



Pick n Pay

UNAUDITED CONDENSED
CONSOLIDATED INTERIM
**FINANCIAL
STATEMENTS**

FOR THE 26 WEEKS ENDED
1 SEPTEMBER 2019

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KEY METRICS

Comparable turnover

+6.0%

R43.1 billion

2018: R40.7 billion

Comparable HEPS

+9.5%

85.03 cents

2018: 77.67 cents*

Interim dividend per share

+9.5%

42.80 cents

2018: 39.10 cents

* Restated, refer to overleaf.



CONSISTENCY AT THE CORE DELIVERS ANOTHER STRONG RESULT

KEY FINANCIAL INDICATORS	26 weeks to 1 September 2019	26 weeks to 26 August 2018*	% change
Turnover – comparable [#]	R43.1 billion	R40.7 billion	6.0
Turnover – reported [#]	R43.2 billion	R41.2 billion	4.8
Gross profit margin	19.8%	18.8%	
Trading profit	R1 187.6 million	R1 056.0 million	12.5
Trading profit margin	2.7%	2.6%	
Trading profit – South Africa	R1 158.0 million	R995.0 million	16.4
Trading profit margin – South Africa	2.8%	2.5%	
Profit before tax (PBT) before net monetary gain and capital items	R554.8 million	R505.6 million	9.7
PBT margin before net monetary gain and capital items	1.3%	1.2%	
Reported headline earnings per share (HEPS) [♦]	91.28 cents	77.67 cents	17.5
Reported diluted headline earnings per share (DHEPS) [♦]	90.61 cents	76.27 cents	18.8
Comparable HEPS excluding hyperinflation net monetary gain [♦]	85.03 cents	77.67 cents	9.5
Comparable DHEPS excluding hyperinflation net monetary gain [♦]	84.41 cents	76.27 cents	10.7
Interim dividend per share	42.80 cents	39.10 cents	9.5

* The financial information presented for the prior period is on a restated basis, with the full retrospective adoption of IFRS 16 Leases (IFRS 16). Refer to note 12 of the unaudited summarised interim financial statements for further information.

[#] After a strategic change in our arrangements with airtime and data providers this year, the Group now only transacts on an agency basis. Airtime and data sales and related purchases previously recognised on a gross basis within turnover and cost of sales, are now recognised on a net basis within other income. Refer to our “Review of Financial Performance” for further information. Comparable turnover information is provided, with relevant airtime and data sales excluded, to allow for a comparable assessment of year-on-year performance.

[♦] Reported headline earnings and diluted headline earnings per share include a non-cash hyperinflation gain recognised in the current year in respect of the Group’s investment in its associate, TM Supermarkets in Zimbabwe, under the requirements of IAS 29 Financial Reporting in Hyperinflationary Economies (IAS 29). Comparable headline earnings and diluted headline earnings per share exclude the impact of hyperinflation accounting. Refer to our “Review of Financial Performance” for further information.

RESULT HIGHLIGHTS

- By following a successful long-term strategy, the Group has delivered another period of turnover growth and improved profit margins despite a difficult consumer environment
- A positive performance by our core South African operations resulted in overall earnings growth at Group level, despite challenges in Zambia and Zimbabwe
- Comparable Group turnover growth of 6.0%, with like-for-like turnover growth of 2.9%
- South African operations delivered comparable turnover growth of 6.5%, against a strong base last year, with like-for-like turnover growth of 3.5%
- Selling price inflation restricted to 2.2%, below general price and food inflation, with like-for-like volume growth in South Africa of 1.3%
- Stronger performances across Pick n Pay and Boxer owned and franchise formats, with an increased relative contribution from company-owned stores lifting gross profit margin to 19.8%
- Strong earnings contribution from core South African business, with trading profit up 16.4%, and trading profit margin up from 2.5% to 2.8% of turnover
- On a comparable basis, excluding hyperinflation gains and losses, operations outside South Africa contributed R45.8 million to profit before tax. Reported earnings from the Rest of Africa division are down 79.8% year-on-year, reflecting in particular difficult economic conditions in Zimbabwe, with the Group’s share of associate income now accounted for under the provisions of IAS 29 Financial Reporting in Hyperinflationary Economies (IAS 29)
- Comparable headline earnings per share, excluding the impact of hyperinflation accounting in Zimbabwe, and reflecting underlying operating performance, up 9.5%.
- Interim dividend up 9.5% to 42.80 cents per share in line with comparable growth in headline earnings per share, with plans to maintain a recalibrated dividend cover under IFRS 16 of 1.3 times earnings for the full year (equal to 1.5 times earnings cover pre-IFRS 16)

Despite a difficult trading environment inside and outside South Africa, the Group has delivered another positive performance, maintaining growth in both sales and earnings. Over a number of years, the Group has succeeded in developing much greater relevance and flexibility in its customer offer, format and operating model. An emphasis on cost discipline and greater efficiency has provided headroom for investment in price, quality and value for all customers. Our Pick n Pay and Boxer stores now appeal across a very broad range of incomes, preferences and communities. This has positioned the Group well to identify and pursue opportunities for growth in a dynamic and sustainable way within a persistently low-growth economy.

Effective delivery of the Group's plan is particularly evident in the Group's core South Africa division, which grew turnover 6.5% (3.5% like-for-like), despite a strong base last year. Tighter margin management and improved efficiency helped to deliver a 16.4% increase in underlying trading profit in South Africa. The Group is delivering growth across all formats, both on an owned and franchise basis, and we are particularly pleased with the increased sales and profit contribution from owned stores, demonstrating the progress made in this important part of the business in recent years.

Group earnings reflect the significant challenges experienced in operations outside South Africa, particularly in Zambia and Zimbabwe, with Zimbabwe also experiencing significant currency devaluation and hyperinflation over the period. The Group has applied the provisions of IAS 29 in the recognition of its share of associate income in Zimbabwe. This has resulted in a hyperinflation net monetary gain over the period, and a related capital impairment, both included within our share of our associate's income.

The Group delivered 9.5% growth in comparable headline earnings per share, excluding the impact of hyperinflation accounting, reflecting the progress made across our customer offer, an impactful new store and refurbishment programme, and cost and working capital discipline. The Group will pay an interim dividend of 42.80 cents per share to shareholders, up 9.5% on last year.

REVIEW OF OPERATIONAL PERFORMANCE

The Group's goal is to deliver an ever more relevant, efficient and flexible business which gives more customers more reasons to shop at Pick n Pay and Boxer. In a constrained economy, the key is to provide lower prices and value-for-money, and the Group aims to achieve this without sacrificing earnings. Performance highlights over the period reflect our progress on this goal and include:

Competitive prices, greater everyday value

The Group maintained its competitive price position over the period, providing our customers with a strong fresh meat, produce and grocery offer at exceptional value. We continue to work closely with our suppliers to unlock cost savings across our procurement and distribution channel. By doing so, the Group was able to restrict internal selling price inflation to just 2.2% over the period, below general price and food inflation.

Stronger fresh offer

The Group has substantially improved its fresh offer in recent years. It has consolidated its fresh supply base and, in doing so, has strengthened its partnerships with key long-term fresh suppliers, underpinned by a shared commitment to give customers better quality, value, innovation and convenience.

Fresh categories across Pick n Pay and Boxer have delivered strong sales growth, including in many butchery, bakery, produce, and convenience lines. Greater operational efficiency in fresh has improved on-shelf availability and reduced waste, resulting in greater profitability.

We are presenting more fresh products free of plastic packaging, with the roll-out of "nude" fruit and vegetable walls in select supermarkets, and the introduction of re-usable netted produce bags for customers across the country.

Greater relevance

Pick n Pay and Boxer have over many years enjoyed broad customer advocacy across society. The Group sees this as a strategic strength. To build on it, we are working hard to optimise our product ranges, promotions and customer engagement to best reflect local consumer needs, so that customers always find what they are looking for in our stores. This year, the Group has focused its range optimisation in stores serving lower- to middle-income customers, removing unnecessary proliferation of brands, variants and pack sizes, enabling better promotions, and consistently higher levels of on-shelf availability. These stores have delivered like-for-like sales and volume growth ahead of the rest of the store estate.

Differentiation through own brand

As well as giving customers outstanding value, the Group's own brand strategy provides good opportunities for new and growing small businesses, a strong source of product innovation, and greater control over development and distribution costs. The Group launched over 320 new own brand products this year, including 65 new Pick n Pay bakery lines. Pick n Pay own brand products delivered strong growth across a number of categories of fresh and perishable produce, groceries and general merchandise, with own brand participation now at 22% of relevant categories. Boxer also strengthened its own brand offer this year, with its own brand contribution now close to 20% of participating categories.

Integrated loyalty programme

Pick n Pay's Smart Shopper loyalty programme remains a key point of differentiation for the Group, rewarding loyalty through loyalty points, targeted discounts and personalised value. The programme is an effective mechanism to support product launches and promotional campaigns, create excitement in stores and drive sales for Pick n Pay and its partners.

Over two million customers have earned R10 million in Smart Shopper points on their BP fuel purchases since our launch in November last year, and can now buy fuel at any BP forecourt once they accumulate R75 or more in Smart Shopper points. Growing customer interaction through our successful Baby, Wine and Pet Clubs contributed to a 70% increase in personalised vouchers issued over the period, and a 70% increase in customer redemptions.

Digital innovation through value-added services

The Group's value-added services strategy ("do more in-store") continues to pay dividends as the portfolio of services is broadened and the offer gains traction with customers. Income from value-added services grew 16.1% year-on-year, with growth across all categories in Pick n Pay and Boxer, including banking, money transfers and our growing travel and event ticketing offers. The point of sale banking platform is supporting the growth of low cost digital banking with TymeBank, which now has 850 000 customers. While the Group has an exclusive partnership with TymeBank for account origination, cash withdrawals have been enabled with major banks and customers of four banks are now able to process account deposits in our Pick n Pay and Boxer stores. The Group has launched a portfolio of insurance products in partnership with Hollard and has rolled this offer out to 25 stores with encouraging results to date. The offer will be expanded and rolled out to more stores over the next 18 months.

Modern, flexible formats with a wider reach

Within a difficult and constrained economy, there are always opportunities for growth which derive from changes in demography, geography and customer habits. By having a flexible multi-format and multi-channel retail platform, the Group is able to respond with agility when it identifies sustainable growth opportunities.

The Group's estate numbers 1 858 stores across all Pick n Pay and Boxer formats, including 1 056 owned-stores, 744 franchise stores and 58 stores operated by our associate in Zimbabwe.

The Group opened 63 net new stores over the first half of this year, including 37 Pick n Pay and Boxer company-owned stores across all formats. As customers increasingly value greater convenience and more tailored ranges, our Pick n Pay and Boxer supermarkets are on average smaller in size than in the past.

Progress in modernising Pick n Pay hypermarkets has continued this year, with the opening of our smaller, refurbished Vaal and Centurion hypermarkets. We are seeing positive results, with increased contributions from a stronger fresh offer and targeted promotional campaigns. Our wholesale offer within the hypermarket division delivered double-digit sales growth year-on-year, with three new wholesale sites added this year to cater for our growing customer base of independent traders.

The Pick n Pay clothing division continues to provide customers with high-quality clothing at exceptional prices. Ten net new stores were opened in the period, delivering strong sales growth. Impactful store refurbishments, and improved execution within our growing childrenswear and menswear categories, contributed to this positive performance.

Sustained growth in our liquor business has been driven by solid performances from our wine, gin and craft beer categories. The Group opened 25 net new Pick n Pay and Boxer liquor stores over the period, on an owned and franchise basis, with the Pick n Pay wine club now reaching 135 000 members.

The Group opened 33 new franchise stores during the period, including five supermarkets, four local-convenience market stores and nine express stores on BP forecourts. The Group closed two under-performing franchise supermarkets during the period, and converted two franchise supermarkets to company-owned Boxer stores. The Group values its close and effective long-term collaboration with its Pick n Pay franchise partners across the country. Better alignment on forecasting and replenishment, range optimisation and store operating standards have driven greater consistency across our customer offer in owned and franchise stores, delivering greater shared value.

The Group continued to refresh its store estate, investing over R300 million in store refurbishments over the period across all formats of Pick n Pay and Boxer stores. All refurbished stores have modern fixtures and fittings, lower shelf heights, wider aisles and more energy efficient lighting and refrigeration.

Leading online offer

The Group continues to invest in a modern and increasingly effective online offer. Two million customers visited our Pick n Pay online shop this year, with a 24% increase in order volumes and sales growth of 17%. Pick n Pay Online delivers in one-hour time-slots, with on-time delivery rates of 98%. The online team has successfully piloted an on demand delivery service with a limited range in 50 stores across the country and will expand this service over the coming year.

Improved owned-store value proposition drives sales and profit margins

The Group has benefited over a number of years from progress in centralising its supply chain, enhancing cost discipline and improving operating efficiency. Supply chain centralisation is now close to 80% in Pick n Pay and 45% in Boxer.

Consistent execution of the Group's long-term plan has delivered substantially improved performances across our company-owned and franchise estate, with a pleasing increase in the sales and earnings contribution from company-owned Pick n Pay and Boxer supermarkets, particularly those serving lower- and middle-income customers. Alongside efficiency gains from having a simplified product range, better availability and less waste, the improved owned-store contribution has helped to lift the Group's gross profit margin to 19.8% – notwithstanding the Group's strong emphasis on maintaining price investment to restrict selling price inflation.

Challenges outside South Africa

The Group's careful approach to growing and investing outside South Africa has helped to limit the impact of challenging conditions in the rest of Africa. The consumer environment in Zambia remains difficult, and has been compounded by local currency weakness and import restrictions. Notwithstanding this, Pick n Pay stores in Zambia have delivered a 12.6% growth in customer transactions, while delivering a substantial improvement in inventory cover.

Economic conditions in Zimbabwe have been particularly difficult, with businesses and consumers grappling with political and social instability, high levels of inflation, currency devaluation and shortages of staple goods and services. Pick n Pay has an exceptionally dedicated and experienced team in Zimbabwe, who have worked very closely with suppliers and other partners to keep their doors open and their shelves full.

Despite current challenges, the Pick n Pay Group is stronger as a result of our businesses in Zambia and Zimbabwe, alongside that of our franchise partners in Namibia, Eswatini, Botswana and Lesotho.

REVIEW OF FINANCIAL PERFORMANCE

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

IFRS 16 Leases – prior year financial information is presented on a restated basis, with the adoption of the new accounting standard IFRS 16 *Leases* effective for our 2020 financial year. IFRS 16 aligns the accounting of leased assets with that of owned assets, effectively requiring the Group to report its predominantly leasehold estate as if it were freehold. IFRS 16 introduces lease assets and liabilities on to the statement of financial position, and replaces net rent paid with implied depreciation and interest charges. IFRS 16 has been adopted on a full retrospective basis, and related current year information is fully comparable with prior year restated numbers. Refer to note 12 of the unaudited summarised interim financial statements for further information.

IFRS 15 Revenue from Contracts with Customers – airtime sales and related purchases previously recognised on a gross basis within turnover and cost of sales, are now recognised on a net basis within other income. The revenue reclassification is as a result of a strategic change this year in the Group's contractual arrangements with its airtime and data providers, which now sees the Group classified as an agent under IFRS 15 for all airtime and data sales going forward. Comparable information is provided with airtime sales excluded from turnover, to allow for a comparable assessment of year-on-year sales performance. Refer to the Appendix provided for further information. The net impact on gross profit and other income is insignificant, and does not impact year-on-year comparability.

IAS 29 Financial Reporting in Hyperinflationary Economies – the Public Accountants and Auditors Board in Zimbabwe has classified Zimbabwe as a hyperinflationary economy. The Group has accounted for its 49% share of the earnings of its associate in Zimbabwe, TM Supermarkets (TM), under the provisions of IAS 29. The remeasurement of TM's assets to reflect the current best estimates of the purchasing power of the Zimbabwe dollar, has resulted in a hyperinflation net monetary gain. Hyperinflated assets were subsequently tested for impairment, resulting in a related capital impairment loss. The hyperinflation gain and capital impairment loss are both included in the Group's share of its associate's income. Refer to the commentary on our "Rest of Africa Operating Segment" for further information. Headline earnings per share (HEPS) and diluted headline earnings per share (DHEPS) reported under IAS 29 include all hyperinflation gains, and specifically exclude related capital impairments. This does not, in management's view, provide stakeholders with an accurate assessment of comparable year-on-year earnings performance. As a result, the Group has presented comparable HEPS, excluding all hyperinflation gains and losses. Refer to the commentary on earnings per share (EPS) and headline earnings per share (HEPS) below.

Turnover

Group turnover increased by 6.0% on a comparable basis, to R43.1 billion, with like-for-like turnover growth of 2.9%. Net new stores added 3.1% to sales growth. Trading conditions in Zambia remained constrained, with muted sales growth and the weaker Zambia kwacha weighing on Group turnover growth. On a constant currency basis, comparable Group turnover grew 6.2%.

The Group's core South Africa division delivered comparable turnover growth of 6.5%, with like-for-like turnover growth of 3.5%. The Group restricted selling price inflation to just 2.2% year-on-year, maintaining positive volume growth despite a difficult trading environment.

The Group's investment in TM Supermarkets in Zimbabwe is recognised as an associate, and its sales are not included in Group turnover or revenue. Refer to the Appendix provided for further information on the Group's comparable, constant currency and like-for-like turnover calculations.

Gross profit

Consistent execution of long-term strategy has driven improved performances across our owned and franchise formats, with a stronger relative sales and earnings contribution from our company-owned Pick n Pay and Boxer stores. The improved owned-store contribution, alongside better buying and efficiency gains across the supply chain, lifted the Group's gross profit to R8.6 billion, with gross profit margin improving from 18.8% last year to 19.8% this year, notwithstanding the Group's sustained price investment to restrict selling price inflation.

Other income

Other income increased 4.9% to R755.5 million, and at 1.7% of turnover, was in line with last year.

Franchise income increased 4.1% to R204.5 million and operating lease income increased 6.3% on last year, from R63.2 million to R67.2 million.

Commissions and other income, including value-added services (VAS), increased 5.1% to R483.8 million, and includes commission and incentive income received not directly related to the sale of inventory, for example advertising income from the Group's Fresh Living magazine, and the provision of data analytics support to suppliers. This broad category also includes income from value-added services, which increased 16.1% year-on-year, with growth across all categories of services, including commissions received from financial services, third party bill payments, travel and event ticketing, and the sale of prepaid electricity.

Trading expenses

Trading expenses grew 9.8% year-on-year to R8.1 billion, with like-for-like expenses growth of 7.4%. The trading expense margin grew from 18.0% to 18.8% of turnover, largely driven by increased employee costs. Other operating costs grew 7.4% year-on-year (4.8% like-for-like) as a result of double-digit increases in the cost of security, rates, water and other utilities.

Employee costs – increased 12.5% (10.3% like-for-like) to R3.9 billion. Overall growth was driven in part by growing employee numbers in an expanding own-store business. The like-for-like increase reflected investment in a stronger operational management team, including enhanced regional structures, and some investment in additional hours in stores to deliver improved service for customers. Like-for-like store employee costs were up 6.9%.

RESULT SUMMARY (continued)

The Group's long-term commitment to fair pay and benefits meant that the new National Minimum Wage had little direct impact on our employee costs. However, it has lifted labour costs across many industries in South Africa, set a benchmark for higher pay increases across the economy and has had an indirect impact on many of our operational costs (e.g. cleaning, maintenance and security).

A new three-year wage agreement was concluded in Pick n Pay with our main labour union. This benefits staff through fair remuneration and increased minimum guaranteed hours, and should assist the company in delivering continued stability in industrial relations.

Occupancy costs – grew 8.8% to R1.1 billion, and 6.0% on a like-for-like basis, driven largely by double-digit increases in rates and security costs. Under IFRS 16, property rentals previously recorded in occupancy costs have been replaced by depreciation (recorded in occupancy costs) and implied interest charges (recorded within finance costs). IFRS 16 property-related depreciation and interest charges collectively up 6.9% year-on-year, in line with our increase in rent paid.

Operations costs – increased 7.2% (4.0% like-for-like) to R1.9 billion, with greater operating efficiency and lower levels of energy consumption mitigating significant increases in the cost of trading licences, fuel, water and other utilities.

Merchandising and administration costs – increased 6.6% (5.1% like-for-like) to R1.3 billion, with ongoing discipline in advertising costs, professional fees and other administrative costs.

Trading profit

Group trading profit increased 12.5% to R1.2 billion, with an improvement in the trading profit margin from 2.6% to 2.7% of turnover. This is a creditable performance given the difficult trading conditions across Southern Africa. Trading profit from our South African segment increased 16.4% year-on-year, with an improvement in its trading profit margin from 2.5% to 2.8% of segmental turnover.

Net interest

Net interest paid increased 3.4% year-on-year from R628.2 million to R649.4 million. The increase was driven by a 4.6% increase in the Group's implied IFRS 16 net interest charge of R596.3 million (2018: R570.2 million), reflecting annual changes in our lease portfolio.

The cost of the Group's net funding decreased 8.4% year-on-year, from R58.0 million to R53.1 million, with the Group maintaining the cash and working capital benefits delivered last year.

Rest of Africa Segment

The Group's Rest of Africa division contributed R2.3 billion of segmental revenue, down 1.8% on last year. Removing the impact of currency weakness, segmental revenue was up 2.4% in constant currency terms. This revenue performance reflects the tough trading environment in Zambia.

The Rest of Africa division contributed R27.5 million to Group profit before tax, R108.6 million or 79.8% down on last year, driven by falling earnings in Zambia and Zimbabwe. The Zambian team mitigated some of the top-line pressure with strong cost discipline and improved working capital management. Our share of the income of our associate TM Supermarkets (TM) in Zimbabwe fell from R77.8 million last year to a R1.7 million loss this year, impacted by foreign exchange losses on the translation of foreign liabilities, and gains and losses related to the application of hyperinflation accounting in the region.

	26 weeks to 1 September 2019 Rm	26 weeks to 26 August 2018 Rm
Share of TM's earnings, before the application of hyperinflation	16.6	77.8
Trading result	74.6	77.8
Forex loss on translation of foreign debt related to the devaluation of the Zimbabwe dollar	(58.0)	-
Hyperinflation net monetary gain on the re-indexing of assets	29.7	-
Impairment of hyperinflated assets	(48.0)	-
TM contribution to profit before tax	(1.7)	77.8

Capital items

The Group incurred capital losses of R47.2 million this year, against capital profits of R19.3 million last year. The capital loss is driven by the Group's R48.0 million share of the impairment of hyperinflated assets in TM Supermarkets in Zimbabwe, under the provisions of IAS 29, and is included in the Group's share of its associate's income. Capital profits last year were realised on the sale of land, and the sale of assets to franchisees on the conversion of company-owned stores to franchise stores. Capital items are added back in the calculation of headline earnings.

Profit before tax before hyperinflation gains and losses and other capital items (comparable PBT)

The Group's comparable PBT was up 9.7% year-on-year to R554.8 million, with comparable PBT margin improvement from 1.2% to 1.3% of turnover.

Tax

The effective tax rate of 28.0% compares to 27.1% for the equivalent period last year. The Group is confident in the sustainability of its underlying tax rate, however the provisions of IFRS 16 and IAS 29 have added complexity to its calculation. Future unrealised foreign exchange gains or losses on the translation of foreign leases under IFRS 16 may not be subject to tax, and together with the impact of unrealised hyperinflation gains and losses recognised under IAS 29 may have an impact on the Group's reported tax rate.

Earnings per share

Earnings per share (EPS) – increased by 0.9% to 81.31 cents per share, reflecting the impact of the Group's capital losses this period, including its share of the hyperinflation impairment loss in Zimbabwe, against capital profits in the prior year.

Headline earnings per share (HEPS) – increased by 17.5% to 91.28 cents per share, reflecting the impact of the Group's share of hyperinflation gains in TM Supermarkets in Zimbabwe. All related impairment losses and other capital items were added back in the calculation of headline earnings per share.

Comparable headline earnings per share (comparable HEPS) – increased by 9.5% to 85.03 cents per share, excluding the impact of hyperinflation accounting in Zimbabwe. Comparable diluted headline earnings per share increased by 10.7% to 84.41 cents, reflecting the dilution effect of outstanding employee share options.

REVIEW OF FINANCIAL POSITION

The stability of the Group's balance sheet reflects the consistent execution of its long-term strategy, which has delivered industry-leading earnings growth for a number of years, alongside sustainable returns from a measured and targeted capital investment programme. The Group's net asset value was impacted by a reduction in the foreign currency translation reserve of R132.3 million during this reporting period as a result of the translation of our investment in TM Supermarkets at a rate of 12.4 Zimbabwe dollars to 1.0 US dollar (FY2019: 3.3 Zimbabwe dollars to 1.0 US dollar). The Group's investment in TM is fairly valued at R50.4 million and no further impairment is required.

Working capital

The Group generated cash from working capital of R1.5 billion over the first half of the year, compared to R956.9 million last year, reflecting benefits from the timing of the financial calendar cut-off. Closing trade and other payables at 1 September 2019 were significantly higher than the opening balances at 3 March 2019, in line with our payments calendar. Similarly, the comparability of period-end working capital balances is also complicated by the financial calendar cut-off. Trade payables of R7.4 billion at 1 September 2019 were 5.6% down on last year, reflecting month-end supplier settlements not yet paid at 26 August 2018 last year.

Notwithstanding the impact of the timing of financial calendar cut-off, the Group has maintained the working capital benefits delivered last year, largely as a result of tight inventory management. Inventory at R5.9 billion is up 5.4%, reflecting the addition of 67 net new company-owned stores over the last 12 months, greater levels of centralisation and strategic investment buys at period-end to take advantage of competitive prices for customers. On a like-for-like basis, inventory values were in line with last year.

Trade and other receivables (current and non-current) increased 3.9% to R4.2 billion, notwithstanding the addition of 58 net new franchise stores over the past 12 months, and a growing wholesale debtors book in line with the growth in Pick n Pay's wholesale offer. The Group is satisfied with the overall quality of its debtors' book, with an impairment allowance of 2.5%.

	H1 FY20 1 September 2019 Rm	FY19 3 March 2019 Rm	H1 FY19 26 August 2018 Rm
Net funding			
Cash balances	2 063.3	1 503.2	1 209.0
Cost effective overnight borrowings	(1 000.0)	(1 800.0)	(500.0)
Cash and cash equivalents	1 063.3	(296.8)	709.0
One-to-three-month borrowings	(1 700.3)	(1 325.0)	(1 075.0)
Secured borrowings	-	-	(17.1)
Net funding position	(637.0)	(1 621.8)	(383.1)

The Group has no long-term funding and is efficiently and effectively geared through short-term borrowings. The Group has maintained a position of low debt over the past 12 months. The higher net funding position at 1 September 2019 compared with 26 August 2018 reflects the impact of month-end supplier payments and strategic inventory investment buys. The Group's liquidity position remains strong, with R4.7 billion of unutilised facilities at period-end.

Capital investment

The Group invested R758.0 million in capital improvements over the first half of the year, with R218.1 million on store expansion, R332.4 million on store refurbishment and R207.5 million on maintaining its supply chain capability and infrastructure.

SHAREHOLDER DISTRIBUTION

The Board declared an interim dividend of 42.80 cents per share, up 9.5% on last year, in line with the growth in comparable headline earnings per share (excluding the impact of hyperinflation accounting in respect of the Group's 49% investment in TM Supermarkets in Zimbabwe).

CONSISTENCY AT THE CORE

By having the right long-term plan, and implementing it consistently and effectively over a number of years, the Group has continued to deliver earnings growth despite an increasingly difficult consumer environment. The strength and resilience of our core South African business is at the heart of this result. Our teams delivered a well-balanced performance, improving the customer offer and lifting sales despite a strong base last year, and expanding profit margins by delivering greater efficiency and cost discipline. This was a significant achievement in the current economy, and mitigated the impact of challenges experienced in our businesses outside South Africa.

We extend our sincere appreciation to our Pick n Pay and Boxer teams, including our valuable franchise partners, for all their hard work, their unwavering commitment to the customers they serve, and their determination to build an ever stronger and more sustainable business.

Gareth Ackerman
Chairman

Richard Brasher
Chief Executive Officer

21 October 2019

DIVIDEND DECLARATION

Pick n Pay Stores Limited – Tax reference number: 9275/141/71/2

Number of ordinary shares in issue: 493 450 321

Notice is hereby given that the directors have declared an interim gross dividend (number 103) of 42.80 cents per share out of income reserves.

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

The tax payable is 8.56 cents per share, resulting in shareholders who are not exempt from dividends tax with a net dividend of 34.24 cents per share.

Dividend dates

The last day of trade in order to participate in the dividend (CUM dividend) will be Tuesday, 3 December 2019.

The shares will trade EX dividend from the commencement of business on Wednesday, 4 December 2019 and the record date will be Friday, 6 December 2019. The dividend will be paid on Monday, 9 December 2019.

Share certificates may not be dematerialised or rematerialised between Wednesday, 4 December 2019 and Friday, 6 December 2019, both dates inclusive.

On behalf of the Board of directors

Debra Muller

Company Secretary

21 October 2019

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the period ended

Unaudited	Note	26 weeks to 1 September 2019 Rm	Restated* 26 weeks to 26 August 2018 Rm	Restated* 53 weeks to 3 March 2019 Rm
Revenue	2	44 200.9	42 183.5	90 236.6
Turnover	2	43 208.6	41 244.0	88 293.2
Cost of merchandise sold		(34 648.3)	(33 504.0)	(71 436.7)
Gross profit		8 560.3	7 740.0	16 856.5
Other income		755.5	719.9	1 497.9
Franchise fee income	2	204.5	196.4	399.1
Operating lease income	2	67.2	63.2	112.7
Commissions and other income	2	483.8	460.3	986.1
Trading expenses		(8 128.2)	(7 403.9)	(15 299.5)
Employee costs		(3 876.4)	(3 446.7)	(7 238.9)
Occupancy		(1 119.7)	(1 029.2)	(2 088.7)
Operations		(1 879.7)	(1 752.7)	(3 515.1)
Merchandising and administration		(1 252.4)	(1 175.3)	(2 456.8)
Trading profit		1 187.6	1 056.0	3 054.9
Finance income	2	236.8	219.6	445.5
Finance costs	3	(886.2)	(847.8)	(1 726.4)
Share of associate's (loss)/profit		(1.7)	77.8	109.0
Profit before tax before capital items		536.5	505.6	1 883.0
Profit on capital items		0.8	19.3	25.4
(Loss)/profit on sale of property, plant and equipment		(5.4)	18.6	11.0
Impairment loss on intangible assets		-	-	(5.3)
Profit on termination of lease		6.2	0.7	19.7
Profit before tax		537.3	524.9	1 908.4
Tax		(150.5)	(142.3)	(463.8)
Profit for the period		386.8	382.6	1 444.6
Other comprehensive income, net of tax				
Items that will not be reclassified to profit or loss		1.4	(6.6)	(21.4)
Remeasurement in retirement scheme assets		1.9	(9.1)	(29.9)
Tax on items that will not be reclassified to profit or loss		(0.5)	2.5	8.5
Items that may be reclassified to profit or loss		(140.6)	108.6	(256.5)
Foreign currency translations		(149.1)	99.5	(275.0)
Movement in cash flow hedge		1.0	9.1	3.1
Tax on items that may be reclassified to profit or loss		7.5	-	15.4
Total comprehensive income for the period		247.6	484.6	1 166.7
Earnings per share		Cents	Cents	Cents
Basic earnings per share	4	81.31	80.57	304.04
Diluted earnings per share	4	80.71	79.13	300.26
Headline earnings per share	4	91.28	77.67	300.58
Diluted headline earnings per share	4	90.61	76.27	296.83
Comparable headline earnings per share**				
Headline earnings per share	4	85.03	77.67	300.58
Diluted headline earnings per share	4	84.41	76.27	296.83

* Prior period amounts restated for the adoption of IFRS 16 Leases, refer to note 12.

** The application of IAS 29 Financial Reporting in Hyperinflationary Economies (IAS 29) resulted in the recognition of a non-cash net monetary gain and an impairment loss within current year equity accounted earnings of our associate. In order to present the comparable underlying operating performance of the Group, comparable headline and diluted headline earnings per share are presented, excluding all IAS 29 related gains and losses. Refer to notes 4 and 8, and the Appendix on pages 35 to 37 for further information.

GROUP STATEMENT OF FINANCIAL POSITION

Unaudited	Note	As at 1 September 2019 Rm	Restated* As at 26 August 2018 Rm	Restated* As at 3 March 2019 Rm
ASSETS				
Non-current assets				
Property, plant and equipment		6 299.0	5 999.1	6 189.3
Intangible assets		883.2	943.8	909.8
Right-of-use assets		10 081.6	9 800.6	10 102.9
Net investment in lease receivables		1 944.3	1 858.5	1 860.8
Operating lease assets		13.2	11.3	12.8
Deferred tax assets		844.6	705.8	823.3
Investment in associate	8	50.4	538.1	184.4
Loans		98.5	86.4	102.0
Retirement scheme assets		75.3	90.7	72.2
Investment in insurance cell captive	10	44.9	30.3	35.2
Trade and other receivables		109.7	82.0	82.3
		20 444.7	20 146.6	20 375.0
Current assets				
Inventory		5 942.2	5 638.4	5 693.4
Trade and other receivables		4 066.2	3 936.1	4 301.4
Cash and cash equivalents		2 063.3	1 209.0	1 503.2
Net investment in lease receivables		231.7	259.1	248.9
Right-of-return assets		20.2	19.2	20.6
Current tax assets		117.0	-	-
Derivative financial instruments	10	4.1	9.1	3.1
		12 444.7	11 070.9	11 770.6
Total assets		32 889.4	31 217.5	32 145.6
EQUITY AND LIABILITIES				
Equity				
Share capital	5	6.0	6.0	6.0
Treasury shares	6	(1 016.8)	(976.3)	(993.7)
Retained earnings		3 776.1	3 379.1	4 254.3
Other reserves		1.0	9.1	(6.0)
Foreign currency translation reserve		(444.8)	55.9	(303.2)
Total equity		2 321.5	2 473.8	2 957.4
Non-current liabilities				
Lease liabilities		14 241.3	13 414.4	13 750.6
Deferred tax liabilities		14.2	16.4	14.2
Borrowings		-	6.6	-
		14 255.5	13 437.4	13 764.8
Current liabilities				
Trade and other payables		11 764.4	11 497.0	10 346.3
Lease liabilities		1 501.0	1 682.5	1 676.8
Deferred revenue		346.7	345.0	256.2
Overnight borrowings		1 000.0	500.0	1 800.0
Borrowings		1 700.3	1 085.5	1 325.0
Current tax liabilities		-	196.3	19.1
		16 312.4	15 306.3	15 423.4
Total equity and liabilities		32 889.4	31 217.5	32 145.6
Number of ordinary shares in issue – thousands	5.1	493 450.3	493 450.3	493 450.3
Weighted average number of ordinary shares in issue – thousands	4.2	475 723.8	474 844.0	475 126.9
Diluted weighted average number of ordinary shares in issue – thousands	4.2	479 235.8	483 536.0	481 116.5
Net asset value (property value based on directors' valuation) – cents per share		636.7	639.0	770.3

* Prior period amounts restated for the adoption of IFRS 16 Leases, refer to note 12.

GROUP STATEMENT OF CHANGES IN EQUITY

for the period ended

	Share capital Rm	Treasury shares Rm	Retained earnings Rm	Other reserves Rm	Foreign currency translation reserve Rm	Total equity Rm
Unaudited						
At 25 February 2018 as published	6.0	(863.4)	4 951.7	-	(70.7)	4 023.6
Adoption of IFRS 16 Leases	-	-	(1 188.2)	-	27.1	(1 161.1)
At 25 February 2018 restated	6.0	(863.4)	3 763.5	-	(43.6)	2 862.5
Adoption of IFRS 9 Financial Instruments	-	-	(30.2)	-	-	(30.2)
Total comprehensive income for the period	-	-	376.0	9.1	99.5	484.6
Profit for the period*	-	-	382.6	-	-	382.6
Foreign currency translations*	-	-	-	-	99.5	99.5
Movement in cash flow hedge**	-	-	-	9.1	-	9.1
Remeasurement in retirement scheme assets	-	-	(6.6)	-	-	(6.6)
Transactions with owners	-	(112.9)	(730.2)	-	-	(843.1)
Dividends paid	-	-	(748.8)	-	-	(748.8)
Share purchases	-	(190.8)	-	-	-	(190.8)
Net effect of settlement of employee share awards	-	77.9	(77.9)	-	-	-
Share-based payments expense	-	-	96.5	-	-	96.5
At 26 August 2018 restated	6.0	(976.3)	3 379.1	9.1	55.9	2 473.8
Total comprehensive income for the period	-	-	1 047.2	(6.0)	(359.1)	682.1
Profit for the period*	-	-	1 062.0	-	-	1 062.0
Foreign currency translations*	-	-	-	-	(359.1)	(359.1)
Movement in cash flow hedge	-	-	-	(6.0)	-	(6.0)
Remeasurement in retirement scheme assets	-	-	(14.8)	-	-	(14.8)
Other reserve movements	-	-	-	(9.1)	-	(9.1)
Transactions with owners	-	(17.4)	(172.0)	-	-	(189.4)
Dividends paid	-	-	(189.2)	-	-	(189.2)
Share purchases	-	(120.4)	-	-	-	(120.4)
Net effect of settlement of employee share awards	-	103.0	(102.7)	-	-	0.3
Share-based payments expense	-	-	119.9	-	-	119.9
At 3 March 2019 restated	6.0	(993.7)	4 254.3	(6.0)	(303.2)	2 957.4
Total comprehensive income for the period	-	-	388.2	1.0	(141.6)	247.6
Profit for the period	-	-	386.8	-	-	386.8
Foreign currency translations	-	-	-	-	(141.6)	(141.6)
Movement in cash flow hedge	-	-	-	1.0	-	1.0
Remeasurement in retirement scheme assets	-	-	1.4	-	-	1.4
Other reserve movements	-	-	-	6.0	-	6.0
Transactions with owners	-	(23.1)	(866.4)	-	-	(889.5)
Dividends paid	-	-	(929.7)	-	-	(929.7)
Share purchases	-	(87.6)	-	-	-	(87.6)
Net effect of settlement of employee share awards	-	64.5	(64.2)	-	-	0.3
Share-based payments expense	-	-	127.5	-	-	127.5
At 1 September 2019	6.0	(1 016.8)	3 776.1	1.0	(444.8)	2 321.5

* Prior period amounts restated for the adoption of IFRS 16 Leases, refer to note 12.

** In line with current period disclosures, the movement in cash flow hedge, previously recorded in retained earnings, has been disclosed within other reserves for the period ended 26 August 2018.

GROUP STATEMENT OF CASH FLOWS

for the period ended

	26 weeks to 1 September 2019 Rm	Restated* 26 weeks to 26 August 2018 Rm	Restated* 53 weeks to 3 March 2019 Rm
Unaudited			
Cash flows from operating activities			
Trading profit	1 187.6	1 056.0	3 054.9
Adjusted for non-cash items	1 583.4	1 443.2	3 001.0
Depreciation and amortisation on property, plant and equipment and intangible assets	633.4	598.4	1 201.5
Depreciation on right-of-use assets	820.6	755.2	1 561.5
Share-based payment expense	127.5	96.5	216.4
Movements in operating lease assets	(0.4)	(1.1)	(2.6)
Movements in retirement scheme assets	(1.2)	(2.2)	(4.5)
Fair value and foreign exchange losses/(gains)	3.5	(3.6)	28.7
Cash generated before movements in working capital	2 771.0	2 499.2	6 055.9
Movements in working capital	1 474.0	956.9	(708.5)
Movements in trade and other payables and deferred revenue	1 508.6	1 083.8	(152.3)
Movements in inventory and right-of-return assets	(242.4)	302.3	238.6
Movements in trade and other receivables	207.8	(429.2)	(794.8)
Cash generated from trading activities	4 245.0	3 456.1	5 347.4
Interest received	143.9	128.9	258.8
Interest paid	(197.0)	(186.9)	(349.3)
Interest received on net investment in lease receivables	77.0	87.0	155.6
Interest paid on lease liabilities	(583.7)	(632.0)	(1 165.9)
Cash generated from operations	3 685.2	2 853.1	4 246.6
Dividends paid	(929.7)	(748.8)	(938.0)
Tax paid	(300.9)	(223.2)	(817.3)
Cash generated from operating activities	2 454.6	1 881.1	2 491.3
Cash flows from investing activities			
Investment in intangible assets	(52.1)	(102.7)	(151.5)
Investment in property, plant and equipment	(702.4)	(552.3)	(1 312.5)
Proceeds on sale of non-current asset held for sale	-	217.2	217.2
Purchase of operations	(3.5)	-	(10.5)
Proceeds on disposal of intangible assets	-	-	0.3
Proceeds on disposal of property, plant and equipment	40.5	143.3	168.2
Loans repaid/(advanced)	3.5	(7.1)	(22.7)
Cash utilised in investing activities	(714.0)	(301.6)	(1 111.5)
Cash flows from financing activities			
Lease liability payments	(769.2)	(683.2)	(1 725.6)
Net investment in lease receipts	102.8	94.8	231.8
Borrowings raised	7 025.0	2 152.9	4 700.0
Repayment of borrowings	(6 649.7)	(1 589.6)	(3 903.8)
Share purchases	(87.6)	(190.8)	(311.2)
Proceeds from employees on settlement of share options	0.3	-	0.3
Cash utilised in financing activities	(378.4)	(215.9)	(1 008.5)
Net increase in cash and cash equivalents	1 362.2	1 363.6	371.3
Net cash and cash equivalents at beginning of period	(296.8)	(670.9)	(670.9)
Foreign currency translations	(2.1)	16.3	2.8
Net cash and cash equivalents at end of period	1 063.3	709.0	(296.8)
Consisting of:			
Cash and cash equivalents	2 063.3	1 209.0	1 503.2
Overnight borrowings	(1 000.0)	(500.0)	(1 800.0)

* Prior period amounts restated for the adoption of IFRS 16 Leases, refer to note 12.

NOTES TO THE FINANCIAL INFORMATION

1 Basis of preparation and accounting policies

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), IAS 34 *Interim Financial Reporting*, the SAICA *Financial Reporting Guides* as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these condensed consolidated interim financial statements are in terms of IFRS and are consistent with those applied in the financial statements for the 53 weeks ended 3 March 2019, except where the Group has applied new accounting policies or adopted new standards effective for year-ends starting on or after 1 January 2019. Refer to notes 8 and 12 for further information. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

Comparable headline earnings, comparable headline earnings per share and comparable diluted headline earnings per share exclude all gains and losses from the application of IAS 29 *Financial Reporting in Hyperinflationary Economies* (IAS 29). The Group believes that these are useful measures of the Group's sustainable operating performance. However, as this is not a defined term under IFRS, it may not be comparable with similarly titled measures reported by other companies. Refer to notes 4 and 8, and the Appendix on pages 35 to 37 for further information.

	Unaudited 26 weeks to 1 September 2019 Rm	Restated* Unaudited 26 weeks to 26 August 2018 Rm	Restated* Unaudited 53 weeks to 3 March 2019 Rm
2 Revenue			
Revenue from contracts with customers	43 896.9	41 900.7	89 678.4
Turnover	43 208.6	41 244.0	88 293.2
Franchise fee income	204.5	196.4	399.1
Commissions and other income	483.8	460.3	986.1
Operating lease income	67.2	63.2	112.7
Finance income	236.8	219.6	445.5
Bank balances and investments	106.0	98.5	190.7
Trade and other receivables	35.7	29.1	65.5
Net investment in lease receivables	92.9	90.7	186.7
Staff loans and other	2.2	1.3	2.6
Revenue	44 200.9	42 183.5	90 236.6

	Unaudited 26 weeks to 1 September 2019 Rm	Restated* Unaudited 26 weeks to 26 August 2018 Rm	Restated* Unaudited 53 weeks to 3 March 2019 Rm
3 Finance costs			
Borrowings and other	197.0	186.9	349.3
Lease liabilities	689.2	660.9	1 377.1
Finance costs	886.2	847.8	1 726.4

* Prior period amounts restated for the adoption of IFRS 16 Leases, refer to note 12.

	%	Unaudited 26 weeks to 1 September 2019	Restated* Unaudited 26 weeks to 26 August 2018	Restated* Unaudited 53 weeks to 3 March 2019
	change	Cents per share	Cents per share	Cents per share
4 Basic, headline and diluted earnings per share				
Earnings per share				
Basic earnings per share	0.9	81.31	80.57	304.04
Diluted earnings per share	2.0	80.71	79.13	300.26
Headline earnings per share	17.5	91.28	77.67	300.58
Diluted headline earnings per share	18.8	90.61	76.27	296.83
Comparable headline earnings per share[#]				
Headline earnings per share	9.5	85.03	77.67	300.58
Diluted headline earnings per share	10.7	84.41	76.27	296.83
		Rm	Rm	Rm
4.1 Reconciliation between basic and headline earnings:				
Profit for the period – basic earnings for the period		386.8	382.6	1 444.6
Adjustments:		47.4	(13.8)	(16.5)
Loss/(profit) on sale of property, plant and equipment		5.4	(18.6)	(11.0)
Tax effect of (loss)/profit on sale of property, plant and equipment		(1.5)	5.3	1.6
Profit on termination of lease		(6.2)	(0.7)	(19.7)
Tax effect of profit on termination of lease		1.7	0.2	5.5
Impairment loss on intangible assets		–	–	5.3
Impairment loss as a result of hyperinflation of associate [#]		48.0	–	–
Impairment loss on property, plant and equipment of associate		–	–	2.8
Tax effect of impairment loss on property, plant and equipment of associate		–	–	(0.9)
Profit on sale of property, plant and equipment of associate		–	–	(0.1)
Headline earnings for the period		434.2	368.8	1 428.1
Adjusted for net monetary gain as a result of hyperinflation of associate [#]		(29.7)	–	–
Comparable headline earnings for the period[#]		404.5	368.8	1 428.1

* Prior period amounts restated for the adoption of IFRS 16 Leases, refer to note 12.

[#] The application of IAS 29 resulted in the recognition of a non-cash net monetary gain and an impairment loss within current year equity accounted earnings of associate. In order to present the comparable underlying operating performance of the Group, comparable headline and diluted headline earnings per share are presented, excluding all IAS 29 related gains and losses. Refer to note 8, and the Appendix on pages 35 to 37.

	Unaudited 26 weeks to 1 September 2019 000's	Unaudited 26 weeks to 26 August 2018 000's	Unaudited 53 weeks to 3 March 2019 000's
4 Basic, headline and diluted earnings per share (continued)			
4.2 Number of ordinary shares			
Number of ordinary shares in issue (note 5.1)	493 450.3	493 450.3	493 450.3
Weighted average number of ordinary shares in issue (excluding treasury shares)	475 723.8	474 844.0	475 126.9
Diluted weighted average number of ordinary shares in issue	479 235.8	483 536.0	481 116.5
Reconciliation of weighted average number of ordinary shares to diluted weighted average number of ordinary shares			
Weighted average number of ordinary shares in issue (excluding treasury shares)	475 723.8	474 844.0	475 126.9
Dilutive effect of share options	3 512.0	8 692.0	5 989.6
Diluted weighted average number of ordinary shares in issue	479 235.8	483 536.0	481 116.5

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

	Unaudited 26 weeks to 1 September 2019 Rm	Unaudited 26 weeks to 26 August 2018 Rm	Unaudited 53 weeks to 3 March 2019 Rm
5 Share capital			
5.1 Ordinary share capital			
Authorised			
800 000 000 (2018: 800 000 000) ordinary shares of 1.25 cents each	10.0	10.0	10.0
Issued			
493 450 321 (2018: 493 450 321) ordinary shares of 1.25 cents each	6.0	6.0	6.0
	000's	000's	000's
The number of shares in issue at end of period is made up as follows:			
Treasury shares held as hedge against share incentive scheme obligations (note 6)	10 437.1	12 815.0	9 576.5
Treasury shares allocated under the forfeitable share plan (note 6)	6 837.5	5 469.0	8 494.0
Shares held outside the Group	476 175.7	475 166.3	475 379.8
Total shares in issue at end of period	493 450.3	493 450.3	493 450.3

The Company can issue new shares to settle the Group's obligations under its employee share schemes, but issues in this regard are limited, in aggregate, to 5% of total issued share capital or 24 672 516 (2018: 24 672 516) shares. During the prior period, 5 000 000 shares were issued to subsidiary companies within the Group as hedge against obligations under its employee share schemes. To date, 15 743 000 (2018: 15 743 000) shares have been issued, resulting in 8 929 516 (2018: 8 929 516) shares remaining for this purpose.

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

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

	Unaudited 26 weeks to 1 September 2019 Rm	Unaudited 26 weeks to 26 August 2018 Rm	Unaudited 53 weeks to 3 March 2019 Rm
5.2 B Share capital			
Authorised			
1 000 000 000 (2018: 1 000 000 000) unlisted, non- convertible, non-participating, no par value B shares	-	-	-
Issued			
259 682 869 (2018: 259 682 869) unlisted non- convertible, non-participating, no par value B shares	-	-	-

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

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

	Unaudited 26 weeks to 1 September 2019 Rm	Unaudited 26 weeks to 26 August 2018 Rm	Unaudited 53 weeks to 3 March 2019 Rm
6 Treasury shares			
At beginning of period	993.7	863.4	863.4
Shares purchased during the period	87.6	190.8	311.2
Take-up of share options by employees	(64.5)	(77.9)	(180.9)
At end of period	1 016.8	976.3	993.7
	000's	000's	000's
The movement in the number of treasury shares held is as follows:			
At beginning of period	18 070.5	13 508.4	13 508.4
Shares purchased during the period	1 306.5	2 512.2	4 249.6
Shares sold during the period pursuant to the take-up of share options by employees	(579.9)	(1 655.6)	(3 606.5)
Shares delivered to participants of forfeitable share plan	(1 522.5)	(1 081.0)	(1 081.0)
Shares issued (note 5.1)	-	5 000.0	5 000.0
At end of period	17 274.6	18 284.0	18 070.5
Comprises:			
As hedge against share incentive scheme obligations	10 437.1	12 815.0	9 576.5
Shares allocated under forfeitable share plan	6 837.5	5 469.0	8 494.0

Unaudited	South Africa Rm	Rest of Africa Rm	Total operations Rm
7 Operating segments			
26 weeks to 1 September 2019			
Total segment revenue	42 410.7	2 267.0	44 677.7
Revenue from contracts with customers (note 2)	42 112.8	1 784.1	43 896.9
Operating lease income (note 2)	67.2	–	67.2
Finance income (note 2)	230.7	6.1	236.8
Direct deliveries*	–	476.8	476.8
Segment external turnover	41 430.5	1 778.1	43 208.6
Profit before tax before net monetary gain and capital items**^	509.0	45.8	554.8
Profit before tax **	509.8	27.5	537.3
Other information			
Statement of comprehensive income			
Finance costs	879.5	6.7	886.2
Depreciation and amortisation on property, plant and equipment and intangible assets	614.8	18.6	633.4
Depreciation on right-of-use assets	795.9	24.7	820.6
Share of associate's loss	–	1.7	1.7
Statement of financial position			
Total assets	31 391.6	1 497.8	32 889.4
Total liabilities	29 700.0	867.9	30 567.9
Investment in associate	–	50.4	50.4
Additions to non-current assets	1 705.7	4.8	1 710.5
26 weeks to 26 August 2018#			
Total segment revenue	40 298.7	2 307.5	42 606.2
Revenue from contracts with customers (note 2)	40 021.0	1 879.7	41 900.7
Operating lease income (note 2)	63.2	–	63.2
Finance income (note 2)	214.5	5.1	219.6
Direct deliveries*	–	422.7	422.7
Segment external turnover	39 370.3	1 873.7	41 244.0
Profit before tax before capital items **	369.5	136.1	505.6
Profit before tax **	388.8	136.1	524.9
Other information			
Statement of comprehensive income			
Finance costs	839.7	8.1	847.8
Depreciation and amortisation on property, plant and equipment and intangible assets	576.3	22.1	598.4
Depreciation on right-of-use assets	727.2	28.0	755.2
Share of associate's income	–	77.8	77.8
Statement of financial position			
Total assets	28 860.6	2 356.9	31 217.5
Total liabilities	27 870.1	873.6	28 743.7
Investment in associate	–	538.1	538.1
Additions to non-current assets	1 624.9	18.6	1 643.5

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

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

^ Calculated as profit before tax before capital items, excluding our share of the net monetary gain and related capital impairment loss recognised by our associate as a result of IAS 29. This is not a defined term under IFRS; it is, however, a key measure of the comparable performance of our operations in Rest of Africa. Refer to note 8 and the Appendix on pages 35 to 37.

Prior period amounts restated for the adoption of IFRS 16 Leases, refer to note 12.

8 Investment in associate

8.1 Accounting for investment in associate

The Group has a 49% investment in TM Supermarkets (Pvt) Limited (TM Supermarkets), a private company incorporated in Zimbabwe which operates supermarkets throughout Zimbabwe.

The Group accounts for its investment in associate under the equity method of accounting in accordance with IAS 28 *Investment in Associates and Joint Ventures*.

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

The Pick n Pay Group concurs with this classification, supported by the following factors:

- The significant deterioration of the interbank Real Time Gross Settlement (RTGS) dollar and Zimbabwe dollar (ZWLS) exchange rates, the official currencies adopted in Zimbabwe during the period,
- the rapid increase in year-on-year Zimbabwe inflation rates, from 21% in October 2018, as published by the Reserve Bank of Zimbabwe (RBZ), to a calculated 289% in August 2019 based on the RBZ published CPI index, and
- rapid increases in the cost price of goods sold by TM Supermarkets.

The equity accounted results of TM Supermarkets included in this Group result have therefore been prepared in accordance with IAS 29, with the following key accounting principles and judgements applied by the Pick n Pay Group:

- Hyperinflation accounting requires transactions and balances of each reporting period presented to be stated in terms of the measuring unit current at the end of the reporting period in order to account for the loss of purchasing power during the period. The Group has elected to use the Zimbabwe Consumer Price Index (CPI) as the measuring unit current (or general price index) to restate amounts as CPI provides an observable indication of the change in the price of goods and services.
- The carrying amounts of non-monetary assets and liabilities carried at historical costs are restated to reflect the change in the general price index.
- All items recognised in the statement of comprehensive income at historical costs are restated by applying the change in the general price index from the dates when these items were initially earned or incurred.
- Gains or losses on the resulting net monetary position are recognised in the statement of comprehensive income and included in our share of associate's income.
- Impairment losses are recorded in the statement of comprehensive income if the remeasured value of assets exceeds the estimated recoverable amount and included in our share of associate's income.
- The application of IAS 29 on a retrospective basis within the statement of comprehensive income of TM Supermarkets resulted in the recognition of both a gain on the net monetary position and an impairment loss on the revalued assets in the current and prior periods.

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

8 Investment in associate (continued)

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

During the current and prior period under review, the following changes to the functional and presentation currencies of TM Supermarkets occurred:

- Since the adoption of multiple currencies by the Zimbabwean Government in 2009, entities in Zimbabwe were operating in a multi-currency regime. As a result, prior to 1 October 2018, the US dollar was designated as the functional and presentation currency of TM Supermarkets.
- On 1 October 2018, following the directive issued by the RBZ, the RTGS dollar was adopted as the functional and presentation currency of TM Supermarkets. The application of the change in functional currency was applied prospectively. As disclosed in the 2019 Group annual financial statements, judgement was applied in the estimation and application of exchange rates used when translating the results of TM Supermarkets for the 2019 financial year. Refer to notes 1 and 13 of the 2019 Group annual financial statements.
- On 24 June 2019, the RBZ introduced statutory instrument 142 of 2019 resulting in the renaming of the RTGS dollar to the Zimbabwe dollar (ZWL\$), and the ZWL\$ being the only form of legal tender in the country. The ZWL\$ was therefore adopted as the functional and presentation currency of TM Supermarkets prospectively from this date. In line with the judgements applied during the 2019 financial year, management assessed that the official interbank closing exchange rate of 1.48 ZWL\$ to the South African rand is not available for immediate settlement as shortages of foreign currency results in the official exchange rate not being liquid. An estimated exchange rate of 1.24 ZWL\$ to the South African rand was therefore used when translating the result of TM Supermarkets. Inputs considered in this estimate include the official inflation rate and the premium at which Old Mutual and PPC Ltd. shares trade on the Zimbabwe Stock Exchange versus on the JSE.

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

The table below summarises the exchange rates at which the results of TM Supermarkets have been translated into South African rand.

Financial period	Functional currency	Average	Closing
26 weeks period ended 1 September 2019	Zimbabwe dollar	n/a	1.24*
53 weeks ended 3 March 2019			
- 1 October 2018 to 3 March 2019	RTGS dollar	4.29**	4.28***
- 26 February 2018 to 30 September 2018	US dollar	13.08	14.12
26 weeks period ended 26 August 2018	US dollar	12.79	14.39

* Calculated using the closing US dollar to rand exchange rate of R15.37 at 1 September 2019 divided by the estimated ZWL\$ dollar rate of 12.4 to 1 US dollar

** Calculated using the average US dollar to rand exchange rate of R14.15 for the period 1 October 2018 to 3 March 2019 divided by the estimated RTGS dollar rate of 3.3 to 1 US dollar

*** Calculated using the closing US dollar to rand exchange rate of R14.12 at 3 March 2019 divided by the estimated RTGS dollar rate of 3.3 to 1 US dollar

	Unaudited 26 weeks to 1 September 2019 Rm	Unaudited 26 weeks to 26 August 2018 Rm	Unaudited 53 weeks to 3 March 2019 Rm
8 Investment in associate (continued)			
8.3 Reconciliation of investment in associate			
At beginning of period	184.4	365.6	365.6
Share of associate's (loss)/income	(1.7)	77.8	109.0
Share of associate's earnings before hyperinflation accounting	16.6	77.8	109.0
Share of associate's net monetary gain as a result of hyperinflation accounting	29.7	-	-
Share of associate's impairment loss as a result of hyperinflation accounting	(48.0)	-	-
Foreign currency translation	(132.3)	94.7	(290.2)
At end of period	50.4	538.1	184.4
8.4 Amounts owing by associate included in trade and other receivables	96.8	136.7	132.9

9 Related party transactions

During the period under review, in the ordinary course of business, certain companies within the Group entered into transactions with each other. These inter-group transactions and related balances are eliminated on consolidation.

Related parties are unchanged from those reported at 3 March 2019. For further information, please refer to note 26 of the 2019 audited Group annual financial statements and note 8 of the 2019 audited Company annual financial statements. For disclosures relating to our investment in associate, refer to note 8.

10 Financial instruments

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

	Unaudited 26 weeks to 1 September 2019 Rm	Unaudited 26 weeks to 26 August 2018 Rm	Unaudited 53 weeks to 3 March 2019 Rm
Financial instruments at fair value through profit or loss			
Investment in insurance cell captive – Level 2	44.9	30.3	35.2
Derivative financial instruments			
Forward exchange contract assets – Level 2	4.1	9.1	3.1

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

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

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

11 Commitments

Authorised capital expenditure

Contracted for

	Unaudited 26 weeks to 1 September 2019 Rm	Unaudited 26 weeks to 26 August 2018 Rm	Unaudited 53 weeks to 3 March 2019 Rm
Property	14.3	7.6	–
Furniture, fittings, equipment and vehicles	648.4	879.9	39.9
Intangible assets	92.6	72.6	1.5

Not contracted for

	Unaudited 26 weeks to 1 September 2019 Rm	Unaudited 26 weeks to 26 August 2018 Rm	Unaudited 53 weeks to 3 March 2019 Rm
Property	–	–	39.5
Furniture, fittings, equipment and vehicles	153.5	88.3	1 829.2
Intangible assets	41.2	11.6	89.9

Total commitments

	Unaudited 26 weeks to 1 September 2019 Rm	Unaudited 26 weeks to 26 August 2018 Rm	Unaudited 53 weeks to 3 March 2019 Rm
Total commitments	950.0	1 060.0	2 000.0

12 Adoption of new accounting standards

12.1 Adoption of IFRS 16 *Leases*

IFRS 16 *Leases* (IFRS 16) is applicable to the Group for the 2020 annual financial period and replaces IAS 17 *Leases* (IAS 17). The purpose of the new standard is to largely align the accounting of operating leased assets with the accounting of owned and finance leased assets. IFRS 16 brings the majority of the Group's long-term property, equipment, vehicles and other leases onto the statement of financial position. The only exceptions are short-term, low-value and variable in nature leases.

A lease liability and corresponding right-of-use asset is recognised at the commencement date of each qualifying lease at a value equal to the present value of future lease payments over the lease term, discounted at an applicable discount rate. The values of the right-of-use asset and lease liability reduce over the lease term, but not at the same rate.

The lease liability is subsequently measured at amortised cost using the effective interest rate method, reduced by future lease payments net of interest charged. It is remeasured, with a corresponding adjustment to the right-of-use asset, when there is a change in future lease payments resulting from a rent review, change in relevant index or rate such as inflation, or change in the Group's assessment of whether it is reasonably certain to exercise a renewal or termination option.

The right-of-use asset is initially measured at cost, comprising the initial lease liability and initial direct costs less any lease incentives received. The right-of-use asset is subsequently depreciated on a straight line basis over the useful life of the underlying right-of-use asset. Right-of-use assets are tested for impairment when there are any indicators of impairment.

IFRS 16 removes the straight-line rent cost previously recognised in respect of operating leases under IAS 17, and replaces the cost with depreciation on right-of-use assets and interest charged on outstanding lease liabilities.

In addition to its primary property lease portfolio, the Group holds head leases over strategic franchise sites. These sites are sub-let to franchisees, with the franchisees holding the right-of-use assets. IFRS 16 requires the recognition of the present value of future lease payments under the head lease as a lease liability, and to capitalise the present value of future lease receivables under its sublease contracts as net investment in lease receivables. In most instances, the accounting for the head lease and the sublease under IFRS 16 has an equal and opposite impact on the statement of comprehensive income and statement of financial position, similar to the net impact under IAS 17.

The net investment in lease receivable and related lease liability is subsequently measured at amortised cost using the effective interest rate method, reduced by future lease receipts or payments net of interest earned or charged. Net investment in lease receivables is tested for impairment when there are any indicators of impairment.

12 Adoption of new accounting standards (continued)

12.1 Adoption of IFRS 16 Leases (continued)

Previously, the Group recognised rent paid to landlords under head-lease agreements, with an equal and opposite rent received from its franchisees. IFRS 16 replaces this rent paid and rent received, with interest charged and interest earned.

The lease term includes any non-cancellable periods and reasonably certain termination or extension option periods. Management exercises judgement in determining the likelihood of exercising termination or extension options in determining the lease term. The Group's portfolio of qualifying leases has an average lease term of 10 years (2018: 10 years).

Lease payments and lease receipts applicable to the valuation of IFRS 16 liabilities and assets include fixed payments, lease payments dependent on an index or rate, and payments in an option renewal period if the Group is reasonably certain to exercise.

The discount rate used to calculate the lease liability is the lessee's incremental borrowing rate specific to the term, country, currency and start date of the lease. Incremental borrowing rates are based on a series of inputs including the prime lending rate, the repo rate, a credit risk adjustment and a country specific adjustment. The Group's portfolio of qualifying leases has an average borrowing rate of 8.8% (2018: 8.8%).

The Group implemented the standard using the full retrospective approach. Accordingly, the comparative information in these unaudited interim condensed consolidated financial statements have been restated. At the date of initial application, the Group elected to use the practical expedient provided by IFRS 16, which allows the Group to apply IFRS 16 to only those contracts that were previously identified as leases under IAS 17 and IFRIC 4 *Determining Whether an Arrangement Contains a Lease*. The Group further elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

The impact of this restatement on the Group's statement of comprehensive income, statement of financial position, statement of cash flows, earnings and headline earnings per share and net asset value per share is detailed in the following tables.

12 Adoption of new accounting standards (continued)

12.2 Impact of the adoption of IFRS 16 Leases on the statement of comprehensive income for the 26 weeks ended 26 August 2018

Unaudited	Restated 26 weeks to 26 August 2018 Rm	Impact of IFRS 16 Rm	As reported 26 weeks to 26 August 2018 Rm
Revenue	42 183.5	(110.1)	42 293.6
Turnover	41 244.0	-	41 244.0
Cost of merchandise sold	(33 504.0)	50.0	(33 554.0)
Gross profit	7 740.0	50.0	7 690.0
Other income	719.9	(200.8)	920.7
Franchise fee income	196.4	-	196.4
Operating lease income	63.2	(200.8)	264.0
Commissions and other income	460.3	-	460.3
Trading expenses	(7 403.9)	575.0	(7 978.9)
Employee costs	(3 446.7)	-	(3 446.7)
Occupancy	(1 029.2)	585.7	(1 614.9)
Operations	(1 752.7)	(1.2)	(1 751.5)
Merchandising and administration	(1 175.3)	(9.5)	(1 165.8)
Trading profit	1 056.0	424.2	631.8
Finance income	219.6	90.7	128.9
Finance costs	(847.8)	(660.9)	(186.9)
Share of associate's income	77.8	-	77.8
Profit before tax before capital items	505.6	(146.0)	651.6
Profit on capital items	19.3	0.7	18.6
Profit on sale of property, plant and equipment	18.6	-	18.6
Profit on termination of lease	0.7	0.7	-
Profit before tax	524.9	(145.3)	670.2
Tax	(142.3)	38.9	(181.2)
Profit for the period	382.6	(106.4)	489.0
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss	(6.6)	-	(6.6)
Remeasurement in retirement scheme assets	(9.1)	-	(9.1)
Tax on items that will not be reclassified to profit or loss	2.5	-	2.5
Items that may be reclassified to profit or loss	108.6	(35.9)	144.5
Foreign currency translations	99.5	(35.9)	135.4
Movement in cash flow hedge	9.1	-	9.1
Total comprehensive income for the period	484.6	(142.3)	626.9
Headline earnings	368.8	(106.9)	475.7
Earnings per share			
	Cents	Cents	Cents
Basic earnings per share	80.57	(22.41)	102.98
Diluted earnings per share	79.13	(22.00)	101.13
Headline earnings per share	77.67	(22.51)	100.18
Diluted headline earnings per share	76.27	(22.11)	98.38

12 Adoption of new accounting standards (continued)**12.3 Impact of the adoption of IFRS 16 Leases on the statement of financial position as at 26 August 2018**

Unaudited	Restated As at 26 August 2018 Rm	Impact of IFRS 16 Rm	As reported As at 26 August 2018 Rm
ASSETS			
Non-current assets			
Property, plant and equipment	5 999.1	-	5 999.1
Intangible assets	943.8	(61.8)	1 005.6
Right-of-use assets	9 800.6	9 800.6	-
Net investment in lease receivables	1 858.5	1 858.5	-
Operating lease assets	11.3	(228.6)	239.9
Deferred tax assets	705.8	472.1	233.7
Investment in associate	538.1	-	538.1
Loans	86.4	-	86.4
Retirement scheme assets	90.7	-	90.7
Investment in insurance cell captive	30.3	-	30.3
Trade and other receivables	82.0	-	82.0
	<u>20 146.6</u>	<u>11 840.8</u>	<u>8 305.8</u>
Current assets			
Inventory	5 638.4	(3.8)	5 642.2
Trade and other receivables	3 936.1	(3.6)	3 939.7
Cash and cash equivalents	1 209.0	-	1 209.0
Net investment in lease receivables	259.1	259.1	-
Right-of-return assets	19.2	-	19.2
Derivative financial instruments	9.1	-	9.1
	<u>11 070.9</u>	<u>251.7</u>	<u>10 819.2</u>
Total assets	<u>31 217.5</u>	<u>12 092.5</u>	<u>19 125.0</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	6.0	-	6.0
Treasury shares	(976.3)	-	(976.3)
Retained earnings*	3 379.1	(1 294.6)	4 673.7
Other reserves*	9.1	-	9.1
Foreign currency translation reserve	55.9	(8.8)	64.7
Total equity	<u>2 473.8</u>	<u>(1 303.4)</u>	<u>3 777.2</u>
Non-current liabilities			
Lease liabilities	13 414.4	13 414.4	-
Operating lease liabilities	-	(1 650.4)	1 650.4
Deferred tax liabilities	16.4	-	16.4
Borrowings	6.6	-	6.6
	<u>13 437.4</u>	<u>11 764.0</u>	<u>1 673.4</u>
Current liabilities			
Trade and other payables*	11 497.0	(50.6)	11 547.6
Lease liabilities	1 682.5	1 682.5	-
Deferred revenue*	345.0	-	345.0
Overnight borrowings	500.0	-	500.0
Borrowings	1 085.5	-	1 085.5
Current tax liabilities	196.3	-	196.3
	<u>15 306.3</u>	<u>1 631.9</u>	<u>13 674.4</u>
Total equity and liabilities	<u>31 217.5</u>	<u>12 092.5</u>	<u>19 125.0</u>
Net asset value (property value based on directors' valuation) - cents per share	639.0	(274.3)	913.3

* In line with current period disclosures, the movement in cash flow hedge, previously recorded in retained earnings, has been disclosed within other reserves for the period ended 26 August 2018. In addition, deferred revenue, previously disclosed as trade and other payables, has been disclosed separately.

12 Adoption of new accounting standards (continued)

12.4 Impact of the adoption of IFRS 16 *Leases* on the statement of cash flows for the 26 weeks ended 26 August 2018

Unaudited	Restated 26 weeks to 26 August 2018 Rm	Impact of IFRS 16 Rm	As reported 26 weeks to 26 August 2018 Rm
Cash flows from operating activities			
Trading profit	1 056.0	424.2	631.8
Adjusted for non-cash items	1 443.2	697.4	745.8
Depreciation and amortisation on property, plant and equipment and intangible assets	598.4	-	598.4
Depreciation on right-of-use-assets	755.2	755.2	-
Share-based payments expense	96.5	-	96.5
Movements in operating lease assets	(1.1)	(67.3)	66.2
Movements in retirement scheme assets	(2.2)	-	(2.2)
Fair value and foreign exchange (gains)/losses	(3.6)	9.5	(13.1)
Cash generated before movements in working capital	2 499.2	1 121.6	1 377.6
Movements in working capital	956.9	11.8	945.1
Movements in trade and other payables and deferred revenue	1 083.8	11.8	1 072.0
Movements in inventory and right-of-return assets	302.3	-	302.3
Movements in trade and other receivables	(429.2)	-	(429.2)
Cash generated from trading activities	3 456.1	1 133.4	2 322.7
Interest received	128.9	-	128.9
Interest paid	(186.9)	-	(186.9)
Interest received on net investment in lease receivables	87.0	87.0	-
Interest paid on lease liabilities	(632.0)	(632.0)	-
Cash generated from operations	2 853.1	588.4	2 264.7
Dividends paid	(748.8)	-	(748.8)
Tax paid	(223.2)	-	(223.2)
Cash generated from operating activities	1 881.1	588.4	1 292.7
Cash flows from investing activities			
Investment in intangible assets	(102.7)	-	(102.7)
Investment in property, plant and equipment	(552.3)	-	(552.3)
Proceeds on sale of non-current asset held for sale	217.2	-	217.2
Proceeds on disposal of property, plant and equipment	143.3	-	143.3
Loans advanced	(7.1)	-	(7.1)
Cash utilised in investing activities	(301.6)	-	(301.6)
Cash flows from financing activities			
Lease liability payments	(683.2)	(683.2)	-
Net investment in lease receipts	94.8	94.8	-
Borrowings raised	2 152.9	-	2 152.9
Repayment of borrowings	(1 589.6)	-	(1 589.6)
Share purchases	(190.8)	-	(190.8)
Cash (utilised in)/generated from financing activities	(215.9)	(588.4)	372.5
Net increase in cash and cash equivalents	1 363.6	-	1 363.6
Net cash and cash equivalents at beginning of period	(670.9)	-	(670.9)
Foreign currency translations	16.3	-	16.3
Net cash and cash equivalents at end of period	709.0	-	709.0
Consisting of:			
Cash and cash equivalents	1 209.0	-	1 209.0
Overnight borrowings	(500.0)	-	(500.0)

12 Adoption of new accounting standards (continued)**12.5 Impact of the adoption of IFRS 16 Leases on the statement of comprehensive income for the 53 weeks ended 3 March 2019**

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

12 Adoption of new accounting standards (continued)

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

Unaudited	Restated As at 3 March 2019 Rm	Impact of IFRS 16 Rm	As reported As at 3 March 2019 Rm
ASSETS			
Non-current assets			
Property, plant and equipment	6 189.3	-	6 189.3
Intangible assets	909.8	(60.8)	970.6
Right-of-use assets	10 102.9	10 102.9	-
Net investment in lease receivables	1 860.8	1 860.8	-
Operating lease assets	12.8	(239.3)	252.1
Deferred tax assets	823.3	519.9	303.4
Investment in associate	184.4	-	184.4
Loans	102.0	-	102.0
Retirement scheme assets	72.2	-	72.2
Investment in insurance cell captive	35.2	-	35.2
Trade and other receivables	82.3	-	82.3
	20 375.0	12 183.5	8 191.5
Current assets			
Inventory	5 693.4	(3.8)	5 697.2
Trade and other receivables	4 301.4	(137.3)	4 438.7
Cash and cash equivalents	1 503.2	-	1 503.2
Net investment in lease receivables	248.9	248.9	-
Right-of-return assets	20.6	-	20.6
Derivative financial instruments	3.1	-	3.1
	11 770.6	107.8	11 662.8
Total assets	32 145.6	12 291.3	19 854.3
EQUITY AND LIABILITIES			
Equity			
Share capital	6.0	-	6.0
Treasury shares	(993.7)	-	(993.7)
Retained earnings	4 254.3	(1 393.1)	5 647.4
Other reserves	(6.0)	-	(6.0)
Foreign currency translation reserve	(303.2)	33.7	(336.9)
Total equity	2 957.4	(1 359.4)	4 316.8
Non-current liabilities			
Lease liabilities	13 750.6	13 750.6	-
Operating lease liabilities	-	(1 719.4)	1 719.4
Deferred tax liabilities	14.2	-	14.2
	13 764.8	12 031.2	1 733.6
Current liabilities			
Trade and other payables	10 346.3	(57.3)	10 403.6
Lease liabilities	1 676.8	1 676.8	-
Deferred revenue	256.2	-	256.2
Overnight borrowings	1 800.0	-	1 800.0
Borrowings	1 325.0	-	1 325.0
Current tax liabilities	19.1	-	19.1
	15 423.4	1 619.5	13 803.9
Total equity and liabilities	32 145.6	12 291.3	19 854.3
Net asset value (property value based on directors' valuation) - cents per share	770.3	(286.0)	1 056.3

12 Adoption of new accounting standards (continued)**12.7 Impact of the adoption of IFRS 16 Leases on the statement of cash flows for the 53 weeks ended 3 March 2019**

Unaudited	Restated 53 weeks to 3 March 2019 Rm	Impact of IFRS 16 Rm	As reported 53 weeks to 3 March 2019 Rm
Cash flows from operating activities			
Trading profit	3 054.9	879.3	2 175.6
Adjusted for non-cash items	3 001.0	1 482.6	1 518.4
Depreciation and amortisation on property, plant and equipment and intangible assets	1 201.5	-	1 201.5
Depreciation on right-of-use-assets	1 561.5	1 561.5	-
Share-based payments expense	216.4	-	216.4
Movements in operating lease assets	(2.6)	(125.6)	123.0
Movements in retirement scheme assets	(4.5)	-	(4.5)
Fair value and foreign exchange losses/(gains)	28.7	46.7	(18.0)
Cash generated before movements in working capital	6 055.9	2 361.9	3 694.0
Movements in working capital	(708.5)	142.2	(850.7)
Movements in trade and other payables and deferred revenue	(152.3)	8.5	(160.8)
Movements in inventory and right-of-return-assets	238.6	-	238.6
Movements in trade and other receivables	(794.8)	133.7	(928.5)
Cash generated from trading activities	5 347.4	2 504.1	2 843.3
Interest received	258.8	-	258.8
Interest paid	(349.3)	-	(349.3)
Interest received on net investment in lease receivables	155.6	155.6	-
Interest paid on lease liabilities	(1 165.9)	(1 165.9)	-
Cash generated from operations	4 246.6	1 493.8	2 752.8
Dividends paid	(938.0)	-	(938.0)
Tax paid	(817.3)	-	(817.3)
Cash generated from operating activities	2 491.3	1 493.8	997.5
Cash flows from investing activities			
Investment in intangible assets	(151.5)	-	(151.5)
Investment in property, plant and equipment	(1 312.5)	-	(1 312.5)
Proceeds on sale of non-current asset held for sale	217.2	-	217.2
Purchase of operations	(10.5)	-	(10.5)
Proceeds on disposal of intangible assets	0.3	-	0.3
Proceeds on disposal of property, plant and equipment	168.2	-	168.2
Loans advanced	(22.7)	-	(22.7)
Cash utilised in investing activities	(1 111.5)	-	(1 111.5)
Cash flows from financing activities			
Lease liability payments	(1 725.6)	(1 725.6)	-
Net investment in lease receipts	231.8	231.8	-
Borrowings raised	4 700.0	-	4 700.0
Repayment of borrowings	(3 903.8)	-	(3 903.8)
Share purchases	(311.2)	-	(311.2)
Proceeds from employees on settlement of share options	0.3	-	0.3
Cash (utilised in)/generated from financing activities	(1 008.5)	(1 493.8)	485.3
Net increase in cash and cash equivalents	371.3	-	371.3
Net cash and cash equivalents at beginning of period	(670.9)	-	(670.9)
Foreign currency translations	2.8	-	2.8
Net cash and cash equivalents at end of period	(296.8)	-	(296.8)
Consisting of:			
Cash and cash equivalents	1 503.2	-	1 503.2
Overnight borrowings	(1 800.0)	-	(1 800.0)

APPENDIX

Pro forma information

Certain financial information presented in these unaudited condensed consolidated interim financial results constitutes pro forma financial information. The pro forma financial information is the responsibility of the Board of directors of the Company and is presented for illustrative purposes only. Because of its nature, the pro forma financial information may not fairly present the Group's financial position, changes in equity, results of operations or cash flows. This information has not been reviewed nor reported on by the Group's auditors.

Constant currency disclosures

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

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

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

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

The average Zambia kwacha exchange rate to the South African rand for the 26 week period ended 1 September 2019 is 0.88 (2018: 0.77) and the average Botswana pula exchange rate to the South African rand for the 26 week period ended 1 September 2019 is 0.74 (2018: 0.78).

26 weeks to 1 September 2019	% increase reported currency	% increase constant currency
Rest of Africa segmental revenue	(1.8)	2.4
Group reported turnover	4.8	5.0
Group comparable turnover	6.0	6.2

Additional information

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

1 Comparable turnover growth

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

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

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

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

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

	26 weeks to 1 September 2019 Rm	26 weeks to 26 August 2018 Rm
Share of associate's earnings before hyperinflation	16.6	77.8
Share of associate's net monetary gain as a result of hyperinflation	29.7	-
Share of associate's impairment loss as a result of hyperinflation	(48.0)	-
Reported share of associate's earnings	(1.7)	77.8

Profit before tax reported under IAS 29 includes all hyperinflation gains and losses. Headline earnings reported under IAS 29 includes all hyperinflation gains and excludes related capital losses. Neither, in management's view, provide stakeholders with an accurate assessment of the Group's comparable year-on-year earnings performance and, as a result, the Group has presented its earnings for the current and prior period on a comparable basis on page 37. The following key changes are noted below:

- Profit before tax before net monetary gain and capital items has been presented to exclude our share of the total impact of IAS 29.
- Profit before tax before capital items has been adjusted to exclude our share of the IAS 29 capital impairment loss of R48.0 million.
- Headline earnings has been adjusted to exclude our share of the IAS 29 non-cash net monetary gain of R29.7 million.
- Headline earnings and diluted headline earnings per share have been adjusted to exclude our share of the IAS 29 non-cash net monetary gain.

26 weeks to 1 September 2019	As reported Rm	Remove Impact of IAS 29 Rm	Comparable Rm
Profit before tax before capital items	536.5	48.0	584.5
Profit/(loss) on capital items	0.8	(48.0)	(47.2)
Headline earnings	434.2	(29.7)	404.5
	Cents	Cents	Cents
Headline earnings per share	91.28	(6.25)	85.03
Diluted headline earnings per share	90.61	(6.20)	84.41

Refer to notes 4 and 8 of the unaudited condensed consolidated interim financial results for more information.

3 Like-for-like turnover and expense growth comparisons

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

The table below presents the Group earnings performance for the current and previous interim period on a comparable basis:

Unaudited	26 weeks to			Restated*		
	1 September	% of	%	26 weeks to	% of	
	2019	turnover	change	2018	turnover	
	Rm			Rm		
Turnover	43 208.6		4.8	41 244.0		
Comparable turnover**	43 113.6		6.0	40 687.0		
Turnover from airtime sales recognised on a principal basis	95.0			557.0		
Cost of merchandise sold	(34 648.3)		3.4	(33 504.0)		
Gross profit	8 560.3	19.8	10.6	7 740.0	18.8	
Other income	755.5	1.7	4.9	719.9	1.7	
Franchise fee income	204.5	0.5	4.1	196.4	0.5	
Operating lease income	67.2	0.2	6.3	63.2	0.2	
Commissions and other income	483.8	1.1	5.1	460.3	1.1	
Trading expenses	(8 128.2)	18.8	9.8	(7 403.9)	18.0	
Employee costs	(3 876.4)	9.0	12.5	(3 446.7)	8.4	
Occupancy	(1 119.7)	2.6	8.8	(1 029.2)	2.5	
Operations	(1 879.7)	4.4	7.2	(1 752.7)	4.2	
Merchandising and administration	(1 252.4)	2.9	6.6	(1 175.3)	2.8	
Trading profit	1 187.6	2.7	12.5	1 056.0	2.6	
Net interest paid	(649.4)	(1.5)	3.4	(628.2)	(1.5)	
Net interest paid on net funding	(53.1)	(0.1)	(8.4)	(58.0)	(0.1)	
Net IFRS 16 interest paid	(596.3)	(1.4)	4.6	(570.2)	(1.4)	
Share of associate's earnings before hyperinflation***	16.6			77.8	0.2	
Profit before tax before net monetary gain and capital items	554.8	1.3	9.7	505.6	1.2	
Share of associate's net monetary gain as a result of hyperinflation***	29.7	0.1		-		
Profit before tax before capital items	584.5	1.4	15.6	505.6	1.2	
(Loss)/profit on capital items	(47.2)			19.3		
(Loss)/profit on sale of property, plant and equipment	(5.4)			18.6		
Share of associate's impairment loss as a result of hyperinflation***	(48.0)			-		
Profit on termination of lease	6.2			0.7		
Profit before tax	537.3	1.2	2.4	524.9	1.3	
Tax	(150.5)	0.3	5.8	(142.3)	0.3	
Profit for the period	386.8	0.9	1.1	382.6	0.9	
Comparable headline earnings	404.5		9.7	368.8		
Earnings per share	Cents			Cents		
Basic earnings per share	81.31		0.9	80.57		
Diluted earnings per share	80.71		2.0	79.13		
Headline earnings per share	91.28		17.5	77.67		
Diluted headline earnings per share	90.61		18.8	76.27		
Comparable headline earnings per share[^]						
Headline earnings per share	85.03		9.5	77.67		
Diluted headline earnings per share	84.41		10.7	76.27		

* Prior period amounts restated for the impact of the adoption of IFRS 16 Leases, refer to note 12 of the unaudited condensed consolidated interim financial statements.

** Comparable turnover excludes the turnover earned from the sale of airtime and data recognised on a principal basis in accordance with IFRS 15.

*** To ensure comparability, the share of associate's income as disclosed in note 8 of the unaudited condensed consolidated interim financial statements has been separately disclosed between components including and excluding the impact of IAS 29.

[^] The application of IAS 29 resulted in the recognition of a non-cash net monetary gain and an impairment loss within current year equity accounted earnings of associate. In order to present the comparable underlying operating performance of the Group, comparable headline and diluted headline earnings per share is presented, excluding all IAS 29 related gains and losses. Refer to notes 4 and 8 of the unaudited condensed consolidated interim financial statements.

NUMBER OF STORES

COMPANY-OWNED	3 March 2019	Opened	Closed	Converted closures	Converted openings	1 September 2019
Pick n Pay	749	26	(5)	-	-	770
Hypermarkets	20	-	-	-	-	20
Supermarkets	248	4	-	-	-	252
Local	38	1	-	-	-	39
Clothing	200	16	(5)	-	-	211
Liquor	241	5	-	-	-	246
Pharmacy	2	-	-	-	-	2
Boxer	270	14	-	-	2	286
Supermarkets	166	5	-	-	2	173
Build	31	-	-	-	-	31
Liquor	55	9	-	-	-	64
Punch	18	-	-	-	-	18
Total company-owned	1 019	40	(5)	-	2	1 056
FRANCHISE						
Pick n Pay						
Supermarkets	304	5	(2)	(2)	-	305
Family	287	5	(2)	(2)	-	288
Mini-markets	17	-	-	-	-	17
Market	20	4	-	-	-	24
Express	151	9	-	-	-	160
Clothing	17	-	(1)	-	-	16
Liquor	226	13	(2)	-	-	237
Pharmacy	1	2	(1)	-	-	2
Total franchise	719	33	(6)	(2)	-	744
Total Group stores	1 738	73	(11)	(2)	2	1 800
TM Supermarkets – associate	57	2	(1)	-	-	58
Total with TM Supermarkets	1 795	75	(12)	(2)	2	1 858
AFRICAN FOOTPRINT						
- included in total stores above	148	5	(2)	-	-	151
Pick n Pay company-owned	20	-	-	-	-	20
Boxer company-owned	9	-	-	-	-	9
Pick n Pay franchise	62	3	(1)	-	-	64
TM Supermarkets-associate	57	2	(1)	-	-	58
AFRICAN FOOTPRINT						
- by country	148	5	(2)	-	-	151
Botswana	12	-	-	-	-	12
Lesotho	3	-	(1)	-	-	2
Namibia	36	2	-	-	-	38
Eswatini	20	1	-	-	-	21
Zambia	20	-	-	-	-	20
Zimbabwe	57	2	(1)	-	-	58

CORPORATE INFORMATION

PICK N PAY STORES LIMITED

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

BOARD OF DIRECTORS

Executive

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

Non-executive

Gareth Ackerman (Chairman)
Aboubakar Jakoet
David Robins

Independent non-executive

David Friedland
Hugh Herman
Alex Mathole
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First National Bank

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