to uphold the special values that make Pick n Pay such a loved brand in South Africa. I look forward to another great year ahead.



Richard Brasher
Chief Executive Officer

Cape Town
22 June 2016

Reflecting on the highlights of 2016

2016 has been another proud year for Pick n Pay. We take the opportunity to look back on the highlights of 2016, while looking forward to another exciting year ahead.

26.5% increase in total annual dividends

By putting customers first, and by creating a leaner and more effective business, we delivered our highest turnover growth for six years, and grew headline earnings per share by 26.4%. This allowed the Stores Group to increase the total annual dividend paid to shareholders by 26.5%.

Pick n Pay supported customers with sharper pricing in 2016 and delivered an exciting promotional calendar, restricting selling price inflation to just 3.1% for the year.

We doubled the size of our Brand Match campaign to include 2 000 branded products. Customers may pay less for these products at Pick n Pay, but never more.

With the help of our customers, Pick n Pay delivered 125 000 litres of water to communities and farmers affected by the drought in South Africa



We added another 241 suppliers through our central supply chain, taking our centralisation of supply to 56% across the Group and improving on-shelf product availability to 96% in Pick n Pay owned stores.

We introduced 250 new private label products and refreshed and relaunched a further 650 more with newly designed packaging.

We have invested R4.2 billion in capital in the past three years

– with R1.8 billion in 2016 – demonstrating our commitment to invest significantly in the South African economy.

We opened our first “dot.co.za” online shopping warehouse

in the Western Cape resulting in more products and improved availability, with online sales up 38% on last year.

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We opened 175 new stores across the Group, including 14 outside South Africa – and with 46 new convenience stores during the year, we brought Pick n Pay closer to small neighbourhoods. Pick n Pay also refurbished 40 stores in 2016, more than double that of last year.

.....

Our Stikeez campaign took South Africa by storm, capturing the hearts and minds of South Africans young and old.

Pick n Pay introduced its “Next Generation” supermarket, opening 26 stores over the year, and transforming store design, space, product range and service for customers.

Refer to pages 30 and 31 for more information.

We opened our first

Boxer store

in Khayelitsha in the Western Cape, making Boxer a truly national brand.



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We celebrated 21 years of franchise this year with the addition of 59 net new franchise stores, building on one of the leading franchise models in South Africa.

The Franchise Association of South Africa honoured our founder Raymond Ackerman with its 2015 Hall of Fame Award.

.....



Solly Legae in his newly refurbished Monageng Market Store

In February 2016, in partnership with the Gauteng government, the Group piloted its first “Spaza-to-Store” conversion in Diepkloof Soweto, Johannesburg giving Pick n Pay the opportunity to play a positive role in growing the informal retail market in South Africa.

Reflecting on the highlights of 2016 continued



Our Smart Shopper loyalty programme was voted as **South Africa's favourite loyalty programme** in the 2015 Sunday Times Top Brands awards, for the third year in a row.

Pick n Pay was voted as South Africa's **coolest grocery brand** in the Sunday Times Generation Next Survey.



25 000 people took part in our Pick n Pay Women's Walks across the country to raise funds for the PinkDrive, a public benefit organisation that provides free breast cancer screening and awareness education.

War on waste

We launched our "War on Waste" campaign in July 2015, to tackle waste in all its forms. The project aims to reduce energy use per square metre by a further 20%, to create 20 new jobs every day and to reduce food waste by 20% – all by 2020. We made a good start this year, with progress across all three areas.

This year we donated

1 737 tonnes of safe food to Foodbank. We are now Foodbank's largest partner in fighting hunger in South Africa.

We invested **R41.5 million**

in Corporate Social Responsibility projects during the year.



Celebrating our winning team

Pick n Pay was recognised by the Department of Labour as the overall private sector winner of Excellence in Employment Equity.

Our core skills training reached 40% of our staff during the year, including specialist baking training provided to more than 2 000 members of staff.

Mrs Wendy Ackerman was selected as the All Africa Philanthropist of the Year at the 2015 All Africa Business Leaders Awards.

We created **4 500** new jobs this year through our new store openings

Total cost savings due to energy efficiency initiatives implemented over the last seven years, including innovative technologies in new stores and retrofitting existing stores' refrigeration, lighting and air-conditioning, reached R1 billion this year.

By supporting the Santa Shoebox project, we made sure that 100 000 underprivileged children received gifts over Christmas.



Among the projects supported by the Ackerman Pick n Pay Foundation, a specific focus has been towards agricultural projects in KwaZulu-Natal this year. With 72 hectares under irrigation, 25 farms have been identified, with 478 direct beneficiaries and 2 390 indirect beneficiaries, these agricultural projects form part of the Ackerman Pick n Pay Foundation's national community gardens programme. The programme benefits 267 small agricultural projects and community gardens across the country, and includes the roll out of drip irrigation; installation of water tanks; boreholes and water conservation training.

Pick n Pay was included for the third consecutive year in the global Dow Jones Sustainability index. Pick n Pay was also the top performing retailer in Africa in 2015 and shared joint second position globally with UK-based Marks and Spencer in the Carbon Disclosure Project.

Our clothing division donated clothing to the value of R2.5 million to the Clothing Bank.

The Clothing Bank provides donated clothing to women in their enterprise development programme, which they re-sell in their communities. Within two weeks of being selected for the programme, women start running a small, informal retail business.



The Pick n Pay School Club, South Africa's largest brand-funded school programme, provided over 3 000 schools with curriculum-aligned educator and learner material this year and is reaching more than 2 million learners every year.

We launched our Boost Your Biz programme to develop entrepreneurs and provide small suppliers with access to a national market for the first time.

Chief Finance Officer's report



The Group delivered a solid financial performance in 2016. The strongest turnover growth since 2010, an improved gross profit margin, sound expense control and greater operating efficiency all contributed to a further increase in underlying trading margin.

Bakar Jakoet / Chief Finance Officer

PICK N PAY STORES LIMITED KEY FINANCIAL INDICATORS

	52 weeks to 28 February 2016	52 weeks to 1 March 2015	% change
Turnover	R72.4 billion	R66.9 billion	8.2
Gross profit margin	17.9%	17.8%	
Other trading income	R971.3 million	R782.9 million	24.1
Trading profit	R1 516.3 million	R1 240.1 million	22.3
Trading profit margin	2.1%	1.9%	
Profit before tax before capital items	R1 506.1 million	R1 194.8 million	26.1
Profit before tax after capital items	R1 473.5 million	R1 205.2 million	22.3
Profit before tax margin	2.0%	1.8%	
Basic earnings per share	219.11 cents	178.79 cents	22.5
Headline earnings per share	224.04 cents	177.26 cents	26.4
Total annual dividend per share	149.40 cents	118.10 cents	26.5

The 2016 financial statements include certain reclassifications and restatement of comparative figures. These had no impact on reported earnings for the current or prior period. Please refer to note 30 of our 2016 annual financial statements available on our website, www.picknpayinvestor.co.za.

OVERVIEW OF FINANCIAL RESULT

The 26.4% increase in headline earnings per share reflects improvement across the business, and progress in executing the Group's three-stage turnaround strategy.

Group turnover growth of 8.2% for the year is a significant improvement on the 6.1% delivered in 2015. Both like-for-like turnover growth at 3.8% (2015: 3.6%) and the contribution from new stores of 4.4% (2015: 2.5%) were stronger than in the previous

year. On a constant currency basis, the top-line momentum achieved by the Group in the first half of the financial year was largely maintained in the second half, with Group turnover increasing 8.6%, and like-for-like growth of 4.1%.

Gross profit margin improved from 17.8% to 17.9% through further operational efficiency and cost effectiveness across the procurement and supply chain channel.

The 24.1% increase in other trading income demonstrates the Group's commitment to broadening and improving its customer offer. Income from value-added services and other commissions increased by 35.0%.

Tighter control over capital and overhead expenditure remains a key priority. The like-for-like increase in trading expenses was contained at 5.0%, notwithstanding above-inflation increases in electricity, utility and security costs.

Effective working capital management and stronger cash balances over the year contributed to the 5.9% reduction in net finance charges, despite rising interest rates and increased capital expenditure on opening and refurbishing stores, which specifically had an impact in the second half of the year.

The result achieved in 2016 reflects the core principle of the Group's long-term strategic plan that its turnaround must be customer-led as well as cost driven. The underlying improvement in the trading profit margin from 1.9% in 2015 to 2.1% in 2016 demonstrates that Stage 2 of the Group's plan – Changing the Trajectory of Pick n Pay – is delivering.

DETAILED REVIEW OF THE FINANCIAL RESULT

Turnover

	52 weeks to 28 February 2016 Rm	52 weeks to 28 February 2016 Rm	% change
Group turnover	72 445.1	66 940.8	8.2
South Africa division	69 300.6	63 911.9	8.4
Rest of Africa division	3 144.5	3 028.9	3.8

Group turnover at R72.4 billion, was up 8.2% on last year. On a constant currency basis, Group turnover was up 8.6% for the year, with currency weakness in operations outside South Africa impacting reported turnover growth specifically in the second half of the year. Greater business efficiency, supported by strong gross profit margin management, and a network of effective local suppliers enabled the Group to bear down on inflation, keeping price increases to 3.1% over the year, compared to CPI Food inflation of 5.3%.

The Group opened 175 new stores during the year (2015: 127 stores) across all Pick n Pay and Boxer formats. The 168 net new stores added 4.4% to space. The retail environment remains competitive in the markets in which we operate, and while we are determined to grow our market share, we only open new space where we are confident that we can deliver strong growth and sustainable returns. New stores contributed 4.4% to turnover growth over the year, against 2.5% in the prior year.

We have made good progress in improving our store estate, our product range, our on-shelf availability and our service, and this has been rewarded by customers, with like-for-like sales growth of 3.8% up from 3.6% in the prior year.

The turnover growth of 8.4% in the **South Africa division** is against the backdrop of a challenging trading environment and falling consumer confidence. Customers are shopping more

frequently for smaller baskets. This is reflected in an increase of 7.0% in customer transactions, at a time when the growth in basket value was 0.9%. The Group continued to support customers through meaningful price investment and through a strengthening of its convenience offer. Improvements were not limited to the Pick n Pay business – our Boxer business delivered strong turnover growth notwithstanding the challenges which continue to plague the lower-income, emerging market communities of South Africa and Swaziland, including high unemployment, power-cuts and continuing service-delivery protests. The team continues to drive substantial cost effectiveness across the business in order to invest in prices for those customers who need it the most.

The **Rest of Africa division** delivered growth in segmental revenue of 8.8%, and excluding direct deliveries to franchisees through the Group's supply chain, segment external turnover was up 3.8% year-on-year. On a constant currency basis, ignoring the impact of currency movements in the regions in which we operate, total segment revenue was up 15.9% on last year, with segmental profits up 19.6%. The division was impacted once again by the tough trading conditions in Zambia, however a solid performance from our TM Supermarkets business in Zimbabwe and a stronger performance from our franchise operations in Botswana and Swaziland increased revenue and profits year-on-year. We opened 14 new stores outside South Africa this year.

Chief Finance Officer's report continued

Gross profit

Gross profit increased by 8.6% to R12.9 billion. The gross profit margin increased by 0.1 percentage points to 17.9% of turnover, a solid margin performance at a time of significant price investment. It has been made possible through effective margin management from all divisions in the Group.

The Boxer team in particular demonstrated improved gross profit margin management in a tough environment, balancing substantial price investment in basic commodities with stronger participation from value-added departments such as butchery, bakery and deli.

Other trading income

	52 weeks to 28 February 2016 Rm	% of turnover	52 weeks to 1 March 2015 Rm	% of turnover	% change
Other trading income	971.3	1.3	782.9	1.2	24.1
Franchise fee income	316.7	0.4	294.4	0.4	7.6
Operating lease income	329.1	0.5	247.3	0.4	33.1
Commissions and other income	325.5	0.4	241.2	0.4	35.0

Other trading income increased by 24.1% to R971.3 million.

Franchise fee income increased 7.6% to R316.7 million, supported by a net increase of 59 franchise stores and an improved franchise turnover performance.

Operating lease income increased 33.1% to R329.1 million, and at 0.5% of turnover, is 0.1 percentage points ahead of last year. The Group added a number of strategic head leases to its property portfolio, which boosted rentals received. The related operating lease expenses are included within occupancy costs.

Commissions and other income increased by 35.0% to R325.5 million, as a result of solid growth in value-added service products, including cellular, pre-paid electricity, third-party bill payments, travel, ticketing and financial services.

This progress was particularly notable in view of the fact that the substantial launch commissions earned on the introduction of the sale of iTunes vouchers in the prior year were not repeated this year. Customer advocacy for these value-added services is steadily increasing, in both Pick n Pay and Boxer, and we are confident that this remains an exciting growth opportunity for the Group.

Trading expenses

	52 weeks to 28 February 2016 Rm	% of turnover	52 weeks to 1 March 2015 Rm	% of turnover	% change	Like-for-like % change
Trading expenses	12 425.3	17.2	11 489.3	17.2	8.1	5.0
Employee costs	6 060.6	8.4	5 672.9	8.5	6.8	4.7
Occupancy	2 337.6	3.2	2 047.6	3.1	14.2	5.8
Operations	2 848.1	3.9	2 618.8	3.9	8.8	6.8
Merchandising and administration	1 179.0	1.6	1 150.0	1.7	2.5	1.8

Trading expenses at R12.4 billion were up 8.1%, and at 17.2% of turnover, were in line with last year. The increase in like-for-like trading expenses was contained at 5.0%, notwithstanding the increase in the cost of electricity and utilities.

Trading expenses continued

Employee costs increased 6.8% to R6.1 billion, and at 8.4% of turnover, were 0.1 percentage points better than last year. This improved performance has been driven by store operations, where savings are being achieved through improved productivity and efficiency. The like-for-like increase of 4.7% against an annual wage rate increase ahead of CPI, demonstrated real savings in hours worked. Employee costs included costs associated with the executive forfeitable share plan, R63.3 million of which were first time costs. If these costs were excluded, labour costs were up 3.7% on a like-for-like basis.

Occupancy costs at 3.2% of turnover were 0.1 percentage points up on the 3.1% of last year. The increase of 14.2% was driven by new stores, with an increase in like-for-like occupancy costs of 5.8%, in line with the annual escalation clauses of our long-term leases. The Group is focused on tighter management of occupancy costs in its negotiations with landlords and developers. Operating lease income, expressed as a percentage of turnover, was up 0.1 percentage points as a result of a number of new head leases in the Group. As such, occupancy costs net of rent received, as a percentage of turnover, were in line with last year.

Operations costs were up 8.8% on last year, at 3.9% of turnover. The like-for-like increase was 6.8%. The biggest cost drivers in this category were electricity and water, as a result of double-digit regulatory increases in electricity costs and increased water tariffs as a result of water restrictions related to the drought in large parts of

South Africa. If these increases are excluded, operations costs were flat on last year. Repairs and maintenance costs were well controlled, and the increased depreciation and amortisation charge of 8.2% was due to higher levels of capital investment in the business.

Merchandising and administration costs increased just 2.5% on last year (with like-for-like costs up 1.8%), mainly as a result of the reduction in bank interchange fees. The Group is seeing an increase in the participation of card tender, as customers move away from cash to plastic, this eroded some of the benefits from lower interchange fees. The bad debts expense was down R11.6 million on last year, indicating the improved health of our franchise business.

Trading profit

Trading profit increased 22.3% to R1 516.3 million. The trading profit margin improved from 1.9% to 2.1%. The improved gross profit margin and sound expense control contributed to the strong growth in trading profit, however, we believe there is still opportunity to optimise our cost structure and improve our business efficiency.

Profits and losses on capital items

The Group incurred R32.6 million of capital losses compared with a capital profit of R10.4 million in the prior year. The Group has embarked on a substantial refurbishment programme, with 40 refurbishments completed this year. As part of this process store assets were scrapped and losses incurred. This is a strategic imperative in improving the overall quality of our estate. Profits and losses on capital items are added back when calculating headline earnings per share.

Net finance costs

	52 weeks to 28 February 2016 Rm	52 weeks to 28 February 2016 Rm	% change
Net finance costs	(56.1)	(59.6)	(5.9)
Finance income	60.9	59.4	2.5
Finance costs	(117.0)	(119.0)	(1.7)

The Group continued to find savings in net finance costs, notwithstanding increases in interest rates, a substantial increase in capital expenditure compared to last year, and increased inventory levels in the short term driven by new stores and the accelerated centralisation of supply. The improved turnover performance over the last few years, coupled with stronger working capital management, enabled the Group to repay a further R250 million of long-term debt this year.

Chief Finance Officer's report continued

Share of associate's income

TM Supermarkets, the Group's associate trading in Zimbabwe, delivered a substantially improved result notwithstanding a challenging trading environment. The Group's share of TM's income grew from R14.3 million last year to R45.9 million this year, with some benefit from the stronger US dollar. In constant currency terms, the profits of TM Supermarkets were up more than 150%.

Profit before tax

Profit before tax is up 22.3% to R1 473.5 million, representing an underlying profit before tax margin improvement from 1.8% to 2.0%. Profit before tax, excluding capital items, is up 26.1% to R1 506.1 million, representing a margin improvement of 0.3 percentage points, from 1.8% to 2.1%.

Tax

The effective tax rate decreased from 28.5% to 27.7%. The reduction is as a direct result of our improved profitability, with no corresponding change in the level of net non-deductible expenditure in the Group.

Earnings per share

Basic earnings per share (EPS) – increased 22.5% from 178.79 to 219.11 cents per share.

Headline earnings per share (HEPS) – increased 26.4% from 177.26 to 224.04 cents per share.

The difference between the growth in headline earnings per share and basic earnings per share relates to the effect of profits and losses of a capital nature in the calculation of headline earnings. Capital losses of R23.3 million, net of tax, was taken into account in the calculation of headline earnings in the current period, against the deduction of capital profits in the prior period of R7.4 million, net of tax.

Financial position

Sound working capital management and good control over all capital and operating spend led to stronger cash balances over the period, notwithstanding the increased capital investment over the period in respect of growing and enhancing the store estate. The Group delivered a return on capital employed of 29.3% (2015: 24.0%), while reducing its level of long-term financial gearing, with a repayment of R250.0 million of long-term debt.

Inventory

The increased inventory levels at February 2016, up 10.7%, were due to the 164 net new stores opened over the year (excluding TM Supermarkets) and the increase in the centralisation of suppliers. On a like-for-like basis, inventory is up 1.7% on last year. Inventory provisioning is down 2.8% on last year, reflecting the positive impact of the product category reviews and stronger assortment management, which has also improved on-shelf availability in Pick n Pay owned stores by 3.4 percentage points to 96.0%. Boxer delivered improved inventory management, notwithstanding its move to central distribution through its new Cato-Ridge distribution centre in KwaZulu-Natal.

Trade and other receivables

Trade and other receivables increased by R389.8 million, or 13.3%, to R3 326.2 million as a result of the 59 net new franchise stores and the encouraging growth in the issues to franchisees. The quality of the debtors' book has improved substantially over the last year, with the bad debts expense down R11.6 million, or 30.2%, on last year.

Cash and cash equivalents

	Sunday 28 February 2016 Rm	Sunday 1 March 2015 Rm
Cash balances	982.9	1 024.5
Bank overdrafts and overnight borrowings	(100.0)	(500.0)
Cash and cash equivalents	882.9	524.5
Total borrowings	(529.6)	(784.3)
Net funding position	353.3	(259.8)

The net funding position was R613.1 million stronger than last year, reflecting the reduced debt levels in the Group, as well as some positive benefit from the financial calendar cut-off at year-end. Stronger working capital management over the year mitigated the impact of the increased capital investment in the business, with net finance charges down 5.9% on last year.

Capital expenditure for the year

	52 weeks to 28 February 2016 Rm	52 weeks to 1 March 2015 Rm
Expansion into new stores	634.0	377.7
Improving existing stores	856.2	438.5
Improving the customer experience	1 490.2	816.2
Investing in future infrastructure	88.5	130.6
Maintaining current infrastructure	213.6	158.5
Total capital investment	1 791.3	1 105.3

Group capital expenditure was R1.8 billion for the year, compared with R1.1 billion in 2015, with 83% of the investment focused on expansion and the refurbishment of existing stores. The Group plans to repay a further R400 million of structured debt in August 2016.

PICK N PAY HOLDINGS LIMITED RF

Pick n Pay Holdings Limited RF's only asset is its 52.7% (2015: 52.8%) direct holding of the issued share capital of Pick n Pay Stores Limited. Its earnings are directly related to those of this investment.

KEY FINANCIAL INDICATORS

	52 weeks to 28 February 2016	52 weeks to 1 March 2015	% change
Turnover	R72.4 billion	R66.9 billion	8.2
Gross profit margin	17.9%	17.8%	
Other trading income	R971.3 million	R782.9 million	24.1
Trading expenses margin	17.2%	17.2%	
Trading profit	R1 513.8 million	R1 238.6 million	22.2
Trading profit margin	2.1%	1.9%	
Profit before tax	R1 471.1 million	R1 203.7 million	22.2
Profit before tax margin	2.0%	1.8%	
Profit for the period	R1 063.0 million	R860.2 million	23.6
Basic earnings per share	108.78 cents	88.78 cents	22.5
Headline earnings per share	111.24 cents	88.01 cents	26.4
Total annual dividend per share	72.25 cents	57.25 cents	26.2

The 2016 financial statements include certain reclassifications and restatement of comparative figures. These had no impact on reported earnings for the current or prior period. Please refer to note 30 of our 2016 annual financial statements available on our website, www.picknpayinvestor.co.za.

SHAREHOLDER DISTRIBUTION

The Board of Pick n Pay Stores Limited has maintained its dividend cover of 1.5 times headline earnings per share. Pick n Pay Holdings Limited RF's dividend policy is to pay out all profits for the year.

Pick n Pay Stores Limited declared a final dividend of 125.20 cents per share, bringing the total annual dividend for the year to 149.40 cents per share, 26.5% up on last year.

Pick n Pay Holdings Limited declared a final dividend of 60.65 cents per share, bringing the total annual dividend for the year to 72.25 cents per share, 26.2% up on last year.



Bakar Jakoet
Chief Finance Officer

Cape Town
22 June 2016

Extract of annual financial statements

Statements of comprehensive income

for the period ended

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 28 February 2016 Rm	Restated* 52 weeks 1 March 2015 Rm	52 weeks 28 February 2016 Rm	Restated* 52 weeks 1 March 2015 Rm
Revenue	73 477.3	67 783.1	73 477.4	67 783.1
Turnover	72 445.1	66 940.8	72 445.1	66 940.8
Cost of merchandise sold	(59 474.8)	(54 994.3)	(59 474.8)	(54 994.3)
Gross profit	12 970.3	11 946.5	12 970.3	11 946.5
Other trading income	971.3	782.9	971.3	782.9
Trading expenses	(12 425.3)	(11 489.3)	(12 427.8)	(11 490.8)
Employee costs	(6 060.6)	(5 672.9)	(6 056.6)	(5 653.9)
Occupancy	(2 337.6)	(2 047.6)	(2 337.6)	(2 047.6)
Operations	(2 848.1)	(2 618.8)	(2 848.1)	(2 618.8)
Merchandising and administration	(1 179.0)	(1 150.0)	(1 185.5)	(1 170.5)
Trading profit	1 516.3	1 240.1	1 513.8	1 238.6
(Loss)/profit on sale of property, plant and equipment	(24.0)	10.4	(24.0)	10.4
Impairment loss on intangible assets	(8.6)	—	(8.6)	—
Finance income	60.9	59.4	61.0	59.4
Finance costs	(117.0)	(119.0)	(117.0)	(119.0)
Share of associate's income	45.9	14.3	45.9	14.3
Profit before tax	1 473.5	1 205.2	1 471.1	1 203.7
Tax	(408.1)	(343.5)	(408.1)	(343.5)
Profit for the period	1 065.4	861.7	1 063.0	860.2
Other comprehensive income, net of tax				
Items that will not be reclassified to profit or loss	14.8	33.0	14.8	33.0
Remeasurement in retirement scheme assets	20.5	45.9	20.5	45.9
Tax on remeasurement in retirement scheme assets	(5.7)	(12.9)	(5.7)	(12.9)
Items that may be reclassified to profit or loss	59.4	(7.2)	58.1	(11.4)
Foreign currency translations	58.1	(11.4)	58.1	(11.4)
Fair value gain on available-for-sale financial instruments	1.3	4.2	—	—
Total comprehensive income for the period	1 139.6	887.5	1 135.9	881.8
Profit for the period attributable to:	1 065.4	861.7	1 063.0	860.2
Owners of the Company	1 065.4	861.7	570.2	461.8
Non-controlling interest	—	—	492.8	398.4
Total comprehensive income for the period attributable to:	1 139.6	887.5	1 135.9	881.8
Owners of the Company	1 139.6	887.5	609.4	473.4
Non-controlling interest	—	—	526.5	408.4
Earnings per share	Cents	Cents	Cents	Cents
Basic	219.11	178.79	108.78	88.78
Diluted	215.05	176.24	105.36	86.54

* The 2016 financial statements include certain reclassifications and restatement of comparative figures. These had no impact on reported earnings for the current or prior period. Please refer to note 30 of our 2016 annual financial statements available on our website, www.picknpayinvestor.co.za.

Statements of financial position

	Pick n Pay Stores Group			Pick n Pay Holdings Group		
	As at 28 February 2016 Rm	Restated* As at 1 March 2015 Rm	Restated* As at 2 March 2014 Rm	As at 28 February 2016 Rm	Restated* As at 1 March 2015 Rm	Restated* As at 2 March 2014 Rm
ASSETS						
Non-current assets						
Property, plant and equipment	4 950.9	4 187.0	4 039.3	4 950.9	4 187.0	4 039.3
Intangible assets	1 004.9	1 010.2	987.6	1 004.9	1 010.2	987.6
Operating lease assets	171.6	149.8	132.8	171.6	149.8	132.8
Financial assets at fair value through profit or loss	232.1	245.0	212.2	13.6	33.5	23.3
Available-for-sale financial instruments	46.4	42.2	38.0	—	—	—
Investment in associate	285.5	180.2	165.9	285.5	180.2	165.9
Participation in export partnerships	14.1	23.4	25.1	14.1	23.4	25.1
Loans	96.4	100.6	92.0	96.4	100.6	92.0
Retirement scheme assets	90.8	70.1	85.1	90.8	70.1	85.1
Deferred tax assets	225.1	198.8	212.1	225.1	198.8	212.1
	7 117.8	6 207.3	5 990.1	6 852.9	5 953.6	5 763.2
Current assets						
Inventory	5 152.0	4 654.5	3 979.8	5 152.0	4 654.5	3 979.8
Trade and other receivables	3 326.2	2 936.4	2 821.9	3 326.2	2 936.4	2 821.9
Cash and cash equivalents	982.9	1 024.5	1 334.2	984.2	1 025.3	1 334.2
Derivative financial instruments	6.0	1.4	3.5	6.0	1.4	3.5
	9 467.1	8 616.8	8 139.4	9 468.4	8 617.6	8 139.4
Total assets	16 584.9	14 824.1	14 129.5	16 321.3	14 571.2	13 902.6
EQUITY AND LIABILITIES						
Equity						
Share capital	6.0	6.0	6.0	6.6	6.6	6.6
Share premium	—	—	—	120.8	120.8	120.8
Treasury shares	(63.5)	(60.1)	(50.4)	(121.5)	(109.0)	(95.3)
Fair value reserve	32.5	31.2	27.0	—	—	—
Retained earnings	3 882.9	3 302.9	2 847.9	1 932.5	1 619.3	1 377.3
Foreign currency translation reserve	39.9	(18.2)	(6.8)	21.4	(9.8)	(3.6)
Attributable to owners of the Company	3 897.8	3 261.8	2 823.7	1 959.8	1 627.9	1 405.8
Non-controlling interest	—	—	—	1 794.7	1 499.2	1 290.6
Total equity	3 897.8	3 261.8	2 823.7	3 754.5	3 127.1	2 696.4
Non-current liabilities						
Borrowings	83.0	492.8	747.1	83.0	492.8	747.1
Operating lease liabilities	1 239.6	1 138.5	1 042.7	1 239.6	1 138.5	1 042.7
Deferred tax liabilities	9.5	—	—	9.5	—	—
	1 332.1	1 631.3	1 789.8	1 332.1	1 631.3	1 789.8
Current liabilities						
Trade and other payables	10 500.6	8 889.7	7 883.1	10 504.9	8 893.5	7 889.3
Share-based payment liability	124.6	122.0	105.8	—	—	—
Bank overdraft and overnight borrowings	100.0	500.0	670.0	100.0	500.0	670.0
Borrowings	446.6	291.5	737.8	446.6	291.5	737.8
Current tax liabilities	183.0	126.8	111.2	183.0	126.8	111.2
Provisions	0.2	1.0	8.1	0.2	1.0	8.1
	11 355.0	9 931.0	9 516.0	11 234.7	9 812.8	9 416.4
Total equity and liabilities	16 584.9	14 824.1	14 129.5	16 321.3	14 571.2	13 902.6

* The 2016 financial statements include certain reclassifications and restatement of comparative figures. These had no impact on reported earnings for the current or prior period. Please refer to note 30 of our 2016 annual financial statements available on our website, www.picknpayinvestor.co.za.

Extract of annual financial statements continued

Statements of changes in equity

for the period ended

Pick n Pay Stores Group

	Share capital Rm	Treasury shares* Rm	Fair value reserve* Rm	Retained earnings* Rm	Foreign currency translation reserve Rm	Total equity* Rm
At 2 March 2014 as previously published	6.0	(145.7)	—	2 849.1	(6.8)	2 702.6
Prior year restatements*	—	95.3	27.0	(1.2)	—	121.1
At 2 March 2014 restated	6.0	(50.4)	27.0	2 847.9	(6.8)	2 823.7
Total comprehensive income for the period	—	—	4.2	894.7	(11.4)	887.5
Profit for the period	—	—	—	861.7	—	861.7
Remeasurement in retirement scheme assets	—	—	—	33.0	—	33.0
Foreign currency translations	—	—	—	—	(11.4)	(11.4)
Fair value gain on available-for-sale financial instruments	—	—	4.2	—	—	4.2
Transactions with owners	—	(9.7)	—	(439.7)	—	(449.4)
Dividends paid	—	—	—	(461.8)	—	(461.8)
Share repurchases	—	(155.7)	—	—	—	(155.7)
Net effect of settlement of employee share options	—	146.0	—	(102.0)	—	44.0
Share-based payments expense	—	—	—	124.1	—	124.1
At 1 March 2015 restated	6.0	(60.1)	31.2	3 302.9	(18.2)	3 261.8
Total comprehensive income for the period	—	—	1.3	1 080.2	58.1	1 139.6
Profit for the period	—	—	—	1 065.4	—	1 065.4
Remeasurement in retirement scheme assets	—	—	—	14.8	—	14.8
Foreign currency translations	—	—	—	—	58.1	58.1
Fair value gain on available-for-sale financial instruments	—	—	1.3	—	—	1.3
Transactions with owners	—	(3.4)	—	(500.2)	—	(503.6)
Dividends paid	—	—	—	(589.5)	—	(589.5)
Share repurchases	—	(126.2)	—	—	—	(126.2)
Net effect of settlement of employee share options	—	122.8	—	(87.2)	—	35.6
Share-based payments expense	—	—	—	176.5	—	176.5
At 28 February 2016	6.0	(63.5)	32.5	3 882.9	39.9	3 897.8

* The 2016 financial statements include certain reclassifications and restatement of comparative figures. These had no impact on reported earnings for the current or prior period. Please refer to note 30 of our 2016 annual financial statements available on our website, www.picknpayinvestor.co.za.

Statements of changes in equity continued

for the period ended

Pick n Pay Holdings Group

	Attributable to owners of the Company						Non-controlling interest Rm	Total equity Rm
	Share capital Rm	Share premium Rm	Treasury shares Rm	Retained earnings Rm	Foreign currency translation reserve Rm	Total Rm		
At 2 March 2014	6.6	120.8	(95.3)	1 377.3	(3.6)	1 405.8	1 290.6	2 696.4
Total comprehensive income for the period	—	—	—	479.5	(6.1)	473.4	408.4	881.8
Profit for the period	—	—	—	461.8	—	461.8	398.4	860.2
Foreign currency translations	—	—	—	—	(6.1)	(6.1)	(5.3)	(11.4)
Remeasurement in retirement scheme assets	—	—	—	17.7	—	17.7	15.3	33.0
Transactions with owners	—	—	(13.7)	(237.5)	(0.1)	(251.3)	(199.8)	(451.1)
Dividends paid	—	—	—	(245.2)	—	(245.2)	(211.9)	(457.1)
Share repurchases	—	—	(22.2)	(83.7)	—	(105.9)	(72.0)	(177.9)
Net effect of settlement of employee share options	—	—	8.5	19.1	—	27.6	16.4	44.0
Share-based payments expense	—	—	—	75.2	—	75.2	64.7	139.9
Movement in non-controlling interest	—	—	—	(2.9)	(0.1)	(3.0)	3.0	—
At 1 March 2015	6.6	120.8	(109.0)	1 619.3	(9.8)	1 627.9	1 499.2	3 127.1
Total comprehensive income for the period	—	—	—	578.2	31.2	609.4	526.5	1 135.9
Profit for the period	—	—	—	570.2	—	570.2	492.8	1 063.0
Foreign currency translations	—	—	—	—	31.2	31.2	26.9	58.1
Remeasurement in retirement scheme assets	—	—	—	8.0	—	8.0	6.8	14.8
Transactions with owners	—	—	(12.5)	(265.0)	—	(277.5)	(231.0)	(508.5)
Dividends paid	—	—	—	(313.4)	—	(313.4)	(273.7)	(587.1)
Share repurchases	—	—	(16.1)	(67.8)	—	(83.9)	(58.4)	(142.3)
Net effect of settlement of employee share options	—	—	3.6	15.6	—	19.2	16.4	35.6
Share-based payments expense	—	—	—	99.6	—	99.6	85.7	185.3
Movement in non-controlling interest	—	—	—	1.0	—	1.0	(1.0)	—
At 28 February 2016	6.6	120.8	(121.5)	1 932.5	21.4	1 959.8	1 794.7	3 754.5

Extract of annual financial statements continued

Statements of cash flows

for the period ended

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 28 February 2016 Rm	Restated* 52 weeks 1 March 2015 Rm	52 weeks 28 February 2016 Rm	Restated* 52 weeks 1 March 2015 Rm
Cash flows from operating activities				
Trading profit	1 516.3	1 240.1	1 513.8	1 238.6
Amortisation	162.5	155.0	162.5	155.0
Depreciation	778.4	714.5	778.4	714.5
Equity-settled share-based payment expense	176.5	124.1	185.3	139.9
Cash-settled share-based payment expense	13.0	34.9	—	—
Movement in net operating lease liabilities	79.3	78.8	79.3	78.8
Movement in provisions	(0.8)	(7.1)	(0.8)	(7.1)
Fair value loss/(gain) on financial instruments at fair value through profit or loss	11.1	(27.2)	15.3	(8.1)
Cash generated before movements in working capital	2 736.3	2 313.1	2 733.8	2 311.6
Movements in working capital	728.7	219.5	729.2	217.1
Movements in trade and other payables	1 610.9	1 006.6	1 611.4	1 004.2
Movements in inventory	(492.4)	(672.6)	(492.4)	(672.6)
Movements in trade and other receivables	(389.8)	(114.5)	(389.8)	(114.5)
Cash generated from trading activities	3 465.0	2 532.6	3 463.0	2 528.7
Interest received	60.9	59.4	61.0	59.4
Interest paid	(117.0)	(119.0)	(117.0)	(119.0)
Cash generated from operations	3 408.9	2 473.0	3 407.0	2 469.1
Dividends paid	(589.5)	(461.8)	(587.1)	(457.1)
Tax paid	(335.8)	(284.5)	(335.8)	(284.5)
Cash generated from operating activities	2 483.6	1 726.7	2 484.1	1 727.5
Cash flows from investing activities				
Investment in intangible assets	(85.7)	(159.2)	(85.7)	(159.2)
Investment in property, plant and equipment	(1 623.1)	(897.3)	(1 623.1)	(897.3)
Investment in financial instruments at fair value	(16.1)	(22.2)	—	—
Purchase of operations	(87.6)	(50.9)	(87.6)	(50.9)
Proceeds on disposal of intangible assets	—	4.7	—	4.7
Proceeds on disposal of property, plant and equipment	40.0	57.3	40.0	57.3
Loans repaid/(advanced)	4.2	(8.6)	4.2	(8.6)
Participation in export partnerships	9.3	1.7	9.3	1.7
Retirement obligation	(0.2)	60.9	(0.2)	60.9
Cash utilised in investing activities	(1 759.2)	(1 013.6)	(1 743.1)	(991.4)
Cash flows from financing activities				
Proceeds from borrowings	—	400.0	—	400.0
Repayment of borrowings	(254.7)	(1 100.6)	(254.7)	(1 100.6)
Share repurchases	(126.2)	(155.7)	(142.3)	(177.9)
Proceeds from employees on settlement of share options	0.3	1.0	0.3	1.0
Cash utilised in financing activities	(380.6)	(855.3)	(396.7)	(877.5)
Net increase/(decrease) in cash and cash equivalents	343.8	(142.2)	344.3	(141.4)
Cash and cash equivalents at beginning of period	524.5	664.2	525.3	664.2
Foreign currency translations	14.6	2.5	14.6	2.5
Cash and cash equivalents at end of period	882.9	524.5	884.2	525.3
Consisting of:				
Cash and cash equivalents	982.9	1 024.5	984.2	1 025.3
Bank overdraft and overnight borrowings	(100.0)	(500.0)	(100.0)	(500.0)

* The 2016 financial statements include certain reclassifications and restatement of comparative figures. These had no impact on reported earnings for the current or prior period. Please refer to note 30 of our 2016 annual financial statements available on our website, www.picknpayinvestor.co.za.

Notes to the extract of the Group annual financial statements

1. BASIS OF PREPARATION

This extract of the audited Group annual financial statements are not audited but are extracted from audited information. The Group annual financial statements were audited by Ernst & Young Inc., who expressed an unmodified opinion thereon. The Group annual financial statements and the auditor's report thereon are available for inspection at the company's registered office. The directors take full responsibility for the preparation of the Group annual financial statements and that this financial information has been correctly extracted from the underlying Group annual financial statements. The audited Group annual financial statements have been prepared by the Finance Division under the supervision of the Chief Finance Officer, Mr Bakar Jakoet CA(SA).

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 28 February 2016 Rm	Restated* 52 weeks 1 March 2015 Rm	52 weeks 28 February 2016 Rm	Restated* 52 weeks 1 March 2015 Rm
2. REVENUE				
Turnover	72 445.1	66 940.8	72 445.1	66 940.8
Finance income	60.9	59.4	61.0	59.4
Bank balances and investments	30.0	40.9	30.0	40.9
Trade and other receivables	27.3	13.9	27.3	13.9
Staff loans and other	3.6	4.6	3.7	4.6
Other trading income	971.3	782.9	971.3	782.9
Franchise fee income	316.7	294.4	316.7	294.4
Operating lease income	329.1	247.3	329.1	247.3
Commissions and other income	325.5	241.2	325.5	241.2
	73 477.3	67 783.1	73 477.4	67 783.1

The Group has a customer loyalty programme, Smart Shopper, whereby customers are rewarded with Smart Shopper points (reward credits) which are effectively redeemed as cash against future purchases. At period end the Group has deferred revenue of R123.9 million (2015: R46.2 million) which represents the fair value of the Smart Shopper points granted and yet to be redeemed, adjusted for an expected forfeiture rate of 18.6% (2015: 23.2%).

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Extract of annual financial statements continued

Notes to the extract of the Group annual financial statements continued

		Pick n Pay Stores Group		Pick n Pay Holdings Group	
		52 weeks 28 February 2016 Cents per share	52 weeks 1 March 2015 Cents per share	52 weeks 28 February 2016 Cents per share	52 weeks 1 March 2015 Cents per share
3. EARNINGS PER SHARE					
Basic		219.11	178.79	108.78	88.78
Diluted		215.05	176.24	105.36	86.54
Headline		224.04	177.26	111.24	88.01
Diluted headline		219.90	174.72	107.75	85.80
		Rm	Rm	Rm	Rm
3.1 Basic and headline earnings					
Reconciliation between basic and headline earnings:					
Profit for the period attributable to owners of the company		1 065.4	861.7	570.2	461.8
Profit attributable to forfeitable share plan shares		(16.2)	(6.5)	(8.7)	(3.5)
Basic earnings for the period		1 049.2	855.2	561.5	458.3
Adjustments:		23.3	(7.4)	12.5	(4.0)
Loss/(profit) on sale of property, plant and equipment		24.0	(10.4)	12.9	(5.6)
Tax effect of (loss)/profit on sale of property, plant and equipment		(6.8)	3.0	(3.7)	1.6
Impairment loss on intangible assets		8.6	—	4.6	—
Tax effect of impairment loss on intangible assets		(2.5)	—	(1.3)	—
Adjustments attributable to forfeitable share plan shares		0.4	—	0.2	—
Headline earnings		1 072.9	847.8	574.2	454.3
Basic earnings for the period		1 049.2	855.2	561.5	458.3
Dilutive effect of share options		—	—	(10.5)	(6.8)
Diluted basic earnings		1 049.2	855.2	551.0	451.5
Headline earnings		1 072.9	847.8	574.2	454.3
Dilutive effect of share options		—	—	(10.7)	(6.7)
Diluted headline earnings		1 072.9	847.8	563.5	447.6
		000's	000's	000's	000's
3.2 Number of shares					
Number of shares in issue		488 450.3	487 322.3	527 249.1	527 249.1
Weighted average number of shares (excluding treasury shares)		478 873.4	478 309.0	516 186.3	516 238.6
Diluted weighted average number of ordinary shares in issue		487 894.0	485 245.3	522 963.2	521 711.4
Reconciliation of weighted average number of shares to diluted weighted average number of shares:					
Weighted average number of shares (excluding treasury shares)		478 873.4	478 309.0	516 186.3	516 238.6
Dilutive effect of share options		9 020.6	6 936.3	6 776.9	5 472.8
Diluted weighted average number of ordinary shares in issue		487 894.0	485 245.3	522 963.2	521 711.4

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

Notes to the extract of the Group annual financial statements continued

4. OPERATING SEGMENTS

Group

Operating segments are identified based on financial information regularly reviewed by the Chief Operating Decision Maker (CODM) of the Group, for performance assessments and resource allocations. The Group annually performs a detailed review of the executives, or group of executives, that could be considered the appropriate and relevant CODM of the Group. The Group executive committee as defined on page 66 is the CODM of the Group.

The Group has two operating segments, as described below, with no individual customer accounting for more than 10% of turnover.

South Africa – operates in various formats under the Pick n Pay and Boxer brands in South Africa.

Rest of Africa – responsible for the Group's expansion into the rest of Africa.

Performance is measured based on the segment profit before tax, as management believes that such information is most relevant in evaluating the results of the segments against each other and other entities that operate within the retail industry.

	Pick n Pay Stores Group		
	South Africa*	Rest of Africa	Total operations*
	Rm	Rm	Rm
52 weeks to 28 February 2016			
Total segment revenue	70 312.7	4 005.6	74 318.3
External revenue	70 312.7	3 164.6	73 477.3
Direct deliveries**	—	841.0	841.0
Segment external turnover	69 300.6	3 144.5	72 445.1
Profit before tax***	1 247.4	226.1	1 473.5
Other information			
<i>Statement of comprehensive income</i>			
Finance income	52.8	8.1	60.9
Finance costs	116.7	0.3	117.0
Depreciation and amortisation	911.6	29.3	940.9
Impairment loss on intangible assets	8.6	—	8.6
Share of associate's income	—	45.9	45.9
<i>Statement of financial position</i>			
Total assets	15 261.3	1 323.6	16 584.9
Total liabilities	12 402.9	284.2	12 687.1
Investment in associate	—	285.5	285.5
Additions to non-current assets	1 773.6	17.7	1 791.3
52 weeks to 1 March 2015			
Total segment revenue	64 754.2	3 681.9	68 436.1
External revenue	64 754.2	3 028.9	67 783.1
Direct deliveries**	—	653.0	653.0
Segment external turnover	63 911.9	3 028.9	66 940.8
Profit before tax***	1 016.2	189.0	1 205.2
Other information			
<i>Statement of comprehensive income</i>			
Finance income	54.3	5.1	59.4
Finance costs	119.0	—	119.0
Depreciation and amortisation	845.2	24.3	869.5
Share of associate's income	—	14.3	14.3
<i>Statement of financial position</i>			
Total assets	13 754.3	1 069.8	14 824.1
Total liabilities	11 290.8	271.5	11 562.3
Investment in associate	—	180.2	180.2
Additions to non-current assets	1 061.8	43.5	1 105.3

* The 2016 financial statements include certain reclassifications and restatement of comparative figures. These had no impact on reported earnings for the current or prior period. Please refer to note 30 of our 2016 annual financial statements available on our website, www.picknpayinvestor.co.za.

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

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

Extract of annual financial statements continued

Notes to the extract of the Group annual financial statements continued

Pick n Pay Holdings Group

	South Africa* Rm	Rest of Africa Rm	Total operations* Rm
4. OPERATING SEGMENTS continued			
52 weeks to 28 February 2016			
Total segment revenue	70 312.8	4 005.6	74 318.4
External revenue	70 312.8	3 164.6	73 477.4
Direct deliveries**	—	841.0	841.0
Segment external turnover	69 300.6	3 144.5	72 445.1
Profit before tax***	1 245.0	226.1	1 471.1
Other information			
<i>Statement of comprehensive income</i>			
Finance income	52.9	8.1	61.0
Finance costs	116.7	0.3	117.0
Depreciation and amortisation	911.6	29.3	940.9
Impairment loss on intangible assets	8.6	—	8.6
Share of associate's income	—	45.9	45.9
<i>Statement of financial position</i>			
Total assets	14 997.7	1 323.6	16 321.3
Total liabilities	12 282.6	284.2	12 566.8
Investment in associate	—	285.5	285.5
Additions to non-current assets	1 773.6	17.7	1 791.3
52 weeks to 1 March 2015			
Total segment revenue	64 754.2	3 681.9	68 436.1
External revenue	64 754.2	3 028.9	67 783.1
Direct deliveries**	—	653.0	653.0
Segment external turnover	63 911.9	3 028.9	66 940.8
Profit before tax***	1 014.7	189.0	1 203.7
Other information			
<i>Statement of comprehensive income</i>			
Finance income	54.3	5.1	59.4
Finance costs	119.0	—	119.0
Depreciation and amortisation	845.2	24.3	869.5
Share of associate's income	—	14.3	14.3
<i>Statement of financial position</i>			
Total assets	13 501.4	1 069.8	14 571.2
Total liabilities	11 172.6	271.5	11 444.1
Investment in associate	—	180.2	180.2
Additions to non-current assets	1 061.8	43.5	1 105.3

* The 2016 financial statements include certain reclassifications and restatement of comparative figures. These had no impact on reported earnings for the current or prior period. Please refer to note 30 of our 2016 annual financial statements available on our website, www.picknpayinvestor.co.za.

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

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

Notes to the extract of the Group annual financial statements continued

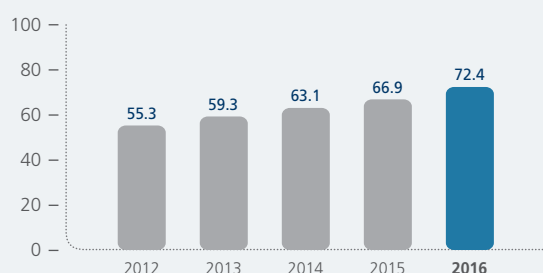
		Pick n Pay Stores Group	
		52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm
5. SHARE CAPITAL			
5.1 Pick n Pay Stores Limited			
Authorised			
800 000 000 (2015: 800 000 000) ordinary shares of 1.25 cents each		10.0	10.0
Issued			
488 450 321 (2015: 487 322 321) ordinary shares of 1.25 cents each		6.0	6.0
		000's	000's
The number of shares in issue at end of period is made up as follows:			
Treasury shares held by the Group		1 752.4	1 746.9
Shares issued under the forfeitable share plan		7 923.0	6 925.0
Shares held outside the Group		478 774.9	478 650.4
		488 450.3	487 322.3
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 (currently 24 422 516 shares). To date, 10 743 000 shares have been issued, resulting in 13 679 516 shares remaining for this purpose. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company. The movement in the number of shares in issue in the current period was as a result of an issue of 1 128 000 shares (2015: 6 925 000 shares) in respect of the Group's employee forfeitable share plan (FSP).			
		Pick n Pay Holdings Group	
		52 weeks 28 February 2016 Rm	52 weeks 1 March 2015 Rm
5.2 Pick n Pay Holdings Limited RF			
Authorised			
800 000 000 (2015: 800 000 000) ordinary shares of 1.25 cents each		10.0	10.0
Issued			
527 249 082 (2015: 527 249 082) ordinary shares of 1.25 cents each		6.6	6.6
		000's	000's
The number of shares in issue at end of period is made up as follows:			
Treasury shares held by the Group		11 129.3	11 106.5
Shares held outside the Group		516 119.8	516 142.6
		527 249.1	527 249.1
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 issued share capital (currently 26 362 454 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.			

Five-year review

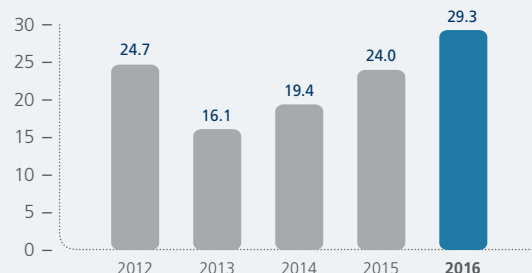
R million unless otherwise stated		2016 364 days	2015* 364 days	2014* 364 days	2013* 368 days	2012* 366 days
Pick n Pay Stores Limited						
PERFORMANCE MEASURES						
Continuing operations						
Turnover growth	%	8.2	6.1	6.5	7.1	8.1
Gross profit on turnover	%	17.9	17.8	17.5	17.4	17.8
Trading profit growth	%	22.3	22.7	18.5	(33.2)	(10.1)
Trading profit margin	%	2.1	1.9	1.6	1.4	2.3
Profit before tax growth	%	22.3	44.7	3.0	(30.9)	(13.7)
PBTAE growth	%	26.1	27.5	15.9	(30.9)	(13.2)
EBIT growth	%	20.9	35.6	3.9	(29.1)	(11.3)
EBITDA growth	%	15.8	13.5	4.9	(13.5)	(4.0)
Profit margin	%	1.5	1.3	0.9	0.9	1.4
Headline earnings growth	%	26.6	28.0	24.5	(30.7)	(14.8)
Headline earnings margin	%	1.5	1.3	1.0	0.9	1.4
Headline earnings per share	cents	224.0	177.3	138.5	111.5	160.8
Headline earnings per share growth	%	26.4	28.0	24.2	(30.7)	(15.1)
Return on shareholders equity	%	30.0	27.9	24.8	21.1	29.1
ROCE	%	29.3	24.0	19.4	16.1	24.7
Return on total assets	%	6.8	5.9	4.9	4.2	5.8
Net asset value per share	cents	910.0	774.1	679.9	609.2	573.7
WACC	%	11.9	9.5			
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME						
Continuing operations						
Turnover	Rm	72 445.1	66 940.8	63 117.0	59 271.3	55 330.5
Trading profit	Rm	1 516.3	1 240.1	1 010.3	852.4	1 275.1
Profit before tax	Rm	1 473.5	1 205.2	833.1	808.9	1 170.0
PBTAE	Rm	1 506.1	1 194.8	937.2	808.9	1 170.0
EBITDA	Rm	2 470.5	2 134.3	1 881.0	1 792.9	2 073.7
Headline earnings	Rm	1 072.9	847.8	662.6	532.2	767.8
CONSOLIDATED STATEMENT OF FINANCIAL POSITION						
Total Group operations						
Assets						
Non-current assets	Rm	7 117.8	6 207.3	5 990.1	5 669.7	5 333.9
Current assets	Rm	9 467.1	8 616.8	8 139.4	7 506.2	6 636.3
Total assets	Rm	16 584.9	14 824.1	14 129.5	13 175.9	11 970.2
Equity and liabilities						
Ordinary shareholders' equity	Rm	3 897.8	3 261.8	2 823.7	2 526.9	2 526.8
Non-current liabilities	Rm	1 332.1	1 631.3	1 789.8	1 697.1	1 609.3
Current liabilities	Rm	11 355.0	9 931.0	9 516.0	8 951.9	7 834.1
Total equity and liabilities	Rm	16 584.9	14 824.1	14 129.5	13 175.9	11 970.2

*The 2016 financial statements include certain reclassifications and restatements of comparative figures. These had no impact on reported earnings for the current or prior period. Please refer to note 30 of our 2016 annual financial statements available on our website, www.picknpayinvestor.co.za. All other financial years presented have been restated accordingly.

 **Turnover (Rbn)**



 **Return on capital employed (%)**

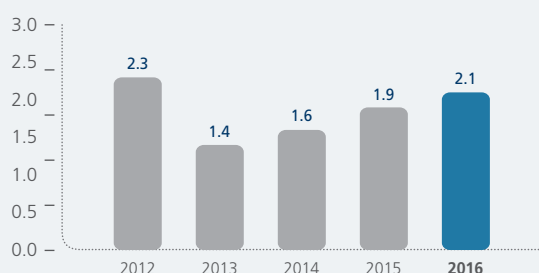


R million unless otherwise stated		2016 364 days	2015 364 days	2014 364 days	2013 368 days	2012 366 days
STOCK EXCHANGE (JSE LIMITED) PERFORMANCE						
Pick n Pay Stores Limited (PIK)						
Number of shares in issue	millions	488.5	487.3	480.4	480.4	480.4
Weighted average number of shares in issue	millions	478.9	478.3	478.4	478.1	477.4
Total market capitalisation	Rbn	27.4	25.7	21.7	21.8	20.7
Market capitalisation net of treasury shares	Rbn	27.3	25.6	21.6	21.7	20.6
Price:earnings ratio	times	25.1	29.8	32.6	40.1	30.2
Dividend per share	cents	149.4	118.1	92.3	84.0	130.9
Dividend cover	times	1.5	1.5	1.5	1.3	1.1
Volume of shares traded	millions	281.6	213.3	165.2	274.5	216.8
Percentage of shares traded	%	57.6	43.8	34.4	57.1	45.1
Market price per share						
– close at year-end	cents	5 614	5 282	4 514	4 544	4 307
– high for the year	cents	7 000	6 082	5 440	4 900	4 850
– low for the year	cents	4 850	4 401	3 519	4 022	3 504
Pick n Pay Holdings Limited RF (PWK)						
Number of shares in issue	millions	527.2	527.2	527.2	527.2	527.2
Weighted average number of shares in issue	millions	516.2	516.2	516.2	516.4	516.4
Total market capitalisation	Rbn	12.5	12.0	10.8	10.0	9.7
Headline earnings per share	cents	111.2	88.0	68.8	55.1	70.8
Price:earnings ratio	times	21.4	26.0	29.9	34.4	25.9
Dividend per share	cents	72.3	57.3	44.3	40.8	63.5
Volume of shares traded	millions	87.4	65.9	70.5	139.6	122.8
Percentage of shares traded	%	16.6	12.5	13.4	26.5	23.3
Market price per share						
– close at year-end	cents	2 380	2 285	2 055	1 894	1 833
– high for the year	cents	3 000	2 800	2 300	2 118	2 030
– low for the year	cents	2 038	1 980	1 619	1 770	1 459

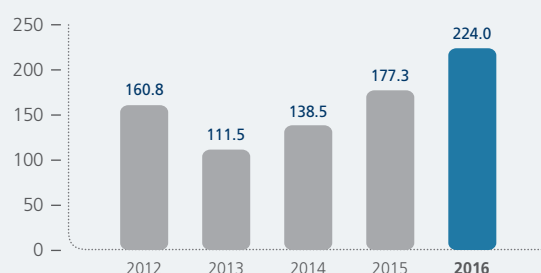
DEFINITIONS

Headline earnings	Net profit for the period adjusted for the after tax effect of capital items.
Return on shareholders' equity	Headline earnings expressed as a percentage of the average ordinary shareholders' equity for the period.
Return on capital employed	Headline earnings divided by average shareholders' equity plus non-current borrowings.
Return on total assets	Headline earnings expressed as a percentage of the average total assets for the period.
Headline earnings per share	Headline earnings divided by the weighted average number of shares in issue for the period.
Dividend cover	Headline earnings per share divided by the dividends per share which relate to those earnings.
Net asset value per share	Total value of net assets at period end, adjusted for directors' valuations of property, divided by the number of shares in issue at period end, held outside the Group.
Profit before tax and exceptional items (PBTAE)	Profit for the period, before tax and exceptional items. Exceptional items are determined by the remuneration committee. These are non-recurring items of an exceptional size and nature.
EBITDA	Profit for the period, before net interest, tax, depreciation and amortisation.
Market capitalisation	The price per share at period end multiplied by the number of shares in issue at period end.
Price earnings ratio	The price per share at period end divided by headline earnings per share.
Dividends per share	The interim dividend declared during the current financial period and the final dividend declared after period end, in respect of the current financial year.
Weighted average cost of capital (WACC)	WACC is the average after tax cost of the Group's debt funding, which includes non-current borrowings and current liabilities, and the Group's equity funding, with each source of funding included on a proportional basis.

Trading profit margin (%)



Headline earnings per share (cents)



Five-year review continued

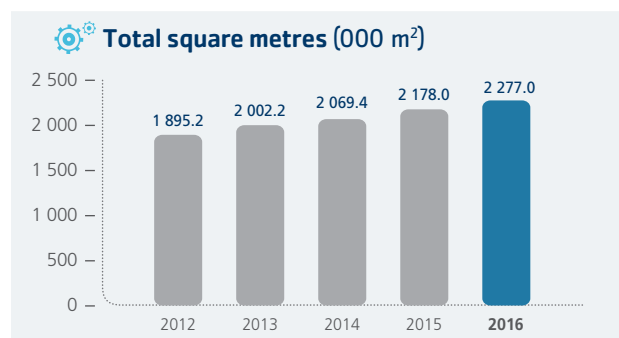
		2016 364 days	2015 364 days	2014 364 days	2013 368 days	2012 366 days
Pick n Pay Stores Limited						
HUMAN MEASURES*						
Developed a skilled workforce						
Number of employees	000	52.9	48.7	49.3	47.9	42.4
Permanent employee turnover	%	16.1	19.3	15.0	16.0	15.0
Employment equity**						
Top management	%	36.0	35.7	39.0	40.0	39.0
Senior management	%	66.0	64.4	61.0	60.0	60.0
Professionally qualified middle management	%	88.0	87.1	85.0	84.0	84.0
Skilled technical and junior management	%	96.0	95.2	95.0	95.0	95.0
Semi-skilled and discretionary decision-making	%	100.0	99.7	99.8	99.7	99.8
Unskilled and defined decision-making	%	100.0	99.4	99.6	99.6	99.6
SOCIAL AND ENVIRONMENTAL MEASURES*						
Carbon footprint#	CO ₂ e tonnes	656 765.05	613 934.7	588 509.2	591 985.5	607 156.1
Energy reductions	GWh	1 081.0	840.0	626.0	422.0	250.0
Decrease in CO ₂ e per square metre	%	(0.6)	(2.4)	(4.0)	^	^
Waste diverted from landfill	%	46.0	45.0	43.0	^	^
Water consumed	megalitres	1 249.0	1 316.0	1 133.0	1 085.0	^
Total CSI spend	Rm	41.5	44.6	36.0	40.9	51.5
Schools in Pick n Pay Schools Club		3 025	3 025	2 750	2 500	2 500
BBBEE Level#		Level 4	Level 4	Level 6	Level 6	Level 7
OPERATIONAL STATISTICS						
Number of stores						
<i>Group</i>		1 353	1 189	1 076	991	891
Pick n Pay – Owned		596	510	464	420	374
Pick n Pay – Franchise		549	490	433	421	388
Boxer – Owned		208	189	179	150	129
<i>Associate</i>						
TM Supermarkets		57	53	52	49	50
<i>Total with associate</i>		1 410	1 242	1 128	1 040	941
Total square metres	000 m ²	2 277.1	2 178.0	2 069.4	2 002.2	1 895.2
Owned	000 m ²	1 603.9	1 524.7	1 466.6	1 386.4	1 296.9
Franchise	000 m ²	673.2	653.3	602.8	615.8	598.3

* Information relates to Pick n Pay owned stores only

** These measures represent the participation of employment equity candidates, as governed by the Employment Equity Act, No 55 of 1998, in the presented categories

^ Not measured at that time

Independently assured

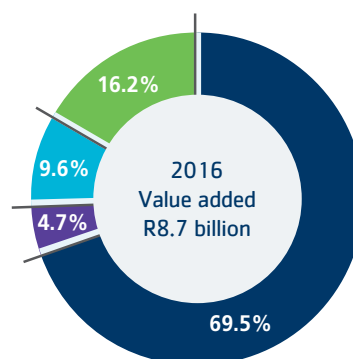


VALUE ADDED STATEMENT

	52 weeks 28 February 2016 Rm	%	52 weeks* 1 March 2015 Rm	%
Turnover	72 445.1		66 940.8	
Amounts paid for merchandise and expenses	(63 787.8)		(58 977.9)	
Finance income	60.9		59.4	
Total value created	8 718.2	100.0	8 022.3	100.0
Distributed as follows:				
Employees				
Salaries, wages and other benefits	6 060.6	69.5	5 672.9	70.7
To providers of capital	832.7	9.6	736.5	9.2
Dividends paid to shareholders	589.5	6.8	461.8	5.7
Share purchases	126.2	1.4	155.7	1.9
Finance costs	117.0	1.4	119.0	1.6
Government				
Taxation expense	408.1	4.7	343.5	4.3
Retained for growth	1 416.8	16.2	1 269.4	15.8
Depreciation and amortisation	940.9	10.8	869.5	10.8
Profit for the period after distributions to shareholders	475.9	5.4	399.9	5.0
Total value distributed	8 718.2	100.0	8 022.3	100.0

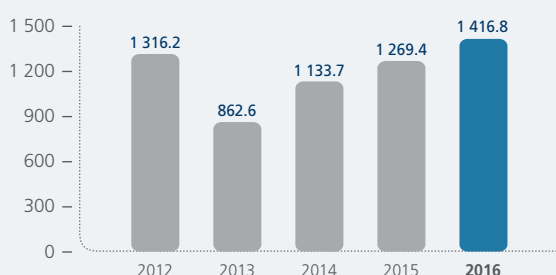
*The 2016 financial statements include certain reclassifications and restatements of comparative figures. These had no impact on reported earnings for the current or prior period. Please refer to note 30 of our 2016 annual financial statements available on our website, www.picknpayinvestor.co.za.

We have created financial value of R8.6 billion during the 2016 financial period. The value added statement illustrates how we have distributed this value to our stakeholders.

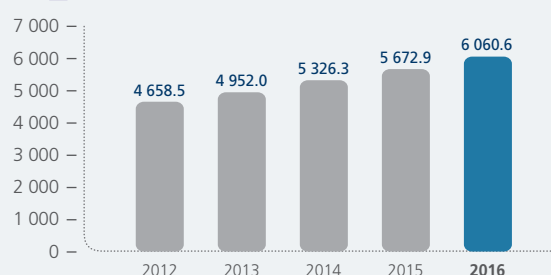


- Salaries, wages and other benefits
- Taxation expense
- To providers of capital
- Retained for growth

Retained for growth (Rm)



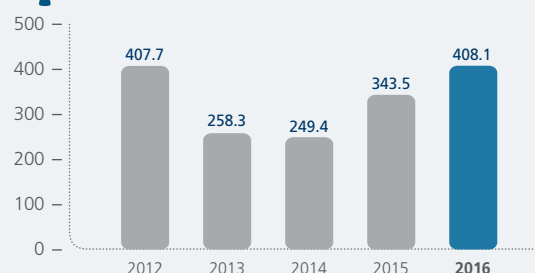
Employee costs (Rm)



Providers of capital (Rm)



Government taxes (Rm)



Our governance

INTRODUCTION

The Board and the Pick n Pay Stores Group are committed to upholding the highest standards of ethics, transparency and good corporate governance, while pursuing sustainable and profitable growth. The Board is ultimately accountable for the ethical leadership, sustainability and good corporate citizenship of the Group, and is assisted in this regard by senior management. The Group's commitment to good corporate governance permeates every aspect of the management structure.

The Board takes overall responsibility for the performance of the Group, ensuring that it is managed in a transparent, equitable and responsible manner. Members of the Board operate as a resource for executives in directing, finalising and overseeing the implementation of the Group's strategy and policy.

With the aim of achieving a balanced economic, social and environmental performance, the Board supports efforts to ensure the long-term sustainability of the business. Legitimate stakeholder involvement is kept in mind at all times. The Board fully supports the materiality approach, which emphasises integrated reporting based on issues and elements that can have a material impact on the sustainable performance of the business over the short, medium and long term.

The Board is supported by the audit and risk, corporate finance, corporate governance, nominations, remuneration and social and ethics committees to carry out its oversight role of ensuring that implementation of the Group's strategy is managed in a manner that is consistent with the values of the Group. These committees report to the Board on their activities in line with their delegated powers and authority, as set out in the corporate governance charter.

The Board believes that the Group has applied all significant governance principles and is compliant with all significant Listings Requirements of the JSE. The Group has not breached any regulatory requirements and has complied with statutory obligations.

The governance result on the governance assessment instrument (GAI) scale remains AA, as a result of our ownership structure, where AAA is the highest measure. GAI is an independent measurement instrument of corporate governance best practice, endorsed by the Institute of Directors of Southern Africa.

The Group has made progress in identifying and managing significant risks that could have a material impact on the business. Key risk metrics and measures have been developed with risk indicators clearly defined, as illustrated in our strategic focus section on pages 19 to 29.

APPLICATION OF KING III PRINCIPLES

A full review of the application to the King III Code is available on our website at www.picknpayinvestor.co.za. The draft King IV Code has been reviewed to ensure that the Group's adherence to the principles and best practice benchmarks of corporate governance will remain current. The principles and recommendations of King III that are applied differently by the Board are set out on page 63 below, along with explanations.

Our governance continued

The table below explains the King III's recommendations that are differently applied by the Board.

Chapter and principle	Comments for 2016
Chapter 2 – Board and directors	
Principle 2.16 The Board should elect a Chairman of the Board who is an independent non-executive director.	King III acknowledges that there may be sound reasons for a company to appoint a Chairman who does not meet all the criteria for independence, but requires such a company to justify this decision and to put further checks in place to ensure no real or perceived conflicts of interest arise. Chairman Gareth Ackerman is not independent by virtue of his indirect shareholding in the Group. Refer to pages 82 and 83. Perceptions of conflicts of interest may arise regarding his decisions relating to the Group and its shareholders. Hugh Herman has been appointed as Lead Independent Director (LID). See notes to the independence of Hugh Herman on page 65. The main function of the LID is to provide leadership and advice to the Board when the Chairman has a conflict of interest, without detracting from the authority of the Chairman. The LID provides an important point of contact for the broader investment and stakeholder community should they have concerns with the running of the Company or potential conflicts of interest. All members of the Board have unfettered access to the LID when required. In addition to the role of the LID, and to ensure good governance, the chairmanship of four of the six Board committees is held by other independent directors. Consistent with the King III guidelines, Gareth Ackerman: ■ Is not a member of the audit and risk committee; ■ Does not chair the remuneration committee, but is a member; and ■ Is not a member of the social and ethics committee.
Principle 2.22 The evaluation of the Board, its committees and the individual directors should be performed every year.	Individual performance evaluations of directors as well as of the effectiveness of the Board are undertaken annually by the Chairman of the Board. The evaluation of the effectiveness of the Board's committees is undertaken regularly, but not necessarily annually. The results allow the Board to determine whether or not it has delivered on its mandate. It also measures, and where possible, enhances, the Board's overall efficiency and each director's individual contribution to the Board. If improvements are indicated, the necessary measures are implemented.
Chapter 3 – Audit committees	
Principle 3.5 The audit committee should ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities.	The Board and audit and risk committee continue to develop and implement a comprehensive combined assurance approach to ensure the integrity of the financial and non-financial data contained within the report.
Chapter 9 – Integrated reporting and disclosure	
Principle 9.3 Sustainability reporting and disclosures should be independently assured.	The Board and audit and risk committee continue to develop and implement a comprehensive combined assurance approach to ensure the integrity of the sustainability reporting.

Our governance continued

BOARD GOVERNANCE

Board function

Directors are encouraged to promote rigorous debate with the aim of promoting active direction, governance and effective control of the Group. Decisions are usually made by consensus. Our policies ensure that there is a clear balance of power and authority at Board level, ensuring that no one director has unfettered powers of decision-making. All Board members, including those who are not independent, are well aware of corporate governance requirements, and are conscious of their obligation to act with integrity as representatives of all stakeholders in the Group.

The Board process is managed by the Group Company Secretary supported by the risk, legal, compliance and governance functions. The Board meets on a quarterly basis in line with the financial and strategic processes of the Group. The Board engages on a quarterly basis with management to examine progress made in the implementation of the Group's strategic objectives.

The Board annually performs a formal review of the Group's ability to continue trading as a going concern in the foreseeable future. The Board has performed this review for the 2016 financial period and confirms the Group's going-concern status.

Board composition

The Board consisted of thirteen directors during the full 2016 financial year. Of the eight non-executive directors, five were independent. The remaining five directors were executive. As the Chairman was not independent, Hugh Herman was appointed as LID (see note to King III principle 2.16 on page 63). In addition, see note as to the independence of Hugh Herman on page 65.

Full curricula vitae of all directors are set out in the 2016 corporate governance report available on our website at www.picknpayinvestor.co.za.

The non-executive directors are diverse in their academic qualifications and business experience, resulting in a balanced Board, with directors who exercise leadership, enterprise, integrity and judgement in directing the business of the Group, so that it can thrive.

Changes to Board composition in the 2017 financial year

As from 1 March 2016, David Friedland was considered to be an independent non-executive director as more than three years had elapsed since his retirement from the Group's previous external auditor, KPMG. David Friedland's independence as a director is reaffirmed by the fact that Ernst & Young Inc. is the Group's current external auditor.

Ben van der Ross and John Gildersleeve retired as independent non-executive directors on 27 July 2015 and 28 February 2016 respectively. The Chairman, on behalf of the Board, extended his thanks and gratitude to both directors for the valuable perspective to retail that they brought to the deliberations of the Board. The Board wished them well in their future endeavours.

Controlling shareholder representation on the Board

Gareth Ackerman, Suzanne Ackerman-Berman, Jonathan Ackerman and David Robins were nominated as representatives of the controlling shareholder, and were elected by shareholders to the

Board. Between them they have 66 years' executive experience in the Group. Suzanne Ackerman-Berman and Jonathan Ackerman are executive directors, while David Robins was executive for 14 years and has been a non-executive director since 2008. The Chairman, Gareth Ackerman, has been with the Group for 32 years, the last 17 years (other than an 11-month period during the 2013 financial year) in a non-executive capacity. Their experience, as well as their strategic overview, assists the Group in making long-term decisions for the benefit of all stakeholders in the Group.

Executive representation on the Board

The executive function of the Group is performed by Richard Brasher (CEO), Richard van Rensburg (deputy CEO) and Bakar Jakoet (CFO), who are all executive directors on the Board.

Annual assessment of independence

The Board corporate governance charter requires that an annual assessment of the independence of long-serving directors be performed by considering the following:

- The directors' involvement with other companies;
- External directorships;
- Relationships with material suppliers and rival companies; and
- Material contracts with the Group, if any.

The annual internal assessment of the Board was conducted as follows: An internal assessment of the independence of non-executive directors was undertaken by the Chairman, who conducted individual interviews. Findings were presented to each non-executive director for them to either confirm, or to revert with further evidence supporting their independence. If required, the Company Secretary would solicit external legal opinion regarding the status of a non-executive director. Following this assessment, the Chairman made a recommendation to the Board as to independence. The Board interrogated the recommendations before a final decision was made.

All directors submit a list of their directorships and commercial interests to the Company Secretary, which are regularly updated, and distributed quarterly to the Board. Transparency of commercial interests ensures that directors can be seen to be free from any business or other relationship that may interfere materially with any director's capacity to act in an independent manner.

Length of service

The Board has found that length of service does not automatically preclude a director from exercising independence in decision-making. It is our experience that our longer-serving non-executive directors are aware of, and vigorously exercise, their duty to act in the best interests of all stakeholders of the Group. All our non-executive directors are independent, tough-minded individuals of integrity, who are successful and experienced professionals in their respective fields. They strive to act with independence of mind in the best interests of Pick n Pay. They have no interest, position, association or relationship which is likely to unduly influence or cause bias in decision-making in relation to the Group.

The Group values the balance achieved between the fresh insights from new directors and the experience of the longer-serving directors.

Our governance continued

Conclusion as to independence

All Pick n Pay's independent non-executive directors met the criteria for independence as established by King III, the Companies Act and the JSE Listings Requirements. The Chairman and the Board are satisfied that, despite Hugh Herman's long-running relationship with the Group, his contribution remains unbiased, objective and vigorous.

In order to ensure that shareholder perceptions are aligned with the Board's view of the independence of long-serving directors, all non-executive directors who have served on the Board for more than nine years serve one-year terms of office, instead of the standard three-year term. At the end of each term, the director and the Chairman jointly evaluate the director's contribution and independence. By mutual consent the director may be considered for re-election. If so agreed, such director will be put forward for election by shareholders at the Company's annual general meeting for a further period of one year.

Board committees

The Board committees report back to the Board on how they carried out their responsibilities. The corporate governance charter governing the committees is assessed annually to ensure that the mandates remain current and effective. Our full corporate governance charter is available on the investor relations section of our website, www.picknpayinvestor.co.za. Each committee reviews its effectiveness by way of a review of their activities against the approved terms of reference. The chairman of each committee reports back to the Board on the assessment.

Company Secretary

The Board is aware of the duties the Company Secretary is required to perform and has created an environment in which the Company Secretary is able to ensure full adherence to Board procedures and relevant regulations. The Company Secretary is not a director of the Company, and the directors have unlimited access to the advice and services of the Company Secretary.

Annual consideration is given by the Board to the competence, qualification and experience of the Company Secretary. The Board is satisfied that the Company Secretary meets the necessary requirements. The Company Secretary's qualifications are outlined on page 69. The Board is satisfied that the Company Secretary has maintained an arm's-length relationship with the Board. The Company Secretary acts as secretary for all Board committees other than the remuneration committee, where the CFO acts as secretary.

RISK GOVERNANCE

Risk governance and management are integral elements of the Group's governance framework. These elements aim to ensure business specific operational and strategic risks, emerging risks, as well as risks posed by the external environment, are adequately and timeously identified and mitigated. The Board confirms that the Group's risk management, mitigation and monitoring processes have been effective in limiting the impact of risks on the business during the period.

An enterprise-wide risk management approach, based on the King III principles, aims to ensure that all areas of the business are aligned with the Group's risk management philosophy and strategy.

The overall risk profile of the Group has not changed materially in the period under review. The material issues facing the Group together with mitigation strategies, are covered in the strategic focus section of the integrated annual report.

INFORMATION TECHNOLOGY (IT) GOVERNANCE

The Board takes responsibility for IT Governance. An IT governance function has been established within the IT division. IT governance is monitored by the audit and risk committee, which considers the efficiency of IT controls, policies and processes.

OPERATIONAL GOVERNANCE

There are well-entrenched governance structures within the Group to ensure proper assurance is given to strategic and operational matters, including:

- Property committee to manage real estate development
- Capital committee to manage capital expenditure
- Treasury committee to manage the debt structures and cash flow

The CEO is mandated to ensure that the day-to-day business affairs of the Group are appropriately managed by the Group executive committee and that the necessary systems and controls are in place for the effective risk management of the Group.

The Board recognises that risk management is an integral part of the Group strategy and delegates to management the responsibility of designing, implementing and monitoring the risk management plan. The Group combined assurance model is interrogated by the audit and risk committee, and is tabled bi-annually to ensure that the Board is comfortable with the level and type of assurance that the Group obtains.

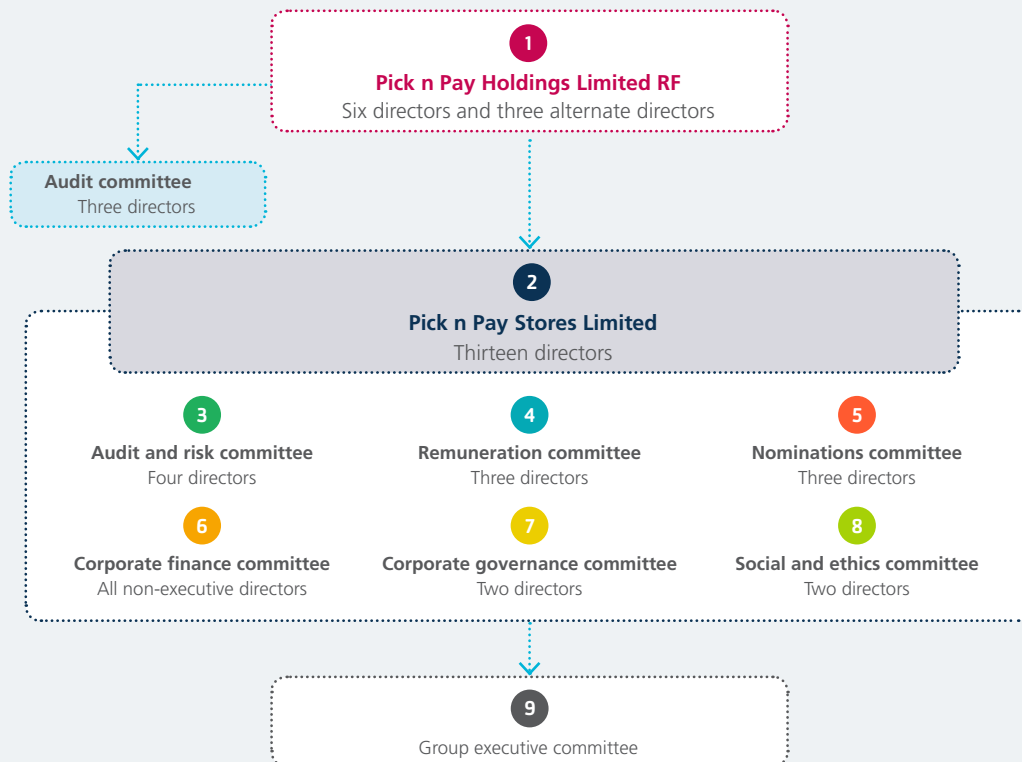
Compliance with statutory, legislative and regulatory requirements is managed through an integrated compliance framework. The compliance monitoring plan is approved on an annual basis. The plan provides independent objective assurance that material legislation applicable to the business has been monitored and ensures that processes and compliance controls are in place to manage compliance risk.

Our governance continued

GOVERNANCE STRUCTURE AND BOARD COMMITTEES

The Board provides direction and strategy, and gives effect to strategy by approving policy, and by putting in place the committee structure through which the Company's policy is implemented. The committees operate within Board mandates, ensuring that strategy is implemented throughout the operations of the Group. Progress is reported regularly to allow the Board oversight over implementation of the strategy.

The diagram below is a summary of the governance structure of the Group:



1 Refer to the Board of directors on pages 68 and 69.

2 Refer to the Board of directors on page 86.

Committee	Role	
3 Audit and risk committee	The focus of the Group's risk management is to ensure that an appropriate balance between risk and reward is maintained while protecting all stakeholders against avoidable risks, and mitigating the impact of unavoidable risks.	www
4 Remuneration committee	Assists the Board in meeting its responsibility for setting and administering appropriate remuneration policies which are in the best long-term interests of the Group, and are aligned with the Group's long-term strategic objectives.	www
5 Nominations committee	Responsible for identifying and evaluating suitable candidates for possible appointment to the Board to ensure that the Board is balanced and able to fulfil its functions.	www
6 Corporate finance committee	Assists the Board in assessing investment opportunities for the Group.	www
7 Corporate governance committee	Reviews and evaluates the governance practices and structures of the Group, and recommends any changes to the Board for a decision.	www
8 Social and ethics committee	Aims to ensure that high ethical standards are applied in all areas of the business, and reviews and approves the policy, strategy and structure for managing social issues.	www
9 Group executive committee	Manages the day-to-day business affairs of the various divisions of the Group. Consists of Richard Brasher, Richard van Rensburg and Bakar Jakoet.	www

Our governance continued

DIRECTORS' ATTENDANCE AT BOARD MEETINGS AND COMMITTEE MEETINGS

The Board convenes a minimum of four times per year for formal meetings, with additional meetings scheduled when necessary. The table below details each director's Board meeting attendance during the past annual financial period:

Directors' Board and committee attendance for the financial year ended 28 February 2016

Director	Board and AGM	Audit and risk committee	Remuneration committee	Corporate finance committee	Social and ethics committee
Gareth Ackerman (Chairman)	5/5		3/3		
Richard Brasher (CEO)	4/5			2/4	
Richard van Rensburg (deputy CEO)	5/5			3/4	
Bakar Jakoet (CFO)	5/5			4/4	
Suzanne Ackerman-Berman	5/5				4/4
Jonathan Ackerman	5/5				
Hugh Herman (LID)	5/5	2/2	2/3		
Jeff van Rooyen	5/5	2/2			
Lorato Phalatse	5/5			4/4	4/4
David Robins	5/5				
John Gildersleeve*	3/5		1/3	2/4	
Audrey Mothupi	5/5	2/2		4/4	
David Friedland	5/5			4/4	
Ben van der Ross**			1/1		

* John Gildersleeve retired as a director of Pick n Pay Stores Limited on 28 February 2016.

** Ben van der Ross retired as a director of Pick n Pay Stores Limited on 27 July 2015.

The role and responsibility of each Board committee is set out in the corporate governance charter, which is reviewed on an annual basis and approved by the Board. The full terms of reference of each committee can be found on our website at www.picknpayinvestor.co.za.

In line with the delegated powers and authorities, the committees report to the Board on how they carried out their responsibilities. All committees reviewed their responsibilities and were satisfied that they had carried these out during the year.

Board of directors

Pick n Pay Stores Limited has a strong, experienced and diverse Board with a good balance of skills. Each director makes a valuable contribution relevant to their individual field of expertise, whether retail, finance, law, strategy or information technology.

Executive directors



Chairman
Gareth Ackerman R N



Chief Executive Officer
Richard Brasher



Deputy Chief Finance Officer
Richard van Rensburg



Chief Finance Officer
Aboubakar (Bakar) Jakoet



Suzanne Ackerman-Berman SE



Jonathan Ackerman



David Friedland N CF



David Robins

Non-executive directors



Audrey Mothupi AR CF



Ben van der Ross AR R N CF
* Retired



Hugh Herman AR R CF



Jeff van Rooyen AR CF CG

Independent non-executive directors



John Gildersleeve R
* Retired



Lorato Phalatse N CF SE

Company Secretary



Debra Muller SE

- AR Member of the audit and risk committee
- R Member of the remuneration committee
- N Member of the nominations committee
- CF Member of the corporate finance committee
- CG Member of the corporate governance committee
- SE Member of the social and ethics committee

Chairman

Gareth Ackerman (58)
BSocSci, CMS (Oxon)
Chairman
 Corporate governance committee
 and nominations committee
 chairman
Appointed 1990
Other listed company
directorships: Pick n Pay Holdings
 Limited RF

Executive directors

Richard Brasher (54)
Bsc (Hons)
Chief Executive Officer
Appointed 2013
Years of service: 3

Richard van Rensburg (54)
CA(SA)
Deputy Chief Executive Officer
Appointed 2009
Years of service: 7

Aboubakar (Bakar) Jakoet (59)
CA(SA)
Chief Finance Officer
Appointed 2011
Years of service: 30

Suzanne Ackerman-Berman (53)

*BA, Fellow: Aspen Business Institute;
 First Movers*

Social and ethics committee
chairman

Appointed 2010

Years of service: 21

Other listed company
directorships: Alternate director of
 Pick n Pay Holdings Limited RF

Jonathan Ackerman (48)

BA Marketing

Appointed 2010

Years of service: 23

Other listed company
directorships: Alternate director of
 Pick n Pay Holdings Limited RF

Non-executive directors

David Friedland (62)

CA(SA)

Appointed 2013

Other listed company
directorships: Investec Limited,
 Investec plc, The Foschini Group
 Limited

David Friedland became an
 independent non-executive director of
 Pick n Pay Stores Limited on
 28 February 2016.

David Robins (62)

BBusSci

Appointed 2002

Other listed company
directorships: Alternate director of
 Pick n Pay Holdings Limited RF.

Independent non-executive directors

Audrey Mothupi (45)

BA (Hons)

Appointed 2013

Ben van der Ross (68)

Attorney

Appointed 2000

Retired from the Board on
 27 July 2015.

Hugh Herman (75)

Attorney

Lead independent non-executive
director

Remuneration committee chairman

Appointed 1976

Other listed company
directorships: Growthpoint Properties
 Limited, Pick n Pay Holdings Limited RF

Jeff van Rooyen (66)

BCom (SA), Hons BCompt SA, CA(SA)

Audit committee chairman

Appointed 2007

Other listed company
directorships: MTN Group Limited,
 Exxaro Resources Limited, Pick n Pay
 Holdings Limited RF

John Gildersleeve (70)

Appointed 2013

Retired from the Board on
 28 February 2016.

Lorato Phalatse (55)

BA (Hons), MA

Appointed 2010

Other listed company
directorships: The Bidvest Group,
 Bid Corporation Limited

Company Secretary

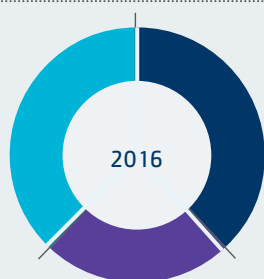
Debra Muller (54)

Attorney

Appointed 2010

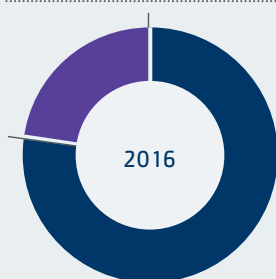
Years of service: 10

Director classification



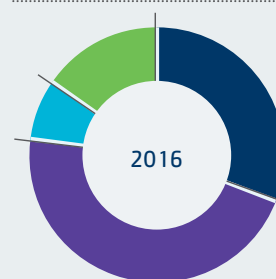
- 38% Executive
- 24% Non-executive
- 38% Independent non-executive

Gender diversity



- 77% Male
- 23% Female

Director tenure



- 4 < 5 years
- 6 < 5 - 10 years
- 1 < 10 - 15 years
- 2 < 15 years



Refer to our website, www.picknpayinvestor.co.za, for the full curricula vitae of all members of the Board

Remuneration report

Introduction

For ease of navigation, this report is divided into two sections:

Section 1 – Remuneration philosophy and supporting policies, including:

- Alignment with strategic objectives
- Role and mandate of remuneration committee
- Remuneration structure
 - Executive directors and employees
 - Non-executive directors

Section 2 – Implementation of remuneration policies during the 2016 financial year, including:

- Work performed and decisions taken by remuneration committee
- Payments, accruals and awards to executive directors
- Payments, accruals and awards to non-executive directors
- Directors' interests in shares

Section 1 – Remuneration philosophy and supporting policies



ALIGNMENT WITH STRATEGIC OBJECTIVES

The Group's remuneration philosophy is aimed at attracting, retaining and motivating employees and executives, while aligning their remuneration with shareholder interests and best practice.

Pick n Pay is managed on a balanced scorecard approach, led by the Pick n Pay steering wheel. The steering wheel acknowledges the five key performance areas of our business which have a material impact on our stakeholders and ultimately our performance. One of these key performance areas is "People" recognising the integral role that the Pick n Pay team plays in achieving long-term strategic objectives. Please see page 18 for more information.

The Group remuneration philosophy reflects the principles of the "People" section of the Pick n Pay steering wheel:

- **Meritocracy** – people will be recognised and advanced based on merit.
- **Most talented SA retail business** – we will attract, retain and develop the most talented retail team in the industry.
- **Effective lean organisation structure** – we will create and reward a culture of productivity and efficiency.
- **Diversity in the workplace** – we will ensure Pick n Pay offers equal opportunities to people from all walks of life.

We reward employees for their individual contribution to the Group's strategic, operating and financial performance. We ensure that underlying remuneration policies support the development and retention of top talent, while attracting critical skill and experience in the retail industry.

The remuneration philosophy is supported by the following underlying policies:

- Remuneration at all levels is benchmarked against the remuneration policies and practices of comparable companies to ensure that it is fair and just, and paying above the comparable mean for key or scarce skill.
- Remuneration is balanced between fixed remuneration and variable short-term and long-term incentives – applying a higher proportion of variable pay to senior management in order to drive performance, and a greater emphasis on fixed pay for middle and junior management.
- Paying for performance and capability – with top performers earning in the upper quartile of the benchmark.
- Ensuring compliance with all legislation within the Employment Equity Act and Basic Conditions of Employment Act.
- Non-executive directors do not receive remuneration or incentive awards related to share price or corporate performance.

By the close of the 2015 financial year, Pick n Pay had substantially completed Stage 1 of its strategic long-term recovery plan – stabilising the business. In 2016 the Group entered Stage 2 of its plan – to change the trajectory of Pick n Pay. While governed by the Pick n Pay steering wheel, Stage 2 of the strategic long-term recovery plan is organised around seven business acceleration pillars. These pillars represent the seven key growth areas or opportunities for Pick n Pay. The plan is focused, detailed and provides the senior management team with clear objectives and lines of accountability and responsibility. One of the business acceleration pillars focuses on building a winning team. We delivered a number of achievements under this pillar in 2016 and going forward we will focus on effective performance management, core skills training, improved customer service, and more diversity. Please refer to page 25 of our Strategic Focus section for more detail.

The Group remuneration philosophy and underlying policies are aligned with the long-term strategic objectives of the Group, as set out in Stage 2 of the long-term turnaround plan. Short-term and long-term incentives are linked to the achievement of key performance indicators, and will contribute to building a winning team and building long-term, sustainable value creation in the business.

ROLE AND MANDATE OF REMUNERATION COMMITTEE

The remuneration committee assists the Board in meeting its responsibility for setting and administering appropriate remuneration policies which are in the best long-term interests of the Group, and are aligned with the Group's long-term strategic objectives. The committee considers and recommends remuneration policies for all levels of staff in the Group, with a particular focus on executive directors, senior management and non-executive directors. The remuneration committee meets at least twice a year, is chaired by an independent non-executive director and comprises only non-executive directors. The committee operates in terms of a Board-approved charter, which is reviewed annually at the Board meeting in April.

The composition of the remuneration committee and meeting attendance is as follows:

Director	Attendance	Objectives and activities 2016
Hugh Herman (Chairman)	2/3	- Reviewed the Group's remuneration philosophy and policies to ensure alignment with the strategic objectives of the Group. - Reviewed the Group's remuneration philosophy and policies to ensure alignment with best practice in the market. - Determined the remuneration packages of executive directors and reviewed the remuneration packages of senior management and key employees. - Proposed fees for non-executive directors, subject to shareholder approval. - Reviewed and approved performance-related short-term incentives as well as long-term share-based incentives, including issues under the Group's forfeitable share plan (FSP) aimed at senior management.
Gareth Ackerman	3/3	
John Gildersleeve*	1/3	
Ben van der Ross**	1/1	

* Retired 28 February 2016.

** Retired 27 July 2015.

Audrey Mothupi and Jeff van Rooyen were appointed to the remuneration committee in March 2016, to replace John Gildersleeve and Ben van der Ross who retired during the year.

REMUNERATION STRUCTURE

Executive directors and employees

The Group structures its remuneration across three broad categories:

- Fixed-base salary and benefits
- Short-term variable incentives
- Long-term variable incentives

A balanced mix of fixed-base salary and benefits and short-term and long-term variable incentives is intended to meet the following key objectives:

- To ensure employees are fairly rewarded for services rendered
- To recognise and reward outstanding individual performance
- To incentivise employees to meet short-term and long-term strategic objectives
- To encourage employees to grow and stay with the Group over the long term

Fixed-base salary and benefits

Employees		Fixed benefits						
Grades	Category	Fixed-base salary	13th cheque	Retirement funding	Medical aid	Car benefit	Low-interest loans	Leave
A & B	Senior management	✓	—	✓	✓	✓	✓	✓
C & D	Middle management	✓	✓	✓	✓	✓	✓	✓
E & F	Junior management	✓	✓	✓	✓	—	✓	✓
G	Entry level, clerical and administration	✓	✓	✓	✓	—	✓	✓
NMBU ¹	Permanent staff with non-management bargaining unit	✓	✓	✓	✓	—	✓	✓

¹ Non-management bargaining unit.

Remuneration report continued

Fixed-base salary

Remuneration reflects the relative skill, experience, contribution and performance of the individual. Base salary is set at levels that are competitive with the rest of the market so that the Group can attract, motivate and retain the right calibre of people to achieve the Group's strategic business objectives. Remuneration is directly related to annual performance assessments, which are undertaken in April each year. Annual increases in base salary are determined with reference to the scope of the employee's role, the competence and performance of the employee, the projected consumer price index and comparable increases in the general and retail market.

13th cheque

Paid to qualifying employees in November each year. Variable-time employees³ participate based on the average number of hours worked in a month. Employees must have been in the employ of the Group for at least three months to be eligible. The 13th cheque encourages short-term retention.

Retirement funding

It is a condition of employment that all employees participate in a retirement fund. All employees, including variable-time employees³, are required to join one of the retirement funds provided by the Group when commencing employment.

The Group contributes between 8.0% and 16.5% of salary expenditure towards retirement funding, depending on the fund and the terms and conditions of employment.

Medical aid

Medical aid provisions are in place for all full-time¹, part-time² and variable-time employees³. The Group provides a number of medical aid schemes and membership is compulsory for all Pick n Pay employees on G-grade and above, unless they are covered by a third-party medical aid. Membership of the medical aids provided is optional for NMBU⁴ employees. Pick n Pay contributes 50% of the medical aid contributions to approved Group schemes on behalf of employees.

The Group is committed to furthering the economic empowerment and wellbeing of its employees and as such, the provision of retirement and medical benefits to staff is a key part of the remuneration policy.

Car benefit

Employees from D level and above are entitled to a car benefit. Depending on the requirements of their role, it may be in the form of a travel allowance or a company car, including maintenance, fuel and insurance.

Low-interest loans

All employees have access to low-interest loans from the Group. The primary objective of this benefit is to assist our employees with the acquisition of residential property. Loan values are capped at varying amounts, depending on the employee's position in the Group. Affordability tests are performed before any loan is granted, to ensure the employee does not experience financial strain. All housing loans are secured against the employee's retirement funding. No financial assistance is provided for the purpose of assisting employees to buy shares in the Group. For further details please refer to note 15 of the audited Group annual financial statements where employee loans are disclosed.

Leave

Annual leave accumulates from the date of starting employment for all employees and varies between three and four weeks per annum depending on the terms, conditions and length of employment. Variable-time employees³ accumulate leave based on ordinary hours worked. The Group recognises long service with an additional allocation of leave, depending on the terms and conditions of employment, at five-year intervals. The Group also provides family responsibility and religious leave, where applicable.

Variable short-term and long-term incentives

		Short-term	Long-term				
Employees		Incentive bonus	Share options				Forfeitable shares
Grades	Category		Service	Status	Performance	Retention and binary	
A & B	Senior management	✓	✓	✓	✓	✓	✓
C & D	Middle management	✓	✓	✓	✓	✓	—
E & F	Junior management	—	✓	✓	—	—	—
G	Entry level, clerical and administration	—	✓	—	—	—	—
NMBU ⁴	Permanent staff with non-management bargaining unit	—	✓	—	—	—	—

¹ Full-time employees have a fixed contract with the Group, and work either 40 or 45 hours per week.

² Part-time employees have a fixed contract with the Group, and work a maximum of 25 hours per week.

³ Variable-time employees have a variable contract with the Group, which guarantees either 85 hours per month, or a maximum of 40 hours per week.

⁴ Non management bargaining unit.

Short-term incentive bonus

The short-term incentive bonus is discretionary and is linked to the achievement of targets linked to profit before tax and exceptional items (PBTAE), as set by the remuneration committee. Please refer to the five-year review of the integrated annual report for further detail on the calculation of PBTAE. The bonus pool is self-funding and is created after achieving pre-defined targets, inclusive of the value of the incentive. The bonus pool increases in value as threshold, target or stretch targets are attained. Bonuses are paid as a multiple of basic monthly salary and each individual's share of the bonus pool will depend on the target reached and their own individual performance, as measured through the Group's annual performance appraisal process. Bonuses are capped at a multiple of two times annual basic salary. All bonuses paid are subject to approval by the remuneration committee and no bonuses are paid if the threshold target is not met. The bonus paid to grade C and D employees is reduced by the value of the fixed 13th cheque they received in November.

Other, more frequent, incentive bonuses are paid to qualifying staff at store level, including store and butchery managers. These incentives are linked directly to short-term store performance targets such as turnover, stockholdings, and shrink.

Variable long-term incentives

It is Group policy to maintain a broad share option scheme for all employees. All employees, at all grades, are rewarded with share options for both long service and performance. This is an integral part of our remuneration philosophy and ensures that all employees (not only at senior levels) are recognised and that their interests are aligned with those of our shareholders. It gives all our employees the opportunity to acquire shares in the Group, affording them the opportunity for economic upliftment, and encourages employee retention. It is a key differentiator for us against other retail employers in South Africa.

The Group operates two share incentive schemes for the benefit of its employees:

- the 1997 Employee Share Option Scheme; and
- the forfeitable share plan (FSP).

Funding of share plans and dilution

The directors have received approval to utilise up to 63 892 444 shares of the issued share capital of Pick n Pay Stores Limited and 92 268 589 shares of the issued share capital of Pick n Pay Holdings Limited RF for the purpose of managing the Group's share schemes.

Both the Group's share schemes fall within the limits detailed above, which means the aggregate of instruments awarded under both schemes cannot exceed the authorised limits.

The two share schemes are further constrained by an aggregate limit of 5% of issued share capital, of both Pick n Pay Stores Limited and Pick n Pay Holdings Limited RF, in respect of the amount of new shares that can be issued to cover obligations under the employee share schemes. The Group has done so three times in the past:

- an issue of 2.7 million Pick n Pay Stores Limited shares or 0.6% of issued share capital in the 2005 financial year to meet specific share option obligations;
- the debut allocation of shares under the FSP, in the 2015 financial year, was funded by the issue of 6.9 million Pick n Pay Stores Limited shares, or 1.4% of issued share capital; and
- the second allocation of shares under the FSP, in the 2016 financial year, was funded by the issue of 1.1 million of Pick n Pay Stores Limited shares, or 0.2% of issued share capital.

Please refer to note 5 of the audited Group annual financial statements for further details of the outstanding options and limits available under the schemes.

1. The 1997 Employee Share Option Scheme

The Group operates the 1997 Employee Share Option Scheme (the scheme) in order to facilitate broad employee share ownership, foster trust and loyalty among employees and reward performance. The scheme incentivises management and employees by providing them with an opportunity to acquire shares in the Group, thereby aligning interests with shareholders and encouraging employee retention. Furthermore, binary shares incentivise senior management to achieve specified performance targets.

Pick n Pay Holdings Limited RF share options (PWK)

During the 2016 financial year, 1.2 million PWK share options were granted to employees in respect of long service. At year-end, 16.1 million PWK share options were held by employees, amounting to 3.1% of shares in issue. Please refer to note 5 of the audited Group annual financial statements for further information.

Long-service share options – no conditions attached

Long-service share options are granted to all long-serving employees at all levels, including full-time¹, part-time² and variable-time³ employees. Share options are granted on each employee's five-year service anniversary, with further options granted every five years thereafter. No other service or performance conditions are attached – long-service share options may be taken up immediately on granting.

Remuneration report continued

Pick n Pay Stores Limited share options (PIK)

During the 2016 financial year, 2.4 million Pick n Pay Stores Limited (PIK) options were issued to management in respect of their progress and performance. At year-end, 30.6 million PIK share options were held by employees amounting to 6.3% of shares in issue. Please refer to note 5 of the audited Group annual financial statements for further information.

Status share options – service conditions attached

Status share options are granted to employees who attain grade F, and further options are granted at each promotion to higher levels of management. In order to encourage employee retention, status shares vest in three tranches (vesting periods) as follows:

- 40% after three years of service
- 30% after five years of service
- 30% after seven years of service

There are no other performance conditions attached to these share options. Vesting is only dependent on the employee remaining in the employ of the Group over the specified vesting period. If the employee leaves before the vesting period, unvested share options lapse.

Performance share options – service conditions attached

Employees on grades C and D may be eligible for performance “top-up” share options, in recognition of their individual performance and valuable contribution to the Group. These options vest in the same manner as status share options.

Retention share options – extended service conditions attached

These share options specifically encourage the retention of key individuals and have varying vesting periods that can be up to 10 years.

Binary share options – service and performance conditions attached

Binary share options are granted to employees on grades A and B. These three to five-year options may only be taken up when prescribed performance conditions linked to the growth of the PIK share price are met. If the conditions are not met, these options are automatically forfeited. Should further performance hurdles be achieved, discounted grant prices may apply.

a) *Binary share option issue to deputy CEO Richard van Rensburg*
In October 2011, 400 000 binary share options were issued to deputy CEO Richard van Rensburg. The binary share options were issued at a grant price of R36.55, under the following terms:

If the 20-day VWAP up to and including 23 May 2016 was R73.11 or greater, the options could be exercised at the full grant price of R36.55.

Should this 20-day VWAP be less than R73.11, then the options would lapse. Thereafter, if further performance hurdles are met, discounted grant prices would apply on exercise.

The salient features of the issue are summarised below:

Hurdles	Share price May 2016	Annual compound growth rate	Exercise price May 2016
Eligibility hurdle	R73.11	16%	R36.55
Performance hurdle 1	R93.07	23%	R18.28
Performance hurdle 2	R121.56	30%	R1.00

Note

The 20-day VWAP up to and including 23 May 2016 was R73.79, as such the eligibility hurdle has been met and these binary share options have vested. Richard van Rensburg is entitled to take-up these options at the grant price of R36.55.

b) *Binary share option issue to CEO Richard Brasher*

In November 2012, 1 000 000 binary share options were issued to Richard Brasher on his appointment as CEO. The binary share options were issued at a grant price of R42.24.

If the 20-day VWAP up to 14 November 2017 is R68.03 or greater, the options can be exercised at the full grant price of R42.24. Should this 20-day VWAP be less than R68.03, then the options will lapse. Thereafter, if performance hurdles are met, discounted grant prices will apply on exercise.

The salient features are summarised below:

Hurdles	Share price November 2017	Annual compound growth rate	Exercise price November 2017
Eligibility hurdle	R68.03	10%	R42.24
Performance hurdle 1	R84.96	15%	R21.12
Performance hurdle 2	R128.91	25%	R1.00

In addition to the terms above, if the 20-day VWAP up to 14 November 2017 is between R105.11 and R128.90 (representing an annual compound growth rate of 20% in the 20-day VWAP share price from grant date), a cash bonus of R10.6 million will be paid.

The future net realisable value of all outstanding share options

Pick n Pay Stores Limited share options						
			52 weeks 28 February 2016		52 weeks 1 March 2015	
			Number of options 000's	Net realisable value Rm	Number of options 000's	Net realisable value Rm
Outstanding share options may be taken during the following financial periods:						
Average grant price						
Year	2016 R	2015 R				
2016		31.38			17 710.2	379.7
2017	33.15	36.31	17 891.5	411.3	4 577.0	75.6
2018	40.89	40.67	5 479.5	83.6	5 386.4	65.4
2019	40.31	35.68	3 423.2	54.2	2 869.5	49.2
2020	46.83	45.72	1 574.8	14.7	2 234.8	15.8
2021 and thereafter	53.60	48.98	2 193.8	5.6	1 096.7	4.2
			30 562.8	569.4	33 874.6	589.9

The net realisable value of outstanding share options was calculated using the closing share price of R56.14 (2015: R52.82) less the average grant price. Binary share options include performance hurdles that, if met, trigger discounted grant prices. Please refer to page 75 of this report.

Pick n Pay Holdings Limited RF share options						
			52 weeks 28 February 2016	52 weeks 1 March 2015		
			Number of options 000's	Net realisable value Rm	Number of options 000's	Net realisable value Rm
Outstanding share options may be taken during the following financial periods:						
Average grant price						
Year	2016 R	2015 R				
2016		14.41			16 635.5	122.0
2017	16.40		16 136.2	124.6		
			16 136.2	124.6	16 635.5	122.0

The net realisable value of outstanding share options was calculated using the closing share price of R23.80 (2015: R22.85) less the average grant price.

Remuneration report continued

2. The forfeitable share plan (FSP)

The FSP recognises those key Pick n Pay employees who have a significant role to play in delivering Group strategy and ensuring the growth and sustainability of the business in the future. The award of shares under the FSP recognises the valuable contribution of qualifying employees, and through the attachment of performance conditions, incentivises these employees to deliver earnings growth in the future. An award of shares may also be used to attract talented prospective employees.

An important feature of the FSP is that before employees are eligible to participate, they must first meet their annual individual key performance indicators, as set out in the strategic long-term plan. If an employee does not meet his or her individual performance targets and therefore is not awarded a short-term incentive bonus, the employee will not be eligible to receive an award of forfeitable shares.

The participant becomes the beneficial owner of the forfeitable shares on the date of the award. Beneficial ownership affords the employee full shareholder voting rights and full rights to any dividends declared.

The shares are held by a Central Securities Depository Participant (CSDP) on behalf of the employee during the time of the vesting period and the employee will not be able to dispose of the shares before the vesting date. If the employee leaves the employ of the Group before the completion of the vesting period (other than on normal retirement, disability or death) all shares will be forfeited.

Forfeitable shares are performance shares. Shares awarded under the FSP will always have performance conditions attached. If the performance conditions are not met within the specified time period (the vesting period) the employee will forfeit the shares. The remuneration committee awards shares to participants. The actual number of shares awarded takes into account recognised market benchmarks, as well as each participant's individual performance, annual salary, employment grade and other relevant retention and attraction requirements. The performance conditions will be linked to the financial performance of the Group, with headline earnings per share (HEPS) the preferred performance measure. Performance conditions are applied on a rising scale, allowing for the vesting of an increasing number of shares, as earnings thresholds are met and exceeded.

To ensure the FSP is aligned with the best interests of the Group and its shareholders in mind, the performance conditions are subject to an overriding condition that Pick n Pay's return on capital employed (ROCE) must be greater than its weighted average cost of capital (WACC) over the vesting period, before any FSP shares are allowed to vest. This is to ensure that Pick n Pay has generated a real return for shareholders before rewarding its management team.

There have been two issuances under the FSP.

The debut FSP issuance took place in August 2014 and was funded through a fresh issue of 6.9 million PIK shares (1.4% of issued share capital). There have been some forfeits under the scheme, with 6.7 million shares now held in a CSDP on behalf of 145 participants.

The following performance conditions apply:

52 weeks to 2 March 2014 baseline HEPS cents	Three-year compound annual growth rate %	52 weeks to 26 February 2017 HEPS cents	Portion of shares which vest %	Number of shares which vest 000's	Net realisable value* Rm
138.51	<10%	<184.36	All forfeited	—	—
138.51	10%	184.36	30%	2 010.0	112.8
138.51	12%	194.60	65%	4 355.0	244.5
138.51	15%	210.66	100%	6 700.0	376.1

* The net realisable value of outstanding FSP shares was calculated using the closing share price of R56.14.

The Group delivered HEPS growth of 26.4% in 2016 to 224.04 cents per share, with cumulative HEPS growth over 2015 and 2016 of 27.2%. The strong growth in HEPS over the last few years has put the Group in a good position to deliver the first shares under the FSP.

The second FSP issuance took place in August 2015 and was funded in part through a fresh issue of 1.1 million PIK shares (0.2% of issued share capital). 1.2 million shares are held in a CSDP on behalf of 115 participants.

The following performance conditions apply:

52 weeks to 2 March 2015 baseline HEPS cents	Three-year compound annual growth rate %	52 weeks to 26 February 2017 HEPS cents	Portion of shares which vest %	Number of shares which vest 000's	Net realisable value* Rm
177.26	<10%	<194.99	All forfeited	—	—
177.26	10%	194.99	30%	366.9	20.6
177.26	11%	196.76	65%	794.9	44.6
177.26	12%	198.53	100%	1 223.0	68.7

* The net realisable value of outstanding FSP shares was calculated using the closing share price of R56.14.

Linear vesting applies, with increasing levels of shares vesting in line with increasing levels of growth delivered. It is important to note that all the growth thresholds detailed above are after recognising the applicable IFRS 2 expense, which is charged to the income statement over the vesting term of the forfeitable shares. The scheme is therefore self-funding.

The 2016 financial year includes a first time charge of R63.3 million in respect of the second FSP issuance. The shares will vest in August 2017 and August 2018 after the completion of prescribed three-year service periods. However, the three-year compound annual growth rate of HEPS (and thus the level of performance condition met) will be known at the time of the publication of the 2017 and 2018 annual financial results.

The Group delivered growth in headline earnings per share of 26.4% in the 2016 financial year, with a ROCE of 29.3% and a WACC of 11.9%. Please refer to the five-year review on pages 58 to 61 for detail on the calculation of both ROCE and WACC.

Regular annual awards will be made on a consistent basis to encourage long-term value creation, while always first considering the overall affordability of the plan for the Group and its benefit for shareholders.

Service contracts

Executive directors and senior management are employed in terms of the Group's standard contract of employment and are not employed under fixed-term contracts. Senior management (grades A and B) are required to give a reasonable notice period of their intention to terminate their services, which varies from one to 12 calendar months. The retirement age is 60 years, which applies to all employees. Employment contracts do not provide for any exceptional benefits or compensation on the termination of employment. Certain managers who are considered key in carrying out the Group's strategy are subject to contractual restraint of trade provisions and discretionary termination or restraint of trade payments may be made in this regard.

REMUNERATION STRUCTURE

Non-executive directors

In respect of non-executive directors, the remuneration committee proposes fees to be paid for the membership of the Board and Board committees. Such fees are market-related, commensurate with the time required for directors to undertake their duties, and must be approved by the Board and shareholders. Approved fees are set for the annual financial period. Fees are not subject to attendance at meetings as attendance at Board meetings is generally good.

Remuneration is not linked to the performance of the Group or the Group's share performance. Non-executive directors do not receive performance-related bonuses and are not granted forfeitable shares or share options. The fees for the 2016 financial period were approved by shareholders at the AGM held on 27 July 2015. The proposed fees for the 2017 financial period will be submitted to shareholders for approval at the AGM to be held on 25 July 2016.

When non-executive directors provide additional consultancy services to the Board and its committees, the related fees are determined and approved by the remuneration committee on an ad hoc basis, taking into account the nature and scope of the services rendered.

Section two – Implementation of remuneration policy during the 2016 financial year

1. WORK PERFORMED AND DECISIONS TAKEN BY REMUNERATION COMMITTEE

The main items considered and approved by the remuneration committee during the 2016 financial period were as follows:

a. *Executive director remuneration benchmarking, including a review of all benefits provided*

The remuneration committee reviewed the fixed remuneration paid to executive directors, including all benefits, to ensure alignment with the Group's strategic objectives and best practice in the market.

Remuneration paid is considered fair and competitive against market benchmarks and the role and performance of each individual executive director.

b. *Reviewing and setting the annual compensation for the CEO*

In setting Richard Brasher's annual base salary at R7.9 million, the remuneration committee considered his extensive experience in the retail industry, which spans almost 30 years, and the success he has had with developing the strategic long-term recovery plan for Pick n Pay and successfully steering the Group into Stage 2 of that plan.

Under Richard's stewardship, the business has delivered six consecutive reporting periods of strong profit growth and is in a stronger and more stable financial position than it was three years ago. The remuneration committee benchmarked Richard's base salary against similar-sized South African companies and his salary is considered fair in relation to the market, his expertise and his contribution to date.

c. *Annual increases in fixed remuneration for executive directors*

The increase in the base salary paid to executive directors of 7.9%, is against an average for the Group of 6.0% to 7.0%, excluding employees governed by a labour union agreement (NMBU). The average annual increase for NMBU employees was between 7.0% and 8.0%. Increases are determined after detailed performance reviews are undertaken in April each year. Annual increases are determined with reference to the scope of executives' roles, their performance against key performance indicators, as well as comparable increases in the general and retail market and the projected consumer price index.

Remuneration report continued

d. Determining an appropriate short-term incentive bonus, and the reasonable allocation thereof to executive directors and qualifying employees

The remuneration committee has a crucial role to play in ensuring that the Group's remuneration policy not only supports the Group's strategic goals, but also ensures that management is remunerated fairly and reasonably, in line with industry benchmarks and shareholder expectation.

The remuneration committee sets annual performance targets (threshold, target and stretch) that must be achieved before a short-term incentive bonus will be payable. The targets are based on profit before tax and exceptional items (PBTA), which is inclusive of the cost of the short-term incentive.

The Group delivered growth in PBTA ahead of the remuneration committee's threshold level of 10.0% and its target of 23.5%, with the Group achieving PBTA of R1 506.1 million (26.1% growth). The stretch target of 37.2% was not met. As a result, a bonus was agreed to by the remuneration committee.

The quantum of the bonus pool is at the discretion of the remuneration committee and is informed by the overall performance of the Group and the personal performances of the individual senior managers. The executive directors' remuneration table on page 79 reflects the bonus accrued for the current financial period for executive directors based on 2016 performance. The remuneration committee has set new and appropriate targets for the 2017 financial period.

e. Reviewing the Group's long-term share option incentive scheme, its alignment to long-term strategy and allocations to executive directors

The remuneration committee undertook a detailed review of all the share options held by the executive directors, including all the service and performance conditions attached. No new share options were granted to executive directors during the year.

f. Reviewing the Group's forfeitable share plan – setting appropriate performance conditions and allocating forfeitable shares to executive directors and qualifying senior management

The remuneration committee set the financial performance conditions to be attached to the second issuance under the Group's forfeitable share plan. Further, the committee agreed on the 115 participants and the level at which each would participate, with particular focus on the allocations to executive directors.

For further information refer to pages 76 and 77 of this report.

g. Reviewing and recommending non-executive directors' fees for the 2016 financial period, for final approval by shareholders at the AGM

Fees for the current and proposed periods are as follows:

	Proposed 2017 R	Actual 2016 R	% change
Chairman of the Board ¹	3 913 000	3 657 000	7.0
Lead independent non-executive director of the Board	122 000	114 000	7.0
Non-executive director of the Board	364 000	340 000	7.0
Chairman of the audit committee	300 000	280 000	7.1
Member of the audit committee	122 000	114 000	7.0
Chairman of the remuneration committee	160 000	150 000	6.7
Member of the remuneration committee	80 000	75 000	6.7
Member of the nominations committee ¹	75 000	70 000	7.1
Member of the social and ethics committee ²	80 000	75 000	6.7
Chairman of the corporate finance committee ³	170 000	160 000	6.2
Member of the corporate finance committee ³	115 000	107 000	7.5
Trustee of the employee share purchase trust	35 500	33 000	7.6

1. The Chairman of the nominations committee is the Chairman of the Board and does not receive an additional fee for chairing this committee.

2. The Chairman of the social and ethics committee is an executive director and does not receive an additional fee for chairing this committee.

3. The corporate finance committee is an ad hoc committee. The fees payable are determined in relation to the number of meetings held during the financial period, but will not be more than the annual proposed fee. Four formal meetings were held in 2016.

For the current and proposed periods' fees for Pick n Pay Holdings Limited RF, refer to page 84.

h. Reviewing and recommending to the Board the overall compensation for the Chairman, for final approval by shareholders at the AGM

In setting the Chairman's proposed annual fee of R3.9 million, the remuneration committee (with Gareth Ackerman recused from discussion) considered the active role he plays in the corporate governance of Pick n Pay and in formulating overarching strategy for the individual companies within the Group. Gareth does not play a day-to-day role in the executive management and administration of the business, but he does make himself available to the executive team in a valuable advisory capacity.

i. Reviewing and approving of the Group's remuneration policy and report

This report and the recommendations of the remuneration committee have been approved by the Board and will be submitted to shareholders for consideration at the annual general meeting to be held on 25 July 2016.

2. PAYMENTS, ACCRUALS AND AWARDS TO EXECUTIVE DIRECTORS

The Board is wholly responsible for the formulation, development and effective implementation of Group strategy. In turn, the Board delegates operational strategy implementation and general executive management of the business to its executive directors. As such, in terms of section 38 of the Companies Act 2008, the executive directors are identified as prescribed officers, and their remuneration is detailed below.

Total remuneration of executive directors

	Fixed-base salary and benefits					Short-term annual bonus R'000	Total remuneration R'000	Long-term share awards expense [#] R'000
	Fees for Board meetings R'000	Base salary R'000	Retirement and medical contributions R'000	Fringe and other benefits R'000	Total fixed remuneration R'000			
52 weeks to 28 February 2016								
Richard Brasher	1.5	7 863.0	1 303.4	287.5	9 455.4	15 000.0	24 455.4	20 233.6
Richard van Rensburg	1.5	3 709.4	600.3	312.0	4 623.2	2 500.0	7 123.2	8 448.9
Bakar Jakoet	1.5	3 213.0	552.0	302.9	4 069.4	2 500.0	6 569.4	5 436.2
Suzanne Ackerman-Berman	1.5	2 221.5	376.8	267.2	2 867.0	1 700.0	4 567.0	3 055.4
Jonathan Ackerman	1.5	2 221.5	401.5	272.5	2 897.0	1 700.0	4 597.0	3 055.4
Total remuneration	7.5	19 228.4	3 234.0	1 442.1	23 912.0	23 400.0	47 312.0	40 229.5
% increase on prior year		7.9						
52 weeks to 1 March 2015								
Richard Brasher	1.5	7 370.5	1 215.5	1 144.7	9 732.2	9 000.0	18 732.2	11 771.2
Richard van Rensburg*	1.5	3 422.5	622.0	735.1	4 781.1	1 600.0	6 381.1	3 747.9
Bakar Jakoet	1.5	2 904.0	497.5	292.3	3 695.3	1 600.0	5 295.3	3 125.8
Suzanne Ackerman-Berman	1.5	2 046.6	374.4	264.0	2 686.5	1 000.0	3 686.5	1 753.0
Jonathan Ackerman	1.5	2 083.5	351.5	263.0	2 699.5	1 000.0	3 699.5	1 753.0
Total remuneration	7.5	17 827.1	3 060.9	2 699.1	23 594.6	14 200.0	37 794.6	22 150.9
% increase on prior year		6.9						

* Prior year amounts restated and/or reclassified, refer to note 30 of the audited Group annual financial statements.

[#] The expense of the long-term share awards is determined in accordance with IFRS 2: Share-based Payments. The fair value is measured at grant date and the cost of the awards granted is spread over the period during which the employees become unconditionally entitled to the options (the vesting period). The amounts in the column represent the current year's charge, as recorded in the statement of comprehensive income and statement of changes in equity. The column is for information only, given that the value was neither received by nor accrued to the directors during the period. The long-term share awards will vest in the future only if all the criteria set out in the rules of the 1997 Employee Share Option Scheme and forfeitable share plan are met.

The remuneration committee does not currently target an optimum level of fixed versus variable remuneration, although the scope and breadth of the strategic role performed by each executive director is considered when allocating long-term incentive share awards. The remuneration committee is in the process of developing formal guidelines in this regard.

As detailed above, total fixed benefits include payments made and costs accrued in the current year, and variable incentives include the related cost of share awards issued in current and prior periods.

Remuneration report continued

Share awards granted to executive directors – PIK

	Calendar year granted	Award grant price R	Balance held at 2 March 2015	Granted during the period	Exercised during the period	Exercise price R	Balance held at 28 February 2016	Available for take-up
52 weeks to 28 February 2016								
Richard Brasher								
Share options	2012	42.24	1 000 000	—	—	—	1 000 000	Nov 2017
	2012	42.24	1 000 000*	—	—	—	1 000 000*	Nov 2017
Forfeitable shares**	2014	Nil	800 000	—	—	—	800 000	Aug 2017
	2015	Nil	—	220 000	—	—	220 000	Aug 2018
			2 800 000	220 000	—		3 020 000	
Richard van Rensburg								
Share options	2011	36.55	400 000*	—	—	—	400 000*	May 2016
Forfeitable shares**	2014	Nil	250 000	—	—	—	250 000	Aug 2017
	2015	Nil	—	35 000	—	—	35 000	Aug 2018
			650 000	35 000	—		685 000	
Bakar Jakoet								
Share options	2003	12.00	250 000	—	—	—	250 000	Now
	2007	31.15	5 779	—	—	—	5 779	Now
	2008	26.55	7 907	—	—	—	7 907	Now
		26.14	105 000	—	—	—	105 000	Now
		26.14	45 000	—	—	—	45 000	Now
	2009	28.20	12 413	—	—	—	12 413	Now
	2010	42.28	1 799	—	—	—	1 799	Now
	2011	41.70	200 000	—	—	—	200 000	Now
		41.70	300 000	—	—	—	300 000	Now
Forfeitable shares**	2014	Nil	250 000	—	—	—	250 000	Aug 2017
	2015	Nil	—	35 000	—	—	35 000	Aug 2018
			1 177 898	35 000	—		1 212 898	
Suzanne Ackerman-Berman								
Share options	2004	21.00	10 000	—	(10 000)	58.71	—	n/a
	2006	31.15	122 408	—	(122 408)	58.71	—	n/a
	2008	26.56	4 519	—	(4 519)	58.71	—	n/a
		26.14	25 000	—	—	—	25 000	Now
		26.14	25 000	—	—	—	25 000	Aug 2016
		26.14	25 000	—	—	—	25 000	Aug 2017
		26.14	25 000	—	—	—	25 000	Aug 2018
	2009	28.20	8 867	—	(8 867)	58.71	—	n/a
	2010	42.27	1 421	—	(1 421)	58.71	—	n/a
Forfeitable shares**	2014	Nil	150 000	—	—	—	150 000	Aug 2017
	2015	Nil	—	20 000	—	—	20 000	Aug 2018
			397 215	20 000	(147 215)		270 000	
Jonathan Ackerman								
Share options	2005	20.70	6 441	—	(6 441)	58.71	—	n/a
	2006	28.00	14 286	—	(14 286)	58.71	—	n/a
	2007	31.15	14 446	—	(14 446)	58.71	—	n/a
	2008	26.56	9 414	—	(9 414)	58.71	—	n/a
		26.14	25 000	—	—	—	25 000	Now
		26.14	25 000	—	—	—	25 000	Aug 2016
		26.14	25 000	—	—	—	25 000	Aug 2017
		26.14	25 000	—	—	—	25 000	Aug 2018
	2009	28.20	8 867	—	(8 867)	58.71	—	n/a
	2010	42.27	1 560	—	(1 560)	58.71	—	n/a
Forfeitable shares**	2014	Nil	150 000	—	—	—	150 000	Aug 2017
	2015	Nil	—	20 000	—	—	20 000	Aug 2018
			305 014	20 000	(55 014)		270 000	

* The exercising of these binary options is subject to specific performance criteria relating to the growth of the Company's share price over the term of the option. If the share price performance criteria are not met, the options are forfeited.

** The exercising of these forfeitable shares is subject to specific performance criteria relating to the growth in HEPS of Pick n Pay Stores Limited. If the performance hurdles are not met, the shares will be forfeited. These shares are held in a CSDP account on behalf of the director until the vesting conditions have been met. For further details on the forfeitable share plan, refer to pages 76 and 77 of this report.

Share awards granted to executive directors – PWK

	Calendar year granted	Award grant price R	Balance held at 2 March 2015	Granted during the period	Exercised during the period	Exercise price R	Balance held at 28 February 2016	Available for take-up
52 weeks to 28 February 2016								
Richard van Rensburg	2011	15.18	1 000 000	—	—	—	1 000 000	Now
			1 000 000	—	—		1 000 000	
Bakar Jakoet	2005	11.50	400	—	—	—	400	Now
	2008	11.33	600	—	—	—	600	Now
	2010	16.00	400	—	—	—	400	Now
	2014	22.64	400	—	—	—	400	Now
			1 800	—	—		1 800	
Suzanne Ackerman-Berman	2011	15.35	400	—	(400)	26.68	—	n/a
	2016	28.32	—	400	—	—	400	Now
			400	400	(400)		400	
Jonathan Ackerman	2010	16.00	1 000	—	(1 000)	26.68	—	n/a
	2012	20.03	400	—	(400)	26.68	—	n/a
			1 400	—	(1 400)		—	

3. PAYMENTS, ACCRUALS AND AWARDS TO NON-EXECUTIVE DIRECTORS

	Directors' fees R'000	Lead director R'000	Audit committee R'000	Remuneration committee R'000	Nominations committee R'000	Corporate finance committee R'000	Social and ethics committee R'000	Employee share trust R'000	Total R'000
52 weeks to 28 February 2016									
Gareth Ackerman*	3 657.0	—	—	—	—	—	—	—	3 657.0
John Gildersleeve**	340.0	—	—	75.0	—	107.0	—	—	522.0
David Friedland***	340.0	—	—	—	70.0	107.0	—	—	517.0
Hugh Herman	340.0	114.0	114.0	150.0	—	107.0	—	33.0	858.0
Audrey Mothupi	340.0	—	114.0	—	—	107.0	—	—	561.0
Lorato Phalatse	340.0	—	—	—	70.0	107.0	75.0	—	592.0
David Robins	340.0	—	—	—	—	—	—	—	340.0
Ben van der Ross****	170.0	—	57.0	37.5	35.0	—	—	16.5	316.0
Jeff van Rooyen	340.0	—	280.0	—	—	160.0	—	—	780.0
	6 207.0	114.0	565.0	262.5	175.0	695.0	75.0	49.5	8 143.0
52 weeks to 1 March 2015									
Gareth Ackerman*	3 450.0	—	—	—	—	—	—	—	3 450.0
John Gildersleeve	320.0	—	—	70.0	—	—	—	—	390.0
David Friedland**	320.0	—	—	—	65.0	—	—	—	385.0
Hugh Herman	320.0	107.0	107.0	140.0	—	—	—	31.0	705.0
Audrey Mothupi	320.0	—	107.0	—	—	—	—	—	427.0
Lorato Phalatse	320.0	—	—	—	65.0	—	70.0	—	455.0
David Robins	320.0	—	—	—	—	—	—	—	320.0
Ben van der Ross	320.0	—	107.0	70.0	65.0	—	—	31.0	593.0
Jeff van Rooyen	320.0	—	265.0	—	—	—	—	—	585.0
	6 010.0	107.0	586.0	280.0	195.0	—	70.0	62.0	7 310.0

* Gareth Ackerman is the Chairman of the nominations committee, share trust and a member of the remuneration committee, but his annual fee incorporates all committee work.

** John Gildersleeve retired as a director of Pick n Pay Stores Limited on 28 February 2016.

*** Non-executive director David Friedland received consultancy fees of R114 000 (2015: R107 000) for services rendered to the audit and risk committee and he became an independent non-executive director of Pick n Pay Stores Limited on 28 February 2016.

**** Ben van der Ross retired as a director of Pick n Pay Stores Limited on 27 July 2015.

Remuneration report continued

4. DIRECTORS INTEREST IN SHARES – PICK N PAY STORES LIMITED

	How held*	Balance held at 2 March 2015	Additions during the period	Average purchase price per share R	Disposals during the period	Average selling price per share R	Balance held at 28 February 2016	Beneficial/ non-beneficial interest
52 weeks to 28 February 2016								
Directors of Pick n Pay Stores Limited								
Gareth Ackerman	direct	43	—	—	—	—	43	Beneficial
Ackerman Pick n Pay foundation**	indirect	30 000	—	—	—	—	30 000	Non-beneficial
	indirect	71 900	—	—	—	—	71 900	Non-beneficial
Richard Brasher	direct – FSP	800 000	220 000	—	—	—	1 020 000	Beneficial
Richard van Rensburg	direct – FSP	250 000	35 000	—	—	—	285 000	Beneficial
Bakar Jakoet	direct	500 000	—	—	—	—	500 000	Beneficial
	direct – FSP	250 000	35 000	—	—	—	285 000	Beneficial
	indirect	530	—	—	—	—	530	Non-beneficial
Suzanne Ackerman-Berman	direct	2 500	—	—	—	—	2 500	Beneficial
	direct – FSP	150 000	20 000	—	—	—	170 000	Beneficial
	indirect	4 651	—	—	—	—	4 651	Beneficial
Jonathan Ackerman	direct	43	—	—	—	—	43	Beneficial
	direct – FSP	150 000	20 000	—	—	—	170 000	Beneficial
Jeff van Rooyen	direct	3 800	—	—	—	—	3 800	Beneficial
Directors of Pick n Pay Holdings Limited RF								
Raymond Ackerman	direct	43	—	—	—	—	43	Beneficial
Wendy Ackerman	direct	43	—	—	—	—	43	Beneficial

* Direct interests represent a holding in the director's personal capacity and indirect interests represent a holding by a family trust of which the director is a trustee, or a spouse and minor children. Direct interests in forfeitable share plan (FSP) shares are issued at a grant price of zero.

** The non-beneficial interest in Ackerman Pick n Pay foundation represents the holdings of Gareth Ackerman and Suzanne Ackerman-Berman in their capacities as trustees.

For directors' interest in shares in Pick n Pay Holdings Limited RF, refer to page 83.

Analysis of shareholders

SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	6 238	61.95	1 996 333	0.41
1 001 – 10 000 shares	2 830	28.10	8 850 240	1.81
10 001 – 100 000 shares	759	7.54	24 166 925	4.95
100 001 – 1 000 000 shares	207	2.06	64 168 497	13.14
1 000 001 shares and over	36	0.35	389 268 326	79.69
Total	10 070	100.00	488 450 321	100.00

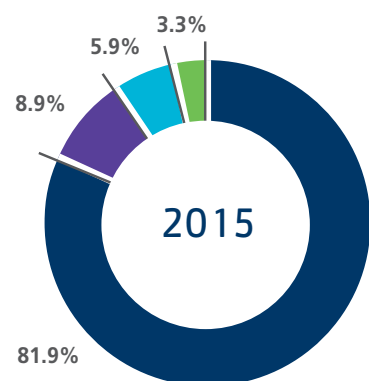
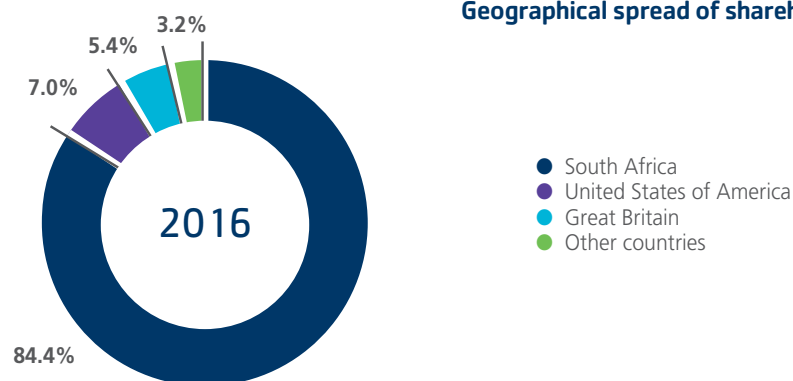
PUBLIC/NON-PUBLIC SHAREHOLDERS

Non-public shareholders	9	0.09	267 532 334	54.77
Directors	5	0.05	511 567	0.10
CSDP account holding shares on behalf of FSP participants	1	0.01	7 923 000	1.62
Pick n Pay Retailers Proprietary Limited	1	0.01	150 000	0.03
Pick n Pay Holdings Limited	1	0.01	257 345 334	52.69
Pick n Pay Employee Share Purchase Trust	1	0.01	1 602 433	0.33
Public shareholders	10 061	99.91	220 917 987	45.23
Total	10 070	100.00	488 450 321	100.00

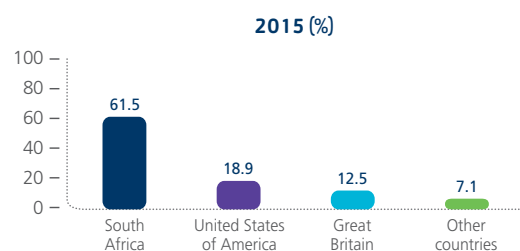
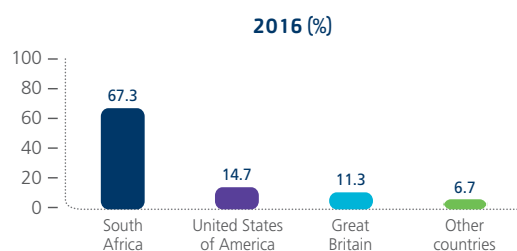
BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE

Pick n Pay Holdings Limited	257 345 334	52.69
Public Investment Corporation Limited	40 598 570	8.31
CSDP account holding shares on behalf of FSP participants	7 923 000	1.62
Liberty Life Assurance of Africa Limited	6 766 873	1.39
Genesis Emerging Markets Investment Company	6 391 195	1.31
Genesis Group Trust for Employee Benefit Plans	6 094 595	1.25
Coronation Balanced Plus Fund	6 052 614	1.24

Geographical spread of shareholders



Geographical spread of non-controlling shareholders



Our governance

INTRODUCTION

This report deals with the corporate governance of Pick n Pay Holdings Limited RF (Holdings), the investment holding company of Pick n Pay Stores Limited (Stores). Holdings' sole purpose is the holding of the controlling shareholding in Stores. The Company has minimal operating activities. Only principles specific to Holdings are included in this report as most principles have been addressed in the Stores our governance section (see pages 62 to 67).

The Board annually performs a formal review of the Group's ability to continue trading as a going concern in the foreseeable future. The Board has performed this review for the 2016 financial period and confirms the Group's going-concern status.

DIRECTORS

The Board comprises six non-executive directors of whom three are independent. In addition, there are three alternate directors who are available to step in for a non-executive director should the need arise. The alternate directors have a standing invitation to attend all Board meetings, but only vote in the absence of the director for whom they alternate. As the Chairman, Raymond Ackerman, is not independent, Hugh Herman has been appointed as the lead independent director (LID). All members of the Board have unfettered access to the LID when required.

DISPENSATION BY JSE REGARDING PICK N PAY HOLDINGS LIMITED RF

The Pick n Pay Holdings Limited RF Board of directors currently does not comply with the King III requirement to have a minimum of two executive directors. Pick n Pay has been granted a dispensation by the JSE from the requirement to have executive directors as it is acknowledged that the Company has no material operating activities other than the receipt and payment of dividends, and the assessment of the carrying value of its only investment, being its shareholding in Pick n Pay Stores Limited.

Pick n Pay Holdings Limited RF has been granted a dispensation from the JSE Listings Requirement that a listed company have a full time finance director, given that the Company has no material operating activities, as set out above.

Pick n Pay Holdings Limited RF has been granted an exemption by the Companies Tribunal from the need to appoint a social and ethics committee, as this function is fulfilled by the social and ethics committee formed by the Board of Pick n Pay Stores Limited.

Pick n Pay Holdings Limited RF has been granted dispensation from the JSE Listings Requirements of having remuneration, risk, nomination and corporate governance committees, as these functions are fulfilled for the Group by the Board committees formed by Pick n Pay Stores Limited.

APPOINTMENT OF DIRECTORS

The appointment of all directors and alternate directors to the Board requires shareholder approval at the annual general meeting. On appointment to the Board new directors are required to retire and offer themselves for re-election by shareholders at the first annual general meeting following their original appointment. Directors are elected for three-year terms. The directors do not have service contracts.

INDEPENDENCE OF DIRECTORS

Of the three independent non-executive directors, Hugh Herman and Rene de Wet have held their positions for longer than nine years. Their independence has been thoroughly scrutinised given their years of service on the Board. The Board is satisfied that, despite their length of service, they remain independent, tough-minded individuals with personal integrity, and they translate their experience in the Pick n Pay Group of companies (the Group) into meaningful interrogation of the Group's implementation of its strategy. All three independent directors meet the criteria for independence as established by King III, the Companies Act and the JSE Listings Requirements. Directors who are members of the Ackerman family are not independent given their indirect controlling shareholding of the Group.

BOARD SUB-COMMITTEES

Pick n Pay Holdings Limited RF has a separate audit committee consisting of non-executive directors, but it does not have separate remuneration, risk, nomination, corporate governance and social and ethics committees as the tasks relating to these committees are undertaken by the Group as a whole.

REMUNERATION REPORT

No separate remuneration report is presented as the only remuneration paid by the Company is non-executive directors' remuneration which is approved by the Board as a whole.

REMUNERATION STRUCTURE

Non-executive directors

Directors who are also on the Board of Pick n Pay Stores Limited do not receive remuneration for membership of the Board and Board committees. Approved fees are set for the annual financial period. Fees are not subject to attendance at meetings as attendance at Board meetings is generally good.

Remuneration is not linked to the performance of the Group or the Group's share performance. Directors do not receive performance-related bonuses and are not granted forfeitable shares or share options. The fees for the 2016 financial period were approved by shareholders at the AGM held on 27 July 2015.

Fees proposed for next year, for Board members not serving on the Pick n Pay Stores Board, are as follows:

	Proposed 2017 FY	2016 FY
Total fee	70 000	65 000

When non-executive directors provide additional consultancy services to the Board and its committees the related fees are determined and approved on an ad hoc basis, taking into account the nature and scope of the services rendered.

ASPECTS OF KING III REVIEWED

The Board comprises an equal number of independent and non-independent directors, while King III recommends that a board comprises a majority of independent directors. No changes to the Board are anticipated at this time, given the minimal operating activities of the Company.

DIRECTORS' ATTENDANCE AT BOARD MEETINGS AND COMMITTEE MEETINGS

Board meetings

In addition to the annual general meeting, the Board convenes a minimum of three times per year for formal meetings, with additional meetings scheduled when necessary. The table below details each directors' Board meeting attendance during the past financial period.

Director	Board and AGM	Audit committee
Gareth Ackerman (Chairman)	4/4	
Suzanne Ackerman-Berman	4/4	
Jonathan Ackerman	3/4	
Hugh Herman (LID)	4/4	2/2
Jeff van Rooyen	4/4	2/2
David Robins	4/4	
Raymond Ackerman	4/4	
Wendy Ackerman	2/4	
Rene de Wet	4/4	2/2

DIRECTORS' INTEREST IN SHARES

	How held*	Balance held at 2 March 2015 000's	Additions during the period 000's	Average purchase price per share R	Balance held at 28 February 2016 000's	Beneficial/non-beneficial interest
52 weeks to 28 February 2016						
Directors of Pick n Pay Holdings Limited RF						
Raymond Ackerman	direct	1 269	—	—	1 269	Beneficial
Gareth Ackerman	direct	1	—	—	1	Beneficial
	indirect	3 265	77	23.62	3 342	Beneficial
	indirect	41	—	—	41	Non-beneficial
Ackerman Investment Holdings Proprietary Limited**	indirect	255 737	—	—	255 737	Non-beneficial
Mistral Trust**	indirect	5 465	75	23.62	5 540	Beneficial
Hugh Herman	direct	60	—	—	60	Beneficial
	indirect	1	—	—	1	Beneficial
Alternate directors of Pick n Pay Holdings Limited RF						
Suzanne Ackerman-Berman	direct	242	—	—	242	Beneficial
	indirect	866	93	26.68	959	Beneficial
	indirect	6	—	—	6	Non-beneficial
Jonathan Ackerman	direct	252	—	—	252	Beneficial
	indirect	1 138	37	26.68	1 175	Beneficial
	indirect	34	—	—	34	Non-beneficial
David Robins	direct	2	—	—	2	Beneficial
	indirect	191	—	—	191	Non-beneficial
Directors of Pick n Pay Stores Limited						
Richard van Rensburg	direct	—	10	27.76	10	Beneficial
	direct	—	25	28.48	25	Beneficial
	direct	—	50	27.88	50	Beneficial
Bakar Jakoet	direct	250	—	—	250	Beneficial
	indirect	25.7	—	—	25.7	Non-beneficial
David Friedland	indirect	40	—	—	40	Non-beneficial
	indirect	—	19	23.49	19	Non-beneficial
	indirect	—	6	23.25	6	Non-beneficial

* Direct interests represent a holding in the director's personal capacity and indirect interests represent a holding by a family trust of which the director is a trustee.

** The interest in the Ackerman Investment Holdings Proprietary Limited and Mistral Trust represents a portion of the holdings of Raymond Ackerman, Wendy Ackerman, Gareth Ackerman, Jonathan Ackerman and Suzanne Ackerman-Berman.

Board of directors

Non-executive directors



Raymond Ackerman

BCom and various honorary doctorates

Chairman

Appointed 1981



Wendy Ackerman

Appointed 1981



Gareth Ackerman

BSocSci, CMS (Oxon)

Appointed 1987

Other listed company directorships: Pick n Pay Stores Limited

Independent non-executive directors



Hugh Herman

Attorney

Appointed 1981

Other listed company directorships: Growthpoint Properties Limited, Pick n Pay Stores Limited



Jeff van Rooyen

BCom (SA), Hons BCompt SA, CA(SA)

Appointed 2011

Other listed company directorships: MTN Group Limited, Exxaro Resources Limited, Pick n Pay Stores Limited



René de Wet

CA(SA)

Audit committee chairman

Appointed 1981

Alternate directors



David Robins

BBusSci

Appointed 2010

Alternate to Gareth Ackerman

Other listed company directorships: Pick n Pay Stores Limited



Jonathan Ackerman

BA Marketing

Appointed 2010

Alternate to Wendy Ackerman

Other listed company directorships: Pick n Pay Stores Limited



Suzanne Ackerman-Berman

BA, Fellow: Aspen Business Institute; First Movers

Appointed 2010

Alternate to Raymond Ackerman

Other listed company directorships: Pick n Pay Stores Limited

Public officer



Aboubakar (Bakar) Jakoet

CA(SA)

Appointed 2012

Other listed company directorships: Pick n Pay Stores Limited

Company Secretary



Debra Muller

Attorney

Appointed 2010



Refer to our website, www.picknpayinvestor.co.za, for the full curricula vitae of all members of the Board

Analysis of shareholders

SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	2 415	34.51	1 031 587	0.20
1 001 – 10 000 shares	3 248	46.42	12 282 301	2.33
10 001 – 100 000 shares	1 009	14.42	31 392 393	5.95
100 001 – 1 000 000 shares	273	3.90	81 849 565	15.52
1 000 001 shares and over	52	0.74	400 693 236	76.00
Total	6 997	100.00	527 249 082	100.00

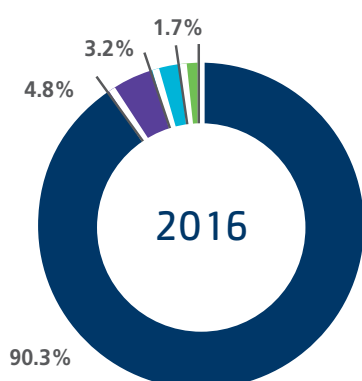
PUBLIC/NON-PUBLIC SHAREHOLDERS

Non-public shareholders	12	0.17	274 867 722	52.13
Directors and public officer	9	0.14	8 001 548	1.52
Ackerman Investment Holdings Proprietary Limited	1	0.01	255 736 850	48.50
Pick n Pay Employee Share Purchase Trust	1	0.01	9 180 621	1.74
The Blue Ribbon Meat Corporation Proprietary Limited	1	0.01	1 948 703	0.37
Public shareholders	6 985	99.83	252 381 360	47.87
Total	6 997	100.00	527 249 082	100.00

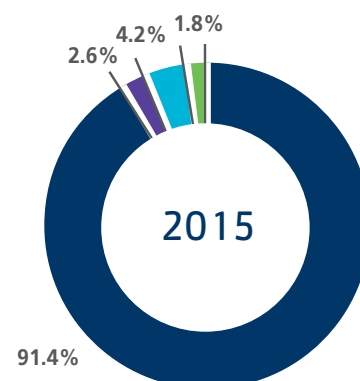
BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE

Ackerman Investment Holdings Proprietary Limited	255 736 850	48.50
Government of Norway	12 030 773	2.28
Public Investment Corporation Limited	10 703 382	2.03
Pick n Pay Employee Share Purchase Trust	9 180 621	1.74
Allan Gray Equity Fund	8 132 675	1.54
Allan Gray Balanced Fund	6 317 502	1.20
Old Mutual Symmetry Satellite Equity Fund No 1	5 602 588	1.06
Mistral's Trust	5 540 200	1.05

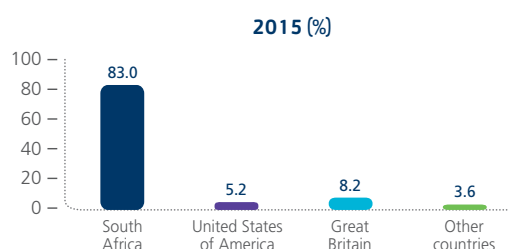
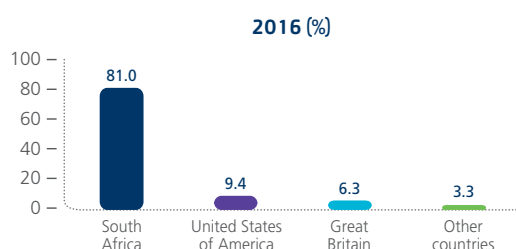
Geographical spread of shareholders



● South Africa
 ● United States of America
 ● Great Britain
 ● Other countries



Geographical spread of non-controlling shareholders



Shareholders' information

GENERAL MEETINGS (GMs) – 25 JULY 2016

The proposal to eliminate the pyramid control structure of the Group will be voted on at the general meetings to be held before the annual general meeting on 25 July 2016. Refer to our 2016 corporate governance report on our website, www.picknpayinvestor.co.za for further detail.

The general meeting of shareholders of **Pick n Pay Stores Limited** (Stores GM) will be held at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708 on Monday, 25 July 2016.

The general meeting of shareholders of **Pick n Pay Holdings Limited RF** (Holdings GM) will be held at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708 on Monday, 25 July 2016 as soon as the Stores GM is completed.

Registration for both GMs will commence at 08:00.

ANNUAL GENERAL MEETINGS (AGMs) – 25 JULY 2016

The 48th annual general meeting of shareholders of **Pick n Pay Stores Limited** (Stores AGM) will be held at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708 on Monday, 25 July 2016.

The 35th annual general meeting of shareholders of **Pick n Pay Holdings Limited RF** (Holdings AGM) will be held at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708 on Monday, 25 July 2016 as soon as the Stores AGM is completed.

Registration for both AGMs will commence at 08:00.

The minutes of the previous year's AGM held on 27 July 2015 are available on our Pick n Pay Investor relations website at www.picknpayinvestor.co.za.

DIVIDENDS

	Pick n Pay Stores Limited JSE share code: PIK ISIN code: ZAE00005443		Pick n Pay Holdings Limited RF JSE share code: PWK ISIN code: ZAE00005724		Last day of trade	Date of payment
	Number	Amount (cents)	Number	Amount (cents)		
Interim	93	19.60	66	9.40	5 December 2014	15 December 2014
Final	94	98.50	67	47.85	5 June 2015	15 June 2015
Interim	95	24.20	68	11.60	4 December 2015	14 December 2015
Final	96	125.20	69	60.65	3 June 2016	13 June 2016
Interim	97		70		2 December 2016*	12 December 2016*
Final	99		71		2 June 2017*	12 June 2017*

RESULT ANNOUNCEMENTS

Interim to 30 August 2016	12 October 2015
Final to 28 February 2016	25 April 2016
Interim to 28 August 2016	October 2016
Final to 26 February 2017	April 2017

PUBLICATION OF ANNUAL FINANCIAL STATEMENTS

2016: May 2016
2016: May 2017

PUBLICATION OF INTEGRATED ANNUAL REPORTS AND CORPORATE GOVERNANCE REPORTS

2016: June 2016
2017: June 2017

*Estimated

Corporate information



PICK N PAY STORES LIMITED

Registration number: 1968/008034/06
JSE share code: PIK
ISIN: ZAE000005443

PICK N PAY HOLDINGS LIMITED RF

Registration number: 1981/009610/06
JSE share code: PWK
ISIN: ZAE000005724

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 7735

REGISTRAR

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

Postal address

PO Box 61051
Marshalltown 2107

JSE LIMITED SPONSOR

Investec Bank Limited
100 Grayston Drive
Sandton 2196

AUDITORS

Ernst & Young Inc.

ATTORNEYS

Edward Nathan 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

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

INVESTOR RELATIONS

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

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

WEBSITE

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

CUSTOMER CARELINE

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

ONLINE SHOPPING

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

ENGAGE WITH US ON





Pick n Pay Office Park

101 Rosmead Avenue
Kenilworth
Cape Town 7708
Telephone +27 21 658 1000
Facsimile +27 21 797 0314

Postal address

PO Box 23087
Claremont 7735

Website:

Pick n Pay: www.picknpay.co.za

Investor relations:

www.picknpayinvestor.co.za

