



Integrated Annual Report 2015



HIGHLIGHTS



Financial

HEPS + 28.0% to

**177.26
cents**

Turnover + 6.1% to

**R66.9
billion**

Gross profit + 0.3% pts to

17.8%

Like-for-like trading
expenses

+3.8%

Rest of Africa
segmental revenue

+13.6%



Operational

127

new stores

**8.9
million**

Smart Shopper cards

On-shelf availability

+2.5%

Volumes through the DC

+11.0% pts

40 000

new online customers



Society

Improved

BBBEE

score from level 6
to **level 4**

Recycled

45%

of Pick n Pay-owned
store waste

Sourced over

**R40
billion**

of products from
local suppliers

Donated

**933
tonnes**

of surplus food to charity

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REPORT NAVIGATION

To best serve the needs of our various stakeholders, the following reports are available in different mediums:



Integrated annual report

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



Printed and made available on request.



Available on our website at www.picknpayinvestor.co.za



Summarised results and 2015 AGM notices Pick n Pay Stores Limited

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



Posted to all shareholders registered in the Company's share register on 26 June 2015, in terms of the Companies Act, 71 of 2008, as amended.



Available on our website at www.picknpayinvestor.co.za



Summarised results and 2015 AGM notices Pick n Pay Holdings Limited RF

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



Posted to all shareholders registered in the Company's share register on 26 June 2015, in terms of the Companies Act, 71 of 2008, as amended.



Available on our website at www.picknpayinvestor.co.za



Sustainable Living Report 2015

This report is published in full every two years (with a condensed annual update forming part of the integrated annual report). This report details our sustainability strategy, with a review of our performance against strategic non-financial targets.



Available on our website in July 2015 at www.picknpayinvestor.co.za

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THE PICK N PAY INTEGRATED ANNUAL REPORT

Introduction

We are pleased to provide you with our integrated annual report for 2015. Our integrated annual report is intended for all our stakeholders, with a specific focus on the providers of financial capital, being our shareholders and debt providers.

The objective of our integrated annual report is to provide our stakeholders with a concise review of the Group's financial, human, social and relationship, manufactured, intellectual and natural capitals and results for Pick n Pay Holdings Limited RF and Pick n Pay Stores Limited and all their subsidiaries and associate (the Group) for the 52 weeks to 1 March 2015, as well as insight into the opportunities and related risks faced by the Group and how these underpin our strategic objectives and our creation of value.

We believe this report will provide our stakeholders with an improved understanding of our business, how we create value, and our strategic focus on ensuring that our value creation is sustainable in the long term.

In the interests of environmental sustainability, we do not print and post the integrated annual report or our sustainable living report to our shareholders.

Printed copies of the integrated annual report are available on request from our Company Secretary, Debra Muller, at demuller@pnp.co.za or by fax at +27 21 797 0314.

Scope of the report

The integrated annual report covers the strategic objectives, financial performance, operational highlights and social, human and environmental impact of the Group.

The report covers the 2015 financial period, with relevant comparisons to previous periods, and is consistent with information and performance indicators included in internal management reporting. The report has been compiled and presented in line with the requirements and principles of the following:

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

The report presents a range of financial and non-financial disclosures and performance measures to assist our stakeholders in making an informed and objective assessment of the Group's overall performance in 2015.

Non-financial disclosures provided in this report are specific to our Pick n Pay-branded owned business in South Africa. It is our intention to expand these disclosures in future in order to provide a comprehensive view of the social, human and environmental impacts of the Group as a whole, including our impacts outside South Africa.

In our continued effort to improve our reporting, we have made some changes to the structure and presentation of information, particularly in respect of presenting the Group's long-term strategic focus (page 18), business model (page 10) and our remuneration report (page 60). This has not materially affected the consistency of our reporting, and no previously reported significant information has been excluded from the report.

There has been no restatement of financial information in respect of prior periods.

Forward-looking information

This integrated annual report contains certain forward-looking statements related to the performance and position of the Group. All forward-looking statements are solely based on the views and considerations of the directors. These statements involve risk and uncertainty as they relate to events and depend on circumstances that may occur in the future. Factors that could cause actual results to differ materially from those contained in forward-looking statements include, but are not limited to, global and national economic and market conditions, competitive conditions and regulatory factors. These forward-looking statements have not been reviewed or reported on by the Group's external auditors.

Assurance

The Board, assisted by the audit and risk committee, is ultimately responsible for overseeing the integrity of the integrated annual report. This has been achieved by establishing skilled and experienced teams and accountability structures to undertake the reporting process and by performing a thorough review of the report.

The financial statements have been prepared under the supervision of the Chief Finance Officer, Bakar Jakoet, CA(SA).

The information included in our integrated annual report has been verified by a combination of internal audit and external audit assurance. The latter applying to the financial statements on pages 92 to 165, and certain sustainability indicators.

Feedback

We are committed to achieving the highest standards of global best practice in reporting, and continue on our journey to implement these standards within the Group. We have expanded our disclosures in 2015 and will continue to engage with all stakeholders to ensure that we improve year on year. We trust that the 2015 integrated annual report has achieved our objective of providing you with a deeper understanding of Pick n Pay – of who we are, how we do business and where we hope to be in the future.

It has become accepted reporting practice for an integrated annual report to include summarised financial statements, with a full set of financial statements published separately. Our shareholders have provided feedback that they prefer one document. Pick n Pay therefore includes the full financial statements in its integrated annual report.

We are committed to building on and improving this report next year and would value your feedback. Any comments or requests for additional information can be emailed to our Company Secretary at demuller@pnp.co.za.

Materiality

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

The Group has extensive interaction with the investor community, including shareholders and investment analysts, and our review of material issues also considers those issues that are material to the investor community.

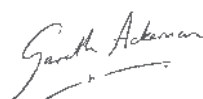
These material issues were again reviewed by the Board and senior management during the reporting period to ensure all relevant internal, industry and macro-economic factors were considered. These material issues are presented on pages 20 to 26 under the seven business acceleration pillars of our strategic long-term plan. We have not disclosed any information that is considered competitor-sensitive or price-sensitive.

Approval of the integrated annual report

The audit and risk committee has reviewed the 2015 integrated annual report and recommended it for approval to the Board of directors.

The Board acknowledges its responsibility to ensure the integrity of the integrated annual report. The directors confirm that they have collectively reviewed the content of this report and agree that it addresses the material issues faced by the Group. They further agree that this report provides a fair presentation of the financial position of the Group as at 1 March 2015 and its performance for the related 52-week financial period. The directors consider the report to be presented in accordance with the International Integrated Reporting Council's International <IR> Framework.

The Board approved the integrated annual report for release to shareholders on 29 May 2015.



Gareth Ackerman
Chairman



Richard Brasher
Chief Executive Officer

THIS IS PICK N PAY

Pick n Pay Holdings Limited RF and Pick n Pay Stores Limited are investment holding companies listed on the JSE. Pick n Pay Stores Limited, through its subsidiaries and associate, operates in the retail sector in South Africa and six other southern African countries. Pick n Pay Holdings Limited RF's sole purpose is the holding of the controlling shareholding in Pick n Pay Stores Limited, and is in turn controlled by the Ackerman family, who have a proud retailing history in South Africa.

Since 1967 when consumer champion Raymond Ackerman purchased the first four stores in Cape Town, the Ackerman family's vision has grown and expanded to encompass stores in South Africa, Namibia, Botswana, Zambia, Swaziland and Lesotho. Additionally Pick n Pay owns a 49% share of a Zimbabwean supermarket business, TM Supermarkets.

The Pick n Pay Group, managed through its South Africa and Rest of Africa divisions, is a grocery and general merchandise retailer, selling a wide range of products at great prices, in stores where our customers are welcomed and treated with respect. We put customers at the heart of our business. Through its Pick n Pay and Boxer brands, the Group serves customers across the diverse spectrum of South African society, and is expanding its reach into the African continent. More than half of all South Africans shop regularly in our stores and we have some of the most loyal customers in the country.

The Group continues to develop and grow as a multi-format, omni-channel business. Our offer to customers focuses on food, non-edible groceries, clothing, liquor and tobacco, health and beauty products, building and hardware and general merchandise. The offer also includes additional value-added services such as financial transactions at till points (including mobile money), ticketing services and the sale of gift cards. In addition to manufacturer-branded products, we have a number of Pick n Pay and Boxer private label products to suit every budget.

The Group operates on both an owned and franchise basis. Our stores range from large hypermarkets where customers can buy everything under one roof through to small convenience stores where customers can shop quickly for their immediate needs. In addition, we have a small and growing online business, giving customers the opportunity to shop from their homes and have their order delivered to their door in one-hour time slots.

The Rest of Africa gives us the opportunity to grow into new markets, representing a second engine of growth for the Group.



Today we have 116 stores outside South Africa, which generated segmental revenue of over R3.7 billion this year and contributed meaningfully to our profits. We tailor our ownership model in each country to what is appropriate to the local environment, whether establishing owned stores, franchised stores or a part-investment in an independent operation.

The Group is developing its centralised distribution channel, with a strategic focus on accelerating the level of central supply in its business. Supply is currently 45% centralised, with an aim to take this to over 60% by the end of the 2016 financial period. The Group operates 10 distribution centres across the country catering for groceries, fresh and perishable produce, and clothing. Our two largest distribution centres are Longmeadow in Gauteng (fresh produce, perishables and groceries) and Philippi in the Western Cape (groceries only).

The Group benefits from an outstanding IT infrastructure, with an end-to-end SAP system, which allows for automated and centralised processing, including the forecast and replenishment of inventory.

Our world-class point of sale system has ably supported the launch of our Brand Match campaign and has contributed to our Smart Shopper loyalty programme being voted South Africa's favourite loyalty programme.

The Group has 1 242 stores, including TM Supermarkets, across all formats and is supplied by more than 7 000 suppliers and service providers.

We employ 48 700 people in our owned stores and operations which, with franchised stores, extends to over 70 000 people working under the Pick n Pay and Boxer banners in seven countries. Working at Pick n Pay is more than a job; it is an opportunity to learn, develop new skills and benefit through teamwork. We are committed to training, developing and empowering our people.

For almost five decades Pick n Pay has played a valuable role in the economic and social development of southern Africa. Our size and reach enables us to make a difference across the southern African continent. We are a strong brand, much loved by society, built on a genuine desire to make life better for our customers and to make a positive contribution to the communities in which we live and work. Brand loyalty is what challenges us and drives us to improve every day to meet the needs of all our stakeholders.

The Group will continue to address the socio-economic challenges faced by the communities it serves through the supply of high-quality, affordable food for all customers, while providing significant employment and economic opportunities across its value chain.



GROUP VALUES AND BALANCED SCORECARD

OUR THREE ENDURING VALUES

The Group has changed substantially, and for the better, over the past few years. We continue to innovate to improve our offering to customers in order to meet their ever-changing needs. However, the Pick n Pay values of consumer sovereignty, business efficiency and the belief that doing good is good business, have endured and have guided our progress.

1 Consumer sovereignty

We put customers at the heart of our business. This philosophy permeates everything that we do, from how we treat our customers to how we design our stores. Every customer is different and their needs are constantly changing. Putting the customer first means we work hard to understand them and how we can serve them better. We are focused on delivering good quality at great prices; improving the shopping experience and fighting for the consumer in the public sphere. We serve our customers in a variety of store formats that are appropriate to their shopping needs. We focus on customer service. We appeal broadly across society, exclude no-one and seek to move hand-in-hand with the changing needs and aspirations of our customers.



2 Business efficiency

We negotiate the lowest possible prices from over 7 000 suppliers and service providers and transport, store and display our products as efficiently as possible to keep costs to a minimum. Our focus on centralisation has increased our business efficiency. The scale of our business allows us to give our suppliers sufficient volume so that they can plan and manage their operations to reduce their costs. Our scale also allows us to spread our fixed costs over substantial volumes, reducing our unit costs. By becoming more efficient we are able to reinvest in improving the customer experience, ensuring we stay true to our first principle of consumer sovereignty, thereby increasing turnover and in turn enabling us to run a more efficient business.



3 Doing good is good business

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

We believe that we will benefit in the future through our generosity today. As we build our business outside South Africa, this is the ethos that drives our investment in those countries.

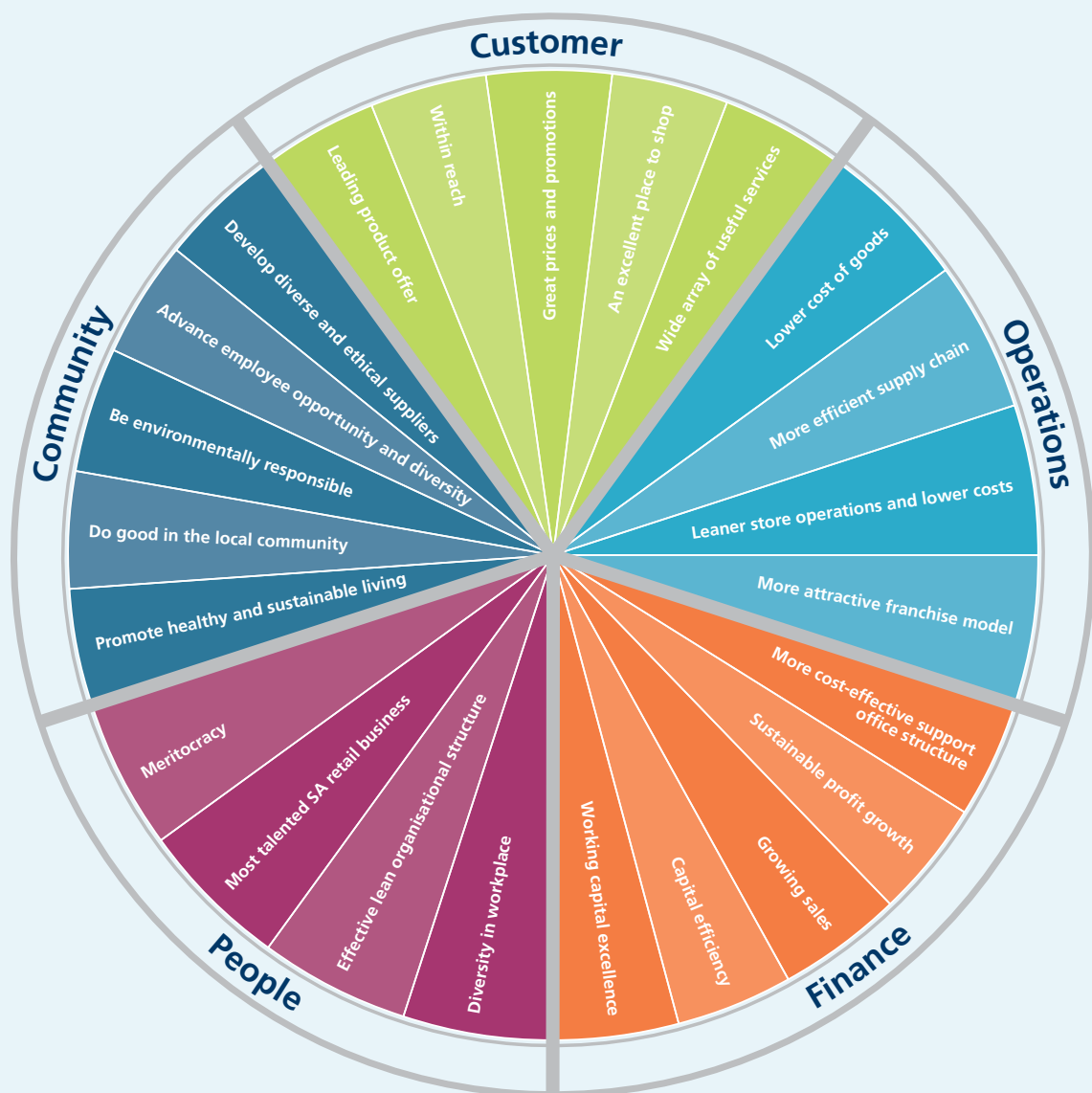


THE PICK N PAY STEERING WHEEL

In 2014 Pick n Pay developed its balanced scorecard – or steering wheel – to underpin strategy formulation and govern the management of the Group.

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

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



OUR ECONOMIC ENVIRONMENT AND CONSUMER TRENDS

Our core market, South Africa, has undergone profound social and economic change over the past two decades. South Africa's integration into the global economy after 1994, combined with significant private and public investment and the increasing provision of social security payments, led to millions of people accessing the consumer market for the first time.

Real incomes and consumer spending increased markedly as a result of the growing investment and productivity. Household consumer expenditure and formal retail sales rose steeply over the next 15 years, as South Africa experienced a period of pronounced economic expansion. By 2010, however, growth in the economy and employment began to slow. Consumption continued to be underpinned by unsecured credit which came to an end in 2013.

In 2014 the South African economy experienced a marked slowdown, impacted by a long and protracted strike in the mining sector. Inflation, electricity supply interruptions and depressed commodity markets had a negative impact on the economy and on market confidence. The retail sector felt the impact alongside other parts of the economy.

South African consumers have come under growing financial pressure over the past year. Living costs have increased, driven in particular by rising electricity bills and other regulatory

administered prices, other inflation items and higher interest rates. The drought in the maize belt in South Africa further contributed to food inflation. Pressure on consumers will be exacerbated by the announced increases in personal income taxes and other levies, high levels of unemployment and the inflationary effects of a weaker currency.

The retail market in South Africa has been characterised by strong competition and strong levels of new space growth. Over the past two years, Pick n Pay has adopted a cautious approach to space growth compared to most of its peers, focusing only on that new space which it is certain will drive sustainable financial returns.

Pick n Pay has an extensive retail presence in southern Africa, with a strong and diverse portfolio of stores. We believe there is still significant opportunity for us to grow, notwithstanding the competitiveness of the market. Traditionally Pick n Pay has been positioned in the more urbanised areas of South Africa, with particularly strong advocacy from South Africa's middle- to upper-income consumer. However, there are many communities across the country, across all demographics, where Pick n Pay is not well represented and we look forward to bringing our offer to these communities, whether they be in urban, peri-urban or more rural areas.

While the value of the South African food sector is estimated at some R600 billion, the informal sector is believed to be worth at least one-third of this amount – and growing. In recent years, strong retail growth has been recorded in the lower-income segment of the market, a space in which we believe our Boxer brand has yet to realise its full potential. All consumers, especially lower-income consumers, aspire to the value, variety and quality that have underpinned the Pick n Pay Group for almost 50 years.

Within Pick n Pay's traditional, urban middle-class heartland, customers are increasingly seeking out those retailers who provide convenience either in the form of smaller, more local stores, or online. To satisfy these expectations, we have improved our underlying operating model, driven by centralised systems, lower costs and improved effectiveness and efficiency, all of which enable us to open smaller, convenient stores while widening the pool of sites which Pick n Pay can operate profitably on both a company-owned and franchise basis.

The rest of southern Africa has by no means been spared the economic headwinds facing South Africa and much of the world but the growth of an urban middle class across the region represents, we believe, a second engine of growth for Pick n Pay.

South African and, indeed, southern African consumers are under considerable pressure to tighten their belts and they reward those retailers who provide the most compelling offer in terms of price, quality and value. We launched our Brand Match campaign during the year, an undertaking which matches the lowest price of 1 000 branded products across four of our competitors. Brand Match has built confidence in the competitiveness of Pick n Pay's pricing and is convincing customers that they do not need to shop around for lower prices.

The outlook for 2015 remains challenging, compounded by the national electricity crisis and uncertainties in the global economy. However, Pick n Pay has delivered strong double-digit growth in earnings over the last two years, despite the economic climate, and we are confident that we will deliver on our substantial opportunities for growth in the future.



HOW WE CREATE VALUE: THE BUSINESS MODEL

Financial capital

- Equity: R3.1 billion
- Borrowings: R784.3 million

Human capital

- 48 700 employees at owned stores and operations
- 23 000 employees at franchise stores

Social capital

- 790 million customer interactions per annum
- 8.9 million Smart Shopper cards
- R40 billion local procurement

Manufactured capital

- Store footprint in seven countries
- 10 centralised distribution centres, with two main centres in Gauteng and the Western Cape
- World-class IT infrastructure

Intellectual capital

- Brand strength and customer insights
- Smart Shopper and Brand Match
- Innovative products and services
- Forecasting and planning systems

Natural capital

- Food supply
- Biodiversity
- Fossil fuels
- Water
- Soil

INPUTS

Retailer of choice

- Employing a multi-format, omni-channel model, our retail presence ranges from large hypermarkets and supermarkets to specialised outlets and small convenience stores, as well as online
- We strive to operate in locations that are close to our customers and to give them a shopping experience that is the most convenient, affordable and relevant to their needs and expectations
- 699 owned and 490 franchised retail stores. Our Zimbabwean associate, TM Supermarkets, operates 53 stores, with eight trading as Pick n Pay
- We source products from more than 5 000 trade suppliers using a centralised logistics function with 10 distribution centres supplying 1 189 stores across South Africa and six southern African countries

External environment

- We research our customers' needs and expectations informed by our loyalty programme
- We work with suppliers and partners to give customers innovative products and services and market these extensively
- Groceries are sold under branded and our own private labels, ensuring that we offer customers what they need
- Safety, choice, reliability and the best possible prices are derived from our business principles and inform everything we do
- We have dedicated ourselves in the upliftment of communities by creating local jobs both at our stores and at our suppliers, by encouraging local investment and by supporting and empowering community structures

Engaging with our stakeholders – page 28

Strategy, risk and opportunities and performance – page 18

Governance – page 52

OUTPUTS AND OUTCOMES

Financial capital

- 17% increase in PIK share price
- R119.0 million in finance costs paid out to lenders
- R461.8 million dividends paid to shareholders

Human capital

- R5.7 billion salaries, wages and benefits expense
- 16% increase in investment in skills development and bursaries
- 1 438 internal promotions

Social capital

- 12.7% Smart Shopper membership increase
- R44.6 million corporate social investment
- BBBEE improvement from level 6 to level 4
- R1.7 billion direct and indirect taxes paid

Manufactured capital

- R1.1 billion capital investment
- 127 new stores opened – selling space + 5.2%
- Volumes through distribution centre up 11% pts to 45%

Intellectual capital

- Over 100% increase in value-added services income
- 2.5% increase in on-shelf availability
- Pick n Pay price competitiveness perception supported by Brand Match

Natural capital

- R76 million invested in energy efficiency since 2012
- Recycled 45% of Pick n Pay store waste
- R13.5 million invested in The World Wide Fund for Nature (WWF) sustainable fisheries programme since 2010

STORE FOOTPRINT



Namibia

27

Population (millions): 2.2
GDP (% change): 5.3
Currency: Namibian dollar
Currency vs dollar*: 10.9468



Zambia

10

Population (millions): 15.0
GDP (% change): 5.4
Currency: Zambian kwacha
Currency vs dollar*: 6.2866



Zimbabwe

53

Population (millions): 13.3
GDP (% change): 3.2
Currency: US dollar
Currency vs dollar*: 1



Swaziland

14

Population (millions): 1.1
GDP (% change): 1.7
Currency: Swaziland lilangeni
Currency vs dollar*: 10.9468

Our stores

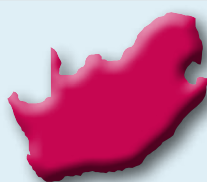
The Group is intent on being the retailer of choice for all the communities we serve. Our expansion programme is focused on growing the business by opening stores which reflect the changing habits and needs of our customers and which will bring new customers and communities into the Pick n Pay family.



Botswana

9

Population (millions): 2.1
GDP (% change): 4.9
Currency: Botswana pula
Currency vs dollar*: 8.9586



South Africa

1 126

Population (millions): 54.0
GDP (% change): 1.5
Currency: South African rand
Currency vs dollar*: 10.9468



Lesotho

3

Population (millions): 1.9
GDP (% change): 2.2
Currency: Lesotho loti
Currency vs dollar*: 10.9468

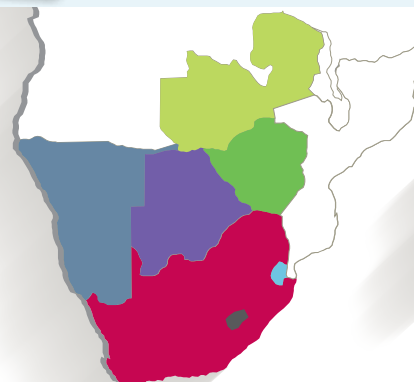
* 3 March 2014 to 1 March 2015

Source of information: International Monetary Fund, World Economic Outlook Database, April 2015

The Group has a total of

1 242 stores

across all formats and across seven countries, including its investment in TM Supermarkets in Zimbabwe.



NUMBER OF STORES

	2 March 2014	Opened	Closed	Converted – closings	Converted – openings	1 March 2015
COMPANY OWNED						
Pick n Pay	464	52	(5)	(4)	3	510
Hypermarkets	20	—	—	—	—	20
Supermarkets	200	17	(1)	(3)	2	215
Clothing	88	16	(2)	—	—	102
Liquor	152	19	(1)	(1)	1	170
Pharmacy	4	—	(1)	—	—	3
Boxer	179	14	(5)	—	1	189
Superstores	123	5	(4)	—	1	125
Hardware	19	2	—	—	—	21
Liquor	21	1	—	—	—	22
Punch	16	6	(1)	—	—	21
Total company owned	643	66	(10)	(4)	4	699
FRANCHISE						
Pick n Pay						
Supermarkets	277	14	(3)	(4)	4	288
Family	254	13	(2)	(3)	4	266
Mini Market	22	1	(1)	(1)	—	21
Daily	1	—	—	—	—	1
Express	21	25	—	—	—	46
Clothing	14	2	—	—	—	16
Liquor	121	20	(1)	(1)	1	140
Total franchise	433	61	(4)	(5)	5	490
Total Group stores	1 076	127	(14)	(9)	9	1 189
TM Supermarkets	52	2	(1)	—	—	53
Total with TM Supermarkets	1 128	129	(15)	(9)	9	1 242
AFRICAN FOOTPRINT						
– included in total stores above	108*	12	(4)	—	—	116
Pick n Pay company owned	8	2	—	—	—	10
Boxer company owned	5	—	—	—	—	5
Pick n Pay franchise	43	8	(3)	—	—	48
TM Supermarkets – associate	52	2	(1)	—	—	53
AFRICAN FOOTPRINT						
– by country	108*	12	(4)	—	—	116
Botswana	9	—	—	—	—	9
Lesotho	3	—	—	—	—	3
Namibia	22	8	(3)	—	—	27
Swaziland	14	—	—	—	—	14
Zambia	8	2	—	—	—	10
Zimbabwe	52	2	(1)	—	—	53

* All franchise liquor and clothing stores are now included.

STORE FORMATS

Pick n Pay stores

Pick n Pay is a multi-format, omni-channel retailer with a strong and diverse portfolio of stores. Pick n Pay is an inclusive brand, not aimed at serving a single customer demographic but focused on being the retailer for all, from the most affluent sections of society to those who are less fortunate and for whom price is of the utmost importance. The middle-income South African consumer, however, makes up the largest portion of our customer base.

Pick n Pay operates on both an owned and franchise basis, providing a wide range of products and services, and includes an online offering.

There are 1 000 Pick n Pay stores, 510 company-owned and 490 franchise, across South Africa, Botswana, Lesotho, Namibia, Swaziland and Zambia. In addition, our associate TM Supermarkets in Zimbabwe trades eight supermarkets under the Pick n Pay banner in that country.



Pick n Pay Supermarkets

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

Pick n Pay opened 31 new supermarkets during the year and closed four under-performing stores, with a number of conversions between company-owned and franchise stores. The total number of supermarkets stood at 511 at year-end, including the eight Pick n Pay supermarkets operated by our associate in Zimbabwe.

Pick n Pay Online

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

The division is winning customers by offering online convenience, good availability and delivery in one-hour time slots. The online offer in the Western Cape has been expanded through the establishment of a dedicated online picking warehouse at our refurbished Brackenfell Hypermarket.

Pick n Pay Liquor

Our liquor stores are situated close to our supermarkets but with separate entrances. These stores provide customers with the added convenience of purchasing liquor while doing their grocery shop. Our liquor stores help customers to cater for parties and functions by providing a full delivery service.



Pick n Pay opened 40 new liquor stores over the year and closed two. At year-end there were 332 Pick n Pay Liquor stores across southern Africa.



Pick n Pay Hypermarkets

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



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

A current focus of the Group is the modernising of our hypermarket format and refreshing its offer. We have 20 Hypermarkets and a unique plan for each one. Four of our 20 Hypermarkets have recently undergone, or are currently undergoing, refurbishment.

Pick n Pay Clothing



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

Our focus now is to prioritise new standalone clothing stores while also allocating more space to clothing in our supermarkets and hypermarkets.

We opened 18 new clothing stores during the year, and closed two, bringing the number of outlets under the Pick n Pay Clothing format to 118.



STORE FORMATS CONTINUED

Pick n Pay stores CONTINUED



Pick n Pay Express

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

This is our smallest format store, offering a targeted convenience range that satisfies an immediate "top-up" shop or a quick meal solution.

The range is limited and is mainly focused on daily needs. Value-added services offered include ATMs, lottery, airtime and electricity purchases. These sites are located in high traffic flow areas including high-density residential areas and public transport intersections.

Pick n Pay opened 25 Express stores during the year, bringing the total to 46.



Pick n Pay Pharmacy

Pick n Pay operates

26 pharmacies in-store,
with three standalone pharmacies.



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



Boxer stores

Our Boxer stores provide a “one-stop-shop” for middle to lower-income shoppers in South Africa and Swaziland. Boxer offers quality products and services at very affordable prices. Stores offer essential daily commodities such as maize meal, rice, samp, sugar, oil and beans, perishables, health and beauty, general merchandise and bulk-buy offers. The stores also offer fruit and vegetables, butcheries, bakeries and deli sections providing a choice of prepared convenience meals.

There are no franchise stores under this brand. While Boxer has reach across eight provinces in South Africa (with no stores in the Western Cape), its geographical heartland is KwaZulu-Natal and the Eastern Cape. Boxer will continue to grow and expand in areas where the Group knows it can serve the needs of communities through its wide product range, affordable prices and community-rooted staff. There are 189 company-owned stores across its Boxer, Punch, Build and Liquor formats, five of which are in Swaziland.



Boxer Build stocks a diversified range of building and hardware supplies satisfying home owners and builders' DIY and home improvement needs at the most competitive prices. Boxer Build stores offer savings cards and access to short-term credit facilities. Delivery of purchases is also arranged at store level.

Boxer added two new Build stores during the year, bringing to 21 the number of stores in operation.



Boxer Punch is a smaller-sized supermarket located in compact sites that have considerable customer foot traffic. The store has a lower-cost operating model, enabling the business to further reduce the selling prices of products. Boxer Punch stores offer a relatively narrow range of convenience products including basic commodities, pre-packed frozen and fresh meat, and a limited range of breads and confectionery.

Boxer opened six new Boxer Punch stores during the year and closed one under-performing store, bringing the total number of outlets to 21.



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

Boxer opened five new Superstores during the year and closed four non-performing stores while taking over and converting one Pick n Pay franchise store to Boxer. By year-end there were 125 Superstores.



Boxer Liquors are situated close to Boxer supermarkets but with separate entrances. These liquor stores provide customers with the added convenience of purchasing liquor at the same time as doing their grocery shopping.

Boxer opened one liquor store during the year bringing the total to 22.

TM Supermarkets



The Group has a 49% investment in its associate TM Supermarkets in Zimbabwe. The supermarket chain comprises a branch network of 53 stores country-wide, including eight Pick n Pay branded stores.

TM Supermarkets, since its inception in 1978 has become one of the most trusted retail brands in Zimbabwe. With its pay off line “Real Value always” customers are offered a wide range of groceries and perishables, with a limited range of general merchandise and a fresh offering which caters specifically for the communities they serve at competitive prices. With its reach, TM Supermarkets draws its customers from all communities and income groups across Zimbabwe, while store formats range from convenient small supermarkets to larger supermarkets.

STRATEGIC FOCUS

2013 was a turning point for Pick n Pay. Costs were increasing, profits were falling and much of the focus of the business was directed to the challenge of centralising its operations, including its commercial buying, distribution, information technology and administration. The Group required new and decisive leadership. Richard Brasher was appointed as Chief Executive Officer at the beginning of the 2014 financial year, and together with his senior management team, set to work formulating a strategic plan for the business.

In devising the strategic long-term recovery plan, the team recognised that a return to sustainable long-term growth could not be achieved overnight. Pick n Pay's recovery plan sets out to address the fundamentals of the business, bringing stability to its decisions, strengthening its operations, improving its competitiveness and determining a clear route to sustainable long-term growth. It is organised into three stages:

Stage 1 Stabilise the business

Stage 2 Changing the trajectory

Stage 3 Sustainable long-term growth

Stage 1 Stabilise the business

The immediate priority in this stage was to stabilise the core Pick n Pay business. This stage focused on:

- Stringent financial control and a resolute focus on reducing both capital and operating spend.
- Tightening working capital management, strengthening cash balances and reducing the need for debt.
- Developing and implementing a clear plan on centralisation, in particular of commercial buying, replenishment and supply chain.
- Improving the store economic model, driving efficiency and higher productivity throughout the business.
- Strengthening the senior management team to deliver these priorities.

A further priority in Stage 1 was to lay strong foundations for the second stage – changing the trajectory of the Group's growth, efficiency and customer offer. Steps involved in laying this foundation, delivered over the past two years, have included:

- Action to improve the quality of the store portfolio by closing unprofitable stores and beginning the process of refitting and modernising hypermarkets.
- Developing a strong plan for future space growth which takes advantage of the improved operating model including store efficiency gains, an increasingly centralised supply chain and improved labour productivity.
- Establishing and pursuing an ambition to deliver every product, every day to stores on a short lead time.

- Customer innovation, particularly on pricing and promotions, through initiatives such as Brand Match, and the strengthening of other parts of the customer offer including Smart Shopper.

The end of the 2015 financial year marks the completion of Stage 1 of our strategic long-term recovery plan.

Pick n Pay is a more stable business than it was two years ago. We have achieved the goals we set ourselves – having improved gross profit and trading profit margins and strengthened the balance sheet with more cash and less debt. As this report makes clear, our improved financial performance has enabled us to invest more not only in our business but also in our people and in our communities.

The business is well positioned for growth and is ready for Stage 2 of the strategic long-term recovery plan.

Stage 2 Changing the trajectory

Stage 2 of the strategic long-term recovery plan is organised around seven business acceleration pillars. These pillars represent seven material growth opportunities that can substantively affect the Group's ability to create value over the short, medium and long term. The pillars provide the senior management team with clear priorities, objectives and lines of accountability.

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

Stage 2 Changing the trajectory continued

Business acceleration pillar: Better for customers

Pick n Pay's plan recognises that its recovery must be customer-led as well as cost-driven. We will continue to innovate, improving our service and offer to our customers in store. Improvements in cost control and efficiency in Stage 1 provide a solid foundation for Stage 2, in which a leaner, more efficient business will create more value to invest in the customer proposition.

Achievements in 2015:

Provide solid foundation for growth

- We gave more value to customers through sharper pricing and deeper promotions and strengthened our in-store execution of promotional offers. This includes our successful "Super 6" campaign which provides customers with high-quality fruit and vegetable staples at competitive prices.
- We launched Brand Match which is convincing customers that they do not need to shop around for lower prices and this is building confidence in the competitiveness of Pick n Pay's pricing.
- We have provided more to our customers adding more value-added benefits to our Smart Shopper programme and saw the number of vouchers redeemed increase by 68% over the year.
- We launched Mobile Money in partnership with MTN, which provides more than 1 million customers access to free money transfers and other low-cost banking services from their mobile phones.
- We now accept Buy Aid into all our stores. This has attracted more customers to Pick n Pay.

Focus areas for Stage 2 include:

- **Better on-shelf availability** – We will harness the benefits of central distribution and the progress achieved across our supply chain to deliver to our stores the products they need, at the right time.
- **Sharper prices and promotions** – We will continue to innovate on price and promotions, always looking to improve the value and relevance of our offer to customers. We will continue to strengthen our Smart Shopper programme, building on its strong foundation as South Africa's favourite loyalty programme.
- **We will invest in fresh, especially produce** – We will focus on improving our range of fresh and perishable produce, including convenience meals. Customers are shopping more frequently – often daily – for fresh and healthy produce. We will strengthen our offer to meet their needs.
- **Private label** – Through a strategic partnership with Daymon Worldwide we will expand our range of private label products. This will not only offer our customers more value and more choice but will enable Pick n Pay to support even more small local suppliers by giving them access to a national market.
- **Continued innovation through category reviews** – We will improve the relevance and consistency of our ranges to better appeal to the customers we serve across different communities.
- **Customer service** – We will focus on offering our customers a quick, courteous and consistent frontline experience.

Material risks	How we are mitigating the risks
Non-delivery from suppliers or breakdowns in our internal distribution processes cause out-of-stocks for customers	<ul style="list-style-type: none"> • Improved communication with all suppliers and improved internal distribution capability
We don't stock the products our customers want	<ul style="list-style-type: none"> • We improved our automatic forecast and replenishment system to track what customers want – and don't want – and to respond immediately • Performed in-depth category reviews informed by Smart Shopper customer data
We charge too much	<ul style="list-style-type: none"> • Brand Match tells customers – and ourselves – how competitive our pricing is
Unsafe food which could cause harm to customers	<ul style="list-style-type: none"> • All suppliers are subject to an audit of their safety standards by a third-party auditing company. Non-compliance results in termination of supply agreement until compliance is restored • All stores (both company-owned and franchise) undergo stringent food safety audits on a regular basis

Stage 2 Changing the trajectory continued

Business acceleration pillar: A flexible and winning estate

Pick n Pay is a much loved brand with an extensive retail presence in South Africa and southern Africa. However, there are many communities across the country where we are under-represented, particularly outside urban centres. There is opportunity for Pick n Pay to extend its reach across the countries it trades in, including through smaller stores which focus on the growing demand for convenience.

Achievements in 2015:

Provide solid foundation for growth

- We closed 40 under-performing stores over the last two years (26 in 2014 and a further 14 in 2015) to improve the quality and underlying profitability of our estate.
- The Group added 127 stores across all formats in the 2015 financial period.
- We began a substantial refurbishment programme in the second half of the 2015 financial year, refitting four Hypermarkets and 16 supermarkets over the period.
- We introduced our smaller Pick n Pay Local format into four new convenience sites, catering specifically for the unique needs of those neighbourhoods. These stores are not more than 1 000m² in size and leverage off both our expanded central supply chain and our lower-cost operating model.
- We doubled the number of Express stores, opening 25 stores over the year.
- Pick n Pay Online once again delivered strong double-digit growth during 2015, adding 40 000 new customers. We also developed a dedicated picking warehouse at our Brackenfell Hypermarket for our online business. The warehouse has substantially broadened the product range available to online shoppers and significantly improved availability.

Focus areas for Stage 2 include:

- **Accelerate our opening programme** – We will take advantage of our new lower-cost operating model to bring more Pick n Pay and Boxer stores to communities where we are under-represented.
- **Grow our convenience offer** – Our customers have demonstrated a growing demand for more convenience and smaller neighbourhood stores – and we will meet this need by growing our Local and Express formats.
- **More franchise stores** – We will continue to grow our franchise business, for example the roll-out of Pick n Pay Express stores on BP forecourts. Our franchisees are strategic partners to Pick n Pay. Franchisees give tremendous reach to our footprint and we benefit from their retail experience and their commitment to the Pick n Pay brand.
- **Double the number of store refurbishments** – We will improve the quality of our estate by accelerating the refurbishment programme which began in 2015. We will target key stores with refurbishments that add value to the customer and deliver improved turnover growth and return on investment.
- **Accelerate our online business** – We will continue to respond to the growing need for online retail by investing and innovating in systems and our offer.

Material risks	How we are mitigating the risks
We miss out on the best locations for new stores	<ul style="list-style-type: none"> • We maintain regular contact with developers and landlords. Our lower-cost operating model means we can open in more locations in future
We open or refurbish stores that do not deliver sustainable returns	<ul style="list-style-type: none"> • Our store-opening programme has been prudent, favouring only sites where we are certain of satisfactory returns • We have stringent management control over capital spend
Loss of existing franchisees or new franchise opportunities to competing retailers	<ul style="list-style-type: none"> • Regular engagement with franchisees and review of our franchise model to ensure value creation for all

Stage 2 Changing the trajectory continued

Business acceleration pillar: Efficient and effective operations

By improving the efficiency and underlying profitability of the business, we can offer our customers better value and serve them more effectively.

Achievements in 2015:

Provide solid foundation for growth

- The Group established its specialist Retail Office in September 2014 to drive efficient and effective processes across all store formats. In a short space of time the team delivered substantial cost savings in participating stores and achieved greater efficiency in back door receiving and in-store replenishment.
- The increase in like-for-like employee costs was contained at 3.5%, notwithstanding a higher wage rate increase and an additional R67.3 million incurred in respect of the new employee share incentive scheme. This illustrates tangible progress in improving labour productivity and efficiency through the centralisation and simplification of business processes and systems.
- The increase in like-for-like trading expenses was contained at 3.8% with a 30 basis points improvement in trading profit margin from 1.6% to 1.9% in 2015 (from a low of 1.3% in the 2013 comparable financial period).
- More efficient use of space in new stores, with new stores achieving a much higher ratio of trading space to back-up areas, compared with existing stores.
- Our refreshed Hypermarkets provide a better offer on a reduced footprint, operate off a lower cost model – and we earn revenue from leasing the released space to third parties.
- Improved working capital management, particularly the management of inventory, led to stronger cash balances over the period and a repayment of R700 million of medium-term debt.

Focus areas for Stage 2 include:

- **Less cost/more efficiency** – We will continue to improve the efficiency of our business through the centralisation of supply, procurement and administration, the effective use of systems, the removal of duplication and the simplification of processes.
- **Backdoor productivity** – The acceleration of centralised supply means more deliveries from our central distribution centre and fewer direct deliveries from suppliers. This makes the process more efficient and accurate, cuts administration on the back door and enables us to shift focus and resources to the front of the store.
- **Improved product flow and replenishment** – Increased productivity at back door receiving will lead to improved product flow and a quicker and more effective in-store replenishment system.
- **Sharper execution on sales floor and improved frontline service** – Streamlined and simplified processes in-store, particularly in receiving and administration, allowing our staff to focus their efforts on the sales floor and tills on the frontline. We will provide our staff on the shop floor and frontline with the necessary technology and training to do their jobs effectively and efficiently.

Material risks	How we are mitigating the risks
Disruption to trade as a result of loss of or damage to assets or stores	<ul style="list-style-type: none"> • We have a detailed enterprise-wide risk management programme in place and it is reviewed annually
We fail to remove cost from the business	<ul style="list-style-type: none"> • Established the specialist Retail Office to drive efficient and effective processes across all store formats
Interrupted electricity supply	<ul style="list-style-type: none"> • Generators kept all stores running during load shedding while our new stores are 40% more energy efficient than those opened five years ago
Reliance on IT systems	<ul style="list-style-type: none"> • Pick n Pay's Information Services (IS) division has implemented a formal disaster recovery strategy for all critical IT systems. IS interruption and recovery plans are tested and updated on an ongoing basis

Stage 2 Changing the trajectory continued

Business acceleration pillar: Every product, every day

We aim to achieve our goal of every product delivered to stores, every day on a short lead time. The key to this will be an efficient and fully centralised procurement and distribution channel, driving more cost savings and productivity across the business. Our central supply chain is in its infancy, and while we are extremely pleased with the progress delivered to date – it has not been without challenges along the way. As an example, we experienced an unprotected labour strike at our Longmeadow Distribution Centre towards the end of the financial year. Risk management and mitigation processes were triggered and the situation was quickly resolved, however it impacted efficiency at the facility for a number of weeks and deliveries to stores in the Gauteng region.

Achievements in 2015:

Provide solid foundation for growth

- Doubled the capacity of the Philippi Distribution Centre in Cape Town with the implementation of a high-density pick tunnel.
- Rolled out the Enterprise Warehouse Management (EWM) SAP system which has worked effectively in Philippi, at the Longmeadow Distribution Centre in Gauteng, to improve operating efficiency at the facility.
- We worked closely with suppliers to accelerate the pace of centralisation and increased the level of central distribution by 11% pts, adding 90 suppliers to our supply chain channel.
- The Philippi Distribution Centre is successfully delivering every product, every day to all company-owned stores in the Western Cape on a 24-hour lead time. This is currently being introduced at Longmeadow in servicing the Gauteng region.
- On-shelf availability improved by 2.5% over the year, reducing the need for large back-up areas in stores.

Focus areas for Stage 2 include:

- **More suppliers centralised** – We are committed to accelerating the centralisation of supply and are working closely with suppliers in this regard. The supply of Pick n Pay branded stores is currently 45% centrally distributed; we aim to increase this to over 60% by the close of the 2016 financial year.
- **Higher distribution centre productivity** – We are focused on improving pick rates in our two main facilities, Philippi and Longmeadow, and in improving strike rates to stores.
- **Focus on fresh supply chain** – We have achieved the greatest progress to date in the central supply of groceries, with particular success from our Philippi distribution centre in the Western Cape. We plan to improve our distribution of fresh and perishable goods, with a particular focus on maintaining the cold chain and increasing produce shelf life.
- **Fewer, more efficient deliveries** – As we centralise more, our stores will benefit from a reduced number of direct-to-store deliveries from suppliers. Our distribution centre will send fewer trucks – but more frequently – with automatic green-light receiving.
- **New distribution centre capacity** – Philippi and Longmeadow provide us with sufficient supply chain capability in the Western Cape and Gauteng regions. We are now ready to explore opportunities to build our capacity in KwaZulu-Natal and the Eastern Cape.

Material risks	How we are mitigating the risks
Loss of major suppliers and/or product ranges	<ul style="list-style-type: none"> • Increased level of constructive engagement with all major suppliers, increasing the level of central supply • Effective utilisation of automatic, central forecast and replenishment system
Material damage to or loss of distribution centre, as a result of natural or other disaster and the subsequent impact on stores	<ul style="list-style-type: none"> • Comprehensive facilities risk management programme aimed at securing distribution centres and related assets in the event of a natural or other disaster
Not maintaining an effective cold chain and its impact on the quality of fresh produce	<ul style="list-style-type: none"> • Our focus on fresh is leading to an improvement in shelf life of fresh and perishable product

Stage 2 Changing the trajectory continued

Business acceleration pillar: A winning team

Pick n Pay is determined to create the most skilled and talented retail business in South Africa.

Achievements in 2015:

Provide solid foundation for growth

- We have strengthened the senior management team through both external appointments and internal promotions.
- We have implemented a new performance management system for senior management that established clear objectives and lines of accountability.
- We implemented a new employee share incentive scheme during the year – the forfeitable share plan – in order to reward performance and align the interests of senior management with those of shareholders.
- We improved our BBBEE performance from level 6 to level 4.
- Strong commitment to upskilling our employees, with a 16.7% increase in skills development and bursaries on the previous year.

Focus areas for Stage 2 include:

- **Core skills training** – We will continue with the many training programmes offered across the business, with a focus on core skills and how we can do things better, simpler and faster.
- **Focus on customer service** – The training that we provide will always keep the customer at its centre and will encourage our staff members to do better for customers every day.
- **Performance management** – We will roll out a performance management system to junior management levels, so that these employees are able to work towards clear and measurable key performance indicators, and are rewarded in a relevant and appropriate way for meeting those objectives.
- **Better communications** – We will strengthen our internal communications, equipping our staff to engage better with customers and other stakeholders.
- **Diverse workforce** – We will continue to build a diverse workforce that mirrors the customers and communities that we serve across the broad spectrum of the South African society and the other countries that we operate in. This will be a focus in all areas, including new appointments, promotions and skills training.

Material risks	How we are mitigating the risks
We fail to attract and retain the right staff	<ul style="list-style-type: none"> • In line with our remuneration philosophy, we offer competitive remuneration • Strong focus on career advancement, training and incentivisation
Insufficient skills or experience across all employee demographics	<ul style="list-style-type: none"> • Strong commitment to upskilling our employees
An increasing cost of labour, without a commensurate increase in return	<ul style="list-style-type: none"> • The new labour time and attendance schedule focuses on optimisation of staff numbers in stores
Labour strike	<ul style="list-style-type: none"> • A focus on maintaining open and constructive relationships with our labour unions and putting in place a process that enables us to proactively manage critical issues

Stage 2 Changing the trajectory continued

Business acceleration pillar: Boxer – a national brand

Our Boxer business has grown significantly in recent years, despite the challenging conditions facing the lower-income and more rural communities of South Africa and Swaziland. It offers a good range of high-quality produce and merchandise at affordable prices. We closed five under-performing Boxer stores during the year, and while it has strengthened the quality of the estate, it is never an easy decision to reach. Boxer has built a trusted brand in the communities it serves and we are confident of the opportunity the Group has to grow Boxer into a national brand.

Achievements in 2015:

Provide solid foundation for growth

- Grown the business in a competitive environment against the backdrop of exceedingly challenging market conditions, including strikes in the mining sector and civil protests surrounding the lack of service delivery from government. Boxer opened 14 new stores over the period, bringing the total to 189.
- Grown value-added services for customers, including the sale of lottery tickets, pre-paid electricity and bus tickets.

Focus areas for Stage 2 include:

- **Sharper prices and promotions** – Low prices are critical for Boxer customers and we will continue to do everything possible to bring increasing value to poorer communities. This includes expanding our range of fresh produce, particularly our butchery offer, to meet increasing demand.
- **Accelerated new space growth** – While having a presence in eight out of nine provinces across South Africa, Boxer is largely concentrated in KwaZulu-Natal and the Eastern Cape. We will grow this business nationally, supported by a more efficient operating model, leveraging off back-office synergies of the Group.
- **Improved DC capacity** – Boxer is currently a 100% direct-to-store delivery business. We will begin to explore the centralisation of its distribution channel and are well placed to provide distribution centre capability through the Group's supply chain.

Material risks	How we are mitigating the risks
Low-price environments erode margins to unsustainable levels	<ul style="list-style-type: none">• Prudent selection of sites with sufficient traffic to justify overheads and very low margins
Store operations grow ahead of the capacity of systems and administrative support structures	<ul style="list-style-type: none">• Leveraging off Group systems and support, including integration with the Group supply chain where appropriate

Stage 2 Changing the trajectory continued

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

Our operations outside South Africa are an important contributor to the Group. We have an established presence in Botswana, Lesotho, Namibia, Swaziland and Zambia and have a minority share in our associate TM Supermarkets in Zimbabwe. Our foreign operations contributed segmental revenue of just over R3.7 billion during the 2015 financial year. TM Supermarkets experienced a challenging trading year, against the backdrop of continued economic and political uncertainty, a deflationary trading environment and increased competition. We continue to support the business and are confident of its future prospects in the region. We will continue to look for profitable opportunities in other countries that offer political stability, economic growth, ease of business and the prospect of strategic scale.

Achievements in 2015:

Provide solid foundation for growth

- Segmental profits before tax of the Rest of Africa division are up 34.6% on last year, with some benefit from the closure of unsustainable businesses in Mauritius and Mozambique towards the end of last year.
- We have opened 12 new stores, eight in Namibia, two in Zambia and two in Zimbabwe.
- We continue to support our associate TM Supermarkets in Zimbabwe, opening new stores, undertaking a substantial refurbishment programme of all stores and rebranding a number of TM Supermarkets to trade under the Pick n Pay banner (today eight in total).
- We have registered a company in Ghana and are in the beginning stages of developing our business in the region.

Focus areas for Stage 2 include:

- **Improve fresh offer in all markets** – Our focus on fresh is not limited to our core retail business in South Africa, but on improving the offer across all stores and regions. We will work closely with local suppliers to provide us with the best quality produce each region has to offer.
- **More efficient operations** – The Group's operating model has improved, becoming more cost effective and efficient. Our stores outside South Africa will benefit from these efficiencies and will leverage off this knowledge and systems. This includes providing on-the-ground management support to TM Supermarkets in Zimbabwe.
- **More stores in Zambia and Zimbabwe** – Despite challenging economic conditions, we are confident of the future prospects for Pick n Pay in these regions and will continue to improve existing stores and open new stores.
- **First store in Ghana** – We will open our first store in Ghana in calendar year 2016.

Material risks	How we are mitigating the risks
Economic or political instability	<ul style="list-style-type: none"> • We only enter markets that are stable or where we are able to manage upheaval while trading profitably
Lack of understanding of local markets	<ul style="list-style-type: none"> • Formal and robust investigations into new markets, including a team on the ground to explore opportunities for Pick n Pay in Nigeria

Stage 3 Sustainable long-term growth

The successful completion of stages 1 and 2 of our strategic long-term recovery plan will deliver a business that is defined by the following characteristics:

- A track record of sales and profit growth
- Strong customer loyalty and advocacy
- Continuous innovation and improvement in stores and their offer
- An operating model which benchmarks internationally
- Collaborative and enduring relations with a diverse supplier base
- A clear growth strategy
- An employer of choice which delivers opportunity for all
- A resource-efficient business which is a positive force in the countries in which it trades

Pick n Pay will be in a strong position to deliver sustainable long-term growth and has the capability to explore additional engines of growth on the next stages of its journey.

The recovery and growth of Pick n Pay will be positive for all the communities we serve. Our planned capital spend over the next two years will inject around R5 billion into our local economies. This will create thousands of new jobs and give many more small and medium-sized suppliers the opportunity to partner with us and encourage other businesses to invest in the communities we are in. New stores will create access to safe, reliable and affordable food in previously underserved communities and will provide new employees with reliable income, healthcare and other benefits.

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

ENGAGING WITH OUR STAKEHOLDERS

Our ability to create long-term sustainable value depends on open, meaningful and constructive relationships with all our stakeholders.

Stakeholders are those parties who can affect or be affected by our activities, objectives and policies. The Group identifies its key stakeholders through ongoing engagement with individuals, groups and organisations.

Engagement enables us to identify and act upon the issues that affect our business, improves our understanding of stakeholders' expectations, aspirations and interests, and strengthens the transparency and accountability through which we have established valued relationships.

	CUSTOMERS	COMMUNITY	EMPLOYEES
	We had more than 790 million interactions with customers in our stores this year	We are focused on community development and upliftment, including employing and buying from local communities wherever possible	The Group is a major employer, directly employing 48 700 people and, indirectly, approximately 23 000 through our franchise business
Why do we engage?	<ul style="list-style-type: none"> Listening and responding to customer feedback, both positive and negative, helps us to improve our customer offer By responding to the changing needs of our customers we are able to provide them with new reasons to shop with us, supporting sustainable revenue growth 	<ul style="list-style-type: none"> The success and wellbeing of the communities in which we trade ultimately affects the success and wellbeing of our stores Local communities engage with those businesses that engage with them, promoting the sustainability of both 	<ul style="list-style-type: none"> To get the best out of our team (and in turn be able to deliver the best to our customers) we actively and regularly engage with our employees on strategy, key performance indicators, financial performance and the role we expect each individual employee to play in our business To identify and recognise good performance, to provide training and development and to hold each team member accountable for the job they do
Our vision	<ul style="list-style-type: none"> Convenient store locations within easy reach of all customers Leading product offer Great prices and promotions Excellent place to shop Wide array of useful, value-added services 	<ul style="list-style-type: none"> Develop diverse and ethical suppliers Be environmentally responsible Do good in the local community Promote healthy and sustainable living 	<ul style="list-style-type: none"> Meritocracy Most talented South African retail business Effective and lean organisational structure Advance employee opportunity and diversity
Our stakeholders' interests	<ul style="list-style-type: none"> Product quality and food safety Product availability Good value for money Great service Convenient locations Opportunities to buy responsibly and ethically sourced food or to take part in in-store recycling opportunities Rewards for loyalty 	<ul style="list-style-type: none"> Job creation Food safety Support for charity drives, community clean-ups and other local initiatives Environmental responsibility 	<ul style="list-style-type: none"> Recognition, remuneration and rewards Training, career development and wellness programmes (including HIV/Aids education) Sustainable business performance Working for a responsible and ethical corporate citizen
Our engagement	<ul style="list-style-type: none"> Customer director provides a voice, for our customers, on the Board One-on-one meetings Regular customer surveys, consumer forums and online customer panels Website www.picknpay.co.za and social media Smart Shopper loyalty programme Through our store footprint and online 	<ul style="list-style-type: none"> Forums such as township co-operatives, university partnerships and the Pick n Pay Schools Club Individual stores' varied social responsibility programmes Collaboration with the Ackerman Pick n Pay Enterprise Development Fund, including income generation, community enterprise development and food security initiatives 	<ul style="list-style-type: none"> Regular management updates Employee surveys Monthly internal publications In-house television and radio communications and employee conferences Skills development and training Ongoing engagement with unions
Our performance in 2015	<ul style="list-style-type: none"> Customer engagements through our Customer Care line increased 5% to over 300 000 Users of the Pick n Pay website rose 26%. We have the most popular Facebook presence for a South African retailer with over 1 million followers – up 40% Number of Smart Shopper vouchers redeemed increased by 68% Added key new partners to the Smart Shopper loyalty programme, including Ster Kinekor, U-Shaka, Spar, Ratanga Junction and Intercape buses 	<ul style="list-style-type: none"> R44.6 million on various CSI initiatives Smart Shopper loyalty programme generated R2.2 million worth of points donated to charity by customers since inception Donated more than R25.0 million worth of food to FoodBank SA Donated more than R1.8 million of clothing to The Clothing Bank 	<ul style="list-style-type: none"> Skills development and bursaries investment up 16.7% Over 180 training programmes offered to employees Over 1 438 internal promotions, contributing to the career advancement of valued employees 18 participants in the Pick n Pay graduate programme CA(SA) training programme offered at Pick n Pay

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

	FRANCHISEES	SHAREHOLDERS	SUPPLIERS
	Four hundred and ninety of our stores are owned and managed by franchisees	Both Pick n Pay Stores Limited (share code: PIK) and Pick n Pay Holdings Limited RF (share code: PWK) are listed on the JSE Limited. See page 166 for details of our major shareholders	The Group has more than 7 000 suppliers and service providers
	<ul style="list-style-type: none"> Our franchise stores are an important part of the Pick n Pay business, adding significantly to our scale and brand reach Our franchise model only works when our franchisees have opportunities to succeed and have an active voice in the business 	<ul style="list-style-type: none"> To provide our shareholders with a comprehensive, transparent and objective understanding of the business so that our shares may trade at a fair value and that our shareholders are aware of the risks and opportunities associated with investing in the Group 	<ul style="list-style-type: none"> To ensure that we are able to source a leading range of high-quality produce and merchandise at the best possible prices and that we can commit to on-shelf availability, food safety and sustainable and ethical business practices
	<ul style="list-style-type: none"> Offer the most successful mutually beneficial franchise model in the retail industry Operate as a sustainable franchisor of choice 	<ul style="list-style-type: none"> Generate consistent profits in a sustainable manner Operate according to the highest corporate governance principles Follow innovative business practices at acceptable levels of risk Provide attractive returns on investment 	<ul style="list-style-type: none"> To build fair, efficient and mutually beneficial business relationships An efficient supply chain Develop new products that meet evolving customer needs and environmental requirements Give new product innovation the best chance of success on-shelf, through visibility and availability Continual development of small businesses and diverse and ethical suppliers Contribute to job creation
	<ul style="list-style-type: none"> Building a sustainable business Resource efficiency (energy, water, waste, logistics) Security and sustainability of supply, timely delivery of products, competitive pricing, product innovation, marketing support, quality of products and food safety Opportunities for cost reduction Transformation and enterprise development 	<ul style="list-style-type: none"> Improved and sustainable return on investment Understanding our business model, strategic direction and profit drivers Access to timely, accurate and relevant information Sufficient free float of shares for trade Good corporate governance, including a balanced Board composition A socially responsible and ethical corporate citizen 	<ul style="list-style-type: none"> Fair pricing, research and development support, transparent contracts and agreements, infrastructure and logistics support Opportunities for cost reduction Transformation and enterprise development Resource efficiency (energy, water, waste, logistics)
	<ul style="list-style-type: none"> One-on-one relationships Regular store visits by franchise specialists and service area consultants Bi-monthly meetings between regional operational teams Bi-monthly CEO forum meetings with national franchise representatives CSI programmes in the communities in which our franchisees operate National conference 	<ul style="list-style-type: none"> At least four formal engagements a year: two financial results presentations, AGM and investor day/strategic update CEO and CFO regularly engage with investors, analysts and fund managers Direct engagement on proposed resolutions prior to annual and extraordinary general meetings Focused investor relations section on www.picknpayinvestor.co.za 	<ul style="list-style-type: none"> Regular food safety audits at production facilities Ongoing store visits with suppliers Joint business planning sessions Regular meetings in line with merchandise cycle timelines Supplier conferences Dedicated enterprise development programme
	<ul style="list-style-type: none"> Opened 61 franchise stores and closed four under-performing stores Franchise module tailored for the emerging market assisted franchisees trading in this environment with structured repayment of debt Improvement in impairment allowance of trade and other receivables of 71.4% 	<ul style="list-style-type: none"> CEO, CFO and investor relations (IR) team held one-on-one meetings with shareholders in June and October 2014 IR team held numerous meetings with investors, potential investors and analysts Investor day in February 2015 for our largest shareholders – showcasing progress at the Philippi Distribution Centre and the work of the new Retail Office at the Canal Walk store Participated in the Bank of America Merrill Lynch (BAML) Investor Conference in March 2015 For our financial performance during the year, refer to the CFO report on pages 36 to 41 	<ul style="list-style-type: none"> Annual supplier conference 2 370 health and safety audits During the year and through co-operation with the Ackerman Pick n Pay Enterprise Development Fund, 25 businesses and community enterprises benefited from the enterprise development programme, of which 12 are now suppliers Adding 90 suppliers to our centralised supply chain, increasing the level of central supply with 11% pts

CHAIRMAN'S REPORT

Our trading results make it clear that we have substantially completed the first stage of our turnaround strategy. This achievement is a tribute to the leadership of Richard Brasher and the dedication and loyalty of Pick n Pay's management and staff.

They have stabilised the business by improving operating efficiencies, containing costs, substantially completing the centralisation of administration and support functions and investing in our customer experience. We have laid foundations for the second phase of our recovery, while recognising that this will require a great deal of further work.

More will be expected of all of us in the year ahead as fresh challenges and opportunities present themselves in a very demanding retail environment.

Over the past five years, we have invested over R6 billion in our business infrastructure, largely from our own cash generation. This benefits all who live and work in the areas where we trade. Through our investment we are contributing to the success of the countries in which we trade and their economies.

South African consumers still face enormous pressure on their household finances. Rapidly rising energy and other utility costs, inflation and stubbornly high rates of unemployment continue to erode disposable incomes. We believe it would be unfortunate if these burdens were exacerbated by an increase in the direct value added tax (VAT) on goods and services. Such a step, following the higher personal income tax rate and the increase in the fuel levy, would cause great hardship to lower-income families and further dampen economic growth. We believe that measures to stimulate economic growth, rather than raise tax, would benefit South Africa and its economy at this time.

Like all other responsible organisations, we have been deeply concerned about the xenophobic incidents in South Africa in recent months. We view with dismay the great damage done to small traders, whatever their origin. Their contribution to the economy and to the food security of lowest-income communities should not be underestimated. The damage to our national reputation has been immense and must continue to be met by decisive leadership from all concerned.

Pick n Pay plans to invest a further R5 billion over the next two years in stores and other activities. This will create many more jobs in our stores and our supply chain. It will help us to build on our record of training the next generation of retailers for our business. It will also help to advance economic transformation by opening the way to successful retail careers among black managers and franchisees.

More broadly, Pick n Pay already buys products worth some R40 billion from local suppliers each year. As this grows further we will bring more black-owned and small businesses into the Pick n Pay supply chain.

Food security, and in particular the sustainable supply of fresh produce, remains a key priority for Pick n Pay. The World Wide Fund for Nature (WWF) reports that just 3% of South Africa's farmers produce 95% of the food for the country's formal food sector. At the same time we have become a net importer of certain staple foodstuffs, including wheat, rice, sugar and poultry. Both these facts highlight how vital it is that everyone in the chain recognises the importance and fragility of our food security.

Pick n Pay will continue to play a valuable role through our partnerships with existing valued suppliers and by encouraging and supporting emerging farmers in order to stabilise and sustain our agriculture sector. Our strategic focus on growing private label at Pick n Pay will provide small producers with a national platform for growth. But South Africa needs more. We need government and other stakeholders to acknowledge the grave importance of food security in our region and to provide clear, stable and reasoned agricultural policies as an immediate priority. Adding to our concern is the drought being experienced by many of our farmers, particularly those in the Free State and North West provinces, which has caused a substantial loss of crops. These areas contributed more than 60% of the maize crop in 2014. South Africa is now importing maize, and we are concerned about the impact on local food prices.

Like other businesses, our operations have been disrupted by South Africa's deteriorating electricity supply position. We have mitigated the impact by installing generators in our stores and we ask that commercial property owners, wherever possible, invest in their infrastructure and provide smaller, more vulnerable tenants with access to generators so that they are able to continue to trade while the lights are out. We call on government to take every available step to restore the dependability of the nation's power.

In that connection, I am proud to note that Pick n Pay has made good progress in achieving greater energy efficiency. We have exceeded the target we set in 2010 for the reduction of carbon emissions a full year ahead of schedule. Of our carbon emissions, approximately 82% are generated by electricity consumption in our stores and supply chain. We are focusing on reducing our emissions even further, through greater in-store energy efficiencies, including more economical lighting systems and improvements in refrigeration plant control.

Energy efficiency is central to our new store designs, with stores opened in 2015 up to 44% more energy efficient than stores opened in 2010. In the past financial year, 28 existing stores were retrofitted with energy-efficient lighting and 33 with energy-efficient refrigeration. We have also fitted our two flagship distribution centres with daylight harvesting and motion sensors, with the result that these facilities are 20% to 25% more energy efficient.

In the period under review, implementation of the Reserve Bank's changes to card interchange rates has been a welcome advance. It will benefit consumers, who ultimately pay the price for excessive interchange fees. However, we believe the recent changes should

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By improving the efficiency and underlying profitability of the business we have been able to do more for our customers and for the communities we serve.

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Gareth Ackerman

be only a first step: the South African consumer is still paying interchange fees that are considerably higher than those charged in Europe and other comparable markets.

On the external front, I am now co-chairing the Consumer Goods Council of South Africa and from July 2015 will occupy a similar position in the international Consumer Goods Forum. Both of these bodies provide valuable and powerful platforms from which to ensure that the retail sector plays a pivotal role in tackling societal challenges, including the pressing issues of public health, product labelling, employment, sustainability and ethical corporate governance.

As we reach the end of another trading year, I am pleased to report that we have consolidated the foundations from which the Group may now grow and prosper. We have achieved this without compromising or diluting our commitment to the Group's three core legacies – the values of consumer sovereignty, doing good is good business and our commitment to business efficiency.

Our future growth will create more opportunities for individuals and suppliers to meet their aspirations as employees and partners of our business, and will allow us to do more for the communities we serve.

I would also like to congratulate our founder, Mr Raymond Ackerman, on receiving the 2015 Hall of Fame award from the Franchise Association of South Africa. The award recognises his incredible vision and contribution in building franchise businesses in South Africa and for embodying the entrepreneurial spirit which

lies at the heart of the franchise model. In addition Mr Ackerman also received the Free Market Foundation's (FMF) prestigious Luminary award. The award recognises unique individuals who inspire others and set a great example to all in South Africa. The award was given to Mr Ackerman in recognition of his role as an entrepreneur who changed retailing in South Africa for the lasting benefit of all consumers. Mr Ackerman is only the seventh person to receive the FMF Luminary award and we are extremely proud of his achievements and his lasting contribution to free enterprise in South Africa.

I would like to congratulate Mrs Wendy Ackerman on receiving the honorary title of Lifetime President of Pick n Pay from our Pick n Pay Stores Limited Board. She joins Raymond Ackerman in holding this ambassadorial position, which is in recognition of her exceptional contribution to the Group, particularly in the area of social responsibility.

In conclusion, I thank the entire team for the indispensable role they have played in turning round the fortunes of the Pick n Pay Group.

Gareth Ackerman
Chairman

Cape Town
20 April 2015

CHIEF EXECUTIVE OFFICER'S REPORT

The end of the 2015 financial year marks a significant milestone in Pick n Pay's strategic long-term recovery.

Two years ago the leadership team devised a turnaround plan comprising three parts:

Stage 1 – Stabilise the business

Stage 2 – Changing the trajectory

Stage 3 – Sustainable long-term growth

The first stage of this plan is now substantially complete, the business having reported strong profit growth over four consecutive reporting periods.

Greater stability has been achieved through strong financial control and working capital management, which resulted in consistently stronger cash balances throughout the year and enabled the business to repay a significant proportion of its debt. Operating efficiency has improved with the business becoming increasingly effective in managing its costs. We have improved both our gross profit margin and our trading profit margin. Our headline earnings per share increased 28.0% on the previous year.

The second stage of the Pick n Pay recovery plan – changing the trajectory – will deliver a better business for customers, further improvements in operating efficiency, a dynamic approach to growth and further strengthening of the balance sheet and financial performance. Strong foundations for this stage have already been laid over the last two years. Some of these have required us to take tough decisions including the closure of over 40 unprofitable stores over the past two years and beginning the process of refitting and modernising hypermarkets and larger supermarkets. In this period we have taken a prudent approach to expansion, using the time to develop a strong plan intended to ensure that all new space will drive strong and sustainable returns. These various steps have impacted the short-term performance of our business but have strengthened our capacity to deliver in the longer term.

A year ago I made a commitment to Pick n Pay shareholders that I would organise, focus and motivate my team around a clear plan and that this plan would have the customer at its heart. I believe we have made sound progress in this regard. We have made further progress in centralising our supply chain, on improving replenishment and on-shelf availability. We have modernised our

economic model to make our stores more efficient and more responsive to customers. We have innovated in-store, improving our range and offer.

There is much more to be achieved as we shift our focus from stabilising the business to delivering sales-led growth but the steps we have taken will stand us in good stead. Our team is organised around our plan and we are focused and energetic.

BETTER FOR CUSTOMERS

Pick n Pay remains determined to get better for customers. This means giving our customers more of what they want, where they want it and at lower prices. It means offering quality, value, convenience and innovation. We have sharpened our pricing and have strengthened our promotional offer. Our Brand Match campaign has been well received by customers. The high percentage of low/zero coupon values has built confidence in the competitiveness of Pick n Pay's pricing and is convincing customers that they do not need to shop around for lower prices.

Smart Shopper, South Africa's favourite loyalty programme, continues to grow, and is a key differentiator for Pick n Pay. We are gaining valuable insight from Smart Shopper to personalise and improve our promotions, with the number of vouchers redeemed increasing by 68% over the year to 3.4 million. We have also worked with key partners to provide additional value-added benefits to make Smart Shopper even more attractive to our customers.

The Group has worked tirelessly with its suppliers to improve product availability for customers, and to improve the quality and range of merchandise on our shelves, particularly fresh produce. We have undertaken in-depth category reviews over the course of the year to make our product ranges more relevant to customers and more consistent from store to store.

During the year we entered into a strategic partnership with Daymon Worldwide to help us grow our private label offering. We believe that there is an opportunity to grow private label at Pick n Pay, not only providing our customers with more choice but enabling Pick n Pay to support even more local suppliers, including black- and women-owned businesses.

Value-added services are a growing part of our business, with commission and other income from these services up more than 100% on last year. Pick n Pay provides our customers with access to financial services (including our successful Mobile Money partnership with MTN), third-party bill payments, gift cards, pre-paid electricity, lotto and travel and event tickets. We will continue to focus on this area, providing our customers with increased convenience and innovation.



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The Group has undergone substantial change over the past five years and in particular since 2013. It is ready for Stage 2 of the journey – changing the trajectory of Pick n Pay – and is well positioned for sustainable long-term growth.
 ”

Richard Brasher

A FLEXIBLE AND WINNING ESTATE

At 1 March 2015, the Group store portfolio comprised 1 189 stores and 2.2 million square metres (excluding its investment in TM Supermarkets in Zimbabwe). Pick n Pay opened 127 stores during the year across all Pick n Pay and Boxer formats, including 36 new supermarkets, and closed 14 under-performing stores. The 113 net new stores added 5.2% to total space.

As mentioned before, the Group followed a cautious approach to new space growth over the period. We are determined only to grow new space where we are confident that doing so will deliver strong and sustainable returns. To this end, the Group has developed a plan for future space growth which takes advantage of our improved operating model, leveraging improved store efficiencies, an increasingly centralised supply chain and improved labour productivity. The lowered cost of operations enables the Group to make more efficient use of existing space, to the pool of potential sites for new stores, and respond dynamically to the growing demand for convenience and local neighbourhood stores.

Pick n Pay has a vision to be the retailer for every South African and that means bringing Pick n Pay and Boxer stores to more communities. We are now in a better position to do so, ensuring that each new store adds real value to customers and a sustainable return for shareholders.

We have 20 Hypermarkets which contribute meaningfully to Group turnover and have embarked on a plan to modernise each of these for customers. Four Hypermarkets have undergone, or are currently undergoing, refurbishment. They are inevitably subject to a negative turnover impact during refurbishment, but are showing strong sales growth and improved trading densities thereafter. As an example, our new and improved Brackenfell Hypermarket in the Western Cape has halved in size, now houses both the liquor store and pharmacy on-site, enjoys a refreshed range of clothing and general merchandise and delivers a significantly improved turnover per square metre at a materially reduced occupancy cost.

CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

Pick n Pay continues to develop as a multi-format, omni-channel business, and is excited by the growth delivered by our smaller format stores, which include Local, clothing, liquor and Express. Our online business once again delivered strong double-digit turnover growth, adding another 40 000 new customers over the course of the year. The online offer in the Western Cape has been expanded through the establishment of a dedicated online picking warehouse at our refurbished Brackenfell Hypermarket.

Our franchise stores remain an integral part of Pick n Pay and continue to play a key role in our strategic long-term plan. Our franchisees are strong representatives of our Pick n Pay brand and we benefit from having these committed, capable retailers serving our customers. Our plan to make Pick n Pay better for our customers will make Pick n Pay better for our franchisees too.

EFFICIENT AND EFFECTIVE OPERATIONS

In September 2014 the Group established its Retail Office – a specialist team tasked with driving an efficient and effective operating model across all store formats. In a short space of time the team has delivered substantial cost savings in participating stores, demonstrating that we can successfully operate a more efficient store on a lean cost base. The team has also co-ordinated and delivered improvements in back-door receiving and in-store replenishment and achieved strong savings on waste and shrink. A well-run, cost-effective store unlocks value for further investment in the customer offer. Simple and efficient processes enable stores to focus fewer staff on receiving goods at the back door and more staff dedicated to customers on the shop floor.

EVERY PRODUCT, EVERY DAY

In the course of the 2015 financial year, the Group doubled the capacity of our supply chain capability in the Western Cape by implementing a high-density pick tunnel in our Philippi Distribution Centre. It also rolled out the Enterprise Warehouse Management (EWM) SAP warehousing system at the Longmeadow Distribution Centre in Gauteng, which will improve operating efficiency at the facility. Pick n Pay is working closely with suppliers to accelerate the pace of centralisation, adding 90 suppliers during the year and increasing the level of central supply by 11% pts.

Our Philippi Distribution Centre is successfully delivering every product, every day to all corporate stores in the Western Cape, on a 24-hour lead time. This arrangement is currently being introduced at Longmeadow in servicing the Gauteng region.

These operational advances, together with our automated forecast and replenishment system, have resulted in improvements in on-shelf stock availability of 2.5%, while reducing the need for large back-up storage areas in stores.

A WINNING TEAM

We have strengthened our senior management team over the last year through key internal and external appointments. We have also said goodbye to two executives, Isaac Motaung and Neal Quirk, who have together given exemplary service to Pick n Pay over many decades. I want to thank them personally for their contributions to building a great business, and wish them long and happy retirements. We have introduced new performance review and management systems for senior managers and established clear objectives and lines of accountability.

We are committed to building a high-performance team of well-managed, trained and skilled employees who are empowered to build careers at Pick n Pay and are motivated to contribute to the success of the business. Reflecting our commitment to empowering our people, this year our investments in skills training and bursaries is up 16.7% on that of last year. We are determined to be an organisation that fairly reflects the diversity of our country and the communities we serve. To this end we are encouraged by the improvement in our BBBEE score from level 6 to level 4 over the past 12 months.

BOXER – A NATIONAL BRAND

Our Boxer business has grown significantly in recent years, despite the challenging conditions facing the poorer and more rural communities of South Africa and Swaziland. Boxer customers often face economic hardship, which has been exacerbated over the course of this year by the strikes in the platinum sector, civil protests over the lack of basic service delivery and rising unemployment. The Boxer business operates a lean and efficient economic model, offering a compelling range of high-quality produce and merchandise at affordable prices. We are confident of the opportunity the Group has to grow Boxer into a national brand, an objective that forms a key part of our future growth strategy. We will harness the synergies between the Pick n Pay and Boxer businesses and, wherever appropriate, Pick n Pay will provide the systems and supply chain support that Boxer needs to grow.

REST OF AFRICA – SECOND ENGINE OF GROWTH

Our operations outside South Africa continue to deliver good growth, with segmental revenue up 16.6% in constant currency terms, notwithstanding the closure of our franchise operations in Mozambique and Mauritius last year. We continue to expand and improve our operations outside South Africa, opening stores in Namibia, Zambia and Zimbabwe over the year. TM Supermarkets, the Group's associate in Zimbabwe, has experienced a challenging trading period, feeling the combined pressures of a deflationary trading environment, increasing competition and continued economic and political uncertainty in the region. TM continued with its sizeable store refit programme over the year, with the refurbishment of four TM Supermarkets and rebranding a further three stores to the Pick n Pay brand.

Markets outside South Africa remain a potential second engine of growth for Pick n Pay. We plan to strengthen our footprint in existing territories and will look for profitable opportunities in other countries that offer political stability, economic growth, ease of business and the prospect of strategic scale – with partners who share our vision and our values. We are confident of the prospects for growth into Ghana and will open our first store in that country in 2016.

MORE TO COME – THE NEXT STAGE IN THE STRATEGIC JOURNEY

The Group has changed for the better over the past two years. By improving the efficiency and underlying profitability of the business we have been able to do more for all our stakeholders. Pick n Pay is ready for the second stage of our journey – changing the trajectory – and is well-positioned for sustainable, long-term growth. We are determined to create many more opportunities for individuals and suppliers to meet their aspirations as employees and partners of our business while doing more good for the communities in which we operate.

I want to thank the Pick n Pay team who have all worked extremely hard through this first stage of our strategic plan, and who continue to serve the business with a passion that is unique to the Pick n Pay brand. I also wish to thank the Chairman and my Board colleagues. Their advice over the past two years has been invaluable. As a team we are now ready for the second stage of our plan.



Richard Brasher
Chief Executive Officer

Cape Town
20 April 2015

Pick n Pay is working closely with suppliers to accelerate the pace of centralisation, adding 90 suppliers during the year and increasing the level of central supply by more than 11% pts.

We are committed to building a high-performance team of well-managed, trained and skilled employees who are empowered to build careers at Pick n Pay and are motivated to contribute to the success of the business. Reflecting our commitment to empowering our people, this year our investment in skills training and bursaries is up 16.7% on that of last year.

CHIEF FINANCE OFFICER'S REPORT

PICK N PAY STORES LIMITED

Key financial indicators

	52 weeks to 1 March 2015	52 weeks to 2 March 2014	% change
Turnover	R66.9 billion	R63.1 billion	6.1
Gross profit margin	17.8%	17.5%	
Trading profit	R1 240.1 million	R1 010.3 million	22.7
Trading profit margin	1.9%	1.6%	
Profit before tax	R1 205.2 million	R833.1 million	44.7
Profit before tax margin	1.8%	1.3%	
Basic earnings per share	178.79 cents	122.01 cents	46.5
Headline earnings per share	177.26 cents	138.51 cents	28.0
Total annual dividend per share	118.10 cents	92.30 cents	28.0

The business delivered a 30-basis point improvement in gross profit margin, from 17.5% to 17.8%, alongside continued investment in price through Brand Match and Smart Shopper.

OVERVIEW OF FINANCIAL RESULT

Pick n Pay delivered a solid financial performance in the 2015 financial year. Rigorous control of capital and operating spend, combined with concerted action to strengthen the business for the long term, contributed to the headline earnings per share increase of 28.0%. Trading profit increased by 22.7%.

Group turnover growth of 6.1% reflected the financial pressure on especially middle-income customers, with the South African economic climate continuing to be characterised by high unemployment, elevated levels of household debt, a weak rand and rising utility costs. In addition, this year we took key strategic steps to improve the quality of our estate, including the closure of a number of under-performing stores and commencing a substantial refurbishment programme in the second half of the year. While this action strengthened the business for the future, it inevitably impacted turnover growth in the reporting year.

The gross profit margin increased by 30 basis points from 17.5% to 17.8% of turnover, notwithstanding the investment in price through our Brand Match campaign and Smart Shopper loyalty programme.

The increasingly effective management of costs, together with the realisation of greater operating efficiencies, limited the increase in like-for-like trading expenses to 3.8%, well below CPI for the year of 5.8%. Trading profit margin improved by 30 basis points from 1.6% to 1.9%.

More stringent financial control and tighter working capital management resulted in consistently stronger cash balances over the year, enabling the repayment of R700 million of medium-term debt under the DMTN Programme. This delivered a 40.2% reduction in net finance costs.

DETAILED REVIEW OF FINANCIAL RESULT

Turnover

	52 weeks to 1 March 2015 Rm	52 weeks to 2 March 2014 Rm	% change
Group turnover	66 940.8	63 117.0	6.1
South Africa division	63 911.9	60 381.0	5.8
Rest of Africa division	3 028.9	2 736.0	10.7

Tighter working capital management led to consistently stronger cash balances over the 12 months, allowing for the repayment of the medium-term DMTN Programme debt of R700 million.



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Rigorous control of capital and operating spend, combined with concerted action to strengthen the business for the long term, drove headline earnings per share up 28.0% on last year.
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Bakar Jakoet

The Group took strategic action during the year to close 14 under-performing stores. These closures, together with the 26 stores closed in the previous financial year, had a negative impact on turnover growth. The Group also embarked on a substantial refurbishment programme in the second half of the year, beginning the journey of refitting and modernising a number of Hypermarkets and large supermarkets.

These actions improved the quality of our estate and strengthened the business for the future but caused some short-term disruption to trade.

The Group opened 127 stores during the year across all Pick n Pay and Boxer formats, including 36 new supermarkets. The 113 net new stores added 5.2% to space. The retail market is increasingly competitive with a number of our competitors undertaking accelerated store opening programmes. Pick n Pay's cautious approach to new space growth meant that we lagged the market in expansion while our stores felt the impact of competitor openings. The Group is determined, however, to grow new space only where it is confident that doing so can deliver strong and sustainable returns.

Like-for-like sales growth of 3.6% was up from 2.7% in the prior year with our customer count and basket size increasing 2.4% and 4.0% respectively. All metrics reflect improvements in our customer offer achieved through a number of new initiatives launched over the course of the year. We are seeing positive signs of inflation moderating, with internal selling price inflation falling to 6.3% in the second half of the year, against the 6.7% recorded for the first half of the year.

The turnover growth of 5.8% in the **South Africa division** reflected the tough economic climate in this country. Consumers in South Africa have come under increasing financial pressure over the past year. This was a particularly challenging year for our Boxer business which operates in the lower-income, emerging-market communities of South Africa. The business faced increased competition from both formal retailers and informal traders, against the backdrop of mining and industrial strikes, power cuts and service delivery protests. We were, however, pleased with the efforts of our Boxer team, who continue to drive tremendous cost efficiency across the business, in order to deliver competitive prices to those customers who need it the most.

CHIEF FINANCE OFFICER'S REPORT CONTINUED

The **Rest of Africa division** delivered good growth with segmental turnover and segmental revenue (including direct supplier deliveries) up 10.7% and 13.6% respectively, notwithstanding the weakening of the Zambian kwacha against the South African rand and the closure of our franchise operations in Mozambique and Mauritius in the previous year. Segmental revenue growth in constant currency terms was 16.6%. We continued to expand and improve our operations outside South Africa, opening two stores in Zambia during the year and eight in Namibia while closing three under-performing stores in that country. We continued with the sizeable store refit programme in Zimbabwe over the year, refurbishing four TM Supermarkets and rebranding a further three stores to the Pick n Pay brand. The opening of two new stores in Zimbabwe and the closure of one store during the year brought the total number of TM Supermarkets to 53, of which eight trade strongly under the Pick n Pay banner.

Gross profit

Gross profit increased by 8.2% to R11.9 billion with our procurement and supply chain channel delivering pleasing performances. The business delivered a 30-basis point improvement in gross profit margin, from 17.5% to 17.8% alongside continued investment in price through Brand Match and Smart Shopper, and keener promotions over the course of the year. Our investment in, and focus on, centralised procurement and supply chains, including automatic forecast and replenishment, delivered improvements in availability for customers, more efficient and lower-cost operations, better inventory management and more productive use of space in stores.

Other trading income

	52 weeks to 1 March 2015 Rm	52 weeks to 2 March 2014 Rm	% change
Other trading income	602.9	500.6	20.4
Franchise fee income	294.4	311.2	(5.4)
Operating lease income	67.3	77.8	(13.5)
Commissions and other income	241.2	111.6	116.1

Other trading income increased by 20.4% to R602.9 million. The increase was largely due to commissions earned on value-added services, which more than doubled over the period. While value-added services are a good growth opportunity for the business, and growth in this area was strong in 2015, such growth rates depend on new levels of innovation and new product launches, which are unlikely to be replicated every year.

Franchise fee income reduced by 5.4% as a result of the closure of five franchise stores in Mauritius and Mozambique in the previous year.

Operating lease income (rental income) decreased by 13.5% mainly as a result of the cancellation of a substantial head lease, with a corresponding decrease in related rentals paid.

Commissions and other income rose 116.1% as a result of a renewed focus on optimising existing value-added services, including financial services such as mobile money, third-party bill payments, and the sale of gift cards, pre-paid electricity, lotto and travel and event tickets. We will continue to focus on this area, providing our customers with increased convenience and innovation.

Trading expenses

	52 weeks to 1 March 2015 Rm	% of turnover	52 weeks to 2 March 2014 Rm	% of turnover	% change	Like-for-like % change
Trading expenses	11 309.3	16.9	10 530.2	16.7	7.4	3.8
Employee costs	5 653.8	8.5	5 326.3	8.4	6.1	3.5
Occupancy	1 867.6	2.8	1 613.9	2.6	15.7	6.9
Operations	2 618.8	3.9	2 580.5	4.1	1.5	(2.5)
Merchandising and administration	1 169.1	1.7	1 009.5	1.6	15.8	16.9

Trading expenses, at 16.9% of turnover, increased by 7.4% in total and by 3.8% on a like-for-like basis.

Employee costs increased 6.1%. On a like-for-like basis, the growth in employee costs was contained at 3.5%, notwithstanding a first time charge of R67.3 million in respect of the new employee forfeitable share plan, which was implemented in August 2014, and an annual wage rate increase which was more in line with CPI. This is evidence of the tangible progress achieved in improving labour productivity and efficiency throughout the Group, through the centralisation and simplification of business processes and systems.

Occupancy costs, which include rent, rates, security and insurance expenditure, increased by 15.7%. Rent paid rose by 18.1% year-on-year, reflecting our space growth over the last year, with like-for-like rental expenses up 7.0%, in line with average annual escalations. Total like-for-like occupancy cost increases were contained at 6.9%, despite regulated increases in rates and property taxes of up to 20%.

Operations costs, which include electricity, utilities, repairs and maintenance, and depreciation and amortisation, were up 1.5% on last year, and 2.5% down on a like-for-like basis, driven by a substantially lower amortisation and depreciation charge in 2015. Among the factors contributing to this reduced charge was the impact of the R104.1 million impairment of intangible assets in the prior year, a large portion of capitalised investment over the previous seven years now being fully depreciated, and a reduction in capital spend over the past 18 months as the Group slowed new space growth and refurbishment to ensure all customer-facing investment added real value and generated sustainable levels of return.

Utility costs rose by 12.3% due to higher diesel and generator maintenance costs – as a direct result of load shedding. However, these costs continued to be mitigated through improved store

efficiencies and the effective measures put in place to reduce electricity usage.

A number of IT systems came online during the year and professional fees related to the maintenance and support of these systems contributed to an increase in **merchandise and administration** costs of 15.8% (16.9% on a like-for-like basis), with R66.8 million of IT support costs now expensed as incurred.

In addition, bank charges increased by 26.6% on last year, reflecting the increased use of electronic tender by our customers. An improvement in our impairment allowance of trade and other receivables, down 71.4% on last year, mitigated other increases in this category, providing encouraging evidence of the improving health of our franchise business.

Trading profit

Trading profit increased by 22.7% to R1 240.1 million. The trading profit margin improved from 1.6% to 1.9%. An improved gross margin and strong expense control underpinned this result, countering subdued turnover growth. There is, however, still considerable scope to optimise our cost structure and improve our productivity and efficiency.

Profit/loss on capital items

In 2014 the Group completed the centralisation of its buying, operational and finance support functions. As a result, systems and reporting tools previously developed to support the decentralised business operation became obsolete indicating that certain intangible assets had to be assessed for impairment. Management estimated the recoverable amount as zero and an impairment of R104.1 million was recognised in the previous reporting period.

The Group realised a gain of R10.4 million on the sale of assets in the current year, against losses of R5.5 million in the prior year.

Net finance costs

	52 weeks to 1 March 2015 Rm	52 weeks to 2 March 2014 Rm	% change
Net finance costs	(59.6)	(99.6)	(40.2)
Finance income	59.4	44.3	34.1
Finance costs	(119.0)	(143.9)	(17.3)

The net finance cost of R59.6 million was 40.2% down on last year. This was the result of stronger working capital management throughout the year, with a particular focus on inventory management, which resulted in stronger cash balances and enabled the repayment of the medium-term R700 million DMTN Programme debt in June 2014.

Share of associate's income

TM Supermarkets, the Group's associate retailing in Zimbabwe, experienced a challenging trading period, with our share of TM's income falling by 55.3% to R14.3 million. Turnover in the region is under pressure due to a deflationary trading environment, economic and political uncertainty and increasing competition.

CHIEF FINANCE OFFICER'S REPORT CONTINUED

Tax

The effective tax rate improved from 29.9% to 28.5%. The effective tax rate benefit was a direct result of our improved profitability, with no corresponding change in the level of non-deductible expenditure.

Earnings per share

Basic earnings per share (EPS) – increased 46.5%, from 122.01 to 178.79 cents per share.

Headline earnings per share (HEPS) – increased 28.0% from 138.51 to 177.26 cents per share.

The significant difference in the growth in headline earnings per share against basic earnings per share relates to the add-back of profits and losses of a capital nature in the calculation of headline earnings. The profit on the sale of assets, net of tax, of R7.4 million was taken into account in the calculation of headline earnings in the current period, against the add-back of capital losses in the prior year of R78.9 million net of tax. The capital loss in the previous year related mainly to the impairment of obsolete IT systems.

Financial position

	Sunday 1 March 2015 Rm	Sunday 2 March 2014 Rm
Inventory	4 654.5	3 979.8
Trade and other receivables	2 956.7	2 841.1
Cash and cash equivalents	1 173.8	1 540.3
Bank overdraft and overnight borrowings	(500.0)	(670.0)
Medium-term borrowings – DMTN Programme	—	(700.0)
Other current liabilities*	(9 153.6)	(8 204.4)
Net working capital	(868.6)	(1 213.2)

* Excludes the short-term portion of long-term borrowings.

We are pleased with the improvement in net working capital of R344.6 million, which reflects the good work across the business in terms of controlling capital and operating expenditure and managing working capital.

Inventory

Overall, we made good strides in removing excess inventory from the business. However, inventory increased by R674.7 million or 17.0% on last year. This reflected the new stores opened during the course of the year as well as an increase in the centralisation of suppliers over the period, which resulted in elevated inventory levels in the short term. In addition, labour disruption at our Longmeadow Distribution Centre, although quickly resolved, led to increased inventory levels at the facility over year-end.

Trade and other receivables

Trade and other receivables increased by only R115.6 million or 4.1%, against the backdrop of a net new 57 franchise stores. This reflected the reduction in our impairment allowance included in merchandise and administration expenses. We remained focused on improving the quality of our debtors' book and are pleased with our progress in this regard.

Cash and capital management

Working capital management is critical in maintaining a sustainable and cost-effective capital structure. Tighter working capital management and a relentless focus on inventory during the year led to consistently stronger cash balances over the 12 months, allowing for the repayment, as stated above, of the medium-term DMTN Programme debt of R700 million and resulting in a substantially decreased interest charge, notwithstanding the elevated inventory levels at year-end.

The Group utilises long-term interest-bearing borrowings to fund specifically identified capital investment in respect of long-term assets. All capital expenditure is reviewed through a thorough rigorous requisition and approval process.

Capital expenditure for the year

	52 weeks to 1 March 2015 Rm	52 weeks to 2 March 2014 Rm
Expansion into new stores	377.7	592.4
Improving existing stores	438.5	319.3
Improving the customer experience	816.2	911.7
Investing in future infrastructure	130.6	157.8
Maintaining current infrastructure	158.5	190.5
Total capital investment	1 105.3	1 260.0

Of the total capital spend for the year, R816.2 million or 73.8%, was focused on expansion and improving the customer experience. The Group adopted a measured approach to investment in new stores and refurbishments over the last two years to ensure that all capital investment drives a sustainable return.

It is anticipated that capital investment will double in 2016. A clear and focused plan is in place to grow sustainably and improve the quality of the estate, which began with the commencement of the substantial refit programme in the second half of the 2015 financial year. As mentioned previously, we remain committed to reducing our per square metre capital spend without compromising on the quality of our supermarkets. All future capital commitments will be funded through internally generated cash flow and medium- to long-term borrowings where appropriate.

PICK N PAY HOLDINGS LIMITED RF

Pick n Pay Holdings Limited RF's only asset is its 52.8% (2014: 53.6%) direct holding of the issued share capital of Pick n Pay Stores Limited. Its earnings are directly related to those of this investment.

KEY FINANCIAL INDICATORS

	52 weeks to 1 March 2015	52 weeks to 2 March 2014	% change
Turnover	R66.9 billion	R63.1 billion	6.1
Gross profit margin	17.8%	17.5%	
Trading profit	R1 238.6 million	R1 008.1 million	22.9
Trading profit margin	1.9%	1.6%	
Profit before tax	R1 203.7 million	R830.9 million	44.7
Profit before tax margin	1.8%	1.3%	
Basic earnings per share	88.78 cents	60.61 cents	46.5
Headline earnings per share	88.01 cents	68.83 cents	27.9
Annual dividend per share	57.25 cents	44.30 cents	29.2

PICK N PAY STORES LIMITED AND PICK N PAY HOLDINGS LIMITED RF SHAREHOLDER DISTRIBUTION

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

Pick n Pay Stores Limited declared a final dividend of 98.50 cents per share, bringing the total annual dividend for the year to 118.10 cents per share, 28.0% up on last year.

Pick n Pay Holdings Limited RF declared a final dividend of 47.85 cents per share, bringing the total annual dividend for the year to 57.25 cents per share, 29.2% up on last year.



Bakar Jakoet
Chief Finance Officer

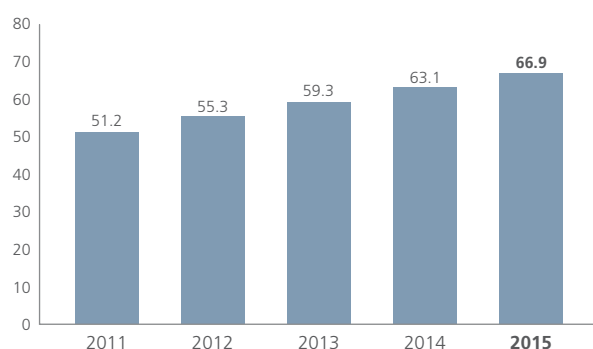
Cape Town
20 April 2015

An improvement
in the impairment
allowance of our
trade and other
receivables,
down 71.4% on last
year, providing
encouraging
evidence of the
improving health
of our franchise
business.

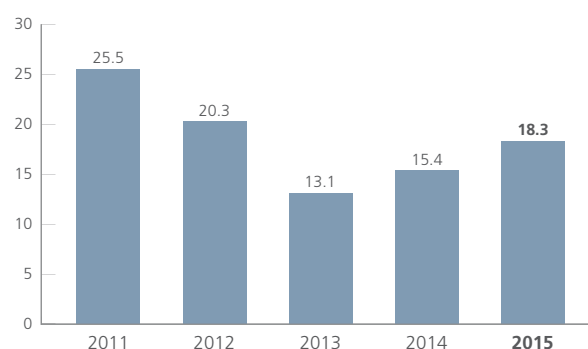
FIVE-YEAR REVIEW

		2015 364 days	2014 364 days	2013 368 days	2012 366 days	2011 365 days
Pick n Pay Stores Limited						
PERFORMANCE MEASURES						
Continuing operations						
Turnover growth	%	6.1	6.5	7.1	8.1	5.1
Gross profit margin	%	17.8	17.5	17.4	17.8	17.6
Trading profit growth	%	22.7	18.5	(33.2)	(10.1)	(13.5)
Trading profit margin	%	1.9	1.6	1.4	2.3	2.8
Profit before tax growth	%	44.7	3.0	(30.9)	(13.7)	(25.8)
PBTAE growth	%	28.6	15.9	(30.9)	(13.2)	(25.6)
EBITDA growth	%	13.5	4.9	(13.5)	(4.0)	(4.9)
Profit margin	%	1.3	0.9	0.9	1.4	1.8
Headline earnings growth	%	27.9	24.5	(30.7)	(14.8)	(17.8)
Headline earnings margin	%	1.3	1.0	0.9	1.4	1.8
Headline earnings per share	cents	177.3	138.5	111.5	160.8	189.3
Headline earnings per share growth	%	28.0	24.2	(30.7)	(15.1)	(18.3)
Return on shareholders' equity	%	29.1	25.9	22.1	29.9	36.5
ROCE	%	24.0	20.0	14.5	25.8	32.2
Return on total assets	%	5.9	4.9	4.3	5.9	7.0
Net asset value per share	cents	746.6	645.6	586.0	548.0	503.0
WACC	%	9.5				
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME						
Continuing operations						
Turnover	Rm	66 940.8	63 117.0	59 271.3	55 330.5	51 185.0
Trading profit	Rm	1 240.1	1 010.3	852.4	1 275.1	1 417.7
Profit before tax	Rm	1 205.2	833.1	808.9	1 170.0	1 356.1
PBTAE	Rm	1 205.2	937.2	808.9	1 170.0	1 348.6
EBITDA	Rm	2 134.3	1 881.0	1 792.9	2 073.7	2 160.9
Headline earnings	Rm	847.8	662.6	532.2	767.8	900.8
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION						
Total Group operations						
Assets						
Non-current assets	Rm	5 920.1	5 739.9	5 407.8	5 091.1	4 078.3
Current assets	Rm	8 786.4	8 364.7	7 613.3	6 727.2	7 022.0
Total assets	Rm	14 706.5	14 104.6	13 021.1	11 818.3	11 100.3
Equity and liabilities						
Ordinary shareholders' equity	Rm	3 130.1	2 702.6	2 416.0	2 404.1	2 158.8
Non-current liabilities	Rm	1 631.3	1 789.8	1 697.1	1 609.3	1 383.3
Current liabilities	Rm	9 945.1	9 612.2	8 908.0	7 804.9	8 558.2
Total equity and liabilities	Rm	14 706.5	14 104.6	13 021.1	11 818.3	11 100.3

Turnover (Rbn)



Return on capital employed (%)

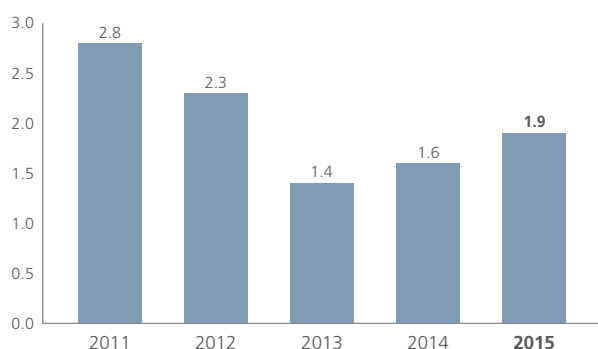


		2015 364 days	2014 364 days	2013 368 days	2012 366 days	2011 365 days
STOCK EXCHANGE (JSE LIMITED)						
MEASURES						
Pick n Pay Stores Limited (PIK)						
Number of shares in issue	millions	487.3	480.4	480.4	480.4	480.4
Weighted-average number of shares in issue	millions	478.3	478.4	478.1	477.4	475.7
Total market capitalisation	Rbn	25.7	21.7	21.8	20.7	22.3
Market capitalisation net of treasury shares	Rbn	25.3	21.6	21.7	20.6	22.2
Price:earnings ratio	times	29.8	32.6	40.8	30.2	28.2
Dividend per share	cents	118.1	92.3	84.0	130.9	142.5
Dividend cover	times	1.5	1.5	1.3	1.1	1.2
Volume of shares traded	millions	213.3	165.2	274.5	216.8	275.7
Percentage of shares traded	%	43.8	34.4	57.1	45.1	57.4
Market price per share						
– close at year-end	cents	5 282	4 514	4 544	4 307	4 644
– high for the year	cents	6 082	5 440	4 900	4 850	4 999
– low for the year	cents	4 401	3 519	4 022	3 504	3 944
Pick n Pay Holdings Limited RF (PWK)						
Number of shares in issue	millions	527.2	527.2	527.2	527.2	527.2
Weighted-average number of shares in issue	millions	516.3	516.2	516.4	516.4	515.9
Total market capitalisation	Rbn	12.0	10.8	10.0	9.7	10.6
Headline earnings per share	cents	88.0	68.8	55.1	70.8	82.1
Price:earnings ratio	times	26.0	29.9	34.4	25.9	24.4
Dividend per share	cents	57.3	44.3	40.8	63.5	69.3
Volume of shares traded	millions	65.9	70.5	139.6	122.8	165.7
Percentage of shares traded	%	12.5	13.4	26.5	23.3	31.4
Market price per share						
– close at year-end	cents	2 285	2 055	1 894	1 833	2 007
– high for the year	cents	2 800	2 300	2 118	2 030	2 115
– low for the year	cents	1 980	1 619	1 770	1 459	1 655

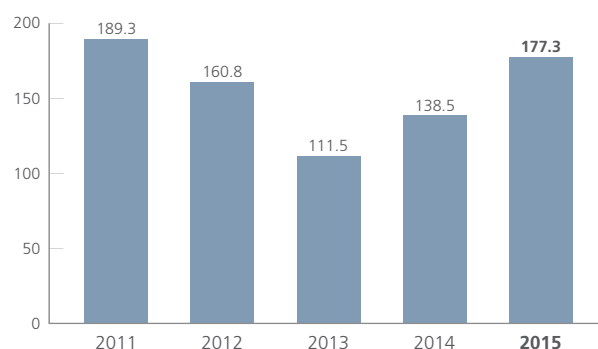
DEFINITIONS

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

Trading profit margin (%)



Headline earnings per share (cents)



FIVE-YEAR REVIEW CONTINUED

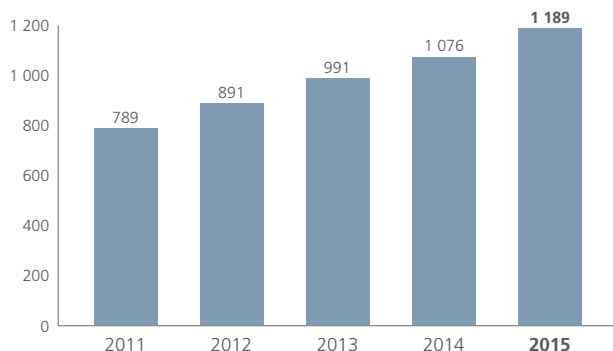
		2015 364 days	2014 364 days	2013 368 days	2012 366 days	2011 365 days
Pick n Pay Stores Limited						
HUMAN MEASURES*						
Developed a skilled workforce						
Number of employees	000	48.7	49.3	47.9	42.4	49.0
Permanent employee turnover	%	19.3	15.0	16.0	15.0	15.0
Employment equity**						
Top management	%	35.7	39.0	40.0	39.0	39.0
Senior management	%	64.4	61.0	60.0	60.0	58.0
Professionally qualified middle management	%	87.1	85.0	84.0	84.0	84.0
Skilled technical and junior management	%	95.2	95.0	95.0	95.0	94.0
Semi-skilled and discretionary decision-making	%	99.7	99.8	99.7	99.8	100.0
Unskilled and defined decision-making	%	99.4	99.6	99.6	99.6	99.6
SOCIAL AND ENVIRONMENTAL MEASURES*						
Carbon footprint	CO ₂ e tonnes	613 934.7	588 509.2	591 985.5	607 156.1	602 782.0
Energy reductions	GWh	840.0	626.0	422.0	250.0	126.0
Decrease in CO ₂ e per square metre	%	(2.4)	(4.0)	^	^	^
Waste diverted from landfill	%	45.0	43.0	^	^	^
Water consumed	megalitres	1 316.0	1 133.0	1 085.0	^	^
Total CSI spend	Rm	44.6	36.0	40.9	51.5	55.7
Schools in Pick n Pay Schools Club		3 025	2 750	2 500	2 500	2 500
BBBEE level		Level 4	Level 6	Level 6	Level 7	Level 8
OPERATIONAL STATISTICS						
Number of stores						
<i>Group</i>		1 189	1 076	991	891	789
Pick n Pay – Owned		510	464	420	374	311
Pick n Pay – Franchise		490	433	421	388	369
Boxer stores		189	179	150	129	109
<i>Associate</i>		53	52	49	50	51
TM Supermarkets		1 242	1 128	1 040	941	840
<i>Total with associate</i>		2 178.0	2 069.4	2 002.2	1 895.2	1 818.3
Total square metres	000 m ²	2 178.0	2 069.4	2 002.2	1 895.2	1 818.3
Owned	000 m ²	1 524.7	1 466.6	1 386.4	1 296.9	1 223.1
Franchise	000 m ²	653.3	602.8	615.8	598.3	595.2

* Information relates to Pick n Pay owned stores only

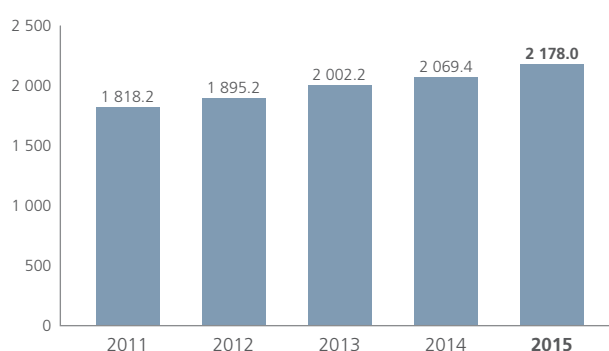
** These measures represent the participation of employment equity candidates, as governed by the Employment Equity Act, No 55 of 1998, in the presented categories

^ Not measured

Number of stores



Total square metres (000 m²)



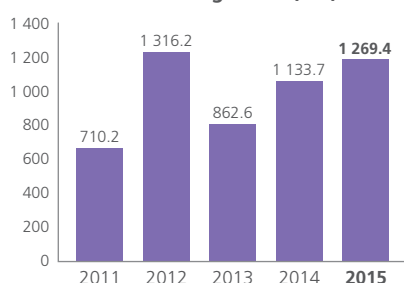
VALUE ADDED STATEMENT

Value added is the value that the Group has added to pay for merchandise and other costs, and to sell goods and services. This statement shows how the value added has been distributed over the financial period.

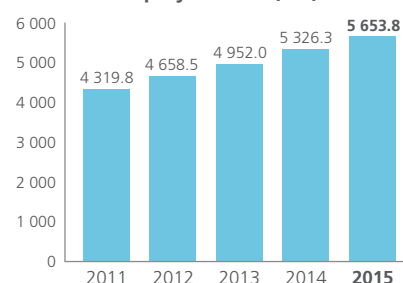
	52 weeks 1 March 2015		52 weeks 2 March 2014	
	Rm	%	Rm	%
Turnover	66 940.8		63 117.0	
Amounts paid for merchandise and expenses	(59 152.7)		(55 909.6)	
Finance income	59.4		44.3	
Total value inputs	7 847.5	100.0	7 251.7	100.0
Distributed as follows:				
Employees				
Salaries, wages and other benefits	5 653.8	72.0	5 326.3	73.5
To providers of capital	580.8	7.4	542.3	7.5
Distributions to shareholders	461.8	5.9	398.4	5.5
Finance costs	119.0	1.5	143.9	2.0
Government				
Tax expense	343.5	4.4	249.4	3.4
Retained for growth	1 269.4	16.2	1 133.7	15.6
Depreciation and amortisation	869.5	11.1	948.4	13.0
Profit for the period after distributions to shareholders	399.9	5.1	185.3	2.6
Total value outputs	7 847.5	100.0	7 251.7	100.0

Adding value to stakeholders

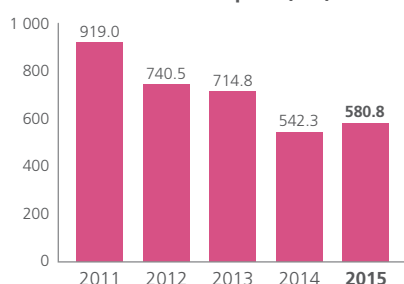
Retained for growth (Rm)



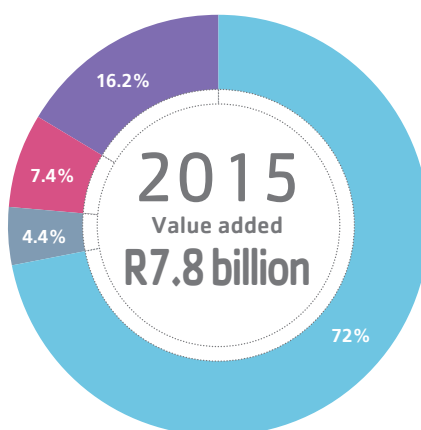
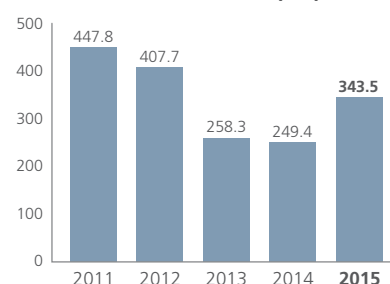
Employee costs (Rm)



Providers of capital (Rm)



Government taxes (Rm)



OUR SOCIAL IMPACT

Pick n Pay has a long and remarkable history on sustainability and progressive social action – beginning well before it became a fashionable part of corporate life. The greatest contribution that a successful retailer can make to society is to help find solutions to problems and then bring those solutions to scale. By working with our partners – through our stores, our staff, our supply chain and our millions of customers – we multiply the impact of a good idea many times.



Wider social impact

Our business employs more than 70 000 people through our owned and franchise stores, on the African continent, providing them and their families with a secure and sustainable source of income and the opportunity to progress within the Group. As our store portfolio increases, we extend these benefits to more people and families in more communities. Many of our new jobs go to people, including recent matriculants, who were previously unemployed.

We plan to invest around R5 billion in capital expenditure over the next two years, bringing more stores and much needed jobs to more communities in the countries in which we trade. A new store in a local area often provides a catalyst for others to invest, multiplying the economic and social benefit.

We purchased around R40 billion worth of products from local South African producers and manufacturers in 2015. We believe this helps to sustain a workforce of around 250 000 people. This supply base will grow as our business grows, spreading investment, opportunity and employment around the country.

Empowering small black business

We are committed to small business development in the manufacturing and retail sector – particularly by empowering black- and women-owned businesses. A diverse supplier base is vital in ensuring we have the right range of products and a pipeline of innovation sufficient to meet customer needs. A locally focused supply base is an advantage in addressing long-term food security, and environmental and social challenges.

Through our enterprise supplier development programme, we are building, up-skilling and sourcing from an increasing number of small black-owned businesses, most of which supply fresh produce. We actively practise preferential procurement by affirmatively targeting black- and women-owned small businesses.



National impact, local focus

For us, social responsibility has always encompassed a range of activities, from upholding consumer rights through to working at a local level to uplift communities and individuals. In all our investments we strive to respond effectively to local and national needs.

A strong focus in recent years has been on enterprise development and job creation. Our principal partnerships are with non-governmental organisations and service providers, government departments, and companies that invest in the community initiatives.

In our previous integrated annual report we recorded R36.0 million devoted to various corporate social responsibility (CSR) activities. This year, reflecting our improved financial performance, we devoted R44.6 million to CSR activities consistently above 5.0% of our profit for the period. Our investments aim to achieve a balance between contributions to smaller, more local initiatives, and larger, wider-impact initiatives that can benefit from our scale and leverage.

We have stores in the hearts of many communities, and seek to play a positive role wherever we have a presence. This can take various forms, including supporting local charities, volunteering,

donating goods or services and helping local people during crises or emergencies. In the year reviewed, there were a number of key CSR projects where being part of the community helps the communities we serve.

- The Pick n Pay Pink Women's Walks, which support the Pink Drive, a public benefit organisation (PBO) that provides free breast cancer screening and awareness education, has in the last three years had more than 80 000 participants, provided more than 9 000 free breast examinations and raised more than R2.2 million for this PBO.
- Our Smart Shopper loyalty programme, with over 8.9 million cards, has generated R2.2 million worth of points since inception which have been donated to charity by our customers.
- We are the biggest retail donor to the food security agency FoodBank SA. We donated more than R25.0 million worth of food to them during the year under review. Through our partnership, FoodBank SA has been able to provide food to more than 600 agencies across the country, which in turn feed over 40 000 people a day.
- Pick n Pay Clothing donated more than R1.8 million of clothing to The Clothing Bank, which trains and supports black women in running small informal clothing retail businesses in their communities.

Pick n Pay School Club, South Africa's largest brand-funded school programme, provides over 3 000 schools with curriculum-aligned educator and learner material. The educational kit includes workbooks, educational posters, stickers and DVDs, as well as the Hero Awards recognition tool kit. Compiled and written by educational experts, the material reaches more than 2 million learners and is provided at no cost to schools. The content is also easily available for free download from the Pick n Pay School Club website (www.schoolclub.co.za). The club's school liaison officers visit enrolled schools during the year to deliver the material, assist educators on using the content, and facilitate workshops to share best teaching practice.



For more on our social value creation, see our 2015 Sustainable Living Report on our website, www.picknpay.co.za

Information contained in this report relates to Pick n Pay-owned stores only.

OUR HUMAN IMPACT

Our aim is to be the retail employer of choice in South Africa and in each of the markets in which we operate. In pursuit of this aim we offer a variety of jobs in a growing and dynamic sector, competitive remuneration and benefits, training to develop our people, a positive working environment and outstanding opportunities for career progression. In addition, our priorities include the development of small businesses and creating more opportunities for entrepreneurs, particularly by empowering black- and women-owned businesses.



Embracing the challenge of change

Progress on transformation is a key goal for Pick n Pay. Our priorities include the development of small businesses, particularly by empowering black- and women-owned businesses. A diverse supplier base is important in ensuring we have the variety of products to meet customer needs and become a source of innovation. A locally focused supply base is an advantage in addressing long-term food security and environmental and social challenges.

We were pleased to have improved our broad-based black economic empowerment (BBBEE) score from level 6 to level 4 BBBEE contributor status over the past year.

This improvement reflects both our continuing strong performance in the areas of enterprise and socio-economic development and total CSR contribution, and significant improvements in our scorecard on equity ownership and preferential procurement.

We are closely monitoring the gazetted and proposed changes to the scorecard and its methodology for subsequent years, which will alter the calculation and thresholds under the scorecard. We remain firmly committed to achieving further progress in this vital area.

Our social and ethics committee is responsible for determining and monitoring our transformation strategy and targets. Expenditure on BEE businesses increased by 39.2% in 2015, reaching R33.4 billion. We tripled our expenditure on black women-owned businesses, quadrupled our spend on SMMEs, and improved our preferential procurement score by 26.4%.

Our BBBEE progress

Element	2015	2014
Overall BBBEE level	Level 4	Level 6
Ownership	9.6	2.3
Management control	4.9	5.1
Employment equity	11.1	10.7
Skills development	6.2	5.3
Preferential procurement	14.7	9.4
Enterprise development	15.0	10.6
Socio-economic development	5.0	5.0
Total points	66.5	48.3

Our progress in supporting local supply and diverse suppliers

Key performance indicator	2015	2014
Spend on BBBEE businesses	R33.4 billion	R24.0 billion
Spend on black-owned businesses	R3.1 billion	R836.2 million
Spend on black women-owned businesses	R1.1 billion	R349.7 million
Spend on SMMEs	R1.4 billion	R325.8 million

Improved tracking of these indicators during 2015 indicated that the 2014 indicators presented are understated.

Making good people great

We seek out people with the enthusiasm and aptitude to succeed in retail. We reward talent, skill with customers and commitment. We do not tolerate any form of discrimination and actively pursue employment equity.

Our key employee objectives are:

- meritocracy
- most talented SA retail business
- effective lean organisation structure
- diversity management

In the year under review, our investment in employee skills development and bursaries increased by 16.7% on the previous year. Eighty-five percent of this spend was on historically disadvantaged South Africans (HDSAs) and employees below junior management level. This year we made progress in advancing the careers of our employees, with 1 438 internal promotions.

Information contained in this report relates to Pick n Pay-owned stores only.

Seventy-two point five percent of our employees in the non-management bargaining unit (NMBU), which is covered by a collective agreement with Saccawu, are union members. Fifty-four point four percent of our employees in the junior management bargaining unit (JMBU), which is covered by a collective agreement with Jamafo, are union members. Zero days were lost to protected strikes during the period.

We offer over 180 training programmes to employees, ranging from basic literacy and numeracy through to computer-based training and management and leadership programmes. We are pleased with the success of our graduate programme, which aims to develop graduates to join our leadership pipeline, and our Corporate Academy, which fast-tracks the development of a pool of managers for our stores. Our bakery learnerships and skills programmes are another success. Our leadership development programmes, accredited by formal tertiary institutions in South Africa, have been very successful in providing the business with future leaders. The Group also offers a CA(SA) training programme.

We promote workplace health and safety. Employees receive health and safety training as part of their induction and specific training is provided when required. We employ occupational health and safety practitioners who co-ordinate all health and safety activities. They provide health advice and referrals to health centres for tests, treatments and check-ups. They also assist with monitoring health hazards, co-ordinating health and safety committees, peer educators, visits and monitoring of sick employees.

We listen to, and engage with, our employees. Regular engagement with our employees helps to build their knowledge of the Group's plans and activities, which in turn helps our staff to communicate knowledgeably with our customers. Good internal communication builds trust and loyalty and enables us to better understand and respond to our employees' concerns.

For more on our human value creation, see our 2015 Sustainable Living Report on our website, www.picknpay.co.za

OUR ENVIRONMENTAL IMPACT

Pick n Pay has been working for many years to minimise its environmental impact and to foster sustainable behaviour throughout its value chain. Reducing our consumption of environmental capital helps us to better manage our risks and reduce our costs. Environmental best practice is also a growing concern for our customers with more and more shoppers preferring to buy ethically and sustainably sourced products.



The areas in which we can make the biggest environmental difference are:

- improving energy efficiency and reducing our carbon footprint;
- tackling waste by minimising the amount we produce and recycling more; and
- embedding sustainability in our supply chain

We have identified and refined our key environmental impacts and formulated a clear strategy on climate change and food security. We have improved our environmental data management, which equips us to better execute our environmental reporting obligations.

We are pleased that our climate change strategy has been recognised both locally, through our inclusion in the Socially Responsible Investment Index of the JSE, and internationally through our inclusion in the Dow Jones Sustainability Index. In 2014 we achieved one of the leading retailer scores in the world, scoring 98A in the Carbon Disclosure Project, and were the only South African retailer to be included in both the Carbon Disclosure Leadership Index (CDLI) and Carbon Disclosure Performance Leadership Index (CPLI).

Doing more with less

Electricity usage accounts for 82% of our total carbon footprint. Our energy reduction strategy focuses on our stores, which consume over 90% of the electricity we use. Key elements of this strategy are implementing innovative technologies in new stores and retrofitting existing stores' refrigeration, lighting and air-conditioning. Since 2012, we invested R76 million in various energy efficiency projects.

New stores opened in the past year are up to 44% more energy efficient than stores opened in 2010. Since 2008 we have reduced our electricity intensity by 32%, saving our business, in total, R749 million and 840 million kWh of electricity. This year Pick n Pay's carbon intensity reduced by 0.9% against a 2013 baseline.

We have set the following targets to be achieved by 2020:

- Carbon emissions' intensity to reduce by 15%, measured against a 2013 baseline
- Absolute emissions to reduce by 5%, measured against a 2013 baseline
- Achieve overall energy efficiency improvements of 40%, measured against 2008 baseline

We are unlikely to achieve our target of zero waste to landfill by 2016. The greatest challenge we face is the lack of access to cost-effective solutions for treating organic waste in South Africa. We have however, succeeded in reducing the amount of waste we send to landfill by recycling 45% of Pick n Pay-owned store waste and donating 933 tonnes of surplus food to charity.

This year we are developing a partnership with AgriProtein which will explore the recycling of organic waste by fly larvae into protein for farmed animals.

We provide a nationwide network of collection points for consumers wanting to recycle light bulbs, batteries, plastic bags

and ink cartridges, and we continue to introduce enterprising recycling initiatives, many of which create job opportunities.

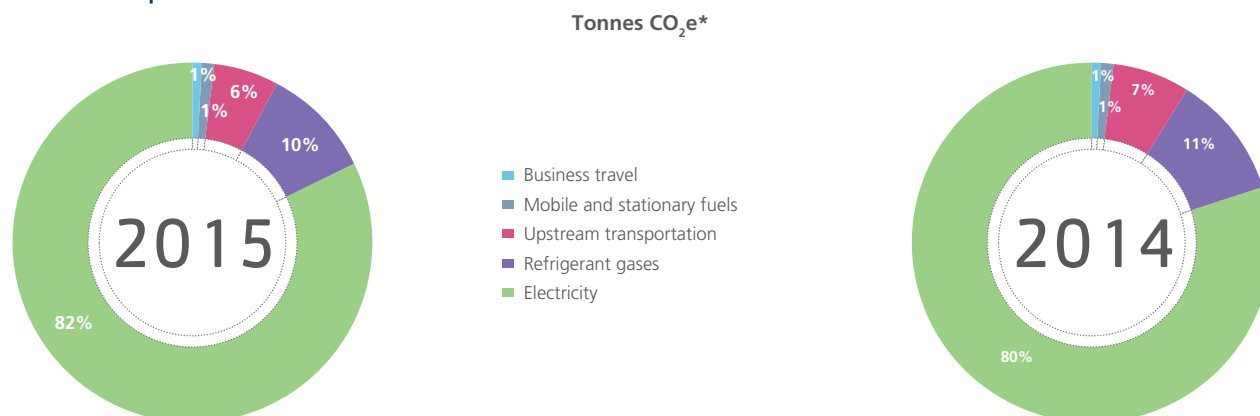
Our direct water footprint is limited. Our 10 distribution centres account for 12% of our water footprint and have been the focus of recent water efficiency efforts. In 2015 we consumed an estimated 1 316 megalitres of water at stores (2014: 1 133 megalitres) with a water intensity of 1.11 kl/m² (2014: 1.19 kl/m²).

In the year reviewed we recorded a number of environmental achievements related to our supply chain and products. These included:

- Sales of free range products grew by 8.3% to R55.9 million
- The quality of the PnP Green range of products was further improved and rebranded. PnP Green range products are vegan and approved by the Beauty Without Cruelty Association
- We sold 16% more wine (with a retail value of R82.0 million) certified by the Biodiversity and Wine Initiative, a multi-stakeholder project to produce wines that have a minimal impact on the fragile Cape Floral Kingdom
- Since 2010 we have invested R13.5 million in the World Wildlife Fund's Sustainable Fisheries Programme. (By year-end 45% of our seafood products by species, and 87% of these products by sales, met our seafood sustainability targets)
- Sixty-five percent of our fresh produce suppliers (133 out of 204 suppliers) were Global GAP (Good Agricultural Practices) certified
- We reduced the salt content in 113 of our products and are in the process of reducing salt levels in 127 more
- We conducted more than 2 000 supplier audits and 5 700 product tests on Pick n Pay branded product suppliers, to ensure that Pick n Pay branded products meet or exceed health and safety standards and legislative requirements

For more on our environmental performance, see our 2015 Sustainable Living Report on our website, www.picknpay.co.za

Our carbon footprint



Information contained in this report relates to Pick n Pay-owned stores only.

BOARD OF DIRECTORS

Chairman



Gareth Ackerman (57)^{#△}

BSocSci, CMS (Oxon)

Chairman

Corporate governance committee and nominations committee chairman

Appointed 1990 Years of service: 31

An executive at Pick n Pay for 15 years, Gareth headed up various divisions of the Group before being appointed to the Board in 1990. He became a non-executive director in 1999, and from 2002 to 2010 served as Chairman of Pick n Pay Holdings Limited RF. In 2010 he was appointed Chairman of Pick n Pay Stores Limited. Among his other interests, Gareth is co-chair of the Consumer Goods Council of South Africa, and serves as vice co-chair of the international Consumer Goods Forum.

Other listed company directorships:

Pick n Pay Holdings Limited RF.

Pick n Pay Stores Limited has a strong and balanced Board of directors. Each director makes a valuable contribution relevant to their individual field of expertise, whether retail, finance, law, strategy or information technology. All demonstrate sound judgement, effective communication skills and the ability and willingness to participate in meaningful and robust debate. All have provided strong ethical leadership. All members of the Board share the strong values of the Pick n Pay Group.

* Member of audit and risk committee

Member of remuneration committee

△ Member of corporate governance committee

* Member of nominations committee

△ Member of social and ethics committee

□ Member of corporate finance committee

Executive directors



Richard Brasher (53)

BSc (Hons)

Chief Executive Officer

Appointed 2013 Years of service: 2

Richard joined Pick n Pay as Chief Executive Officer in 2013 and is leading a plan to restore the business to sustainable long-term growth. He has an outstanding track record spanning over 25 years in international retail. He has developed and led one of the world's most iconic brand loyalty programmes, created one of the first global commercial sourcing operations, built an enduring and much imitated private label strategy, and was instrumental in leading a traditional food retail business into the online and convenience markets.



Richard van Rensburg (53)

CA(SA)

Deputy Chief Executive Officer

Appointed 2009 Years of service: 6

Richard has extensive experience in retail and information technology, with Woolworths, Massmart and Affinity Logic. In 2009 he joined the Board of Pick n Pay as an independent non-executive director. In 2011, Richard became deputy CEO. In this role, Richard takes responsibility for the e-commerce portfolio of the Group.



Aboubakar (Bakar) Jakoet (58)

CA(SA)

Chief Finance Officer

Appointed 2011 Years of service: 29

Bakar joined the Group in 1984, working in the national finance office, heading up special projects and new business. He was appointed divisional manager in 1993 and served on the retail board as chief finance controller since its inception in 1995. He was appointed as CFO and a member of the Board in 2011.

In addition to his responsibilities at Pick n Pay, Bakar is a member of the University of Cape Town Council, Chairman of the UCT Remuneration Committee and Deputy Chairman of the UCT Finance Committee. He is a director of the Sports Science Institute of South Africa, and is a member of their audit committee.



Suzanne Ackerman-Berman (52)[△]

BA, Fellow: Aspen Business Institute; First Movers

Social and ethics committee chairman

Appointed 2010 Years of service: 20

Following broad executive experience in the Group, Suzanne was appointed director of transformation in 2007. In addition to her executive contribution to the Group, in March 2010 she was appointed to the Board as a representative of the controlling shareholder.

Suzanne is very active philanthropically and is a passionate proponent of enterprise development. She is chairman of the Ackerman Pick n Pay Enterprise Development Fund, and head of the Pick n Pay Small Business Incubator.

Other listed company directorships:

Alternate director of Pick n Pay Holdings Limited RF.



Jonathan Ackerman (47)

BA Marketing

Appointed 2010 Years of service: 22

Returning to South Africa after studying and working in the USA, Jonathan joined Pick n Pay in 1992. Having worked in many divisions, Jonathan ensures that the wellbeing of Pick n Pay's customers is the primary motivating factor for any strategic decision taken in the Group in his current role as Customer Director. In March 2010 he was appointed to the Board as a representative of the controlling shareholder.

Other listed company directorships:

Alternate director of Pick n Pay Holdings Limited RF.

Company Secretary



Debra Muller (52)

Attorney

Appointed 2010 Years of service: 9

Debra was appointed as an attorney in 1988. From 1994 she assisted Pick n Pay as a legal consultant and was appointed in 2006 as in-house legal adviser, working with contractual and compliance issues. Appointed as Company Secretary to the Pick n Pay Group in 2010, Debra also heads up the legal department.

Mr Raymond Ackerman and Mrs Wendy Ackerman both hold the ambassadorial position of Honorary Life President of Pick n Pay Stores Limited in recognition of their dedicated service.

Non-executive directors



David Friedland (61)*□

CA(SA)

Appointed 2013

David was the audit engagement partner and lead/relationship partner at KPMG for several listed companies, as well as large owner-managed companies, principally in the retail sector. David has been associated with Pick n Pay as an external auditor since 1977, and was the audit engagement partner from 2000 to 2007.

Other listed company directorships:

Investec Limited, Investec plc, The Foschini Group Limited.



David Robins (61)□

BBusSci

Appointed 2002

David joined the Group in 1994 and was appointed in 2005 as the executive responsible for expansion outside of South African borders. In 2002 he was appointed as Deputy Chairman of the Group and as an executive director. During 2008 he retired from his executive position. He remains on the Board as a non-executive director and as a representative of the controlling shareholder.

Other listed company directorships:

Alternate director of Pick n Pay Holdings Limited RF.

Independent non-executive directors



Hugh Herman (74)*□

Attorney

Lead independent non-executive director and remuneration committee chairman

Appointed 1976

Hugh was a partner at law firm Sonnenberg Hoffmann Galombik before joining Pick n Pay in 1976. He was Managing Director of Pick n Pay from 1986, before joining Investec Bank in 1993. Hugh was appointed Group Chairman of Investec Bank Limited in 1994, a position from which he retired in 2011. Hugh was appointed honorary life president of the Investec Group and remains chairman of various subsidiary companies in the Investec Group.

Other listed company directorships:

Growthpoint Properties Limited, Pick n Pay Holdings Limited RF.



John Gildersleeve (70)#□

Appointed 2013

John has many years of experience in retail, and is a director and chairman of various companies in the United Kingdom. During his 20 years as an executive director of Tesco, John was responsible for personnel, marketing, store development and commercial operations. He was closely associated with Tesco's international expansion. John is currently Chairman of British Land Company PLC, the second largest property company in the United Kingdom. He also serves as the Chairman of Rent+ Ltd and Freston Road Ventures LLP, as Deputy Chairman of Talk Talk PLC and Spire PLC, and as a director of Dixons/Carphone Warehouse PLC.

Resident in the United Kingdom, John travels to South Africa to attend board meetings.



Audrey Mothupi (44)*□

BA (Hons)

Appointed 2013

Audrey held various positions as a management consultant before being appointed as head of strategy at SABC for two years for the public broadcasting service. Audrey then joined Liberty Life, within the Standard Bank Group, where she held the position of Chief Executive: Group Strategic Services, before moving to Standard Bank. At Standard Bank, Audrey was head of inclusive banking, taking responsibility for the provision of banking services to the unbanked communities. Audrey has recently joined Systemic Logic Group, an advisory/innovation company, as the Chief Executive Officer. She is also a Fellow of the African Leadership Initiative as part of the Aspen Leadership Network.

Audrey is active in charities involving education and vulnerable children.



Lorato Phalatshe (53)*△□

BA (Hons), MA

Appointed 2010

Lorato began her working career in the FMCG sector at Unilever and at Johnson & Johnson. After moving to Nedperim in the retail banking sector, she was seconded to the Women's Development Bank. One of the founders, and the first CEO of Nozala Investments Proprietary Limited, she sat on the boards of companies such as Tsebo/Fedics, Kyocera and Afripack. Lorato has also spent time in the public sector with both provincial and national government, ultimately heading up the Private Office of the President of South Africa. Lorato is Chairman of The Bidvest Group and is on the board of Masisizane.

Other listed company directorships:

The Bidvest Group.



Ben van der Ross (68)*#□

Attorney

Appointed 2000

Ben was admitted as an attorney and conveyancer in 1970. He practised law for his own account until 1988, and continues to consult for Van der Ross Motala Attorneys. He is a former director of the Urban Foundation and Independent Development Trust, and former CEO of the South African Rail Commuter Corporation Limited, as well as Business South Africa. He was a commissioner of the Independent Electoral Commission for South Africa's first democratic election in 1994. Ben serves as Chairman of Strategic Real Estate Management Limited.

Other listed company directorships:

Distell Group Limited, FirstRand Limited, Lewis Group Limited, MMI Holdings Limited, Naspers Limited.



Jeff van Rooyen (65)△*□

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

Audit and risk committee and corporate finance committee chairman

Appointed 2007

A chartered accountant with extensive experience in both the private and public sectors, Jeff is the founder CEO of Uranus Investment Holdings (Pty) Limited. His involvement in the accounting profession over the years is extensive. Former appointments include being a Trustee of the IFRS Foundation, Chairman of the Public Accountants and Auditors Board (now IRBA) and founder President of the Association for the Advancement of Black Accountants. His public sector record is equally extensive; former appointments include Chairman of the Financial Reporting Standards Council, Executive Officer of the Financial Services Board and member of the Standing Advisory Committee on Company Law. Jeff presently serves as a member of the Advisory Committee, Faculty of Economics and Management Sciences, University of Pretoria.

Other listed company directorships:

MTN Group Limited, Exaro Resources Limited.

CORPORATE GOVERNANCE REPORT

This report applies to Pick n Pay Stores Limited (Stores, alternatively the Company) and, where applicable, to Pick n Pay Holdings Limited RF (Holdings).

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

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

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

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

The Board believes that the Group has applied all significant governance principles and is compliant with all Listings Requirements of the JSE. The Group has not breached any regulatory requirements and has complied with statutory obligations. A full review of the application to the King III Code is available on our website at www.picknpayinvestor.co.za. The principles and recommendations of King III that are applied differently by the Board are set out on page 55, along with explanations. The governance result on the governance assessment instrument (GAI) scale remains AA, as a result of our ownership structure, AAA being the highest measure. GAI is an independent measurement instrument of corporate governance best practice, endorsed by the Institute of Directors Southern Africa.

The Group has made progress in identifying and managing significant risks that could have a material impact on the business. Key risk metrics and measures have been developed with risk indicators clearly defined.

SUMMARY OF THE APPLICATION OF KING III PRINCIPLES

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

Chapter and principle	Comments for 2015
Chapter 2 – Board and directors	
Principle 2.16 The Board should elect a Chairman of the Board who is an independent non-executive director.	<p>King III acknowledges that there may be sound reasons for a company to appoint a chairman who does not meet all the criteria for independence, but requires such a company to justify this decision and to put further checks in place to ensure no real or perceived conflicts of interest arise.</p> <p>Chairman Gareth Ackerman is not independent by virtue of his indirect shareholding in the Group. Refer to pages 76, 87 and 88. Perceptions of conflicts of interest may arise regarding his decisions relating to the Group and its shareholders.</p> <p>Hugh Herman has been appointed as Lead Independent Director (LID). The main function of the LID is to provide leadership and advice to the Board when the Chairman has a conflict of interest, without detracting from the authority of the Chairman. The LID provides an important point of contact for the broader investment and stakeholder community should they have concerns with the running of the Company or potential conflicts of interest. All members of the Board have unfettered access to the LID when required.</p> <p>In addition to the role of the LID, and to ensure good governance, the chairmanship of four of the six Board committees is held by other independent directors.</p> <p>Consistent with the King III guidelines, Gareth Ackerman:</p> <ul style="list-style-type: none"> • is not a member of the audit and risk committee; • does not chair the remuneration committee, but is a member; and • is not a member of the social and ethics committee.
Principle 2.22 The evaluation of the Board, its committees and the individual directors should be performed every year.	<p>It had been anticipated that an external assessment of the Board would be conducted during the 2015 financial year. However, the Board unanimously resolved that such assessment was unnecessary, given the comprehensive internal assessment that is conducted annually.</p> <p>Individual performance evaluations of directors as well as of the effectiveness of the Board are undertaken annually by the Chairman of the Board. The evaluation of the effectiveness of the Board's committees is undertaken regularly, but not necessarily annually. The results allow the Board to determine whether or not it has delivered on its mandate. It also measures, and where possible, enhances, the Board's overall efficiency and each director's individual contribution to the Board. If improvements are indicated, the necessary measures are implemented.</p>
Chapter 3 – Audit committees	
Principle 3.5 The audit committee should ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities.	<p>The Board and audit and risk committee continue to develop and implement a comprehensive combined assurance approach to ensure the integrity of the financial and non-financial data contained within the report.</p>
Chapter 9 – Integrated reporting and disclosure	
Principle 9.3 Sustainability reporting and disclosures should be independently assured.	<p>The Board and audit and risk committee continue to develop and implement a comprehensive combined assurance approach to ensure the integrity of the financial and non-financial data contained within the report.</p>

CORPORATE GOVERNANCE REPORT CONTINUED

BOARD GOVERNANCE

Board composition

The Board consists of 14 directors. Of the nine non-executive directors, six are independent. As the Chairman is not independent, Hugh Herman has been appointed as LID (see note to King III principle 2.16 on page 55). The remaining five directors are executive. Full curricula vitae of all directors are set out on pages 52 and 53.

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

Board function

Directors are encouraged to promote rigorous debate with the aim of promoting active direction, governance and effective control of the Group. Decisions are usually made by consensus. All Board members, including those who are not independent, are well aware of corporate governance requirements, and are conscious of their obligation to act with integrity as representatives of all stakeholders in the Group.

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

Controlling shareholder representation on the Board

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

Between them they have 64 years' executive experience in the Group. Suzanne Ackerman-Berman and Jonathan Ackerman are executive directors, while David Robins was an executive director for 14 years and has been a non-executive director since 2008.

The Chairman, Gareth Ackerman, has been with the Group for 31 years, the last 16 years (other than an 11-month period during the 2013 financial year) in a non-executive capacity. Their experience, as well as their strategic overview, assists the Group in making long-term decisions for the benefit of all stakeholders in the Group.

Executive representation on the Board

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

Annual assessment of independence

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

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

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

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

Length of service

The Board has found that length of service does not automatically preclude a director from exercising independence in decision-making. It is our experience that our long-serving, non-executive directors are aware of, and vigorously exercise, their duty to act in the best interests of all the stakeholders of the Group. The Group values the balance achieved between the fresh insights from new directors and the experience of the long-serving directors.

Conclusion as to independence

At the time of the last assessment, all Pick n Pay's independent non-executive directors met the criteria for independence as established by King III, the Companies Act and the JSE Listings Requirements. The Chairman and the Board are satisfied that, although Hugh Herman and Ben van der Ross have long-running relationships with the Group, their contributions remain unbiased, objective and vigorous.

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

Ben van der Ross has advised the Chairman that he will not be available to stand for re-election at the 2015 AGM. The Chairman, on behalf of the Board, extended his thanks and gratitude to Ben van der Ross for the great contribution he has made to the Group since his appointment in 2000.

Board committees

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

Company Secretary

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

Annual consideration is given by the Board to the competence, qualifications and experience of the Company Secretary. The Board is satisfied that the Company Secretary meets the necessary requirements. The Company Secretary's qualifications are outlined on page 52. The Board is satisfied that the Company Secretary has maintained an arm's-length relationship with the Board. The Company Secretary acts as secretary for all Board committees other than the remuneration committee, where the CFO acts as secretary.

OPERATIONAL GOVERNANCE

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

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

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

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

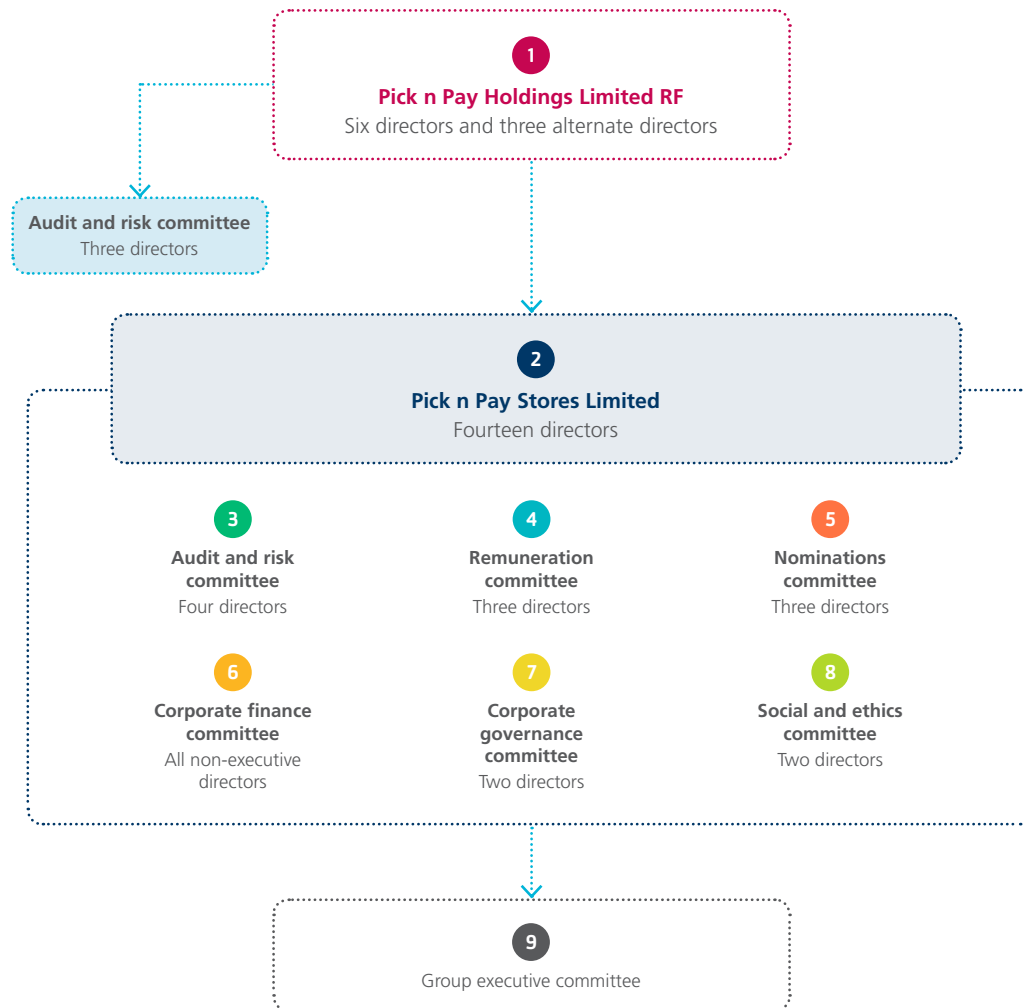
Compliance with statutory, legislative and regulatory requirements is managed through an integrated compliance framework. The compliance monitoring plan is approved on an annual basis. The plan provides independent objective assurance that material legislation applicable to the business has been monitored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

CORPORATE GOVERNANCE REPORT CONTINUED

BOARD GOVERNANCE STRUCTURE

The Board governs decision-making and gives leadership through its committee structure. The committees operate within Board mandates, ensuring that strategy is implemented through the operations of the Group. Progress is reported to the Board.

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



- 1** Refer to the Pick n Pay Holdings Limited RF corporate governance report on pages 86 to 89 and Board of directors on page 85.
- 2** Refer to the Pick n Pay Stores Limited corporate governance report on pages 54 to 59.
- 3** Refer to the audit and risk committee report on pages 77 to 79.
- 4** Refer to the remuneration committee report on pages 60 to 76.
- 5** Refer to the nominations committee report on page 80.
- 6** Refer to the corporate finance committee report on page 82.
- 7** Refer to the corporate governance committee report on page 81.
- 8** Refer to the social and ethics committee report on page 83.
- 9** The Group executive committee comprises Richard Brasher, Richard van Rensburg and Bakar Jakoet.

DIRECTORS' ATTENDANCE AT BOARD MEETINGS

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

Director	Board and AGM attendance	Activities 2015
Gareth Ackerman (Chairman)	5/5	<ul style="list-style-type: none"> Reviewed and approved the Group strategy Reviewed and approved the three-year financial plan and the 2015 budget Approved the interim and year-end financial results, and the JSE SENS announcements Approved the integrated annual report Discussed and considered material issues relating to execution of strategy Reviewed and approved the cash flow reports Reviewed and approved the capital expenditure budget Reviewed and approved the property strategy Approved the operating model strategy Approved the expansion of the Group into Ghana Approved the extension of tenure for current non-executive directors Approved the non-executive directors' fees for tabling at the annual general meeting Considered the declaration of directors' personal financial interests at each meeting Resolved to put the external audit out for tender Reviewed the corporate governance charter Approved the notice and proxy of the annual general meeting (AGM) Approved the distribution of the dividend
Richard Brasher (CEO)	5/5	
Richard van Rensburg (deputy CEO)	5/5	
Bakar Jakoet (CFO)	5/5	
Suzanne Ackerman-Berman	5/5	
Jonathan Ackerman	5/5	
Hugh Herman (LID)	5/5	
Ben van der Ross	5/5	
Jeff van Rooyen	5/5	
Lorato Phalatse	5/5	
David Robins	5/5	
John Gildersleeve	5/5	
Audrey Mothupi	5/5	
David Friedland	5/5	

BOARD COMMITTEES

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

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

REMUNERATION REPORT



CHAIRMAN'S INTRODUCTION

It gives me great pleasure to present shareholders with Pick n Pay's 2015 remuneration report. The team has been extremely focused on delivering the objectives of its strategic long-term plan and its efforts are reflected in the strong profit growth delivered in the 2015 financial year.

The Group's strategic long-term plan is organised around seven business acceleration pillars, with one of the key focus areas centred on building a winning team. The Group went some way in 2015 in building strong foundations for its vision of creating the most skilled and talented retail business in South Africa. The

achievements over the year include the implementation of a new performance management system for senior management and the implementation of the new forfeitable share plan, both closely aligning rewards with the objectives of our long-term strategy. At the same time the Group strengthened its management team through key external appointments and strong internal promotions. The Group improved its BBBEE performance from level 6 to level 4 over the year, reflecting our commitment to transformation at Pick n Pay, including in the area of employment equity.

We have bid farewell to Isaac Motaung, the Head of our Human Resources division (HR), after 42 years with Pick n Pay. We are grateful to Isaac for his dedication and service, and in particular for the way in which he ensured that the Pick n Pay values were kept at the very centre of our remuneration philosophy and underpinned all HR policy and procedure. In Isaac's place we welcome Jonathan Muthige, who has many years of HR experience at a senior level. We are confident that Jonathan brings great skill, and a renewed energy to the team, and we look forward to working with him. We have tasked Jonathan to work closely with our committee and our senior management team to bring our performance management and reward systems in line with best practice for our industry.

The Group is continually working to improve the quality of its reporting to stakeholders and to this end we are committed to improving our remuneration disclosures. I am pleased with the strides made in the 2015 report, both in terms of structure and content. In line with best practice, the report is divided into two sections. Section 1 addresses our overarching remuneration philosophy and how that is supported by the detailed policies in place. Section 2 details the implementation of policy during the 2015 financial year and includes a summary of the main focus areas of the remuneration committee over the period. This report and the recommendations of the remuneration committee have been approved by the Board and will be submitted to shareholders for consideration at the annual general meeting to be held on 27 July 2015.

A handwritten signature in black ink, appearing to read 'H Herman', written in a cursive style.

Hugh Herman

Chairman: remuneration committee

Cape Town
20 April 2015

INTRODUCTION

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

Section 1 – Remuneration philosophy and supporting policies, including:

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

Section 2 – Implementation of remuneration policies during the 2015 financial year, including:

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

Section 1

REMUNERATION PHILOSOPHY AND SUPPORTING POLICIES

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

Pick n Pay is managed on a balanced scorecard approach, led by the Pick n Pay steering wheel. The steering wheel acknowledges the five key performance areas of our business which have a material impact on our stakeholders and ultimately our performance. Please see page 7 for more information. One of these key performance areas is "People", recognising the integral role that the Pick n Pay team plays in achieving long-term strategic objectives.

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

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

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

The remuneration philosophy is supported by the following underlying policies:

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

In 2015 Pick n Pay completed Stage 1 of its strategic long-term recovery plan. While governed more broadly by the Pick n Pay steering wheel, Stage 2 of the strategic long-term recovery plan is organised around seven business acceleration pillars. These pillars represent the seven key growth areas or opportunities for Pick n Pay. The plan is focused, detailed and provides the senior management team with clear objectives and lines of accountability and responsibility.

One of the business acceleration pillars focuses on building a winning team. We delivered a number of achievements under this pillar in the 2015 year, providing a strong foundation for the future. Going forward we will focus on core skills training, improved customer service, effective performance management, better internal communication and more diversity. Please refer to page 24 for more detail.

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

REMUNERATION REPORT CONTINUED

ROLE AND MANDATE OF REMUNERATION COMMITTEE

The remuneration committee assists the Board in meeting its responsibility for setting and administering appropriate remuneration policies which are in the best long-term interests of the Group and are aligned with the Group's long-term strategic objectives. The committee considers and recommends remuneration policies for all levels of staff in the Group, with a particular focus on executive directors, senior management and non-executive directors.

The remuneration committee meets at least twice a year, is chaired by an independent non-executive director and comprises only non-executive directors. The committee operates in terms of a Board-approved charter, which is reviewed annually at the Board meeting in April.

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

Director	Attendance	Objectives and activities 2015
Hugh Herman (Chairman)	2/2	<ul style="list-style-type: none"> Reviewed the Group's remuneration philosophy and policies to ensure alignment with the strategic objectives of the Group Reviewed the Group's remuneration philosophy and policies to ensure alignment with best practice in the market Determined the remuneration packages of executive directors and review the remuneration packages of senior management and key employees Proposed fees for non-executive directors, subject to shareholder approval Reviewed and approved performance-related short-term incentives as well as long-term share-based incentives
Gareth Ackerman	2/2	
John Gildersleeve	1/2	
Ben van der Ross	2/2	

REMUNERATION STRUCTURE

Executive directors and employees

The Group structures its remuneration across three broad categories:

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

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

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

Fixed base salary and benefits

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

Fixed base salary

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

13th cheque

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

Retirement funding

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

The Group contributes up to 16.9% of salary expenditure towards retirement funding, depending on the fund and the terms and conditions of employment.

Medical aid

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

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

Car benefit

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

Low-interest loans

All employees have access to low-interest loans from the Group. The primary objective of this benefit is to assist our employees with the acquisition of residential property.

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

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

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

⁴ Non management bargaining unit.

REMUNERATION REPORT CONTINUED

Loan values are capped at varying amounts, depending on the employee's position in the Group. Affordability tests are performed before any loan is granted, to ensure the employee does not experience financial strain.

All housing loans are secured against the employee's retirement funding. No financial assistance is provided for the purpose of assisting employees to buy shares in the Group.

For further details please refer to note 15 of the financial statements where employee loans are disclosed.

Leave

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

Variable short-term and long-term incentives

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

Short-term incentive bonus

The short-term incentive bonus is discretionary and is linked to the achievement of targets linked to profit before tax and exceptional items (PBTA), as set by the remuneration committee. Please refer to the five-year review on page 43 for further detail on the calculation of PBTA. The bonus pool is self-funding and is created after achieving pre-defined targets, inclusive of the value of the incentive. The bonus pool increases in value as threshold, target or stretch targets are attained. Bonuses are paid as a multiple of basic monthly salary and each individual's share of the bonus pool will depend on the target reached and their own individual performance, as measured through the Group's annual performance appraisal process. Bonuses are capped at a multiple of two times annual basic salary. All bonuses paid are subject to approval by the remuneration committee and no bonuses are paid if the threshold target is not met.

The bonus paid to grade C and D employees is reduced by the value of the fixed 13th cheque they received in November.

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

Variable long-term incentives

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

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

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

Funding of share plans and dilution

The directors have received approval to utilise up to 63 892 444 shares of the issued share capital of Pick n Pay Stores Limited and 92 268 590 shares of the issued share capital of Pick n Pay Holdings Limited RF for the purpose of managing the Group's share schemes.

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

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

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

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

1. The 1997 Employee Share Option Scheme

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

Pick n Pay Holdings Limited RF (PWK)

During the 2015 financial year, 3.2 million PWK share options were granted to employees in respect of long service. At year-end 16.6 million PWK share options were held by employees, amounting to 3.1% of shares in issue. Please refer to note 5 of the financial statements for further information.

Long-service share options – no conditions attached

Long-service share options are granted to all long-serving employees at all levels, including full-time¹, part-time² and variable-time³ employees. Share options are granted on each

employee's five-year service anniversary, with further options granted every five years thereafter. No other service or performance conditions are attached – long-service share options may be taken up immediately on granting.

Pick n Pay Stores Limited (PIK)

During the 2015 financial year, 2.9 million Pick n Pay Stores Limited (PIK) options were issued to management in respect of their progress and performance. At year-end 33.9 million PIK share options were held by employees at year-end, amounting to 6.9% of shares in issue. Please refer to note 5 of the financial statements for further information.

Status share options – service conditions attached

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

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

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

Performance share options – service conditions attached

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

Retention share options – extended service conditions attached

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

A detailed review was done by the remuneration committee of all share options held by executive directors in the interest of achieving fair and balanced reward. As a result, it was agreed to amend the vesting period of performance share options issued to Richard Brasher during November 2012. The vesting period has been adjusted from three equal instalments vesting after three, five and seven years, to one instalment vesting after five years.

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

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

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

REMUNERATION REPORT CONTINUED

Binary share options – service and performance conditions attached

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

a. Forfeit of October 2010 binary share option issue during the current financial year

On 23 October 2010, 14.5 million binary share options were issued to 71 participants. The binary share options were issued at a grant price of R41.23, with a required employment service period to 23 May 2014.

The salient features of the issue are summarised below:

Hurdles	Share price May 2014	Annual compound growth rate	Exercise price May 2014
Eligibility hurdle	R65.28	12%	R41.23
Performance hurdle 1	R78.87	18%	R20.62
Performance hurdle 2	R97.25	25%	R1.00

For the options to vest at full grant price, the 20-day volume-weighted average share price (VWAP) to 23 May 2014 was required to be R65.28 (the eligibility hurdle) or greater. Thereafter, discounted grant prices applied should further performance hurdles be met. Of these binary share options 2.8 million were forfeited prior to vesting date due to termination of service. The PIK 20-day VWAP to 23 May 2014 was R58.02. The eligibility hurdle was not met and all 11.7 million remaining outstanding options were forfeited.

b. Binary share option issue to deputy CEO Richard van Rensburg

In October 2011, 400 000 binary share options were issued to deputy CEO Richard van Rensburg. The binary share options were issued at a grant price of R36.55.

If the 20-day VWAP up to 23 May 2016 is R73.11 or greater, the options can be exercised at the full grant price of R36.55. Should this 20-day VWAP be less than R73.11, then the options will lapse. Thereafter, if further performance hurdles are met, discounted grant prices will apply on exercise.

The salient features are summarised below:

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

The initial exercise date of this issue was 23 May 2015. Subsequent to a detailed review by the remuneration committee of all share options held by executive directors, including all the service and performance conditions attached, it was agreed that the terms and conditions of this issue were not in line with those in previous and later allocations. In the interests of achieving fair and balanced reward for executive directors, which provide targets closely aligned with strategic objectives, it was agreed to extend the term of this binary issue to Richard van Rensburg by one year, to 23 May 2016. Richard van Rensburg did not participate in the October 2010 binary issue that was forfeited in May 2014.

c. Binary share option issue to CEO Richard Brasher

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

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

The salient features are summarised below:

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

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

The future net realisable value of all outstanding share options

Outstanding share options may be taken up during the following financial periods:

Year	Average grant price	
	2015 R	2014 R
2015	—	34.82
2016	31.38	34.12
2017	36.31	36.45
2018	40.67	38.66
2019	35.68	35.67
2020 and thereafter	46.83	44.40

Pick n Pay Stores Limited			
52 weeks 1 March 2015		52 weeks 2 March 2014	
Number of options 000's	Net realisable value Rm	Number of options 000's	Net realisable value Rm
—	—	28 400.7	293.1
17 710.2	379.7	6 199.5	68.3
4 577.0	75.6	5 440.6	47.3
5 386.4	65.4	4 514.1	29.3
2 869.5	49.2	3 085.6	29.2
3 331.5	20.0	2 515.5	1.9
33 874.6	589.9	50 156.0	469.1

The net realisable value of outstanding share options was calculated using the closing share price of R52.82 (2014: R45.14) less the average grant price. Binary share options include performance hurdles that, if met, trigger discounted grant prices. Please refer to page 66 of this report.

Outstanding share options may be taken up during the following financial periods:

Year	Average grant price	
	2015 R	2014 R
2015	—	12.79
2016	14.41	—

Pick n Pay Holdings Limited RF			
52 weeks 1 March 2015		52 weeks 2 March 2014	
Number of options 000's	Net realisable value Rm	Number of options 000's	Net realisable value Rm
—	—	15 264.6	118.5
16 635.5	140.4	—	—

The net realisable value of outstanding share options was calculated using the closing share price of R22.85 (2014: R20.55) less the average grant price.

2. The forfeitable share plan (FSP)

The FSP recognises those key Pick n Pay employees who have a significant role to play in delivering Group strategy and ensuring the growth and sustainability of the business in the future.

The award of shares under the FSP recognises the valuable contribution of qualifying employees, and through the attachment of performance conditions, incentivises these employees to deliver

earnings growth in the future. An award of shares may also be used to attract talented prospective employees.

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

REMUNERATION REPORT CONTINUED

incentive bonus, the employee will not be eligible to receive an award of forfeitable shares.

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

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

Forfeitable shares are performance shares. Shares awarded under the FSP will always have performance conditions attached. If the performance conditions are not met within the specified time period (the vesting period), the employee will forfeit the shares. The remuneration committee awards shares to participants. The actual number of shares awarded takes into account recognised market benchmarks, as well as each participant's individual performance,

annual salary, employment grade and other relevant retention and attraction requirements. The performance conditions will be linked to the financial performance of the Group, with headline earnings per share (HEPS) the preferred performance measure. Performance conditions are applied on a rising scale, allowing for the vesting of an increasing number of shares, as earnings thresholds are met and exceeded.

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

The debut FSP issuance took place in August 2014 and was funded through a fresh issue of 6.9 million PIK shares (1.4% of issued share capital). The shares are held in a CSDP on behalf of 150 participants.

The following performance conditions apply:

52 weeks to 2 March 2014 baseline HEPS cents	Three-year compound annual growth rate %	52 weeks to 26 February 2017 HEPS cents	Cumulative HEPS over three years cents	Portion of shares which vest %	Number of shares which vest 000's	Net realisable value* Rm
138.51	< 10%	< 184.36	< 504.32	All forfeited	—	—
138.51	10%	184.36	504.32	30%	2 077.5	109.7
138.51	12%	194.60	523.48	65%	4 501.2	237.8
138.51	15%	210.66	553.13	100%	6 925.0	365.8

* The net realisable value of outstanding FSP shares was calculated using the closing share price of R52.82.

Linear vesting applies, with increasing levels of shares vesting in line with increasing levels of growth delivered.

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

The 2015 financial year includes a charge of R67.3 million in employee costs in respect of the FSP, representing just over six months of straight-line expense. The shares will vest in August 2017 after the completion of a prescribed three-year service period. However, the three-year compound annual growth rate of HEPS (and thus the level of performance condition met) will be known at the time of the publication of the 2017 financial result. The Group delivered growth in headline earnings per share of 28.0% in the

2015 financial year, with a ROCE of 18.3% and a WACC of 9.5%. Please refer to the five-year review on pages 42 and 43 for detail on the calculation of both ROCE and WACC.

Regular annual awards will be made on a consistent basis to encourage long-term value creation, while always first considering the overall affordability of the plan for the Group and its benefit for shareholders. A further 1.1 million estimated new shares (0.2% of issued share capital) will be issued during the 2016 financial year to fund FSP obligations.

Service contracts

Executive directors and senior management are employed in terms of the Group's standard contract of employment and are not employed under fixed-term contracts. Senior management (grades A and B) are required to give a reasonable notice period

of their intention to terminate their services, which varies from one to 12 calendar months. The retirement age is 60 years, which applies to all employees. Employment contracts do not provide for any exceptional benefits or compensation on the termination of employment. Certain managers who are considered key in carrying out the Group's strategy are subject to contractual restraint of trade provisions and discretionary termination or restraint of trade payments may be made in this regard.

Remuneration structure

Non-executive directors

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

Remuneration is not linked to the performance of the Group or the Group's share performance. Non-executive directors do not receive performance-related bonuses and are not granted forfeitable shares or share options. The fees for the 2015 financial period were approved by shareholders at the AGM held on 2 June 2014. The proposed fees for the 2016 financial period will be submitted to shareholders for approval at the AGM to be held on 27 July 2015.

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

Section two

IMPLEMENTATION OF REMUNERATION POLICY DURING THE 2015 FINANCIAL YEAR

1. Work performed and decisions taken by remuneration committee

The main items considered and approved by the remuneration committee during the 2015 financial period were as follows:

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

The remuneration committee, assisted by an independent third party, reviewed the fixed remuneration paid to executive directors, including all benefits, to ensure alignment with the Group's strategic objectives and best practice in the market. Remuneration paid is considered fair and competitive against market benchmarks and the role and performance of each individual executive director.

b. Reviewing and setting the annual compensation for the CEO

In setting Richard Brasher's annual base salary at R7.4 million, the remuneration committee considered his extensive experience in the retail industry, which spans almost 30 years, and the success he has had with developing the strategic long-term recovery plan for Pick n Pay and successfully steering the Group through Stage 1 of that plan.

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

c. Annual increases in fixed remuneration for executive directors

The increase in total fixed base salary and benefits paid to executive directors is 5.6%, with a base salary average increase of 6.9%, against an average for the Group of 6.0% to 7.0%, excluding employees governed by a labour union agreement (NMBU). The average annual increase for NMBU employees was between 7.0% and 8.0%. Increases are determined after detailed performance reviews undertaken in April each year. Annual increases are determined with reference to the scope of executives' roles, their performance against key performance indicators, as well as comparable increases in the general and retail market and the projected consumer price index.

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

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

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

REMUNERATION REPORT CONTINUED

The business has completed Stage 1 of its recovery plan – Stabilising the business – demonstrating a sound improvement in all key underlying financial metrics. The Group delivered growth in PBTAE ahead of the remuneration committee's threshold level of 12% and its target of 23%, with the Group achieving PBTAE of R1 205.2 million (28.6% growth). The stretch target of 33% was not met. As a result, a bonus was agreed to by the remuneration committee.

The quantum of the bonus pool is at the discretion of the remuneration committee and is informed by the overall performance of the Group and the personal performances of the individual senior managers.

The executive directors' remuneration table on page 71 reflects the bonus accrued for the current financial year for executive directors based on 2015 performance. The remuneration committee has set new and appropriate targets for the 2016 financial year.

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

The remuneration committee undertook a detailed review of all the share options held by the executive directors, including all the service and performance conditions attached. The review highlighted that an issue of binary share options to deputy CEO Richard van Rensburg in October 2011 contained share price performance conditions that were not aligned with issues to other executive directors and senior management personnel. In the interests of achieving fair and balanced reward for executive directors, that is closely aligned to strategic objectives, it was agreed to extend the term of this binary issue by one year, from 23 May 2015 to 23 May 2016.

No new share options were granted to executive directors during the year.

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

The remuneration committee set the financial performance conditions to be attached to the debut issuance under the Group's new forfeitable share plan. Further, the committee agreed on the 150 participants and the level at which each would participate, with particular focus on the allocations to executive directors. For further information refer to pages 67 and 68 of this report.

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

Fees for the current and proposed periods are as follows:

	Proposed 2016 R	Actual 2015 R	% change
Chairman of the Board	3 657 000	3 450 000	6.0
Lead independent non-executive director of the Board	114 000	107 000	6.5
Non-executive director of the Board	340 000	320 000	6.2
Chairman of the audit committee	280 000	265 000	5.7
Member of the audit committee	114 000	107 000	6.5
Chairman of the remuneration committee	150 000	140 000	7.1
Member of the remuneration committee	75 000	70 000	7.1
Member of the nominations committee ¹	70 000	65 000	7.7
Member of the social and ethics committee ²	75 000	70 000	7.1
Chairman of the corporate finance committee ³	160 000	—	—
Member of the corporate finance committee ³	107 000	—	—
Trustee of the employee share purchase trust	33 000	31 000	6.5

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

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

³ The corporate finance committee is an ad hoc committee. The fees payable are determined in relation to the number of meetings held during the financial period, but will not be more than the annual proposed fee. No meetings were held in 2015.

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

In setting the Chairman's proposed annual fee of R3.7 million, the remuneration committee (with Gareth Ackerman recused from discussion) considered the active role he plays in the corporate governance of Pick n Pay and in formulating overarching strategy for the individual companies within the Group. Gareth does not play a day-to-day role in the executive management and administration of the business, but he does make himself available to the executive team in a valuable advisory capacity.

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

This report and the recommendations of the remuneration committee have been approved by the Board and will be submitted to shareholders for consideration at the annual general meeting to be held on 27 July 2015.

2. Payments, accruals and awards to executive directors

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

Total remuneration of executive directors

	Fixed base salary and benefits						Short-term annual bonus R'000	% of total remuneration R'000	Total remuneration R'000	Long-term share awards expense* R'000
	Fees for Board meetings R'000	Base salary R'000	Retirement and medical contributions R'000	Other benefits R'000	Total fixed remuneration R'000	% of total remuneration R'000				
2015										
Richard Brasher	1.5	7 370.5	1 215.5	1 144.7	9 732.2	52.0	9 000.0	48.0	18 732.2	11 771.2
Richard van Rensburg	1.5	3 422.5	622.0	735.1	4 781.1	74.9	1 600.0	25.1	6 381.1	3 745.6
Bakar Jakoet	1.5	2 904.0	497.5	292.3	3 695.3	69.8	1 600.0	30.2	5 295.3	3 125.8
Jonathan Ackerman	1.5	2 046.6	374.4	264.0	2 686.5	72.9	1 000.0	27.1	3 686.5	1 753.0
Suzanne Ackerman-Berman	1.5	2 083.5	351.5	263.0	2 699.5	73.0	1 000.0	27.0	3 699.5	1 753.0
Total	7.5	17 827.1	3 060.9	2 699.1	23 594.6		14 200.0		37 794.6	22 148.6
% increase on prior year		6.9			5.6					
2014										
Richard Brasher	1.5	7 000.0	948.5	1 969.4	9 919.4	65.4	5 250.0	34.6	15 169.4	3 973.3
Richard van Rensburg	1.5	3 229.3	559.7	261.7	4 052.2	83.5	800.0	16.5	4 852.2	1 603.3
Bakar Jakoet	1.5	2 670.0	468.4	243.7	3 383.6	80.9	800.0	19.1	4 183.6	1 851.4
Jonathan Ackerman	1.5	1 947.0	357.5	261.4	2 567.4	83.7	500.0	16.3	3 067.4	516.5
Suzanne Ackerman-Berman	1.5	1 827.3	343.5	256.0	2 428.3	82.9	500.0	17.1	2 928.3	605.9
Total	7.5	16 673.6	2 677.6	2 992.2	22 350.9		7 850.0		30 200.9	8 550.4

* The expense of the long-term share awards is determined in accordance with IFRS 2: Share-based Payments. The payment cost is the value of the share-based payment award amortised on a straight-line basis over the vesting term of the award. The amounts in the column represent the current year's charge, as recorded in the statement of comprehensive income. The column is for information only, given that the value was neither received by nor accrued to the directors during the period. The long-term share awards will vest in the future only if all the criteria set out in the rules of the 1997 Employee Share Option Scheme and the Forfeitable Share Plan are met.

The cost of the long-term incentive share awards is the IFRS 2 share-based payment cost related to the forfeitable shares and share options issued to executive directors. The cost is recognised on a straight-line basis over the term of the awards, and this cost therefore relates to all awards which have not yet reached the end of their vesting term – both those issued in prior years and in the current year. The cost of awards issued to executive directors recognised in the current year is R15.6 million.

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

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

REMUNERATION REPORT CONTINUED

Share awards granted to executive directors – PIK

	Calendar year granted	Award grant price R	Balance held at 3 March 2014	Granted during the period	Forfeited during the period	Balance held at 1 March 2015	Available for take-up
Richard Brasher							
Share options	2012	42.24	1 000 000	—	—	1 000 000****	Nov 2017
		42.24	1 000 000	—	—	1 000 000*	Nov 2017
Forfeitable shares	2014	—	—	800 000	—	800 000**	Aug 2017
			2 000 000	800 000	—	2 800 000	
Richard van Rensburg							
Share options	2011	36.55	400 000	—	—	400 000*	May 2016
Forfeitable shares	2014	—	—	250 000	—	250 000**	Aug 2017
			400 000	250 000	—	650 000	
Bakar Jakoet							
Share options	2003	12.00	250 000	—	—	250 000	Now
	2007	31.15	5 779	—	—	5 779	Now
	2008	26.55	7 907	—	—	7 907	Now
		26.14	105 000	—	—	105 000	Now
		26.14	45 000	—	—	45 000	Aug 2015
	2009	28.20	12 413	—	—	12 413	Now
	2010	42.28	1 799	—	—	1 799	Now
		41.23	500 000	—	(500 000)***	—	Forfeited
	2011	41.70	200 000	—	—	200 000	Now
		41.70	300 000	—	—	300 000	Apr 2016
Forfeitable shares	2014	—	—	250 000	—	250 000**	Aug 2017
			1 427 898	250 000	(500 000)	1 177 898	

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

** The exercising of these forfeitable shares is subject to performance criteria related to the growth in HEPS of Pick n Pay Stores Limited. If the performance hurdles are not met, the shares will be forfeited. These shares are held in a CSDP account on behalf of the director until the vesting conditions have been met. For further details on the forfeitable share plan, refer to pages 67 and 68 of this report.

*** Binary options granted under the May 2010 binary scheme were forfeited in May 2014 due the performance criteria not having been met.

**** A detailed review was done by the remuneration committee of all share options held by executive directors in the interest of achieving fair and balanced reward. As a result, it was agreed to amend the vesting period of performance share options issued to Richard Brasher during November 2012. The vesting period has been adjusted from three equal instalments vesting after three, five and seven years, to one instalment vesting after five years.

Share awards granted to executive directors – PIK (continued)

	Calendar year granted	Award grant price R	Balance held at 3 March 2014	Granted during the period	Forfeited during the period	Balance held at 1 March 2015	Available for take-up
Jonathan Ackerman							
Share options	2005	20.7	6 441	—	—	6 441	Now
	2006	28.00	14 286	—	—	14 286	Now
	2007	31.15	14 446	—	—	14 446	Now
	2008	26.56	9 414	—	—	9 414	Now
		26.14	25 000	—	—	25 000	Aug 2015
		26.14	25 000	—	—	25 000	Aug 2016
		26.14	25 000	—	—	25 000	Aug 2017
		26.14	25 000	—	—	25 000	Aug 2018
	2009	28.20	8 667	—	—	8 667	Now
	2010	42.27	1 560	—	—	1 560	Now
		41.23	400 000	—	(400 000)**	—	Forfeited
Forfeitable shares	2014	—	—	150 000	—	150 000*	Aug 2017
			554 814	150 000	(400 000)	304 814	
Suzanne Ackerman-Berman							
Share options	2004	21.00	10 000	—	—	10 000	Now
	2007	31.15	122 408	—	—	122 408	Now
	2008	26.56	4 519	—	—	4 519	Now
		26.14	25 000	—	—	25 000	Aug 2015
		26.14	25 000	—	—	25 000	Aug 2016
		26.14	25 000	—	—	25 000	Aug 2017
		26.14	25 000	—	—	25 000	Aug 2018
	2009	28.20	8 867	—	—	8 867	Now
	2010	42.27	1 421	—	—	1 421	Now
		41.23	400 000	—	(400 000)**	—	Forfeited
Forfeitable shares	2014	—	—	150 000	—	150 000*	Aug 2017
			647 215	150 000	(400 000)	397 215	

* The exercising of these forfeitable shares is subject to performance criteria related to the growth in HEPS of Pick n Pay Stores Limited. If the performance hurdles are not met, the shares will be forfeited. These shares are held in a CSDP account on behalf of the director until the vesting conditions have been met. For further details on the forfeitable share plan, refer to pages 67 and 68 of this report.

** Binary options granted under the May 2010 binary scheme were forfeited in May 2014 due the performance criteria not having been met.

REMUNERATION REPORT CONTINUED

Share awards granted to executive directors – PWK

	Calendar year granted	Award grant price R	Balance held at 3 March 2014	Granted during the period	Balance held at 1 March 2015	Available for take-up
Richard van Rensburg						
Share options	2011	15.2	1 000 000	—	1 000 000	Now
			1 000 000	—	1 000 000	
Bakar Jakoet						
Share options	2005	11.5	400	—	400	Now
	2008	11.3	600	—	600	Now
	2010	16.0	400	—	400	Now
	2014	22.6	—	400	400	Now
			1 400	400	1 800	
Jonathan Ackerman						
Share options	2010	16.0	1 000	—	1 000	Now
	2012	20.0	400	—	400	Now
			1 400	—	1 400	
Suzanne Ackerman-Berman						
Share options	2011	15.4	400	—	400	Now
			400	—	400	

3. Payments, accruals and awards to non-executive directors

	Directors' fees R'000	Lead director R'000	Audit committee R'000	Remuneration committee R'000	Nominations committee R'000	Corporate finance committee R'000	Social and ethics committee R'000	Employee share trust R'000	Total R'000
2015									
Gareth Ackerman [^]	3 450.0	—	—	—	—	—	—	—	3 450.0
John Gildersleeve	320.0	—	—	70.0	—	—	—	—	390.0
David Friedland ^{**}	320.0	—	—	—	65.0	—	—	—	385.0
Hugh Herman	320.0	107.0	107.0	140.0	—	—	—	31.0	705.0
Audrey Mothupi	320.0	—	107.0	—	—	—	—	—	427.0
Lorato Phalatse	320.0	—	—	—	65.0	—	70.0	—	455.0
David Robins	320.0	—	—	—	—	—	—	—	320.0
Ben van der Ross	320.0	—	107.0	70.0	65.0	—	—	31.0	593.0
Jeff van Rooyen	320.0	—	265.0	—	—	—	—	—	585.0
	6 010.0	107.0	586.0	280.0	195.0	—	70.0	62.0	7 310.0
2014									
Gareth Ackerman ^{*^}	3 450.0	—	—	—	—	—	—	—	3 450.0
John Gildersleeve [#]	107.7	—	—	—	—	—	—	—	107.7
David Friedland [@]	64.1	—	—	—	—	—	—	—	64.1
Hugh Herman	300.0	100.0	100.0	130.0	—	100.0	—	29.0	759.0
Audrey Mothupi [@]	64.1	—	—	—	—	—	—	—	64.1
Lorato Phalatse	300.0	—	—	—	30.0	100.0	65.0	—	495.0
David Robins	300.0	—	—	—	—	—	—	—	300.0
Ben van der Ross	300.0	—	100.0	65.0	—	100.0	—	29.0	594.0
Jeff van Rooyen	300.0	—	250.0	—	—	150.0	—	—	700.0
	5 185.9	100.0	450.0	195.0	30.0	450.0	65.0	58.0	6 533.9

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

^{*} Gareth Ackerman also received an amount of R169 600 to reimburse him for travel expenses personally incurred during 2014.

[#] Appointed October 2013.

[@] Appointed December 2013.

^{**} David Friedland received consultancy fees of R107 000 in the current period for services rendered to the audit and risk committee.

REMUNERATION REPORT CONTINUED

4. Directors' interest in shares – Pick n Pay Stores Limited

	How held*	Balance held 2014	Additions during the period	Beneficial ownership on issue of forfeitable shares	Average purchase price per share R	Disposals and other movements during the period	Average selling price per share R	Balance held 2015	Beneficial/ non-beneficial interest
2015									
Gareth Ackerman	direct	43	—	—	—	—	—	43	Beneficial
	indirect	—	30 000	—	58.09	—	—	30 000	Non-beneficial
	indirect	—	71 900	—	58.66	—	—	71 900	Non-beneficial
Richard Brasher	direct	—	—	800 000	—	—	—	800 000	Beneficial
Richard van Rensburg	direct	—	—	250 000	—	—	—	250 000	Beneficial
Bakar Jakoet	direct	500 000	—	250 000	—	—	—	750 000	Beneficial
	indirect	530	—	—	—	—	—	530	Non-beneficial
Jonathan Ackerman	direct	43	—	150 000	—	—	—	150 043	Beneficial
Suzanne Ackerman-Berman	direct	2 500	—	150 000	—	—	—	152 500	Beneficial
	indirect	4 651	—	—	—	—	—	4 651	Beneficial
	indirect	—	30 000	—	58.09	—	—	30 000	Non-beneficial
	indirect	—	71 900	—	58.66	—	—	71 900	Non-beneficial
Jeff van Rooyen	direct	—	3 800	—	59.00	—	—	3 800	Beneficial
2014									
Gareth Ackerman	direct	43	—	—	—	—	—	43	Beneficial
Bakar Jakoet	direct	500 000	—	—	—	—	—	500 000	Beneficial
	indirect	530	—	—	—	—	—	530	Non-beneficial
Jonathan Ackerman	direct	43	—	—	—	—	—	43	Beneficial
Suzanne Ackerman-Berman	direct	2 500	—	—	—	—	—	2 500	Beneficial
	indirect	4 651	—	—	—	—	—	4 651	Beneficial

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

For directors' interest in shares of Pick n Pay Holdings Limited RF, please refer to pages 87 and 88.

AUDIT AND RISK COMMITTEE REPORT

The Group operates in the fast moving consumer goods industry in southern Africa and recognises that it will be exposed to certain risks in order to achieve sustainable growth. The focus of the Group's risk management is to ensure that an appropriate balance between risk and reward is maintained while protecting all stakeholders against avoidable risks and mitigating the impacts of unavoidable risks.

The Board is responsible for Group-wide risk governance by ensuring that adequate systems are in place to identify, evaluate and manage key business risks. The Board is assisted in this regard by the audit and risk committee, whose responsibility it is to develop, communicate and monitor the risk management process across all divisions in the Group. The audit and risk committee is integral to the risk management process, with specific oversight of financial, operational and information technology risks and the associated internal controls. The Chief Finance Officer serves as the Chief Risk Officer for the Group and attends all audit and risk committee meetings by invitation.

The day-to-day responsibility for identifying, evaluating and managing risk remains the responsibility of senior management, who are supported by the internal audit function. The internal audit function is independent of business operations and provides assurance on the adequacy and effectiveness of internal controls. In developing its annual combined assurance plan, the internal audit function follows a risk-based methodology to identify material business risks, which are then confirmed and addressed by the relevant individual divisional managers. Currently, the combined assurance plan serves as the source for the Group's top-down risk management programme. These risks are typically strategic and operational, and are quantified by the finance function, where relevant.

The audit and risk committee is a statutory committee, as required by the Companies Act, and functions within a charter that is reviewed and approved annually by the Board. The committee members, Jeff van Rooyen, Hugh Herman, Ben van der Ross and Audrey Mothupi, were confirmed for appointment at the AGM held on 2 June 2014.

ROLE OF THE COMMITTEE

The audit and risk committee has an independent role with accountability both to the Board and to shareholders. The committee's responsibilities include the statutory duties prescribed by the Companies Act, activities recommended by King III and the responsibilities assigned by the Board.

The committee's ongoing main responsibilities are as follows:

Integrated and financial reporting

- Review the financial statements, interim report, preliminary results announcement and summarised financial statements and ensure compliance with International Financial Reporting Standards and the Companies Act;
- Review and approve the appropriateness of accounting policies, disclosure policies and the effectiveness of internal financial controls;
- Perform a review of the Group's integrated reporting function and progress, and consider factors and risks that could impact on the integrity of the integrated annual report;
- Review the sustainability disclosure in the integrated annual report and ensure that it is consistent with financial information reported; and
- Recommend the integrated annual report to the Board for approval.

Finance function

- Consider the expertise and experience of the Chief Finance Officer; and
- Consider the expertise, experience and resources of the Group's finance function.

Internal audit

- Review and approve the internal audit charter and audit plans;
- Evaluate the independence, effectiveness and performance of the internal audit function and compliance with its mandate;
- Review the Group's system of internal control, including financial controls, ensuring that management is adhering to and continually improving these controls;
- Review significant issues raised by the internal audit process; and
- Review policies and procedures for preventing and detecting fraud.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

External audit

- Act as a liaison between the external auditors and the Board;
- Nominate the external auditor for appointment by shareholders;
- Determine annually the scope of audit and non-audit services which the external auditors may provide to the Group;
- Approve the remuneration of the external auditors and assess their performance; and
- Assess annually the independence of the external auditors.

Risk management

- Ensure that management's processes and procedures are adequate to identify, assess, manage and monitor enterprise-wide risks; and
- Review tax and technology risks, in particular how they are managed.

General

- Receive and deal appropriately with any complaint relating to the accounting practices and internal audit of the Group or to the content or auditing of its financial statements, or to any related matter; and
- Perform other functions as determined by the Board.

COMPOSITION OF THE COMMITTEE

This committee is chaired by and comprises only independent non-executive directors. In accordance with the requirements of the Companies Act, members of the committee are appointed annually by the Board for the ensuing financial year and in compliance with King III, are elected by shareholders at the annual general meeting.

Ben van der Ross was unable to attend either of the committee meetings in the 2015 financial year. However, he discussed the agenda with the chairman to ensure that his views were considered in the deliberations of the committee.

As he is not an independent non-executive director, David Friedland is not a member of the audit and risk committee. He has, however, provided valuable input to the committee through consulting services during the 2015 financial year.

Subsequent to the 2015 financial year Ben van der Ross resigned from the audit and risk committee. The chairman extended his gratitude to Ben van der Ross for the invaluable contribution he had made over the years to the deliberations of the committee. Ben served on the audit and risk committee for many years, and provided exceptional guidance and oversight to the Group during this time.

Composition of the committee, frequency of meetings, activities in the period under review

Members	Attendance	Objectives and activities 2015
Jeff van Rooyen (Chairman)	2/2	<ul style="list-style-type: none"> • Reviewed and recommended the interim and full-year financial results, financial statements and integrated annual report to the Board for approval • Reviewed the internal audit coverage plan and ensured continued progress in integrating with the combined assurance model • Reviewed and approved the accounting and disclosure policies and the effectiveness of internal financial controls • Reviewed the external audit coverage plan • Pre-approved all non-audit services provided by the Group's external auditors • Met separately with the internal auditors and the external auditors to confirm that they received the full co-operation of management • Met with management to review their progress on identifying and addressing material risk areas within the business • Reviewed the sustainability disclosure in the integrated annual report and ensured that it was consistent with financial information reported • Chairman met regularly with key management to keep abreast of emerging issues • Discharged all audit committee responsibilities to all the subsidiary companies within the Group • Reviewed the findings of the financial review committees of all the material operating subsidiary companies. The financial review committees are chaired by the CFO and, together with the external auditors and management of the respective subsidiary, review in detail the results of the material operating subsidiary companies • Reviewed and considered representations by management on the going-concern statement for the Group and recommended the adoption of the going-concern concept to the board
Hugh Herman	2/2	
Ben van der Ross	0/2	
Audrey Mothupi	2/2	

INDEPENDENCE OF EXTERNAL AUDITORS

The committee met with management, independently of the auditors, to discuss issues relevant to the audit and for purposes of evaluating the quality and effectiveness of the external audit function. The committee was satisfied as to the independence of the Group's external auditors, KPMG Inc. and its respective audit partners.

TENDER

After finalisation of the 2015 financial result, the KPMG external audit partner rotated off the audit. It was decided that the timing was opportune to conduct a tender to establish which service provider should be appointed as the external auditor. Six auditing firms, including existing auditors KPMG Inc., were approached to tender for appointment as the external auditor.

The outcome of the tender will be determined in mid-June 2015.

As shareholders are required to vote on the appointment of the external auditors of the Company, the notices and proxies of the 2015 annual general meetings will be published on our website, www.picknpayinvestor.co.za, and posted to shareholders and interested parties on Friday, 26 June 2015.

POLICY ON NON-AUDIT SERVICES

All non-audit services provided by the Group's external auditors, KPMG Inc., were pre-approved by the audit committee. The total fee for non-audit services provided did not exceed 50% of the total auditors' remuneration.

EXPERTISE AND EXPERIENCE OF CHIEF FINANCE OFFICER AND FINANCE FUNCTION

The committee together with the lead external audit partner has considered and confirmed the composition, experience, resources and skills of the finance function. The committee is satisfied that Bakar Jakoet has the appropriate expertise and experience for his position of Chief Finance Officer of the Group. In addition, the committee is satisfied that the composition, experience and skills of the finance function meet the Group's requirements.

APPROVAL OF THE AUDIT AND RISK COMMITTEE REPORT

The committee confirms that it functioned in accordance with its charter for the 2015 financial year and that its report to shareholders was approved by the Board.

The committee confirmed its satisfaction with the performance and level of service rendered by the external auditor, KPMG Inc., for the 2015 financial year.

As stated above, the Board has, on the recommendation of the committee, initiated a tender process to establish who to recommend to shareholders as the external auditors of the Group. On completion of the tender process, the external auditors will be recommended for election by shareholders at the 2015 annual general meeting.



Jeff van Rooyen

Chairman: audit and risk committee

Cape Town
20 April 2015

NOMINATIONS COMMITTEE REPORT

The nominations committee operates in accordance with the requirements of the Companies Act and King III and is governed by a Board-approved charter, which is reviewed and approved annually by the Board.

ROLE OF THE COMMITTEE

The nominations committee is responsible for identifying and evaluating suitable candidates for possible appointment to the Board to ensure that the Board is balanced and able to fulfil its functions as recommended by King III. The committee identifies a list of candidates to be considered, and establishes availability, willingness and suitability.

The authority to appoint directors remains with the Board. Candidates identified by the committee are interviewed by all the non-executive directors before the potential appointment is referred to the Board for a decision. Appointees are referred to shareholders for election.

Composition of the committee, frequency of meetings, objectives and activities in the period under review

Members	Attendance	Objectives and activities 2015
Gareth Ackerman (Chairman)	Informal ad hoc meetings held as required	<ul style="list-style-type: none"> Objective to ensure proper succession planning for the Board, the CEO and the senior management positions, with the aim of ensuring that the Group's long-term strategy is well executed Recommended that directors who had served for more than nine years continue on the Board for continuity and experience Reviewed the key performance indicators and objectives of the Group Chief Executive Officer Assessed the competence and expertise of the Company Secretary
Lorato Phalatse		
Ben van der Ross		
David Friedland		



Gareth Ackerman

Chairman: nominations committee

Cape Town
20 April 2015

CORPORATE GOVERNANCE COMMITTEE REPORT

The corporate governance committee operates in accordance with the corporate governance charter, which is reviewed and approved annually by the Board.

ROLE OF THE COMMITTEE

The corporate governance committee reviews and evaluates the governance practices and structures of the Group, and recommends any changes to the Board for a decision. The focus is on implementing King III's recommendations and ensuring that the Group complies with the code of corporate practices and conduct. International standards of corporate governance are considered alongside local practices to ensure that the Group adopts best practice.

Composition of the committee, frequency of meetings, objectives and activities in the period under review

Members	Attendance	Objectives and activities 2015
<p>Gareth Ackerman (Chairman)</p> <hr/> <p>Jeff van Rooyen</p>	<p>Informal ad hoc meetings held as required</p>	<ul style="list-style-type: none"> Recommended to the Board that Mrs Wendy Ackerman be appointed to the position of Honorary Life President of Pick n Pay Stores Limited in recognition of her life-long dedicated service to the Group Reviewed remuneration committee charter and recommended amendment for adoption by the Board Reviewed share trust charter Reviewed treasury charter Reviewed corporate governance charter and recommended amendments for adoption by the Board Reviewed Companies Act s45 requirements Evaluated survey used to establish independence of non-executive directors Evaluated survey used to establish competence of Company Secretary Reviewed and evaluated Group governance policies



Gareth Ackerman

Chairman: corporate governance committee

Cape Town
20 April 2015

CORPORATE FINANCE COMMITTEE REPORT

The corporate governance committee operates in accordance with the corporate governance charter, which is reviewed and approved annually by the Board.

ROLE OF THE COMMITTEE

The committee assists the Board in assessing investment opportunities for the Group. The committee was formed to ensure that the interests of all shareholders are taken into account when investment decisions are made. Authority to accept or reject investment opportunities remains with the Board.

COMPOSITION OF THE COMMITTEE

Chaired by Jeff van Rooyen, the committee comprises the independent non-executive directors.

FREQUENCY OF MEETINGS

The committee meets on an ad hoc basis. No meetings took place during the period under review.



Jeff van Rooyen

Chairman: corporate finance committee

Cape Town
20 April 2015

SOCIAL AND ETHICS COMMITTEE REPORT

The social and ethics committee operates in accordance with the requirements of the Companies Act and King III, and is governed by a charter that is reviewed and approved annually by the Board.

The objectives of the committee are to ensure that high ethical standards are applied in all areas of the business, and to review and approve the policy, strategy and structure for managing the social issues in the Group in accordance with our long-standing principle of doing good is good business.

ROLE OF THE COMMITTEE

The committee oversees the monitoring, assessment and measurement of the Group's activities in the following areas:

- Ethics and code of conduct compliance
- Environmental, social and governance issues, including human rights, corruption, employment equity and transformation

- Social and economic development
- Relevant stakeholder relations
- Empowerment and transformation
- Enterprise development
- Corporate social investment
- Ethical treatment of animals
- Local, ethical and sustainable procurement
- Integrity of food products and ingredients
- Relevant regulatory, statutory and legislative compliance

The committee relies on management for the implementation of strategies and initiatives.

As a result of the Group's commitment to conducting business in a sustainable manner, the Group remains on the Socially Responsible Investment Index of the JSE.

Composition of the committee, frequency of meetings, objectives and activities in the period under review

The committee is chaired by executive director, Suzanne Ackerman-Berman. Her position as director of transformation, chairman of the Ackerman Pick n Pay Enterprise Development Fund and head of the Pick n Pay Small Business Incubator, as well as her philanthropic work, make Suzanne uniquely qualified to chair the committee. Other committee members comprise independent non-executive director, Lorato Phalatse, members of management responsible for corporate affairs and human resources, the Company Secretary, senior management and technical experts on areas of mandate. All levels and areas of expertise across the Group are represented on the committee.

Members	Attendance	Objectives and activities 2015
Suzanne Ackerman-Berman (Chairman)	4/4	<ul style="list-style-type: none"> • Presented its report to shareholders at the AGM held on 2 June 2014 • Approved the external BBBEE verification agency • Assessed the BBBEE contributor status and strategy, plans and progress made in improving from level 6 to the targeted level 4 status • Reviewed plans and social responsibility structures in order to align with the revised BBBEE codes • Continued to review relevant policies across all operating divisions • Reviewed the published code of ethics • Reviewed the Group policy on the humane treatment of animals • Reviewed the employee whistle-blowing facility • Reviewed the elements of reputational risk arising from marketing and from marketing to children • Reviewed mechanisms to encourage ethical behaviour • Regularly reviewed consumer complaints, which were also monitored by senior management, in line with the Consumer Protection Act • Reviewed the activities of the Ackerman Pick n Pay Enterprise Development Fund and its development of sustainable small businesses
Lorato Phalatse	4/4	



Suzanne Ackerman-Berman

Chairman: social and ethics committee

Cape Town
20 April 2015

LEGAL REPORT

COMPLIANCE

The compliance framework rests on the Group's comprehensive set of policies, which are regularly updated to reflect governance best practice and the evolving regulatory environment. All employees and companies in the Group are obliged to comply with these policies.

Compliance questionnaires are distributed bi-annually to relevant departments to monitor compliance with statutes and regulations that have a bearing on the retail industry, such as the Companies Act, the Competition Act and the Consumer Protection Act. Statutory developments are regularly monitored to establish the compliance regime. Current areas being assessed include the Protection of Personal Information Act, the many provincial liquor statutes and the environmental laws.

Compliance questionnaires form the dual function of monitoring compliance and educating employees in the requirements of statutory and regulatory compliance in the retail sector. Employees are trained in sessions dealing with important legal issues arising from statutory provisions, such as the Consumer Protection Act and the Competition Act.

The compliance questionnaires are audited internally to ensure accurate reporting.

No judgments, damages, penalties or fines for non-compliance with any legislation were recorded and/or levied against any company in the Group, or against any director, officer or employee during the period under review.

Each year, the executive directors and relevant members of senior management declare that to the best of their knowledge, they and the companies they serve, have complied with all relevant statutes and regulations. The most recent declarations were completed in March 2015, and no incidents of contravention of the policies or the statutes were reported.

LITIGATION MATTERS

The Group is not involved, and has not in the 2015 financial period been involved, in any legal or arbitration proceedings which may have or have had a material effect on the financial position of the Group, nor is the Group aware of any such proceedings that are pending or threatened.

COMPETITION COMMISSION

In June 2009, the Competition Commission initiated an investigation into various practices of supermarket retailers, examining competition concerns relating to grocery retail, including buyer power, category management, information exchange and long-term lease agreements. After investigation, the Competition Commission informed retailers that they were dismissing all concerns but would further examine long-term exclusive lease agreements. The Group co-operated fully with the Competition Commission in providing all information and explanations requested.

In January 2014, the Competition Commission announced that it had concluded that the investigation into long-term exclusive lease agreements did not warrant referral to the Competition Tribunal for determination. This announcement confirmed the Group's belief that our lease agreements were freely entered into and reflected commercial practice that was standard both internationally and in South Africa.

All matters under investigation in regard to supermarket retailers were concluded with a notice of non-referral of complaint, confirming the Group's belief that no anti-competitive behaviour existed in the grocery retail sector.

Despite this notice of non-referral, it was reported in the media that various property associations had lodged complaints against the long-term exclusive lease agreements that they entered into over the years with retailers, and that Massmart Holdings Limited had also lodged a complaint.

After conducting extensive internal research into how other competition authorities dealt with similar complaints, it was recently announced that the Competition Commission had taken a decision to conduct a market inquiry into the grocery retail sector as opposed to another investigation. The Competition Commission has issued a notice of non-referral to the complainants, stating that it would not refer any part of the complaint to the Competition Tribunal.

The terms of the market inquiry have, at the time of writing, not been finalised. We remain of the firm belief that no anti-competitive behaviour exists in relation to long-term exclusive lease agreements, or indeed in the grocery retail sector.

BOARD OF DIRECTORS

Non-executive directors



Raymond Ackerman (82)

BCom and various honorary doctorates

Chairman

Appointed 1981

Mr Raymond Ackerman founded Pick n Pay in 1967 and was its Chairman for 43 years. He was also CEO of the Group until 1999 when the roles of Chairman and CEO were split. He was Chairman of Pick n Pay Holdings Limited RF from the time of the Company's formation until 2002, at which time Gareth Ackerman was appointed in his stead. In 2010 he was reappointed as Chairman of Pick n Pay Holdings Limited RF, and retired from the Pick n Pay Stores Limited Board when Gareth Ackerman was appointed Chairman of Pick n Pay Stores Limited. Mr Ackerman was appointed Honorary Life President of Pick n Pay Stores Limited. He has won many accolades during the years as a leader, a businessman, a humanitarian and as the champion of the consumer.



Wendy Ackerman

Appointed 1981

Mrs Ackerman is one of the founding executives of Pick n Pay. She was appointed to the Board in 1981. She retired from the Pick n Pay Stores Limited Board in 2010 where she remains integral to employee liaison, employee benefits and the management of extensive bursary funds. Mrs Ackerman was appointed as Honorary Life President of Pick n Pay Stores Limited. Mrs Ackerman has been widely recognised for her contribution to education, the arts and culture, and environmental conservation throughout South Africa.

Gareth Ackerman

Appointed 1987

See CV under Pick n Pay Stores Limited on page 52.

Independent non-executive directors



René de Wet (70)

CA(SA)

Audit committee chairman

Appointed 1981

René was an executive at Pick n Pay for 29 years, and was appointed to the Board in 1975. He was appointed joint managing director in 1993 and deputy Chairman in 1995. He retired as an executive director in 1999 but remained on the Pick n Pay Stores Limited Board as a non-executive director until 2008.

Hugh Herman

Appointed 1981

See CV under Pick n Pay Stores Limited on page 53.

Jeff van Rooyen

Appointed 2011

See CV under Pick n Pay Stores Limited on page 53.

Alternate directors

Suzanne Ackerman-Berman

Alternate to Raymond Ackerman

Appointed 2010

See CV under Pick n Pay Stores Limited on page 52.

Jonathan Ackerman

Alternate to Wendy Ackerman

Appointed 2010

See CV under Pick n Pay Stores Limited on page 52.

David Robins

Alternate to Gareth Ackerman

Appointed 2010

See CV under Pick n Pay Stores Limited on page 53.

Public officer

Bakar Jakoet

Appointed 2012

See CV under Pick n Pay Stores Limited on page 52.

Company Secretary

Debra Muller

Appointed 2010

See CV under Pick n Pay Stores Limited on page 52.

CORPORATE GOVERNANCE REPORT

This report deals with the corporate governance of Pick n Pay Holdings Limited RF, the investment holding company of Pick n Pay Stores Limited. Pick n Pay Holdings Limited RF's sole purpose is the holding of the controlling shareholding in Pick n Pay Stores Limited and the Company has minimal operating activities. Only principles specific to Pick n Pay Holdings Limited RF are included in this report as most principles have been addressed in the Pick n Pay Stores Limited corporate governance report (see pages 54 to 59).

DIRECTORS

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

APPOINTMENT OF DIRECTORS

The appointment of all directors and alternate directors to the Board requires shareholder approval at the annual general meeting (AGM). On appointment to the Board new directors are required to retire and offer themselves for re-election by shareholders at the first AGM following their original appointment. Directors are elected for three-year terms.



Raymond Ackerman

Cape Town
20 April 2015

INDEPENDENCE OF DIRECTORS

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

BOARD SUB-COMMITTEES

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

REMUNERATION REPORT

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

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

	Proposed 2016 R	2015 R
Total fee	65 000	60 000

Directors' interest in shares – Pick n Pay Holdings Limited RF

2015	How held*	Balance held 2014 000's	Additions during the period 000's	Average purchase price per share R	Disposals and other movements during the period 000's	Average selling price per share R	Balance held 2015 000's	Beneficial/ non-beneficial interest
Directors' holdings								
Raymond Ackerman	direct	1 269.4	—	—	—	—	1 269.4	Beneficial
Gareth Ackerman	direct	0.5	—	—	—	—	0.5	Beneficial
	indirect	3 225.0	40.5	24.93	—	—	3 265.5	Non-beneficial
	indirect	40.5	—	—	—	—	40.5	Non-beneficial
Ackerman Investment Holdings Proprietary Limited [^]	indirect	255 736.9	—	—	—	—	255 736.9	Non-beneficial
Mistral Trust [^]	indirect	5 415.2	50.0	22.10	—	—	5 465.2	Non-beneficial
Hugh Herman	direct	60.0	—	—	—	—	60.0	Beneficial
	indirect	0.5	—	—	—	—	0.5	Beneficial
Jeff van Rooyen	direct	—	3.8	—	—	—	3.8	Beneficial
Alternate directors								
Jonathan Ackerman	direct	252.0	—	—	—	—	252.0	Beneficial
	indirect	1 138.0	—	—	—	—	1 138.0	Beneficial
	indirect	46.1	—	—	(12.0)	—	34.1	Non-beneficial
Suzanne Ackerman-Berman	direct	242.1	—	—	—	—	242.1	Beneficial
	indirect	866.3	—	—	—	—	866.3	Beneficial
	indirect	6.0	—	—	—	—	6.0	Non-beneficial
David Robins	indirect	191.3	—	—	—	—	191.3	Non-beneficial
Directors of Pick n Pay Stores Limited								
Bakar Jakoet	direct	250.0	—	—	—	—	250.0	Beneficial
	indirect	25.7	—	—	—	—	25.7	Non-beneficial
David Friedland	indirect	—	20.0	23.79	—	—	20.0	Beneficial
	indirect	—	20.0	22.66	—	—	20.0	Beneficial

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

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

CORPORATE GOVERNANCE REPORT CONTINUED

Directors' interest in shares – Pick n Pay Holdings Limited RF

2014	How held*	Balance held 2013 000's	Additions during the period 000's	Average purchase price per share R	Disposals and other movements during the period 000's	Average selling price per share R	Balance held 2014 000's	Beneficial/ non-beneficial interest
Directors' holdings								
Raymond Ackerman	direct	1 269.4	—	—	—	—	1 269.4	Beneficial
Gareth Ackerman	direct	0.5	—	—	—	—	0.5	Beneficial
	indirect	3 153.0	72	17.64	—	—	3 225.0	Non-beneficial
	indirect	40.5	—	—	—	—	40.5	Non-beneficial
Ackerman Investment Holdings Proprietary Limited [^]	indirect	255 017.6	719.3	17.54	—	—	255 736.9	Non-beneficial
Mistral Trust [^]	indirect	5 308.2	107	19.06	—	—	5 415.2	Non-beneficial
Hugh Herman	direct	80	—	—	(20.0)	20.50	60.0	Beneficial
	indirect	65.0	20.0	17.36	(85.0)	20.61	—	Beneficial
	indirect	14.5	—	—	(14.0)	20.68	0.5	Non-beneficial
Alternate directors								
Jonathan Ackerman	direct	252.0	—	—	—	—	252.0	Beneficial
	indirect	1 089.6	48.4	20.42	—	—	1 138.0	Beneficial
	indirect	46.1	—	—	—	—	46.1	Non-beneficial
Suzanne Ackerman-Berman	direct	242.1	—	—	—	—	242.1	Beneficial
	indirect	811.3	55.0	18.30	—	—	866.3	Beneficial
	indirect	6.0	—	—	—	—	6.0	Non-beneficial
David Robins	direct	886.7	—	—	(886.7)	17.54	—	Beneficial
	indirect	199.8	—	—	(8.5)	—	191.3	Non-beneficial
Directors of Pick n Pay Stores Limited								
Bakar Jakoet	direct	250.0	—	—	—	—	250.0	Beneficial
	indirect	25.7	—	—	—	—	25.7	Non-beneficial

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

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

ASPECTS OF KING III

Dispensation by JSE

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

- Pick n Pay Holdings Limited RF has been granted an exemption by the Companies Tribunal from the need to appoint a social and ethics committee, as this function is fulfilled by the social and ethics committee formed by the Board of Pick n Pay Stores Limited.
- Pick n Pay Holdings Limited RF has been granted dispensation from the JSE Listings Requirements of having remuneration, risk, nomination and corporate governance committees, as these functions are fulfilled for the Group by the Board committees formed by Pick n Pay Stores Limited.

ASPECTS OF KING III REVIEWED

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

DIRECTORS' ATTENDANCE AND ACTIVITIES AT MEETINGS

Board meetings

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

Director	Board and AGM attendance	Objectives and activities 2015
Raymond Ackerman (Chairman)	4/4	<ul style="list-style-type: none"> • Approved the interim and year-end financial results and the JSE SENS announcements • Approved the integrated annual report • Approved the notice and proxy of the annual general meeting • Approved the distribution of the dividend • Approved the non-executive directors' fees for tabling at the annual general meeting • Considered the declaration of directors' personal financial interests at each meeting • Approved the extension of tenure for current directors
Gareth Ackerman	4/4	
Wendy Ackerman	4/4	
René de Wet	4/4	
Hugh Herman (LID)	4/4	
Jeff van Rooyen	4/4	
Jonathan Ackerman (alternate director)	4/4	
Suzanne Ackerman-Berman (alternate director)	4/4	
David Robins (alternate director)	4/4	

AUDIT AND RISK COMMITTEE REPORT

The audit and risk committee is a statutory committee, required by the Companies Act, and functions within a charter approved by the Board. The committee members were confirmed for appointment at the AGM on 2 June 2014.

ROLE OF THE COMMITTEE

The audit and risk committee has an independent role with accountability to both the Board and to shareholders. The committee's responsibilities include the statutory duties prescribed by the Companies Act, activities recommended by King III and the responsibilities assigned by the Board.

COMPOSITION OF THE COMMITTEE

This committee is chaired by and comprises only independent non-executive directors. In accordance with the requirements of the Companies Act, members of the committee are appointed annually by the Board for the ensuing financial year and in compliance with King III and are appointed by shareholders at the annual general meeting.

The committee has a charter which is reviewed and approved by the Board annually.

MEETINGS AND ACTIVITIES

The committee's main responsibilities are discharged by the audit and risk committee elected for Pick n Pay Stores Limited. Refer to page 77 for this committee's report.

Director	Attendance	Objectives and activities 2015
René de Wet (Chairman)	2/2	<ul style="list-style-type: none"> Reviewed and recommended the interim and full-year financial results, financial statements and integrated annual report to the Board for approval Reviewed and approved the accounting and disclosure policies Received and reviewed the report from the audit and risk committee of Pick n Pay Stores Limited Assessed the carrying value of the Company's investment in Pick n Pay Stores Limited Discharged all audit and risk committee responsibilities to all the subsidiary companies within the Group Received and reviewed reports from both the internal and external auditors
Hugh Herman	2/2	
Jeff van Rooyen	2/2	

INDEPENDENCE OF EXTERNAL AUDITORS

The audit and risk committee is satisfied as to the independence of the Group's external auditors, KPMG Inc. and its respective audit partners.

TENDER

After finalisation of the 2015 financial result, the KPMG external audit partner rotated off the audit. It was decided that the timing was opportune to conduct a tender to establish which service provider should be appointed as external auditor. Six auditing firms, including existing auditors KPMG Inc., were approached to tender for appointment as the external auditor.

The outcome of the tender will be determined in mid-June 2015.

As shareholders are required to vote on the appointment of the external auditors of the Company, the notices and proxies of the 2015 annual general meetings will be published on our website, www.picknpayinvestor.co.za, and posted to shareholders and interested parties on Friday, 26 June 2015.

POLICY ON NON-AUDIT SERVICES

All non-audit services provided by the Company's external auditors are pre-approved by the audit and risk committee. The total fee for non-audit services provided should not exceed 50% of the total auditor's remuneration.

EXPERTISE AND EXPERIENCE OF CHIEF FINANCE OFFICER AND FINANCE FUNCTION OF PICK N PAY STORES LIMITED GROUP

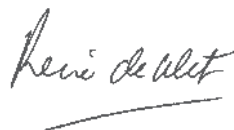
The audit and risk committee has considered and confirmed the composition, experience, resources and skills of the finance function of the Pick n Pay Stores Limited Group. The audit and risk committee is satisfied that Bakar Jakoet has the appropriate expertise and experience for his position of Chief Finance Officer of the Pick n Pay Stores Limited Group.

APPROVAL OF THE AUDIT AND RISK COMMITTEE REPORT

The committee confirms that it has functioned in accordance with its charter for the 2015 financial year and that its report to shareholders has been approved by the Board.

The committee confirmed its satisfaction with the performance and level of service rendered by the external auditor.

As stated above, the Board has, on the recommendation of the committee, initiated a tender process to establish who to recommend to shareholders as the external auditors of the Company. On completion of the tender process, the external auditors will be recommended for election by shareholders at the 2015 annual general meeting.



René de Wet

Chairman: audit and risk committee

Cape Town
20 April 2015

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DIRECTORS' RESPONSIBILITY STATEMENT

PICK N PAY STORES LIMITED AND ITS SUBSIDIARIES

The directors are responsible for the preparation and fair presentation of the Group financial statements and financial statements of Pick n Pay Stores Limited, comprising the statements of financial position at 1 March 2015, and the statements of comprehensive income, changes in equity and cash flows for the period then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the ability of the Company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the period ahead.

The auditor is responsible for reporting on whether the Group financial statements and Company financial statements are fairly presented in accordance with the applicable financial reporting framework.

APPROVAL OF GROUP FINANCIAL STATEMENTS AND FINANCIAL STATEMENTS

The Group financial statements and financial statements of Pick n Pay Stores Limited, as identified in the first paragraph, were approved by the Board of directors on 20 April 2015 and signed by:



Gareth Ackerman
Chairman



Richard Brasher
Chief Executive Officer

Cape Town
20 April 2015

COMPANY SECRETARY'S CERTIFICATE

PICK N PAY STORES LIMITED AND ITS SUBSIDIARIES

In my capacity as Company Secretary, I certify that for the period ended 1 March 2015, Pick n Pay Stores Limited has filed all returns and notices as required for a public company in terms of section 88(2)(e) of the Companies Act No 71 of 2008, as amended, and that such returns and notices are, to the best of my belief, true, correct and up to date.



Debra Muller
Company Secretary

Cape Town
20 April 2015

DIRECTORS' REPORT

for the period ended 1 March 2015

PICK N PAY STORES LIMITED AND ITS SUBSIDIARIES

Nature of business

The Company, which is domiciled and incorporated in the Republic of South Africa and listed on the JSE, the recognised securities exchange in South Africa, is an investment holding company. The Group comprises trading subsidiaries that retail food, clothing, general merchandise, pharmaceuticals and liquor throughout southern Africa, both on an owned and franchise basis. The Group also acquires and develops strategic retail and distribution sites. Refer to page 4 of the integrated annual report for an overview of the Group's nature of business.

Overview of financial results, activities and borrowings

The reviews of financial results, activities and borrowings of the Group are contained in the Chief Finance Officer's report on pages 36 to 41 of the integrated annual report.

Audit and risk committee

We draw your attention to the audit and risk committee report on page 77 of the integrated annual report where we set out the responsibilities of the committee and how it has discharged these responsibilities during the period.

Dividends declared

The directors have declared a final dividend (dividend 94) of 98.50 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 15%. The last day to trade in order to participate in the dividend (CUM dividend) will be Friday, 5 June 2015. The shares will trade EX dividend from the commencement of business on Monday, 8 June 2015 and the record date will be Friday, 12 June 2015. The dividends will be paid on Monday, 15 June 2015. Refer to page 126 for a detailed analysis.

Share capital

The issued ordinary share capital increased by 6 925 000 shares during the period (refer to note 19) to 487 322 321 shares.

At period end, the Pick n Pay Employee Share Purchase Trust held 1 746 900 (2014: 1 974 500) shares in the Company and 9 257 784 (2014: 9 193 760) shares in Pick n Pay Holdings Limited RF and a subsidiary company held 1 848 703 (2014: 1 848 703) shares in Pick n Pay Holdings Limited RF. These shares are held to meet obligations of options granted.

As a result of the new share issue, subsidiary companies now also hold 6 925 000 Company shares to meet obligations under the Group's new forfeitable share plan. Participants to the forfeitable share plan (FSP) have non-forfeitable rights to the dividends on these shares. Refer to the remuneration report on pages 60 to 76 of the integrated annual report for details on the FSP.

Going concern

These financial statements have been prepared on the going-concern basis.

The Board has performed a formal review of the Company and its subsidiaries' ability to continue trading as going concerns in the foreseeable future and, based on this review, considers that the presentation of the financial statements on this basis is appropriate.

The Group ensures that it complies with the liquidity and solvency requirements for any dividend payment and provision of financial assistance as per the requirements of the Companies Act, 2008.

Legal proceedings

The Company and its subsidiaries are not involved, and have not in the 2015 financial period been involved, in any legal or arbitration proceedings which may have or have had a material effect on the financial position of the Pick n Pay Group of Companies, nor is the Company aware of any such proceedings that are pending or threatened. Refer to page 84 of the integrated annual report for the legal report.

Special resolutions

On 2 June 2014 the Company's shareholders approved the following special resolutions as tabled in the notice to the annual general meeting:

Directors' fees for the 2016 financial period

Shareholders approved the directors' fees.

Provision of financial assistance to related or inter-related companies and others

The shareholders resolved, in terms of the provisions of section 45 of the Companies Act, 2008, that the Company may from time to time provide direct or indirect financial assistance to any director, prescribed officer, related company, inter-related company or member of a related or inter-related company on such terms and conditions as determined by the Board.

DIRECTORS' REPORT CONTINUED

for the period ended 1 March 2015

General approval to repurchase Company shares

Shareholders resolved that the Company or any of its subsidiaries may acquire issued shares of the Company or its holding company, upon such terms and conditions and in such amounts as the directors of the Company may determine from time to time.

Acquisition of such shares is subject to the Memorandum of Incorporation of the Company, the provisions of the Companies Act, 2008, and the Listings Requirements of the JSE, provided further that acquisitions by the Company and its subsidiaries in the Company or its holding company may not, in the aggregate, exceed in any one financial year 5% of the Company's issued share capital, or its holding company's issued share capital.

Directors and secretary

In terms of the Company's Memorandum of Incorporation the directors listed below retire by rotation and they offer themselves for re-election.

David Robins
Hugh Herman
Jeff van Rooyen

Information pertaining to the directors and the Company Secretary appear on page 52.

Holding company

The holding company is Pick n Pay Holdings Limited (listed on the JSE).

Directors' interest in shares

	2015 %	2014 %
Beneficial	0.9	0.9
Non-beneficial	27.5	27.5
Total	28.4	28.4

The directors' interest in shares, which includes their FSP share allocations where applicable, is their effective direct shareholding in the Company (excluding treasury shares) and their effective indirect shareholding through Pick n Pay Holdings Limited (excluding treasury shares). For further details refer to the remuneration report on pages 60 to 76.

Subsidiary companies

Details of subsidiary companies are presented in note 5 of the Company financial statements on page 162.

INDEPENDENT AUDITOR'S REPORT

for the period ended 1 March 2015

TO THE SHAREHOLDERS OF PICK N PAY STORES LIMITED

We have audited the Group financial statements and financial statements of Pick n Pay Stores Limited, which comprise the statements of financial position at 1 March 2015, and the statements of comprehensive income, changes in equity and cash flows for the period then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 107 to 154 and information in the remuneration report as set out on pages 60 to 76.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Pick n Pay Stores Limited at 1 March 2015, and its consolidated and separate financial performance and consolidated and separate cash flows for the period then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the period ended 1 March 2015, we have read the directors' report, the audit committee's report and the Company Secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

KPMG Inc.

Registered Auditor



Per **Patrick Farrand**
Chartered Accountant (SA)
Registered Auditor
Director

20 April 2015

MSC House
Mediterranean Street
Cape Town
8001

DIRECTORS' RESPONSIBILITY STATEMENT

PICK N PAY HOLDINGS LIMITED RF AND ITS SUBSIDIARIES

The directors are responsible for the preparation and fair presentation of the Group financial statements and financial statements of Pick n Pay Holdings Limited RF, comprising the statements of financial position at 1 March 2015, and the statements of comprehensive income, changes in equity and cash flows for the period then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa and the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the ability of the Company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the period ahead.

The auditor is responsible for reporting on whether the Group financial statements and financial statements are fairly presented in accordance with the applicable financial reporting framework.

APPROVAL OF GROUP FINANCIAL STATEMENTS AND FINANCIAL STATEMENTS

The Group financial statements and financial statements of Pick n Pay Holdings Limited RF, as identified in the first paragraph, were approved by the Board of directors on 20 April 2015 and signed by:



Raymond Ackerman

Chairman

Cape Town
20 April 2015

COMPANY SECRETARY'S CERTIFICATE

PICK N PAY HOLDINGS LIMITED RF AND ITS SUBSIDIARIES

In my capacity as Company Secretary, I certify that for the period ended 1 March 2015, Pick n Pay Holdings Limited RF has filed all returns and notices as required for a public company in terms of section 88(2)(e) of the Companies Act No 71 of 2008, as amended, and that such returns and notices are, to the best of my belief, true, correct and up to date.



Debra Muller

Company Secretary

Cape Town
20 April 2015

DIRECTORS' REPORT

for the period ended 1 March 2015

PICK N PAY HOLDINGS LIMITED RF AND ITS SUBSIDIARIES

Nature of business

The Company, which is domiciled and incorporated in the Republic of South Africa and listed on the JSE, the recognised securities exchange in South Africa, was formed with the sole purpose of holding a controlling interest in Pick n Pay Stores Limited. The Company will redistribute any dividend received from Pick n Pay Stores Limited, less operating expenses. For the directors' report of Pick n Pay Stores Limited, refer to pages 94 and 95.

Overview of financial results, activities and borrowings

The reviews of financial results, activities and borrowings of the Pick n Pay Stores Limited Group are contained in the Chief Finance Officer's report on pages 36 to 41 of the integrated annual report.

Audit and risk committee

We draw your attention to the audit and risk committee report where we set out the responsibilities of the committee and how it has discharged these responsibilities during the period.

Share value

The directors consider that the ratio of the dividend declared per share for the period of Pick n Pay Holdings Limited RF (PWK) of 57.25 cents, to that of Pick n Pay Stores Limited (PIK), 118.10 cents, determines the relative value of a Pick n Pay Holdings Limited RF share, which, based on these figures, is 48.5% (2014: 48.0%) of a Pick n Pay Stores Limited share.

Dividends declared

The directors have declared a final dividend (dividend 67) of 47.85 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 15%. The last day to trade in order to participate in the dividend (CUM dividend) will be Friday, 5 June 2014. The shares will trade EX dividend from the commencement of business on Monday, 8 June 2014 and the record date will be Friday, 12 June 2014. The dividends will be paid on Monday, 15 June 2014. Refer to page 126 for a detailed analysis.

Investment

The Company's sole asset is its 52.8% (2014: 53.6%) direct shareholding in its subsidiary, Pick n Pay Stores Limited, and its only source of income is the dividend received from Pick n Pay Stores Limited. After taking into account the Pick n Pay Stores Limited treasury shares held by the Group and FSP shares, the Company's effective holding in Pick n Pay Stores Limited at period end is 53.8% (2014: 53.8%).

Share capital

The issued ordinary share capital remained unchanged during the period at 527 249 082 shares.

As at period end, the Pick n Pay Employee Share Purchase Trust and a subsidiary company held 9 257 784 (2014: 9 193 760) and 1 848 703 (2014: 1 848 703) shares in the Company, respectively. These shares are held to meet obligations of options granted.

Going concern

These financial statements have been prepared on the going-concern basis.

The Board has performed a formal review of the Company and its subsidiaries' ability to continue trading as going concerns in the foreseeable future and, based on this review, consider that the presentation of the financial statements on this basis is appropriate.

The Group ensures that it complies with the liquidity and solvency requirements for any dividend payment and provision of financial assistance as per the requirements of the Companies Act, 2008.

Legal proceedings

The Company and its subsidiaries are not involved, and have not in the 2015 financial period been involved, in any legal or arbitration proceedings which may have or have had a material effect on the financial position of the Pick n Pay Group of Companies, nor is the Company aware of any such proceedings that are pending or threatened. Refer to page 84 of the integrated annual report for the legal report of Pick n Pay Stores Limited.

Special resolutions

On 2 June 2014 the Company's shareholders approved the following special resolutions as tabled in the notice to the annual general meeting:

Directors' fees for the 2016 financial period

Shareholders approved the directors' fees.

Provision of financial assistance to related or inter-related companies and others

The shareholders resolved, in terms of the provisions of section 45 of the Companies Act, 2008, that the Company may from time to time provide direct or indirect financial assistance to any related or inter-related company on such terms and conditions as determined by the Board.

DIRECTORS' REPORT CONTINUED

for the period ended 1 March 2015

General approval to repurchase Company shares

Shareholders resolved that the Company or any of its subsidiaries may acquire issued shares of the Company or its listed subsidiary company, upon such terms and conditions and in such amounts as the directors of the Company may determine from time to time.

Acquisition of such shares is subject to the Memorandum of Incorporation of the Company, the provisions of the Companies Act, 2008, and the Listings Requirements of the JSE, provided further that acquisitions by the Company and its subsidiaries of shares in the Company or its holding company may not, in the aggregate, exceed in any one financial year 5% of the Company's issued share capital, or its holding company's issued share capital.

Directors and secretary

In terms of the Company's Memorandum of Incorporation the directors listed below retire by rotation and they offer themselves for re-election:

Raymond Ackerman
René de Wet

Information pertaining to the directors and the Company Secretary appear on page 85.

Directors' interest in shares

	2015 %	2014 %
Beneficial	0.9	0.9
Non-beneficial	50.6	50.6
Total	51.5	51.5

The directors' interest in shares, which includes their FSP allocations where applicable, is their effective direct shareholding in the Company, excluding treasury shares. For further details refer to the remuneration report on pages 60 to 76.

INDEPENDENT AUDITOR'S REPORT

for the period ended 1 March 2015

TO THE SHAREHOLDERS OF PICK N PAY HOLDINGS LIMITED RF

We have audited the Group financial statements and financial statements of Pick n Pay Holdings Limited RF, which comprise the statements of financial position at 1 March 2015, and the statements of comprehensive income, changes in equity and cash flows for the period then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes as set out on pages 107 to 154 and information in the remuneration report as set out on pages 60 to 76.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Pick n Pay Holdings Limited RF at 1 March 2015, and its consolidated and separate financial performance and consolidated and separate cash flows for the period then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the period ended 1 March 2015, we have read the directors' report, the audit committee's report and the Company Secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

KPMG Inc.

Registered Auditor



Per **Patrick Farrand**

Chartered Accountant (SA)

Registered Auditor

Director

20 April 2015

MSC House
Mediterranean Street
Cape Town
8001

DIVIDEND DECLARATION

Pick n Pay Stores Limited

Tax reference number: 9275/141/71/2

Number of shares in issue: 487 322 321

Notice is hereby given that the directors have declared a final gross dividend (number 94) of 98.50 cents per share out of income reserves.

The dividend declared is subject to dividend withholding tax at 15%.

The tax payable is 14.7750 cents per share, leaving shareholders who are not exempt from dividends tax with a net dividend of 83.7250 cents per share.

Dividend dates

The last day of trade in order to participate in the dividend (CUM dividend) will be Friday, 5 June 2015.

The shares will trade EX dividend from the commencement of business on Monday, 8 June 2015 and the record date will be Friday, 12 June 2015. The dividends will be paid on Monday, 15 June 2015.

Share certificates may not be dematerialised or rematerialised between Monday, 8 June 2015 and Friday, 12 June 2015, both dates inclusive.

On behalf of the Board of directors



Debra Muller

Company Secretary

Cape Town
20 April 2015

Pick n Pay Holdings Limited RF

Tax reference number: 9050/141/71/3

Number of shares in issue: 527 249 082

Notice is hereby given that the directors have declared a final gross dividend (number 67) of 47.85 cents per share out of income reserves.

The dividend declared is subject to dividend withholding tax at 15%.

The tax payable is 7.1775 cents per share, leaving shareholders who are not exempt from dividends tax with a net dividend of 40.6725 cents per share.

Dividend dates

The last day of trade in order to participate in the dividend (CUM dividend) will be Friday, 5 June 2015.

The shares will trade EX dividend from the commencement of business on Monday, 8 June 2015 and the record date will be Friday, 12 June 2015. The dividends will be paid on Monday, 15 June 2015.

Share certificates may not be dematerialised or rematerialised between Monday, 8 June 2015 and Friday, 12 June 2015, both dates inclusive.

Pick n Pay Group of Companies financial statements

STATEMENTS OF COMPREHENSIVE INCOME

for the period ended

	Notes	Pick n Pay Stores Group		Pick n Pay Holdings Group	
		52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
Revenue	2	67 603.1	63 661.9	67 603.1	63 661.9
Turnover	2	66 940.8	63 117.0	66 940.8	63 117.0
Cost of merchandise sold		(54 994.3)	(52 077.1)	(54 994.3)	(52 077.1)
Gross profit		11 946.5	11 039.9	11 946.5	11 039.9
Other trading income	2	602.9	500.6	602.9	500.6
Trading expenses		(11 309.3)	(10 530.2)	(11 310.8)	(10 532.4)
Employee costs	3	(5 653.8)	(5 326.3)	(5 653.9)	(5 326.5)
Occupancy		(1 867.6)	(1 613.9)	(1 867.6)	(1 613.9)
Operations		(2 618.8)	(2 580.5)	(2 618.8)	(2 580.5)
Merchandising and administration		(1 169.1)	(1 009.5)	(1 170.5)	(1 011.5)
Trading profit		1 240.1	1 010.3	1 238.6	1 008.1
Profit/(loss) on sale of property, plant and equipment		10.4	(5.5)	10.4	(5.5)
Impairment loss on intangible assets	9	—	(104.1)	—	(104.1)
Finance income	2	59.4	44.3	59.4	44.3
Finance costs	3	(119.0)	(143.9)	(119.0)	(143.9)
Share of associate's income	14	14.3	32.0	14.3	32.0
Profit before tax	3	1 205.2	833.1	1 203.7	830.9
Tax	6	(343.5)	(249.4)	(343.5)	(249.4)
Profit for the period		861.7	583.7	860.2	581.5
Other comprehensive income					
Items that will not be reclassified to profit or loss		33.0	57.1	33.0	57.1
Remeasurement in retirement scheme assets	22	45.9	79.3	45.9	79.3
Tax on remeasurement in retirement scheme assets	6	(12.9)	(22.2)	(12.9)	(22.2)
Items that may be reclassified to profit or loss					
Exchange rate differences on translating foreign operations		(11.4)	6.4	(11.4)	6.4
Total comprehensive income for the period		883.3	647.2	881.8	645.0
Profit for the period attributable to:		861.7	583.7	860.2	581.5
Owners of the Company		861.7	583.7	461.8	312.9
Non-controlling interest	29	—	—	398.4	268.6
Total comprehensive income for the period attributable to:		883.3	647.2	881.8	645.0
Owners of the Company		883.3	647.2	473.4	347.2
Non-controlling interest		—	—	408.4	297.8
Earnings per share		Cents	Cents	Cents	Cents
Basic	7	178.79	122.01	88.78	60.61
Diluted	7	176.24	120.21	86.54	59.10

STATEMENTS OF FINANCIAL POSITION

		Pick n Pay Stores Group		Pick n Pay Holdings Group	
		As at 1 March 2015 Rm	As at 2 March 2014 Rm	As at 1 March 2015 Rm	As at 2 March 2014 Rm
Notes					
ASSETS					
Non-current assets					
Property, plant and equipment	10	4 187.0	4 039.3	4 187.0	4 039.3
Intangible assets	9	1 010.2	987.6	1 010.2	987.6
Operating lease assets	11	149.8	132.8	149.8	132.8
Investment in associate	14	180.2	165.9	180.2	165.9
Participation in export partnerships	12	23.4	25.1	23.4	25.1
Loans	15	100.6	92.0	100.6	92.0
Retirement scheme assets	22	70.1	85.1	70.1	85.1
Deferred tax assets	13	198.8	212.1	198.8	212.1
		5 920.1	5 739.9	5 920.1	5 739.9
Current assets					
Inventory	16	4 654.5	3 979.8	4 654.5	3 979.8
Trade and other receivables	17	2 956.7	2 841.1	2 956.7	2 841.1
Cash and cash equivalents	18	1 173.8	1 540.3	1 174.6	1 540.3
Derivative financial instruments	28	1.4	3.5	1.4	3.5
		8 786.4	8 364.7	8 787.2	8 364.7
Total assets		14 706.5	14 104.6	14 707.3	14 104.6
EQUITY AND LIABILITIES					
Equity					
Share capital	19	6.0	6.0	6.6	6.6
Share premium		—	—	120.8	120.8
Treasury shares	20	(169.1)	(145.7)	(109.0)	(95.3)
Retained earnings		3 311.4	2 849.1	1 619.3	1 377.3
Foreign currency translation reserve		(18.2)	(6.8)	(9.8)	(3.6)
Attributable to owners of the Company		3 130.1	2 702.6	1 627.9	1 405.8
Non-controlling interest	29	—	—	1 499.2	1 290.6
Total equity		3 130.1	2 702.6	3 127.1	2 696.4
Non-current liabilities					
Borrowings	21	492.8	747.1	492.8	747.1
Operating lease liabilities	11	1 138.5	1 042.7	1 138.5	1 042.7
		1 631.3	1 789.8	1 631.3	1 789.8
Current liabilities					
Trade and other payables	23	9 025.8	8 085.1	9 029.6	8 091.3
Bank overdraft and overnight borrowings	18	500.0	670.0	500.0	670.0
Borrowings	21	291.5	737.8	291.5	737.8
Current tax liabilities	6	126.8	111.2	126.8	111.2
Provisions	24	1.0	8.1	1.0	8.1
		9 945.1	9 612.2	9 948.9	9 618.4
Total equity and liabilities		14 706.5	14 104.6	14 707.3	14 104.6

STATEMENTS OF CHANGES IN EQUITY

for the period ended

Pick n Pay Stores Group						
	Notes	Share capital Rm	Treasury shares Rm	Retained earnings Rm	Foreign currency translation reserve Rm	Total equity Rm
At 3 March 2013						
Total comprehensive income for the period		6.0	(139.4)	2 562.6	(13.2)	2 416.0
Profit for the period		—	—	640.8	6.4	647.2
Remeasurement in retirement scheme assets		—	—	583.7	—	583.7
Exchange rate differences on translating foreign operations		—	—	57.1	—	57.1
Transactions with owners		—	—	—	6.4	6.4
Dividends paid	8	—	(6.3)	(354.3)	—	(360.6)
Share repurchases	20	—	(45.7)	—	—	(45.7)
Net effect of settlement of employee share options	20	—	39.4	(27.4)	—	12.0
Share-based payments expense	5	—	—	71.5	—	71.5
At 2 March 2014						
Total comprehensive income for the period		6.0	(145.7)	2 849.1	(6.8)	2 702.6
Profit for the period		—	—	894.7	(11.4)	883.3
Remeasurement in retirement scheme assets		—	—	861.7	—	861.7
Exchange rate differences on translating foreign operations		—	—	33.0	—	33.0
Transactions with owners		—	—	—	(11.4)	(11.4)
Dividends paid	8	—	(23.4)	(432.4)	—	(455.8)
Share repurchases	20	—	—	(461.8)	—	(461.8)
Net effect of settlement of employee share options	20	—	(177.9)	—	—	(177.9)
Share-based payments expense	5	—	154.5	(110.5)	—	44.0
		—	—	139.9	—	139.9
At 1 March 2015						
		6.0	(169.1)	3 311.4	(18.2)	3 130.1

STATEMENTS OF CHANGES IN EQUITY

for the period ended

Pick n Pay Holdings Group								
	Notes	Attributable to owners of the Company					Non-controlling interest Rm	Total equity Rm
		Share capital Rm	Share premium Rm	Treasury shares Rm	Retained earnings Rm	Foreign currency translation reserve Rm		
At 3 March 2013		6.6	120.8	(89.3)	1 222.4	(7.1)	1 157.4	2 410.8
Total comprehensive income for the period		—	—	—	343.7	3.5	297.8	645.0
Profit for the period		—	—	—	312.9	—	268.6	581.5
Remeasurement in retirement scheme assets		—	—	—	30.8	—	26.3	57.1
Exchange rate differences on translating foreign operations		—	—	—	—	3.5	2.9	6.4
Transactions with owners		—	—	(6.0)	(188.8)	—	(164.6)	(359.4)
Dividends paid	8	—	—	—	(215.2)	—	(182.0)	(397.2)
Share repurchases	20	—	—	(9.5)	(15.2)	—	(21.0)	(45.7)
Net effect of settlement of employee share options	20	—	—	3.5	3.0	—	5.5	12.0
Share-based payments expense	5	—	—	—	38.6	—	32.9	71.5
At 2 March 2014		6.6	120.8	(95.3)	1 377.3	(3.6)	1 290.6	2 696.4
Total comprehensive income for the period		—	—	—	479.5	(6.1)	408.4	881.8
Profit for the period		—	—	—	461.8	—	398.4	860.2
Remeasurement in retirement scheme assets		—	—	—	17.7	—	15.3	33.0
Exchange rate differences on translating foreign operations		—	—	—	—	(6.1)	(5.3)	(11.4)
Transactions with owners		—	—	(13.7)	(237.5)	(0.1)	(199.8)	(451.1)
Dividends paid	8	—	—	—	(245.2)	—	(211.9)	(457.1)
Share repurchases	20	—	—	(22.2)	(83.7)	—	(72.0)	(177.9)
Net effect of settlement of employee share options	20	—	—	8.5	19.1	—	16.4	44.0
Share-based payments expense	5	—	—	—	75.2	—	64.7	139.9
Movement in non-controlling interest		—	—	—	(2.9)	(0.1)	3.0	—
At 1 March 2015		6.6	120.8	(109.0)	1 619.3	(9.8)	1 499.2	3 127.1

Pick n Pay Group of Companies financial statements

STATEMENTS OF CASH FLOWS

for the period ended

	Notes	Pick n Pay Stores Group		Pick n Pay Holdings Group	
		52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
Cash flows from operating activities					
Trading profit		1 240.1	1 010.3	1 238.6	1 008.1
Amortisation	9	155.0	199.3	155.0	199.3
Depreciation	10	714.5	749.1	714.5	749.1
Share-based payments expense	5	139.9	71.5	139.9	71.5
Movement in net operating lease liabilities		78.8	90.8	78.8	90.8
Movement in provisions		(7.1)	(0.9)	(7.1)	(0.9)
Fair value adjustments		2.1	(6.3)	2.1	(6.3)
Cash generated before movements in working capital		2 323.3	2 113.8	2 321.8	2 111.6
Movements in working capital		152.5	780.7	150.1	781.3
Movements in trade and other payables		940.7	1 229.1	938.3	1 229.7
Movements in inventory		(672.6)	31.6	(672.6)	31.6
Movements in trade and other receivables		(115.6)	(480.0)	(115.6)	(480.0)
Cash generated from trading activities		2 475.8	2 894.5	2 471.9	2 892.9
Interest received	2	59.4	44.3	59.4	44.3
Interest paid	3	(119.0)	(143.9)	(119.0)	(143.9)
Cash generated from operations		2 416.2	2 794.9	2 412.3	2 793.3
Dividends paid	8	(461.8)	(398.4)	(457.1)	(397.2)
Tax paid	6	(284.5)	(270.2)	(284.5)	(270.2)
Cash generated from operating activities		1 669.9	2 126.3	1 670.7	2 125.9
Cash flows from investing activities					
Investment in intangible assets	9	(159.2)	(289.2)	(159.2)	(289.2)
Investment in property, plant and equipment	10	(897.3)	(882.4)	(897.3)	(882.4)
Purchase of operations	9	(50.9)	(103.3)	(50.9)	(103.3)
Proceeds on disposal of intangible assets		4.7	11.1	4.7	11.1
Proceeds on disposal of property, plant and equipment		57.3	38.2	57.3	38.2
Loans (advanced)/repaid		(8.6)	6.5	(8.6)	6.9
Participation in export partnership		1.7	3.0	1.7	3.0
Retirement obligation		60.9	(4.3)	60.9	(4.3)
Cash utilised in investing activities		(991.4)	(1 220.4)	(991.4)	(1 220.0)
Cash flows from financing activities					
Proceeds from borrowings		400.0	3 100.0	400.0	3 100.0
Repayment of borrowings		(1 100.6)	(2 819.1)	(1 100.6)	(2 819.1)
Share repurchases	20	(177.9)	(45.7)	(177.9)	(45.7)
Proceeds from employees on settlement of share options		1.0	1.3	1.0	1.3
Cash (utilised in)/generated from financing activities		(877.5)	236.5	(877.5)	236.5
Net (decrease)/increase in cash and cash equivalents		(199.0)	1 142.4	(198.2)	1 142.4
Cash and cash equivalents at beginning of period		870.3	(269.9)	870.3	(269.9)
Effect of exchange rate fluctuations on cash and cash equivalents		2.5	(2.2)	2.5	(2.2)
Cash and cash equivalents at end of period	18	673.8	870.3	674.6	870.3
Consisting of:					
Cash and cash equivalents		1 173.8	1 540.3	1 174.6	1 540.3
Bank overdraft and overnight borrowings		(500.0)	(670.0)	(500.0)	(670.0)

NOTES TO THE GROUP FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Reporting entities

The Group financial statements for the period ended 1 March 2015 comprise Pick n Pay Stores Limited and its subsidiaries and associate (referred to as "Pick n Pay Stores Group") and Pick n Pay Holdings Limited RF and its subsidiaries and associates (referred to as "Pick n Pay Holdings Group") (together referred to as "the Group"). Pick n Pay Stores Limited and Pick n Pay Holdings Limited RF are referred to as "the Companies".

1.2 Statement of compliance

These financial statements have been prepared in accordance with IFRS and its interpretations adopted by the International Accounting Standards Board, the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act of South Africa.

1.3 Basis of preparation

The consolidated financial statements are prepared on the historical cost basis except for:

- derivative financial instruments at fair value through profit or loss; and
- defined-benefit obligations measured at the present value of the future benefit to employees, net of the fair value of fund assets.

The Group manages its retail operations on a 52-week trading calendar where the reporting period will always end on a Sunday.

Revenue and gross profit are managed on a daily basis and aggregated into 52 trading weeks, whereas items included in profit before tax, other than those included in gross profit, are managed on a calendar month basis and are not pro-rated to days or weeks. The profit for the period therefore consists of 52 weeks of gross profit and 12 calendar months of other income and expenses, such as trading expenses, other trading income and interest.

To ensure calendar realignment of turnover and gross profit, a 53rd week of trading is required approximately every six years.

When reviewing the Group's financial position it is appropriate to consider the movement in net working capital in order to eliminate cut-off impacts on individual line items on the statement of financial position and to ensure year-on-year comparability.

The accounting policies set out below have been consistently applied to all periods presented in these consolidated financial statements.

Various new and amended IFRS and IFRIC interpretations that have been issued and are effective, have not been adopted by the Group as they are not applicable to its activities.

All accounting policies have been applied consistently by all companies in the Group.

1.4 Foreign currency transactions and translations *Functional and presentation currency*

These financial statements are presented in South African rand, which is the Company's functional currency. All financial information has been rounded to the nearest million, unless otherwise stated. Certain individual companies (foreign operations) in the Group have functional currencies different to that of the Group and are translated on consolidation.

Transactions and balances

Transactions denominated in currencies other than the functional currency of Group entities (foreign currencies) are translated to the respective functional currencies of the Group entities at the rates of exchange ruling on the dates of the transactions. Gains or losses arising from such transactions are recognised in profit or loss on settlement date or reporting date, whichever is the earlier.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the respective functional currency of Group entities at the rates of exchange ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the respective functional currency of Group entities at the exchange rate at the date that the fair value was determined. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at the relevant foreign exchange rates ruling at the reporting date to the presentation currency of the Group. The income and expenses of foreign operations are translated to the presentation currency of the Group at the weighted-average rate of exchange for the period. Profits or losses arising on the translation of assets and liabilities of foreign operations are recognised in other comprehensive income and presented within equity in a foreign currency translation reserve.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.4 Foreign currency transactions and translations continued

Foreign operations continued

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains or losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity in the consolidated financial statements.

When a foreign operation is disposed of, the related amount in the foreign currency translation reserve is transferred to profit or loss.

1.5 Use of estimates, judgements and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The assumptions and estimates used in the Group's accounting policies include the following, but not limited to:

Measurements of share-based payments

Various assumptions are applied in determining the fair value of share awards granted to employees such as expected volatility, expected dividend yield and the expected life of the option. Refer to note 5.

Measurements of the recoverable amounts of cash-generating units containing goodwill

Key assumptions used in the measurement of the recoverable amounts of cash-generating units containing goodwill include, but are not limited to, profit and cash forecasts discounted at an appropriate rate. Refer to note 9.

Estimates of useful lives and residual values of intangible assets

Intangible assets are amortised over their useful lives taking into account applicable residual values. Useful lives and residual values are reviewed at each reporting date taking into account factors such as the manner of recovery, innovation in technology and relevant market information. Refer to note 9.

Estimates of useful lives and residual values of property, plant and equipment

Property, plant and equipment are amortised over their useful lives taking into account applicable residual values. Useful lives and residual lives are reviewed at each reporting date taking into account factors such as the manner of recovery and relevant market information. Refer to note 10.

Classification of leases

Judgements are applied when determining whether the risks and rewards of the underlying asset have been transferred in order to classify leases as either a finance lease or an operating lease. Refer to notes 11 and 21.

The recognition of deferred tax assets

Deferred tax assets for unused tax losses are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised. Judgement is required to determine whether future taxable income will be available against which these losses can be utilised. Refer to note 13.

Classification of equity-accounted investees

Judgements have been applied in the classification of our equity-accounted investee, TM Supermarkets (Pvt) Limited. Control is achieved when the Company has exposure or rights to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee. The existence of a 51% investment in TM Supermarkets (Pvt) Limited by an entity outside of the Group, which also controls the majority of the decision-making rights, has resulted in the Group's 49% investment being classified as an equity-accounted investee. Refer to note 14.

The impairment reviews undertaken in respect of equity-accounted investees

The recoverable amount of all equity-accounted investees is determined as the higher of the fair value less costs of disposal and value in use. Judgement is required in the estimation of the future cash inflows used in the value in use calculation.

The estimation of the impairment allowance for trade and other receivables

The recoverable amount of trade and other receivables is estimated as the present value of future cash inflows discounted at a market-related interest rate. The Group makes allowance for specific trade receivables which have clearly indicated financial difficulty and the likelihood of repayment has become impaired. Judgement is required in the estimation of future cash flows and the determination of impairment of the likelihood of repayment. Refer to note 17.

Measurements of post-retirement defined-benefit obligations

The Group operates post-retirement defined-benefit schemes. Actuarial valuations are performed to assess the financial position of these various schemes and are based on assumptions such as the discount rate, future salary increases, future pension increases and increases in health care rates. Refer to note 22.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

Recognition of deferred revenue in respect of customer loyalty programme

Judgements are made in the measurement of deferred revenue. The consideration allocated to the award credits is measured by reference to their fair value which is calculated as the amount for which the award credits could be separately sold, adjusted for an expected forfeiture rate. Refer to note 23.

Consolidation of the Group's share trust

The Group operates an employee share option scheme through the Employee Share Purchase Trust. The trust is consolidated into the Group's results as the Group has exposure or rights to variable returns from its involvement with the investee, and it uses its power to affect its returns from the trust. Refer to notes 19 and 20.

1.6 Basis of consolidation

Investment in subsidiaries

The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements of the Group, from the date on which control commences until the date that control ceases. Non-controlling interests are measured at their proportionate share of the subsidiaries' identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Interest in equity-accounted investees

The Group's interest in equity-accounted investees comprises its interests in associates.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method and are initially recognised at cost, which includes transaction costs. The Group's investment includes goodwill identified on acquisition and is net of any accumulated impairment losses.

The consolidated financial statements include the Group's share of profit or loss and other comprehensive income of the associate, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its investment in an associate, the Group's carrying amount of that interest (including any long-term loans considered as part of the net investment) is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations to make payments on behalf of an associate.

Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1.7 Property, plant and equipment

Property, plant and equipment are tangible assets held by the Group for use in the supply of goods or administrative purposes and are expected to be used for more than one financial period. It is initially recognised at cost if it is probable that associated future economic benefits will flow to the Group and the cost can be measured reliably. All property, plant and equipment are subsequently measured at cost less accumulated depreciation and impairment losses, with the exception of land. Land is measured at cost less impairment losses as it has an indefinite life and is not depreciated.

Cost

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs related to the acquisition, construction or production of qualifying assets are capitalised to the cost of the asset.

The Group recognises in the carrying amount of property, plant and equipment subsequent expenditure, including the cost of replacing part of such an item, when that cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as day-to-day servicing costs, are recognised in profit or loss as an expense as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value over its useful life. The residual value is the estimated amount that the Group would receive from the disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and the condition expected at the end of its useful life.

Management determines the depreciation methods, useful lives and residual values at acquisition and these are reviewed at each reporting date and adjusted, if appropriate. Any adjustments are accounted for prospectively as a change in estimate.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.7 Property, plant and equipment continued

Depreciation continued

Depreciation is recognised as an expense in profit or loss, within operational expenses, on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment from the date that they are available for use. Leasehold improvements are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Where significant components of an item of property, plant, and equipment have different useful lives they are depreciated separately.

Useful lives

The estimated useful lives for the current and comparative periods are as follows:

Buildings	40 years
Major property components	10 to 20 years
Furniture and fittings	5 to 10 years
Equipment	2 to 7 years
Vehicles	4 to 5 years
Aircraft and major components	7 to 20 years
Leasehold improvements	8 years

Impairment

Property, plant and equipment are assessed for impairment as non-financial assets as per note 1.13.

Derecognition

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected to flow to the Group from either their use or disposal. Gains or losses on derecognition of an item of property, plant and equipment are determined by comparing the proceeds from disposal, if applicable, with the carrying amount of the item and are recognised directly in profit or loss.

1.8 Intangible assets

Intangible assets are held by the Group for use in the supply of goods or administrative purposes and are expected to be used for more than one financial period. Intangible assets acquired are initially recognised at cost, if it is probable that associated future economic benefits will flow to the Group and the cost can be measured reliably.

If the intangible assets are acquired via a business combination, initial recognition is at fair value.

Intangible assets that are developed are initially recognised at cost if the cost can be measured reliably, the intangible assets are technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete the development. If not, then the development expenses are recognised in profit or loss when they are incurred.

Intangible assets are subsequently measured at cost less accumulated amortisation and impairment losses, with the exception of goodwill. Goodwill is measured at cost less impairment losses as it has an indefinite useful life and is not amortised.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised, but expensed in profit or loss when they are incurred.

Cost

The cost of intangible assets includes expenditure that is directly attributable to the acquisition of the intangible asset. The cost of developed intangible assets includes the cost of materials, direct labour and any overhead costs directly attributable to preparing the intangible asset for its intended use. Borrowing costs related to the acquisition or development of qualifying intangible assets are capitalised to the cost of the intangible asset.

The Group recognises in the carrying amount of intangible assets subsequent expenditure when that cost is incurred, if it is probable that the future economic benefits will flow to the Group and the cost can be measured reliably. All other costs, such as costs associated with the implementation or maintenance of intangible assets, are recognised in profit or loss as an expense as incurred.

Goodwill is acquired through business combinations and initially measured at the fair value of the consideration transferred, including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Amortisation

Amortisation is calculated on the cost of an intangible asset, less its residual value over its useful life. The residual value is the estimated amount that the Group would receive from the disposal of the intangible asset, after deducting the estimated costs of disposal, if the intangible asset was already of the age and the condition expected at the end of its useful life.

Management determines the amortisation methods, useful lives and residual values at acquisition and these are reviewed at each reporting date and adjusted, if appropriate. Any adjustments are accounted for prospectively as a change in estimate.

Amortisation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful life of each intangible asset from the date that it is available for its intended use.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

Useful lives

The estimated useful lives for the current and comparative periods are as follows:

Goodwill	Indefinite
Systems development	7 years
Licences	5 years

Impairment

Intangible assets are assessed for impairment as non-financial assets as per note 1.13.

Derecognition

Intangible assets are derecognised upon disposal or when no future economic benefits are expected to flow to the Group from either their use or disposal. Gains or losses on derecognition of an intangible asset are determined by comparing the proceeds from disposal, if applicable, with the carrying amount of the intangible asset and are recognised directly in profit or loss.

1.9

Leases

Finance leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred from the lessor to the Group as lessee.

Assets acquired in terms of finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments at the inception of the lease. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance lease assets are carried at the initial recognised amount less accumulated depreciation and impairment losses.

Finance lease liabilities are classified as non-current liabilities, with the exception of the portion with a maturity date of less than 12 months of the reporting date which is disclosed as current liabilities.

Finance lease assets are depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. The Group acts as both lessee and lessor. Rentals payable or receivable under operating leases are charged or credited to profit or loss on a straight-line basis over the term of the relevant lease. This results in the raising of a liability for future lease expenses and an asset for future lease income on the statement of financial position. These operating lease assets and liabilities are

classified as non-current assets or liabilities, with the exception of the portion with a maturity date of less than 12 months of the reporting date which are disclosed as current assets or liabilities and are included under trade and other receivables and trade and other payables respectively.

This liability and asset reverses during the latter part of each lease term when the actual cash flow exceeds the straight-lined lease expense/income included in profit or loss.

Service contracts dependent on specific underlying assets

Where the Group enters into a contract that depends on the use of a specific asset and that contract conveys the right to control the use of the specific asset, the arrangement is treated as a lease.

Recognition criteria as detailed above under finance leases and operating leases are applied to determine whether the arrangement should be treated as a finance lease or an operating lease.

1.10

Inventory

Inventory comprises merchandise for resale and consumables. Inventory is measured at the lower of cost and net realisable value and classified as a current asset as it is expected to be sold within the Group's normal operating cycle.

Cost is calculated on the weighted-average basis and includes expenditure incurred in acquiring the inventory and bringing them to their existing location and condition, including distribution costs, and is stated net of relevant purchase incentives.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Obsolete, redundant and slow-moving items are identified on a regular basis and are written down to their estimated net realisable values.

1.11

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of discounts is recognised as a finance cost. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are classified as current or non-current depending on the underlying contractual maturities.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.11 Provisions continued

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

1.12 Financial instruments

The Group classifies its financial instruments in the following categories: loans and receivables (comprising cash and cash equivalents, trade and other receivables, loans and participation in export partnerships); derivatives at fair value through profit or loss and financial liabilities (comprising trade and other payables, financial guarantee contracts, bank overdrafts and borrowings). The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification at initial recognition and re-evaluates the designations when circumstances indicate that reclassification is required.

A financial instrument is recognised on trade date when the Group becomes a party to the contractual provisions of the instrument. These financial instruments are initially recognised at fair value, plus transaction costs for financial instruments not measured at fair value through profit or loss. The fair values of financial instruments in an active market are determined with reference to quoted market bid and ask prices. Where there is no active market, fair value is determined using valuation techniques. Such valuation techniques include using recent arm's-length market transactions, reference to current market value of other similar instruments and discounted cash flows. The fair value of short-term receivables and payables with no stated interest rate may be measured at the original invoice amounts, unless the impact of imputing interest is significant.

Financial assets are derecognised on trade date if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled. The resulting differences between the carrying value on derecognition of the financial instrument and the amount received or paid is recognised in profit or loss.

All financial instruments are classified as current unless they mature later than 12 months after the reporting date. Financial assets and financial liabilities are off-set and the net amount reported in the statement of financial position,

when the Group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the net assets and settle the liability simultaneously.

The subsequent measurements of financial instruments are stated below:

Cash and cash equivalents and bank overdrafts

Cash and cash equivalents and bank overdrafts are measured at amortised cost, using the effective interest method, less accumulated impairments. If these balances are denominated in foreign currencies they are translated at closing rates. Cash and cash equivalents comprise cash on hand and amounts held on short-term deposit at financial institutions. Bank overdrafts and overnight borrowings at financial institutions are repayable on demand.

Trade and other receivables and loans

Trade and other receivables and loans are measured at amortised cost, using the effective interest method, less impairment losses. Trade and other receivables mainly comprise franchisee receivables and are all short term in nature. Loans comprise housing and other employee loans with maturity dates of more than 12 months after the reporting date.

Participation in export partnerships

Participation in export partnerships is a financial asset that is best classified as receivables originated by the enterprise and was initially measured at the fair value of the consideration given. Subsequent to initial measurement, the participation in export partnerships is measured at amortised cost using the effective interest method. All gains or losses on subsequent measurement are recognised in income. The maturity date is more than 12 months after the reporting date.

Derivative financial instruments

Derivative financial instruments, being forward foreign exchange rate contracts (FECs) and commodity hedges are measured at fair value and changes in fair value are recognised in profit or loss. The fair value of FECs and commodity hedges are determined using market rates at the reporting date. The Group holds derivative financial instruments to hedge its foreign currency and market risk exposures. Attributable transaction costs are recognised in profit or loss when incurred. The maturity date is dependent on the remaining contractual maturity of the individual contracts. The Group does not apply hedge accounting.

Trade and other payables

Trade and other payables are measured at amortised cost using the effective interest method. Trade and other payables mainly comprise trade payables for merchandise for resale and are all short term in nature.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

Financial guarantee contracts

Financial guarantee contracts are measured at the higher of: the initially recognised fair value, less appropriate cumulative amortisation recognised on a straight-line basis over the estimated duration of the contract; and an amount that is the best estimate of expenditure required to settle the present obligation at the reporting date. Where the effect of discounting is material, the liability is discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. The maturity date is dependent on the contractual maturity of the relevant contract.

Borrowings

Borrowings are measured at amortised cost using the effective interest method. The related interest expense is recognised in profit or loss in the period in which it is incurred. The maturity date of each financial liability is dependent on the contractual terms of the related borrowing.

1.13 Impairment of assets

The determination of whether an asset is impaired requires management judgement. Among others the following factors will be considered: appropriate profit and cash forecasts, discounted at determined effective interest rates; duration and extent of the impairment; regional economic factors and geographical and sector performance.

Financial assets

The carrying amounts of financial assets not carried at fair value through profit or loss are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

A financial asset is considered to be impaired if objective evidence indicates that one or more events (loss events) have had a negative effect on the estimated future cash flows of the asset. Examples of loss events include financial difficulty and default on payment by the counterparty.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are recognised in profit or loss, within merchandising and administration expenses.

Individually significant financial assets are tested for impairment on an individual basis. All the remaining

financial assets are tested for impairment on an individual or collective basis. If no evidence of impairment exists for an individually assessed financial asset, whether significant or not, the financial asset is then included in a group of financial assets with similar credit risk characteristics and tested collectively.

An impairment loss for a financial asset is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The reversal is recognised in profit or loss. Impairment losses for financial assets recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

Non-financial assets

The carrying amounts of non-financial assets (other than inventory, defined-benefit assets and deferred tax assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For non-financial assets, such as goodwill, which have indefinite useful lives and are not subject to depreciation or amortisation, or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating units (CGUs) to which the asset belongs. A CGU is the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or groups of assets. Goodwill acquired in a business combination is allocated to CGUs that are expected to benefit from the synergies of the combination and for the purposes of impairment testing are evaluated at the lowest level at which goodwill is monitored for internal reporting purposes. The units or group of units cannot be larger than the operating segments identified by the Group.

An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. The carrying amount is impaired and the non-financial asset is written down to its recoverable amount with the related impairment loss recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs (or groups of units) and then to reduce the carrying value of the other assets in the unit (or groups of units) on a pro rata basis.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.13 Impairment of assets continued

Non-financial assets continued

An impairment loss for a non-financial asset is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Impairment losses in respect of goodwill are not reversed. Impairment losses for non-financial assets recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

1.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

1.15 Treasury shares

Shares in the Companies held by Group entities are classified as treasury shares in the consolidated financial statements. These shares are treated as a deduction from the weighted average number of shares in issue and the cost price of the shares is deducted from equity in the statement of changes in equity.

When treasury shares are sold or reissued, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from retained earnings.

Treasury shares are used to settle employee share options when exercised.

Share options granted pre-October 2004, or between October 2004 and June 2008, are settled by delivering the full allocation of treasury shares to the employee in exchange for payment of the grant cost. This is referred to as gross settlement. Upon gross settlement of options, the number of treasury shares is reduced by the number of options exercised and the value of treasury shares is reduced by the weighted average cost of the treasury shares exercised. The corresponding profit or loss is recognised directly in equity.

Share options granted after June 2008 are settled by delivering a number of treasury shares based on the gain (calculated as the difference between the market value and the strike price) on the exercise of the options divided by the market value of the options. This is referred to as net settlement. Upon net settlement of options, the number of treasury shares is reduced by the net settled number of options exercised and the value of treasury shares is reduced by the market value of the net settled number of options exercised. The corresponding profit or loss is recognised directly in equity.

Dividends received on treasury shares are eliminated on consolidation.

1.16 Revenue

Revenue is measured at the fair value of consideration received and is stated net of related rebates and discounts granted.

Turnover

Revenue from sale of goods comprises retail sales to customers and wholesale sales to franchisees through the Group's supply arrangements and is defined as turnover. All turnover is stated exclusive of value added tax. Revenue from the sale of goods is measured at the fair value of consideration received or receivable, net of returns, trade discounts, loyalty discounts and volume rebates. Turnover is recognised when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of turnover can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The Group has a customer loyalty programme in South Africa, Smart Shopper, whereby customers are rewarded with Smart Shopper points (reward credits) which are effectively used as cash back against future purchases. For every rand spent, our customers earn 1 Smart Shopper point. 1 000 points equate to R10 back on future purchases. Bonus points are issued on promotions.

The fair value of the consideration received, under the Smart Shopper programme, is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value which is calculated as the amount for which the award credits could be separately sold, adjusted for an expected forfeiture rate. Such consideration is not recognised as revenue at the time of the initial sale transaction, but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled. Deferred revenue is also released to revenue in profit or loss when it is no longer considered probable that the points will be redeemed, based on management's judgement of expected redemption rates.

Smart Shopper points earned and money earned from Smart Shopper points switches are valid for a period of three years. The Group reserves the right to close any Smart Shopper account that has been inactive (no Smart Shopper points earned, switched or donated) for a period of 24 consecutive months. Any Smart Shopper points and money attached to closed accounts will be forfeited and recognised in profit or loss in the period in which it is forfeited.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

Finance income

Finance income is recognised as it accrues in profit or loss, using the effective interest method, by reference to the principal amounts outstanding and at the interest rate applicable.

Other trading income

Franchise fee income: Income from franchisees, calculated as a percentage of franchise turnover in accordance with the substance of the relevant agreement, is recognised when the sale which gives rise to the income takes place.

Operating lease income: Income from operating leases in respect of property is recognised on a straight-line basis over the term of the lease.

Commissions and other income: The Group acts as a payment office for the services provided by a variety of third parties to the Group's customers. The related agent's commissions received are recognised as income. Commissions relating to third-party products are recognised when the underlying third-party payments take place. Commissions relating to third-party services are recognised based on the stage of completion by reference to services performed to date as a percentage of the total services to be performed.

1.17 Borrowing costs

Borrowing costs incurred are recognised as an expense in profit or loss and are accrued on an effective interest basis by reference to the principal amounts outstanding and at the interest rate applicable.

Borrowing costs relating to the acquisition, construction or production of qualifying assets are capitalised to the cost of the asset. General borrowing costs are capitalised by calculating the weighted average expenditure on the qualifying asset and applying a weighted-average borrowing rate to the expenditure. Specific borrowing costs are capitalised when the borrowing facility is utilised specifically for the qualifying asset less any investment income on the temporary investment of these funds.

1.18 Taxes

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity.

Current tax

Current tax comprises tax payable calculated on the basis of the expected taxable income for the period using tax rates enacted or substantively enacted at the reporting date and any adjustment of tax payable for previous periods.

Deferred tax

Deferred tax is recognised for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination, and that affects neither accounting nor taxable profit; and investments in subsidiaries, associates, and interest in joint arrangements to the extent that the holding company has the ability to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in profit or loss, except to the extent that it relates to a transaction that is recognised directly in equity or other comprehensive income, or a business combination. The effect on deferred tax of any changes in tax rates is recognised in profit or loss, except to the extent that it relates to items previously recognised in other comprehensive income or directly to equity, in which case it is recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Dividends withholding tax

Dividends withholding tax is a tax on shareholders and is applicable on all dividends declared on or after 1 April 2012.

The Companies withhold dividends tax on behalf of their shareholders at a rate of 15% on dividends declared. The resultant tax expense and liability has been transferred to the Companies' shareholders and is no longer accounted for as part of the tax charge of the Companies.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.19 Employee benefits

The cost of all short-term employee benefits is recognised as an expense during the period in which the employee renders the related service.

Liabilities for employee entitlements to wages, salaries and leave represent the amount that the Group has as a present obligation, as a result of employee services provided to the reporting date, to the extent that such obligation can be reliably estimated. The accruals are calculated at undiscounted amounts based on current wage and salary rates.

Share-based payment transactions

The share ownership programme allows Group employees to acquire shares in Pick n Pay Holdings Limited RF and Pick n Pay Stores Limited.

The fair value of options granted is recognised as an employee cost expense in profit or loss with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options (the vesting period). The fair value of the options granted is measured using an actuarial binomial option pricing model, taking into account the terms and conditions upon which the options are granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due to share prices not achieving the threshold for vesting.

The forfeitable share plan was introduced in 2014. Selected senior management are granted fully paid-up shares for no consideration in terms of retention and performance agreements. Unconditional vesting can occur on pre-determined dates subject to certain performance targets being met. The fair value of the equity instruments granted on the date of grant is recognised in the statement of comprehensive income as an employee cost on a straight-line basis over the vesting period, adjusted to reflect actual levels of vesting, with a corresponding increase in equity.

The Group recognises a liability for cash-settled share-based payments calculated at current fair value determined at each statement of financial position date. The related expense is recognised in employee costs through the statement of comprehensive income over the vesting periods.

Retirement benefits

The Group operates several retirement schemes comprising a number of defined-contribution funds (one of which has a defined-benefit element), the assets of which are held in separate trustee-administered funds.

The retirement schemes are largely non-contributory and are funded by payments from the relevant Group companies.

Defined-contribution plans

A defined-contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate legal entity and will have no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined-contribution retirement plans are recognised as an expense in profit or loss when they are due.

Where the Group is responsible for providing retirement benefits to employees with a retirement scheme outside the Group, contributions are made on behalf of the employee and the cost is accounted for in the period when the services have been rendered.

Contributions to a defined-contribution plan that are made more than 12 months after the end of the period in which the employees render the services are discounted to their present value.

Defined-benefit plans

A defined-benefit plan is a post-employment benefit plan which is not a defined-contribution plan.

The Group's net obligation in respect of the defined benefit is calculated separately by estimating the amount of future benefit that qualifying employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined-benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined liability or assets, which comprise actuarial gains or losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined-benefit liability or asset for the period by applying the discount rate used to measure the defined-benefit obligation at the beginning of the period to the then net defined-benefit liability or asset, taking into account any changes in the net defined-benefit liability or asset during the period as a result of contributions and benefit payments. Net interest expense or income and other expenses related to defined-benefit plans are recognised in profit or loss.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

When the benefits of a plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains or losses on the settlement of a defined-benefit plan when the settlement occurs.

1.20 Expenses

Expenses, other than those dealt with under a specific accounting policy note, are recognised in profit or loss when it is probable that an outflow of economic benefits associated with the transaction will occur and that it can be measured reliably.

1.21 Earnings per share

The Group presents basic and diluted earnings per share (EPS) and headline earnings per share (HEPS) information for its ordinary shares. Basic EPS and HEPS are calculated by dividing the profit or loss attributable to ordinary shareholders of the Companies or headline earnings respectively by the weighted-average number of ordinary shares outstanding during the period, adjusted for own shares held. The profit or loss or headline earnings attributable to ordinary shareholders exclude the profit for the period attributable to shares issued to meet obligations under the Group's employee forfeitable share plan (FSP). Diluted EPS and HEPS are determined by adjusting the weighted-average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees. Headline earnings is calculated in accordance with Circular 2/2013 issued by the South African Institute of Chartered Accountants as required by the JSE Listings Requirements.

1.22 Dividends distributed to shareholders

Dividends are accounted for in the period that they have been declared by the Companies and are directly charged to equity.

1.23 Operating segments

The Group discloses segmental financial information which is used internally by the entity's Chief Operating Decision Maker (CODM) in order to assess performance and allocate resources. The Group annually performs a detailed review of the executives, or group of executives, that could be considered the appropriate and relevant CODM of the Group.

Operating segments are individual components of an entity that engages in business activities from which it may earn revenues and incur expenses, and whose operating results are regularly reviewed by the entity's CODM and for which discrete financial information is available. The CODM evaluates segmental performance based on profit before tax as management believes that such information is most relevant in evaluating the results of the segments against each other and other entities that operate within the retail industry. Operating segments that display similar economic characteristics are aggregated for reporting purposes.

The Group has two operating segments, namely South Africa and Rest of Africa with no individual customer accounting for more than 10% of turnover. South Africa operates in various formats under the Pick n Pay and Boxer brands in South Africa. The Rest of Africa segment is responsible for the Group's expansion into the rest of Africa.

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

1.24 Net asset value per share

Net asset value per share is calculated as follows: The total equity value of the Group, adjusted with the differential between the carrying value and market value of property, is divided by the shares held outside the Group as per note 19.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
2. REVENUE				
Turnover	66 940.8	63 117.0	66 940.8	63 117.0
Finance income	59.4	44.3	59.4	44.3
Bank balances and investments	40.9	32.3	40.9	32.3
Trade and other receivables	13.9	8.2	13.9	8.2
Staff loans and other	4.6	3.8	4.6	3.8
Other trading income	602.9	500.6	602.9	500.6
Franchise fee income	294.4	311.2	294.4	311.2
Operating lease income (note 11)	67.3	77.8	67.3	77.8
Commissions and other income	241.2	111.6	241.2	111.6
	67 603.1	63 661.9	67 603.1	63 661.9

The Group has a customer loyalty programme, Smart Shopper, whereby customers are rewarded with Smart Shopper points (reward credits) which are effectively redeemed as cash against future purchases. At period end the Group has deferred revenue of R46.2 million (2014: R92.3 million) which represents the fair value of the Smart Shopper points granted and yet to be redeemed, adjusted for an expected forfeiture rate of 23.2% (2014: 25.0%) (refer to note 23).

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
3. PROFIT BEFORE TAX				
Profit before tax is stated after taking into account the following expenses:				
3.1 Employee costs				
Salaries and wages	4 851.5	4 610.4	4 851.6	4 610.6
Staff benefits and training	290.6	272.8	290.6	272.8
Net expense recognised on defined-benefit plan (note 22.1)	16.8	21.9	16.8	21.9
Contributions to defined-contribution plans (note 22.2)	325.8	325.7	325.8	325.7
Share-based payments expense (note 5.4)	139.9	71.5	139.9	71.5
Leave pay	29.2	24.0	29.2	24.0
	5 653.8	5 326.3	5 653.9	5 326.5
3.2 Auditors' remuneration				
Assurance services	7.4	7.6	7.4	7.7
Other services	0.1	0.1	0.1	0.1
	7.5	7.7	7.5	7.8
3.3 Finance costs				
Finance leases	6.5	6.2	6.5	6.2
Bank overdrafts	35.9	33.4	35.9	33.4
Borrowings	76.6	104.3	76.6	104.3
	119.0	143.9	119.0	143.9

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

4. DIRECTORS' REMUNERATION

For full disclosure of directors' remuneration, directors' interest in shares and share options held by directors refer to the remuneration report on pages 60 to 76.

Pick n Pay Stores Group								
	Fees for board meetings R'000	Fees for committee and other work R'000	Base salary R'000	Retirement and medical contri- butions R'000	Other benefits R'000	Short- term incentive bonus R'000	Cash total R'000	IFRS 2: expense relating to share- based payments R'000
2015								
Non-executive directors*	6 010.0	1 300.0	—	—	—	—	7 310.0	—
Executive directors	7.5	—	17 827.1	3 060.9	2 699.1	14 200.0	37 794.6	22 148.6
Total remuneration	6 017.5	1 300.0	17 827.1	3 060.9	2 699.1	14 200.0	45 104.6	22 148.6
2014								
Non-executive directors**	5 185.9	1 348.0	—	—	—	—	6 533.9	—
Executive directors	7.5	—	16 673.6	2 677.6	2 992.2	7 850.0	30 200.9	8 550.4
Total remuneration	5 193.4	1 348.0	16 673.6	2 677.6	2 992.2	7 850.0	36 734.8	8 550.4
Pick n Pay Holdings Group								
	Fees for board meetings R'000	Fees for committee and other work R'000	Base salary R'000	Retirement and medical contri- butions R'000	Other benefits R'000	Short- term incentive bonus R'000	Cash total R'000	IFRS 2: expense relating to share- based payments R'000
2015								
Non-executive directors*	6 190.0	1 300.0	—	—	—	—	7 490.0	—
Executive directors	7.5	—	17 827.1	3 060.9	2 699.1	14 200.0	37 794.6	22 148.6
Total remuneration	6 197.5	1 300.0	17 827.1	3 060.9	2 699.1	14 200.0	45 284.6	22 148.6
2014								
Non-executive directors**	5 356.9	1 348.0	—	—	—	—	6 704.9	—
Executive directors	7.5	—	16 673.6	2 677.6	2 992.2	7 850.0	30 200.9	8 550.4
Total remuneration	5 364.4	1 348.0	16 673.6	2 677.6	2 992.2	7 850.0	36 905.8	8 550.4

* Non-executive director David Friedland received consultancy fees of R107 000 in the current period for services rendered to the audit and risk committee.

** Gareth Ackerman received an amount of R169 600 in the previous period to reimburse him for travel expenses personally incurred for the Group.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

5. SHARE-BASED PAYMENTS

The Group operates two employee share incentive schemes for the benefit of its executive directors, senior management and employees. These are the 1997 Employee Share Option Scheme and the Pick n Pay Stores Limited Forfeitable Share Plan. Both schemes incentivise executive directors, senior management and employees by providing them with an opportunity to acquire shares in the Group, thereby aligning interests with shareholders and encouraging employee retention.

THE 1997 EMPLOYEE SHARE OPTION SCHEME (THE SCHEME)

The scheme is administered by the Employee Share Purchase Trust (the share trust) and its board of trustees. All options are granted in accordance with the rules of the scheme, which have been approved by the shareholders and the JSE.

All share options are granted at the volume-weighted average market price (VWAP) for the 20 trading days preceding the option grant date. No discount is applied.

All share options granted after 11 June 2008 will, at the time of exercise by the employee, be automatically net-settled by Pick n Pay Stores Limited. For all options granted prior to 11 June 2008, the employee can choose whether to net-settle the options, or whether to pay the purchase price in full to take-up the total allotment of shares (gross settle).

Pick n Pay Holdings Limited RF (PWK) shares

Long-service share options – are granted to all permanent employees who have been with the Group for five years and further options are granted every five years thereafter. There are no vesting conditions – long-service share options may be taken up immediately on granting.

Pick n Pay Stores Limited (PIK) shares

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

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

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

Retention share options – these share options specifically encourage the retention of key individuals and have longer vesting periods of up to 10 years.

Performance share options – executives may be eligible for a performance “top-up”, as recognition of their valuable contribution to the Group. These options vest in the same manner as status share options.

Binary share options (share options with performance conditions) – these are granted to key senior management. These three- to five-year options may only be taken up when prescribed performance conditions linked to the growth of the PIK share price are met. If the conditions are not met, these options are automatically forfeited. Should further performance hurdles be achieved, discounted grant prices may apply.

FORFEITABLE SHARE PLAN FOR TOP EXECUTIVES (FSP)

The FSP recognises those key senior management who have a significant role to play in delivering the Group's strategy and ensuring the growth and sustainability of the business in the future.

Forfeitable shares are performance shares. Shares awarded under the FSP will always have performance conditions attached. If the performance conditions are not met within the specified time period (the vesting period), the employee will forfeit the shares.

Refer to pages 61 to 68 of the remuneration report for more information on the FSP.

For details of share options held by directors and forfeitable share plan shares issued to directors refer to the remuneration report on pages 72 to 74.

The directors have received approval to utilise up to 63 892 844 shares of the issued share capital of Pick n Pay Stores Limited and 92 268 589 shares of the issued share capital of Pick n Pay Holdings Limited RF for the purpose of managing both employee share schemes.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

			Pick n Pay Stores Group		Pick n Pay Holdings Group	
			52 weeks 1 March 2015 Number of options 000's	52 weeks 2 March 2014 Number of options 000's	52 weeks 1 March 2015 Number of options 000's	52 weeks 2 March 2014 Number of options 000's
5.	SHARE-BASED PAYMENTS continued					
5.1	Outstanding share options					
Movement in the total number of share options granted is as follows:						
At beginning of period			50 156.0	52 849.6	15 264.6	13 955.3
New options granted*			2 949.9	2 582.0	3 208.1	2 159.0
Options taken up**			(6 492.5)	(2 172.2)	(1 837.2)	(849.7)
Options forfeited			(12 738.8)	(3 103.4)	—	—
At end of period			33 874.6	50 156.0	16 635.5	15 264.6
Outstanding options may be taken up during the following financial periods:						
Average grant price						
Year	Pick n Pay Stores Group	Pick n Pay Holdings Group				
2016	R31.38	R14.41	17 710.2	28 400.7	16 635.5	15 264.6
2017	R36.31		4 577.0	6 199.5	—	—
2018	R40.67		5 386.4	5 440.6	—	—
2019	R35.68		2 869.5	4 514.1	—	—
2020 and thereafter	R46.83		3 331.5	5 601.1	—	—
			33 874.6	50 156.0	16 635.5	15 264.6
Percentage of issued shares			7.0%	10.4%	3.2%	2.9%
* Average grant price of options granted during the period			R44.94	R44.13	R23.60	R17.85
** Average grant price of options taken up during the period			R33.50	R27.50	R16.27	R13.37
The Employee Share Purchase Trust, which administers the 1997 Employee Share Option Scheme, holds the following number of ordinary shares:						
As a hedge against share options granted or to be granted, reflected as treasury shares (refer to note 19)			1 746.9	1 974.5	9 257.8	9 193.8
On behalf of share purchase scheme participants			125.3	125.3	344.6	365.2
			1 872.2	2 099.8	9 602.4	9 559.0

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

		Pick n Pay Stores Group		Pick n Pay Holdings Group	
		52 weeks 1 March 2015 Number of options 000's	52 weeks 2 March 2014 Number of options 000's	52 weeks 1 March 2015 Number of options 000's	52 weeks 2 March 2014 Number of options 000's
5. SHARE-BASED PAYMENTS continued					
5.2 Outstanding forfeitable shares					
Movement in the total number of forfeitable shares granted is as follows:					
At beginning of period		—	—	—	—
New shares granted*		6 925.0	—	—	—
At end of period		6 925.0	—	—	—
Percentage of issued shares		1.4%	—	—	—
* Average grant price of options granted during the period		—	—	—	—
Outstanding forfeitable shares may be taken up during the following financial periods:					
	Average grant price				
	Pick n Pay Stores Group				
Year					
2017	—	6 925.0	—	—	—
5.3 Total outstanding share awards					
Share options		33 874.6	50 156.0	16 635.5	15 264.6
Forfeitable shares		6 925.0	—	—	—
Total		40 799.6	50 156.0	16 635.5	15 264.6
Total shares available for management of share schemes		63 892.4	63 892.4	92 268.6	92 268.6
Available for granting under current authorisations		23 092.8	13 736.4	75 633.1	77 004.0

For details of share options held by directors and forfeitable share plan shares issued to directors refer to the remuneration report on pages 72 to 74.

5.4 Fair value – share options

The fair value of share options granted to employees are valued at the grant date and expensed through profit or loss over the vesting period of the option.

The fair value of each option granted in Pick n Pay Stores Limited (PIK) and Pick n Pay Holdings Limited RF (PWK) has been estimated on the grant date using an actuarial binomial option pricing model. The assumptions used in determining the fair value of the options granted in each financial period are as follows:

Financial period of grant	Options granted	Number of options granted 000's	Expected life of options years	Share price at grant date	Grant price	Expected volatility*	Expected dividend yield**	Risk-free rate***
2014	PWK	2 159.0	1	R17.38 – R22.50	R16.93 – R20.86	22.73 – 23.93	2.81 – 3.40	6.60 – 8.50
2014	PIK	2 582.0	3 – 7	R38.29 – R52.00	R37.31 – R50.29	21.61 – 25.25	2.55 – 3.14	5.66 – 8.61
2015	PWK	3 208.1	1	R20.55 – R25.50	R19.95 – R24.51	23.21 – 23.92	2.23 – 2.77	7.15 – 8.27
2015	PIK	2 949.9	3 – 7	R45.14 – R59.01	R43.81 – R58.63	24.11 – 24.95	1.94 – 2.51	6.71 – 8.35

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

5. SHARE-BASED PAYMENTS continued

5.5 Fair value – forfeitable share plan

Shares granted to employees under the forfeitable share plan were valued on 22 August 2014 (the acceptance date) and will be expensed through profit or loss over the vesting period of the share.

The fair value of rights to shares granted under the forfeitable share plan has been estimated using an actuarial binomial option pricing model. The assumptions used in determining the fair value of the rights granted in the financial period are as follows:

Financial period of grant	Shares granted	Number of shares granted 000's	Expected vesting period	Share price at grant date	Expected volatility*	Expected dividend yield**	Risk-free rate***
2015	PIK	6 925.0	3	R55.59	23.54	—	6.86

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
5.6 Share-based payment expense				
Total expensed to date – beginning of period	570.6	499.1	570.6	499.1
Share-based payment expense (note 3.1)	139.9	71.5	139.9	71.5
Total expensed to date – end of period	710.5	570.6	710.5	570.6
Share options expense to be recognised in future financial periods, in respect of all outstanding options that have not yet completed the vesting period				
Within one year	162.1	42.9	162.1	42.9
Within two to five years	236.7	59.3	236.7	59.3
After five years	1.9	2.5	1.9	2.5
Total expense to be recognised	400.7	104.7	400.7	104.7
Total current and future share-based payment expense	1 111.2	675.3	1 111.2	675.3

* The expected volatility is determined based on the rolling historical volatility over the expected option term that prevailed at the grant date.

** The expected dividend yield is the best estimate of the forward looking dividend yield over the expected life of the option. This has been estimated by reference to the historical average dividend yield during the period preceding the grant, equal to the vesting period of the grant. For the forfeitable share plan the expected dividend yield is zero as all participants have an unforfeitable right to future dividends.

*** The risk-free rate is the yield on zero-coupon South African government bonds of a term consistent with the estimated option term.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

		Pick n Pay Stores Group		Pick n Pay Holdings Group	
		52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
6. TAX					
6.1 Tax recognised in profit or loss					
Normal tax		343.1	309.3	343.1	309.3
– current period		342.6	306.7	342.6	306.7
– prior period under provision		0.5	2.6	0.5	2.6
Deferred tax (note 13)		0.4	(59.9)	0.4	(59.9)
		343.5	249.4	343.5	249.4
Tax recognised in other comprehensive income					
Tax effect of remeasurement of retirement scheme asset (note 13)		(12.9)	(22.2)	(12.9)	(22.2)
6.2 Tax recognised directly in statement of changes in equity					
Tax effect of share incentive transactions recorded directly in equity		(43.0)	(10.7)	(43.0)	(10.7)
6.3 Tax paid					
Owing – beginning of period		111.2	82.8	111.2	82.8
Recognised in profit or loss		343.1	309.3	343.1	309.3
Recognised in statement of changes in equity		(43.0)	(10.7)	(43.0)	(10.7)
Owing – end of period		(126.8)	(111.2)	(126.8)	(111.2)
Total tax paid		284.5	270.2	284.5	270.2
		%	%	%	%
6.4 Reconciliation of effective tax rate					
South African statutory tax rate		28.0	28.0	28.0	28.0
Exempt income		(1.0)	(5.2)	(1.0)	(5.2)
Non-deductible share options expense		1.8	2.4	1.8	2.4
Other non-deductible expenditure		0.3	5.6	0.3	5.6
Net prior year over-provisions		(0.6)	(0.9)	(0.6)	(0.9)
Effective tax rate		28.5	29.9	28.5	29.9

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 1 March 2015 Cents per share	52 weeks 2 March 2014 Cents per share	52 weeks 1 March 2015 Cents per share	52 weeks 2 March 2014 Cents per share
7. EARNINGS PER SHARE				
Basic	178.79	122.01	88.78	60.61
Diluted	176.24	120.21	86.54	59.10
Headline	177.26	138.51	88.01	68.83
Diluted headline	174.72	136.46	85.80	67.13
7.1 Basic and headline earnings	Rm	Rm	Rm	Rm
Reconciliation between basic and headline earnings:				
Profit for the period	861.7	583.7	461.8	312.9
Profit attributable to forfeitable share plan shares	(6.5)	—	(3.5)	—
Basic earnings for the period	855.2	583.7	458.3	312.9
Adjustments:	(7.4)	78.9	(4.0)	42.5
(Profit)/loss on sale of property, plant and equipment	(10.4)	5.5	(5.6)	3.0
Tax effect of profit/(loss) on sale of property, plant and equipment	3.0	(1.6)	1.6	(0.8)
Impairment of intangible assets	—	104.1	—	56.0
Tax effect of impairment of intangible assets	—	(29.1)	—	(15.7)
Adjustments attributable to forfeitable share plan	—	—	—	—
Headline earnings	847.8	662.6	454.3	355.4
Basic earnings for the period	855.2	583.7	458.3	312.9
Dilutive effect of share options	—	—	(6.8)	(4.7)
Diluted basic earnings	855.2	583.7	451.5	308.2
Headline earnings	847.8	662.6	454.3	355.4
Dilutive effect of share options	—	—	(6.7)	(5.3)
Diluted headline earnings	847.8	662.6	447.6	350.1
7.2 Number of shares	000's	000's	000's	000's
Reconciliation of number of shares in issue to weighted-average number of shares:				
Number of shares in issue (note 19)	487 322.3	480 397.3	527 249.1	527 249.1
Shares issued under forfeitable share plan (note 5)	(6 925.0)	—	—	—
Effect of current period share repurchases by the share trust	(1 566.2)	(504.3)	(431.4)	(287.3)
Effect of share sales on the take up of share options	1 452.4	540.3	463.4	246.8
Prior period net repurchases now fully weighted	(1 974.5)	(2 046.7)	(11 042.5)	(10 961.5)
Weighted-average number of shares	478 309.0	478 386.8	516 238.6	516 247.1
Dilutive effect of share options	6 936.3	7 190.6	5 472.8	5 248.2
Diluted weighted-average number of ordinary shares in issue	485 245.3	485 577.4	521 711.4	521 495.3

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

		Pick n Pay Stores Group	
		52 weeks 1 March 2015 Cents per share	52 weeks 2 March 2014 Cents per share
8. DIVIDENDS			
8.1 Dividends paid			
Number 92 – declared 14 April 2014 – paid 17 June 2014 (2014: Number 90 – declared 22 April 2013 – paid 18 June 2013)		77.50	69.25
Number 93 – declared 15 October 2014 – paid 15 December 2014 (2014: Number 91 – declared 21 October 2013 – paid 17 December 2013)		19.60	14.80
Total dividends per share for the period		97.10	84.05
		Rm	Rm
Total value of dividends paid by the Company		467.8	403.8
Dividends paid on treasury shares		(6.0)	(5.4)
Total dividends paid outside the Pick n Pay Stores Group		461.8	398.4
		Pick n Pay Holdings Group	
		52 weeks 1 March 2015 Cents per share	52 weeks 2 March 2014 Cents per share
Number 65 – declared 14 April 2014 – paid 17 June 2014 (2014: Number 63 – declared 22 April 2013 – paid 18 June 2013)		37.10	33.61
Number 66 – declared 15 October 2014 – paid 15 December 2014 (2014: Number 64 – declared 21 October 2013 – paid 17 December 2013)		9.40	7.20
Total dividends per share for the period		46.50	40.81
		Rm	Rm
Total value of dividends paid by the Company		245.2	215.2
Dividends paid by subsidiary companies to non-controlling shareholders		211.9	182.0
Total dividends paid by the Pick n Pay Holdings Group		457.1	397.2

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

		Pick n Pay Stores Group	
		52 weeks 1 March 2015 Cents per share	52 weeks 2 March 2014 Cents per share
8. DIVIDENDS continued			
8.2 Dividends declared			
Interim dividend – number 93 (2014: number 91)		19.60	14.80
Final dividend – number 94 (2014: number 92)		98.50	77.50
		118.10	92.30

The directors have declared a final dividend (dividend 94) of 98.50 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 15%. The last day to trade in order to participate in the dividend (CUM dividend) will be Friday, 5 June 2015. The shares will trade EX dividend from the commencement of business on Monday, 8 June 2015 and the record date will be Friday, 12 June 2015. The dividends will be paid on Monday, 15 June 2015.

		Pick n Pay Holdings Group	
		52 weeks 1 March 2015 Cents per share	52 weeks 2 March 2014 Cents per share
Interim dividend – number 66 (2014: number 64)		9.40	7.20
Final dividend – number 67 (2014: number 65)		47.85	37.10
		57.25	44.30

The directors have declared a final dividend (dividend 67) of 47.85 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 15%. The last day to trade in order to participate in the dividend (CUM dividend) will be Friday, 5 June 2015. The shares will trade EX dividend from the commencement of business on Monday, 8 June 2015 and the record date will be Friday, 12 June 2015. The dividends will be paid on Monday, 15 June 2015.

		Pick n Pay Stores Group				Pick n Pay Holdings Group			
		Goodwill Rm	Systems develop- ment Rm	Licences Rm	Total Rm	Goodwill Rm	Systems develop- ment Rm	Licences Rm	Total Rm
9. INTANGIBLE ASSETS	2015								
Carrying value		313.5	625.9	70.8	1 010.2	313.5	625.9	70.8	1 010.2
Cost		334.4	1 368.1	142.9	1 845.4	334.4	1 368.1	142.9	1 845.4
Accumulated amortisation and impairment losses		(20.9)	(742.2)	(72.1)	(835.2)	(20.9)	(742.2)	(72.1)	(835.2)
Reconciliation of carrying value									
Carrying value at beginning of period		291.2	635.2	61.2	987.6	291.2	635.2	61.2	987.6
Additions		—	147.3	11.9	159.2	—	147.3	11.9	159.2
Expansion of operations		—	9.9	11.9	21.8	—	9.9	11.9	21.8
Maintaining operations		—	137.4	—	137.4	—	137.4	—	137.4
Amortisation		—	(132.4)	(22.6)	(155.0)	—	(132.4)	(22.6)	(155.0)
Disposals		(3.0)	(1.6)	(0.1)	(4.7)	(3.0)	(1.6)	(0.1)	(4.7)
Purchase of operations*		30.3	—	9.7	40.0	30.3	—	9.7	40.0
Foreign currency translation		—	(0.5)	—	(0.5)	—	(0.5)	—	(0.5)
Reclassifications		(5.0)	(22.1)	10.7	(16.4)	(5.0)	(22.1)	10.7	(16.4)
Carrying value at end of period		313.5	625.9	70.8	1 010.2	313.5	625.9	70.8	1 010.2

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

	Pick n Pay Stores Group				Pick n Pay Holdings Group			
	Goodwill Rm	Systems develop- ment Rm	Licences Rm	Total Rm	Goodwill Rm	Systems develop- ment Rm	Licences Rm	Total Rm
9. INTANGIBLE ASSETS								
continued								
2014								
Carrying value	291.2	635.2	61.2	987.6	291.2	635.2	61.2	987.6
Cost	312.1	1 297.7	109.8	1 719.6	312.1	1 297.7	109.8	1 719.6
Accumulated amortisation and impairment losses	(20.9)	(662.5)	(48.6)	(732.0)	(20.9)	(662.5)	(48.6)	(732.0)
Reconciliation of carrying value								
Carrying value at beginning of period	233.5	642.1	72.3	947.9	233.5	642.1	72.3	947.9
Additions	—	280.2	9.0	289.2	—	280.2	9.0	289.2
Expansion of operations	—	246.2	9.0	255.2	—	246.2	9.0	255.2
Maintaining operations	—	34.0	—	34.0	—	34.0	—	34.0
Amortisation	—	(179.2)	(20.1)	(199.3)	—	(179.2)	(20.1)	(199.3)
Impairment	—	(104.1)	—	(104.1)	—	(104.1)	—	(104.1)
Disposals	—	(11.1)	—	(11.1)	—	(11.1)	—	(11.1)
Purchase of operations*	57.7	—	—	57.7	57.7	—	—	57.7
Foreign currency translation	—	0.4	—	0.4	—	0.4	—	0.4
Reclassifications	—	6.9	—	6.9	—	6.9	—	6.9
Carrying value at end of period	291.2	635.2	61.2	987.6	291.2	635.2	61.2	987.6

Cash-generating units to which goodwill has been allocated have been identified as trading sites or clusters. The recoverable amount for each cash-generating unit was determined as the value in use. The value in use was determined by discounting the cash flow forecasts for the cash-generating units at an appropriate pre-tax rate. Recoverable amounts of all cash-generating units were determined to be higher than their carrying values and therefore no impairment losses have been recognised.

Goodwill that is significant in comparison to the Group's total carrying amount of goodwill with a carrying value of R106.4 million (2014: R106.4 million) relates to the cash-generating unit trading as Boxer. This cash-generating unit has no other intangible assets with indefinite useful lives. The value in use was determined based on cash flow projections based on financial budgets (informed by past experience and the expected performance on the retail market in the relevant areas) approved by management covering a three-year reporting period. Cash flows beyond these planning periods are extrapolated using an estimated growth rate of 5.0% (2014: 5.9%) which is derived from the retail industry sales growth. This growth rate does not exceed the long-term average growth rate for the business in which the cash-generating unit operates. The pre-tax discount rate applied to cash flow projections is 10.5% (2014: 9.6%) and reflects the specific risks for this cash-generating unit. The remaining goodwill relates to various acquisitions or conversions of franchise stores to owned stores, none of which is significant in comparison to the Group's total carrying amount of goodwill.

During the previous period under review the Group completed the centralisation of its buying and operational and finance support functions. As a result, systems and reporting tools previously developed to support the decentralised business operation became obsolete indicating that certain intangible assets had to be assessed for impairment. Management estimated the recoverable amount (calculated as the higher of the value in use and the fair value less costs of disposal) of the related intangible assets as zero and an impairment of R104.1 million was recognised in profit or loss in the previous reporting period. This impairment, net of the related tax effect, has been added back in the calculation of headline earnings of the previous period, refer to note 7.

* The purchase of operations during the current and previous period under review relates to the purchase of various stores or the conversion of franchise stores to owned stores. None of the individual purchase transactions were material for the Group. Refer to note 10 and note 16 for purchases of related property, plant and equipment and inventory.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

	Pick n Pay Stores Group					Pick n Pay Holdings Group				
	Property Rm	Furniture, fittings, equip- ment and vehicles Rm	Leasehold improve- ments Rm	Aircraft Rm	Total Rm	Property Rm	Furniture, fittings, equip- ment and vehicles Rm	Leasehold improve- ments Rm	Aircraft Rm	Total Rm
10. PROPERTY, PLANT AND EQUIPMENT										
2015										
Carrying value	1 513.4	2 290.9	366.4	16.3	4 187.0	1 513.4	2 290.9	366.4	16.3	4 187.0
Cost	1 789.8	5 601.3	915.3	73.7	8 380.1	1 789.8	5 601.3	915.3	73.7	8 380.1
Accumulated depreciation and impairment losses	(276.4)	(3 310.4)	(548.9)	(57.4)	(4 193.1)	(276.4)	(3 310.4)	(548.9)	(57.4)	(4 193.1)
Reconciliation of carrying value										
Carrying value at beginning of period	1 516.5	2 183.1	321.7	18.0	4 039.3	1 516.5	2 183.1	321.7	18.0	4 039.3
Additions	36.3	725.6	135.4	—	897.3	36.3	725.6	135.4	—	897.3
Expansion of operations	3.0	270.6	7.4	—	281.0	3.0	270.6	7.4	—	281.0
Maintaining operations	33.3	455.0	128.0	—	616.3	33.3	455.0	128.0	—	616.3
Depreciation	(38.3)	(590.5)	(84.0)	(1.7)	(714.5)	(38.3)	(590.5)	(84.0)	(1.7)	(714.5)
Disposals	(1.1)	(43.5)	(2.3)	—	(46.9)	(1.1)	(43.5)	(2.3)	—	(46.9)
Purchase of operations (note 9)	—	8.8	—	—	8.8	—	8.8	—	—	8.8
Reclassifications	—	20.8	(4.4)	—	16.4	—	20.8	(4.4)	—	16.4
Foreign currency translation	—	(13.4)	—	—	(13.4)	—	(13.4)	—	—	(13.4)
Carrying value at end of period [#]	1 513.4	2 290.9	366.4	16.3	4 187.0	1 513.4	2 290.9	366.4	16.3	4 187.0
2014										
Carrying value	1 516.5	2 183.1	321.7	18.0	4 039.3	1 516.5	2 183.1	321.7	18.0	4 039.3
Cost	1 754.6	5 322.4	945.7	73.8	8 096.5	1 754.6	5 322.4	945.7	73.8	8 096.5
Accumulated depreciation and impairment losses	(238.1)	(3 139.3)	(624.0)	(55.8)	(4 057.2)	(238.1)	(3 139.3)	(624.0)	(55.8)	(4 057.2)
Reconciliation of carrying value										
Carrying value at beginning of period	1 522.9	2 052.2	321.2	21.4	3 917.7	1 522.9	2 052.2	321.2	21.4	3 917.7
Additions	33.0	750.8	98.6	—	882.4	33.0	750.8	98.6	—	882.4
Expansion of operations	33.0	433.0	33.4	—	499.4	33.0	433.0	33.4	—	499.4
Maintaining operations	—	317.8	65.2	—	383.0	—	317.8	65.2	—	383.0
Depreciation	(39.3)	(611.2)	(95.2)	(3.4)	(749.1)	(39.3)	(611.2)	(95.2)	(3.4)	(749.1)
Disposals	(0.1)	(40.7)	(2.9)	—	(43.7)	(0.1)	(40.7)	(2.9)	—	(43.7)
Purchase of operations (note 9)	—	30.7	—	—	30.7	—	30.7	—	—	30.7
Reclassifications	—	(6.9)	—	—	(6.9)	—	(6.9)	—	—	(6.9)
Foreign currency translation	—	8.2	—	—	8.2	—	8.2	—	—	8.2
Carrying value at end of period [#]	1 516.5	2 183.1	321.7	18.0	4 039.3	1 516.5	2 183.1	321.7	18.0	4 039.3

Property with a carrying value of R609.1 million (2014: R624.9 million) is provided as security for long-term borrowings (refer to note 21).

[#] Included in the carrying value of property, plant and equipment is leased vehicles with a carrying value of R103.6 million (2014: R93.9 million) secured by finance lease liabilities (refer to note 21).

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
11. OPERATING LEASES				
The Group has entered into various operating lease agreements as the lessee of premises. Leases on premises are contracted for periods of between five and 20 years (2014: five and 20 years) with renewal options for a further five to 20 years (2014: five and 20 years). Rentals comprise minimum monthly payments and additional payments based on turnover levels. Turnover rentals, where applicable, average 1.5% (2014: 1.5%) of turnover. Rental escalations vary, averaging 6.5% (2014: 6.5%) per annum.				
Operating lease charges				
Property – minimum lease payments	1 341.4	1 133.7	1 341.4	1 133.7
– turnover clause payments	13.7	14.1	13.7	14.1
	1 355.1	1 147.8	1 355.1	1 147.8
Leases contained within service agreements	226.9	215.9	226.9	215.9
The Group has entered into various operating lease agreements as the lessor of premises. Leases on premises are contracted for periods of between three and 15 years (2014: three and 15 years). Rentals comprise mainly minimum monthly payments. Rental escalations vary between 6.5% and 10.0% (2014: 6.5% and 8.0%) per annum.				
Operating lease income	67.3	77.8	67.3	77.8
11.1 Operating lease assets				
At beginning of period	132.8	105.5	132.8	105.5
Accrual	17.0	27.3	17.0	27.3
At end of period	149.8	132.8	149.8	132.8
At end of the period, future minimum rentals receivable from non-cancellable sublease contracts amount to:				
Cash flow due in 2016	238.8	280.3	238.8	280.3
Cash flow due in 2017 to 2020	855.7	870.9	855.7	870.9
Cash flow due after 2020	1 246.3	1 072.7	1 246.3	1 072.7
Total future cash flows	2 340.8	2 223.9	2 340.8	2 223.9
Less: Operating lease assets	(149.8)	(132.8)	(149.8)	(132.8)
Total operating lease receivables still to be recognised	2 191.0	2 091.1	2 191.0	2 091.1
11.2 Operating lease liabilities				
At beginning of period	1 042.7	924.6	1 042.7	924.6
Accrual	95.8	118.1	95.8	118.1
At end of period	1 138.5	1 042.7	1 138.5	1 042.7
At end of the period, future non-cancellable minimum lease rentals are payable during the following financial periods:				
Cash flow due in 2016	1 510.7	1 402.2	1 510.7	1 402.2
Cash flow due in 2017 to 2020	5 631.1	5 020.5	5 631.1	5 020.5
Cash flow due after 2020	7 022.3	6 109.7	7 022.3	6 109.7
Total future cash flows	14 164.1	12 532.4	14 164.1	12 532.4
Less: Operating lease liabilities	(1 138.5)	(1 042.7)	(1 138.5)	(1 042.7)
Total operating lease commitments still to be recognised	13 025.6	11 489.7	13 025.6	11 489.7

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
12. PARTICIPATION IN EXPORT PARTNERSHIPS				
Total	29.9	30.1	29.9	30.1
Less: Current portion included in trade and other receivables	(6.5)	(5.0)	(6.5)	(5.0)
Non-current portion	23.4	25.1	23.4	25.1

The Group participated in various export partnerships, whose business was the purchase and export sale of marine containers. The partnerships bought and sold containers in terms of long-term suspensive purchase and credit sale agreements respectively, with repayment terms usually over a 10 – 15-year period.

The participation in export partnerships is measured at amortised cost using the effective interest method. Amortised cost for the Group's participation in export partnerships is the Group's cost of original participation less principal subsequent repayments received, plus the cumulative amortisation of the difference between the initial amount and the maturity amount, less any write down for impairment or uncollectability.

Any impairment in the amounts due to the Group by virtue of its participation in export partnerships would result in a corresponding reduction in the carrying value of the related deferred tax liability. Consequently, such impairment would have no impact on the statement of comprehensive income of the Group.

The last trade took place in the 1999 financial year. The current balance disclosed in respect of participation in export partnerships is the remaining long-term receivable.

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
13. DEFERRED TAX ASSETS				
The movement in deferred tax assets is as follows:				
At beginning of period	212.1	174.4	212.1	174.4
Recognised in profit or loss (note 6)	(0.4)	59.9	(0.4)	59.9
Participation in export partnerships	6.6	4.9	6.6	4.9
Property, plant and equipment and intangible assets	(24.9)	17.3	(24.9)	17.3
Net operating lease liabilities	19.5	25.6	19.5	25.6
Retirement benefits and actuarial gains	17.1	(1.1)	17.1	(1.1)
Prepayments	(0.2)	(0.3)	(0.2)	(0.3)
Allowance for impairment losses	(11.3)	8.3	(11.3)	8.3
Income and expense accruals	(7.2)	5.2	(7.2)	5.2
Recognised in other comprehensive income (note 6)				
Tax effect of remeasurement of retirement scheme assets	(12.9)	(22.2)	(12.9)	(22.2)
At end of period	198.8	212.1	198.8	212.1
Comprising:				
Participation in export partnerships	(23.8)	(30.4)	(23.8)	(30.4)
Property, plant and equipment and intangible assets	(148.2)	(123.3)	(148.2)	(123.3)
Net operating lease liabilities	251.3	231.8	251.3	231.8
Retirement benefits and actuarial gains	(19.7)	(23.9)	(19.7)	(23.9)
Prepayments	(5.4)	(5.2)	(5.4)	(5.2)
Allowance for impairment losses	44.5	55.8	44.5	55.8
Income and expense accruals	100.1	107.3	100.1	107.3
	198.8	212.1	198.8	212.1

The Group has approximately R80.0 million (2014: R120.0 million) of estimated tax losses available for set-off against future taxable income, for which no deferred tax assets have been raised.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

		Pick n Pay Stores Group		Pick n Pay Holdings Group	
		52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
14. INVESTMENT IN ASSOCIATE					
The Group has a 49% investment in TM Supermarkets (Pvt) Limited registered in Zimbabwe.					
At beginning of period		165.9	133.9	165.9	133.9
Share of associate's income for the period		14.3	32.0	14.3	32.0
At end of period		180.2	165.9	180.2	165.9
14.1 Related party transactions					
The nature of the transactions between the associate and the Group consists mainly of the sale of inventory.					
Sale of inventory		56.8	28.0	56.8	28.0
During the financial year the Group sold inventory to its associate. These purchases are on the same terms and conditions as those entered into by other Group customers.					
Trade receivable balances outstanding at the end of the period		16.0	8.2	16.0	8.2
The outstanding balances are priced on an arm's-length basis and are to be settled in cash. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owing by the associate.					
Fair value of financial guarantee (note 28)		7.2	11.8	7.2	11.8
During the prior period, the Group entered into a financial guarantee contract that provides security for an overdraft facility of its associate. The purpose of the facility is to finance its refurbishment programmes.					
		US\$m	US\$m	US\$m	US\$m
14.2 Summary financial information of associate					
The summary financial information has been presented in US dollars (the associate's functional currency).					
Statement of comprehensive income					
Revenue (100%)		355.9	335.8	355.9	335.8
Profit for the period (100%)		2.7	6.5	2.7	6.5
Statement of financial position					
Total assets		78.3	76.9	78.3	76.9
Current assets		35.8	47.3	35.8	47.3
Non-current assets		42.5	29.6	42.5	29.6
Total liabilities		47.8	49.1	47.8	49.1
Current liabilities		38.9	32.5	38.9	32.5
Non-current liabilities		8.9	16.6	8.9	16.6
Net assets (100%)		30.5	27.8	30.5	27.8
Percentage ownership interest		49%	49%	49%	49%
Group's share of net assets USD (49%)		14.9	13.6	14.9	13.6
Group's share of net assets ZAR (49%)		180.2	165.9	180.2	165.9

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
15. LOANS				
Employees				
Executive directors	0.4	0.4	0.4	0.4
Other employees	100.2	91.6	100.2	91.6
	100.6	92.0	100.6	92.0
Loans to directors and employees bear interest at varying rates averaging at a rate of 4.2% (2014: 3.4%) per annum and have varying repayment terms. At year-end, R72.6 million (2014: R70.5 million) of loans were secured. Loans to employees from the Employee Share Purchase Trust are payable within 10 years from the date of advance.				
16. INVENTORY				
Merchandise for resale	4 767.5	4 104.2	4 767.5	4 104.2
Provision for shrinkage, obsolescence and mark down of inventory	(158.1)	(169.1)	(158.1)	(169.1)
Consumables	45.1	44.7	45.1	44.7
	4 654.5	3 979.8	4 654.5	3 979.8
During the period an amount of R2.1 million (2014: R14.9 million) was acquired as a result of the purchase of operations (refer to note 9).				

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
17. TRADE AND OTHER RECEIVABLES				
Trade and other receivables	3 154.3	3 130.3	3 154.3	3 130.3
Allowance for impairment losses	(197.6)	(289.2)	(197.6)	(289.2)
	2 956.7	2 841.1	2 956.7	2 841.1
Trade and other receivables not impaired				
Within payment terms	2 407.7	2 340.2	2 407.7	2 340.2
Exceeding payment terms by less than 14 days	41.0	25.5	41.0	25.5
Exceeding payment terms by more than 14 days	163.6	91.3	163.6	91.3
	2 612.3	2 457.0	2 612.3	2 457.0
Trade and other receivables with impairments				
Within payment terms	224.1	271.9	224.1	271.9
Exceeding payment terms by less than 14 days	36.4	22.6	36.4	22.6
Exceeding payment terms by more than 14 days	281.5	378.8	281.5	378.8
	542.0	673.3	542.0	673.3
The movement in the allowance for impairment of trade and other receivables during the period was as follows:				
Balance at the beginning of the period	289.2	246.0	289.2	246.0
Irrecoverable debts written off	(125.4)	(12.3)	(125.4)	(12.3)
Additional impairment losses recognised	50.1	69.9	50.1	69.9
Prior allowances for impairment reversed	(16.3)	(14.4)	(16.3)	(14.4)
At end of period	197.6	289.2	197.6	289.2

Trade and other receivables are interest free unless overdue, and have payment terms ranging between 10 and 35 days.

The Group makes allowance for specific trade debtors that have clearly indicated financial difficulty and the likelihood of repayment has become impaired. More than 76% (2014: 74%) of the balance relates to customers that have not been impaired and meet their obligations within the Group's payment terms.

Impairment losses are recorded in the allowance account until the Group is satisfied that no recovery of the amount owing is possible, at which point the amount is considered irrecoverable and is written off against the financial asset directly. Impairment losses have been included in merchandise and administration in profit or loss.

The carrying value of trade and other receivables approximate their fair value due to the short-term nature of the receivables.

Refer to note 28.1 for information on the credit risk of trade and other receivables.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
18. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	1 173.8	1 540.3	1 174.6	1 540.3
Bank overdraft and overnight borrowings	(500.0)	(670.0)	(500.0)	(670.0)
Net cash and cash equivalents at end of period	673.8	870.3	674.6	870.3

Cash and cash equivalents

Cash and cash equivalents include cash floats at stores as well as the Group's current account balance. The Group's primary banker, which has a long-term credit rating of AAA (zaf), facilitates the collection of cash at stores, provides general banking facilities and facilitates the payment of suppliers via an electronic banking platform. The interest rate on the current account varied between 4.8% and 5.1% per annum (2014: 4.8% per annum). The interest rate on cash invested in money market accounts varied between 5.9% and 6.5% per annum (2014: 4.8% to 5.8% per annum) (refer to note 28.3).

Bank overdraft

The Group utilised its bank overdraft during the period. The overdraft rate varied between 7.5% and 7.8% per annum (2014: 7.5% per annum).

Overnight bank borrowings

The Group utilised overnight bank borrowings during the period. Interest rates varied between 6.0% and 6.6% per annum (2014: varied between 5.4% and 6.3% per annum).

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

		Pick n Pay Stores Limited	
		52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
19. SHARE CAPITAL			
Authorised			
800 000 000 (2014: 800 000 000) ordinary shares of 1.25 cents each		10.0	10.0
Issued			
487 322 321 (2014: 480 397 321) ordinary shares of 1.25 cents each		6.0	6.0
		000's	000's
The number of shares in issue at end of period is made up as follows:			
Treasury shares held in the share trust (note 20)		1 746.9	1 974.5
Shares issued under the forfeitable share plan (note 5.3)		6 925.0	—
Shares held outside the Group		478 650.4	478 422.8
		487 322.3	480 397.3

The Company can issue new shares to settle its obligations under its employee share schemes, but any issues in this regard are limited, in the aggregate, to 5% of total issued share capital (currently 24 366 116 shares). To date, 9 615 000 shares have been issued, resulting in 14 751 116 shares remaining for this purpose.

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

The movement in the number of shares in issue in the current period for Pick n Pay Stores Limited was as a result of 6 925 000 shares issued in June 2014, at an issue price of R57.31 per share to various trading subsidiaries. The subsidiaries then used these shares, during August 2014, in order to meet share obligations under the Group's new employee forfeitable share plan (FSP), as approved by the shareholders in February 2014. These shares are now held in a nominee account on behalf of the participants. The participants, although benefiting from full voting rights and full rights to any dividends declared, cannot dispose of their shares during a three-year employment period. In addition, the shares are subject to further performance conditions linked to the Pick n Pay Stores Group's compound annual growth in headline earnings per share. Should the employment conditions or performance conditions not be met, the shares (or portion thereof) are forfeited. The fair value of the shares awarded to participants was R55.59 per share.

The movement in the number of shares in issue during the current period was solely caused by the above mentioned issue of shares. Refer to note 5 for details of share-based payments granted by the Group.

Refer to the remuneration report on page 76 for details of directors' interests in shares.

		Pick n Pay Holdings Limited RF	
		52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
Authorised			
800 000 000 (2014: 800 000 000) ordinary shares of 1.25 cents each		10.0	10.0
Issued			
527 249 082 (2014: 527 249 082) ordinary shares of 1.25 cents each		6.6	6.6
		000's	000's
The number of shares in issue at end of period is made up as follows:			
Treasury shares held by share trust and subsidiary (note 20)		11 106.5	11 042.5
Shares held outside the Group		516 142.6	516 206.6
		527 249.1	527 249.1

The Company can issue new shares to settle its obligations under its employee share schemes, but any issues in this regard are limited, in the aggregate, to 5% of total share capital (currently 26 362 454 shares).

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

Refer to note 5 for details of share-based payments granted by the Group.

Refer to the remuneration report on pages 87 and 88 for details of directors' interest in shares.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
20. TREASURY SHARES				
At beginning of period	145.7	139.4	95.3	89.3
Share repurchases	177.9	45.7	22.2	9.5
Take-up of share options by employees	(154.5)	(39.4)	(8.5)	(3.5)
Shares issued under forfeitable share plan (issued for no value)	—	—	—	—
At end of period	169.1	145.7	109.0	95.3
Comprises:				
Pick n Pay Stores Limited shares	60.1	50.4	—	—
Pick n Pay Holdings Limited RF shares	109.0	95.3	109.0	95.3
The movement in the number of treasury shares held is as follows:	000's	000's	000's	000's
At beginning of period	1 974.5	2 046.6	11 042.5	10 961.6
Shares purchased during the period	2 904.7	936.4	926.8	493.7
Shares sold during the period pursuant to the take-up of share options by employees	(3 132.3)	(1 008.5)	(862.8)	(412.8)
Shares issued under forfeitable share plan	6 925.0	—	—	—
At end of period	8 671.9	1 974.5	11 106.5	11 042.5
Comprises:				
Shares issued under forfeitable share plan	6 925.0	—	—	—
Shares held by share trust and subsidiary (note 5)	1 746.9	1 974.5	11 106.5	11 042.5
	R	R	R	R
Average price of forfeitable share plan shares held at period end	55.59	—	—	—
Average purchase price of share options purchased during the period	57.53	48.84	24.02	19.34
Average purchase price of share options held at period end	54.95	43.73	10.58	9.16

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

		Pick n Pay Stores Group		Pick n Pay Holdings Group	
		52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
21. BORROWINGS					
21.1 Secured and unsecured borrowings					
Secured		784.3	784.9	784.3	784.9
Secured loan in respect of property with a carrying value of R64.5 million (2014: R65.6 million) (note 10) bearing interest at a fixed rate of 11.4% and payable monthly in arrears over a 15-year period, ending on 28 October 2018.		41.7	50.3	41.7	50.3
Secured loan in respect of property with a carrying value of R544.6 million (2014: R559.3 million) (note 10). Interest is payable every six months in arrears at a fixed rate of 8.8% per annum. The capital is repayable on 29 June 2015.		250.0	250.0	250.0	250.0
Secured loan in respect of property with a carrying value of R544.6 million (2014: R559.3 million) (note 10). Interest is payable every six months in arrears at a fixed rate of 8.9% per annum. The capital is repayable on 28 August 2016.		400.0	400.0	400.0	400.0
Finance leases in respect of vehicles with a carrying value of R103.6 million (2014: R93.9 million) (note 10) held under finance lease agreements bearing interest at prime bank rate less 2% and payable monthly in arrears over a four-year period (note 21.2). At the end of the lease period the Group has the option to either refinance or settle the lease and take ownership of the asset. Lease agreements do not contain any escalation or penalty clauses.		92.6	84.6	92.6	84.6
Unsecured		—	700.0	—	700.0
Unsecured three-month corporate paper, issued under our Domestic Medium Term Note Programme. The notes were repaid on 29 June 2014 and carried variable interest rates of 17 to 22 basis points above the three-month Jibar rate which averaged 5.7% per annum (2014: three-month Jibar averaged 5.7% per annum).		—	700.0	—	700.0
Total borrowings at end of period		784.3	1 484.9	784.3	1 484.9
Less: Current portion (repayable within one year)		(291.5)	(737.8)	(291.5)	(737.8)
Non-current portion (repayable after one year)		492.8	747.1	492.8	747.1
21.2 Finance lease commitments					
At end of period finance lease rentals are payable as follows:					
Cash flows within one year		31.8	31.2	31.8	31.2
Capital repayments		29.7	29.1	29.7	29.1
Interest		2.1	2.1	2.1	2.1
Cash flows within two to five years		60.8	59.4	60.8	59.4
Capital repayments		56.8	55.5	56.8	55.5
Interest		4.0	3.9	4.0	3.9
Total cash flows		92.6	90.6	92.6	90.6
Consisting of:					
Capital repayments		86.5	84.6	86.5	84.6
Interest		6.1	6.0	6.1	6.0

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

22. RETIREMENT BENEFITS

The Group, through its trading and employing subsidiaries, provides post-retirement benefits to its employees in accordance with local benchmarks in the countries that it operates in. These benefits are mainly provided through the Pick n Pay Retirement Scheme which incorporates the Pick n Pay Paid-up Pension Fund and the Pick n Pay Non-Contributory Provident Fund defined-contribution plans.

The Group's largest defined-contribution fund is the Pick n Pay Non-Contributory Provident Fund. Certain members of this fund were guaranteed that should their defined-contribution benefit be less than their previous defined-benefit guarantee (under the previous Pick n Pay Retirement Fund) they would retain the former. Due to this guarantee, and the fact that the pensioners are paid by the Pick n Pay Paid-up Pension Fund, the retirement scheme's liabilities may be broken down between those which are defined contribution in nature and those which are defined benefit in nature and for which the employer has an obligation to make additional contributions to ensure this element of the scheme is fully funded. The defined-benefit and defined-contribution plans are regulated by the Pensions Funds Act, 1956 (of South Africa) and is governed by a board of trustees of the Pick n Pay Non-Contributory Provident Fund and Pick n Pay Paid-up Pension Fund, in line with governance policies set in terms of the PF130 circulars. The board of trustees of the Pick n Pay Non-Contributory Provident Fund comprises seven employer-appointed and seven member-elected trustees and for the Pick n Pay Paid-up Pension Fund it comprises two employer-appointed and two member-elected trustees.

Pick n Pay Stores Group					
Pick n Pay Holdings Group					
	Pensioners' defined-benefit guarantee Rm	Retirement defined-benefit guarantee Rm	Post-retirement medical guarantee Rm	Total obligation 2015 Rm	Total obligation 2014 Rm
22.1 The Pick n Pay Retirement Scheme					
Defined-benefit obligations					
The amount recognised in the statement of financial position is as follows:					
Present value of funded obligations	522.6	554.9	4.3	1 081.8	1 146.3
Fair value of assets	(522.6)	(683.9)	(4.3)	(1 210.8)	(1 255.0)
Funded position	—	(129.0)	—	(129.0)	(108.7)
Amounts recognised in the statement of comprehensive income are as follows:					
Current service cost	—	21.3	—	21.3	22.3
Net interest on the obligation	—	(4.5)	—	(4.5)	(0.4)
Total included in employee costs	—	16.8	—	16.8	21.9
Asset ceiling					
Refund (employer surplus account)	—	70.1	—	70.1	85.1
	—	70.1	—	70.1	85.1
Effect of asset ceiling – beginning of period	—	23.6	—	23.6	—
Interest cost	—	2.0	—	2.0	—
Remeasurement	—	33.3	—	33.3	23.6
Effect of asset ceiling – end of period	—	58.9	—	58.9	23.6
Movement in the asset recognised on the statement of financial position is as follows:					
Net asset – beginning of period	—	(85.1)	—	(85.1)	(1.8)
Total included in employee costs in profit or loss (note 3.1)	—	16.8	—	16.8	21.9
Amount recognised in other comprehensive income	—	(45.9)	—	(45.9)	(79.2)
Refunds/(contributions)	—	44.1	—	44.1	(26.0)
Net asset – end of period	—	(70.1)	—	(70.1)	(85.1)

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

		Pick n Pay Stores Group				
		Pick n Pay Holdings Group				
		Pensioners' defined-benefit guarantee Rm	Retirement defined-benefit guarantee Rm	Post-retirement medical guarantee Rm	Total obligation 2015 Rm	Total obligation 2014 Rm
22. RETIREMENT BENEFITS continued						
22.1 The Pick n Pay Retirement Scheme continued						
Remeasurement recognised in other comprehensive income						
Actuarial (gain)/loss as a result of changes in financial assumptions – assets		(13.3)	(86.3)	1.9	(97.7)	(200.4)
Actuarial loss/(gain) as a result of changes in financial assumptions – obligations		13.3	7.1	(1.9)	18.5	97.6
Effect of asset ceiling		—	33.3	—	33.3	23.6
Remeasurement recognised in other comprehensive income (before tax)		—	(45.9)	—	(45.9)	(79.2)
Movement in the fund's obligations and plan assets recognised on the statement of financial position is as follows:						
Liability – beginning of period		500.8	603.2	42.3	1 146.3	1 047.9
Service cost		—	21.3	—	21.3	22.3
Interest cost		41.2	46.9	2.0	90.1	92.6
Actuarial loss/(gain) as a result of changes in financial assumptions		13.3	7.1	(1.9)	18.5	97.6
Benefits paid		(32.7)	(123.6)	(38.1)	(194.4)	(114.1)
Liability – end of period		522.6	554.9	4.3	1 081.8	1 146.3
Plan assets – beginning of period		500.8	711.9	42.3	1 255.0	1 049.7
Interest		41.2	53.4	2.0	96.6	93.0
Actuarial gain/(loss) as a result of changes in financial assumptions		13.3	86.3	(1.9)	97.7	200.4
(Contributions)/refund		—	(44.1)	—	(44.1)	26.0
Benefits paid		(32.7)	(123.6)	(38.1)	(194.4)	(114.1)
Plan assets – end of period		522.6	683.9	4.3	1 210.8	1 255.0
		%	%	%	%	%
Actuarial return on plan assets		8.2	8.6	7.6	8.4	25.5
Composition of plan assets						
Equities		4.3	48.1	48.1	29.2	36.8
Fixed interest – bonds		40.3	12.4	12.4	24.4	13.7
Fixed interest – cash		2.1	0.7	0.7	1.3	1.0
Property		—	4.0	4.0	2.3	3.1
Offshore equities		15.1	14.0	14.0	14.5	21.3
Offshore bonds		0.8	20.8	20.8	12.2	7.9
Structured deposit		37.4	—	—	16.1	16.2
		100.0	100.0	100.0	100.0	100.0

The value of contributions expected to be paid in the next financial period is R25 million.

The weighted-average duration of the defined-benefit obligation is five years (2014: five years).

All plan assets have quoted prices in active markets.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

22. RETIREMENT BENEFITS continued**22.1 The Pick n Pay Retirement Scheme continued**

	November 2014 % per annum	November 2013 % per annum
The principal actuarial assumptions at the last valuation date are:		
Discount rate	8.8	8.5
Future salary increases	6.3	6.5
Future pension increases	6.0	6.0
Annual increase in healthcare costs	7.5	7.5

Sensitivity analysis

At 1 March 2015, if either salary inflation or the discount rate had been 1% higher or 1% lower (with all other variables held constant), the impact on the financial statements would have been as follows:

	Discount rate effect			Salary inflation effect		
	-1% 7.8%	As reported 8.8%	+1% 9.8%	-1% 5.3%	As reported 6.3%	+1% 7.3%
Statement of comprehensive income						
Expense included in employee costs	17.5	16.8	16.4	16.7	16.8	17.0
Statement of financial position						
Asset at end of period	(70.1)	(70.1)	(70.1)	(70.1)	(70.1)	(70.1)

The following assumptions were used in the sensitivity analysis:

- The effect of a 1% change in the discount rate and a 1% change in the salary inflation rate were assessed independently of each other;
- As the minimum guarantee is applicable to provident fund members, the liability is unaffected by changes in the pension increase rate or by changes in mortality;
- The pension liability is also similarly unaffected by changes in the pension increase rate or by changes in mortality as the value of the notional pensioner account is much higher than the pensioner liability.

The above assumptions are limited in that they do not cater for extreme events.

	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
22.2 Defined current contribution benefits		
Current contributions (note 3.1)	325.8	325.7

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
23. TRADE AND OTHER PAYABLES				
Trade and other payables	8 781.9	7 805.1	8 785.6	7 811.3
Leave pay obligations	197.7	187.7	197.8	187.7
Deferred revenue – customer loyalty programme (note 2)	46.2	92.3	46.2	92.3
	9 025.8	8 085.1	9 029.6	8 091.3
24. PROVISIONS				
Onerous leases				
Balance at beginning of period	8.1	9.0	8.1	9.0
Provisions raised	—	6.7	—	6.7
Provisions utilised	(7.1)	(7.6)	(7.1)	(7.6)
Balance at end of period	1.0	8.1	1.0	8.1
25. COMMITMENTS				
25.1 Capital commitments				
All capital expenditure will be funded from internal cash flow and through unlimited borrowing powers.				
Authorised capital expenditure				
Contracted for	213.1	123.5	213.1	123.5
Furniture, fittings, equipment and vehicles	123.1	95.4	123.1	95.4
Intangible assets	90.0	28.1	90.0	28.1
Not contracted for	1 839.3	1 490.9	1 839.3	1 490.9
Property	180.0	51.0	180.0	51.0
Furniture, fittings, equipment and vehicles	1 518.8	1 288.6	1 518.8	1 288.6
Intangible assets	140.5	151.3	140.5	151.3
Total commitments	2 052.4	1 614.4	2 052.4	1 614.4
25.2 Operating lease commitments				
Refer to note 11				
25.3 Finance lease commitments				
Refer to note 21.2				

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

26. OPERATING SEGMENTS

Operating segments are identified based on financial information regularly reviewed by the Chief Operating Decision Maker (CODM) of the Group, being the Group Executive as detailed on page 52, for performance assessments and resource allocations. The Group annually performs a detailed review of the executives, or group of executives, that could be considered the appropriate and relevant CODM of the Group.

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

South Africa – operates in various formats under the Pick n Pay and Boxer brands in South Africa. For a detailed list of formats refer to page 13 of the integrated annual report.

Rest of Africa – responsible for the Group's expansion into the rest of Africa under the Pick n Pay and Boxer brands.

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

	Pick n Pay Stores Group		
	South Africa Rm	Rest of Africa Rm	Total operations Rm
2015			
Total segment revenue	64 574.2	3 681.9	68 256.1
External revenue	64 574.2	3 028.9	67 603.1
Direct deliveries*	—	653.0	653.0
Segment external turnover	63 911.9	3 028.9	66 940.8
Profit before tax**	1 016.2	189.0	1 205.2
Other information			
<i>Statement of comprehensive income</i>			
Finance income	54.3	5.1	59.4
Finance costs	119.0	—	119.0
Depreciation and amortisation	845.2	24.3	869.5
Share of associate's income	—	14.3	14.3
<i>Statement of financial position</i>			
Total assets	13 636.7	1 069.8	14 706.5
Total liabilities	11 304.9	271.5	11 576.4
Additions to non-current assets	1 061.8	43.5	1 105.3
2014			
Total segment revenue	60 925.9	3 241.5	64 167.4
External revenue	60 925.9	2 736.0	63 661.9
Direct deliveries*	—	505.5	505.5
Segment external turnover	60 381.0	2 736.0	63 117.0
Profit before tax**	692.7	140.4	833.1
Other information			
<i>Statement of comprehensive income</i>			
Finance income	40.1	4.2	44.3
Finance costs	143.5	0.4	143.9
Depreciation and amortisation	923.1	25.3	948.4
Impairment loss on intangible assets	104.1	—	104.1
Share of associate's income	—	32.0	32.0
<i>Statement of financial position</i>			
Total assets	12 995.6	1 109.0	14 104.6
Total liabilities	11 064.1	337.9	11 402.0
Additions to non-current assets	1 233.8	26.2	1 260.0

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

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

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

Pick n Pay Holdings Group			
	South Africa Rm	Rest of Africa Rm	Total operations Rm
26. OPERATING SEGMENTS continued			
2015			
Total segment revenue	64 574.2	3 681.9	68 256.1
External revenue	64 574.2	3 028.9	67 603.1
Direct deliveries*	—	653.0	653.0
Segment external turnover	63 911.9	3 028.9	66 940.8
Profit before tax**	1 014.7	189.0	1 203.7
Other information			
<i>Statement of comprehensive income</i>			
Finance income	54.3	5.1	59.4
Finance costs	119.0	—	119.0
Depreciation and amortisation	845.2	24.3	869.5
Share of associate's income	—	14.3	14.3
<i>Statement of financial position</i>			
Total assets	13 637.5	1 069.8	14 707.3
Total liabilities	11 308.7	271.5	11 580.2
Additions to non-current assets	1 061.8	43.5	1 105.3
2014			
Total segment revenue	60 925.9	3 241.5	64 167.4
External revenue	60 925.9	2 736.0	63 661.9
Direct deliveries*	—	505.5	505.5
Segment external turnover	60 381.0	2 736.0	63 117.0
Profit before tax**	690.5	140.4	830.9
Other information			
<i>Statement of comprehensive income</i>			
Finance income	40.1	4.2	44.3
Finance costs	143.5	0.4	143.9
Depreciation and amortisation	923.1	25.3	948.4
Impairment loss on intangible assets	104.1	—	104.1
Share of associate's income	—	32.0	32.0
<i>Statement of financial position</i>			
Total assets	12 995.6	1 109.0	14 104.6
Total liabilities	11 070.3	337.9	11 408.2
Additions to non-current assets	1 233.8	26.2	1 260.0

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

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

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

27. RELATED PARTY TRANSACTIONS

27.1 Transactions between Group subsidiaries

During the period, in the ordinary course of business, certain companies within the Group entered into transactions with each other. These intra-group transactions have been eliminated on consolidation.

27.2 Loans to executive directors

Loans to directors amount to R0.4 million at end of period (2014: R0.4 million), are secured and bear interest at varying interest rates. For further information refer to note 15.

27.3 Key management personnel

Key management personnel are directors and senior management having authority and responsibility for planning, directing and controlling the activities of the Group. No key management personnel had a material interest in any contract of any significance with any Group company during the period under review.

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
Key management personnel remuneration comprises:				
Directors' fees	7.3	6.5	7.5	6.7
Remuneration for management services	47.9	36.6	47.9	36.6
Retirement and medical aid contributions	7.8	6.2	7.8	6.2
Performance bonus	28.1	13.7	28.1	13.7
Fringe and other benefits	8.4	6.2	8.4	6.2
	99.5	69.2	99.7	69.4
Share-based payment expense	43.2	14.7	43.2	14.7
	142.7	83.9	142.9	84.1

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

28. FINANCIAL INSTRUMENTS

Overview

The Group is exposed to credit, liquidity, and market risk due to the effects of changes in debt, exchange rates and interest rates experienced in the normal course of business. The Group's objective is to effectively manage each of the risks associated with its financial instruments in order to minimise the potential adverse effect on the financial performance and position of the Group.

The Board is ultimately responsible for ensuring that adequate procedures and processes are in place to identify, assess, manage and monitor financial risks. A treasury committee, appointed by the Board, comprising executive directors and senior management, sets and monitors the adherence to appropriate risk limits and controls. Risk management is carried out by a central treasury department in line with the overall treasury policy as reviewed and approved by the Board on a regular basis.

28.1 Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. Financial assets, which potentially subject the Group to credit risk, consist principally of cash and cash equivalents, trade and other receivables, loans and participation in export partnerships.

The Group's cash is placed with major South African and international financial institutions of high credit standing with a long-term rating of AA+ (zaf) (refer to note 18).

Trade and other receivables mainly relate to amounts owing by franchisees and are presented net of impairment losses (refer note 17). Rigorous credit granting procedures are applied to assess the credit quality of the debtors, taking into account its financial position and credit rating. The Group obtains various forms of security from its franchise debtors, including bank guarantees, notarial bonds over inventory and moveable assets and suretyships from shareholders. The total credit risk with respect to receivables from franchise debtors is further limited as a result of the dispersion among the individual franchisees and across different geographic areas. Consequently, the Group does not consider there to be any significant concentration or exposure to credit risk.

Loans mainly comprise employee loans granted in line with the Group's remuneration policy. Loans are granted after reviewing the affordability for each employee and, where appropriate, suitable forms of security are obtained (refer to note 15).

A JSE listed company has warranted all material cash flow aspects of the Group's participation in export partnerships. The Group's directors have considered the credit risk relating to these aspects warranted and have satisfied themselves as to the creditworthiness of the warrantor company (refer to note 12).

The Group is exposed to a 49% share of a financial guarantee over a US\$25 million term loan granted to our associate in Zimbabwe. The guarantee is linked to the creditworthiness of our associate. Management is confident in the future prospects of our associate and has no reason to believe that associate will default on its loan commitments or that the guarantee will be called upon.

28.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages this risk by maintaining adequate reserves and borrowing facilities and by continuously monitoring forecasted and actual cash flows, ensuring that the maturity profiles of financial assets and liabilities do not expose the Group to liquidity risk. In terms of the Company's Memorandum of Incorporation the Group's borrowing powers are unlimited, however, the treasury committee maintains strict control over the acceptance and draw-down of any loan facility.

On average, trade and other receivables and inventory are realised within 45 days, inventory within 37 days and trade and other payables are settled within 45 days. To the extent that the Group requires short-term funds, it utilises the banking facilities available. Long-term borrowings are utilised to fund capital expenditure. Liquidity risk has been mitigated by substantial unutilised borrowing facilities as illustrated below.

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
Total borrowing facilities granted by financial institutions	6 954.8	6 292.5	6 954.8	6 292.5
Total actual borrowings	(1 284.3)	(2 154.9)	(1 284.3)	(2 154.9)
Utilisation of FEC and financial guarantee facilities	(303.8)	(160.0)	(303.8)	(160.0)
Unutilised borrowing facilities	5 366.7	3 977.6	5 366.7	3 977.6

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

28. FINANCIAL INSTRUMENTS continued

28.2 Liquidity risk continued

The following are the undiscounted contractual maturities of financial liabilities, including estimated interest payments:

Pick n Pay Stores Group					
	Carrying amount Rm	Contractual cash flows Rm	Within 1 year Rm	2 to 5 years Rm	Over 5 years Rm
2015					
Secured loans – note 21.1	784.3	854.2	339.3	514.9	—
Trade and other payables – note 23	8 781.9	8 781.9	8 781.9	—	—
Bank overdraft and overnight borrowings – note 18	500.0	500.0	500.0	—	—
Total financial obligations	10 066.2	10 136.1	9 621.2	514.9	—
2014					
Secured loans – note 21.1	784.9	925.3	103.8	821.5	—
Unsecured loans – note 21.1	700.0	710.1	710.1	—	—
Trade and other payables – note 23	7 805.1	7 805.1	7 805.1	—	—
Bank overdraft and overnight borrowings – note 18	670.0	670.0	670.0	—	—
Total financial obligations	9 960.0	10 110.5	9 289.0	821.5	—
Pick n Pay Holdings Group					
	Carrying amount Rm	Contractual cash flows Rm	Within 1 year Rm	2 to 5 years Rm	Over 5 years Rm
2015					
Secured loans – note 21.1	784.3	854.2	339.3	514.9	—
Trade and other payables – note 23	8 785.6	8 785.6	8 785.6	—	—
Bank overdraft and overnight borrowings – note 18	500.0	500.0	500.0	—	—
Total financial obligations	10 069.9	10 139.8	9 624.9	514.9	—
2014					
Secured loans – note 21.1	784.9	925.3	103.8	821.5	—
Unsecured loans – note 21.1	700.0	710.1	710.1	—	—
Trade and other payables – note 23	7 811.3	7 811.3	7 811.3	—	—
Bank overdraft and overnight borrowings – note 18	670.0	670.0	670.0	—	—
Total financial obligations	9 966.2	10 116.7	9 295.2	821.5	—

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

28. FINANCIAL INSTRUMENTS continued

28.3 Market risk management

Changes in market prices relating to foreign exchange rates, interest rates and commodity prices will affect the Group's financial result or position. The objective of market risk management is to manage and control exposure to market risk, while optimising the return on the risk.

28.3.1 Currency risk management

Transactional currency risk

The Group operates internationally and is exposed to currency risk through the importation of merchandise. Investments in foreign operations and master franchise agreements with international counterparties do not contribute to transactional currency risk as the related transactions and balances are denominated in South African rand.

The following significant exchange rates applied during the period:

	Average rate		Closing rate	
	2015	2014	2015	2014
USD/ZAR	11.17	9.87	11.62	10.71
Euro/ZAR	13.92	13.31	13.05	14.78
GBP/ZAR	17.92	15.82	17.93	17.97

Although the Group is exposed to currency risk through the importation of merchandise it does not have significant foreign creditors as inventory imports are mostly prepaid. The currency risk relating to future cash flows of import orders is managed by entering into forward exchange contracts (FECs). FECs are taken out when an order is placed with a foreign supplier. The Group does not use FECs for speculative purposes and does not apply hedge accounting.

	Contract foreign currency m	Rand equivalent Rm	Average rate R	Fair value Rm
Forward exchange contracts				
2015				
US dollar	8.1	91.5	11.3	(0.1)
Euro	2.0	28.6	14.2	1.5
British pound	0.3	4.6	18.0	(0.1)
		124.7		1.3
2014				
US dollar	8.0	85.5	10.7	2.3
Euro	1.8	27.6	15.1	0.2
British pound	0.5	9.8	18.6	(0.3)
		122.9		2.2

Sensitivity of the Group's exposure to material foreign currencies is estimated by assessing the impact of a reasonable expected movement of the currencies on the profit and equity of the Group. A sensitivity analysis is not presented as the expected movement in currencies is not material.

In relation to the participation in export partnerships, a fixed rate of exchange was set for the purposes of converting the foreign currency receipts in respect of the partnerships' sales into South African rand. Any exchange differences are for the account of the managing partner of the partnerships and will have no impact on the earnings of the Group.

Currency translation risk

The Group has foreign cash balances that are exposed to currency translation risks. These risks are not considered material and therefore no sensitivity analysis is presented and the risks are not hedged.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

28. FINANCIAL INSTRUMENTS continued**28.3 Market risk management continued****28.3.2 Interest rate risk management**

The Group's interest rate risk arises from borrowings, cash and cash equivalents and loans. Fixed rate borrowings expose the Group to fair value interest rate risk. Variable rate borrowings, loans and cash and cash equivalents result in cash flow interest rate risk. The exposure to interest rate risk is managed through the Group's cash management system taking into account expected movements in interest rates when funding or investing decisions are made.

	52 weeks 1 March 2015 Weighted- average interest rate %	52 weeks 2 March 2014 Weighted- average interest rate %
The effective rates on financial instruments at end of period are:		
Financial assets		
Cash and cash equivalents (note 18)	4.8 – 6.5	4.8 – 5.8
Loans (note 15)	4.2	3.9
Financial liabilities		
Variable-rate interest-bearing debt		
Bank overdraft and overnight borrowings (note 18)	6.3	5.8
Finance leases (note 21)	7.1	6.5
Three-month corporate paper (note 21)	5.9	5.6
Fixed-rate interest-bearing debt		
Secured loans (note 21)	8.8 – 11.4	8.8 – 11.4

Interest rate sensitivity analysis

Sensitivity of the Group's exposure to interest rate risk is estimated by assessing the impact of a reasonable expected movement in the relevant interest rates on the profit before tax of the Group based on the period end closing balances. Interest rates are expected to rise in the range of 1% to 2% during the 2015 calendar year and we have used this range in our sensitivity analysis.

	2015		2014	
	1% increase Rm	2% increase Rm	1% increase Rm	2% increase Rm
Total effect on finance income	11.7	23.5	15.4	30.8
Total effect on finance costs	(5.9)	(11.9)	(14.5)	(29.0)
Net effect on profit before tax	5.8	11.6	0.9	1.8

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

28. FINANCIAL INSTRUMENTS continued**28.3 Market risk management continued****28.3.3 Other risks**

Due to the nature of the Group's operations there is exposure to changes in fuel prices. The Group manages this risk by taking out commodity hedges on fuel purchases.

The Group took out Asian call options on diesel purchased. The options entitle the Group to purchase diesel at a certain strike price which is linked to the GASOIL index. If the GASOIL index is greater than the strike price at the maturity date of the option, the Group will benefit by the difference between the strike price and the index price. The table below shows the fair value of the options along with the maturity dates and strike prices of the options.

Commodity hedge	Maturity date	Strike price hedge level rand/litre	Fair value Rm
2015			
GASOIL – Asian call option	March 2015	7.54	—
	April 2015	7.54	—
	May 2015	7.54	—
	June 2015	7.32	—
	July 2015	7.32	0.1
			0.1
2014			
GASOIL – Asian call option	April 2014	8.50	—
	May 2014	8.50	0.1
	June 2014	8.50	0.2
	July 2014	8.40	0.3
	August 2014	8.40	0.3
	September 2014	8.40	0.4
			1.3

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

28. FINANCIAL INSTRUMENTS continued**28.4 Fair value of financial instruments**

Financial instruments measured at fair value are classified using a three-level hierarchy to rank inputs used in measuring fair value. The levels are explained below:

Level 1 – quoted prices (unadjusted) in an active market for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Foreign exchange contracts are measured at fair value and classified at level 2.

Commodity hedges are measured at fair value and classified at level 2.

Financial liabilities

Fair value is determined by calculating the present value of future cash outflows discounted at a market interest rate at the reporting date.

Other financial assets (including cash and cash equivalents and loans)

Fair value is estimated as the present value of future cash inflows discounted at a market interest rate at the reporting date.

The table below shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

Pick n Pay Stores Group								
Carrying amount Rm					Fair value Rm			
Derivative financial instruments	Loans and receivables	Financial liabilities	Total		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Forward exchange contracts	1.3	—	—	1.3	—	1.3	—	1.3
Commodity hedge	0.1	—	—	0.1	—	0.1	—	0.1
	1.4	—	—	1.4	—	1.4	—	1.4
Financial liabilities measured at fair value								
Trade and other payables – financial guarantee – note 14.1	—	—	7.2	7.2	—	7.2	—	7.2
	—	—	7.2	7.2	—	7.2	—	7.2
Financial assets not measured at fair value*								
Trade and other receivables – note 17	—	2 956.7	—	2 956.7				
Cash and cash equivalents – note 18	—	1 173.8	—	1 173.8				
Loans – note 15	—	100.6	—	100.6				
Participation in export partnerships – note 12	—	23.4	—	23.4				
	—	4 254.5	—	4 254.5				
Financial liabilities not measured at fair value*								
Secured loans – note 21.1	—	—	784.3	784.3				
Trade and other payables – note 23	—	—	8 774.7	8 774.7				
Bank overdraft and overnight borrowings – note 18	—	—	500.0	500.0				
	—	—	10 059.0	10 059.0				

* Fair value not disclosed as carrying value is a reasonable approximation of fair value.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

28. FINANCIAL INSTRUMENTS continued

28.4 Fair value of financial instruments continued

	Pick n Pay Holdings Group							
	Carrying amount Rm				Fair value Rm			
	Derivative financial instruments	Loans and receivables	Financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Forward exchange contracts	1.3	—	—	1.3	—	1.3	—	1.3
Commodity hedge	0.1	—	—	0.1	—	0.1	—	0.1
	1.4	—	—	1.4	—	1.4	—	1.4
Financial liabilities measured at fair value								
Trade and other payables – financial guarantee – note 14.1	—	—	7.2	7.2	—	7.2	—	7.2
	—	—	7.2	7.2	—	7.2	—	7.2
Financial assets not measured at fair value*								
Trade and other receivables – note 17	—	2 956.7	—	2 956.7				
Cash and cash equivalents – note 18	—	1 174.6	—	1 174.6				
Loans – note 15	—	100.6	—	100.6				
Participation in export partnerships – note 12	—	23.4	—	23.4				
	—	4 255.3	—	4 255.3				
Financial liabilities not measured at fair value*								
Secured loans – note 21.1	—	—	784.3	784.3				
Trade and other payables – note 23	—	—	8 778.4	8 778.4				
Bank overdraft and overnight borrowings – note 18	—	—	500.0	500.0				
	—	—	10 062.7	10 062.7				

* Fair value not disclosed as carrying value is a reasonable approximation of fair value.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

28. FINANCIAL INSTRUMENTS continued

28.5 Capital management

The Group's strategy is to maintain a strong capital base (represented by total shareholders' equity) so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of directors is ultimately responsible for capital management and has the following responsibilities in this regard:

- to provide an adequate return to shareholders;
- to ensure that the Group has adequate capital to continue as a going concern;
- to ensure that the Group complies with the solvency and liquidity requirements for any share repurchase or dividend payment per the Companies Act; and
- to maintain a balance between debt and equity so as to leverage return on equity while maintaining a strong capital base.

The Group assesses the effectiveness of the use of capital in providing a return to shareholders using the ratio of return on shareholders' equity which is calculated as headline earnings divided by average shareholders' equity:

	52 weeks 1 March 2015	52 weeks 2 March 2014
Return on shareholders' equity	29.1%	25.9%

The Group maintains a dividend cover based on headline earning per share of 1.5 times (2014: 1.5 times) to ensure that sufficient capital is retained for expansion of the business.

The Group's secured long-term borrowings have financial covenants attached which the lender uses as a measure of the Group's ability to repay the debt. The covenants are based on the level of total debt in the business as a ratio of EBITDA (earnings before interest, tax, depreciation and amortisation), as well as the adequacy of EBITAR (earnings before interest, tax and operating rentals) to cover total net interest and operating lease rentals payable. The Group complied with all financial covenants during the period and does not foresee any difficulty in meeting the covenants in the foreseeable future.

Should the financial covenants not be met for any reason, the Group would need to inform the lender and the lender would be entitled to take remedial action in the form of an increase in the rate of interest on the secured loan, or early repayment terms. However, should the Group's financial position diminish further such that the lender believes the Group will not be able to repay its debt in the ordinary course of business, then the loan can be immediately recalled by the lender.

The Group received shareholder approval in February 2014 to utilise up to 5% of the issued share capital of Pick n Pay Stores Limited (PIK) and Pick n Pay Holdings Limited (PWK) in respect of the amount of new shares that can be issued to cover obligations under its employee share schemes. The Group issued 6.9 million new PIK shares during the year to fund the first allocation of forfeitable shares under its new forfeitable share plan (FSP), which had a dilutive effect of 1.4%. It is anticipated that the Group will issue a further 1.1 million PIK shares (0.2% of issued share capital) in respect of its FSP.

There were no changes in the Group's approach to capital management during the period.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

29. NON-CONTROLLING INTEREST

All of the non-controlling interest in Pick n Pay Holdings Group relates to its subsidiary Pick n Pay Stores Limited. Non-controlling shareholders control 46.2% (2014: 46.0%) of the issued share capital of the subsidiary.

	Pick n Pay Holdings Group	
	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
Non-controlling interest	1 499.2	1 290.6

30. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED

International Financial Reporting Standards (IFRS)

A number of new standards, amendments to standards and interpretations that are applicable to the Group with an effective date after the date of these financial statements, have not been applied in preparing these consolidated financial statements. These include:

IFRS 9 Financial Instruments

IFRS 9 replaces existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment losses on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its Group financial statements regarding the application of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. IFRS 15 is effective for annual reporting periods on or after 1 January 2017, with early adoption permitted. The Group is assessing the potential impact on its Group financial statements regarding the application of IFRS 15.

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)

These amendments require a bearer plant, defined as a living plant, to be accounted for as property, plant, and equipment and included in the scope of IAS 16 *Property, Plant, and Equipment*, instead of IAS 41 *Agriculture*. The amendments are effective for annual reporting periods beginning on or after 1 January 2016, with early adoption permitted. This does not impact the Group financial statements as the Group does not have any bearer plants.

The following new or amended standards are not expected to have a significant impact on the Group's financial statements:

- IFRS 14 *Regulatory Deferral Accounts*
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- Defined-Benefit Plans: Employee Contributions (Amendments to IAS 19)
- Annual Improvements to IFRS 2010 – 2012 Cycle
- Annual Improvements to IFRS 2011 – 2013 Cycle

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Pick n Pay Stores Limited and Pick n Pay Holdings Limited RF

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Company financial statements

STATEMENTS OF COMPREHENSIVE INCOME

for the period ended

	Notes	Pick n Pay Stores Limited		Pick n Pay Holdings Limited RF	
		52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
Revenue					
Finance income	9	10.8	38.3	—	—
Dividend income	9	474.6	410.6	249.9	216.3
		485.4	448.9	249.9	216.3
Administration expenses	2	(14.0)	(12.7)	(1.5)	(1.8)
Profit		471.4	436.2	248.4	214.5
Finance costs		(10.8)	(38.3)	—	—
Profit before tax		460.6	397.9	248.4	214.5
Tax	3	—	—	—	—
Profit for the period		460.6	397.9	248.4	214.5
Other comprehensive income for the period, net of tax		—	—	—	—
Total comprehensive income for the period		460.6	397.9	248.4	214.5

STATEMENTS OF FINANCIAL POSITION

		Pick n Pay Stores Limited		Pick n Pay Holdings Limited RF	
		As at 1 March 2015 Rm	As at 2 March 2014 Rm	As at 1 March 2015 Rm	As at 2 March 2014 Rm
Notes					
ASSETS					
Non-current assets					
Investments in subsidiaries and trust	5	486.3	97.4	132.8	129.9
		486.3	97.4	132.8	129.9
Current assets					
Investments in subsidiaries and trust	5	—	700.0	—	—
Trade and other receivables		0.2	0.2	—	—
Cash and cash equivalents	6	1.0	—	0.8	—
		1.2	700.2	0.8	—
Total assets		487.5	797.6	133.6	129.9
EQUITY AND LIABILITIES					
Equity					
Share capital	7	6.1	6.0	6.6	6.6
Share premium		396.8	—	120.8	120.8
Retained earnings/(accumulated losses)		77.4	84.6	1.9	(1.3)
Total equity		480.3	90.6	129.3	126.1
Current liabilities					
Borrowings	8	—	700.0	—	—
Trade and other payables		7.2	7.0	4.3	3.8
		7.2	707.0	4.3	3.8
Total equity and liabilities		487.5	797.6	133.6	129.9

Company financial statements

STATEMENT OF CHANGES IN EQUITY

for the period ended

		Pick n Pay Stores Limited			
	Notes	Share capital Rm	Share premium Rm	Retained earnings Rm	Total equity Rm
At 3 March 2013					
Total comprehensive income for the period		6.0	—	90.5	96.5
Profit for the period		—	—	397.9	397.9
Other comprehensive income		—	—	397.9	397.9
Dividends paid	4.1	—	—	—	—
At 2 March 2014					
Total comprehensive income for the period		6.0	—	84.6	90.6
Profit for the period		—	—	460.6	460.6
Other comprehensive income		—	—	460.6	460.6
Shares issued	7.1	—	—	—	—
Dividends paid	4.1	0.1	396.8	—	396.9
At 1 March 2015					
		—	—	(467.8)	(467.8)
		6.1	396.8	77.4	480.3

Pick n Pay Holdings Limited RF					
	Notes	Share capital Rm	Share premium Rm	(Accumulated loss)/retained earnings Rm	Total equity Rm
At 3 March 2013					
Total comprehensive income for the period		6.6	120.8	(0.6)	126.8
Profit for the period		—	—	214.5	214.5
Other comprehensive income		—	—	214.5	214.5
Dividends paid	4.1	—	—	—	—
		—	—	(215.2)	(215.2)
At 2 March 2014					
Total comprehensive income for the period		6.6	120.8	(1.3)	126.1
Profit for the period		—	—	248.4	248.4
Other comprehensive income		—	—	248.4	248.4
Dividends paid	4.1	—	—	—	—
		—	—	(245.2)	(245.2)
At 1 March 2015					
		6.6	120.8	1.9	129.3

Company financial statements

STATEMENTS OF CASH FLOWS

for the period ended

	Notes	Pick n Pay Stores Limited		Pick n Pay Holdings Limited RF	
		52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
Cash flows from operating activities					
Profit		471.4	436.2	248.4	214.5
Cash generated before movements in working capital		471.4	436.2	248.4	214.5
Movements in working capital		0.2	1.4	0.5	(0.1)
Movements in trade and other payables		0.2	1.4	0.5	(0.1)
Movements in trade and other receivables		—	—	—	—
Cash generated by trading activities		471.6	437.6	248.9	214.4
Interest paid		(10.8)	(38.3)	—	—
Cash generated from operations		460.8	399.3	248.9	214.4
Dividends paid	4	(467.8)	(403.8)	(245.2)	(215.2)
Cash (utilised in)/generated from operating activities		(7.0)	(4.5)	3.7	(0.8)
Cash flows from investing activities					
Investment in subsidiaries	5	—	(0.3)	—	—
Loans repaid/(advanced)	5	311.1	(295.2)	(2.9)	0.8
Cash generated from/(utilised in) investing activities		311.1	(295.5)	(2.9)	0.8
Cash flows from financing activities					
Proceeds from borrowings	8	—	300.0	—	—
Repayment of borrowings	8	(700.0)	—	—	—
Net proceeds from share issue	7	396.9	—	—	—
Cash (utilised in)/generated from financing activities		(303.1)	300.0	—	—
Net movement in cash and cash equivalents		1.0	—	0.8	—
Cash and cash equivalents at beginning of period		—	—	—	—
Cash and cash equivalents at end of period	6	1.0	—	0.8	—

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Except as presented below, the accounting policies and notes to the financial statements are identical to those disclosed in the consolidated financial statements on pages 107 to 117.

1.1 Investments in subsidiaries

The Companies carry their investments in subsidiaries at cost less impairment losses.

1.2 Foreign currency transactions and translations

The financial statements are presented in South African rand, which is the Companies' functional currency. All transactions are in South African rand.

1.3 Basis of consolidation

The Companies' financial statements are presented as separate financial statements.

The Companies' financial statements have been prepared in accordance with IFRS and its interpretations adopted by the International Accounting Standards Board, the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act of South Africa.

1.4 Basis of preparation

The Companies' financial statements are prepared on the historical cost basis.

The accounting policies have been consistently applied to all periods presented in these financial statements except where the Companies have adopted the IFRS and IFRIC interpretations and amendments. These interpretations and amendments had no material impact on the reported results. Where applicable, additional disclosures for the current and comparative periods were provided.

1.5 Property, plant and equipment

No property, plant and equipment are held by the Companies.

1.6 Intangible assets

No intangible assets are held by the Companies.

1.7 Leases

No lease arrangements are held by the Companies.

1.8 Inventory

No inventory is held by the Companies.

1.9 Treasury shares

No treasury shares are held by the Companies.

1.10 Borrowing costs

No property, plant, equipment and intangible assets are held by the Companies thus no borrowing costs will occur.

1.11 Employee benefits

No employee benefits are recognised by the Companies.

1.12 Operating segments

No segmental financial information is required for the separate financials of the Companies

2. ADMINISTRATION EXPENSES

Administration expenses are stated after taking into account the following expenses:

2.1 Directors' remuneration

Directors' remuneration paid by Pick n Pay Stores Limited and Pick n Pay Holdings Limited RF is detailed below. Refer to pages 60 to 76 of the remuneration report for details of the directors' remuneration and directors' interest in shares.

	Pick n Pay Stores Limited*			Pick n Pay Holdings Limited RF**	
	Fees for Board meetings R'000	Fees for committee and other work R'000	Cash total R'000	Fees for Board meetings R'000	Cash total R'000
2015					
Non-executive directors [#]	6 010.0	1 300.0	7 310.0	180.0	180.0
2014					
Non-executive directors [^]	5 185.9	1 348.0	6 533.9	171.0	171.0

* Executive directors' salaries are paid by a subsidiary company.

** Directors of Pick n Pay Stores Limited who are also directors of Pick n Pay Holdings Limited RF do not receive directors' remuneration for services rendered as a director of this company.

[#] Non-executive director David Friedland received consultancy fees of R107 000 in the current period for services rendered to the audit and risk committee.

[^] Gareth Ackerman also received an amount of R169 900 in the previous period to reimburse him for travel expenses personally incurred for the Group.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

		Pick n Pay Stores Limited		Pick n Pay Holdings Limited RF	
		52 weeks 1 March 2015 %	52 weeks 2 March 2014 %	52 weeks 1 March 2015 %	52 weeks 2 March 2014 %
3. TAX					
3.1 Reconciliation of effective tax rate					
South African statutory tax rate		28.0	28.0	28.0	28.0
Exempt income – dividend income		(28.8)	(28.9)	(28.2)	(28.2)
Other non-deductible expenditure		0.8	0.9	0.2	0.2
Effective tax rate		—	—	—	—
				Pick n Pay Stores Limited	
				52 weeks 1 March 2015 Cents per share	52 weeks 2 March 2014 Cents per share
4. DIVIDENDS					
4.1 Dividends paid					
Number 92 – declared 14 April 2014 – paid 17 June 2014 (2014: Number 90 – declared 22 April 2013 – paid 18 June 2013)				77.50	69.25
Number 93 – declared 15 October 2014 – paid 15 December 2014 (2014: Number 91 – declared 21 October 2013 – paid 17 December 2013)				19.60	14.80
Total dividends per share for the period				97.10	84.05
				Rm	Rm
Total value of dividends paid by the Company				467.8	403.8
				Pick n Pay Holdings Limited RF	
				52 weeks 1 March 2015 Cents per share	52 weeks 2 March 2014 Cents per share
Number 65 – declared 14 April 2014 – paid 17 June 2014 (2014: Number 63 – declared 22 April 2013 – paid 18 June 2013)				37.10	33.61
Number 66 – declared 15 October 2014 – paid 15 December 2014 (2014: Number 64 – declared 21 October 2013 – paid 17 December 2013)				9.40	7.20
Total dividends per share for the period				46.50	40.81
				Rm	Rm
Total value of dividends paid by the Company				245.2	215.2

NOTES TO THE COMPANY FINANCIAL STATEMENTS

		Pick n Pay Stores Limited	
		52 weeks 1 March 2015 Cents per share	52 weeks 2 March 2014 Cents per share
4. DIVIDENDS continued			
4.2 Dividends declared			
Interim dividend – number 93 (2014: number 91)		19.60	14.80
Final dividend – number 94 (2014: number 92)		98.50	77.50
		118.10	92.30

The directors have declared a final dividend (dividend 94) of 98.50 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 15%, where shareholders are subject to this tax. The last day to trade in order to participate in the dividend (CUM dividend) will be Friday, 5 June 2015. The shares will trade EX dividend from the commencement of business on Monday, 8 June 2015 and the record date will be Friday, 12 June 2015. The dividends will be paid on Monday, 15 June 2015.

		Pick n Pay Holdings Limited RF	
		52 weeks 1 March 2015 Cents per share	52 weeks 2 March 2014 Cents per share
Final dividend – number 66 (2014: number 64)		9.40	7.20
Final dividend – number 67 (2014: number 65)		47.85	37.10
		57.25	44.30

The directors have declared a final dividend (dividend 67) of 47.85 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 15%, where shareholders are subject to this tax. The last day to trade in order to participate in the dividend (CUM dividend) will be Friday, 5 June 2015. The shares will trade EX dividend from the commencement of business on Monday, 8 June 2015 and the record date will be Friday, 12 June 2015. The dividends will be paid on Monday, 15 June 2015.

		Pick n Pay Stores Limited	
		52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
5. INVESTMENTS IN SUBSIDIARIES AND TRUST			
5.1 Pick n Pay Stores Limited			
5.1.1 Investments in subsidiaries and trust			
Shares at cost			
Major trading subsidiary			
Pick n Pay Retailers Proprietary Limited		2.0	2.0
Trust			
The Pick n Pay Employee Share Purchase Trust		—	—
Other subsidiaries		36.6	36.6
Total investments in subsidiaries and trust		38.6	38.6
5.1.2 Amounts owing by subsidiary companies			
At beginning of period		758.8	463.6
Amounts (received)/advanced during the period		(311.1)	295.2
At end of period		447.7	758.8
Refer to note 4 for a detailed analysis			
These amounts owing are unsecured and no fixed rate for repayment has been determined. Interest is earned at a rate equal to the unsecured three-month corporate paper, issued under our Domestic Medium Term Note Programme (refer to note 8).			
Total investments in subsidiaries and trust			
Non-current		486.3	97.4
Current portion		—	700.0
		486.3	797.4

NOTES TO THE COMPANY FINANCIAL STATEMENTS

		Pick n Pay Holdings Limited RF	
		52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
5	INVESTMENTS IN SUBSIDIARIES AND TRUST continued		
5.2	Pick n Pay Holdings Limited RF		
5.2.1	Investment in subsidiary		
	Pick n Pay Stores Limited		
	257 345 334 (2014: 257 345 334) ordinary shares		
	Comprising:		
	Initial investment	24.7	24.7
	Capitalisation share awards received	103.3	103.3
	Total investment in subsidiary	128.0	128.0
5.2.2	Amount owing by subsidiary companies		
	Refer to note 9.2.2 for a detailed analysis	4.8	1.9
	These amounts owing are unsecured, interest-free and no fixed date for repayment has been determined.		
	Total investment in subsidiary	132.8	129.9

		Pick n Pay Stores Limited		Pick n Pay Holdings Limited RF	
		52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm	52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
6.	CASH AND CASH EQUIVALENTS				
	Cash and cash equivalents	1.0	—	0.8	—

Cash and cash equivalents represents a current bank account for operational purposes.

		Pick n Pay Stores Limited	
		52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
7.	SHARE CAPITAL		
7.1	Pick n Pay Stores Limited		
	Authorised		
	800 000 000 (2014: 800 000 000) ordinary shares of 1.25 cents each	10.0	10.0
	Issued		
	487 322 321 (2014: 480 397 321) ordinary shares of 1.25 cents each	6.1	6.0

The Company can issue new shares to settle its obligation under its employee share schemes, but any issues in this regard are limited, in the aggregate, to 5% of total issued share capital (currently 24 019 866 shares). To date, 9 615 000 shares have been issued, resulting in 14 751 116 shares remaining for this purpose.

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

The movement in the number of shares in issue in the current period for Pick n Pay Stores Limited was as a result of 6 925 000 shares issued in June 2014, at an issue price of R57.31 per share to various trading subsidiaries. The subsidiaries then used these shares, during August 2014, in order to meet share obligations under the Group's new employee forfeitable share plan (FSP), as approved by the shareholders in February 2014. These shares are now held in a nominee account on behalf of the participants. The participants, although benefiting from full voting rights and full rights to any dividends declared, cannot dispose of their shares during a three-year employment period. In addition, the shares are subject to further performance conditions linked to the Pick n Pay Stores Group's compound annual growth in headline earnings per share. Should the employment conditions or performance conditions not be met, the shares (or portion thereof) are forfeited. The fair value of the shares awarded to participants was R55.59 per share.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

		Pick n Pay Holdings Limited RF	
		52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
7. SHARE CAPITAL continued			
7.2 Pick n Pay Holding Limited RF			
Authorised			
800 000 000 (2014: 800 000 000) ordinary shares of 1.25 cents each		10.0	10.0
Issued			
527 249 082 (2014: 527 249 082) ordinary shares of 1.25 cents each		6.6	6.6
The Company can issue new shares to settle its obligations under its employee share schemes, but any issues in this regard are limited, in the aggregate, to 5% of total share capital.			
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.			
		Pick n Pay Stores Limited	
		52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
8. BORROWINGS			
Unsecured three-month corporate paper, issued under our Domestic Medium Term Note Programme, to fund capital projects. The notes were repaid on 29 June 2014 and carried variable interest rates of 17 to 22 basis points above the three-month Jibar rate which averaged 5.7% per annum (2014: three-month Jibar averaged 5.7% per annum)		—	700.0
9. RELATED PARTY TRANSACTIONS			
9.1 Pick n Pay Stores Limited			
9.1.1 Dividends received from subsidiary companies and paid to its holding company			
Dividends received			
Pick n Pay Retailers Proprietary Limited		468.6	365.0
Guardrisk Insurance Company Limited "A122 ordinary shares"		—	40.2
Pick n Pay Employee Share Purchase Trust		6.0	5.4
Total dividends received from related parties		474.6	410.6
Dividends paid to holding company			
Pick n Pay Holdings Limited RF		249.9	216.3
9.1.2 Finance income from a subsidiary company			
Pick n Pay Retailers Proprietary Limited		10.8	38.3
9.1.3 Loans to subsidiary companies			
Pick n Pay Retailers Proprietary Limited		186.7	527.5
Carrefour Proprietary Limited		102.9	102.9
Pick n Pay (Steelpark) Proprietary Limited		1.8	1.8
Pick n Pay (Steeledale) Proprietary Limited		63.5	63.5
Bedworth Sentrum Proprietary Limited		57.7	57.7
Boxer Holdings (Pty) Limited		27.2	—
Pick n Pay Zambia Limited		3.4	—
Pick n Pay (Mitchells Plain) Limited		6.7	6.7
		449.9	760.1
9.1.4 Loans from holding company			
Pick n Pay Holdings Limited RF		(2.2)	(1.3)
Total loans to related parties		447.7	758.8

NOTES TO THE COMPANY FINANCIAL STATEMENTS

		Pick n Pay Holdings Limited RF	
		52 weeks 1 March 2015 Rm	52 weeks 2 March 2014 Rm
9. RELATED PARTY TRANSACTIONS continued			
9.2 Pick n Pay Holding Limited RF			
9.2.1 Dividends received from subsidiary company			
Pick n Pay Stores Limited		249.9	216.3
9.2.2 Amount owing by Group companies			
Loan to subsidiary company			
Pick n Pay Stores Limited		2.2	1.4
Loan to company within the Group			
Pick n Pay Retailers Proprietary Limited		2.6	0.5
Total amount owing by Group companies		4.8	1.9
9.3 Shares held by directors			
The percentage of shares held by directors of Pick n Pay Stores Limited and Pick n Pay Holdings Limited RF at the reporting date are disclosed in the directors' reports on pages 95 and 99. For further information refer to the remuneration report on pages 60 to 76.			

10. FINANCIAL INSTRUMENTS**Overview**

Pick n Pay Stores Limited and Pick n Pay Holdings Limited RF have limited exposure to risk in respect of financial instruments, as their only material financial assets are their loans to subsidiary companies. There is minimal credit risk relating to these items as it is payable within the Group. Market risk is negated as the financial assets and liabilities have no exposure to changes in exchange rates and have very limited exposure to changes in interest rates.

10.1 Liquidity risk

Liquidity risk is the risk that the Companies will not be able to meet their financial obligations as they fall due. Pick n Pay Stores Limited and Pick n Pay Holdings Limited RF have unlimited access to the funds of the Group companies. Therefore, Pick n Pay Stores Limited and Pick n Pay Holdings Limited RF's liquidity risk is linked to the liquidity of the Group companies. Refer to note 28 of the related Group financial statements.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Pick n Pay Stores Limited			Pick n Pay Holdings Limited RF		
	Carrying amount Rm	Contractual cash flows Rm	Within 1 year Rm	Carrying amount Rm	Contractual cash flows Rm	Within 1 year Rm
2015						
Non-derivative financial liabilities						
Trade and other payables	7.2	7.2	7.2	4.3	4.3	4.3
Total financial obligations	7.2	7.2	7.2	4.3	4.3	4.3
2014						
Non-derivative financial liabilities						
Three-month corporate paper	700.0	710.1	710.1	—	—	—
Trade and other payables	7.0	7.0	7.0	3.8	3.8	3.8
Total financial obligations	707.0	717.1	717.1	3.8	3.8	3.8

10.2 Capital management

The Companies consider the management of capital with reference to the Group policy which can be found on page 153 of the Group financial statements.

ANALYSIS OF SHAREHOLDERS

SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	6 160	60.08	2 485 250	0.51
1 001 – 10 000 shares	3 254	31.74	9 831 974	2.02
10 001 – 100 000 shares	633	6.17	19 918 570	4.09
100 001 – 1 000 000 shares	170	1.66	48 513 864	9.95
1 000 001 shares and over	36	0.35	406 572 663	83.43
Total	10 253	100.00	487 322 321	100.00

PUBLIC/NON-PUBLIC SHAREHOLDERS

Non-public shareholders	9	0.09	315 072 693	64.66
Directors	5	0.05	511 037	0.11
CSDP account holding shares on behalf of FSP participants	1	0.01	6 925 000	1.42
Pick n Pay Holdings Limited RF	1	0.01	257 345 334	52.80
Pick n Pay Stores Employee Share Purchase Trust	1	0.01	1 872 331	0.38
Strategic holdings (more than 10%)	1	0.01	48 963 991	10.05
Public shareholders	10 244	99.91	172 249 628	35.34
Total	10 253	100.00	487 322 321	100.00

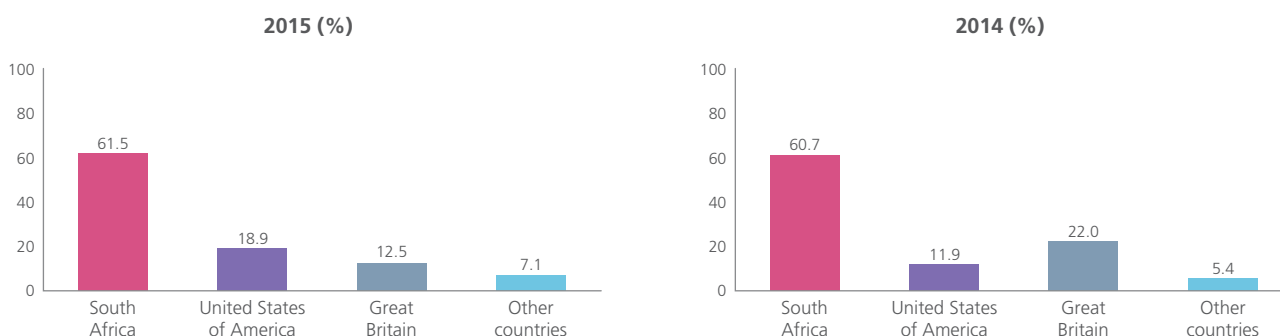
BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE

Pick n Pay Holdings Limited RF	257 345 334	52.80
Government Employees Pension Fund	48 963 991	10.05
CSDP account holding shares on behalf of FSP participants	6 925 000	1.42
Genesis Emerging Markets Investment Company	6 326 173	1.30

Geographical spread of shareholders



Geographical spread of non-controlling shareholders



ANALYSIS OF SHAREHOLDERS

SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	2 242	31.81	1 060 765	0.20
1 001 – 10 000 shares	3 442	48.83	13 276 451	2.52
10 001 – 100 000 shares	1 068	15.15	32 782 876	6.22
100 001 – 1 000 000 shares	243	3.45	72 325 542	13.72
1 000 001 shares and over	54	0.76	407 803 448	77.34
Total	7 049	100.00	527 249 082	100.00

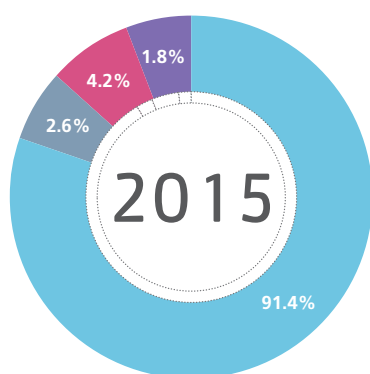
PUBLIC/NON-PUBLIC SHAREHOLDERS

Non-public shareholders	12	0.16	274 748 882	52.10
Directors and public officer	9	0.13	7 560 854	1.43
Ackerman Investment Holdings Proprietary Limited	1	0.01	255 736 850	48.50
Pick n Pay Employee Share Purchase Trust	1	0.01	9 602 475	1.82
Blue Ribbon Share Trust	1	0.01	1 848 703	0.35
Public shareholders	7 037	99.84	252 500 200	47.90
Total	7 049	100.00	527 249 082	100.00

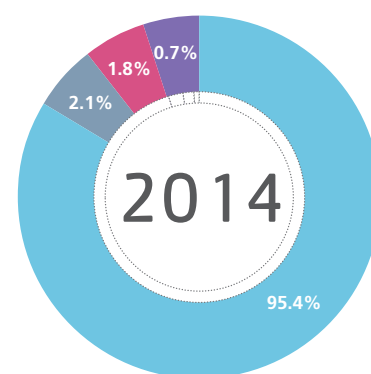
BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE

Ackerman Investment Holdings Proprietary Limited	255 736 850	48.50
Government Employees Pension Fund	19 971 639	3.79
Government of Norway	9 552 636	1.81
Pick n Pay Holdings Employee Share Purchase Trust	9 602 475	1.82
Allan Gray Equity Fund	8 084 400	1.53
Allan Gray Balanced Fund	5 572 469	1.06
The Mistral Trust	5 465 200	1.04

Geographical spread of shareholders

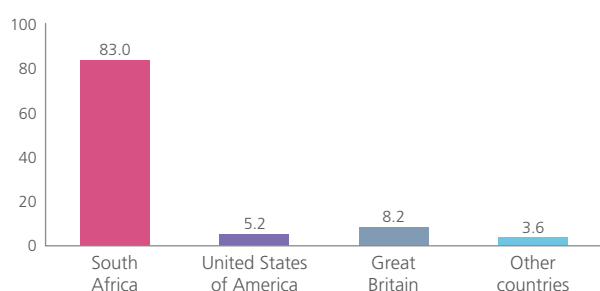


■ South Africa
■ United States of America
■ Great Britain
■ Other countries

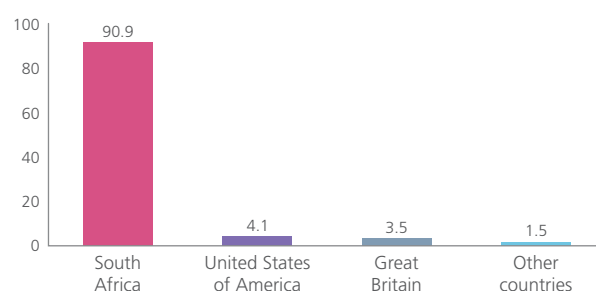


Geographical spread of non-controlling shareholders

2015 (%)



2014 (%)



SHAREHOLDERS' INFORMATION

ANNUAL GENERAL MEETINGS (AGMs) – 27 JULY 2015

The 47th annual general meeting of shareholders of **Pick n Pay Stores Limited** (Stores AGM) will be held at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708 on Monday, 27 July 2015 at 08:30.

The 34th annual general meeting of shareholders of **Pick n Pay Holdings Limited RF** (Holdings AGM) will be held at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708 on Monday, 27 July 2015 at 09:00, or as soon as the Stores AGM is completed.

Registration for both AGMs will commence at 08:00.

The minutes of the previous year's AGM held on 2 June 2014 are available on our Pick n Pay investor relations website at www.picknpayinvestor.co.za.

DIVIDENDS

Pick n Pay Stores Limited JSE share code: PIK ISIN code: ZAE00005443			Pick n Pay Holdings Limited RF JSE share code: PWK ISIN code: ZAE000005724			Last day of trade	Date of payment
Number	Amount (cents)		Number	Amount (cents)			
Interim	91	14.80	64	7.20		6 December 2013	17 December 2013
Final	92	77.50	65	37.10		6 June 2014	17 June 2014
Interim	93	19.60	66	9.40		5 December 2014	15 December 2014
Final	94	98.50	67	47.85		5 June 2015	15 June 2015
Interim	95	—	68	—		4 December 2015*	14 December 2015*
Final	96	—	69	—		3 June 2016*	13 June 2016*

RESULT ANNOUNCEMENTS

Interim to 31 August 2014	16 October 2014
Final to 1 March 2015	21 April 2015
Interim to 30 August 2015	13 October 2015
Final to 28 February 2016	26 April 2016

PUBLICATION OF INTEGRATED ANNUAL REPORTS

2015: May/June 2015

2016: May/June 2016

* Estimated

CORPORATE INFORMATION

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KPMG Inc.

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Edward Nathan Sonnenberg

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First National Bank

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