Pick n Pay

Integrated Annual Report 2014

Key indicators*

Turnover ↗ **7.7%** to **R63.1 billion**

111 new stores

Customer count ↗ **3.2%**

7.9 million smart shopper cards

Online shopping ↗ **27%**

Africa segmental revenue ↗ **27.9%**

New space ↗ **5.8%**

HEPS ↗ **43.3%** to **138.51 cents**

Volumes through the DC ↗ **10.8%**

Like for like **trading expenses** ↗ **0.8%**

Energy per square metre decreased on 2008 baseline ↙ **30%**

On-shelf availability ↗ **2.4%**

** Financial information based on pro-forma information. Refer to note 29 of the Group financial statements on pages 134 and 135.*

Highest-ranking retailer in Africa in the **CDP's Disclosure Index**

R92 million invested in **skills development**

R55 million invested in **energy efficient projects**

38 000 participants in Pick n Pay Pink Drive Women's Walk **promoting breast cancer awareness**

Only retailer on the **CDP Climate Performance Leadership** index

Contents

South Africa's number one grocery store

We are extremely proud to have received this accolade in the 2013 Sunday Times Top Brands Awards, as well as being recognised as the most Reputable Retailer in South Africa by the Reputation Institute and the Most Trusted Retailer in South Africa by the 2013 Ask Africa Orange Index.

This is a strong endorsement by our customers and other stakeholders of our brand, our offering, the service we provide and the hard work we have put in over the past few years.

We are committed to improving every day to ensure that we remain South Africa's number one grocery store.

The Pick n Pay integrated annual report

We are committed to achieving the highest standards of global best practice in reporting and continue on our journey to implement these standards in the Group. We have expanded our disclosures in 2014 and will continue to engage with all stakeholders to ensure that we improve year-on-year.

Introduction

We are pleased to provide you with our integrated annual report for 2014.

Our integrated annual report is intended for all our valued stakeholders that continue to support Pick n Pay (see page 14), but is more specifically focused on our shareholders and investors.

The objective of our integrated annual report is to provide a review of the financial, social and environmental performance indicators and results for Pick n Pay Holdings Limited RF and Pick n Pay Stores Limited and all their subsidiaries and associate (the Group), as well as the opportunities and related risks faced by the Group and how these underpin our strategic objectives. We believe this report will provide our stakeholders with improved insight into our business and an increased understanding of how we create value and how we are ensuring that our value creation is sustainable in the long term.

We are committed to achieving the highest standards of global best practice in reporting, and continue on our journey to implement these standards in the Group. We have expanded our disclosures in 2014 and will continue to engage with all stakeholders to ensure that we improve year-on-year.

Scope of the report

This integrated annual report covers the financial performance, operational highlights and strategic objectives of the Group.

Pick n Pay Holdings Limited RF is an investment holding company listed on the JSE Limited (JSE), with a controlling shareholding in JSE listed Pick n Pay Stores Limited. Pick n Pay Stores Limited is an investment holding company whose subsidiaries and associate operate in the retail sector on the African continent. The Group's two major trading subsidiaries are Pick n Pay Retailers Proprietary Limited and Boxer Superstores Proprietary Limited. Pick n Pay has a 49% share in its associate TM Supermarkets Pvt Limited, which operates in Zimbabwe.

Sustainability disclosures provided in this report are specific to our Pick n Pay branded business in South Africa. It is our intention to expand these disclosures in the future to include our Boxer business and our associate TM Supermarkets, in order to provide a comprehensive view of the social and environmental impact of the Group as a whole, including our impact outside South Africa.

The report covers the 2014 annual financial period, with relevant comparison to previous periods, and 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 International Integrated Reporting ‹IR› Framework;
- The Global Reporting Initiative's G3.1 guidelines on reporting of non-financial information (GRI G3.1);
- The Companies Act, No 71 of 2008, as amended;
- The JSE Listings Requirements; and
- International Financial Reporting Standards (IFRS).

The report presents a range of financial and non-financial disclosures and performance measures to assist our stakeholders to make an informed and objective assessment of the Group's overall performance in 2014. Our key performance measures are presented on the inside front cover and page 1.

In our continued effort to improve our reporting, we have made some changes to the structure and presentation of information, particularly in respect of our corporate governance report (page 42) and remuneration report (page 55). This has not materially affected the consistency of our reporting, and no previously reported significant information has been excluded from the report.

Except for those listed in note 31 of the Group financial statements, there has been no other restatement of financial information in respect of prior periods, however, in considering year-on-year comparability we draw your attention to the following:
In February 2013 the Group adopted a 52-week financial reporting calendar for all future annual financial periods. This change has integrated external financial reporting with internal operational structures and will improve comparative reporting to both internal and external stakeholders going forward. As a result, the 2014 annual financial period began on 4 March 2013 and ended on 2 March 2014 (364 days) compared to the 2013 financial year,

which began on 1 March 2012 and ended on 3 March 2013 (368 days). The comparative financial period therefore reflects four extra days of turnover. Expenditure is presented on a comparable basis with both the 2014 and 2013 financial years reflecting 12 calendar months of operating expenditure. Please refer to note 29 on page 134 for the estimated impact on the financial statements.

Forward looking information

This integrated annual report contains certain forward looking statements as relates 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 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.

External assurance

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

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

External assurance obtained in the current period is limited to the external audit opinion on the Group and Company financial statements. We worked with a qualified, independent third party to assist us with developing a comprehensive combined assurance approach, to ensure the integrity of all data contained within the report.

Additional information

In the interests of environmental sustainability, we do not post the integrated annual report or the sustainable living report to our shareholders. Printed copies are available on request from our Company Secretary, Debra Muller, at demuller@pnp.co.za or by fax at + 27 21 797 0314.

The integrated annual report, the sustainable living report and a number of supporting documents, such as our full corporate governance charter, code of ethics, BBBEE certificate and other information relevant to Pick n Pay stakeholders are available on the investor relations section of our website, at www.picknpayinvestor.co.za.

Feedback

We hope that this 2014 integrated annual report has achieved our objective of providing you with a deeper understanding of Pick n Pay – of who we are, how we do business and where we hope to be in the future. We are committed to building on and improving on this report next year and would value your feedback in this regard. Any comments or requests for additional information can be emailed to our Company Secretary (contact details above).

Approval of the integrated annual report

The audit committee has reviewed the 2014 integrated annual report and recommended it for approval to the Board.

The board of directors 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, and provides a fair presentation of the financial position of the Group as at 2 March 2014 and its performance for the related annual financial period.

The Board authorised the integrated annual report for release on 14 April 2014.

Gareth Ackerman
Chairman

Richard Brasher
Chief Executive Officer

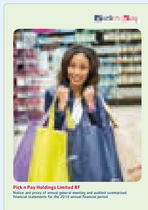
Report navigation

To best serve the needs of our various stakeholders, different sections of our full integrated annual report are available in different mediums:

Integrated annual report
A comprehensive view of the Group's strategy and our financial and operational 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.

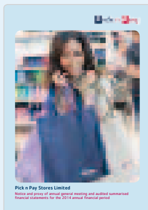
Available on the website at www.picknpayinvestor.co.za



Summarised results
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 25 April 2014, in terms of the Companies Act, 71 of 2008 (as amended).

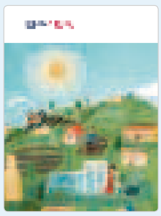
Available on the website at www.picknpayinvestor.co.za



Summarised results
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 25 April 2014, in terms of the Companies Act, 71 of 2008 (as amended).

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



Sustainable living report
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.

Printed and made available on request.

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

ENGAGE WITH US ON:

Pick n Pay at a glance

Pick n Pay has played a valuable role in the economic and social development of South Africa over the last five decades. The Group now has 1 076 stores across all formats, directly employs 50 000 people (excluding our franchise stores) and is supplied by more than 5 000 suppliers and service providers.

Pick n Pay Holdings Limited RF and Pick n Pay Stores Limited are investment holding companies listed on the JSE since 1968. 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. Pick n Pay Stores Limited, through its subsidiaries and associate, operates in the retail sector in South Africa and in six other southern African countries.

Pick n Pay is a multi-format, multi-channel retailer, with a unique focus on the customer and its communities. Since 1967 when consumer champion Raymond Ackerman purchased the first few stores, 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.

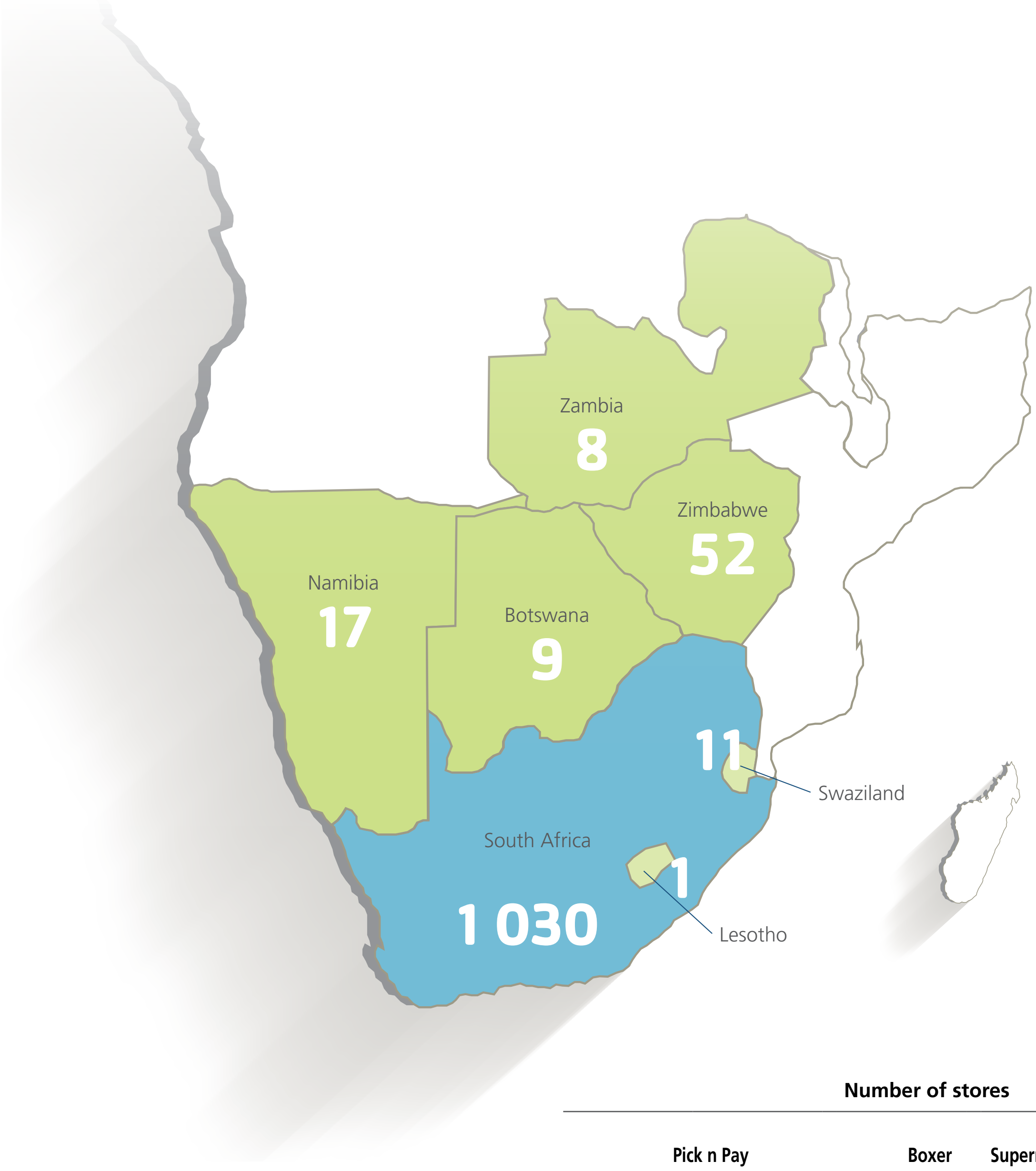
Pick n Pay has played a valuable role in the economic and social development of South Africa over the last five decades. The Group now has 1 076 stores across all formats, directly employs almost 50 000 people (excluding our franchise stores) and is supplied by more than 5 000 suppliers and service providers. Pick n Pay is a strong brand, much loved in society, which has been 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 a key strength of our business and is what challenges us and drives us to improve each and every day in order to meet the needs of all our stakeholders.

Our offer to customers focuses on food, groceries, clothing, health and beauty products and general merchandise, but also includes additional value-added services (such as financial transactions at till points, ticketing services and the sale of iTunes' vouchers) to cater for our customers' expectations and evolving needs. To ensure a convenient and accessible shopping experience the Group operates across multiple store formats, on both an owned and franchise basis and offers a growing online shopping business.

As a major retailer in southern Africa, the Group strives to address the socio-economic challenges in 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.

Store footprint

Pick n Pay has an extensive retail presence in southern Africa, with a strong and diverse portfolio of stores. Pick n Pay has 1 076 stores, having opened 111 stores in the 2014 financial year, adding net 3.4% to our space. Pick n Pay is not focused on a single customer demographic, but is focused on being the retailer for all South Africans. 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. Our franchise operation adds to the scale of our business and the reach of our brand, both inside and outside of South Africa. There is no doubt that partnering with experienced retailers and entrepreneurs has been positive for our business and has helped us play a significant role in the transformation of business in South Africa. We are developing our presence outside of South Africa, which although still a relatively small part of our business, has the potential to be a second engine of growth for Pick n Pay. Pick n Pay closed its franchise business in Mauritius and Mozambique during the year, exiting territories and partnerships which were not profitable for the Group, in order to focus on more strategic opportunities.



Number of stores

	Pick n Pay		Boxer	TM Supermarkets	
South Africa Division	**Owned**	**Franchise**	**Owned**	**Associate**	**Total**
Hypermarkets	20	—	—	—	**20**
Supermarkets	192	244	118	—	**554**
Express	—	21	—	—	**21**
Punch	—	—	16	—	**16**
Clothing	88	14	—	—	**102**
Liquor	152	121	21	—	**294**
Pharmacy (stand-alone)	4	—	—	—	**4**
Hardware (Boxerbuild)	—	—	19	—	**19**
Total South Africa Division	456	400	174	—	**1 030**
Africa Division					
Zambia	8	—	—	—	**8**
Namibia	—	17	—	—	**17**
Botswana	—	9	—	—	**9**
Swaziland	—	6	5	—	**11**
Lesotho	—	1	—	—	**1**
Zimbabwe (associate)*	—	—	—	52	**52**
Total Africa Division	8	33	5	52	**98**
Total Group stores	464	433	179	52	**1 128**
Total consolidated Group stores (excluding associate)	**464**	**433**	**179**	**—**	**1 076**

** Trading by the Group's associate TM Supermarkets with three stores trading as Pick n Pay.*

Pick n Pay at a glance continued

Store formats

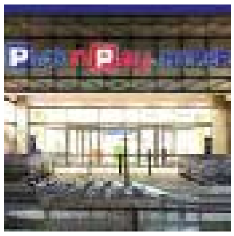
Format	Offering

Pick n Pay Supermarkets

Our 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 and can always rely on our quality, availability and great value. Our fresh produce and butchery offering is complemented by an in-store bakery, deli and hot food counter. Pick n Pay supermarkets serve a range of communities across southern Africa, from lower and middle income families to the most affluent households. We ensure our ranges are tailored to meet the needs of the local communities we serve. Some stores focus on basic necessities and local produce, while others boast specialty service counters, wine rooms and sushi bars. Convenience is important and we provide our customers with easily accessible locations and good parking.

Pick n Pay Hypermarkets

Our largest format store, providing customers with an expanded range of groceries, clothing and general merchandise. A hypermarket is a "one stop shop", where customers can get everything they need under one roof. Our Hypers offer fresh produce, a butchery, a deli, a bakery and a hot food counter, but also offer specialist categories not always available in a supermarket, such as home appliances, kitchenware, home improvement, garden and pool accessories, toys, stationery and an expanded health and beauty range. These retail sites are large, catering for destination shoppers, with wide aisles and clear signage and boast ample parking. Prices are very competitive, with a leaning towards multi-pack and bulk-buy items and increased targeted promotional activity. Our hypermarkets have become landmarks in their surrounding communities, regularly hosting competitions, charitable events and other community initiatives.



Pick n Pay Express

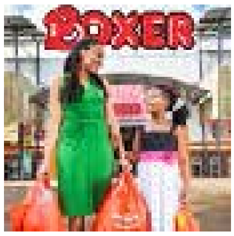
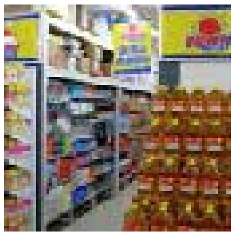
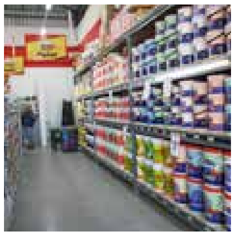
Our partnership with BP, provides a small convenience Pick n Pay Express store on a BP petrol station forecourt. The express store is our smallest format store, offering a targeted convenience range that satisfies an immediate "top-up" shop or a quick meal solution. The range is small, with a limited choice and is mainly focused on daily necessities in small packages. There is a limited fresh food offer. Value-added services include an ATM, lottery, airtime and electricity purchases. Our sites are located in high traffic flow areas, including high density residential areas and public transport intersections. Express stores are open 24 hours.

Pick n Pay Clothing

Pick n Pay provides the whole family with good quality, fashionable clothing and footwear at exceptional value. Our offer is broad, from baby and children's wear through to men's and ladies wear and includes casual wear, sleep wear, active wear and even caters more formally for the office. Our private label Real has become a much-loved South African brand and is complemented by our exclusive rights to the international brands Cherokee and Maui & Sons. Our standalone clothing stores provide the same quality and value-for-money as our hypermarkets and supermarkets, but with an extended range.

Pick n Pay Liquor

Our liquor stores are situated close to our supermarkets, but with a separate entrance, as South African liquor laws do not allow for alcohol (other than wine) to be sold in supermarkets. Our liquor stores provide customers with the added convenience of purchasing alcohol at the same time as doing their grocery shop. Pick n Pay Liquor stores offer a wide range of beers, cider, fruit alcoholic beverages, wines, fortified wines and spirits. Our liquor stores help customers cater for parties and functions by providing a full delivery service, including the provision of all glassware, coolers and ice.

Format	Offering	
Pick n Pay Pharmacy	Pick n Pay operates 24 pharmacies in store, with four stand-alone pharmacies. This is another way that we have expanded our goods and services to meet the evolving needs of our customers. We are committed to providing our customers with convenient and affordable healthcare, providing a wide range of vitamins, supplements, sports nutrition, self-medication, medical services clinics and a dispensary.	
Boxer	Boxer Superstores is a full-service supermarket, offering a wide range of groceries. The fresh produce offering is complemented by an in-store butchery, bakery and hot foods counter. Our target market is the lower- to middle-income communities of South Africa and Swaziland and as such, price and convenience is absolutely crucial for our customers. Boxer Superstores is known for being the price-fighting champion of the people, as our customers increasingly look for value and promotion. All our stores are located close to public transportation routes to cater for our customers travelling needs and our stores have a welcoming market-style atmosphere.	
Boxer Punch	Punch Stores is a smaller sized supermarket offering. These stores are located at smaller sites that have a lot of customer foot traffic around them. The store has low-expense overheads, enabling the business to further reduce the selling prices of products on shelf. Punch Stores offer customers low prices on key lines which satisfies the demand that exists within the targeted customer base. Our focused product range includes local produce, pre-packed meat; and a limited range of breads and confectionery.	
Boxer Build	Boxer Build stocks a diversified range of building and hardware supplies that provide the home owner and builder with all their building, DIY and home-improvement products at the most competitive prices. Boxer Build offers customers a savings card and access to short-term credit facilities. Transport for purchased products can also be arranged at store level. These builders' hardware outlets are located in the Eastern Cape and KwaZulu-Natal provinces.	
Boxer Superliquors	Boxer Superliquors stores are situated close to our supermarkets, but with a separate entrance, as South African liquor laws do not allow for alcohol (other than wine) to be sold in supermarkets. Our liquor stores provide customers with the added convenience of purchasing alcohol at the same time as doing their grocery shop. Boxer Superliquors carry a focused range of basic alcoholic beverages which are sold at competitive prices. Ice is available on-site.	

The Pick n Pay Group

Pick n Pay is a food, grocery and general merchandise retailer selling a wide range of products at great prices in shops where our customers are welcomed and treated with respect. We serve customers from across the range of society. As well as offering a wide range of branded products, we also have private labels to suit every budget.

The Pick n Pay Group, through its South Africa and Africa divisions, with its Pick n Pay and Boxer brands, is a food, grocery and general merchandise retailer selling a wide range of products at great prices, in shops where our customers are welcomed and treated with respect.

We serve customers across the diverse spectrum of South African society, and are expanding our reach into the African continent. As well as offering a wide range of branded products, we have Pick n Pay branded products to suit every budget: through our Finest brand, our core Pick n Pay brand and our budget No Name brand. More than half of all South Africans shop regularly in our stores and we have among the most loyal customers in the country.

We are developing as a multi-format, multi-channel business. 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. Franchise is a core part of our business model, and we are also developing convenience and other smaller store formats. Our franchisees are strong representatives of the Pick n Pay brand and we are privileged to have such committed and capable retailers serving our customers.

We have a small and growing online business, giving customers the opportunity to shop from their homes and have their products delivered to their door in one-hour time slots.

We are an international business. The rapid emergence of a consumer economy across Africa gives us the opportunity to grow into new markets. This has the potential to be a second engine of growth for the Group, bringing safe and affordable food to many new customers and communities. In recent years we have expanded beyond the boundaries of South Africa into the adjacent markets of Namibia, Botswana, Lesotho, Swaziland, Zimbabwe, and Zambia. In total we have close to 100 international stores generating sales of over R3 billion per annum and contributing meaningfully to our profits. We tailor our ownership model to what is appropriate to the local environment, whether establishing owned stores, franchised stores or a part-investment in an independent operation. During the year we closed underperforming franchise operations in Mauritius and Mozambique to enable us to focus our attention on markets with more potential.

We know that at the heart of great customer service is a great team. We employ almost 50 000 people in our owned stores and with franchise, this extends to close to 73 000 people working under the Pick n Pay and Boxer banners. Working at Pick n Pay is more than a job. It is an opportunity to learn, develop new skills and benefit through great teamwork. We are committed to training and empowering our people, and our aim is to be the employer of choice in the retail industry.

Consumer trends

Since 1994 the South African economy has grown rapidly. This growth has seen increased disposable income across society and led to a rapid growth in the consumer economy. Living standards have, on average, improved and our customers are constantly aspiring to improve their living conditions. As the economy has grown the government has increased social security payments helping to raise the conditions of the least well-off.

However, the benefits have not reached everyone equally. There remains much to do for us as a nation. Unemployment remains stubbornly high at over 25% for the quarter ending March 2014, with youth unemployment higher at 53%. The divergence in living standards between those with the most and those with the least is stark. Basic standards of housing, education and health remain below acceptable levels. Additionally, consumers in South Africa have come under increasing financial pressure over the past year. Living costs have risen significantly, particularly utility and fuel costs. Interest rates have also begun to rise, adding pressure to those customers who are purchasing their homes on credit or who rely on credit to fund their lifestyles. The value of the rand has fallen significantly, relative to other international currencies, putting pressure on the cost of imports and driving prices higher.

Our business principles

Three enduring principles have guided our business over the past 47 years and will continue to guide us into the future:

1. Consumer sovereignty

We put customers at the heart of our business and create value for them by providing good quality, safe and nutritious food at the lowest prices we can. We provide customers with a wide range of food and non-food products at great prices in a variety of store formats that are appropriate to their shopping needs. We appeal broadly across society, exclude no-one and seek to move hand-in-hand with the changing needs and aspirations of our customers.

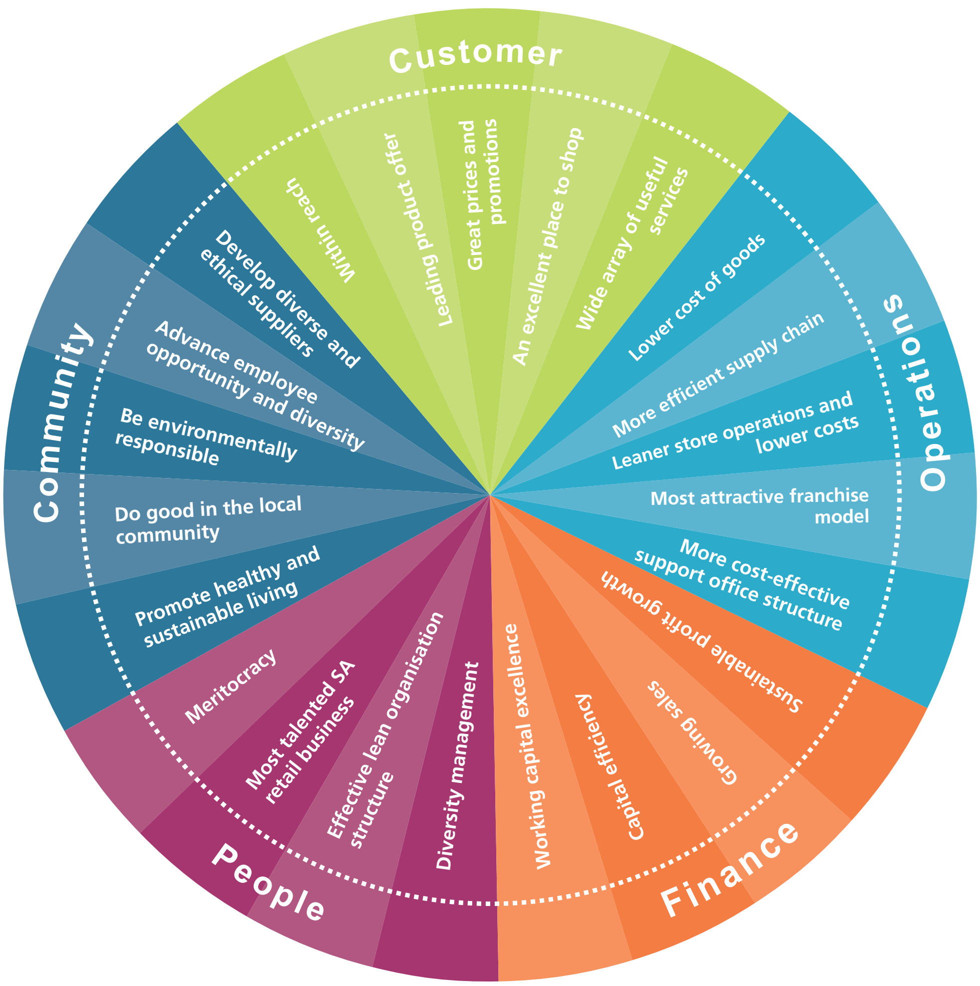
2. Business efficiency

We negotiate the lowest possible prices from over 5 000 suppliers and service providers and transport, store and display our products as efficiently as possible to keep costs to a minimum. 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 sales 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; that 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 through the support of local communities during times of crisis, or in helping to develop local suppliers, or building the capacity of our youth 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.

Our business model is aimed at making us the retailer for every South African



The Pick n Pay Group continued

Consumer trends continued

Our prices have risen substantially less sharply than CPI. However, we recognise that many of our customers are under substantial pressure to tighten their belts. They will therefore reward those retailers who provide the most compelling offer in terms of price, quality and value.

Customers in South Africa and more widely are also increasingly placing a premium on convenience. For those in work, time is an increasingly scarce commodity. Customers are seeking out those retailers who provide convenience either in the form of smaller, more local stores, or increasingly in the form of an effective online offer. Our store expansion programme recognises this trend and we are focused on opening smaller convenience stores in markets not yet widely serviced by the Group.

Our strategy

1. **Grow our core South African business**
2. **Establish the rest of Africa as a second engine of growth**
3. **Build a high performance culture**

1. Grow our core South African business

Over 90% of our turnover is generated in our domestic market. Between our two key brands, Pick n Pay and Boxer, we have stores that meet the needs of all economically active South Africans: our Pick n Pay stores largely serve middle- to upper-income customers and our Boxer stores serve lower- to middle-income customers.

Under the Pick n Pay brand, our hypermarkets provide the widest range of products under one roof at unbeatable value. Our Pick n Pay supermarkets are the core of our business and they meet the weekly and monthly food shopping requirements of our customers. Our Pick n Pay supermarkets are a combination of company-owned stores and entrepreneurial franchise stores. We have a small but growing online business which is improving every year.

Boxer provides a more limited range of products focused on fresh food, basic commodities and hardware at highly competitive prices in lower- to middle-income areas.

The two brands, Pick n Pay and Boxer, have demonstrated their ability to trade strongly alongside each other in many markets.

Reaching more customers

Our footprint includes some of the most prime retail estate in South Africa, and we remain an anchor tenant of choice for landlords and developers. Pick n Pay has over 1 000 stores, and opened 111 stores in this 2014 financial year, adding 5.8% to our overall space.

We intend to exploit the significant potential for us to reach and serve more customers by opening more stores. We do not focus on any narrow segment of the consumer market. Our aim is to be the retailer for every South African, and our strategy is to open stores in ways which reflect the changing aspirations of our customers.

The opportunity therefore extends across the range of our formats: Pick n Pay and Boxer, owned and franchise. While higher-income customers are likely to be more resilient to current economic and financial pressures, we are excited about the opportunity to bring modern food retailing and its benefits to more lower- to middle-income communities through our Pick n Pay and Boxer brands.

Improving our customer offer

We have substantial opportunity to improve both our customer offer and sales by focusing on the range, quality, value and availability of products in our stores. By doing so we believe that we can further increase the value of our business.

Over the past year we have listened hard to customers and reviewed every aspect of the shopping experience. We have substantive plans in place to improve the variety, freshness, quality of our products, to offer better value for money through stronger price discipline, more exciting promotions, and an improved loyalty programme, and to improve the speed, ease and friendliness of the shopping trip. We see the potential to expand the range of services we offer into new categories where we believe we can differentiate ourselves from established competitors.

Rewarding customer loyalty

Over the past year we have also invested in our customer offer by improving our smart shopper loyalty programme. We now have almost eight million smart shopper cards. Every second our business is open, 10 smart shopper cards are swiped at our tills.

Smart shopper will now deliver more to customers at less cost to our business. It also gives us unique insight into the changing needs and aspirations of our customers.

Improving our efficiency

In recent years we have made major investments in transforming our business from an organisation operating largely on regional lines, into one where we operate centrally those functions where our customers, employees and shareholders will benefit from our improved effectiveness. Those aspects of the business that are best handled locally will remain regionally managed. On supply chain, our Longmeadow (situated in Johannesburg) and Philippi (situated in Cape Town) central distribution centres are now fully operational. We have also centralised category management and forecasting and ordering. By doing so, we can devote more expertise into developing a more compelling product offer and making sure we improve our on-shelf availability while minimising cost and working capital. We have world-class information technology across our business, including advanced point-of-sale technology at our tills and on our shelves.

Centralisation benefits our customers through better product, better prices, better availability and less cluttered stores. It also enables us to improve our operational efficiency.

The work already undertaken provides a platform for us to make further operational improvements without significant additional spend. We plan to improve the efficiency of our operations by sourcing, delivering and operating at lower cost. We are continuing to work with our suppliers on shorter lead times and better communication.

We see substantial potential in every part of our business to save money, much of which can then be reinvested in the customer offer, giving our customers more reasons to shop with us.

2. Establish the rest of Africa as a second engine of growth

Our operations outside South Africa are already an important contributor to the Group. We have an established presence in Namibia, Botswana, Lesotho and Swaziland, and we have performed well in each market. We are expanding rapidly in Zambia, which this financial year contributed over R1 billion in sales, and have a minority share in our associate TM Supermarkets in Zimbabwe.

During the year we exited our franchise operations in Mozambique and Mauritius. These closures will allow us to focus more intently on those markets where we can build a long-term market leading business.

We continue to explore further opportunities to grow within the African continent, and have recently put a team on the ground to explore opportunities in Nigeria which is the most populous country on the continent with strong growth potential. Operating outside of our home market is complex and we are taking a measured approach to growth on the continent.

3. Build a high performance culture

We aspire to be the employer of choice in the retail sector in South Africa and will do this by offering a rewarding place to work where each individual can develop and fulfil their own personal ambitions.

We have set ambitious goals for our business for the next three to five years. To ensure that we drive our organisational development with pace and energy, we are strengthening our senior team. To ensure that we have clarity in our objectives and in measuring and driving performance, we have introduced a balanced scorecard (refer to page 11). Over the past 12 months we have improved the effectiveness of our support offices, having changed the structures in each functional area. During this process we have also become more efficient and made material cost savings.

Pick n Pay Stores Limited has adopted a new share incentive plan. The Pick n Pay Stores Limited Forfeitable Share Plan (FSP) is aimed at those executive directors and key senior management personnel who have a significant role to play in delivering the Group's strategy and in ensuring the growth and sustainability of the business in the future. An important feature of the FSP is that before employees are eligible to participate, they must first meet their individual key performance indicators, as set out in the strategic business plan and balanced scorecard – ensuring that executives are appropriately and fairly recognised and rewarded for performance delivery. Forfeitable shares are performance shares. Shares awarded under the FSP will always have performance conditions attached, and if the performance conditions are not met within the specified time period (the vesting period) the executive will forfeit the shares. Please see page 61 of the remuneration committee report for further information.

Engaging with our stakeholders

Pick n Pay recognises that the sustainability of the Group is dependent on sustainable and mutually beneficial relationships with all our stakeholders.

Our key stakeholders have been identified through ongoing engagement with various individuals, groups and organisations and are defined as those parties that have a direct stake in our business because they can affect or be affected by our activities, objectives and policies.

Communicating with, and listening to, our customers, suppliers, investors, employees, regulating authorities, media, community groups and the broader society 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
Why do we engage?	• Listening and responding to customer feedback, both positive and negative, assists us to continually improve our offering, which encourages sustainable revenue growth • Understanding and responding to our customers' changing needs ensures that we are able to provide them with new and compelling reasons to shop at Pick n Pay and Boxer	• The success and well-being of the communities in which we trade ultimately affect the success and well-being of our stores and our employees in those stores • When you actively engage with and support your local communities, they in turn, actively engage with and support your business, promoting the sustainability of both	• If we are to get the best out of our team (and in turn be able to deliver the best to our customers), we must actively and regularly engage with our employees on strategy, key performance indicators, financial performance and on the role we expect each individual employee to play in our business • We engage in order to identify and recognise good performance, to provide training and development where necessary and to hold each team member accountable for the job they do
Our vision	• To be the retailer for every South African • To provide a leading range of products and useful services, of outstanding quality and price, in convenient locations • To commit to ethical and informative retail practices	• To do good in our local communities – and to ensure that our local communities benefit from our ongoing investment in social, environmental and economic recovery and development • To promote healthy and sustainable living • To be environmentally responsible	• To have the best team in the retail industry • To be the most sought after employer in the retail industry • To provide access to recognition, opportunities, good working conditions and competitive remuneration • To have a diverse employee base • Meritocracy (advancement based on merit)
Our stakeholders' requirements	• Product quality and food safety • Product availability • Affordability and good value for money • Opportunities for active engagement in sustainability initiatives, such as buying sustainable seafood or using in-store recycling opportunities • A reward for loyalty	• Many varied social, environmental, economic and ethical needs • Job creation • Food safety • Opportunities for active community engagement, such as charity drives, community clean-ups and other local initiatives	• Recognition, remuneration and rewards for services provided • Training, career development and wellness programmes (including HIV education) • Sustainable business performance • To work for a responsible and ethical corporate citizen
Our engagement	• Our Customer director provides a voice to our customers on the Board, ensuring customer engagement and customer service receive priority • Personal "one on one" meetings are held with customers • Regular customer surveys, consumer forums and online customer panels • Our website www.picknpay.co.za allows for online engagement, as does our active participation on various social media platforms • Marketing campaigns • Our smart shopper loyalty programme	• Forums such as township co-operatives, community affiliations, university partnerships and the Pick n Pay Schools Club • The many varied social responsibility programmes of all our individual stores and in collaboration with the Ackerman Pick n Pay Foundation, including valuable skills development, education, small enterprise support and development, health-care, community gardens and various other initiatives	• Regular management updates ensures that employees feel part of the team • Employee surveys are conducted to ensure employees views are known and considered in strategic decision-making • Internal publications provided to employees monthly • In-house television and radio communications and employee conferences • Skills development and training • Ongoing engagement with unions
Our performance	• We are constantly monitoring calls received through our customer care line and resolving the issues raised – we saw the number of customer engagements increase by 5% to over 300 000 • We have substantially increased our digital presence with a 40% increase in the use of our Pick n Pay website, a substantial following on Twitter, a 60% increase in our YouTube subscribers and we are the most popular Facebook presence for a South African retailer with 587 000 followers • Smart shopper has given back over R1 billion in smart shopper loyalty points since its inception with more than R500 million in the 2014 financial year • Our smart shopper application is a popular download on iStore	• Pick n Pay spent R36 million on various CSI initiatives over the 2014 financial year • Our smart shopper loyalty programme has generated R1.8 million worth of points which has been donated to charity by our customers since inception • Through co-operation with the Ackerman Pick n Pay Foundations, the enterprise development programme has facilitated six rural community farms to successfully supply fresh produce through the Pick n Pay supply chain • We have assisted a small start-up company, which produces tortillas and wraps, to become a national supplier to Pick n Pay stores • An organic vegetable farm participating in our enterprise development programme supplies our Gauteng region • A small meat supplier participating in our enterprise development programme supplies fresh meat into 32 of our franchise stores around Gauteng • On "Day for Madiba", Pick n Pay, together with its franchisees, raised R5 million for good causes, including approximately R4 million for the Nelson Mandela Children's Hospital and a further R500 000 to the Nelson Mandela Children's Fund	• R92 million spent on skills training and development in 2014 • Over 330 training programmes offered to employees, ranging from basic literacy and numeracy through to computer-based training and management and leadership programmes • Over 1 600 internal promotions over the 2014 year contributing to the career advancement of valued employees • The launch of the Pick n Pay graduate programme • Chartered Accountant (SA) training programme offered at Pick n Pay • Successful labour negotiation in March 2013 secured a new wage deal for the next three years • Roll-out of the Kronos automatic labour scheduling system is facilitating transparent and efficient shift planning

We acknowledge that our stakeholders may have different and at times conflicting needs and views, and we are committed to balancing the interests of our stakeholders in a responsible and respectful manner. This, we believe, is the only way to ensure long-term relationship building. We believe in the importance of disseminating accurate information to all our stakeholders and welcome open dialogue with all parties with whom we do business.

We detail our engagement with our key stakeholders below, focusing on those groups who have either a significant interest in the operations of Pick n Pay, or have significant influence over the way we do business.

Franchisees	Shareholders	Suppliers
• Our franchise stores are an important part of the Pick n Pay business, adding significantly to scale of our business and the reach of our brand • Our franchisees are an important resource, providing a valued benchmark of financial performance in an owner-managed store • Our franchise model only works when our franchisee has the opportunity to succeed and has an active voice in the business	• In order 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 our shares	• To ensure that we are able to source a leading range of high quality produce and merchandise for our customers at the best possible price and that together with our suppliers, we are able to commit to on-shelf availability, food safety and sustainable and ethical business practices
• To offer the most innovative and mutually beneficial franchise model in the retail industry • To operate as a sustainable franchisor of choice for retail entrepreneurs across the FMCG industry	• To generate consistent profits in a long-term, sustainable manner • To operate according to good corporate governance principles • To follow innovative business practices at an acceptable level of risk • To provide an attractive return on investment	• To build fair, efficient and mutually beneficial business relationships • To develop new products that meet evolving customer needs and environmental requirements • To give new product innovation the best chance of success on-shelf, through visibility and availability • To be committed to continuous development of small businesses and diverse and ethical suppliers • To contribute to job creation
• 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 reductions • Transformation and enterprise development	• Improving return on investment year-on-year • Understanding our business model, strategic direction and profit drivers • Sustainability of return on investment • Access to timely, accurate and relevant information that supports their value investment • Sufficient free float of shares for trade • Good corporate governance, including a balanced composition of the Board members • A socially responsible and ethical corporate citizen	• Fair pricing, research and development support, transparent contracts and agreements certification, infrastructure and logistical support • Opportunities for cost reduction • Transformation and enterprise development • Resource efficiency (energy, water, waste, logistics)
• One-on-one relationships are built with franchisees • Regular store visits by franchise specialists and service area consultants • Monthly meetings between the regional operational teams • Monthly CEO forum meetings with national franchise representatives • CSI programmes in the communities in which our franchisees operate	• We engage formally at least four times a year – at our two financial results presentations, our AGM and our investor day/strategic update • Our CEO and CFO regularly engage with investors, analysts and fund managers • We have an investor relations manager who engages regularly with the investment community, including retail analysts, shareholders and potential shareholders • Direct and constructive engagement on proposed resolutions prior to our annual and extraordinary general meetings • A focused investor relations section on our website www.picknpayinvestor.co.za • Result publications and JSE SENS announcements	• We conduct food safety audits at supplier factories and production facilities on an annual basis • Store visits with suppliers are conducted on a regular basis • Joint business planning sessions • New store opening programmes • Regular meetings in line with merchandise cycle timelines • Technical support is provided to suppliers where necessary • Supplier conferences • A dedicated enterprise development programme
• Opened 31 franchise stores during the year • Pick n Pay Express was named the Newcomer Franchisor of the year by the Franchise Association of South Africa (FASA) • A franchise module tailored for the emerging market has assisted franchisees trading in this environment with structured repayment of debt • On "Day for Madiba", Pick n Pay, together with its franchisees, raised R5 million for good causes, including approximately R4 million for the Nelson Mandela Children's Hospital and a further R500 000 to the Nelson Mandela Children's Fund	• We held our first investor day in August 2013 to provide our investment community with a strategic update between our two result presentations • We took part in a number of store and distribution centre visits during the 2014 year • We appointed Dr David North as our new Head of Corporate Affairs, whose portfolio includes the responsibility for investor relations • Our CEO and CFO held one-on-one meetings with 12 of our biggest shareholders in November and December 2013 • We engaged constructively with our shareholders on our proposed new share incentive plan for top management, with the subsequent shareholder resolution being passed with an 80% majority at our extraordinary general meeting	• One conference held during the year • Almost 700 health and safety audits undertaken during 2014 • Almost 350 new suppliers in 2014, and over 31 000 new products supplied in our stores • Through co-operation with the Ackerman Pick n Pay Foundations, 69 businesses and community enterprises have benefited from the enterprise development programme of which 43 are now supplying our stores. Through the programme's focus on job creation, small enterprises have been able to either support or employ 8 500 people • R33 million spent on technical support provided to suppliers

Social and environmental sustainability

Environmental, Social and Governance (ESG) issues remain high on the global, national and regional agendas. Environmental and social risks dominated the high impact/high likelihood quadrant of the World Economic Forum's ninth global risks report in January 2014. Sustainability has always been a key principle of our business, and we have a long track record of investing in social and environmental initiatives. To ensure we focus on key priorities, we review the issues and risks and build them into our strategy.

What environmental, social and governance (ESG) issues are impacting our retail sector today?

The connected challenges of energy, food and water security

We see water security joining energy and food security as a key business risk. Growing population and industrial demand at a time of less predictable supply is prompting businesses and others to develop strategies both on water efficiency and more sustainable supply chains.

Increasing levels of inequality

Poverty remains a major problem in many parts of southern Africa. Chronic unemployment, inequality and lack of opportunity give rise to significant social issues as well as health challenges. These problems are exacerbated by higher levels of household indebtedness and an ongoing dissatisfaction with service delivery in poorer areas.

Public health

This is a double challenge in many parts of Africa. On the one hand, large sections of the population face the challenge of insufficient diet and nutritional knowledge borne out of poverty, giving rise to disease and other risks. At the same time, affluent populations face an increasing risk of obesity and related health conditions. As well as seeking to raise greater awareness, governments are under pressure to legislate to mitigate some of the risks. For example, salt reduction for processed food became mandatory in South Africa and similar requirements on sugar in processed products are expected.

Supply chain transparency

Awareness of the need to ensure that ethical and environmental standards are upheld in the supply chain has grown significantly over the past decade. Greater transparency is important in ensuring standards are upheld. New global accords are emerging to tackle problems such as corruption, breaches of human rights and health and safety challenges. Growing consumer demand for accurate labelling and traceability was highlighted through the global controversy on meat mislabelling in 2013.

Carbon tax

The development of carbon taxes in various parts of the world has often created a dilemma for governments in balancing action to mitigate climate change against the desire not to impose significant additional cost pressures on consumers and businesses. A carbon tax in South Africa is now set for 2016. Prudent carbon management and footprint auditing are fundamental to the retail response.

Reporting and governance standards

This year saw new guidance documents from the International Integrated Reporting Council, the Global Reporting Initiative and SASB. This has increased the pressure on companies to comply and keep up to date.

Our priority in 2014 has been to make further progress in implementing our sustainability strategy, deepening its impact within the Group and ensuring that it adds value for our customers, our business and broader society. Our sustainability governance structure continues to provide us with oversight, performance management and reporting.

We see our sustainability strategy as inextricably linked to our business strategy, shaping our thinking and actions in two broad areas:

1. Ensuring that we become a more resilient business in the face of increasing environmental and related pressures both in the short term (e.g. fuel and electricity price increases) and in the longer term (e.g. food and water security linked to climate change).
2. Seeking to add more value to society by helping our customers, suppliers and other stakeholders meet sustainability challenges and opportunities. We see scope for innovation and partnership, for example in seeking to meet the needs of our customers who want to live more sustainable lifestyles, and in giving opportunities to previously disadvantaged communities through mentoring, support and access to our supply chain and stores.

We must respond effectively in both of these areas if our business is to be successful and sustainable in the future.

The following areas have received significant attention during the year:

- Increased savings through resource optimisation and efficiency measures, particularly in our use of energy and handling of waste. We have invested more than R55 million in lighting and refrigeration efficiency during the 2014 year. We have developed owned stores which are 20% to 40% more energy efficient than stores opened in 2008;
- Benchmarking of stores on environmental performance, with key problem areas being addressed;
- Increasing the number of SMMEs and BBBEE businesses in the Group's supply chain;
- Increased understanding of the value of partnerships, which help us to deliver sustainability benefits in strategic ways, through building broad stakeholder support, such as our sustainable seafood partnership with World Wide Fund for Nature South Africa (WWF-SA), through which more than 1 000 fishermen have been trained in sustainable fishing practices and 1 million SASSI cards distributed to consumers, assisting them to make more sustainable seafood choices;
- Continued development of our internal audit, data and document management systems;
- A review of our key performance indicators and their alignment to our business strategy;
- Implementation of waste reduction activities, not only through increasing levels of recycling, but focusing on activities that lead to the creation of less waste. These include more accurate demand planning, better control of stock levels at store and the maintenance of the cold chain;
- We had set a carbon footprint reduction target of -15% by 2015 in 2010, which we have met during this financial year. Compared with our 2008 baseline, we have reduced energy use per square metre by 30%;
- Through collaboration with the Ackerman Pick n Pay Foundation we developed 113 community gardens to assist communities in becoming more food secure; and
- Our preferential procurement spend with businesses which have more than 50% black ownership increased to R793 million, of which R459 million was spent with businesses which are 100% black owned.

ENVIRONMENTAL RESPONSIBILITY MEASURES	2014	2013
Waste recycled (tonnes)	**18 591**	13 611
Total energy use for stores, distribution centres and offices (GWh)	**510**	517
Energy (kWhs) per sqm	**407**	425
Kilolitres of water consumed per sqm	**1.19**	1.11
Carbon footprint (CO_2e) (tonnes)	**582 518**	577 289
DIVERSE AND ETHICAL SUPPLIERS MEASURES		
% Private Label products sourced locally	**92**	89
% Fresh produce suppliers Global Gap certified	**63**	62

Refer to the engagement with our stakeholder reports on pages 14 and 15, the risk management report on pages 68 to 73 and the sustainable living report available on our website www.picknpayinvestor.co.za for more detail.

Chairman's report

Gareth Ackerman

We are encouraged by the progress achieved across the business over the past year, and illustrated in this integrated annual report. Both in our annual financial results and in our underlying performance, we see evidence of tangible improvement. However, as Richard Brasher and our senior management team frequently emphasise, much more remains to be done.

Since I became Chairman four years ago, my focus has been to return Pick n Pay to the basic principles and values on which it was founded.

By a return to basic principles, I mean a recommitment to the retailing philosophy that has always differentiated Pick n Pay from its competitors and has ensured our ability to run an ethical, responsible and profitable company. I am satisfied that the Group's three core legacies have remained intact as the building blocks of our turnaround strategy – the values of consumer sovereignty, the maxim that "doing good is good business" and our commitment to business efficiency.

In recent years, every part of our business has been exhaustively and honestly reviewed. Over the last year, under the able guidance of our CEO Richard Brasher and his team, there is not one area of the Group that was not examined and improved.

On consumer sovereignty, I am encouraged that Pick n Pay is reaching more customers in more communities, and that we are doing so across social, income and cultural bands. We are improving our products and our service, sharpening our availability and extending the benefit of our smart shopper loyalty programme. Behind the scenes, we are becoming more efficient as a business. By becoming leaner, we are able to offer even better value to customers.

From its foundation, Pick n Pay has always understood that customers have aspirations beyond their everyday needs – to build better communities and a stronger society. This explains our maxim that "doing good is good business". I am pleased to report progress in a number of areas. Through cooperation with the Ackerman Pick n Pay foundations, we have taken a leading role in mentoring, encouraging and enabling small-scale emerging farmers to build businesses and become suppliers to our stores. This work is crucial in building social and economic capital by bringing more black-owned and small businesses into the economy through the Pick n Pay supply chain. We want to see this work grow and strengthen in the coming years.

In keeping with our commitment to initiatives that ensure food security, we have paid particular attention to providing those most in need with easier access to affordable, healthy food and clothing. During the year under review, Pick n Pay donated more than R15 million worth of food to FoodBank South Africa and established 113 community food gardens through the Ackerman Pick n Pay foundation.

During the year under review, a major focus has been on consolidating Pick n Pay's existing sustainability strategy and deepening its impact on the organisation.

Our business has in recent years established a strong leadership position on climate change in southern Africa. I was delighted that Pick n Pay's climate change strategy was assessed as the foremost among businesses in Africa by the globally renowned Carbon Disclosure Project. This work is another example of how doing good is good business. As well as setting an example for the fight against climate change, our carbon reduction plan has helped us to reduce energy use per square metre in our stores by 30% since 2008. This has saved Pick n Pay R508 million over this period. We have new corporate stores that are 20% to 40% more energy efficient than stores opened six years ago. Moreover, it makes us a more energy-resilient business and contributes to the national need to save energy at a time when energy supply is under sustained pressure.

Another area in which Pick n Pay has shown significant corporate leadership is through our sustainable seafood partnership with World Wide Fund For Nature South Africa (WWF-SA). As core funder and sustainable seafood partner of the WWF-SA, we are well on track towards meeting our commitment that by the end of 2015 Pick n Pay will only stock seafood which is sustainably sourced. Underlying this, we will also ensure that by the end of 2015, all our seafood products are traceable to their origins and are labelled with their common name, scientific name, origin and method of caught. Initiatives such as this help to empower consumers who want to make sustainable choices. WWF-SA have commented that their sustainable seafood partnership with Pick n Pay is a model of collaboration which is cited globally for its impact and excellence.

There are, of course, areas where we recognise room for improvement. These include improving the rigour of non-financial data across the business, in order to do full justice to our environmental reporting obligations, increasing awareness of sustainability issues at shop floor and category buyer level, and exploring innovative ways of supporting small- and black-owned businesses while retaining our high standards of quality and value for money.

In this as in other areas we recognise that we are on a journey. In the spirit of that journey it has nonetheless been pleasing to see Pick n Pay recognised by customers and other stakeholders over the past year in a number of awards:

South Africa's number one grocery store and the best loyalty programme by the 2013 Sunday Times Top Brands Awards

The most reputable retailer in South Africa by the Reputation Institute in 2013

The Most Trusted Retailer in South Africa by the 2013 Ask Africa Orange Index

During the past year, I have again written about the role of the family controlled enterprise. Numerous academic and other studies across the world have found that many family controlled enterprises share common strengths: stability of control is combined with strong governance, a dynamic approach to risk and investment, and decision-making focused on the long-term interests of the business and its stakeholders rather than immediate returns and short-term benefit. Pick n Pay has gone through difficult times in recent years. We have had to take tough decisions. We are now turning the corner and building momentum on our improvement plan. Through this period and in the years to come, I believe we will continue to demonstrate that family control is a strength – in particular providing stability and taking the long view so that necessary change is identified and acted upon.

Pick n Pay remains committed to the best global governance standards. However, I remain concerned about the tendency towards ever-greater prescriptiveness and the resulting additional bureaucratic and other burdens on business.

I have also spoken and written over the past year about the burden of unjustified bank interchange fees on credit, hybrid and debit card transactions. These fees are largely hidden from the consumer, and they bear disproportionately hard on those with low incomes. Getting them reduced has been a hard fight, and we have been determined to support the Reserve Bank's review of these fees. We were therefore pleased that the Reserve Bank acted earlier this year to reduce these fees in some circumstances from January 2015. There is much further to go in this and other areas, and Pick n Pay will continue to demonstrate leadership to secure better value for our customers.

It was pleasing to see the Competition Commission's long-running inquiry into aspects of the retail industry finally conclude with no adverse findings against the sector. This has been a costly and lengthy inquiry, and throughout it Pick n Pay has been absolutely determined to uphold our belief that our sector is highly competitive, operates fairly, and works in the interest of consumers. I want to express my thanks to all of my colleagues in Pick n Pay who have worked hard to help deliver this appropriate outcome.

Over the past year we have strengthened our senior management team, sharpened our talent management and modernised our long-term incentives for senior management. On the latter, I am grateful to our shareholders for approving our new share incentive plan, the Pick n Pay Stores Limited Forfeitable Share Plan (FSP). The plan adopts global best practice both by linking awards to clear achievement of defined targets, and by awarding performance shares rather than share options. Under the scheme, awards will accurately reflect the management performance of the business, and the scheme will help us to retain within the Company those individuals who are key to its performance and improvement.

We were delighted that, earlier this year, shareholders elected three new non-executive directors to our Board: Audrey Mothupi, David Friedland and John Gildersleeve. Each of these individuals brings to Pick n Pay huge expertise and experience, gained in different professions and sectors, both domestically and internationally. I welcome them to the Board and am absolutely confident that they will not only strengthen our corporate governance but significantly enhance our decision-making capability.

More widely, although the Group can look back on a year of encouraging progress, I remain concerned about the growing economic headwinds and the impact they are having not only on business but on consumers. Companies and individuals are bearing the brunt of higher energy, utility and other costs. Interest rates are on an upward trend, and the rand has weakened significantly against other currencies. Business and consumer confidence is down. Economic growth has also slowed, meaning that insufficient new jobs are being created to make a major dent in our very high levels of unemployment.

At such times, we all need to work together – to mitigate the impact on our customers, and to put in place building blocks for a brighter future. In this context, I was pleased that, over the past year, Pick n Pay was able to hold its prices for customers below CPI, and create around 5 000 new jobs and careers in our new owned and franchise stores. I believe that business can play a hugely positive role in the economy and in society. But it can best do this where it is trusted by government and others as a partner and an enabler, rather than simply as a source of revenue and a target for legislation. Let us hope that this election year ushers in a period of closer collaboration between the public and private sectors.

In February 2014, the Board resolved unanimously that Raymond Ackerman be appointed as Honorary Life President of the Company, in recognition of his lifetime of service to our business. I am sure that all of our staff, customers, shareholders and wider stakeholders will applaud this as a small but fitting tribute to the founder of Pick n Pay. We would also like to congratulate Raymond Ackerman on being awarded the Order of the Baobab (Silver) by the President in April 2014 for his services to South Africa.

In conclusion, I wish to thank Richard Brasher and his senior team for their leadership over the past year. I have had the pleasure of experiencing at first hand the intelligence, skill and energy which Richard has brought to our business. Like Richard, I know that much hard work remains to be done. But our progress is encouraging and I for one am greatly looking forward to the next stage of our journey.

Gareth Ackerman
Chairman

Cape Town
14 April 2014

Pick n Pay Women's Walk

We are encouraging and assisting our customers to lead more active lifestyles through participation in events such as the Pick n Pay Women's Walk.

These nationwide 5km walks, which raise awareness of breast cancer, are held in association with Pink Drive and have had more than 50 000 participants during the last two years.

Pink Drive is an organisation committed to fighting breast cancer and they are able to do this through increasing awareness, education and taking relevant health services in mobile mammography units to women who wouldn't otherwise have access to them. Pink Drive has to date educated over 90 000 people, provided more than 5 000 free mammograms and over 60 000 clinical breast examinations in community areas.

Chief Executive Officer's report

Richard Brasher (second from right)

Our business is stronger than it was a year ago. We are at the foothills, not the summit, of our climb. We have a plan to reach the summit and the determination to succeed.

Nelson Mandela's passing has made this a momentous year for South Africa. Never before have I seen a nation – and indeed the entire world community – come together so unconditionally and so powerfully to mourn the death, and celebrate the extraordinary life and legacy, of one individual. It has been a time for personal and collective reflection, and I am pleased that Pick n Pay was able to play its own small part in helping our customers and staff to express their appreciation for Madiba's life and achievements. Around the country, in large stores and small, customers and staff came together on 15 December 2013 to remember and retell the part that Nelson Mandela played in their lives and the life of the nation, and to support our pledge to donate our profits from the day and more to causes which upheld Madiba's legacy.

These events underlined for me the hugely important role that trust plays in our lives. I am incredibly fortunate to lead a business which has long held a special place in the hearts of people across South Africa, earned through decades of standing up for what is right for the individual and what is right for society. Trust is hard-earned, but once it has been bestowed it also places an important responsibility on the individual or organisation which benefits from it.

My vision for Pick n Pay is to discharge that responsibility by genuinely being the retailer for every South African. At its most basic level this means providing food and other goods which are safe and nutritious, which are honestly and informatively described, and which suit the needs of different customers with differing lifestyles. It also means growing our business in a way which makes these benefits more accessible to more people, including many people who have not previously enjoyed access – either physical or economic – to the benefits of the modern, safe, commercial food economy. More than this, it means understanding people's desire for a better life for themselves and their families, and helping to fulfil that desire by providing new or improved products, even better value, and innovation in stores, online and through services.

A year ago I said that I was not content to rest on a vision, and was determined to organise, focus and motivate my team around a clear plan. I was equally determined that this plan should always have the customer at its heart. To be sustainable, our success must be measured in growing sales as well as profit; in increasing customer satisfaction as well as share value.

A year later I am pleased to report that we are making good progress on this plan. We have opened 111 new stores across the country, ranging from Pick n Pay and Boxer stores which serve emerging markets through to our new store at the Waterfront in Cape Town. We have sharpened our promotions, particularly around the key holidays which are such an important part of South African life. We have improved our availability, focusing on those products which matter most to our customers.

We have enhanced our operations, centralising more of our supply chain and collaborating better with our suppliers to achieve greater efficiency, improve logistics management and lower costs. We have simplified processes in stores and have empowered staff through greater accountability.

Each of these steps is helping us deliver a better business performance. Our profits have improved substantively, albeit from a low base. We have narrowed the gap in market share growth compared to our key competitors, and gained market share in some crucial months of the year. Importantly, more customers are buying more products from Pick n Pay, and are telling us that we are enhancing their shopping experience.

We in turn are finding new ways of rewarding the loyalty of our customers, particularly through our smart shopper programme. Almost 8 million smart shopper cards have been issued. The number of customers who regularly use their card is growing steadily in response to our enhanced rewards programme. This in turn strengthens our business because smart shopper customers on average spend 5% more with us than customers outside the programme.

Our franchisees remain crucial partners in our business, exemplifying the Pick n Pay commitment to excellent customer service. I am grateful to each of them for their hard work and entrepreneurship over the past year.

The rest of the African continent remains an exciting second engine of growth for Pick n Pay. Outside South Africa we increased segmental revenue by 27.9% and increased our like-for-like sales by 9.4%. In the course of the year we took clear and decisive action to close our Mauritius and Mozambique franchise operations. In both cases we reached a firm conclusion that the businesses, as they were structured, did not offer us a sound basis for sustainable growth. However, the prospects are strong in the markets in which we continue to operate and further afield. We have experienced good growth in Zambia, and have installed a team on the ground in Nigeria to explore opportunities in that market. I hope to update you positively on this in the future.

Looking more broadly, the retail sector globally is changing perhaps more rapidly than ever before. Businesses which did not foresee powerful new trends, or which have failed to adapt swiftly and sufficiently to trends they did foresee, are struggling. The opportunity for Pick n Pay is to orientate itself decisively and effectively in the face of new developments. I see two trends as the most significant.

First, in Europe and the US, the sales growth of many traditional retailers is increasingly being eroded by online businesses. What was seen as a distant threat a decade ago is now a broad-based reality. This trend remains less powerful in South Africa. But the direction of travel is the same, and will accelerate. Pick n Pay was quick to anticipate the trend and we are enjoying strong growth of around 27% in our online food delivery business. We currently have more than 2 000 deliveries per week, and our service has branched out further during the year in the Western Cape, KwaZulu-Natal and the Free State. I want to see more growth and more depth in this area of the business in the coming years.

Secondly, customers are seeking ever greater value for money. What began as a response to austerity in the global economic downturn has become a full-blown consumer trend – among more-affluent as well as less-affluent customers. South Africa is by no means immune to this trend. Pressure has fallen on consumers in recent times from various directions – the weakness of the rand, higher energy and utility costs, rising interest rates and rising consumer debt. Our customers look to us to help them through more challenging times. I therefore see it as an important strategic priority for Pick n Pay to accelerate progress in every area of our business that can contribute to giving our customers greater value – whether it is how we buy, how we transport goods in our supply chain, how we fill and operate our stores, how we minimise waste or how we provide excellent customer service in ever more efficient ways.

Helping our customers through difficult times is at the heart of our values as a Group – exemplified in our principle that doing good is good business. Throughout my career I have worked in the belief that there is no real compromise to be struck between commerciality and corporate social responsibility. The key to both lies in understanding and respecting people's immediate priorities and their longer-term aspirations. By building a stronger, more efficient business offering excellent value for money, we help our customers satisfy the immediate needs of their families. And, as a stronger, more efficient business, we can better help our customers fulfil their desire to build a better future for themselves, their families and their communities. I am proud of the leadership that Pick n Pay has shown in recent years – for example in helping new emerging suppliers grow through our collaboration with the Ackerman Pick n Pay Foundation, in leading the way on seafood sustainability and climate change, and in helping countless local organisations which seek support through our stores. I look forward to increasing our impact in these and other areas as we further grow and strengthen our business.

We are approaching this next stage of our plan on the basis of a balanced scorecard comprising five segments: our customer offer, our operations, the organisation of our people, our relationship with the communities we serve, and our financial performance. We have a plan to improve each of these segments, and in turn deliver better returns for our customers, our staff, our shareholders and our broader stakeholders.

Our business is stronger than it was a year ago. Customers and shareholders are experiencing the benefit. I want to express my thanks to all our staff who have worked so hard over the past 12 months to improve our business and the lives of our customers.

But no journey worth making is ever straightforward; no goal worth achieving is a given. Much hard work remains to be done in strengthening our consumer offer, further improving our shopping trip, increasing our efficiency, reducing our costs, and equipping and empowering our team for the task.

I tend to emphasise to my colleagues and to our stakeholders that we are at the foothills, not the summit, of our climb. But we have a plan to reach the summit and the determination to succeed. As always, we can turn to the wise words of Nelson Mandela to express the challenge perfectly:

After climbing a great hill, one only finds that there are many more hills to climb.

Richard Brasher
Chief Executive Officer

Cape Town
14 April 2014

Chief Finance Officer's report

Bakar Jakoet

Strong financial control and tighter operating efficiency across the business has been key to our improvement in trading profit.

Effect of the change in financial reporting calendar

The Group implemented a 52-week financial reporting calendar in February 2013, aligning external financial reporting with Group internal operational structures. Revenue and gross profit is now managed on a daily basis and aggregated into 52 trading weeks of 364 days, with the reporting period always ending on a Sunday. All other 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 year therefore consists of 52 weeks of gross profit and 12 calendar months of other income and trading expenses.

As a result of this change, the 2014 annual financial period began on 4 March 2013 and ended on 2 March 2014 (364 days). This compares to the 2013 annual financial period which ran from 1 March 2012 to 3 March 2013 (368 days). The 2013 financial period therefore included four extra days of turnover and related gross profit. Other income and expenditure between the two years is, however, comparable, with both the 2014 and 2013 financial years reporting a full 12 calendar months of other income and trading expenses.

Reviewing turnover and gross profit on a comparable 364-day basis is more meaningful and as such, the results in this commentary (unless otherwise stated) are presented on a comparable pro forma basis. Refer to note 29 on page 134 for more detail.

PICK N PAY STORES LIMITED
Key financial indicators

	364 days 2014	Normalised trading calendar 364 days (pro forma) 2013	Comparable pro forma change %	As previously reported 368 days 2013	% change
Total till sales	**R73.0 billion**	R67.8 billion	7.6	R68.5 billion	6.5
Turnover	**R63.1 billion**	R58.6 billion	7.7	R59.3 billion	6.5
Gross profit margin	**17.5%**	17.5%		17.4%	
Trading profit	**R1 010.3 million**	R751.7 million	34.4	R852.4 million	18.5
Profit before tax	**R833.1 million**	R708.2 million	17.6	R808.9 million	3.0
Basic earnings per share	**122.01 cents**	100.50 cents	21.4	115.14 cents	6.0
Headline earnings per share	**138.51 cents**	96.66 cents	43.3	111.30 cents	24.4
Total annual dividend per share	**92.30 cents**			84.00 cents	9.9

Review of operations

The Group presented an improved financial performance this year, substantively delivering on the objectives we set at the beginning of the year. Strong financial control and tighter operating efficiency across the business has been key to our improvement in trading profit. While there is still a great deal of work to be done, we are encouraged by the progress achieved to date.

The Group delivered encouraging new-store growth. However, a more challenging economic environment for consumers has inhibited like-for-like growth across the sector, and Pick n Pay has not been immune to this. Customers are facing increasing financial pressure as a result of rising fuel, electricity and other utility costs, rising interest rates and levels of household debt, and a weak rand feeding through to rising commodity prices and consumer goods price inflation. We anticipate further pressure in the short to medium term.

Fiscal control and tight overhead management remains crucial in this environment. Our plan is therefore to continue to reduce our costs and improve our efficiency. However, a customer-driven, sales-led approach remains core to our strategy. By lowering our costs, we can drive sales by investing more in the shopping trip and by focusing relentlessly on the fundamentals of good retailing – offering customers consistently good quality, service and value for money.

A growing business

The Group has a clear plan to compete strongly, strengthen and grow within the core South African market and to establish Africa as a second engine of growth. The Group opened 111 new stores during the year and closed 26 under-performing stores, adding 3.4% net new space. The total number of stores at year-end is 1 076, comprising 643 company-owned stores and 433 franchise stores, across multiple retail formats and six southern African countries. In addition 52 stores, three of which operate under the Pick n Pay brand, are operated in Zimbabwe by our associate, TM Supermarkets.

	4 March 2013	Opened	Closed	Converted – openings	Converted – closures	2 March 2014
COMPANY OWNED						
Pick n Pay	**420**	**51**	**(7)**	**2**	**(2)**	**464**
Hypermarkets	20	—	—	—	—	**20**
Supermarkets	185	19	(4)	1	(1)	**200**
Clothing	76	14	(2)	—	—	**88**
Liquor	135	18	(1)	1	(1)	**152**
Pharmacy	4	—	—	—	—	**4**
Boxer	**150**	**29**	**(7)**	**7**	**—**	**179**
Superstores	113	7	(3)	6	—	**123**
Hardware	15	5	(1)	—	—	**19**
Liquor	12	10	(2)	1	—	**21**
Punch	10	7	(1)	—	—	**16**
Total company owned	**570**	**80**	**(14)**	**9**	**(2)**	**643**
FRANCHISE						
Pick n Pay						
Family	262	8	(10)	1	(7)	**254**
Mini market	23	—	(1)	—	—	**22**
Daily	1	—	—	—	—	**1**
Express	17	4	—	—	—	**21**
Clothing	13	1	—	—	—	**14**
Liquor	105	18	(1)	1	(2)	**121**
Total franchise	**421**	**31**	**(12)**	**2**	**(9)**	**433**
Total Group stores	**991**	**111**	**(26)**	**11**	**(11)**	**1 076**
TM Supermarkets – associate	49	3	—	—	—	**52**
Total including associate	**1 040**	**114**	**(26)**	**11**	**(11)**	**1 128**

Footprint outside of South Africa

	4 March 2013	Opened	Closed	Converted – openings	Converted – closures	2 March 2014
Pick n Pay company owned	5	3	—	—	—	**8**
Boxer company owned	5	—	—	—	—	**5**
Pick n Pay franchise	36	2	(5)	—	—	**33**
TM Supermarkets – associate	49	3	—	—	—	**52**
Total Africa	**95**	**8**	**(5)**	**—**	**—**	**98**

Overview of financial result

Turnover

Turnover growth of 7.7% was achieved against the backdrop of a tough trading environment, with consumer spending coming under increasing pressure from rising costs and lower confidence. Like-for-like turnover growth is 2.7%. We remain focused on our customers' needs and will drive turnover growth by consistently improving our product offering, stock availability and customer service. There is evidence that our focus on improving the shopping trip for customers is having a positive effect, with Pick n Pay steadily closing the market share growth gap with our closest competitors. Our customer count increased by 3.2% over the year and we served our customers with more than 770 million transactions. Customers are more engaged than ever in our smart shopper loyalty programme, with the introduction of a number of enhancements over the year, including the interface with our point of sale system (loyalty points and vouchers printed on till slips), instant saver promotions and the smart shopper mobile application. Smart shopper sales participation is 62% and the rate of points' redemption has increased by 11 percentage points to 69%.

	364 days 2014 Rm	Normalised trading calendar 364 days (pro forma) 2013 Rm	Comparable pro forma change %	As previously reported 368 days 2013 Rm	% change on prior year as published
Group segmental revenue	**64 167.4**	59 845.7	7.2	60 528.4	6.0
South Africa Division	**60 925.9**	57 310.7	6.3	57 951.1	5.1
Africa Division	**3 241.5**	2 535.0	27.9	2 577.3	25.8

The South Africa Division represents the majority of the Group's operations. Despite the challenges of the trading environment, this division grew at every level. We served more customers, with higher value baskets and in more stores. Turnover was supported by 103 store openings (77 company owned and 26 franchised), across all formats and in both the Pick n Pay and Boxer brands. We are keenly focused on improving the quality of our fresh and perishable produce and our pre-packaged convenience ranges, and are seeing good results in this area. We are experiencing more growth in our smaller, convenient supermarkets, while our larger Hypermarket format remains under pressure. We have a focused plan in place for each individual Hyper and are working hard at improving the customer offer in those stores. Our general merchandise team has made good progress in rationalising and focusing our general merchandise range, which will start to have a positive impact on the business, particularly in our Hypermarkets. Our smaller clothing and liquor formats continue to perform well and make meaningful contributions to the turnover and profit growth of the business. We will introduce expanded and targeted clothing ranges into our supermarkets next year.

The Africa Division increased its segmental revenue by 27.9% over the 2014 financial year. This division has 46 stores outside South Africa and a 49% investment in 52 supermarkets in Zimbabwe. We are developing our presence outside of South Africa, which although still a relatively small part of our business, has the potential to be a second engine of growth for Pick n Pay. Pick n Pay closed its franchise business in Mauritius and Mozambique during the year, exiting territories and partnerships which were not profitable for the Group, in order to focus on more strategic opportunities. We are particularly pleased with the financial performance of our company-owned business in Zambia which continues to deliver strong trading results. TM Supermarkets opened three new supermarkets in Zimbabwe during the year bringing the total number of stores operated by our associate to 52, including three Pick n Pay stores which trade strongly under the strength of our core brand.

Gross profit

The Group has maintained the gross profit margin at 17.5%. We are pleased with the progress made across our buying and distribution channels, which has resulted in improved efficiencies and meaningful cost reductions. In particular our two central distribution centres, at Longmeadow in Gauteng and Philippi in the Western Cape, have both delivered considerable operating improvements which have significantly reduced the net cost of distribution as a percentage of turnover. We have also demonstrated improved control over waste and shrink which are well below the levels of the previous year.

In addition, our new reporting platform is enabling improved gross margin management through the enhanced visibility of more timely information.

All the benefits realised have been reinvested back into the selling price of goods, as part of our strategy of investing in the shopping trip. We ran a wide range of targeted and innovative promotions during the year, aided by our greater understanding of customers through our smart shopper loyalty programme.

Other trading income

	364 days 2014 Rm	368 days 2013 Rm	% change
Other trading income	**500.6**	**518.9**	**(3.5)**
Franchise fee income	**311.2**	321.5	(3.2)
Operating lease income	**77.8**	75.8	2.6
Commissions and other income	**111.6**	121.6	(8.2)

During the period under review, trading income previously included under cost of merchandise sold has been reclassified and disclosed separately. This has been done to improve visibility of all other trading income, specifically commissions received. The prior year has been restated to align with the current year disclosures. Refer to note 31 on page 136 of the Group financial statements for more detail.

The decrease in commissions and other income is mainly due to customers moving away from purchasing airtime at the till to other digital platforms. Franchise fee income was invested in our support of certain emerging markets franchisees.

Trading expenses

Trading expenses increased by 5.3% and as a percentage of turnover, decreased from 17.1% to 16.7%. Our teams across the business have been extremely focused on expense control and on improving productivity and efficiency, and we are pleased with the progress made over the year, with like-for-like expense growth (removing the impact of new and closed stores) of less than 1%, against CPI growth for the year of 5.8%.

	364 days 2014 Rm	% of 364-day turnover 2014	368 days 2013 Rm	% of 364-day turnover 2013	% change	Like-for-like % change
Trading expenses	**10 530.2**	**16.7**	**10 001.9**	**17.1**	**5.3**	**0.8**
Employee costs	**5 326.3**	8.4	4 952.0	8.4	7.6	3.2
Occupancy	**1 613.9**	2.6	1 500.5	2.6	7.6	2.6
Operations	**2 580.5**	4.1	2 363.9	4.0	9.2	4.1
Merchandising and administration	**1 009.5**	1.6	1 185.5	2.0	(14.8)	(17.9)

Employee costs

The Group is focused on increasing labour productivity in the business and on reducing labour costs. We contained the increase in employee costs at 7.6%, notwithstanding our new store growth and a new three-year wage agreement which came into force at the beginning of the financial year, and included an above-CPI wage rate increase for the year. Like-for-like employee cost growth is 3.2%.

The roll-out of our new Kronos labour scheduling system is complete, and is helping us to staff our stores more efficiently and effectively. One of our strategic objectives is to be the employer of choice in the retail industry, which incorporates the principle of providing employee benefits which are fair and just in order to attract the best talent in the retail industry. Cost savings will therefore come from increased productivity and efficiency and we look forward to working together with our teams and unions in this regard. Customer service remains a priority at Pick n Pay and we provide our staff with ongoing training in this area.

We continued with the centralisation of our finance and administration functions, removing duplicate costs and services in the business. This process necessitated tough decisions during the year and resulted in the retrenchment of some head office support staff. This was a difficult time for the business, but the rigorous review of all support structures and processes has enabled us to create a more streamlined and effective support office.

Occupancy costs

The 7.6% increase in occupancy costs is in line with the Group's store expansion programme, with the like-for-like increase at 2.6%. This is pleasing in light of the continued above CPI regulatory increases in rates and taxes. We remain a tenant of choice in the retail industry and are able to negotiate competitive rentals and escalation terms with our landlords. Escalation terms average 6.5%.

Operations

The 9.2% increase reflects our opening of 80 company-owned stores during the 2014 financial year, with the like-for-like increase at 4.1%. Electricity usage is well controlled, and we have an effective programme of reducing energy use in our stores. However, administered price increases are resulting in significantly higher costs. Amortisation and depreciation has increased by 5.9%, compared with the 10.8% growth seen in 2013, which illustrates the good work being done around the control of capital expenditure and ensuring the spend is targeted at improving the customer offer.

Merchandising and administration

We are pleased with the progress made on eliminating excess administrative costs in the business, particularly at support office level. Merchandise and administration expenses have decreased by 14.8%, with a like-for-like decrease of 17.9%. We have almost entirely removed consultancy costs from the business. As South Africa's largest acceptor of electronic tender, we have experienced increased bank fees as our customers move from debit cards to hybrid cards. We are encouraged that the Reserve Bank has taken action to reduce bank interchange fees in respect of credit, debit and hybrid costs. The reduced fee schedule is expected to be in force from 1 January 2015, with the benefits flowing in the 2016 financial year.

Trading profit

The trading profit margin improved from 1.3% to 1.6%. Expense control has been the key differentiator in our improved performance this year, countering the subdued turnover growth and continued investment in gross margin. We are very pleased with the good work being done around tighter fiscal control, with all areas of the business contributing to the expense savings. There is still a great deal of work to be done to optimise our cost structure and augment our productivity and efficiency, but we are demonstrating that we can run a lower cost, more streamlined business.

Loss on capital items

During the 2014 financial year 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, necessitating an impairment review of certain intangible assets. Management estimated the recoverable amount (calculated as the higher of the value in use and the fair value less costs to sell) of the related intangible assets as zero and an impairment of R104.1 million was recognised in the statement of comprehensive income in the current reporting period. This impairment, net of the related tax effect of R29.1 million, has been added back in the calculation of headline earnings for the period under review. The loss on capital items also includes a loss on the sale of fixed assets of R5.5 million, against a profit of R21.6 million in the prior year.

Tax

The Group's effective tax rate decreased from 31.9% to 29.9%. The value of the write-back of non-tax deductible expenditure is in line with last year, but as profit increases the impact of this non-deductible expenditure lessens, resulting in a reduction of the overall effective tax rate.

Earnings per share

Basic earnings per share (EPS) increased 6.0% from 115.14 cents to 122.01 cents per share. The new 52-week reporting calendar reduced the current reporting period by four trading days compared with the prior year. The comparable EPS growth (if the impact of 14.64 cents per share attributable to the additional trading days last year is excluded) is 21.4%

Headline earnings per share (HEPS) increased 24.4% from 111.30 cents to 138.51 cents per share. The new 52-week reporting calendar reduced the current reporting period by four trading days compared with the prior year. The comparable HEPS growth (if the impact of 14.64 cents per share attributable to the additional trading days last year is excluded) is 43.3%.

The significant difference in the growth in headline earnings per share against basic earnings per share is the exclusion of profits and losses of a capital nature in the calculation of headline earnings. Capital losses net of tax of R78.9 million are added back to headline earnings in 2014 (mainly comprising the impairment of intangible assets), against a deduction net of tax of R18.4 million of capital profits in 2013.

Net working capital

	As at 2 March 2014 Rm	As at 3 March 2013 Rm
Inventory	**3 979.8**	3 996.5
Other current assets	**2 844.6**	2 361.1
Cash and cash equivalents	**1 540.3**	1 255.7
Bank overdraft and overnight borrowings	**(670.0)**	(1 525.6)
Other current liabilities	**(8 942.2)**	(7 382.4)
Net working capital	**(1 247.5)**	(1 294.7)

We are pleased with the slight improvement in net working capital, particularly in the context of the store expansion programme.

Inventory

Inventory has decreased by R16.7 million or 0.4%, with like-for-like inventory (excluding the impact of new stores) decreasing by 5.7%. We have been focused on removing slow-moving inventory lines from our business, rationalising our product range to provide our customers with a more focused and relevant offering, as well as improving our supply chain efficiencies with improved strike rates to stores. We are pleased with our progress in this area, but there is still much work to be done.

Trade and other receivables

The increase of R480.0 million relates to the 12 net new franchise stores. Franchise receivables are well controlled, but our exposure to emerging market franchisees has resulted in a net increase in our allowance for impairment losses of R43.2 million. More than 90% of the trade receivables balance relates to franchisees that have an excellent credit history with the Group.

Cash and capital management

Working capital management is critical in maintaining a sustainable and cost-effective capital structure, and as such the Group's liquidity position is continually monitored. The net cash and overnight borrowing position at year-end has improved by R1 140.2 million on last year, from negative R269.9 million to R870.3 million. The improved cash position is testament to the good work being done in respect of inventory management and improved fiscal control over both capital and operating expenditure. We raised an additional R300 million borrowing under our DMTN programme to capitalise on competitive interest rates in the capital markets.

The Group utilises interest-bearing borrowings to fund specifically identified capital expenditure. All capital expenditure is reviewed through a rigorous requisition and approval process.

The net interest expense of R99.6 million is R11.1 million more than the prior year's expense of R88.5 million, due to periods of elevated borrowings during the financial year as a result of increased capital expenditure and inventory provisioning relating to new stores, particularly in the first half of the year.

Cash outflows for the period relate to capital expenditure of R1.3 billion, with 72% (R911 million) of our capital investment focused in expansion and improving the shopping experience.

	2014 Rm	2013* Rm
Capital expenditure		
Expansion into new stores	**592**	539
Improving existing stores	**319**	340
Improving the customer experience	**911**	879
Investing in future infrastructure	**158**	328
Maintaining current infrastructure	**191**	88
Total capital expenditure	**1 260**	1 295

** Restated to accord with current year reclassifications.*

Capital commitments to the value of R1.6 billion are planned for the 2015 financial year. The focus will remain on expanding our footprint and our convenience offering to our customers. We will add more than 100 stores, across all formats, next year. We are committed to reducing our per square metre capital expenditure spend, without compromising on the quality of our supermarkets. All future capital commitments will be funded through internally generated cash flow, the roll-over of our Domestic Medium Term Note (DMTN) programme and longer-term borrowings, where appropriate.

PICK N PAY HOLDINGS LIMITED RF

Pick n Pay Holdings Limited RF's (Pikwik) only asset is its 53.6% (2013: 53.6%) effective holding in Pick n Pay Stores Limited (excluding treasury shares). The Pikwik earnings are directly related to those of this investment. The table below highlights the key financial indicators:

	364 days 2014	Normalised trading calendar 364 days (pro forma) 2013	Comparable pro forma change %	As previously reported 368 days 2013	% change
Total till sales	**R73.0 billion**	R67.8 billion	7.6	R68.5 billion	6.5
Turnover	**R63.1 billion**	R58.6 billion	7.7	R59.3 billion	6.5
Gross profit margin	**17.5%**	17.5%		17.4%	
Trading profit	**R1 008.1 million**	R749.8 million	34.4	R850.5 million	18.5
Profit before tax	**R830.9 million**	R706.3 million	17.6	R807.0 million	3.0
Basic earnings per share	**60.61 cents**	49.87 cents	21.5	57.03 cents	6.3
Headline earnings per share	**68.83 cents**	47.95 cents	43.5	55.11 cents	24.9
Total annual dividend per share	**44.30 cents**			40.78 cents	8.6

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

Shareholder distribution

In line with our review of all aspects of the business, the Board of Pick n Pay Stores Limited has moderated its annual dividend cover to 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. The final dividend of 77.50 cents per share for Pick n Pay Stores Limited and 37.10 cents per share for Pick n Pay Holdings Limited RF brings the total dividend for the annual period to 92.30 cents per share for Pick n Pay Stores Limited (9.9% up on the comparable period) and 44.30 cents per share for Pick n Pay Holdings Limited RF (8.6% up on the comparable period).

Prospects

It has been a challenging but rewarding year and we are pleased by this improved financial performance and the progress demonstrated across all areas of our business. However, much work remains to be done in what is a difficult trading environment. Our strategic focus remains on the dual goals of improving our customer offer in order to drive turnover growth, and continuing the encouraging progress on efficiency and expense control.

Bakar Jakoet
Chief Finance Officer

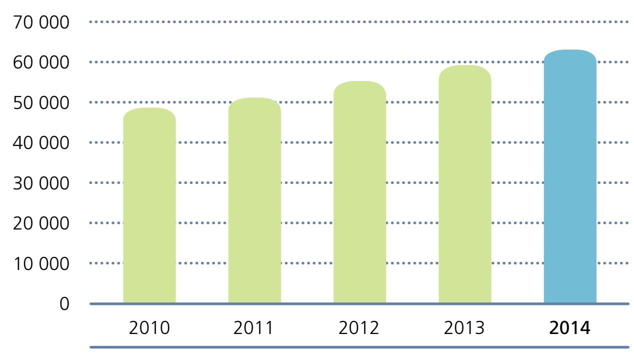
Cape Town
14 April 2014

Five-year review

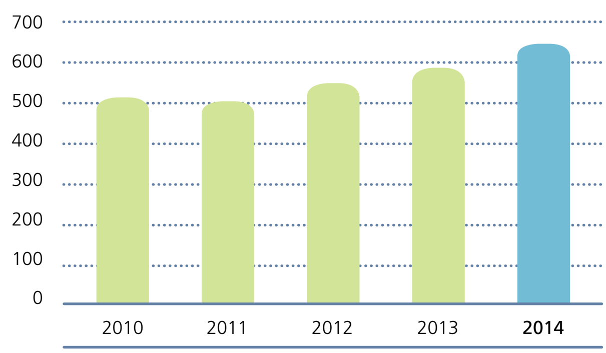
R million unless otherwise stated		2014 364 days	2013 368 days	2012 366 days	2011 365 days	2010 365 days
Pick n Pay Stores Limited						
PERFORMANCE MEASURES						
Turnover growth	%	**6.5**	7.1	8.1	5.1	11.3
Gross profit on turnover*	%	**17.5**	17.4	17.8	17.6	18.0
Trading profit growth	%	**18.5**	(33.2)	(10.1)	(13.5)	(2.1)
Trading profit on turnover	%	**1.6**	1.4	2.3	2.8	3.4
Profit on turnover	%	**0.9**	0.9	1.4	1.8	2.4
Headline earnings growth	%	**24.5**	(30.7)	(14.8)	(17.8)	1.4
Headline earnings on turnover	%	**1.0**	0.9	1.4	1.8	2.3
Headline earnings per share	cents	**138.5**	111.5	160.8	189.3	231.7
Headline earnings per share growth	%	**24.2**	(30.7)	(15.1)	(18.3)	1.1
Return on shareholders' equity	%	**25.9**	22.1	29.9	36.5	52.7
Return on total assets	%	**4.9**	4.3	5.9	7.0	9.3
Net asset value per share	cents	**645.6**	586.0	548.0	503.0	512.5
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME						
Turnover		**63 117.0**	59 271.3	55 330.5	51 185.0	48 703.2
Trading profit		**1 010.3**	852.4	1 275.1	1 417.7	1 638.7
Headline earnings		**662.6**	532.2	767.8	900.8	1 096.4
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION						
Assets						
Non-current assets		**5 739.9**	5 407.8	5 091.1	4 078.3	4 849.3
Current assets		**8 364.7**	7 613.3	6 727.2	7 022.0	6 349.5
Total assets		**14 104.6**	13 021.1	11 818.3	11 100.3	11 198.8
Equity and liabilities						
Ordinary shareholders' equity		**2 702.6**	2 416.0	2 404.1	2 158.8	2 144.6
Non-current liabilities		**1 789.8**	1 697.1	1 609.3	1 383.3	1 391.4
Current liabilities		**9 612.2**	8 908.0	7 804.9	7 558.2	7 662.8
Total equity and liabilities		**14 104.6**	13 021.1	11 818.3	11 100.3	11 198.8

* *In order to improve disclosure, components of gross profit has been reclassified to other income. Refer to notes 2 and 31 of the Group financial statements. Comparative numbers presented have been restated accordingly.*

Turnover (Rm)



Net asset value (Rm)



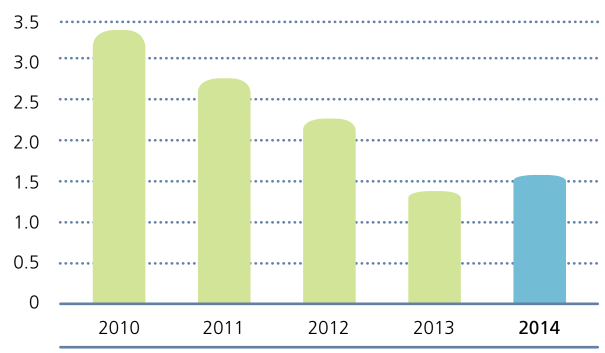
		2014 364 days	2013 368 days	2012 366 days	2011 365 days	2010 365 days
STOCK EXCHANGE (JSE LIMITED) PERFORMANCE						
Pick n Pay Stores Limited (PIK)						
Number of shares in issue	millions	**480.4**	480.4	480.4	480.4	480.4
Weighted average number of shares in issue	millions	**478.4**	478.1	477.4	475.7	473.2
Total market capitalisation	Rm	**21 685.1**	21 829.3	20 690.7	22 309.7	19 408.1
Market capitalisation net of treasury shares	Rm	**21 596.0**	21 736.3	20 583.8	22 151.2	19 134.1
Price:earnings ratio	times	**32.6**	40.8	30.2	28.2	18.9
Dividend per share	cents	**92.3**	84.0	130.9	142.5	174.5
Dividend cover	times	**1.5**	1.3	1.1*	1.2	1.2
Volume of shares traded	millions	**165.2**	274.5	216.8	275.7	209.5
Percentage of shares traded	%	**34.4**	57.1	45.1	57.4	43.6
Market price per share						
– close at year-end	cents	**4 514**	4 544	4 307	4 644	4 040
– high for the year	cents	**5 440**	4 900	4 850	4 999	4 160
– low for the year	cents	**3 519**	4 022	3 504	3 944	2 812
Pick n Pay Holdings Limited RF (PWK)						
Number of shares in issue	millions	**527.2**	527.2	527.2	527.2	527.2
Weighted average number of shares in issue	millions	**516.2**	516.4	516.4	515.9	515.3
Total market capitalisation	Rm	**10 835**	9 986.1	9 664.5	19 581.9	8 857.8
Headline earnings per share	cents	**68.8**	55.1	70.8	82.1	106.8
Price:earnings ratio	times	**29.9**	34.4	25.9	24.4	15.7
Dividend per share	cents	**44.3**	40.8	63.5	69.3	84.9
Dividend cover	times	**1.6**	1.4	1.1*	1.2	1.3
Volume of shares traded	millions	**70.5**	139.6	122.8	165.7	60.4
Percentage of shares traded	%	**13.4**	26.5	23.3	31.4	11.5
Market price per share						
– close at year-end	cents	**2 055**	1 894	1 833	2 007	1 680
– high for the year	cents	**2 300**	2 118	2 030	2 115	1 783
– low for the year	cents	**1 619**	1 770	1 459	1 655	1 207

** Due to an additional dividend paid to shareholders in respect of secondary tax on companies no longer payable, the dividend cover for the period decreased.*

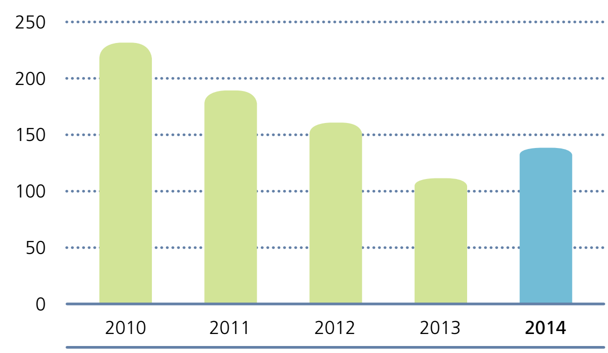
Definitions

Headline earnings	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 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
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

Trading profit on turnover (%)



Headline earnings per share (cents)

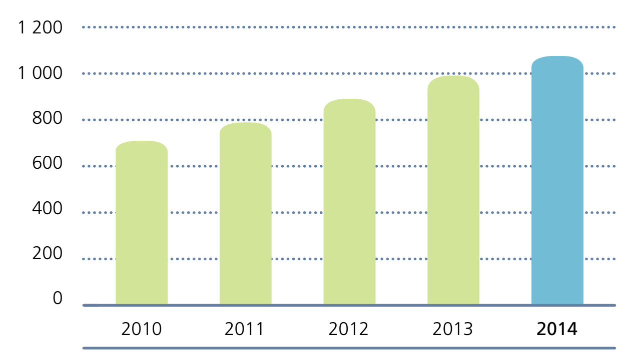


Five-year review continued

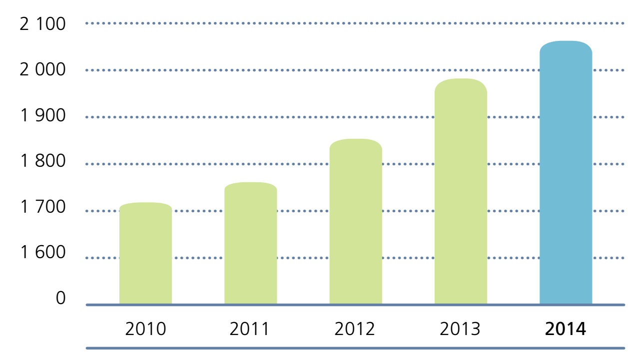
		2014 364 days	2013 368 days	2012 366 days	2011 365 days	2010 365 days
Pick n Pay Stores Limited						
EMPLOYEE MEASURES						
Employee statistics						
Number of employees	000	**49.3**	47.9	42.4	49.0	53.1
Permanent employee turnover	%	**15.0**	16.0	15.0	15.0	—*
Investment in training, including bursaries	millions	**91.7**	89.9	80.2	71.8	55.2
Employment equity**	%					
Top management	%	**39.0**	40.0	39.0	39.0	39.0
Senior management	%	**61.0**	60.0	60.0	58.0	59.0
Professionally qualified middle management	%	**85.0**	84.0	84.0	84.0	84.0
Skilled technical and junior management	%	**95.0**	95.0	95.0	94.0	—*
Semi-skilled and discretionary decision making	%	**99.8**	99.7	99.8	100.0	93.0
Unskilled and defined decision-making	%	**99.6**	99.6	99.6	99.6	100.0
OPERATIONAL STATISTICS						
Number of stores						
Group		**1 076**	991	891	789	710
Pick n Pay – Owned		**464**	420	374	311	286
Pick n Pay – Franchise		**433**	421	388	369	321
Boxer stores		**179**	150	129	109	103
Associate						
TM Supermarkets		**52**	49	50	51	53
Total square metres	000 m²	**2 069.4**	2 002.2	1 895.2	1 818.3	1 873.7
Owned	000 m²	**1 466.6**	1 386.4	1 269.9	1 223.1	1 293.5
Franchise	000 m²	**602.8**	615.8	598.3	595.2	580.2

* *Information for 2010 was not measured.*
** *These measures represent the participation of employment equity candidates, as governed by the Employment Equity Act, No 55 of 1998, in the presented categories.*

Number of stores



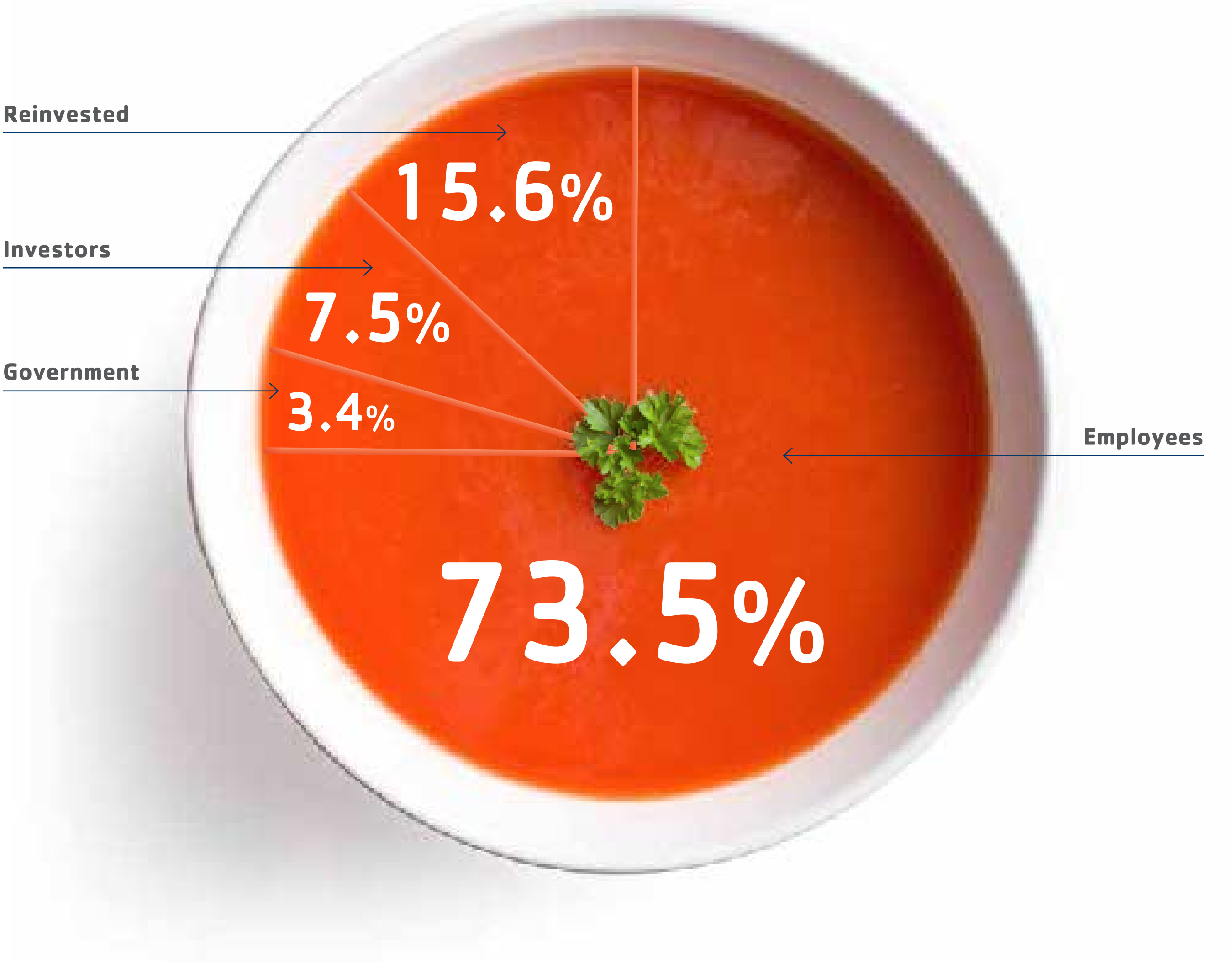
Total square metres (000m²)



Value added statement

Pick n Pay Stores Limited	2014 364 days Rm	%	2013 368 days Rm	%
Turnover	**63 117.0**		59 271.3	
Amounts paid for merchandise and expenses	**(55 909.6)**		(52 504.8)	
Interest and dividends received	**44.3**		42.8	
Value added	**7 251.7**	**100.0**	6 809.3	100.0
Distributed as follows:				
To employees as salaries, wages and other benefits	**5 326.3**	**73.5**	4 952.0	72.7
To investors as dividends and interest paid	**542.3**	**7.5**	714.8	10.5
To government as income taxation	**249.4**	**3.4**	258.3	3.8
Reinvested in the business to finance expansion and growth	**1 133.7**	**15.6**	884.2	13.0
	7 251.7	**100.0**	6 809.3	100.0

Adding value to stakeholders



Online shopping continues to provide our customers with a convenient shopping experience at the touch of a button

Making shopping available 24/7 and offering the choice of delivery or in store collection – it's another way we make life that little bit easier for our customers.

With full integration to our smart shopper programme, our online shopping customers benefit from the full loyalty experience. Earn, switch and spend points or view your complete purchase history online – all to make the online experience that much simpler.

Pick n Pay online has national delivery coverage to all major urban areas, with more than 2 000 deliveries per week, and our innovative fleet of delivery vehicles allows for true convenience with a 1 hour delivery window. We offer our customers a comprehensive range of grocery products and growing selection of wine, liquor and general merchandise.

With a fast growing base of consumer and business customers, Pick n Pay online shopping is committed to giving our customers more time to do the things that matter the most.

Pick n Pay Stores Limited
Board of directors

Chairman

Gareth Ackerman (56)#△
BSocSci, CMS, Associate Fellow at Green Templeton College, Oxford

Chairman
Corporate governance committee chairman
Nominations committee chairman

Appointed 1990

An executive at Pick n Pay for 15 years, Gareth headed up various divisions of the Company 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.

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

Executive directors

Richard Brasher (52)
Bsc (Hons)

Chief Executive Officer

Appointed 2013 **Years of service:** 1

Richard joined Pick n Pay after a 26-year career at Tesco in the United Kingdom. Richard's experience includes being involved in the development of Tesco's house brand strategy, the modern convenience food category, the strategy of varying store formats, and the development of both the international supplier base and Tesco's loyalty programme.

Richard van Rensburg (52)
CA(SA)

Deputy Chief Executive Officer

Appointed 2009 **Years of service:** 5

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, information systems and property portfolios 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 director in 1993 and served on the retail board as chief finance controller since 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, and Deputy Chair of the UCT Finance Committee. He is a director of the Sports Science Institute of South Africa, and chairs their audit committee.

Suzanne Ackerman-Berman (51)
BA, Fellow: Aspen Business Institute; First Movers

Social and ethics committee chairman

Appointed 2010 **Years of service:** 19

Following broad executive experience in the Company, Suzanne was appointed Director of Transformation on the Group Executive in 2007. In addition to her executive contribution to the Company, 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 Foundation, 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 and Management

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 Company in his current role as Customer Director on the Group Executive. 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:** 8

Debra was admitted as an attorney in 1988. From 1994 she assisted Pick n Pay as a legal consultant and was appointed in 2006 as inhouse 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.

** Member of audit 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

Non-executive directors

David Friedland (60)‡□
CA(SA)

Appointed 2013

David was the audit engagement partner and 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 (60)□
BBusSci

Appointed 2002

David joined the Group in 1994 and was appointed to the Group Enterprises board 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 of the Company. 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 (73)*□

Attorney
Lead independent non-executive director
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.

Lorato Phalatse (52)‡^□
BA (Hons), MA

Appointed 2010

Lorato began her working career in the FMCG sector at Unilever and at Johnson & Johnson. After moving to Nedperm 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 sits on the Masisizane board.

Other listed company directorships: The Bidvest Group.

Ben van der Ross (67)*#‡□

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 (64)△
CA(SA)

Audit committee chairman
Corporate finance committee chairman

Appointed 2007

Jeff is a founding member and former president of the Association for the Advancement of Black Accountants of Southern Africa, and is the former chairman of the Public Accountants and Auditors Board (now IRBA). Jeff also represented the South African Institute of Chartered Accountants (SAICA) on the Eastern, Central and Southern African Federation of Accountants. In addition, Jeff is a founder member of the National Black Business Caucus and a former director of the Small Business Development Corporation. Jeff was appointed as a member of the Standing Advisory Committee on Company Law in 2000. Jeff is presently a member of the Advisory Committee of SAICA and the Advisory Committee, Faculty of Economics and Management Sciences of the University of Pretoria. He is also Chairman of the Financial Reporting Standards Council and CEO of Uranus Investment Holdings (Proprietary) Limited.

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

Audrey Mothupi (43)*□
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 achieved 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 assisting education and vulnerable children.

John Gildersleeve (69)#□

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 serves as the Deputy Chairman of both Carphone Warehouse PLC and Talk Talk PLC, and as Chairman of Freston Road Ventures LLP.

Resident in the United Kingdom, John will be travelling to South Africa to attend board meetings.

Pick n Pay Stores Limited

Corporate governance report

Introduction

This report applies to Pick n Pay Stores Limited (Stores, alternatively the Company) and, where applicable, to Pick n Pay Holdings Limited RF (Holdings). Holdings and Stores are investment holding companies. Holdings' sole purpose is the holding of the controlling shareholding in Stores. Stores, through its subsidiaries and associate, operates in the retail sector in southern Africa and on the African continent.

The Pick n Pay group of companies (the Group) is committed to upholding the highest standards of ethics, transparency and good governance, while pursuing sustainable profitable growth. The Board is accountable for ethical leadership, sustainability and good corporate citizenship. The Group's commitment to good corporate governance is woven through every aspect of the management structure.

The Board takes overall responsibility for the Company, selecting the management team, overseeing corporate strategy and performance, and acting as a resource for management in matters of planning and policy.

With the aim of achieving a balanced economic, social and environmental performance, the Board supports efforts to ensure the long-term sustainability of the business. Legitimate stakeholder involvement is kept in mind at all times, and the Board fully supports the materiality approach, which emphasises 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 takes guidance from:

- The King Report on Governance for South Africa 2009 (King III)
- JSE Listings Requirements
- Companies Act, No 71 of 2008, as amended
- The International Integrated Reporting <IR> Framework
- Global Reporting Initiative (GRI) G4 sustainability reporting guidelines

It is the responsibility of the Board to ensure the application of the principles contained in the King Report on Governance for South Africa 2009 (King III), while maintaining the Group's focus on sustainable performance. Where the directors of the Board have deemed that recommended practices are not in the best interests of the Group, this report follows King III in explaining the reasons for the alternative application.

Summary of the application of King III principles

The Company has subscribed to the Governance Assessment Instrument (GAI) of the Institute of Directors Southern Africa (IoDSA). This instrument has as its primary objective the proficient discharge of responsibility relating to good governance. GAI considers the application of the related principles and practices as follows:

- All governance best practices within the retail industry are considered, including King III, JSE Listings Requirements, Companies Act and the Pension Funds Act;
- GAI is a robust framework and process methodology presented by IoDSA as complete, meaningful and credible; and
- GAI has an inherent scoring capability facilitating a measure of the application of good governance practices – it weights every practice and every related principle.

Stores' overall Governance result on the GAI scale is AA, where AAA is the highest measure.

The table below summarises Stores' application of the principles of King III:

Key

Applied	✓
Not applied	×
Partially applied	#

Chapter and principle	Application	Comments
Chapter 1 – Ethical leadership and corporate citizenship		
The Board should provide effective leadership based on an ethical foundation.	✓	Refer to Pick n Pay's code of ethics, which is to be found on our website, www.picknpayinvestor.co.za, under the corporate profile tab.
The Board should ensure that the Company is, and is seen to be, a responsible corporate citizen.	✓	
The Board should ensure that the Company's ethics are managed effectively.	✓	

Chapter and principle	Application	Comments
Chapter 2 – Board and directors		
The Board should act as the focal point for and custodian of corporate governance.	✓	The responsibilities of the Board are set out in the corporate governance charter. The charter aligns with the recommendations of King III, and establishes the responsibilities and mandates of the Board and its directors, as well as the roles of the Board committees. An updated charter was approved by the Board in June 2013. A copy of the charter is to be found on our website, www.picknpayinvestor.co.za under the corporate profile tab.
The Board should appreciate that strategy, risk, performance and sustainability are inseparable.	✓	The Group recognises the importance of incorporating sustainability into our business strategy.
The Board and its directors should act in the best interests of the Company.	✓	All directors submit a list of all companies in which they hold directorships or positions of influence. These lists are regularly updated, and are reviewed every quarter. This assists in ensuring that disclosure is current, transparency is maintained, and potential conflicts of interest are avoided.
The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Companies Act.	✓	Not relevant during the 2014 annual financial period.
The Board should elect a Chairman of the Board who is an independent non-executive director. The CEO of the company should not also fulfil the role of Chairman of the Board.	✗	Refer to note 1 on page 47.
The Board should appoint the CEO and establish a framework for the delegation of authority.	✓	Richard Brasher was appointed by the Board as CEO to the Group in January 2013. The Board contributes to all decisions made about senior executive appointments and has approved a framework for the delegation of authority.
The Board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	✓	Refer to note 2 on pages 47 to 48 for full details. The Board comprises a balance of power between the executive, the majority shareholder and the independent non-executive directors. All directors are possessed with the knowledge, skills and resources necessitated by the size and nature of the Company. Following recent appointments to the Board, the majority of non-executive directors are independent. Nine of the 14 directors are non-executive, namely Gareth Ackerman, David Robins, Hugh Herman, Ben van der Ross, Jeff van Rooyen, Lorato Phalatse, John Gildersleeve, Audrey Mothupi and David Friedland. Of the nine non-executive directors, six are independent, namely Hugh Herman, Ben van der Ross, Jeff van Rooyen, Lorato Phalatse, John Gildersleeve and Audrey Mothupi. Independence is assessed annually, and any director who has been on the Board for over nine years, if eligible, is put forward annually for election by shareholders.
Directors should be appointed through a formal process.	✓	Refer to the report of the nominations committee on page 53.
The induction and ongoing training and development of directors should be conducted through formal processes.	✓	A copy of the corporate governance charter is given to each director upon induction, as is the Memorandum of Incorporation, which also addresses certain responsibilities of the directors. In addition, new directors are introduced to all members of the executive management. Directors are provided with relevant material regarding statutory and regulatory developments, including the code of ethics, and receive briefings on changes in risks, laws and the business environment.

Chapter and principle	Application	Comments
Chapter 2 – Board and directors continued		
The Board should be assisted by a competent, suitably qualified and experienced Company Secretary.	✓	The Company Secretary of the Group ensures that all directors have full and timely access to the information that helps them to perform their duties and obligations properly, enabling the Board to function effectively. The Company Secretary is not a director of any of the Group's operations and maintains an arm's-length relationship with the Board and its directors. The Company Secretary has a direct channel of communication to the Chairman. The Company Secretary is responsible for the functions specified in section 88 of the Companies Act. Annual consideration is given by the Board to the competence, qualification and experience of the Company Secretary. At the Board meeting held in February 2014, after a formal evaluation was conducted, the appointment was re-affirmed. Please see cv on page 40.
The evaluation of the Board, its committees and the individual directors should be performed every year.	#	Evaluations of the Board's effectiveness are regularly undertaken. Given the recent introduction of three new non-executive directors, an external evaluation of the Board's effectiveness will be conducted in the 2015 financial year, as it is felt that the contribution of the three new non-executive directors to the Board can only be adequately assessed after the elapse of a period of time. Individual performance evaluations of directors are undertaken annually by the Chairman of the Board. 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.
The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	✓	The Board is assisted by six committees. For further details, refer to the page references set out below: • Social and ethics committee – see page 67 • Audit and risk committee – see pages 51 to 52 • Remuneration committee – see pages 55 to 66 • Nominations committee – see page 53 • Corporate governance committee – see page 54 • Corporate finance committee – see page 54 Each committee has a formal charter which is reviewed annually by the Board. Information on each of the committees is available on www.picknpayinvestor.co.za.
A governance framework should be agreed between the Group and its subsidiary boards.	✓	Refer to the diagram on page 49.
Companies should remunerate directors and executives fairly and responsibly.	✓	Non-executive directors have no fixed terms of appointment and no employment contracts with Pick n Pay. Their fees are not linked to the Group's financial performance, nor do they receive share options or bonuses. Executives are remunerated in terms of the remuneration policy set out on pages 55 to 63.
Companies should disclose the remuneration of each individual director and prescribed officer.	✓	Refer to the remuneration committee report on pages 55 to 66.
Shareholders should approve the Company's remuneration policy.	✓	Shareholders approved the policy at the AGM held on 25 June 2013.

Chapter and principle	Application	Comments
Chapter 3 – Audit committees		
The Board should ensure that the Company has an effective and independent audit committee.	✓	Refer to the audit and risk committee report on pages 51 to 52.
The audit committee members should be suitably skilled and experienced independent non-executive directors.	✓	
The audit committee should be chaired by an independent non-executive director.	✓	
The audit committee should oversee integrated reporting.	✓	
The audit committee should ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities.	#	The Board and audit and risk committee worked with a qualified, independent third party to develop a comprehensive combined assurance approach, to ensure the integrity of financial and non-financial data contained within the report. This approach is being implemented by management.
The audit committee should satisfy itself of the expertise, resources and experience of the Company's finance function.	✓	Refer to the audit and risk committee report on pages 51 to 52.
The audit committee should be responsible for overseeing of internal audit.	✓	
The audit committee should be an integral component of the risk management process.	✓	
The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	✓	
The audit committee should report to the Board and shareholders on how it has discharged its duties.	✓	
Chapter 4 – The governance of risk		
The Board should be responsible for the governance of risk.	✓	Refer to the risk management report on pages 68 to 73.
The Board should determine the levels of risk tolerance.	✓	
The risk committee or audit committee should assist the Board in carrying out its risk responsibilities.	✓	
The Board should delegate to management the responsibility to design, implement and monitor the risk management plan.	✓	
The Board should ensure that risk assessments are performed on a continual basis.	✓	
The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	✓	
The Board should ensure that management considers and implements appropriate risk responses.	✓	
The Board should ensure continual risk monitoring by management.	✓	
The Board should receive assurance regarding the effectiveness of the risk management process.	✓	
The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	✓	

Chapter and principle	Application	Comments
Chapter 5 – The Governance of information technology		
The Board should be responsible for information technology (IT) governance.	✓	The Board, through its audit and risk committee, risk management and executive reporting, takes responsibility for IT governance. The management of information technology systems has been delegated to the Deputy CEO. An information technology services (IT) governance function has been established within the IT division. The IT governance function is implementing various initiatives in order to achieve compliance with King III where feasible. The Group aligns its practices and processes to COBIT 5, which is the latest edition of ISACA's globally accepted framework, providing an end-to-end business view of the governance of enterprise IT.
IT should be aligned with the performance and sustainability objectives of the Company.	✓	Information technology systems are aligned with the strategy, objectives and reporting requirements of the Group.
The Board should delegate to management the responsibility for the implementation of an IT governance framework.	✓	The management of IT governance has been delegated to the Deputy CEO who implements governance structures, systems and controls through the IT governance function.
The Board should monitor and evaluate significant IT investments and expenditure.	✓	The Board annually considers and approves all IT investment and expenditure.
IT should form an integral part of the Company's risk management.	✓	The information technology systems form part of the internal and annual external audit programme, which also considers risks to the Group. The information technology systems governance function is developing a risk management framework to focus and manage IT-specific risks. Refer to the risk management report on pages 68 to 73.
The Board should ensure that information assets are managed effectively.	✓	Pick n Pay has policies and procedures to manage the storage, control, monitoring and confidentiality of all data. Policies and procedures are continually monitored and improved where necessary.
A risk committee and audit committee should assist the Board in carrying out its IT responsibilities.	✓	IT audit items and risks are regularly reported to the Group audit and risk committee.
Chapter 6 – Compliance with laws, rules, codes and standards		
The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	✓	Refer to the legal report on page 74 and to the risk management report on pages 68 to 73.
The Board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the Company and its business.	✓	
Compliance risk should form an integral part of the Company's risk management process.	✓	
The Board should delegate to management the implementation of an effective compliance framework and processes.	✓	
Chapter 7 – Internal audit		
The Board should ensure that there is an effective risk-based internal audit.	✓	Refer to the audit and risk committee report on pages 51 to 52 and to the risk management report on pages 68 to 73.
Internal audit should follow a risk-based approach to its plan.	✓	
Internal audit should provide a written assessment of the effectiveness of the Company's system of internal controls and risk management.	✓	
The audit committee should be responsible for overseeing internal audit.	✓	
Internal audit should be strategically positioned to achieve its objectives.	✓	

Chapter and principle	Application	Comments
Chapter 8 – Governing stakeholder relationships		
The Board should appreciate that stakeholders' perceptions affect a Company's reputation.	✓	Refer to the engagement with stakeholders report on pages 14 to 15.
The Board should delegate to management to proactively deal with stakeholder relationships.	✓	
The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Company.	✓	
Companies should ensure the equitable treatment of shareholders.	✓	
Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	✓	
The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	✓	
Chapter 9 – Integrated reporting and disclosure		
The Board should ensure the integrity of the Company's integrated report.	✓	The audit and risk committee reviews the financial statements and the integrated annual report and makes a recommendation to the Board for approval.
Sustainability reporting and disclosure should be integrated with the Company's financial reporting.	✓	
Sustainability reporting and disclosures should be independently assured.	✗	The Board and audit and risk committee worked with a qualified, independent third party to develop a comprehensive combined assurance approach, to ensure the integrity of financial and non-financial data contained within the report.

Notes to King III principles

Note 1

Chairman

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.

The Ackerman family owns approximately 51% of the shares in the holding company, Pick n Pay Holdings Limited RF, giving them a holding of 27.3% in the Group. Chairman Gareth Ackerman is not independent by virtue of his indirect shareholding. Perceptions of conflicts of interest may arise regarding his decisions relating to the Group and its shareholders.

Hugh Herman has been appointed as Lead Independent Director (LID). The main function of an 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 Stores or potential conflicts of interest. All members of the Board have unfettered access to the LID when required.

In addition to the role of the LID, and to ensure good governance, the chairmanship of four of the six Board committees is held by other independent directors.

Consistent with the King III guidelines, Gareth Ackerman:
- is not a member of the audit and risk committee;
- does not chair the remuneration committee, but is a member; and
- is not a member of the social and ethics committee.

Note 2

Board composition

The Board consists of 14 directors. Of the nine non-executive directors, six are independent. The remaining five directors are executive. Curricula vitae of all directors are set out on pages 40 to 41.

The Company undertook a rigorous review of the composition of the Board during 2013. Consideration was given to the balance of skills and experience of directors on the Board. Three new non-executive directors were appointed, all of whom were elected by shareholders at the general meeting held by the Company on 12 February 2014. All our non-executive directors are independent, tough-minded individuals of integrity, who are successful and experienced professionals in their respective fields. They do not depend financially on the directors' fees they receive from the Company, and strive to preserve their reputation for independence and governance in the corporate world.

The Company is confident that a balanced Board has been achieved, with directors who exercise leadership, enterprise, integrity and judgement in directing the business of the Company, so that it can thrive.

Corporate governance report continued

Board function

Directors are encouraged to promote rigorous debate with the aim of promoting active direction, governance and effective control of the Company. 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.

Controlling shareholder representation on the Board

As representatives of the controlling shareholder, Gareth Ackerman, Suzanne Ackerman-Berman, Jonathan Ackerman and David Robins were elected by shareholders to the Board. Between them they have 62 years' executive experience in the Group. Suzanne Ackerman-Berman and Jonathan Ackerman are executive directors, while David Robins was executive for 14 years and has been a non-executive director since 2008. The Chairman, Gareth Ackerman, has been with the Group for 21 years, the last 15 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 team, comprising Richard Brasher (CEO), Richard van Rensburg (deputy CEO) and Bakar Jakoet (CFO), all of whom are executive directors on the Board.

Non-executive representation on the Board

Of the nine non-executive directors on the Board during the 2014 annual financial period, six are independent. Hugh Herman has been appointed as LID (see note 1).

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.

Given the recent appointment of three non-executive directors to the Board, it has been resolved that an external assessment of the Board will be conducted during the 2015 financial year, as the accuracy of any assessment requires a period of time over which the contributions of each director can be assessed.

An internal assessment of the independence of non-executive directors is conducted by the Chairman, who conducts individual interviews. Findings are 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 will solicit external legal opinion regarding the status of a non-executive director. Following this assessment, the Chairman makes a recommendation to the Board as to independence. The Board interrogates the recommendations before a final decision is 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. Our long-serving non-executive directors are aware of, and exercise, their duty to act in the best interests of all the stakeholders of the Company. The Company values the balance achieved between the fresh insights from new directors and the experienced insights from long-serving directors.

Conclusion as to independence

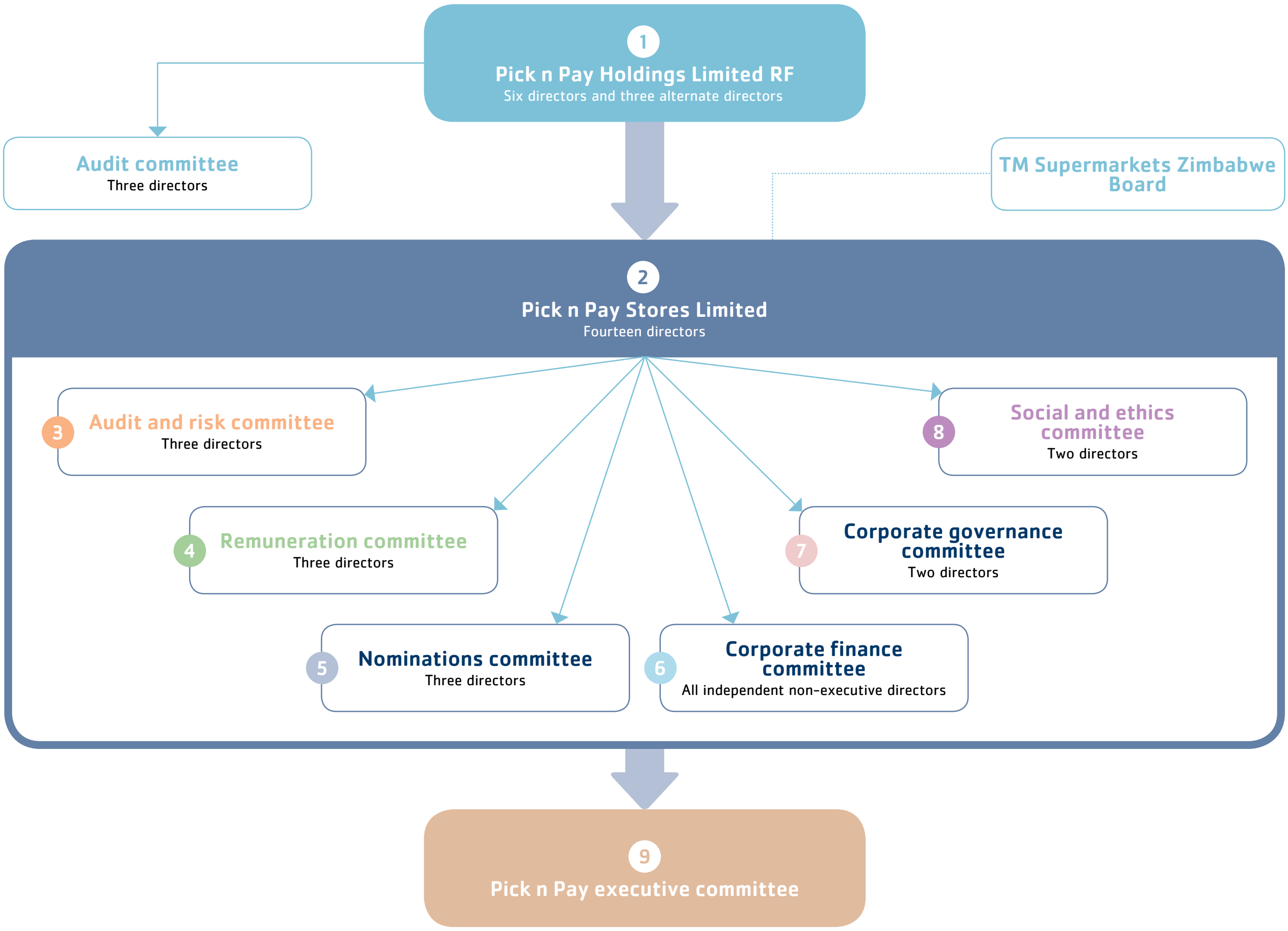
At the time of the last assessment, all Pick n Pay's independent non-executive directors met the criteria for independence as established by King III, the Companies Act and the JSE Listings Requirements. The Chairman and the Board are satisfied that, while Hugh Herman and Ben van der Ross have long-running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

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 will serve one-year terms of office, instead of the standard three-year terms. At the end of each term, the director and the Chairman will 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.

Governance structure and models

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 governance structure in Pick n Pay:



1. Refer to the Pick n Pay Holdings Limited RF corporate governance report on pages 76 to 78 and board of directors on page 75.
2. Refer to the Pick n Pay Stores Limited corporate governance report on pages 42 to 50, and board of directors on pages 40 to 41.
3. Refer to the audit and risk committee report on pages 51 to 52.
4. Refer to the remuneration committee report on pages 55 to 66.
5. Refer to the nominations committee report on page 53.
6. Refer to the corporate finance committee report on page 54.
7. Refer to the corporate governance committee report on page 54.
8. Refer to the social and ethics committee report on page 67.
9. The Pick n Pay executive committee for the 2014 annual financial period consisted of Richard Brasher (CEO), Richard van Rensburg (deputy CEO) and Bakar Jakoet (CFO).

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 annual financial period:

Director	22 April 2013	25 June 2013	21 October 2013	13 February 2014	AGM 25 June 2013
Gareth Ackerman (Chairman)	P	P	P	P	P
Richard Brasher (CEO)	P	P	P	P	P
Richard van Rensburg (deputy CEO)	P	P	P	P	P
Bakar Jakoet (CFO)	P	P	P	P	P
Suzanne Ackerman-Berman	P	P	P	P	P
Jonathan Ackerman	P	P	P	P	P
Hugh Herman (LID)	P	A	P	P	T
Ben van der Ross	P	P	A	P	P
Jeff van Rooyen	P	P	P	P	P
Lorato Phalatse	P	A	P	P	A
David Robins	P	P	P	P	P
John Gildersleeve*	—	—	—	P	—
Audrey Mothupi**	—	—	—	P	—
David Friedland**	—	—	—	P	—

P = present.
A = apologies.
T = present via telephone link.
** = Appointed 21 October 2013.*
*** = Appointed 13 December 2013.*

Pick n Pay Stores Limited

Audit and risk committee report

The audit and risk committee is a statutory committee, as required by the Companies Act, and functions within a charter approved by the Board annually. The committee members, Jeff van Rooyen, Hugh Herman and Ben van der Ross, were confirmed for appointment at the AGM on 25 June 2013.

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.

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 systems 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.

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.

Audit and risk committee report continued

Meetings and activities

Committee member	Qualification	Status	15 April 2013	17 October 2013
Jeff van Rooyen (Chairman)	CA(SA)	Independent non-executive director	P	P
Hugh Herman	Attorney	Independent non-executive director	P	P
Ben van der Ross	Attorney	Independent non-executive director	P	P

P = present

The committee discharges its Board responsibilities by:

- meeting at least twice a year to review the Group's financial results, to receive and review reports from both the internal and external auditors, and to meet with management to review their progress on identifying and addressing key risk areas within the business;
- reporting to the Board at the next meeting, which is held within a week of the respective committee meeting;
- meeting separately with the internal and external auditors to confirm they are receiving the full co-operation of management; and
- the committee Chairman meets regularly with key management to keep abreast of emerging issues.

The committee discharges all audit committee responsibilities of all the subsidiary companies within the Group. To help it discharge this responsibility, financial review committees, chaired by the Chief Finance Officer, review in detail the results of all material operating subsidiary companies with the external auditors and management of the respective subsidiary. These review committees report their findings to the Group audit and risk committee.

The external and internal auditors have unrestricted access to the committee and all of its members throughout the year.

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 is satisfied as to the independence of the Group's external auditors, KPMG Inc. and its respective audit partners. The committee nominates KPMG as external auditor for appointment by shareholders at the annual general meeting.

Policy on non-audit services

All non-audit services provided by the Group's external auditors are pre-approved by the audit committee. The total fee for non-audit services provided should not, under normal circumstances, 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 also 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 has functioned in accordance with its charter for the 2014 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. The Board has, on the recommendation of the committee, nominated KPMG Inc. for reappointment as the Company's registered auditor for the ensuing year at the forthcoming annual general meeting.

Jeff van Rooyen
Chairman: audit and risk committee

14 April 2014

Pick n Pay Stores Limited
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 annually.

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. Requirements for candidates for appointment include independence, integrity, tough-mindedness and respect for the values and principles of the Group. 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

The nominations committee is chaired by Gareth Ackerman, and its members, Lorato Phalatse and Ben van der Ross, are non-executive directors. King III recommends that committees should be chaired by independent non-executive directors. Chairman Gareth Ackerman is not independent by virtue of his indirect shareholding. It is the view of the Company that his long-standing work with the Group in both executive and non-executive capacities, and his strategic overview qualify him to chair the work of the committee.

Frequency of meetings

The committee meets on an ad hoc basis. All members attended as required, whether in meetings or via video-conferencing or telephonic link.

Period under review

At the 2013 annual general meeting, Chairman Gareth Ackerman announced that a review was being conducted of the Board composition with the aim of achieving a balance among the non-executive directors of financial, legal, FMCG and general business experience. The nominations committee met frequently during this review process, following which three non-executive directors were appointed by the Board in the last quarter of 2013. The new directors, Audrey Mothupi, David Friedland and John Gildersleeve, were duly elected by shareholders at the extraordinary general meeting held on 12 February 2014.

The nominations committee is of the view that it has achieved its objectives for the 2014 financial year. The committee will continue to meet on an ad hoc basis to monitor the balance of talent on the Board.

Gareth Ackerman

Gareth Ackerman
Chairman: nominations committee

14 April 2014

Pick n Pay Stores Limited

Corporate governance committee report

Role of the committee

The corporate governance committee is governed by a Board-approved charter, which is reviewed annually. It 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. In addition, international standards of corporate governance are considered alongside local practices.

Composition of committee

The committee comprises Gareth Ackerman as Chairman, and Jeff van Rooyen. The committee meets with the Company Secretary and relevant members of the Board and management as required, ensuring that corporate governance structures are appropriate and effective.

Frequency of meetings

The committee meets on an ad hoc basis.

Period under review

Among other matters, the committee reviewed the following:

- The balance of the Board and the independence of directors;
- The level of fees paid to non-executive directors in the Group;
- Special resolutions in relation to employee loans;
- The role of the lead independent director;
- Chairmanship of Board committees;
- Remuneration policy disclosure; and
- Number of shares reserved for use in share incentive schemes.

For the period under review, the committee is of the view that, in all material respects, the provisions of King III have been applied or adequately explained by the Company. The findings of the committee have been presented to, and confirmed by, the Board.

Gareth Ackerman

Gareth Ackerman
Chairman: corporate governance committee

14 April 2014

Pick n Pay Stores Limited

Corporate finance committee report

Role of the committee

The corporate finance committee is governed by a Board-approved charter, which is reviewed annually. The committee assists the Board in assessing investment opportunities for the Pick n Pay 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 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, and no meetings took place during the period under review.

Jeff van Rooyen
Chairman: corporate finance committee

14 April 2014

Pick n Pay Stores Limited

Remuneration committee report

Introduction

This report is divided into two sections:

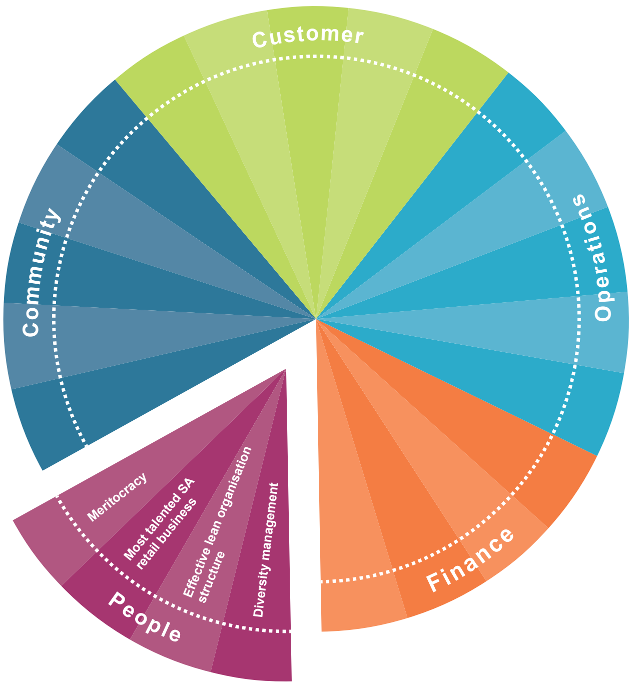
Section one – describes the Group's remuneration policy for directors and key executives, illustrates how remuneration is structured to ensure alignment with Group strategy and the interests of shareholders, and details the role and composition of the remuneration committee.

Section two – discloses the actual payments, accruals and awards for the 2014 financial year.

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 (AGM) to be held on 2 June 2014.

SECTION ONE

Remuneration policy



The balanced scorecard above illustrates the core objectives of our long-term business strategy, which is balanced across our five key focus areas. Our people are an integral part of Pick n Pay's long-term strategy to become the retailer for every South African.

Our Group remuneration policy supports the objectives of our long-term strategy:

- **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

The Group's remuneration policy is aimed at attracting, retaining and motivating employees and executives, while aligning their remuneration with shareholder interests and best practice. We reward employees for their individual contribution to the Group's strategic, operating and financial performance. We ensure that our remuneration policy supports the development and retention of top talent, while attracting critical skill and experience in the retail industry.

The remuneration policy is supported by the following underlying principles:

- Remuneration at all levels is benchmarked against our peers (both locally and internationally) to ensure that it is fair and just
- An independent expert assists the remuneration committee with benchmarking
- Employees and executives are rewarded for meeting key performance targets
- Remuneration levels for executive directors take into account remuneration policies and practices of comparable companies
- Executive remuneration is balanced between long-term and short-term incentives
- Non-executive directors do not receive remuneration or incentive awards related to share price or corporate performance

We believe that the remuneration policy is aligned with the long-term strategic objectives of the Group and will contribute to long-term, sustainable value creation in the business.

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 goals. 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.

Remuneration committee report continued

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 (available on our website at www.picknpayinvestor.co.za). Its charter is reviewed annually at the Board meeting in April. The committee's key responsibilities are to:

- review the Group's remuneration philosophy and policies to ensure alignment with the objectives of the Group
- review the Group's remuneration philosophy and policies to ensure alignment with best practice in the market
- determine the remuneration packages of executive directors and to review the remuneration packages of senior management and key employees
- propose fees for non-executive directors, subject to shareholder approval
- approve performance-related short-term incentives as well as long-term share-based incentives

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

Director	Status	8 April 2013	24 July 2013	17 October 2013	28 January 2014
Hugh Herman (Chairman)	Independent non-executive	P	P	P	P
Gareth Ackerman	Non-executive	P	P	P	P
Ben van der Ross	Independent non-executive	P	A	P	P

P = present
A = apology

Remuneration activities and decisions made during the 2014 annual financial period

The main items considered and approved by the remuneration committee during the 2014 annual financial period were as follows:

- Executive and non-executive director remuneration benchmarking, including a review of all benefits provided
- Reviewing and setting the annual compensation for the CEO
- Annual salary increases for executives
- Determining an appropriate bonus for executives and the reasonable allocation thereof
- Approving all share option allocations to executives
- Reviewing of the Group's short-term incentive scheme and the introduction of a new forfeitable share plan for key executives (for further information refer to pages 58 and 61 of this report)
- Reviewing and approving of the Group's remuneration policy and report
- Reviewing and recommending to the Board the overall compensation for the Chairman, for final approval by shareholders at the AGM
- Reviewing and recommending non-executive directors' fees for the 2015 annual financial period, for final approval by shareholders at the AGM

Risk management and remuneration practices

The remuneration committee ensures that corporate governance and legal requirements are met when existing remuneration policies are reviewed and new remuneration plans and policies are put in place. In doing so the committee ensures that shareholder interests are protected, and reward systems, remuneration policies and targets are aligned with the Group's risk tolerance.

Executive directors and senior management

Remuneration structure

The Group balances remuneration across three broad categories to ensure:

- employees are fairly rewarded for performance
- employees are incentivised to meet short-term and long-term strategic goals (which are balanced between fair and achievable, and ambitious)
- employees are rewarded for initiative and innovation
- employees are encouraged to grow and stay with the Group over the long term

Summary of the remuneration structure:

Category	Nature	Objective	Includes
Guaranteed base pay	Fixed	Must fairly represent the scope and nature of the employee's role, the skill and experience required and the performance expected	Base salary 13th cheque (not applicable to senior management) Contributions to retirement fund Contributions to medical aid Fringe and other benefits, including: • Car allowances • Low-interest loans
Short-term incentive	Variable	Must motivate and reward the achievement of strategic performance objectives	Annual bonus, less the payment of a 13th cheque (where applicable)
Long-term incentive	Variable	Must encourage longer-term performance and loyalty, and retain key skills by linking remuneration to long-term value creation	The allocation of: • Standard share options • Binary share options • Forfeitable performance shares

Guaranteed base pay

Base salary

The remuneration committee reviews the salaries of the CEO, other executive directors and senior management annually. Remuneration reflects the relative skill, experience, contribution and performance of the individual. Base pay 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. The annual remuneration is directly related to annual performance assessments, which are undertaken in April each year. Annual increases in base pay are determined with reference to the scope of the employee's role, the competence and performance of the employee, as well as the projected consumer price index. The performance of the CEO is assessed by the Chairman and the Board, while the performance of the other executive directors is evaluated by the CEO and reviewed by the remuneration committee.

CEO – when setting Richard Brasher's annual base salary at R7 million, the remuneration committee considered the following factors:

- His extensive experience in the retail industry, which spans over 27 years
- His tenure as the former CEO of Tesco UK/Republic of Ireland
- Richard was instrumental in transforming Tesco into the market share leader in the United Kingdom and a global retailer

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 and his expertise.

Retirement fund and medical aid contributions

Pick n Pay contributes 17.35% of salary expenditure towards retirement funding for executive directors and employees. In addition, the Group also contributes towards medical aid. For further details please refer to note 22 of the financial statements where retirement benefits are disclosed.

Fringe and other benefits

Car allowances

Executive directors and management are granted a travel allowance or the use of a Company vehicle which includes maintenance, fuel and insurance.

Low-interest loans

Salaried employees have access to low-interest loans from the Group, generally to assist with the acquisition of residential property. Loan values are capped at varying amounts, depending on the employee's position in the Group. Affordability tests are performed before any loan is granted, to ensure the employee does not experience financial strain. Interest rates average 3.4%.

The value of executive directors' low interest loans at the end of the 2014 financial year is R0.4 million. For further details please refer to note 15 of the financial statements where employee loans are disclosed.

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

Remuneration committee report continued

Short-term incentive

Annual bonus

Executives and management participate in the annual bonus scheme. It is designed to motivate management to achieve the Group's short-term strategic objectives and to reward performance.

The Group operates two bonus schemes:

The senior management incentive scheme – applies to divisional managers and above (approximately 200 people). The bonus payment (if any) is made in May each year, after the finalisation of the Group's financial performance of the previous financial year.

The management bonus scheme – applies to all employees of manager grade and above. These employees also participate in the bonus pay-out at the end of May (if applicable), except that in this category employees are guaranteed a 13th cheque (an amount equal to one month's basic salary) which is paid in November and deducted from any bonus pay-out in the following May.

Bonuses awarded to executives and management are discretionary and are linked to the achievement of profit before tax targets, excluding any exceptional capital items (PBTAE). Targets are set by the remuneration committee on an annual basis. PBTAE is a product of all the efforts of the Pick n Pay team and is thus to a large extent under the control of the participants in the bonus scheme.

The bonus pool is self-funding and is created after achieving a pre-defined PBTAE target, inclusive of the value of the incentive. The bonus pool increases in value as threshold, target or stretch PBTAE levels 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 PBTAE 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.

No bonuses are paid if the threshold target is not met. In addition, the short-term incentive scheme mitigates the risk that management focuses on managing the share price rather than the business, thus protecting the dividend flow for all shareholders.

All bonuses paid to management and executives are subject to approval by the remuneration committee.

Review of performance – aligning rewards with strategy and performance

The poor financial results over the past few years have seen the executive team forego annual bonuses (other than the 13th cheque where applicable). In addition, the 2010 share option awards under the long-term binary share incentive scheme are expected to lapse in May 2014, without the share price performance conditions being met. Both examples reflect the Group's remuneration philosophy of aligning performance with reward.

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 are remunerated fairly and reasonably, in line with industry benchmarks and shareholder expectation. The committee has experienced challenges in its role over the last few years, because while the senior team cannot be unduly rewarded during times of poor financial performance, a balance must be achieved in order to retain key employees and attract quality managers from outside the business.

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 PBTAE, which is inclusive of the cost of the short-term incentive.

This has been a significant year for the Pick n Pay senior team who, under the leadership of Richard Brasher, has worked hard to stabilise the business and to deliver on the Group's short-term strategic objectives. The Group has delivered an improved financial performance in the 2014 year, and while there is still a great deal of hard work ahead and much expected from the senior team, we are encouraged by the progress shown.

The remuneration committee's threshold target of 18% growth on comparable PBTAE was met in 2014, with the Group achieving PBTAE of R937.2 million (32% growth). The target (55% growth) and stretch (90% growth) targets were not met. As a result, a bonus was agreed to by the remuneration committee for the first time in four years. 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 directors' remuneration table on page 63 reflects the bonus accrued for the current financial year for executive directors based on 2014 performance.

The remuneration committee will set new and appropriate targets for the 2015 financial year.

Long-term incentive

The Group operates two share incentive schemes for the benefit of its executive directors, senior management and employees:

- The 1997 Employee Share Option Scheme
- The Forfeitable Share Plan (FSP) (approved February 2014 – no awards have been issued yet)

Funding of share plans and dilution

The directors have received shareholder approval to utilise up to 63 892 444 shares of the issued share capital of Pick n Pay Stores Limited (13.3%) and 92 268 590 shares of the issued share capital of Pick n Pay Holdings Limited RF (17.5%) for the purposes of managing the Group's share schemes.

It is Group policy to maintain a generous share option scheme for all employees. The Group was among the first of our peers to implement a broad employee share scheme and did so long before it became the corporate norm. All employees, at all levels, 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 just senior management and executives) are recognised, and that their interests are aligned with 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.

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 Group has always been mindful of preventing the dilution of our shareholders' interests and as such, it is Group policy to buy shares to cover obligations under the employee share schemes. The two share schemes are further constrained by an aggregate limit of 5% in respect of the amount of new share capital that can be issued to cover obligations under the employee share schemes. It is not standard practice for the Group to issue new share capital to cover its share scheme obligations and has only done so once in the past, with an issue of 2.7 million shares or 0.6% of share capital in the 2005 financial year. The debut issuance under the FSP will be funded by the issue of share capital, but this will not exceed 1.7% 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 and to foster trust and loyalty among employees. 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.

Pick n Pay Holdings Limited RF (PWK)

Standard share options

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.

During the 2014 financial year 2.2 million PWK share options were granted to employees in respect of long-service. At year-end 15.3 million PWK share options were held by employees, amounting to 2.9% of shares in issue. Please refer to note 5 of the financial statements for further information.

Pick n Pay Stores Limited (PIK)

Standard share options

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, 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 top-up options – senior management 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.

During the 2014 financial year, 2.6 million standard Pick n Pay Stores Limited (PIK) options were issued to management in respect of their progress and performance. At year-end 50.2 million PIK share options (including binary options that are detailed separately below) were held by employees at year-end, amounting to 10.4% of shares in issue. Please refer to note 5 of the financial statements for further information.

Binary share options (share options with performance conditions)

These are granted to 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.

There are currently three outstanding binary share option issues. The first was issued in October 2010 to senior management, the second in October 2011 to deputy CEO Richard van Rensburg, and the third to CEO Richard Brasher on his appointment in November 2012.

a. October 2010 binary share option issue to senior management

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. At year-end, 2.8 million binary share options have been forfeited due to termination of service, and 11.7 million options are currently outstanding.

If the 20-day volume weighted average share price (VWAP) up to 23 May 2014 is R65.28 or greater, the options can be exercised at the full grant price of R41.23. Should this 20-day VWAP be less than R65.28, 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:

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

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 volume weighted average share price (VWAP) up to 23 May 2015 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:

Details	Share price May 2015	Annual compound growth rate	Exercise price
Eligibility hurdle	**R73.11**	20%	R36.55
Performance hurdle 1	**R93.07**	30%	R18.28
Performance hurdle 2	**R121.56**	40%	R1.00

c. Binary share option issue to CEO Richard Brasher

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

If the 20-day volume weighted average share price (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:

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

2. The Forfeitable Share Plan for senior management (FSP)

In line with local and global best practice, Pick n Pay Stores Limited has adopted a new share incentive plan. The Pick n Pay Stores Limited Forfeitable Share Plan (FSP) is aimed at executive directors and key senior management personnel. The FSP was approved by shareholders, with an 80% majority vote, at an extraordinary general meeting held at the Company's head office on 12 February 2014.

The FSP recognises those key Pick n Pay managers 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 share plan recognises the valuable contribution of senior management and through the attachment of performance conditions incentivises management 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 individual key performance indicators, as set out in the strategic business plan. This will ensure that employees are appropriately and fairly recognised and rewarded for performance delivery. Therefore, if an employee does not meet his or her performance targets and does not participate in the short-term incentive bonus scheme, the participant will not be eligible for forfeitable shares.

Regular annual awards will be made on a consistent basis to ensure long-term shareholder value creation, while always first considering the overall affordability of the plan for the Group and its benefit for shareholders. The remuneration committee will award the shares to participants. The actual number of shares awarded will take into account recognised market benchmarks, as well as each participant's individual performance, annual salary, employment grade and other relevant retention and attraction requirements.

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 will determine appropriate performance conditions and vesting periods for each individual award of shares, taking into account the current business environment and market best practice at the time of making the award. The performance conditions will be linked to the financial performance of the Group, with headline earnings per share (HEPS) currently being the preferred performance measure. Pick n Pay believes that this is the most appropriate performance measure against which to judge the performance of its management team, because executive performance and successful execution of strategy has a direct impact on the earnings of the Group. However, the remuneration committee will review and determine appropriate performance measures for each award under the FSP.

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.

The first issue of shares under the FSP will be awarded under the following performance conditions and vesting scale:

Growth in HEPS over three years	Number of shares which vest
Cumulative HEPS growth of < 10% per annum	No shares will vest (all will be forfeited)
Cumulative HEPS growth of 10% per annum	30% of the shares will vest
Cumulative HEPS growth of 12% per annum	65% of the shares will vest
Cumulative HEPS growth of 15% per annum	100% of the shares will vest

It is important to note that the growth thresholds detailed above are after the applicable IFRS 2 expense, which will be charged to the income statement over the vesting term of the forfeitable shares. The scheme is therefore self-funding. The IFRS 2 charge is significant, with the stretch target of 15% HEPS growth per annum equating to a pre-IFRS earnings growth of almost 80% over the three-year period, based on the 2014 financial result.

The FSP will be run at all times with the best interests of the Company 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 real return for shareholders before rewarding its management team.

Remuneration committee report continued

In addition, sound working capital management and strong cash flow is key to the success of the business. As such, no shares will be awarded under the FSP if the business has not generated sufficient cash flow over the year to be able to buy the shares in the market, after meeting all the working capital and investment needs of the business.

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 will be held by an escrow agent 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 or death), all shares will be forfeited.

No shares have yet been awarded under the new FSP. The earnings of the 2014 financial year will be used as a base for the plan and it is anticipated that the first awards will be made in June 2014.

The first award of shares (approximately eight million shares) will be funded by a fresh issue of share capital (approximately 1.7% of current share capital), and all subsequent awards will be met through the open-market purchase of shares to avoid any further dilution.

Service contracts

Executive directors and key management are employed in terms of the Group's standard contract of employment and are not employed under fixed-term contracts. Senior management are required to give a reasonable notice period of their intention to terminate their services, which varies from one to 12 calendar months. The normal retirement age is 60 years, which applies to all executives. 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 payments may be made in this regard (restraint of trade payments).

Non-executive directors' remuneration

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 to undertake their duties, and must be approved by the Board and shareholders. Approved fees are set for the annual financial period. Fees are not subject to attendance at meetings as attendance at Board meetings is generally very good.

Remuneration is not linked to the performance of the Group or share performance. Non-executive directors do not receive performance-related bonuses and are not granted forfeitable shares or share options. The fees for the 2014 annual financial period were approved by shareholders at the AGM held on 25 June 2013. The proposed fees for the 2015 annual financial period will be submitted to shareholders for approval at the AGM to be held on 2 June 2014.

Chairman – in setting Gareth Ackerman's annual fee of R3.45 million, the remuneration committee took the following factors into account:

- The role Gareth played in ensuring a smooth transition into the business of new CEO Richard Brasher
- The active role he plays in the corporate governance of Pick n Pay and formulating over-arching strategy for the individual companies within the Group
- While Gareth does not play a day-to-day role in the executive management and administration of the business, he makes himself available to the executive team in a valuable advisory capacity

Fees for the current and proposed periods are as follows:

	Proposed 2015 R	Actual 2014 R
Chairman of the Board	**3 450 000**	3 450 000
Lead independent non-executive director	**107 000**	100 000
Non-executive director of the Board	**320 000**	300 000
Chairman of the audit committee	**265 000**	250 000
Member of the audit committee	**107 000**	100 000
Chairman of the remuneration committee	**140 000**	130 000
Member of the remuneration committee	**70 000**	65 000
Member of the nominations committee[1]	**65 000**	60 000
Member of the social and ethics committee[2]	**70 000**	65 000
Chairman of the corporate finance committee[3]	**160 000**	150 000
Member of the corporate finance committee[3]	**107 000**	100 000
Trustee of the employee share purchase trust	**31 000**	29 000

[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. In the event that it is convened during the financial period, the fees paid shall not exceed the annual fees for the proposed period.*

SECTION TWO

1. Executive directors and prescribed officers

a. Remuneration and benefits awarded to directors

2014	Fees for Board meetings R'000	Base salary R'000	Annual bonus R'000	Retirement and medical contri-butions R'000	Fringe and other benefits R'000	Total R'000	Expense related to share options granted (IFRS 2) R'000
Richard Brasher	1.5	7 000.0	5 250.0	948.5	1 969.4	15 169.4	3 973.3
Richard van Rensburg	1.5	3 229.3	800.0	559.7	261.7	4 852.2	1 603.3
Bakar Jakoet	1.5	2 670.0	800.0	468.4	243.7	4 183.6	1 851.4
Jonathan Ackerman	1.5	1 947.0	500.0	357.5	261.4	3 067.4	516.5
Suzanne Ackerman-Berman	1.5	1 827.3	500.0	343.5	256.0	2 928.3	605.9
Total remuneration	**7.5**	**16 673.6**	**7 850.0**	**2 677.6**	**2 992.2**	**30 200.9**	**8 550.4**

2013*	Fees for Board meetings R'000	Base salary R'000	Annual bonus R'000	Retirement and medical contri-butions R'000	Fringe and other benefits R'000	Total R'000	Expense related to share options granted (IFRS 2) R'000
Gareth Ackerman**	1.5	3 100.3	—	—	254.4	3 356.2	—
Richard Brasher***	1.5	811.5	—	134.5	167.4	1 114.9	413.7
Richard van Rensburg	1.5	3 240.0	—	510.0	240.0	3 991.5	1 603.3
Bakar Jakoet	1.5	2 537.0	—	409.6	241.2	3 189.3	1 900.2
Jonathan Ackerman	1.5	1 971.2	—	333.6	246.2	2 552.5	969.0
Suzanne Ackerman-Berman	1.5	1 966.3	—	325.2	252.0	2 545.0	1 057.4
Total remuneration	**9.0**	**13 626.3**	**—**	**1 712.9**	**1 401.2**	**16 749.4**	**5 943.6**

* *All remuneration for the 2013 financial year has been presented in line with the classifications of the 2014 financial year. As a result, certain amounts have been reclassified between base salary, retirement and medical contributions and fringe and other benefits. These reclassifications had no impact on the total remuneration previously presented.*
** *Performed a dual role of Chairman and acting CEO until the appointment of the new CEO, Richard Brasher.*
*** *Appointed to the Board as CEO during 2013 and received remuneration from this date. Prior to his appointment, Richard Brasher received contractor fees of R897 489 and the Group paid for his relocation costs of R971 447. Both these costs were not included in his remuneration.*

Prescribed officers

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 above.

Remuneration committee report continued

b. Share options granted to directors – PIK

Director	Type of share option	Calendar year granted	Option grant price R	Balance held at 4 March 2013	Granted during period	Taken-up during period	Balance held at 2 March 2014	Available for take-up
Richard Brasher	standard	2012	42.24	333 334	—	—	333 334	Nov 2015
	standard	2012	42.24	333 333	—	—	333 333	Nov 2017
	standard	2012	42.24	333 333	—	—	333 333	Nov 2019
	binary	2012	42.24	1 000 000	—	—	1 000 000*	Nov 2017
				2 000 000	**—**	**—**	**2 000 000**	
Richard van Rensburg	binary	2011	36.55	400 000	—	—	400 000*	May 2015
				400 000	**—**	**—**	**400 000**	
Bakar Jakoet	standard	2003	12.00	250 000	—	—	250 000	Now
	standard	2007	31.15	5 779	—	—	5 779	Now
	standard	2008	26.55	3 954	—	—	3 954	Now
	standard	2008	26.55	3 953	—	—	3 953	Now
	standard	2008	26.14	60 000	—	—	60 000	Now
	standard	2008	26.14	45 000	—	—	45 000	Now
	standard	2008	26.14	45 000	—	—	45 000	Aug 2015
	standard	2009	28.20	8 689	—	—	8 689	Now
	standard	2009	28.20	3 724	—	—	3 724	Now
	standard	2010	42.28	719	—	—	719	Now
	standard	2010	42.28	540	—	—	540	Now
	standard	2010	42.28	540	—	—	540	Now
	binary	2010	41.23	500 000	—	—	500 000*	May 2014
	standard	2011	41.70	200 000	—	—	200 000	Now
	standard	2011	41.70	300 000	—	—	300 000	Apr 2016
				1 427 898	**—**	**—**	**1 427 898**	
Jonathan Ackerman	standard	2005	20.70	6 441	—	—	6 441	Now
	standard	2006	28.00	14 286	—	—	14 286	Now
	standard	2007	31.15	14 446	—	—	14 446	Now
	standard	2008	26.56	9 414	—	—	9 414	Now
	standard	2008	26.14	25 000	—	—	25 000	Aug 2015
	standard	2008	26.14	25 000	—	—	25 000	Aug 2016
	standard	2008	26.14	25 000	—	—	25 000	Aug 2017
	standard	2008	26.14	25 000	—	—	25 000	Aug 2018
	standard	2009	28.20	6 207	—	—	6 207	Now
	standard	2009	28.20	2 660	—	—	2 660	Now
	standard	2010	42.27	624	—	—	624	Now
	standard	2010	42.27	468	—	—	468	Now
	standard	2010	42.27	468	—	—	468	Now
	binary	2010	41.23	400 000	—	—	400 000*	May 2014
				555 014	**—**	**—**	**555 014**	
Suzanne Ackerman-Berman	standard	2004	21.00	10 000	—	—	10 000	Now
	standard	2007	31.15	60 000	—	—	60 000	Now
	standard	2007	31.15	60 000	—	—	60 000	Now
	standard	2007	31.15	2 408	—	—	2 408	Now
	standard	2008	26.56	2 259	—	—	2 259	Now
	standard	2008	26.56	2 260	—	—	2 260	Now
	standard	2008	26.14	25 000	—	—	25 000	Aug 2015
	standard	2008	26.14	25 000	—	—	25 000	Aug 2016
	standard	2008	26.14	25 000	—	—	25 000	Aug 2017
	standard	2008	26.14	25 000	—	—	25 000	Aug 2018
	standard	2009	28.20	6 207	—	—	6 207	Now
	standard	2009	28.20	2 660	—	—	2 660	Now
	standard	2010	42.27	569	—	—	569	Now
	standard	2010	42.27	426	—	—	426	Now
	standard	2010	42.27	426	—	—	426	Now
	binary	2010	41.23	400 000	—	—	400 000*	May 2014
				647 215	**—**	**—**	**647 215**	

**The exercising of these 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.*

c. Share options granted to directors – PWK

	Calendar year granted	Option grant price R	Balance held at 4 March 2013	Balance held at 2 March 2014	Available for take-up
Jonathan Ackerman	2010	16.00	1 000	**1 000**	Now
	2012	20.03	400	**400**	Now
			1 400	**1 400**	
Suzanne Ackerman-Berman	2011	15.35	400	**400**	Now
Bakar Jakoet	2005	11.50	400	**400**	Now
	2008	11.33	600	**600**	Now
	2010	16.00	400	**400**	Now
			1 400	**1 400**	
Richard van Rensburg	2011	15.18	1 000 000	**1 000 000**	Oct 2014

2. Non-executive directors

Fees paid to non-executive directors

2014	Directors' fees R'000	Lead director R'000	Audit committee R'000	Remune-ration committee R'000	Nomina-tions committee R'000	Corporate finance committee R'000	Social and ethics committee R'000	Employee share trust R'000	Total R'000
Gareth Ackerman*	**3 450.0**	—	—	—	—	—	—	—	**3 450.0**
John Gildersleeve[1]	**107.7**	—	—	—	—	—	—	—	**107.7**
David Friedland[2]	**64.1**	—	—	—	—	—	—	—	**64.1**
Hugh Herman	**300.0**	**100.0**	**100.0**	**130.0**	—	**100.0**	—	**29.0**	**759.0**
Audrey Mothupi[2]	**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**
Total remuneration	**5 185.9**	**100.0**	**450.0**	**195.0**	**30.0**	**450.0**	**65.0**	**58.0**	**6 533.9**

2013	Directors' fees R'000	Lead director R'000	Audit committee R'000	Remune-ration committee R'000	Nomina-tions committee R'000	Corporate finance committee R'000	Social and ethics committee R'000	Employee share trust R'000	Total R'000
Gareth Ackerman	349.7	—	—	—	—	—	—	—	349.7
Hugh Herman	300.0	100.0	100.0	130.0	—	100.0	—	29.0	759.0
Alex Mathole[3]	300.0	—	100.0	—	—	—	—	—	400.0
Lorato Phalatse	300.0	—	—	—	—	100.0	65.0	—	465.0
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
Total remuneration	**2 149.7**	**100.0**	**550.0**	**195.0**	**—**	**450.0**	**65.0**	**58.0**	**3 567.7**

** Gareth Ackerman also received an amount of R169 600 to reimburse him for travel expenses personally incurred.*

[1] Appointed October 2013.

[2] Appointed December 2013.

[3] Resigned February 2013.

3. Directors' interest in shares – PIK – all held beneficially

2014	How held*	Balance at 4 March 2013	Additions during the period	Average purchase price per share R	Disposals during the period	Average selling price per share R	Balance held at 2 March 2014
Gareth Ackerman	direct	43	—	—	—	—	**43**
Jonathan Ackerman	direct	43	—	—	—	—	**43**
Suzanne Ackerman-Berman	direct	2 500	—	—	—	—	**2 500**
	indirect	4 651	—	—	—	—	**4 651**
Bakar Jakoet	direct	500 000	—	—	—	—	**500 000**
	indirect – spouse and minor children	530	—	—	—	—	**530**

2013	How held*	Balance at 1 March 2012	Additions during the period	Average purchase price per share R	Disposals during the period	Average selling price per share R	Balance held at 3 March 2013
Gareth Ackerman	direct	43	—	—	—	—	**43**
Jonathan Ackerman	direct	43	—	—	—	—	**43**
Suzanne Ackerman-Berman	direct	2 500	—	—	—	—	**2 500**
	indirect	4 651	—	—	—	—	**4 651**
Bakar Jakoet	direct	500 000	—	—	—	—	**500 000**
	indirect – spouse and minor children	530	—	—	—	—	**530**
David Robins	direct	74 108	—	—	(74 108)	40.23	**—**
	indirect	224 000	—	—	(224 000)	40.34	**—**

** 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.*

Hugh Herman

Chairman: remuneration committee

14 April 2014

Pick n Pay Stores Limited

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.

In line with the Group's vision and culture, the objectives of the committee are to ensure that high ethical standards are applied in all areas of the business, as well as to review and approve the policy, strategy and structure for managing the social issues in the Group. The Group's principle of "doing good is good business" is the cornerstone of the work done by the committee.

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.

Composition of the committee

The social and ethics committee is chaired by an executive director, Suzanne Ackerman-Berman. Her position as director of transformation, chairman of the Ackerman Pick n Pay Foundation and head of the Pick n Pay Small Business Incubator, as well as her philanthropic work, makes 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 for human resources, the Company Secretary, senior management and technical experts on areas of mandate. Care has been taken to ensure that all levels and areas of expertise across the Company are represented on the committee.

Frequency of meetings

Director representation	Status	16 May 2013	6 August 2013	28 November 2013	13 February 2014
Suzanne Ackerman-Berman	Chairman and executive director	P	P	P	P
Lorato Phalatse	Non-executive, independent director	P	P	P	P

P = present

Period under review

During the period under review, the committee:

- presented its report to the shareholders at the AGM held on 25 June 2013;
- formalised the code of ethics, which was approved by the Board and published on our website, www.picknpayinvestor.co.za;
- continued to review relevant policies;
- reviewed mechanisms to encourage ethical behaviour such as the whistle-blowing policy, which was confirmed as adequate by the committee;
- regularly reviewed consumer complaints, which are also monitored by senior management, in line with the Consumer Protection Act; and
- considered the Company's Level 6 rating for broad-based black economic empowerment (BBBEE) performance. The focus areas were employment equity, skills development and enterprise development. The Group is currently reviewing its plans and social responsibility structures in order to align with the newly promulgated revised BBBEE codes.

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

A review has been conducted of work done to date. The committee is of the view that, in all material respects, it has achieved its objectives for the 2014 financial year. There were no items reported on that would indicate non-compliance with the requirements of the social and ethics committee as required in terms of the Companies Act.

Suzanne Ackerman-Berman
Chairman: social and ethics committee

14 April 2014

Pick n Pay Stores Limited

Risk management report

The Group operates in the fast moving consumer goods industry 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 (please refer to the audit and risk committee report on pages 51 to 52 for further information on the composition and responsibilities of the audit and risk committee). 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 the senior management team, 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 key 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.

Over the past few financial years the Group experienced restructuring and change, resulting in a tightly focused risk approach, albeit on a predominantly informal basis, aimed at ensuring business continuity. The current risk-related focus for the Group is to embed and stabilise the new structures, standardise systems and processes and to formalise and consolidate risk monitoring and reporting. The intent is to establish a dedicated risk management oversight function within the next two to three years.

Key business risks

The risks reported on in the 2014 financial year relate closely to the Group's ability to create value and to meet the objectives of its long-term strategic plan. The risks detailed below are by no means complete, rather focusing on those risks that are considered material in the context of the Group's strategic objectives. This report mainly covers our Pick n Pay business in South Africa, and while in many instances the commentary is applicable to our Pick n Pay business in the rest of Africa and our Boxer business, disclosures will be expanded over the next few years to incorporate all business units.

Pick n Pay recognises that the sustainability of the Group is dependent on sustainable and mutually beneficial relationships with all our stakeholders, and has embedded strong stakeholder engagement throughout its operations. We therefore consider the material risks facing the business, per individual stakeholder group.

Customers

The central objective of our long-term plan is to be the retailer for every South African.

Strategic objective	Key challenges and risks	Our performance
To provide a leading product offering that: • gives our customers what they want (a relevant range) • is available on-shelf when needed and • is compliant with applicable food safety standards.	Consistent and outstanding execution in the purchase, distribution and selling of products that are safe. Key processes to ensure that the right product is on the shelf at the right time include: • supplier negotiations • ordering • forecasting • replenishment • distribution • store execution	**The implementation of a new forecast and replenishment (F&R) system by the end of the 2015 financial year in order to increase the accuracy and efficiency of the replenishment of products for our customers.** • The system enables automatic forecast-based supplier orders at our distribution centres and at store level for direct supplier deliveries. • Overall on-shelf availability has increased by 2.4% during the year under review. **Ranging and clustering** • Pick n Pay is implementing a more accurate and analytical method of ranging products appropriate to specific store "clusters", enriched by information from our smart shopper loyalty programme. **Distribution** • Pick n Pay has a dedicated supply chain team responsible for distribution throughout the country. • We increased the number of products distributed through the Group's distribution centres during the year, to ensure the Group and its customers benefit from all available synergies and efficiencies. • The world-class Enterprise Warehouse Management system (EWM) that is effective in our Philippi distribution centre will be rolled out into Longmeadow in the 2015 financial year, along with other relevant operational enhancements. **Food safety** • All suppliers are audited by a third-party auditing company, and are awarded an audit score based on their performance against safety standards. The audit frequency is determined by the level of risk associated with the audit score. • All stores (company owned and franchise) undergo a food safety audit on a monthly basis regardless of the last audit score obtained. Should a store fail a food safety audit they are re-audited within 14 days to ensure compliance is restored.
To ensure that our store base is within reach of our customers.	Ensuring convenience for customers with the correct format store in the appropriate location while negotiating competitive rental payments and escalation terms.	• We remain a tenant of choice in the retail industry and continue to negotiate competitive rentals and escalation terms with our landlords. • The Group opened 111 new stores during the year and closed 26 under-performing stores, adding 3.4% net new space. We grew our Pick n Pay and Boxer brands across a variety of retail formats, ranging from stores which serve lower-income communities, through to the new Waterfront store in Cape Town. The Group now has 1 076 stores, comprising 643 company-owned stores and 433 franchise stores, across multiple retail formats and six southern African countries. Refer to page 7 for detail of our store footprint. • We have grown our online food delivery business by 27% over the year. We now have more than 2 000 deliveries per week, and have extended our service during the year within the Western Cape, KwaZulu-Natal and the Free State.
Creating an excellent place to shop through great customer service.	Optimising the number of staff in our stores and the associated cost of labour, while providing the high level of service that our customers deserve.	• We implemented a new Kronos system (labour time and attendance) during 2014, which has helped us control our wage cost and improve labour productivity. • We received positive feedback from our ongoing engagement with customers during 2014. Refer to our engagement with stakeholders section on page 14 for more detail.
Ensuring our customers have knowledge of our great prices and promotions through ethical and informative marketing practices.	Customers may lose trust in the Group if marketing or promotional communication is not accurate, if advertised pricing does not reflect on-shelf, advertised lines are not available, or if customers do not receive their smart shopper points in a timely manner.	• Senior management structures and processes are in place to ensure our marketing and operational teams work well together. They are able to monitor trade effectively in order to be able to address any problems swiftly and with open engagement with customers. • We listen to our customers and front line staff, and use these insights, together with market share analysis to inform our trade and marketing decisions. • In 2014 our enhanced point of sale system allowed us to display the smart shopper points on our till slip to ensure that our customers can readily see the points that they have earned.

Risk management report continued

Communities

One of our founding principles is "doing good is good business". Customers reward those businesses that they believe 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.

Strategic objective	Key challenges and risks	Our performance
To do good in our local communities – and to ensure that our local communities benefit from our ongoing investment in social, environmental and economic development.	Empowering all our stores across our broad network to engage effectively with their local stakeholders.	• Our regional teams are encouraged to identify opportunities to address social needs in their communities. Our stores donated R15 million worth of food to FoodBank South Africa to assist communities in need. • We assist schools with curricula-aligned educational material through our School Club, the membership of which increased by 250 schools to 2 750 participants during the year under review.
	Finding and securing the appropriate sites in lower-income communities so that we can open stores and create new jobs and opportunities where they are most needed.	• We have opened 18 stores in lower-income communities during the year. • We have created more than 2 000 employment opportunities in lower-income communities, in owned and franchise stores.
	Poor execution or poor administration of a charitable project may result in a community not benefiting from our initiatives in a timely or effective manner. This would not only cast doubt on our commitment and integrity, we would also not achieve the social or economic upliftment we are looking for.	• All the charitable initiatives we undertake have clear time frames and measurable objectives, with field workers who visit and mentor our charitable projects on a regular basis. • Pick n Pay does not provide funding to a project until a detailed project plan has been developed, which demonstrates that effective project management and financial administration will be a priority throughout the project implementation.
Being environmentally responsible. We care for the environment and will show leadership in environmental responsibility and sustainability in our sector.	Finding the right balance between minimising our waste (food past its sell-by date and other unwanted materials), while providing our customers with the widest range of products and consistent availability.	We have a number of measures in place to minimise waste, including: • Increasing the use of recycled material and material from sustainable sources in our product packaging and wrapping. • The central ordering of fruit and vegetables to improve product freshness and on-shelf availability at store level. • All our bakeries have a production schedule in place to ensure that products are prepared based on customer demand. • The active monitoring of food waste at store level on a daily basis has reduced our fresh food write offs by 10% during the year under review.
	Finding cost-effective ways to reduce our carbon footprint and preparing for the carbon tax set to be implemented in 2016 in South Africa.	• In 2013 the Group achieved its carbon emissions target originally set for 2015. Refer to the social and environmental sustainability summary on page 16 for the related detail. • By optimising routing and reducing the frequency of deliveries, we have reduced absolute carbon emissions of our fleet by 6% in the past year. • We are the highest ranking retailer in Africa in the Carbon Disclosure Project's Global Climate Performance Leadership index (CDLI).

Employees

Our people are an integral part of our long-term strategy to become the retailer for every South African.

Strategic objective	Key challenges and risks	Our performance
To be the most talented South African retail business by attracting, retaining and motivating our employees through meritocracy.	Attracting and retaining scarce and skilled talent in all areas of the business.	• Our remuneration policy (detailed in the remuneration report on pages 55 to 63) rewards employees for their individual contribution to the Group's strategic, operating and financial performance. It is aimed at ensuring that top talent is developed and retained while attracting critical skills and experience in the retail industry.
We seek to create equal opportunities for our employees to prosper and develop, both professionally and personally and want the composition of our employee base to accurately reflect wider society.	Instilling diversity and transformation as an everyday practice at all levels of our business.	• We have two diversity programmes that address the management of diversity and workplace forums assist in terms of policy development and monitoring. • Our organisational development division is dedicated to monitor our employment equity plans and employment equity forms part of senior management's key performance indicators. • Our employee base accurately reflects society at shop floor and store manager levels. We now need to extend this to senior manager levels. Refer to our five year review on page 36 for employment equity analysis. • BBBEE skills development score increased by 10% during the year under review. • This financial year we invested R92 million in skills development programmes for our employees.
To create an effective lean organisation structure and a cost-effective support office structure.	Finding the right balance between the levels of skills and talent required to grow the business in a sustainable manner today, while managing the cost of labour optimally.	• We have successfully completed the centralisation of our buying, operational and finance support functions, removing duplicate costs and services in the business. This process necessitated tough decisions during the year and resulted in the retrenchment of some head office support staff. This was a difficult time for the business, but the rigorous review of all support structures and processes has enabled us to create a more streamlined and effective support office. • A talent review is conducted at a senior level twice a year to identify those employees who are valuable to the business in terms of skill, talent and potential and who need to be given development and career path opportunities. • A formal process to improve career paths and development opportunities for employees have commenced, led by the CEO and head of human resources.

Franchisees

We aim to operate the most attractive and mutually beneficial franchise model in the retail industry and be the franchisor of choice for the best retail entrepreneurs across the fast moving consumer goods (FMCG) industry.

Strategic objective	Key challenges and risks	Our performance
To operate and grow a franchise model that is mutually beneficial to both parties, resulting in sustainable and value-driven businesses.	To continuously innovate and maintain a franchise agreement that is relevant in a changing retail environment, and benefits all parties involved. A balance must be found which allows the franchisees the necessary financial freedom and support to grow their business as an independent entrepreneur, while safeguarding the reputation and sustainability of the Pick n Pay brand in terms of service delivery, marketing practices, food safety and product availability.	• The existing franchise model is simple to understand and practical to implement. • We are continuously investigating ways in which we can improve on agreement terms to the benefit of both franchisees and the Group. • The support to our franchisees has improved by adding increased resources in general management, administration, demand-planning, and property and brand management.
	Managing our credit risk effectively and appropriately, while affording our franchisees the opportunity to grow their business.	• Weekly meetings are held across all operating regions to evaluate franchise debt and to determine any necessary action to be taken. • A franchise module tailored for the emerging market has assisted franchisees trading in this environment with structured repayment of debt. • Refer note 28 of the financial statements on pages 128 to 133 for an analysis of trade and other receivables and the management of the related credit risk.

Risk management report continued

Shareholders

Our shareholders can trust that we will operate in accordance with the highest principles of good corporate governance, and will follow innovative business practices, at acceptable levels of risk, in order to provide an attractive return on investment that is consistent and sustainable over the long term.

Strategic objective	Key challenges and risks	Our performance
To generate consistent, sustainable profits in a highly competitive environment.	We continuously face expansion by various retail chains and new entrants into the local retail sector as well as increasing price competitiveness. Customers are facing increasing financial pressure as a result of rising fuel, electricity and other utility costs, rising interest rates and levels of household debt. The weak rand is also contributing to rising commodity and consumer goods prices and customers are seeking ever greater value-for-money. Environmental and social risks, including energy, food and water security, could have a direct impact on the sustainability of the Group.	• Our teams are structured in a manner which allows us to effectively monitor our trade and operational performance and react quickly and cohesively to market changes or operational challenges. • Strong financial control is crucial in this environment. The Group's improved financial performance reflects the encouraging progress made over the past year in reducing cost through greater organisational and operating efficiency and tighter fiscal control across the business. We reduced our operating expenses as a percentage of turnover and improved our trading profit margin.
To grow our business in order to compete actively and effectively in South Africa and the rest of Africa.	The continuous expansion of Pick n Pay's reach at an acceptable level of risk and in a sustainable manner is a challenge. Finding the right locations and expanding in the most efficient and economical manner is key.	**Opportunities in South Africa** • We evaluate all expansion opportunities carefully and subject them to scrutiny at our property committee (which comprises our CEO and senior management from operations, franchise and finance). • The expected returns from new sites as well as their impact on existing stores are interrogated by the Finance Division to ensure that they are sustainable. • We have set very strict space, rental and capital frameworks to ensure that new stores meet trading density and cost-efficiency criteria. **Opportunities in the rest of Africa** • Every market is carefully evaluated by the Africa Division along with the strategy team. • In some markets, this will include an advance team to provide detailed investigation on the ground. • All new expansion must be sanctioned by our CEO and CFO and must strategically align with the longer-term Pick n Pay business plan, which is ratified by the Board.
To be adequately prepared for possible significant disruptions or disasters and to ensure that, should they occur, they have the least possible effect on the sustainable profits of the Group.	Unforeseen events, particularly in our supply chain or support office could have a significant impact on the Group's performance. Finding the optimum balance between the costs of implementing these business continuity strategies and the related benefits is a challenge. We have a large reliance on our information systems for our day-to-day operations. With the speed of technology changes globally and our Group's expansion we face tremendous challenges to keep our operating systems stable, suitable and properly managed.	• Pick n Pay has completed a Business Impact Analysis (BIA) using a three-tier business process criticality rating. Using the BIA, Pick n Pay's Information Services (IS) Division developed an information systems disaster recovery (DR) strategy for the two most critical tiers, and implemented appropriate recovery solutions. • The Supply Chain Division has continued to develop and refine business continuity plans to address potential operational disruptions at the critical distribution centres. • Business interruption plans identified in the BIA affecting other business areas are in various stages of development. • A primary focus of the Information Systems Division is to continue maturing the current IS processes. This will ensure that change is introduced in a responsible fashion, which meets business requirements and system stability. This also includes the education of all system users. • Where possible all Group assets are insured.

Strategic objective	Key challenges and risks	Our performance
The effective management of Group assets to ensure working capital excellence and capital efficiency to minimise financial risk and maximise return on investment.	Finding the right balance of working capital (inventory, short-term receivables and payables) in order to meet all the needs of stakeholders, while reducing the liquidity and credit risks faced by the Group.	• The Group's management of financial risk during the period under review is detailed in note 28 of the financial statements on pages 128 to 133 as well as the CFO's report on page 27.
To operate according to the highest standards of corporate governance and ensure compliance with all relevant legislation.	The Group always strives to comply with all relevant laws and regulations. However, it remains a challenge especially given our diverse trading environment and the ever increasing burden of regulatory compliance.	• Compliance questionnaires have been prepared on all statutes where Pick n Pay is at risk for non-compliance. These questionnaires are distributed twice a year to the relevant division/store for completion. This serves the dual function of ensuring compliance, and of educating employees with relation to what is required to comply with statute and regulation. Refer to the legal report on page 74.

Suppliers

We want to build a resilient supplier network that is flexible to the needs of our customers.

Strategic objective	Key challenges and risks	Our performance
Establish fair, efficient and mutually beneficial business relationships with our suppliers to ensure an efficient and sustainable supply chain, as well as the lowest possible cost of goods.	Climate changes and population growth is starting to have an impact on supply capacity. Suppliers supply to the retailer that is the most beneficial for their own growth and sustainability and the challenge is to ensure that we remain the most beneficial retailer for them, but also that we maintain the suppliers that are most beneficial to us.	• We have implemented a Centralised Buying Division to eliminate duplicate administration and reduce the cost of doing business with Pick n Pay. • During the past year, Pick n Pay and its suppliers focused on improving service levels, better product pricing and more effective promotional activities. • We have been building our local and international supplier base to ensure continued supply of goods at the right prices and to enhance competition among suppliers.
Developing a diverse and ethical supplier base.	Finding the balance between developing our small suppliers and suppliers in Africa, but still providing a product range to our customers that will meet their requirements in terms of availability, safety, quality and price.	**South Africa** • We operate a small supplier development programme supported by mentorship which is provided by senior managers in the Group. • A supplier can only become a Pick n Pay supplier once all requirements have been met – these include health and safety audits, credit checks and a sound distribution network. • We increased our preferential procurement score by 14% during the year under review. • We source more than 90% of our Pick n Pay branded products locally. **Rest of Africa** • In every country, our ambition is to be as local as possible, this means sourcing as much inventory as possible from local suppliers and ensures that we remain true to our founding principles. • We work hand in hand with our smaller suppliers to ensure that we can range their product and potentially import to South Africa.

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 legal 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.

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 the provisions of statutes, for example the provisions of the Consumer Protection 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 are required to declare in writing that to the best of their knowledge, they and the companies they serve, have complied with all relevant statutes and regulations. The most recent of these exercises was completed in March 2014, and no incidents of contravention of the policies or the statutes were reported.

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. Pick n Pay co-operated fully with the Competition Commission in providing all information requested. After investigation, the Competition Commission informed retailers that they wished to further examine long-term exclusive lease agreements. All other concerns were dismissed.

The Competition Commission conducted an investigation into whether or not long-term exclusive lease agreements, as entered into between landlords and Pick n Pay and other national retail chains, were anti-competitive.

In January 2014, the Competition Commission informed the Company that they had concluded that the investigation did not warrant referral to the Competition Tribunal for determination.

All matters under investigation in regard to supermarket retailers have been concluded with a notice of non-referral of complaint, confirming Pick n Pay's belief that no anti-competitive behaviour existed.

Litigation matters

The Company and its subsidiaries are not involved, and have not in the 2014 annual 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.

Pick n Pay Holdings Limited RF

Board of directors

Non-executive directors

Raymond Ackerman

BCom and various honorary doctorates

Chairman

Appointed 1981

Raymond founded Pick n Pay in 1967. He was CEO of the Group until 1999, when the roles of Chairman and CEO were split. He remained Chairman 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 was appointed Chairman of Pick n Pay Stores Limited. He has won many accolades over the years as a leader, a businessman, a humanitarian and as the champion of the consumer.

Wendy Ackerman

Appointed 1981

Wendy 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. She remains integral to employee liaison, employee benefits and the management of extensive bursary funds. Mrs Ackerman has been widely recognised for her contribution to education, arts and culture, and environmental conservation throughout South Africa.

Gareth Ackerman

Appointed 1987

See CV under Pick n Pay Stores Limited on page 40.

Independent non-executive directors

René de Wet

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

Audit committee member

Appointed 1981

See CV under Pick n Pay Stores Limited on page 41.

Jeff van Rooyen

Audit committee member

Appointed 2011

See CV under Pick n Pay Stores Limited on page 41.

Alternate directors

Suzanne Ackerman-Berman

Alternate to Raymond Ackerman

Appointed 2010

See CV under Pick n Pay Stores Limited on page 40.

Jonathan Ackerman

Alternate to Wendy Ackerman

Appointed 2010

See CV under Pick n Pay Stores Limited on page 40.

David Robins

Alternate to Gareth Ackerman

Appointed 2010

See CV under Pick n Pay Stores Limited on page 41.

Public officer

Bakar Jakoet

Appointed 2012

See CV under Pick n Pay Stores Limited on page 40.

Company Secretary

Debra Muller

Appointed 2010

See CV under Pick n Pay Stores Limited on page 40.

Corporate governance report

Introduction

This report deals with the corporate governance of Pick n Pay Holdings Limited RF (the Company), 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 42 to 50).

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 a new director is 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.

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 Pick n Pay Group of companies (the Group) into meaningful interrogation of the Group's implementation of its strategy. All three independent directors meet the criteria for independence as established by King III, the Companies Act and the JSE Listings Requirements. Directors who are members of the Ackerman family are not independent given their controlling shareholding of the Company.

Board subcommittees

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

Remuneration report

No separate remuneration report is presented. Refer to the remuneration report of Pick n Pay Stores Limited on pages 55 to 66 and page 142 for directors' fees paid.

Fees proposed for the current and proposed periods, for Board members not serving on the Pick n Pay Stores Board, are as follows:

	Proposed 2015 R	Actual 2014 R
Total fee	**60 000**	57 000

DIRECTORS' INTEREST IN SHARES

2014	How held*	Balance held at 4 March 2013 000's	Additions during the period 000's	Average purchase price per share R	Disposals during the period 000's	Average selling price per share R	Balance held at 2 March 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	72.0	17.64	—	—	**3 225.0**	Non-beneficial
	indirect – spouse and minor children	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	107.0	19.06	—	—	**5 415.2**	Non-beneficial
Hugh Herman	direct	80.0	—	—	(20.0)	20.50	**60.0**	Beneficial
	indirect	65.0	20.0	17.36	(85.0)	20.61	**—**	Beneficial
	indirect – spouse and minor children	14.5	—	—	(14.0)	20.68	**0.5**	Non-beneficial

DIRECTORS' INTEREST IN SHARES continued

2014	How held*	Balance held at 4 March 2013 000's	Additions during the period 000's	Average purchase price per share R	Disposals during the period 000's	Average selling price per share R	Balance held at 2 March 2014 000's	Beneficial/ non-beneficial interest
Alternate directors								
Jonathan Ackerman	direct	252.0	—	—	—	—	**252.0**	Beneficial
	indirect	1 089.6	48.4	20.42	—	—	**1 138.0**	Beneficial
	indirect – spouse and minor children	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 – spouse and minor children	6.0	—	—	—	—	**6.0**	Non-beneficial
David Robins	direct	886.7	—	—	(886.7)	17.54	**—**	Beneficial
	indirect – spouse and minor children	199.8	—	—	(8.5)***	—	**191.3**	Non-beneficial
Public officer								
Bakar Jakoet	direct	250.0	—	—	—	—	**250.0**	Beneficial
	indirect – spouse and minor children	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.*

** *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.*

*** *Indirect shareholding reduced by virtue of a child attaining the age of majority during the current financial year.*

2013	How held*	Balance held at 1 March 2012 000's	Additions during the period 000's	Average purchase price per share R	Disposals during the period 000's	Average selling price per share R	Balance held at 3 March 2013 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	—	—	—	—	**3 153.0**	Non-beneficial
	indirect – spouse and minor children	40.5	—	—	—	—	**40.5**	Non-beneficial
Ackerman Investment Holdings Proprietary Limited**	indirect	254 896.0	121.6	17.99	—	—	**255 017.6**	Non-beneficial
Mistral Trust**	indirect	5 308.2	—	—	—	—	**5 308.2**	Non-beneficial
Hugh Herman	direct	80.0	—	—	—	—	**80.0**	Beneficial
	indirect	65.0	—	—	—	—	**65.0**	Beneficial
	indirect – spouse and minor children	14.5	—	—	—	—	**14.5**	Non-beneficial
Alternate directors								
Jonathan Ackerman	direct	252.0	—	—	—	—	**252.0**	Beneficial
	indirect	1 089.6	—	—	—	—	**1 089.6**	Beneficial
	indirect – spouse and minor children	46.1	—	—	—	—	**46.1**	Non-beneficial
Suzanne Ackerman-Berman	direct	242.1	—	—	—	—	**242.1**	Beneficial
	indirect	811.3	—	—	—	—	**811.3**	Beneficial
	indirect – spouse and minor children	6.0	—	—	—	—	**6.0**	Non-beneficial
David Robins	direct	886.7	—	—	—	—	**886.7**	Beneficial
	indirect – spouse and minor children	199.8	—	—	—	—	**199.8**	Non-beneficial
Public officer								
Bakar Jakoet	direct	250.0	—	—	—	—	**250.0**	Beneficial
	indirect – spouse and minor children	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.*

** *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 minimum requirement of two executive directors per King III. Pick n Pay has been granted dispensation by the JSE as it is acknowledged that there would be little benefit obtained from the appointment of executive directors as the Company has no material operating activities other than the receipt of and payment of dividends, and assessment of the carrying value of its only investment in Pick n Pay Stores Limited.
- Pick n Pay Holdings Limited RF has been granted a dispensation from the JSE Listings Requirement that a listed company have a full time finance director, given that the Company has no material operating activities, as set out above.
- Pick n Pay Holdings Limited RF has been granted an exemption by the Companies Tribunal from the need to appoint a social and ethics committee, as this function is fulfilled by the social and ethics committee formed by the Board of Pick n Pay Stores Limited.
- Pick n Pay Holdings Limited RF has been granted dispensation from the JSE Listings Requirements of having remuneration, risk, nomination and corporate governance committees, as these functions are fulfilled for the Group by the Board committees formed by Pick n Pay Stores Limited.

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. The structure of the Board was extensively reviewed. It was concluded that no changes will be made at this time.

Directors' attendance at meetings

Board meetings

Pick n Pay Holdings Limited RF

Director	22 April 2013	21 October 2013	13 February 2014	AGM 25 June 2013
Raymond Ackerman (Chairman)	P	P	P	P
Gareth Ackerman	P	P	P	P
Wendy Ackerman	A	P	P	P
René de Wet	P	P	P	P
Hugh Herman (LID)	P	P	P	P
Jeff van Rooyen	P	P	P	P
Jonathan Ackerman (alternate director)	P	P	P	P
Suzanne Ackerman-Berman (alternate director)	P	P	P	P
David Robins (alternate director)	P	P	P	P

P = present
A = apologies

Pick n Pay Holdings Limited RF

Audit committee report

The audit 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 25 June 2013.

Role of the committee

The audit 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 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

Committee member	Qualification	Status	15 April 2013	21 October 2013
René de Wet (Chairman)	CA(SA)	Independent non-executive director	P	P
Hugh Herman	Attorney	Independent non-executive director	P	P
Jeff van Rooyen	CA(SA)	Independent non-executive director	P	P

P = present

The committee discharges its Board responsibilities by:

- Meeting at least twice a year to review the Group's financial results, to receive and review reports from both the internal and external auditors, and to meet with management to review their progress on identifying and addressing key risk areas within the business;
- Reporting to the Board at the next meeting, which is held within a week of the respective committee meeting; and
- Meeting separately with the internal and external auditors to confirm they are receiving the full co-operation of management.

The committee's main responsibilities are discharged by the audit committee elected for Pick n Pay Stores Limited. The Pick n Pay Holdings Limited RF's audit committee reviews the report of the Pick n Pay Stores Limited audit committee and assesses the carrying value of its investment in Pick n Pay Stores Limited.

Independence of external auditors

The audit committee is satisfied as to the independence of the Group's external auditors, KPMG Inc. and its respective audit partners. The committee recommends to the Board that KPMG be put forward as external auditors for appointment by shareholders at the annual general meeting.

Policy on non-audit services

All non-audit services provided by the Group's external auditors are pre-approved by the audit committee. The total fee for non-audit services provided should not, under normal circumstances, exceed 50% of the total auditor's remuneration.

Approval of the audit committee report

The committee confirms that it has functioned in accordance with its charter for the 2014 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. The Board has, following the recommendation of the audit committee, nominated KPMG Inc. for reappointment as the Company's registered auditor for the ensuing year at the forthcoming annual general meeting.

René de Wet
Chairman: audit committee

14 April 2014

Our smart shopper programme recognises the special and valued relationship we have with our customers

Our customers are rewarded for their loyalty to Pick n Pay. Our commitment to meaningful and innovative reward saw the programme recognised as South Africa's best loyalty programme by the Sunday Times Top Brands Awards in 2013. Based on customer feedback we made four further key enhancements to the programme over the year to make it even better. **Firstly** we partnered with AVIOS giving customers more interesting rewards to spend their points on, such as, travel. **Secondly** we launched instant savings giving smart shoppers an extra 10% off hundreds of items in store by simply swiping their card. **Thirdly** we developed an App for the mobile phone enabling customers to redeem their vouchers, view and spend their points and donate to charity all from their mobile phone. **Fourthly** we introduced the smart slip enabling customers to see the points they earned on their shop on the till slip PLUS issue more vouchers again on their till slip. This has given our almost eight million cardholders what they were asking us for; a simpler, more convenient system, with more savings than ever. We are proud of the difference we are making in the lives of our customers, with more than R1 billion given back since we launched.

Pick n Pay Group of Companies financial statements

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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 consolidated and separate financial statements of Pick n Pay Stores Limited, comprising the statements of financial position at 2 March 2014, 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. In addition, the directors are responsible for preparing 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 consolidated and separate financial statements are fairly presented in accordance with the applicable financial reporting framework.

APPROVAL OF CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The consolidated and separate financial statements of Pick n Pay Stores Limited, as identified in the first paragraph, were approved by the board of directors on 14 April 2014 and signed by:

Gareth Ackerman
Chairman

14 April 2014

Richard Brasher
Chief Executive Officer

14 April 2014

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 2 March 2014, Pick n Pay Stores Limited has filed all returns and notices as required by 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

14 April 2014

Pick n Pay Stores Group

Directors' report

for the period ended 2 March 2014

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, groceries and general merchandise throughout southern Africa, both on an owned and franchise basis. The Group also acquires and develops strategic retail and distribution sites.

Overview of financial results and activities

The overviews of financial results and activities of the Group are contained in the Chief Finance Officer's report on pages 27 to 33.

Audit committee

We draw your attention to the audit committee report on pages 51 to 52 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 92) of 77.50 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, 6 June 2014. The shares will trade EX dividend from the commencement of business on Monday, 9 June 2014 and the record date will be Friday, 13 June 2014. The dividends will be paid on Tuesday, 17 June 2014. Refer to page 112 for a detailed analysis.

Share capital

The issued ordinary share capital remained unchanged during the period at 480 397 321 shares.

At period end, the Pick n Pay Employee Share Purchase Trust held 1 974 529 (2013: 2 046 597) shares in the Company and 9 193 760 (2013: 9 115 753) shares in Pick n Pay Holdings Limited RF and a subsidiary company held 1 848 703 (2013: 1 845 803) shares in Pick n Pay Holdings Limited RF, all of which are accounted for as treasury shares. 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, 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.

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. The Group co-operated fully with the Competition Commission in providing all information requested. After investigation, the Competition Commission informed retailers that they wished to further examine long-term exclusive lease agreements. All other concerns were dismissed.

The Competition Commission conducted an investigation into whether or not long-term exclusive lease agreements, as entered into between landlords and Pick n Pay and other national retail chains, were anti-competitive.

In January 2014, the Competition Commission informed the Group that they had concluded that the investigation did not warrant referral to the Competition Tribunal for determination.

Accordingly, all matters under investigation in regard to supermarket retailers have been concluded with a notice of non-referral of complaint, confirming the Group's belief that no anti-competitive behaviour existed.

Legal proceedings

The Company and its subsidiaries are not involved, and have not in the 2014 annual 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.

Special resolutions

On 25 June 2013 the Company's shareholders approved the following special resolutions as tabled in the notice to the annual general meeting:

Directors' fees for the 2014 annual 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, 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.

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 of shares in the Company by the Company and its subsidiaries may not, in the aggregate, exceed in any one financial year 5% of the Company's issued share capital.

On 12 February 2014 the Company's shareholders approved the following special resolution as tabled in the notice to the extraordinary general meeting:

Pick n Pay Limited Forfeitable Share Plan (FSP)
Shareholders approved the forfeitable share incentive plan for senior management of the Company. Until the date of this report, no shares have been issued under the FSP. Refer to page 61 of the remuneration report for more detail.

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.

Gareth Ackerman
Hugh Herman
Ben van der Ross

Information pertaining to the directors and the Company Secretary appear on pages 40 to 41.

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

Directors' interest in shares

	2014 %	2013 %
Beneficial	**0.9**	1.0
Non-beneficial	**27.5**	27.5
Total	**28.4**	28.5

The directors' interest in shares 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 55 to 66.

Subsidiary companies
Details of subsidiary companies are presented in note 5 of the Company financial statements on page 144.

Borrowings
The Group's overall level of debt (including bank overdrafts and overnight borrowings) decreased from R2 729.6 million to R2 154.9 million.

Pick n Pay Stores Group

Independent auditor's report

for the period ended 2 March 2014

TO THE SHAREHOLDERS OF PICK N PAY STORES LIMITED

Report on the financial statements

We have audited the consolidated and separate financial statements of Pick n Pay Stores Limited, which comprise the statements of financial position at 2 March 2014, 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 92 to 147.

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 2 March 2014, 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 2 March 2014, 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

14 April 2014

MSC House
Mediterranean Street
Cape Town
8001

Pick n Pay Holdings Group

Directors' responsibility statement

PICK N PAY HOLDINGS LIMITED RF AND ITS SUBSIDIARIES

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Pick n Pay Holdings Limited RF, comprising the statements of financial position at 2 March 2014, 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. In addition, the directors are responsible for preparing 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 consolidated and separate financial statements are fairly presented in accordance with the applicable financial reporting framework.

APPROVAL OF CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The consolidated and separate financial statements of Pick n Pay Holdings Limited RF, as identified in the first paragraph, were approved by the board of directors on 14 April 2014 and signed by:

Raymond Ackerman
Chairman

14 April 2014

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 2 March 2014, Pick n Pay Holdings Limited RF has filed all returns and notices as required by 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

14 April 2014

Pick n Pay Holdings Group

Directors' report

for the period ended 2 March 2014

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 is entitled to redistribute any dividend received from Pick n Pay Stores Limited. For the directors' report of Pick n Pay Stores Limited, refer to pages 84 and 85.

Audit committee

We draw your attention to the audit committee report on page 79 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 paid per share for the period of Pick n Pay Holdings Limited RF (PIKWIK) of 44.30 cents, to that of Pick n Pay Stores Limited (PIK), 92.30 cents, determines the relative value of a Pick n Pay Holdings Limited RF share, which, based on these figures, is 48.0% (2013: 48.5%) of a Pick n Pay Stores Limited share.

Dividends declared

The directors have declared a final dividend (dividend 65) of 37.10 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, 6 June 2014. The shares will trade ex dividend from the commencement of business on Monday, 9 June 2014 and the record date will be Friday, 13 June 2014. The dividends will be paid on Tuesday, 17 June 2014. Refer to page 112 for a detailed analysis.

Investment

The Company's sole asset is its 53.6% (2013: 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, the Company's effective holding in Pick n Pay Stores Limited at period end is 53.8% (2013: 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 9 193 760 (2013: 9 115 753) and 1 848 703 (2013: 1 845 803) shares in the Company, respectively. These shares are reflected as treasury shares in the financial statements.

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.

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. Pick n Pay co-operated fully with the Competition Commission in providing all information requested. After investigation, the Competition Commission informed retailers that they wished to further examine long-term exclusive lease agreements. All other concerns were dismissed.

The Competition Commission conducted an investigation into whether or not long-term exclusive lease agreements, as entered into between landlords and Pick n Pay and other national retail chains, were anti-competitive.

In January 2014, the Competition Commission informed the Company that they had concluded that the investigation did not warrant referral to the Competition Tribunal for determination.

Accordingly, all matters under investigation in regard to supermarket retailers have been concluded with a notice of non-referral of complaint, confirming Pick n Pay's belief that no anti-competitive behaviour existed.

Legal proceedings

The Company and its subsidiaries are not involved, and have not in the 2014 annual 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 Holdings Group of Companies, nor is the Company aware of any such proceedings that are pending or threatened.

Special resolutions
On 25 June 2013 the Company's shareholders approved the following special resolutions as tabled in the notice to the annual general meeting:

Directors' fees for the 2014 annual 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, 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.

General approval to repurchase Company shares
Shareholders resolved that the Company or any of its subsidiaries may acquire issued shares of the 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, and the Listings Requirements of the JSE, provided further that acquisitions of shares in the Company by the Company and its subsidiaries may not, in the aggregate, exceed in any one financial year 5% of the 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.

Wendy Ackerman
Jeff van Rooyen

Information pertaining to the directors and the Company Secretary appear on page 75.

Directors' interest in shares

	2014 %	2013 %
Beneficial	**0.9**	0.9
Non-beneficial	**50.6**	50.4
Total	**51.5**	51.3

The directors' interest in shares is their effective direct shareholding in the Company, excluding treasury shares. For further details refer to the remuneration report on pages 55 and 66.

Subsidiary companies
Details of subsidiary companies are presented in note 5 of the Company financial statements on page 144.

Borrowings
The Group's overall level of debt (including bank overdrafts and overnight borrowings) decreased from R2 729.6 million to R2 154.9 million during the period.

Pick n Pay Holdings Group

Independent auditor's report

for the period ended 2 March 2014

TO THE SHAREHOLDERS OF PICK N PAY HOLDINGS LIMITED RF

Report on the financial statements

We have audited the consolidated and separate financial statements of Pick n Pay Holdings Limited RF, which comprise the statements of financial position at 2 March 2014, 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 92 to 147.

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 2 March 2014, 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 2 March 2014, 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

14 April 2014

MSC House
Mediterranean Street
Cape Town
8001

Consolidated statements of comprehensive income

for the period ended

	Notes	Pick n Pay Stores Group 364 days to 2 March 2014 Rm	Pick n Pay Stores Group 368 days to 3 March 2013 Rm	Pick n Pay Holdings Group 364 days to 2 March 2014 Rm	Pick n Pay Holdings Group 368 days to 3 March 2013 Rm
Revenue	2	**63 661.9**	59 833.0	**63 661.9**	59 833.0
Turnover	2	**63 117.0**	59 271.3	**63 117.0**	59 271.3
Cost of merchandise sold	2	**(52 077.1)**	(48 935.9)	**(52 077.1)**	(48 935.9)
Gross profit		**11 039.9**	10 335.4	**11 039.9**	10 335.4
Other trading income	2	**500.6**	518.9	**500.6**	518.9
Trading expenses		**(10 530.2)**	(10 001.9)	**(10 532.4)**	(10 003.8)
Employee costs	3	**(5 326.3)**	(4 952.0)	**(5 326.5)**	(4 952.0)
Occupancy		**(1 613.9)**	(1 500.5)	**(1 613.9)**	(1 500.5)
Operations		**(2 580.5)**	(2 363.9)	**(2 580.5)**	(2 363.9)
Merchandising and administration		**(1 009.5)**	(1 185.5)	**(1 011.5)**	(1 187.4)
Trading profit		**1 010.3**	852.4	**1 008.1**	850.5
(Loss)/profit on sale of property, plant and equipment		**(5.5)**	21.6	**(5.5)**	21.6
Impairment loss on intangible assets	9	**(104.1)**	—	**(104.1)**	—
Interest received	2	**44.3**	42.8	**44.3**	42.8
Interest paid	3	**(143.9)**	(131.3)	**(143.9)**	(131.3)
Share of associate's income	14	**32.0**	23.4	**32.0**	23.4
Profit before tax	3	**833.1**	808.9	**830.9**	807.0
Tax	6	**(249.4)**	(258.3)	**(249.4)**	(258.3)
Profit for the period		**583.7**	550.6	**581.5**	548.7
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurement in retirement scheme assets		**57.1**	1.4	**57.1**	1.4
Items that may be reclassified to profit or loss					
Exchange rate differences on translating foreign operations		**6.4**	5.1	**6.4**	5.1
Other comprehensive income, net of tax		**63.5**	6.5	**63.5**	6.5
Total comprehensive income for the period		**647.2**	557.1	**645.0**	555.2
Profit for the period attributable to:		**583.7**	550.6	**581.5**	548.7
Equity holders of the Company		**583.7**	550.6	**312.9**	294.5
Non-controlling interest	30	**—**	—	**268.6**	254.2
Total comprehensive income for the period attributable to:		**647.2**	557.1	**645.0**	555.2
Equity holders of the Company		**647.2**	557.1	**347.2**	298.0
Non-controlling interest		**—**	—	**297.8**	257.2
Earnings per share		**cents**	cents	**cents**	cents
Basic	7	**122.01**	115.14	**60.61**	57.03
Diluted basic	7	**120.21**	113.39	**59.10**	55.57

Pick n Pay Group of Companies financial statements

Consolidated statements of financial position

	Notes	Pick n Pay Stores Group As at 2 March 2014 Rm	Pick n Pay Stores Group As at 3 March 2013 Rm	Pick n Pay Holdings Group As at 2 March 2014 Rm	Pick n Pay Holdings Group As at 3 March 2013 Rm
ASSETS					
Non-current assets					
Property, plant and equipment	10	**4 039.3**	3 917.7	**4 039.3**	3 917.7
Intangible assets	9	**987.6**	947.9	**987.6**	947.9
Operating lease assets	11	**132.8**	105.5	**132.8**	105.5
Investment in associate	14	**165.9**	133.9	**165.9**	133.9
Participation in export partnerships	12	**25.1**	28.1	**25.1**	28.1
Loans	15	**92.0**	98.5	**92.0**	98.9
Retirement scheme assets	22	**85.1**	1.8	**85.1**	1.8
Deferred tax assets	13	**212.1**	174.4	**212.1**	174.4
		5 739.9	5 407.8	**5 739.9**	5 408.2
Current assets					
Inventory	16	**3 979.8**	3 996.5	**3 979.8**	3 996.5
Trade and other receivables	17	**2 841.1**	2 361.1	**2 841.1**	2 361.1
Cash and cash equivalents	18	**1 540.3**	1 255.7	**1 540.3**	1 255.7
Derivative financial instruments	28.4	**3.5**	—	**3.5**	—
		8 364.7	7 613.3	**8 364.7**	7 613.3
Total assets		**14 104.6**	13 021.1	**14 104.6**	13 021.5
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	19	**6.0**	6.0	**6.6**	6.6
Share premium		**—**	—	**120.8**	120.8
Treasury shares	20	**(145.7)**	(139.4)	**(95.3)**	(89.3)
Retained earnings		**2 849.1**	2 562.6	**1 377.3**	1 222.4
Foreign currency translation deficit		**(6.8)**	(13.2)	**(3.6)**	(7.1)
Attributable to equity holders of the Company		**2 702.6**	2 416.0	**1 405.8**	1 253.4
Non-controlling interest	30	**—**	—	**1 290.6**	1 157.4
Total shareholders' interest		**2 702.6**	2 416.0	**2 696.4**	2 410.8
Non-current liabilities					
Borrowings	21	**747.1**	772.5	**747.1**	772.5
Operating lease liabilities	11	**1 042.7**	924.6	**1 042.7**	924.6
		1 789.8	1 697.1	**1 789.8**	1 697.1
Current liabilities					
Trade and other payables	23	**8 085.1**	6 856.0	**8 091.3**	6 861.6
Bank overdraft and overnight borrowings	18	**670.0**	1 525.6	**670.0**	1 525.6
Borrowings	21	**737.8**	431.5	**737.8**	431.5
Tax	6	**111.2**	82.8	**111.2**	82.8
Provisions	24	**8.1**	9.0	**8.1**	9.0
Derivative financial instruments	28.3	**—**	3.1	**—**	3.1
		9 612.2	8 908.0	**9 618.4**	8 913.6
Total equity and liabilities		**14 104.6**	13 021.1	**14 104.6**	13 021.5

Consolidated statements of changes in equity

for the period ended

	Notes	Share capital Rm	Treasury shares Rm	Retained earnings Rm	Foreign currency translation deficit Rm	Total equity Rm
Pick n Pay Stores Group						
At 1 March 2012		6.0	(142.8)	2 559.2	(18.3)	2 404.1
Total comprehensive income for the period		—	—	552.0	5.1	557.1
Profit for the period		—	—	550.6	—	550.6
Exchange rate differences on translating foreign operations		—	—	—	5.1	5.1
Remeasurements in retirement scheme assets		—	—	1.4	—	1.4
Transactions with owners		—	3.4	(548.6)	—	(545.2)
Dividends paid	8	—	—	(583.5)	—	(583.5)
Share repurchases	20	—	(77.9)	—	—	(77.9)
Net effect of settlement of employee share options	20	—	81.3	(56.4)	—	24.9
Share options expense	5	—	—	91.3	—	91.3
At 3 March 2013		**6.0**	**(139.4)**	**2 562.6**	**(13.2)**	**2 416.0**
Total comprehensive income for the period		**—**	**—**	**640.8**	**6.4**	**647.2**
Profit for the period		**—**	**—**	**583.7**	**—**	**583.7**
Exchange rate differences on translating foreign operations		**—**	**—**	**—**	**6.4**	**6.4**
Remeasurements in retirement scheme assets		**—**	**—**	**57.1**	**—**	**57.1**
Transactions with owners		**—**	**(6.3)**	**(354.3)**	**—**	**(360.6)**
Dividends paid	8	**—**	**—**	**(398.4)**	**—**	**(398.4)**
Share repurchases	20	**—**	**(45.7)**	**—**	**—**	**(45.7)**
Net effect of settlement of employee share options	20	**—**	**39.4**	**(27.4)**	**—**	**12.0**
Share options expense	5	**—**	**—**	**71.5**	**—**	**71.5**
At 2 March 2014		**6.0**	**(145.7)**	**2 849.1**	**(6.8)**	**2 702.6**

Pick n Pay Group of Companies financial statements

Consolidated statements of changes in equity

for the period ended

	Notes	Attributable to equity holders of the Company							
		Share capital Rm	Share premium Rm	Treasury shares Rm	Retained earnings Rm	Foreign currency translation deficit Rm	Total Rm	Non-controlling interest Rm	Total equity Rm
Pick n Pay Holdings Group									
At 1 March 2012		6.6	120.8	(82.4)	1 218.2	(9.9)	1 253.3	1 147.5	2 400.8
Total comprehensive income for the period		—	—	—	295.3	2.7	298.0	257.2	555.2
Profit for the period		—	—	—	294.5	—	294.5	254.2	548.7
Exchange rate differences on translating foreign operations		—	—	—	—	2.7	2.7	2.4	5.1
Remeasurements in retirement scheme assets		—	—	—	0.8	—	0.8	0.6	1.4
Transactions with owners		—	—	(6.9)	(291.1)	0.1	(297.9)	(247.3)	(545.2)
Dividends paid	8	—	—	—	(315.0)	—	(315.0)	(268.5)	(583.5)
Share repurchases	20	—	—	(10.5)	(31.4)	—	(41.9)	(36.0)	(77.9)
Net effect of settlement of employee share options	20	—	—	3.6	9.8	—	13.4	11.5	24.9
Share options expense	5	—	—	—	49.1	—	49.1	42.2	91.3
Movement in treasury shares		—	—	—	(3.6)	0.1	(3.5)	3.5	—
At 3 March 2013		**6.6**	**120.8**	**(89.3)**	**1 222.4**	**(7.1)**	**1 253.4**	**1 157.4**	**2 410.8**
Total comprehensive income for the period		**—**	**—**	**—**	**343.7**	**3.5**	**347.2**	**297.8**	**645.0**
Profit for the period		**—**	**—**	**—**	**312.9**	**—**	**312.9**	**268.6**	**581.5**
Exchange rate differences on translating foreign operations		**—**	**—**	**—**	**—**	**3.5**	**3.5**	**2.9**	**6.4**
Remeasurements in retirement scheme assets		**—**	**—**	**—**	**30.8**	**—**	**30.8**	**26.3**	**57.1**
Transactions with owners		**—**	**—**	**(6.0)**	**(188.8)**	**—**	**(194.8)**	**(164.6)**	**(359.4)**
Dividends paid	8	**—**	**—**	**—**	**(215.2)**	**—**	**(215.2)**	**(182.0)**	**(397.2)**
Share repurchases	20	**—**	**—**	**(9.5)**	**(15.2)**	**—**	**(24.7)**	**(21.0)**	**(45.7)**
Net effect of settlement of employee share options	20	**—**	**—**	**3.5**	**3.0**	**—**	**6.5**	**5.5**	**12.0**
Share options expense	5	**—**	**—**	**—**	**38.6**	**—**	**38.6**	**32.9**	**71.5**
At 2 March 2014		**6.6**	**120.8**	**(95.3)**	**1 377.3**	**(3.6)**	**1 405.8**	**1 290.6**	**2 696.4**

Consolidated statements of cash flows

for the period ended

	Notes	Pick n Pay Stores Group 364 days to 2 March 2014 Rm	Pick n Pay Stores Group 368 days to 3 March 2013 Rm	Pick n Pay Holdings Group 364 days to 2 March 2014 Rm	Pick n Pay Holdings Group 368 days to 3 March 2013 Rm
Cash flows from operating activities					
Trading profit		**1 010.3**	852.4	**1 008.1**	850.5
Amortisation	9	**199.3**	145.8	**199.3**	145.8
Depreciation	10	**749.1**	749.7	**749.1**	749.7
Share options expense	5	**71.5**	91.3	**71.5**	91.3
Movement in net operating lease liabilities		**90.8**	74.8	**90.8**	74.8
Movement in provisions		**(0.9)**	(9.6)	**(0.9)**	(9.6)
Fair value adjustments		**(10.6)**	(2.6)	**(10.6)**	(2.6)
Cash generated before movements in working capital		**2 109.5**	1 901.8	**2 107.3**	1 899.9
Movements in working capital		**783.7**	(999.9)	**784.3**	(998.0)
Movements in trade and other payables		**1 229.1**	(140.2)	**1 229.7**	(138.3)
Movements in inventory		**31.6**	(626.0)	**31.6**	(626.0)
Movements in trade and other receivables		**(477.0)**	(233.7)	**(477.0)**	(233.7)
Cash generated by trading activities		**2 893.2**	901.9	**2 891.6**	901.9
Interest received	2	**44.3**	42.8	**44.3**	42.8
Interest paid	3	**(143.9)**	(131.3)	**(143.9)**	(131.3)
Cash generated by operations		**2 793.6**	813.4	**2 792.0**	813.4
Dividends paid	8	**(398.4)**	(583.5)	**(397.2)**	(583.5)
Tax paid	6	**(270.2)**	(311.6)	**(270.2)**	(311.6)
Cash generated by/(utilised in) operating activities		**2 125.0**	(81.7)	**2 124.6**	(81.7)
Cash flows from investing activities					
Investment in intangible assets	9	**(289.2)**	(242.4)	**(289.2)**	(242.4)
Investment in property, plant and equipment	10	**(882.4)**	(970.1)	**(882.4)**	(970.1)
Purchase of operations	9	**(103.3)**	(118.3)	**(103.3)**	(118.3)
Proceeds on disposal of intangible assets	9	**11.1**	9.4	**11.1**	9.4
Proceeds on disposal of property, plant and equipment	10	**38.2**	222.1	**38.2**	222.1
Loans repaid/(advanced)		**6.5**	(17.7)	**6.9**	(17.7)
Cash utilised in investing activities		**(1 219.1)**	(1 117.0)	**(1 218.7)**	(1 117.0)
Cash flows from financing activities					
Borrowings raised/(repaid)		**280.9**	(260.5)	**280.9**	(260.5)
Share repurchases	20	**(45.7)**	(77.9)	**(45.7)**	(77.9)
Proceeds from employees on settlement of share options	20	**1.3**	2.9	**1.3**	2.9
Cash generated by/(utilised in) financing activities		**236.5**	(335.5)	**236.5**	(335.5)
Net increase/(decrease) in cash and cash equivalents		**1 142.4**	(1 534.2)	**1 142.4**	(1 534.2)
Cash and cash equivalents at beginning of period		**(269.9)**	1 271.7	**(269.9)**	1 271.7
Effect of exchange rate fluctuations on cash and cash equivalents		**(2.2)**	(7.4)	**(2.2)**	(7.4)
Net cash and cash equivalents at end of period	18	**870.3**	(269.9)	**870.3**	(269.9)

Notes to the Group financial statements

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Reporting entities

The consolidated financial statements for the period ended 2 March 2014 comprise Pick n Pay Stores Limited Company and its subsidiaries and associates (referred to as "Pick n Pay Stores Group") and Pick n Pay Holdings Limited RF Company 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 together are referred to as the Companies.

1.2 Statement of compliance

The consolidated 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.

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 Group implemented the 52-week trading calendar in the prior reporting period, resulting in a once-off realignment of trading data included in the comparative result. The prior period consisted of 368 days (52 weeks and four days) compared to 364 days (52 weeks) in the current reporting period. The details and impact of the additional four days included in the comparative period is set out in note 29: Change in financial period cut-off date.

The accounting policies applied in calculating the impact of the additional trading days are consistent with those applied in the Group's consolidated financial statements.

The accounting policies set out below have been consistently applied to all years presented in these consolidated financial statements, except where the Group has adopted the IFRS and IFRIC interpretations and amendments listed below. These interpretations and amendments had no material impact on the reported results. Where applicable, additional disclosures for the current and comparative years are provided.

- *IFRS 10 Consolidated Financial Statements (effective 1 January 2013)*
  As a result of IFRS 10, the Group has changed its accounting policy for determining whether it has control over, and consequently whether it consolidates, its investees. IFRS 10 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns. The Group reassessed the control conclusions for its investees and has made no changes to its conclusions.

- *IFRS 12 Disclosures in Other Entities (effective 1 January 2013)*
  As a result of IFRS 12, the Group has expanded its disclosures about its interests in subsidiaries and equity-accounted investees.

- *IFRS 13 Fair Value Measurement (effective 1 January 2013)*
  IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRS. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value as used in IFRS 2 *Share-based Payments* and IAS 17 *Leases* is excluded from the scope of IFRS 13. It replaces and expands the disclosure requirements about fair value measurements in other IFRS, including IFRS 7. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

- *IAS 1 Presentation of Financial Instruments (effective 1 July 2012)*
  As a result of the amendments to IAS 1, the Group has modified the presentation of items in the statement of other comprehensive income to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly.

Notes to the Group financial statements continued

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.3 Basis of preparation continued

- *IAS 19 Employee Benefits (effective 1 January 2013)*
  As a result of IAS 19, the Group has changed its accounting policy with respect to the basis for determining the income and expense related to its post-employment defined benefit plans.

  Under IAS 19, the Group determines the net interest expense on the net defined asset for the period by applying the discount rate used to measure the defined-benefit obligation at the beginning of the annual period to the then net defined-benefit asset, taking into account any changes in the net defined-benefit asset during the period as a result of contributions and benefit payments. Consequently, the net interest on the net defined-benefit asset now comprises: interest cost on the defined-benefit obligation; interest income on plan assets; and interest on the effect on the asset ceiling. Previously, the Group determined interest income on plan assets based on their long-term rate of expected return. Comparative information has not been re-presented as the impact is considered to be immaterial.

- *IAS 28 Investments in Associates and Joint Ventures*
  IAS 28 (2011) supersedes IAS 28 (2008) and carries forward the existing accounting and disclosure requirements with limited amendments which had no impact on the reported results.

- *IAS 36 Impairment of Assets (effective 1 January 2014 – early adopted)*
  The amendments reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed. The amendments apply retrospectively for annual periods beginning on or after 1 January 2014 with early adoption permitted. The Group will adopt the amendments for the year ending 2014.

Various other 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.

During the period under review, trading income previously included under cost of merchandise sold has been reclassified and disclosed separately. This has been done to improve visibility of all other trading income, specifically commissions received. The prior year has been restated to align with the current year disclosures.

In order to improve disclosure, provisions previously included under trade and other payables are now presented separately.

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

1.4 Foreign currency transactions and translations

Functional and presentation currency
The consolidated financial statements are presented in South African rand, which is the Company's functional currency. 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 or deficit.

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 or deficit in equity.

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 are not limited to:

Measurements of share-based payments

Various assumptions are applied in determining the fair value of share options 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, residual values and impairment of intangible assets

Intangible assets are amortised over their useful lives taking into account applicable residual values. Useful lives, residual values and carrying values are reviewed at each reporting date taking into account factors such as the manner of recovery, innovation in technology and relevant market information. During the period under review, management estimated the recoverable amount of certain intangible assets (calculated as the higher of value in use and the fair value less cost to sell) at zero. As a result, an impairment loss of R104.1 million was recognised in the statement of comprehensive income. 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 values 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 finance leases or operating leases. 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). Control is achieved when the Company has the power, directly or indirectly, to govern the financial and operating policies of a Group entity so as to obtain benefits from its activities. The existence of a 51% investment in TM Supermarkets (Pvt) by an entity outside of the Group, which also controls 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 equity-accounted investees

The fair value of all equity-accounted investees is estimated as the present value of future cash inflows discounted at a market-related interest rate. Judgement is required in the estimation of these future cash inflows. This review did not result in an impairment.

The estimation of the impairment allowance for trade and other receivables

The fair value 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 benefit obligations

The Group operates post-retirement 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 healthcare rates. Refer to note 22.

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.

Notes to the Group financial statements continued

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.5 Use of estimates, judgements and assumptions continued

Consolidation of the Group's share trust

The Group operates an employee share option scheme through the Employee Share Purchase Trust. As the Group retains the associated residual risks in the share trust, it is consolidated in the Group's results. 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 subsidiary's 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 comprise 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 made 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.

All property (comprising land and buildings) owned by the Group are classified as owner-occupied property.

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 expenses are incurred.

Depreciation

Depreciation is based on the carrying value of an asset less its residual value and 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 changes in estimate.

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. Land is not depreciated.

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

Where significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate assets.

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 separately 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 and loss when they are incurred.

All 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 in 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 related 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 expenses as incurred.

All 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 at the acquisition date.

Amortisation

Amortisation is based on the carrying value of an intangible asset less its residual value and its useful live. 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 changes 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.

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. SIGNIFICANT ACCOUNTING POLICIES continued

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 a current liability.

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 Groups acts as 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 is disclosed as a current asset or liability included under trade and other receivables and trade and other payables, respectively.

This liability or asset is reversed during the latter part of each lease term when the actual cash flow exceeds the straight-lined lease accrual 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 inventories 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.

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. 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 are 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 rate 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
The participation in export partnerships is measured at amortised cost, using the effective interest method, less impairment losses. Amortised cost is the cost of the original participation less subsequent principal repayments received, plus the cumulative amortisation of the difference between the initial amount and the maturity amount. For fair value purposes, 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 profit or loss of the Group. 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.

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; or 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 rate method. The related interest expense is recognised in profit or loss in the period in which it is incurred using the effective interest rate method. The maturity date of each financial liability is dependent on the contractual terms of the related borrowing.

Notes to the Group financial statements continued

1. SIGNIFICANT ACCOUNTING POLICIES continued

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 exist 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. Inventory, defined tax assets and defined benefit assets are not impaired as inventories and are written down to their net realisable and deferred tax and defined benefits assets are determined on a discounted basis.

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 CGU 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 in the form of an accumulated impairment allowance.

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 one 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.

Interest income

Interest 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 received: The Group acts as a payment office for the services provided by a variety of third parties to the Group's customers. The related agents' commissions received are recognised as other 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.

Notes to the Group financial statements continued

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.17 Borrowing costs continued

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 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 Company withholds dividends tax on behalf of its shareholders at a rate of 15% on dividends declared where shareholders are subject to this tax. Amounts withheld are not recognised as part of the Companies tax charge but as part of the dividend paid recognised directly in equity.

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 have been 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 after 7 November 2002 is recognised as an employee expense 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 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.

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 and 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 annual 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.

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 and 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. 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 are 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 which 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 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. Africa is responsible for the Group's expansion into the rest of Africa.

Notes to the Group financial statements continued

for the period ended

		Pick n Pay Stores Group		Pick n Pay Holdings Group	
		364 days to 2 March 2014 Rm	368 days to 3 March 2013 Rm	364 days to 2 March 2014 Rm	368 days to 3 March 2013 Rm
2.	**REVENUE**				
	Turnover	**63 117.0**	59 271.3	**63 117.0**	59 271.3
	Interest received	**44.3**	42.8	**44.3**	42.8
	Bank balances and investments	**32.3**	30.0	**32.3**	30.0
	Trade and other receivables	**8.2**	9.7	**8.2**	9.7
	Staff loans and other	**3.8**	3.1	**3.8**	3.1
	Other trading income*	**500.6**	518.9	**500.6**	518.9
	Franchise fee income	**311.2**	321.5	**311.2**	321.5
	Operating lease income (note 11)	**77.8**	75.8	**77.8**	75.8
	Commissions and other income	**111.6**	121.6	**111.6**	121.6
		63 661.9	59 833.0	**63 661.9**	59 833.0

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 R92.3 million (2013: R139.8 million) which represents the fair value of the smart shopper points granted and yet to be redeemed, adjusted for an expected forfeiture rate of 25.0% (2013: 25.0%) (refer note 23).

* *During the period under review, trading income previously included under cost of merchandise sold has been reclassified and disclosed separately. This has been done to improve visibility of all other trading income, specifically commissions received. The prior year has been restated to align with the current year disclosures (refer to note 31).*

		Pick n Pay Stores Group		Pick n Pay Holdings Group	
		364 days to 2 March 2014 Rm	368 days to 3 March 2013 Rm	364 days to 2 March 2014 Rm	368 days to 3 March 2013 Rm
3.	**PROFIT BEFORE TAX**				
	Profit before tax is stated after taking into account the following expenses:				
3.1	**Employee costs**				
	Salaries and wages	**4 610.4**	4 243.3	**4 610.6**	4 243.3
	Staff benefits and training	**272.8**	316.3	**272.8**	316.3
	Net expense recognised on defined benefit plan (note 22.1)	**21.9**	17.6	**21.9**	17.6
	Contributions to defined contribution plans (note 22.2)	**325.7**	278.6	**325.7**	278.6
	Share-based payments expense (note 5.3)	**71.5**	91.3	**71.5**	91.3
	Leave pay	**24.0**	4.9	**24.0**	4.9
		5 326.3	4 952.0	**5 326.5**	4 952.0
3.2	**Auditor's remuneration**				
	Assurance services	**7.6**	7.1	**7.7**	7.2
	Other services	**0.1**	0.1	**0.1**	0.1
		7.7	7.2	**7.8**	7.3
3.3	**Interest paid**				
	Finance leases	**6.2**	6.5	**6.2**	6.5
	Bank overdrafts	**33.4**	22.7	**33.4**	22.7
	Borrowings	**104.3**	102.1	**104.3**	102.1
		143.9	131.3	**143.9**	131.3

4. DIRECTORS' REMUNERATION

For full disclosure of directors' remuneration, directors' interest in shares and share options held by directors refer to the remuneration reports on pages 55 to 56 and 76 and 77.

	Fees for board meetings R'000	Fees for committee and other work R'000	Remune-ration R'000	Annual bonus R'000	Retirement and medical contri-butions R'000	Fringe and other benefits R'000	Cash total R'000	IFRS 2: expense relating to share options granted R'000
Pick n Pay Stores Group								
2014								
Non-executive directors*	**5 185.9**	**1 348.0**	**—**	**—**	**—**	**—**	**6 533.9**	**—**
Executive directors	**7.5**	**—**	**16.673.6**	**7 850.0**	**2 677.6**	**2 992.2**	**30 200.9**	**8 550.4**
Total remuneration	**5 193.4**	**1 348.0**	**16 673.6**	**7 850.0**	**2 677.6**	**2 992.2**	**36 734.8**	**8 550.4**
2013								
Non-executive directors	2 149.7	1 418.0	—	—	—	—	3 567.7	—
Executive directors**	9.0	—	13 626.3	—	1 712.9	1 401.2	16 749.4	5 943.6
Total remuneration	2 158.7	1 418.0	13 626.3	—	1 712.9	1 401.2	20 317.1	5 943.6
Pick n Pay Holdings Group								
2014								
Non-executive directors*	**5 356.9**	**1 348.0**	**—**	**—**	**—**	**—**	**6 704.9**	**—**
Executive directors	**7.5**	**—**	**16 673.6**	**7 850.0**	**2 677.6**	**2 992.2**	**30 200.9**	**8 550.4**
Total remuneration	**5 364.4**	**1 348.0**	**16 673.6**	**7 850.0**	**2 677.6**	**2 992.2**	**36 905.8**	**8 550.4**
2013								
Non-executive directors	2 320.7	1 418.0	—	—	—	—	3 738.7	—
Executive directors**	9.0	—	14 803.5	—	1 712.9	1 401.2	16 749.4	5 943.6
Total remuneration	2 329.7	1 418.0	14 803.5	—	1 712.9	1 401.2	20 488.1	5 943.6

* *Gareth Ackerman also received an amount of R169 600 to reimburse him for travel expenses personally incurred.*

** *All remuneration for the 2013 financial year has been presented in line with the classifications of the 2014 financial year. As a result, certain amounts have been reclassified between base salary, retirement and medical contributions and fringe and other benefits. These classifications had no impact on the total remuneration previously presented.*

5. SHARE-BASED PAYMENTS

The Group operates an employee share incentive scheme, the 1997 Employee Share Option Scheme (the scheme), for the benefit of its executive directors, senior management and employees. The scheme incentivises its 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 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).

All vested share options have to be exercised, paid for (or net-settled) and taken up within 10 years of the grant date.

The directors have received shareholder approval to utilise up to 13.3% of the issued share capital of Pick n Pay Stores Limited and 17.5% of the issued share capital of Pick n Pay Holdings Limited RF for the purposes of managing the scheme.

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 top-up options – senior management 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 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.

Refer to pages 55 to 66 of the remuneration report for more information on the scheme.

Notes to the Group financial statements continued

for the period ended

	Pick n Pay Stores Group 364 days to 2 March 2014 Number of options 000's	Pick n Pay Stores Group 368 days to 3 March 2013 Number of options 000's	Pick n Pay Holdings Group 364 days to 2 March 2014 Number of options 000's	Pick n Pay Holdings Group 368 days to 3 March 2013 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	**52 849.6**	54 244.9	**13 955.3**	12 107.4
New options granted*	**2 582.0**	6 022.4	**2 159.0**	3 159.8
Options taken up**	**(2 172.2)**	(5 298.9)	**(849.7)**	(892.9)
Options forfeited	**(3 103.4)**	(2 118.8)	**—**	(419.0)
At end of period	**50 156.0**	52 849.6	**15 264.6**	13 955.3

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

Year	Average grant price Pick n Pay Stores Group	Average grant price Pick n Pay Holdings Group	Pick n Pay Stores Group 2014	Pick n Pay Stores Group 2013	Pick n Pay Holdings Group 2014	Pick n Pay Holdings Group 2013
2015	R34.82	R12.79	**28 400.7**		**15 264.6**	
2016	R34.12		**6 199.5**		**—**	
2017	R36.45		**5 440.6**		**—**	
2018	R38.66		**4 514.1**		**—**	
2019 and thereafter	R39.41		**5 601.1**		**—**	
			50 156.0		**15 264.6**	

	Pick n Pay Stores Group 2014	Pick n Pay Stores Group 2013	Pick n Pay Holdings Group 2014	Pick n Pay Holdings Group 2013
Percentage of issued shares	**10.4%**	11.0%	**2.9%**	2.6%
Options available for granting under current authorisation (000's)	**13 736.9**	11 043.0	**77 004.0**	78 313.3
*Average grant price of options granted during the period	**R44.13**	R44.85	**R17.85**	R15.36
**Average grant price of options taken up during the period	**R27.50**	R27.94	**R13.37**	R12.68

For details of share options held by directors refer to the remuneration report on pages 55 to 66 and 76 to 77.

	000's	000's	**000's**	000's
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	**1 974.5**	2 046.6	**9 193.8**	9 115.8
On behalf of share purchase scheme participants	**125.3**	133.1	**365.2**	389.8
	2 099.8	2 179.7	**9 559.0**	9 505.6

5.2 Fair value

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 grant 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[a]	Expected dividend yield[b]	Risk-free rate[c]
2013	PWK	3 159.8	1	R19.58 – R20.41	R18.00 – R20.04	22.82 – 23.85	3.61 – 4.04	5.69 – 6.97
2013	PIK	6 022.4	3 – 7	R37.00 – R48.49	R32.65 – R46.37	22.24 – 24.74	3.24 – 3.62	5.76 – 7.94
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**

[a] *The expected volatility is determined based on the rolling historical volatility over the expected option term that prevailed at the grant date.*
[b] *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.*
[c] *The risk-free rate is the yield on zero-coupon South African government bonds of a term consistent with the estimated option term.*

		Pick n Pay Stores Group		Pick n Pay Holdings Group	
		364 days to 2 March 2014 Rm	368 days to 3 March 2013 Rm	364 days to 2 March 2014 Rm	368 days to 3 March 2013 Rm
5.	**SHARE-BASED PAYMENTS continued**				
5.3	**Share-based payment expense**				
	Total expensed to date – beginning of period	**499.1**	407.8	**499.1**	407.8
	Share options expense for the period	**71.5**	91.3	**71.5**	91.3
	Total expensed to date – end of period	**570.6**	499.1	**570.6**	499.1
	Share options expense to be recognised in future financial periods, in respect of all options granted since 2003, is:				
	Within one year	**42.9**	74.3	**42.9**	74.3
	Within two to five years	**59.3**	82.6	**59.3**	82.6
	After five years	**2.5**	3.9	**2.5**	3.9
	Total expense to be recognised	**104.7**	160.8	**104.7**	160.8
	Total current and future share-based payment expense	**675.3**	659.9	**675.3**	659.9
6.	**TAX**				
6.1	**Tax recognised in the statement of comprehensive income**				
	Tax				
	Normal tax	**309.3**	316.8	**309.3**	316.8
	– current period	**306.7**	280.4	**306.7**	280.4
	– prior period under provision	**2.6**	36.4	**2.6**	36.4
	Deferred tax (note 13)	**(59.9)**	(58.5)	**(59.9)**	(58.5)
		249.4	258.3	**249.4**	258.3
	Tax recognised in other comprehensive income				
	Tax effect of remeasurement of retirement benefit asset (note 13)	**(22.2)**	(0.6)	**(22.2)**	(0.6)
6.2	**Tax recognised directly in statement of changes in equity**				
	Tax effect of share incentive transactions recorded directly in equity	**(10.7)**	(22.0)	**(10.7)**	(22.0)
6.3	**Tax paid**				
	Owing – beginning of period	**82.8**	99.6	**82.8**	99.6
	Recognised in statement of comprehensive income	**309.3**	316.8	**309.3**	316.8
	Recognised in statement of changes in equity	**(10.7)**	(22.0)	**(10.7)**	(22.0)
	Owing – end of period	**(111.2)**	(82.8)	**(111.2)**	(82.8)
	Total tax paid	**270.2**	311.6	**270.2**	311.6
		%	%	**%**	%
6.4	**Statutory tax rate reconciliation**				
	South African statutory tax rate	**28.0**	28.0	**28.0**	28.0
	Exempt income	**(5.2)**	(3.9)	**(5.2)**	(3.9)
	Non-deductible share options expense	**2.4**	3.0	**2.4**	3.0
	Other non-deductible expenditure	**5.6**	3.9	**5.6**	3.9
	Capital gains tax	**—**	0.4	**—**	0.4
	Net prior year (over)/under provisions	**(0.9)**	0.5	**(0.9)**	0.5
	Effective tax rate	**29.9**	31.9	**29.9**	31.9

Notes to the Group financial statements continued

for the period ended

		Pick n Pay Stores Group		Pick n Pay Holdings Group	
		364 days to 2 March 2014 Cents per share	368 days to 3 March 2013 Cents per share	**364 days to 2 March 2014 Cents per share**	368 days to 3 March 2013 Cents per share
7.	**BASIC, HEADLINE AND DILUTED EARNINGS PER SHARE**				
	Basic	**122.01**	115.14	**60.61**	57.03
	Diluted basic	**120.21**	113.39	**59.10**	55.57
	Headline	**138.51**	111.30	**68.83**	55.11
	Diluted headline	**136.46**	109.61	**67.13**	53.70
7.1	**Basic and headline earnings**	**Rm**	Rm	**Rm**	Rm
	Reconciliation between basic and headline earnings:				
	Basic earnings (profit for the period)	**583.7**	550.6	**312.9**	294.5
	Adjustments:	**78.9**	(18.4)	**42.5**	(9.9)
	Loss/(profit) on sale of property, plant and equipment	**5.5**	(21.6)	**3.0**	(11.6)
	Tax effect of (loss)/profit on sale of property, plant and equipment	**(1.6)**	3.2	**(0.8)**	1.7
	Impairment of intangible assets	**104.1**	—	**56.0**	—
	Tax effect of impairment of intangible assets	**(29.1)**	—	**(15.7)**	—
	Headline earnings	**662.6**	532.2	**355.4**	284.6
	Basic earnings (profit for the period)	**583.7**	550.6	**312.9**	294.5
	Dilutive effect of share options	**—**	—	**(4.7)**	(4.6)
	Diluted basic earnings	**583.7**	550.6	**308.2**	289.9
	Headline earnings	**662.6**	532.2	**355.4**	284.6
	Dilutive effect of share options	**—**	—	**(5.3)**	(4.5)
	Diluted headline earnings	**662.6**	532.2	**350.1**	280.1
7.2	**Number of shares**	**000's**	000's	**000's**	000's
	Movement in the weighted average number of ordinary shares in issue comprises:				
	At beginning of period	**478 132.9**	477 450.4	**516 340.2**	516 360.5
	Effect of current period share repurchases by the share trust	**(468.2)**	(899.7)	**(246.8)**	(268.8)
	Effect of share sales on the take-up of share options	**504.3**	1 117.5	**206.4**	216.1
	Prior period net share sales/repurchases now fully weighted	**217.8**	464.7	**(52.7)**	32.4
	At end of period	**478 386.8**	478 132.9	**516 247.1**	516 340.2
	Dilutive effect of share options	**7 190.6**	7 385.9	**5 248.2**	5 192.8
	Diluted weighted average number of ordinary shares in issue	**485 577.4**	485 518.8	**521 495.3**	521 533.0
	Number of shares in issue (note 19)	**480 397.3**	480 397.3	**527 249.1**	527 249.1

		Pick n Pay Stores Group	
		364 days to 2 March 2014 Cents per share	368 days to 3 March 2013 Cents per share
8.	**DIVIDENDS**		
8.1	**Dividends paid**		
	Number 90 – declared 22 April 2013 – paid 18 June 2013 (2013: Number 88 – declared 16 April 2012 – paid 11 June 2012)	**69.25**	108.35
	Number 91 – declared 21 October 2013 – paid 17 December 2013 (2013: Number 89 – declared 23 October 2012 – paid 18 December 2012)	**14.80**	14.75
	Total dividends per share for the period	**84.05**	123.10
		Rm	Rm
	Total value of dividends paid by the Company	**403.8**	591.4
	Dividends paid on treasury shares	**(5.4)**	(7.9)
	Total dividends paid outside the Pick n Pay Stores Group	**398.4**	583.5

	Pick n Pay Holdings Group	
	364 days to 2 March 2014 Cents per share	368 days to 3 March 2013 Cents per share
8. DIVIDENDS continued		
8.1 Dividends paid continued		
Number 63 – declared 22 April 2013 – paid 18 June 2013 (2013: Number 61 – declared 16 April 2012 – paid 11 June 2012)	**33.61**	52.57
Number 64 – declared 21 October 2013 – paid 17 December 2013 (2013: Number 62 – declared 23 October 2012 – paid 18 December 2012)	**7.20**	7.17
Total dividends per share for the period	**40.81**	59.74
	Rm	Rm
Total value of dividends paid by the Company	**215.2**	315.0
Dividends paid by subsidiary companies to non-controlling shareholders	**182.0**	268.5
Total dividends paid by the Pick n Pay Holdings Group	**397.2**	583.5

	Pick n Pay Stores Group	
	364 days to 2 March 2014 Cents per share	368 days to 3 March 2013 Cents per share
8.2 Dividends declared		
Interim dividend – number 91 (2013: number 89)	**14.80**	14.75
Final dividend – number 92 (2013: number 90)	**77.50**	69.25
	92.30	84.00

The directors have declared a final dividend (dividend 92) of 77.50 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, 6 June 2014, the shares will trade EX dividend from the commencement of business on Monday, 9 June 2014 and the record date will be Friday, 13 June 2014. The dividends will be paid on Tuesday, 17 June 2014.

	Pick n Pay Holdings Group	
	364 days to 2 March 2014 Cents per share	368 days to 3 March 2013 Cents per share
Interim dividend – number 64 (2013: number 62)	**7.20**	7.17
Final dividend – number 65 (2013: number 63)	**37.10**	33.61
	44.30	40.78

The directors have declared a final dividend (dividend 65) of 37.10 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, 6 June 2014, the shares will trade EX dividend from the commencement of business on Monday, 9 June 2014 and the record date will be Friday, 13 June 2014. The dividends will be paid on Tuesday, 17 June 2014.

Notes to the Group financial statements continued

for the period ended

	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								
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 from property, plant and equipment	**—**	**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**
2013								
Carrying value	233.5	642.1	72.3	947.9	233.5	642.1	72.3	947.9
Cost	254.4	1 054.6	122.6	1 431.6	254.4	1 054.6	122.6	1 431.6
Accumulated amortisation and impairment losses	(20.9)	(412.5)	(50.3)	(483.7)	(20.9)	(412.5)	(50.3)	(483.7)
Reconciliation of carrying value								
Carrying value at beginning of period	201.5	531.3	66.8	799.6	201.5	531.3	66.8	799.6
Additions	—	242.4	—	242.4	—	242.4	—	242.4
Expansion of operations	—	192.0	—	192.0	—	192.0	—	192.0
Maintaining operations	—	50.4	—	50.4	—	50.4	—	50.4
Amortisation	—	(128.9)	(16.9)	(145.8)	—	(128.9)	(16.9)	(145.8)
Disposals	—	(9.4)	—	(9.4)	—	(9.4)	—	(9.4)
Purchase of operations	32.0	—	9.8	41.8	32.0	—	9.8	41.8
Foreign currency translation	—	(0.9)	—	(0.9)	—	(0.9)	—	(0.9)
Reclassifications from property, plant and equipment	—	7.6	12.6	20.2	—	7.6	12.6	20.2
Carrying value at end of period	233.5	642.1	72.3	947.9	233.5	642.1	72.3	947.9

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 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.

An impairment test on goodwill relating to the cash-generating unit trading as Boxer, with a carrying value of R106.4 million (2013: R106.4 million), was performed. The growth rate applied to cash flow forecasts were based on past performance and management's expectations of the retail market within which this cash-generating unit trades. The pre-tax discount rate used reflected specific risks for this cash-generating unit. The recoverable amount was determined to be higher than the carrying value and therefore no impairment loss was recognised.

During the year 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 to sell) of the related intangible assets as zero and an impairment of R104.1 million was recognised in the statement of comprehensive income in the current reporting period. This impairment, net of the related tax effect of R29.1 million, has been added back in the calculation of headline earnings, refer note 7.

** The purchase of operations during the current and previous periods under review of R103.3 million and R118.3 million respectively 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.*

10. PROPERTY, PLANT AND EQUIPMENT

	Pick n Pay Stores Group					Pick n Pay Holdings Group				
	Property Rm	Furniture, fittings, equipment and vehicles Rm	Leasehold improvements Rm	Aircraft Rm	Total Rm	Property Rm	Furniture, fittings, equipment and vehicles Rm	Leasehold improvements Rm	Aircraft Rm	Total Rm
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 to intangible assets	**—**	**(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**
2013										
Carrying value	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
Cost	1 720.0	4 903.3	888.0	73.8	7 585.1	1 720.0	4 903.3	888.0	73.8	7 585.1
Accumulated depreciation and impairment losses	(197.1)	(2 851.1)	(566.8)	(52.4)	(3 667.4)	(197.1)	(2 851.1)	(566.8)	(52.4)	(3 667.4)
Reconciliation of carrying value										
Carrying value at beginning of period	1 560.3	1 930.4	346.2	27.0	3 863.9	1 560.3	1 930.4	346.2	27.0	3 863.9
Additions	160.1	701.0	102.6	—	963.7	160.1	701.0	102.6	—	963.7
Expansion of operations	159.0	332.9	59.9	—	551.8	159.0	332.9	59.9	—	551.8
Maintaining operations	1.1	368.1	42.7	—	411.9	1.1	368.1	42.7	—	411.9
Borrowing costs capitalised†	6.4	—	—	—	6.4	6.4	—	—	—	6.4
Depreciation	(35.6)	(604.8)	(103.7)	(5.6)	(749.7)	(35.6)	(604.8)	(103.7)	(5.6)	(749.7)
Disposals	(168.3)	(30.3)	(1.9)	—	(200.5)	(168.3)	(30.3)	(1.9)	—	(200.5)
Purchase of operations (note 9)	—	40.8	—	—	40.8	—	40.8	—	—	40.8
Reclassifications to intangible assets	—	1.8	(22.0)	—	(20.2)	—	1.8	(22.0)	—	(20.2)
Foreign currency translation	—	13.3	—	—	13.3	—	13.3	—	—	13.3
Carrying value at end 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

Property with a carrying value of R624.9 million (2013: R649.3 million) is provided as security for long-term borrowings (refer note 21).

* *Included in the carrying value of property, plant and equipment is leased vehicles with a carrying value of R93.9 million (2013: R97.3 million) secured by lease liabilities (note 21).*

† *Borrowing costs are capitalised on qualifying assets. No assets qualified during the current reporting period. The expenditure incurred on qualifying assets was R190.2 million during the previous reporting period and the weighted average borrowing rate was 5.5%.*

Notes to the Group financial statements continued

for the period ended

		Pick n Pay Stores Group		Pick n Pay Holdings Group	
		364 days to 2 March 2014 Rm	368 days to 3 March 2013 Rm	**364 days to 2 March 2014 Rm**	368 days to 3 March 2013 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 (2013: five and 20 years) with renewal options for a further five to 20 years (2013: five and 20 years). Rentals comprise minimum monthly payments and additional payments based on turnover levels. Turnover rentals, where applicable, average 1.5% (2013: 1.5%) of turnover. Rental escalations vary averaging 6.5% (2013: 6.5%) per annum.				
	Operating lease charges*				
	Property – minimum lease payments	**1 133.7**	1 063.9	**1 137.9**	1 063.9
	– turnover clause payments	**14.1**	23.3	**14.1**	23.3
		1 147.9	1 087.2	**1 147.9**	1 087.2
	Leases contained within service agreements	**215.9**	205.2	**215.9**	205.2
	The Group has entered into various operating lease agreements as the lessor of the premises. Leases on premises are contracted for periods of between three and 15 years (2013: three and 15 years). Rental comprises mainly minimum monthly payments. Rental escalations vary between 6.5% and 8.0% (2013: 6.5% and 8.0%) per annum.				
	Operating lease receipts	**77.8**	75.8	**77.8**	75.8
11.1	**Operating lease assets**				
	At beginning of period	**105.5**	84.8	**105.5**	84.8
	Accrual	**27.3**	20.7	**27.3**	20.7
	At end of period	**132.8**	105.5	**132.8**	105.5
	At end of period future minimum rentals receivable from non-cancellable sublease contracts amount to:				
	Cash flow due in 2015	**280.3**	256.4	**280.3**	256.4
	Cash flow due in 2016 to 2019	**870.9**	738.4	**870.9**	738.4
	Cash flow due after 2019	**1 072.7**	1 002.8	**1 072.7**	1 002.8
	Total future cash flows	**2 223.9**	1 997.6	**2 223.9**	1 997.6
	Less: Operating lease assets	**(132.8)**	(105.5)	**(132.8)**	(105.5)
	Total operating lease income receivable	**2 091.1**	1 892.1	**2 091.1**	1 892.1
11.2	**Operating lease liabilities**				
	At beginning of period	**924.6**	829.1	**924.6**	829.1
	Accrual	**118.1**	95.5	**118.1**	95.5
	At end of period	**1 042.7**	924.6	**1 042.7**	924.6
	At end of period future non-cancellable minimum lease rentals are payable during the following financial periods:				
	Cash flow due in 2015	**1 402.2**	1 234.6	**1 402.2**	1 234.6
	Cash flow due in 2016 to 2019	**5 020.5**	4 424.8	**5 020.5**	4 424.8
	Cash flow due after 2019	**6 109.7**	6 143.3	**6 109.7**	6 143.3
	Total future cash flows	**12 532.4**	11 802.7	**12 532.4**	11 802.7
	Less: Operating lease liabilities	**(1 042.7)**	(924.6)	**(1 042.7)**	(924.6)
	Total operating lease commitments	**11 489.7**	10 878.1	**11 489.7**	10 878.1

* *Internal lease rental charges of R153.0 million was inappropriately included in external operating lease charges in the 2013 financial year. The comparative number has been restated accordingly.*

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	364 days to 2 March 2014 Rm	368 days to 3 March 2013 Rm	**364 days to 2 March 2014 Rm**	368 days to 3 March 2013 Rm
12. PARTICIPATION IN EXPORT PARTNERSHIPS				
Total	**30.1**	34.8	**30.1**	34.8
Current portion included in trade and other receivables	**(5.0)**	(6.7)	**(5.0)**	(6.7)
Non-current portion of period	**25.1**	28.1	**25.1**	28.1

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 to 15-year period.

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.

For fair value purposes, 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.

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	364 days to 2 March 2014 Rm	368 days to 3 March 2013 Rm	**364 days to 2 March 2014 Rm**	368 days to 3 March 2013 Rm
13. DEFERRED TAX ASSETS				
The movement in deferred tax assets are as follows:				
At beginning of period	**174.4**	116.5	**174.4**	116.5
Recognised in the statement of comprehensive income (note 6)	**59.9**	58.5	**59.9**	58.5
Participation in export partnerships	**4.9**	6.7	**4.9**	6.7
Property, plant and equipment and intangible assets	**17.3**	(12.4)	**17.3**	(12.4)
Net operating lease liability	**25.6**	19.6	**25.6**	19.6
Retirement benefits and actuarial gains	**(1.1)**	(2.5)	**(1.1)**	(2.5)
Prepayments	**(0.3)**	(0.2)	**(0.3)**	(0.2)
Allowance for impairment losses	**8.3**	13.6	**8.3**	13.6
Income and expense accruals	**5.2**	33.7	**5.2**	33.7
Recognised in other comprehensive income (note 6)				
Tax effect of remeasurement of retirement scheme assets	**(22.2)**	(0.6)	**(22.2)**	(0.6)
At end of period	**212.1**	174.4	**212.1**	174.4
Comprising:				
Participation in export partnerships	**(30.4)**	(35.3)	**(30.4)**	(35.3)
Property, plant and equipment and intangible assets	**(123.3)**	(140.6)	**(123.3)**	(140.6)
Net operating lease liability	**231.8**	206.2	**231.8**	206.2
Retirement benefits and actuarial gains	**(23.9)**	(0.6)	**(23.9)**	(0.6)
Prepayments	**(5.2)**	(4.9)	**(5.2)**	(4.9)
Allowance for impairment losses	**55.8**	47.5	**55.8**	47.5
Income and expense accruals	**107.3**	102.1	**107.3**	102.1
	212.1	174.4	**212.1**	174.4

The Group has approximately R120.0 million (2013: R132.6 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

for the period ended

		Pick n Pay Stores Group		Pick n Pay Holdings Group	
		364 days to 2 March 2014 Rm	368 days to 3 March 2013 Rm	**364 days to 2 March 2014 Rm**	368 days to 3 March 2013 Rm
14.	**INVESTMENT IN ASSOCIATE**				
	The Group has a 49% investment in TM Supermarkets (Pvt) Limited registered in Zimbabwe.				
	At beginning of period	**133.9**	110.5	**133.9**	110.5
	Share of associate's income	**32.0**	23.4	**32.0**	23.4
	At end of period	**165.9**	133.9	**165.9**	133.9
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	**28.0**	35.7	**28.0**	35.7
	Trade receivable balances are outstanding at the end of the period	**8.2**	15.2	**8.2**	15.2
	Fair value of financial guarantee (refer to note 28.4)	**11.8**	—	**11.8**	—
	During the period under review, 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 refurbishment programmes.				
14.2	**Summary financial information of associate**	**US$m**	US$m	**US$m**	US$m
	The summary financial information has been presented in US dollars (the associate's functional currency).				
	Statement of comprehensive income				
	Revenue	**335.8**	306.7	**335.8**	306.7
	Profit for the period	**6.5**	5.9	**6.5**	5.9
	Statement of financial position				
	Total assets	**76.9**	54.0	**76.9**	54.0
	Current assets	**47.3**	30.5	**47.3**	30.5
	Non-current assets	**29.6**	23.5	**29.6**	23.5
	Total liabilities	**49.1**	32.7	**49.1**	32.7
	Current liabilities	**32.5**	31.5	**32.5**	31.5
	Non-current liabilities	**16.6**	1.2	**16.6**	1.2
	Equity	**27.8**	21.3	**27.8**	21.3
15.	**LOANS**	**Rm**	Rm	**Rm**	Rm
	Employees				
	Executive directors	**0.4**	0.4	**0.4**	0.4
	Other employees	**91.6**	93.6	**91.6**	93.6
	Total employee loans	**92.0**	94.0	**92.0**	94.0
	Other loans	**—**	4.5	**—**	4.9
		92.0	98.5	**92.0**	98.9
	Loans to executive directors and employees bear interest at varying rates averaging at a rate of 3.4% (2013: 3.3%) per annum and have varying repayment terms. At year-end, R70.5 million (2013: R71.9 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	**4 104.2**	4 129.4	**4 104.2**	4 129.4
	Provision for obsolescence	**(169.1)**	(166.8)	**(169.1)**	(166.8)
	Consumables	**44.7**	33.9	**44.7**	33.9
		3 979.8	3 996.5	**3 979.8**	3 996.5

During the period an amount of R14.9 million (2013 : R35.7 million) was acquired as a result of the purchase of operations (refer to note 9).

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	364 days to 2 March 2014 Rm	368 days to 3 March 2013 Rm	**364 days to 2 March 2014 Rm**	368 days to 3 March 2013 Rm
17. TRADE AND OTHER RECEIVABLES				
Trade and other receivables	**3 130.3**	2 607.1	**3 130.3**	2 607.1
Allowance for impairment losses	**(289.2)**	(246.0)	**(289.2)**	(246.0)
	2 841.1	2 361.1	**2 841.1**	2 361.1
Trade and other receivables not impaired				
Within payment terms	**2 340.2**	1 888.8	**2 340.2**	1 888.8
Exceeding payment terms by less than 14 days	**25.5**	112.0	**25.5**	112.0
Exceeding payment terms by more than 14 days	**91.3**	48.9	**91.3**	48.9
	2 457.0	2 049.7	**2 457.0**	2 049.7
Trade and other receivables with impairments				
Within payment terms	**271.9**	241.3	**271.9**	241.3
Exceeding payment terms by less than 14 days	**22.6**	27.5	**22.6**	27.5
Exceeding payment terms by more than 14 days	**378.8**	288.6	**378.8**	288.6
	673.3	557.4	**673.3**	557.4
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	**246.0**	161.4	**246.0**	161.4
Irrecoverable debts written off	**(12.3)**	(26.6)	**(12.3)**	(26.6)
Additional impairment losses recognised	**69.9**	111.2	**69.9**	111.2
Prior allowances for impairment reversed	**(14.4)**	—	**(14.4)**	—
At end of period	**289.2**	246.0	**289.2**	246.0

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 which have clearly indicated financial difficulty and the likelihood of repayment has become impaired. More than 90% (2013: 80%) of the balance relates to customers that have an excellent credit history with the Group.

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 merchandising and administration in the statement of comprehensive income.

The carrying value of trade and other receivables approximate their fair value. The fair value of trade and other receivables is estimated as the present value of future cash inflows discounted at a market-related interest rate.

Refer to note 28.1 for information on the credit risk of trade and other receivables.

18. NET CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	**1 540.3**	1 255.7	**1 540.3**	1 255.7
Bank overdraft and overnight borrowings	**(670.0)**	(1 525.6)	**(670.0)**	(1 525.6)
Bank overdraft	**—**	(25.6)	**—**	(25.6)
Overnight bank borrowings	**(670.0)**	(1 500.0)	**(670.0)**	(1 500.0)
Net cash and cash equivalents at end of period	**870.3**	(269.9)	**870.3**	(269.9)

Cash and cash equivalents

Cash and cash equivalents includes 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 was 4.8% per annum (2013: 4.5% per annum).

Bank overdraft

The bank overdraft is secured by an unlimited suretyship given by Pick n Pay Stores Limited and certain subsidiary companies. The average interest rate on the overdraft was 7.5% per annum (2013: 7.0% per annum).

Overnight bank borrowings

The Group utilised overnight bank borrowings during the period. Interest rates varied between 5.4% per annum and 6.3% per annum (2013: Varied between 5.3% per annum and 6.0% per annum).

Notes to the Group financial statements continued

for the period ended

	Pick n Pay Stores Group 364 days to 2 March 2014 Rm	Pick n Pay Stores Group 368 days to 3 March 2013 Rm
19. SHARE CAPITAL		
19.1 Authorised		
800 000 000 (2013: 800 000 000) ordinary shares of 1.25 cents each	**10.0**	10.0
Issued		
480 397 321 (2013: 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)	**1 974.5**	2 046.6
Shares held outside the Group	**478 422.8**	478 350.7
	480 397.3	480 397.3

5% of the unissued shares of the Company may be utilised to settle the Company's obligations under the employee share schemes. To date, 2.7 million shares have been issued, resulting in 4.5% remaining.

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 5.1 for details of share options granted by the Group.

Refer to the remuneration report on pages 55 to 66 for details of directors' interest in shares.

	Pick n Pay Holdings Group 364 days to 2 March 2014 Rm	Pick n Pay Holdings Group 368 days to 3 March 2013 Rm
19.2 Authorised		
800 000 000 (2013: 800 000 000) ordinary shares of 1.25 cents each	**10.0**	10.0
Issued		
527 249 082 (2013: 527 249 082) ordinary shares of 1.25 cents each	**6.6**	6.6
	000's	000's
The number of shares in issue at end of period is made up as follows:		
Treasury shares held by the share trust (note 20)	**9 193.8**	9 115.8
Treasury shares held by a subsidiary company (note 20)	**1 848.7**	1 845.8
	11 042.5	10 961.6
Shares held outside the Group	**516 206.6**	516 287.5
	527 249.1	527 249.1

5% of the unissued shares of the Company may be utilised, and is available, to settle the Company's obligations under the employee share schemes.

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 5.1 for details of share options granted by the Group.

Refer to the remuneration report on pages 76 to 77 for details of directors' interest in shares.

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	364 days to 2 March 2014 Rm	368 days to 3 March 2013 Rm	364 days to 2 March 2014 Rm	368 days to 3 March 2013 Rm
20. TREASURY SHARES				
At beginning of period	**139.4**	142.8	**89.3**	82.4
Share repurchases	**45.7**	77.9	**9.5**	10.5
Take-up of share options by employees	**(39.4)**	(81.3)	**(3.5)**	(3.6)
At end of period	**145.7**	139.4	**95.3**	89.3
Comprises:				
Pick n Pay Stores Limited shares	**50.4**	50.1	**—**	—
Pick n Pay Holdings Limited RF shares	**95.3**	89.3	**95.3**	89.3
The movement in the number of treasury shares held is as follows:	**000's**	000's	**000's**	000's
At beginning of period	**2 046.6**	2 482.2	**10 961.6**	10 856.1
Shares purchased during the period	**936.4**	1 799.4	**493.7**	537.6
Shares sold during the period pursuant to the take-up of share options by employees	**(1 008.5)**	(2 235.0)	**(412.8)**	(432.1)
At end of period	**1 974.5**	2 046.6	**11 042.5**	10 961.6
Consisting of:				
Shares held by share trust	**1 974.5**	2 046.6	**9 193.8**	9 115.8
Shares held by a subsidiary (Blue Ribbon Share Trust)	**—**	—	**1 848.7**	1 845.8
	R	R	**R**	R
Average purchase price of shares purchased during the period	**48.84**	43.29	**19.34**	19.53
Average purchase price of shares held at period end	**43.73**	24.48	**9.16**	8.15

Notes to the Group financial statements continued

for the period ended

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	364 days to 2 March 2014 Rm	368 days to 3 March 2013 Rm	**364 days to 2 March 2014 Rm**	368 days to 3 March 2013 Rm
21. BORROWINGS				
21.1 Secured and unsecured borrowings				
Secured	**784.9**	804.0	**784.9**	804.0
Secured loan in respect of property with a carrying value of R65.6 million (2013: R70.0 million) (note 10) bearing interest at a fixed annual rate of 11.4% and payable monthly in arrears over a 15-year period, ending on 28 October 2018.	**50.3**	58.0	**50.3**	58.0
Secured loan in respect of property with a carrying value of R559.3 million (2013: R579.3 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 raised to fund property development. The loan is secured by property with a carrying value of R559.3 million (2013: R579.3 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 R93.9 million (2013: R97.3 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 (refer note 21.2). At the end of the lease period the Group has the option to refinance or settle the lease and take ownership of the asset. Lease agreements do not contain any escalation or penalty clauses.	**84.6**	96.0	**84.6**	96.0
Unsecured	**700.0**	400.0	**700.0**	400.0
Unsecured three-month corporate paper, issued under our Domestic Medium Term Note Programme, to fund capital projects. The notes are repayable on 12 May 2014 and 22 May 2014 (2013: 23 May 2013) and carry variable interest rates of 17 basis points above the three-month Jibar rate of 5.7% per annum (2013: 5.5% per annum)	**700.0**	400.0	**700.0**	400.0
Total borrowings at end of period	**1 484.9**	1 204.0	**1 484.9**	1 204.0
***Less:* Current portion (repayable within one year)**	**(737.8)**	(431.5)	**(737.8)**	(431.5)
Non-current portion (repayable after one year)	**747.1**	772.5	**747.1**	772.5
21.2 Finance lease commitments				
At end of period finance lease rentals are payable as follows:				
Cash flows within one year	**31.2**	27.4	**31.2**	27.4
Capital repayments	**29.1**	23.8	**29.1**	23.8
Interest	**2.1**	3.6	**2.1**	3.6
Cash flows within two to five years	**59.4**	77.3	**59.4**	77.3
Capital repayments	**55.5**	72.2	**55.5**	72.2
Interest	**3.9**	5.1	**3.9**	5.1
Total cash flows	**90.6**	104.7	**90.6**	104.7
Consisting of:				
Capital repayments	**84.6**	96.0	**84.6**	96.0
Interest	**6.0**	8.7	**6.0**	8.7

22. RETIREMENT BENEFITS

The Group provides post-retirement benefits to its employees in accordance with local benchmarks in the countries in which it operates. These benefits are provided through defined contribution plans.

The Group's largest defined contribution fund is the Pick n Pay Retirement Scheme. 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 also paid by this scheme, the scheme's liabilities may be broken down between those which are defined contribution in nature and those which are defined benefit and for which the employer has an obligation to make additional contributions to ensure this element of the scheme is fully funded.

Pick n Pay Stores Group and Pick n Pay Holdings Group

	Pensioners' defined-benefit guarantee Rm	Retirement defined-benefit guarantee Rm	Post-retirement medical guarantee Rm	Total obligation 2014 Rm	Total obligation 2013 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	**500.8**	**603.2**	**42.3**	**1 146.3**	1 047.9
Fair value of assets	**(500.8)**	**(711.9)**	**(42.3)**	**(1 255.0)**	(1 049.7)
Funded position	**—**	**(108.7)**	**—**	**(108.7)**	(1.8)
Amounts recognised in the statement of comprehensive income are as follows:					
Current service cost	**—**	**22.1**	**0.2**	**22.3**	22.2
Net interest on the obligation	**—**	**(0.4)**	**—**	**(0.4)**	(4.6)
Total included in employee costs	**—**	**21.7**	**0.2**	**21.9**	17.6
Asset ceiling					
Reduction in future contributions	**—**	**—**	**—**	**—**	—
Refund (employer surplus account)	**—**	**85.1**	**—**	**85.1**	1.8
	—	**85.1**	**—**	**85.1**	1.8
Effect of asset ceiling – beginning of period	**—**	**—**	**—**	**—**	—
Interest cost	**—**	**—**	**—**	**—**	—
Remeasurement	**—**	**23.6**	**—**	**23.6**	—
Effect of asset ceiling – end of period	**—**	**23.6**	**—**	**23.6**	—
Movement in the (asset)/liability recognised on the statement of financial position is as follows:					
Net (asset)/liability – beginning of period	**—**	**(1.8)**	**—**	**(1.8)**	9.0
Total included in employee costs in statement of comprehensive income	**—**	**21.7**	**0.2**	**21.9**	17.6
Amount recognised in other comprehensive income	**—**	**(79.0)**	**(0.2)**	**(79.2)**	5.2
Contributions	**—**	**(26.0)**	**—**	**(26.0)**	(33.6)
Net asset – end of period	**—**	**(85.1)**	**—**	**(85.1)**	(1.8)
Remeasurement recognised in other comprehensive income					
Actuarial gain – assets	**(42.8)**	**(149.4)**	**(8.2)**	**(200.4)**	(76.0)
Actuarial loss – obligations	**42.8**	**46.8**	**8.0**	**97.6**	81.2
Effect of asset ceiling	**—**	**23.6**	**—**	**23.6**	—
Remeasurement recognised in other comprehensive income (before tax)	**—**	**(79.0)**	**(0.2)**	**(79.2)**	5.2

Notes to the Group financial statements continued

for the period ended

Pick n Pay Stores Group and Pick n Pay Holdings Group

	Pensioners' defined-benefit guarantee Rm	Retirement defined-benefit guarantee Rm	Post-retirement medical guarantee Rm	Total obligation 2014 Rm	Total obligation 2013 Rm
22. RETIREMENT BENEFITS continued					
22.1 The Pick n Pay Retirement Scheme continued					
Movement in the fund's obligations and plan assets recognised on the statement of financial position is as follows:					
Liability – beginning of period	**447.6**	**545.9**	**54.4**	**1 047.9**	993.4
Service cost	**—**	**22.1**	**0.2**	**22.3**	22.2
Interest cost	**40.0**	**48.7**	**3.9**	**92.6**	88.8
Actuarial loss	**42.8**	**46.8**	**8.0**	**97.6**	81.2
Benefits paid	**(29.6)**	**(60.3)**	**(24.2)**	**(114.1)**	(137.7)
Liability – end of period	**500.8**	**603.2**	**42.3**	**1 146.3**	1 047.9
Plan assets – beginning of period	**447.6**	**547.7**	**54.4**	**1 049.7**	984.4
Expected return	**40.0**	**49.1**	**3.9**	**93.0**	93.4
Actuarial gain	**42.8**	**149.4**	**8.2**	**200.4**	76.0
Contributions by employer	**—**	**26.0**	**—**	**26.0**	33.6
Benefits paid	**(29.6)**	**(60.3)**	**(24.2)**	**(114.1)**	(137.7)
Plan assets – end of period	**500.8**	**711.9**	**42.3**	**1 255.0**	1 049.7
	%	**%**	**%**	**%**	%
Actuarial return on plan assets	**17.5**	**31.5**	**25.2**	**25.5**	16.7
Asset mix					
Equity	**41.4**	**68.9**	**68.9**	**57.9**	53.1
Fixed interest	**56.3**	**27.4**	**27.4**	**38.9**	43.8
Property	**2.3**	**3.7**	**3.7**	**3.2**	3.1
	100.0	**100.0**	**100.0**	**100.0**	100.0

The principal actuarial assumptions at the last valuation date are:	November 2013 % per annum	November 2012 % per annum
Discount rate	**8.5**	9.3
Future salary increases	**6.5**	7.6
Future pension increases	**6.0**	6.0
Annual increase in health care costs	**7.5**	7.5

At 2 March 2014, if 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:

	-1% 7.50%	As reported 8.50%	+1% 9.50%
Statement of comprehensive income			
Expense included in employee costs	21.8	21.9	21.7
Statement of financial position			—
Asset at end of period	(85.1)	(85.1)	(85.1)

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 (2013: seven years)

	364 days to 2 March 2014 Rm	368 days to 3 March 2013 Rm
22.2 Defined current contribution benefits		
Current contributions	**325.7**	278.6

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	364 days to 2 March 2014 Rm	368 days to 3 March 2013 Rm	364 days to 2 March 2014 Rm	368 days to 3 March 2013 Rm
23. TRADE AND OTHER PAYABLES				
Trade and other payables*	**7 805.1**	6 534.1	**7 811.3**	6 539.7
Leave pay obligations	**187.7**	182.1	**187.7**	182.1
Deferred revenue – customer loyalty programme (note 2)	**92.3**	139.8	**92.3**	139.8
	8 085.1	6 856.0	**8 091.3**	6 861.6
**In order to improve disclosure, provisions previously included under trade and other payables are now presented separately. Refer to note 24.*				
24. PROVISIONS*				
Onerous leases				
Balance at beginning of period	**9.0**	18.6	**9.0**	18.6
Provisions raised	**6.7**	—	**6.7**	—
Provisions utilised	**(7.6)**	(9.6)	**(7.6)**	(9.6)
Balance at end of period	**8.1**	9.0	**8.1**	9.0

Onerous leases

The provision for onerous leases is calculated based on the present value of unavoidable costs in fulfilling lease commitments, net of income receivable from the lease. The onerous lease provision reverses as the lease term expires or if conditions change to the extent that the lease is no longer onerous.

**The provisions were previously included under trade and other payables and in order to improve the disclosure, are now presented separately. Refer to note 31.*

25. COMMITMENTS

25.1 Capital commitments

All capital expenditure will be funded from internal cash flow and through unlimited borrowing powers.

	Pick n Pay Stores Group 2014 Rm	Pick n Pay Stores Group 2013 Rm	Pick n Pay Holdings Group 2014 Rm	Pick n Pay Holdings Group 2013 Rm
Authorised capital expenditure				
Contracted for	**123.5**	332.5	**123.5**	332.5
Furniture, fittings, equipment and vehicles	**95.4**	262.7	**95.4**	262.7
Intangible assets	**28.1**	69.8	**28.1**	69.8
Not contracted for	**1 490.9**	1 424.5	**1 490.9**	1 424.5
Property	**51.0**	159.7	**51.0**	159.7
Furniture, fittings, equipment and vehicles	**1 288.6**	1 069.7	**1 288.6**	1 069.7
Intangible assets	**151.3**	195.1	**151.3**	195.1
Total commitments	**1 614.4**	1 757.0	**1 614.4**	1 757.0

25.2 Operating lease commitments

Refer to note 11

25.3 Finance lease commitments

Refer to note 21.2

26. OPERATING SEGMENTS

Operating segments are identified based on financial information regularly reviewed by the Chief Operating Decision Maker (CODM) of the Group for performance assessments and resource allocations. The Group annually performs a detailed review of the executives, or group of executives, that could be considered the appropriate and relevant CODM of the Group. The Pick n Pay executive committee, as detailed on page 40, is the Group's CODM.

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 store formats refer to page 8 and 9.

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

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

Notes to the Group financial statements continued

for the period ended

Pick n Pay Stores Group	South Africa Rm	Africa Rm	Total operations Rm
26. OPERATING SEGMENTS continued			
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			
Statement of comprehensive income			
Interest received	**40.1**	**4.2**	**44.3**
Interest paid	**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**
Statement of financial position			
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**
2013			
Total segment revenue**	57 951.1	2 577.3	60 528.4
External revenue	57 951.1	1 881.9	59 833.0
Direct deliveries*	—	695.4	695.4
Segment external turnover***	57 389.4	1 881.9	59 271.3
Profit before tax	716.2	92.7	808.9
Other information			
Statement of comprehensive income			
Interest received	40.0	2.8	42.8
Interest paid	131.3	—	131.3
Depreciation and amortisation	881.4	14.1	895.5
Share of associate's income	—	23.4	23.4
Statement of financial position			
Total assets	12 504.3	516.8	13 021.1
Total liabilities	10 150.7	454.4	10 605.1
Additions to non-current assets	1 276.7	29.7	1 306.4

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

** *Inter-segment revenue previously disclosed of R95.6 million has been removed as this was actual intra-segment revenue within the Africa segment.*

*** *Segment external turnover presented previously inappropriately included direct deliveries of R695.4 million under the Africa segment. This amount was not included in the total external turnover and therefore resulted in the South Africa segment external turnover being understated. The prior year segment external turnover has been restated to reflect the correct segmentation between Africa and South Africa.*

Pick n Pay Holdings Group	South Africa Rm	Africa Rm	Total operations Rm
26. OPERATING SEGMENTS continued			
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			
Statement of comprehensive income			
Interest received	**40.1**	**4.2**	**44.3**
Interest paid	**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**
Statement of financial position			
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**
2013			
Total segment revenue**	57 776.6	2 577.3	60 353.9
External revenue	57 776.6	1 881.9	59 658.5
Direct deliveries*	—	695.4	695.4
Segment external turnover***	57 389.4	1 881.9	59 271.3
Profit/(loss) before tax	714.3	92.7	807.0
Other information			
Statement of comprehensive income			
Interest received	40.0	2.8	42.8
Interest paid	131.3	—	131.3
Depreciation and amortisation	881.4	14.1	895.5
Share of associate's income	—	23.4	23.4
Statement of financial position			
Total assets	12 504.7	516.8	13 021.5
Total liabilities	10 156.6	454.4	10 610.7
Additions to non-current assets	1 276.7	29.7	1 306.4

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

** *Inter-segment revenue previously disclosed of R95.6 million has been removed as this was actual intra-segment revenue within the Africa segment.*

*** *Segment external turnover presented previously inappropriately included direct deliveries of R695.4 million under the Africa segment. This amount was not included in the total external turnover and therefore resulted in the South Africa segment external turnover being understated. The prior year segment external turnover has been restated to reflect the correct segmentation between Africa and South Africa.*

Notes to the Group financial statements continued

for the period ended

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 executive directors amount to R0.4 million at end of period (2013: 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 those executives having authority and responsibility for planning 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	
	364 days to 2 March 2014 Rm	368 days to 3 March 2013 Rm	**364 days to 2 March 2014 Rm**	368 days to 3 March 2013 Rm
Key management personnel remuneration comprises:				
Directors' fees	**6.5**	3.7	**6.7**	3.7
Remuneration for management services	**36.6**	26.6	**36.6**	26.6
Retirement and medical aid contributions	**6.2**	3.6	**6.2**	3.6
Performance bonus	**13.7**	2.2	**13.7**	2.2
Fringe and other benefits	**6.2**	1.6	**6.2**	1.6
	69.2	37.7	**69.4**	37.7
Expense relating to share options granted	**14.7**	14.1	**14.7**	14.1
	83.9	51.8	**84.1**	51.8

28. FINANCIAL INSTRUMENTS

Overview

The Group is exposed to credit, liquidity, interest rate and currency 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 concentrations of 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 AAA (zaf) (refer 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 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 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. FINANCIAL INSTRUMENTS continued

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 30 days and trade and other payables are settled within 60 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	
	364 days to 2 March 2014 Rm	368 days to 3 March 2013 Rm	**364 days to 2 March 2014 Rm**	368 days to 3 March 2013 Rm
Total borrowing facilities granted by financial institutions	**6 292.5**	5 723.7	**6 292.5**	5 723.7
Total actual borrowings and utilisation of facilities	**(2 314.9)**	(2 862.7)	**(2 314.9)**	(2 862.7)
Unutilised borrowing facilities	**3 977.6**	2 861.0	**3 977.6**	2 861.0

The following are the undiscounted contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount Rm	Contractual cash flows Rm	Within 1 year Rm	2 to 5 years Rm	Over 5 years Rm
Pick n Pay Stores Group					
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**	**—**	**—**
Overnight bank borrowings – note 18	**670.0**	**670.0**	**670.0**	**—**	**—**
Total financial obligations	**9 960.0**	**10 110.5**	**9 289.0**	**821.5**	**—**
2013					
Secured loans – note 21.1	804.0	986.9	100.0	877.6	9.3
Unsecured loans – note 21.1	400.0	405.3	405.3	—	—
Trade and other payables – note 23	6 534.1	6 534.1	6 534.1	—	—
Bank overdrafts – note 18	25.6	25.6	25.6	—	—
Overnight bank borrowings – note 18	1 500.0	1 500.0	1 500.0	—	—
Derivative financial instruments – note 28.3.1	3.1	3.1	3.1	—	—
Total financial obligations	9 266.8	9 455.0	8 568.1	877.6	9.3
Pick n Pay Holdings Group					
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**	**—**	**—**
Overnight bank borrowings – note 18	**670.0**	**670.0**	**670.0**	**—**	**—**
Total financial obligations	**9 966.2**	**10 116.7**	**9 295.2**	**821.5**	**—**
2013					
Secured loans – note 21.1	804.0	986.9	100.0	877.6	9.3
Unsecured loans – note 21.1	400.0	405.3	405.3	—	—
Trade and other payables – 23	6 539.7	6 539.7	6 539.7	—	—
Bank overdrafts – note 18	25.6	25.6	25.6	—	—
Overnight bank borrowings – note 18	1 500.0	1 500.0	1 500.0	—	—
Forward exchange contracts – note 28.3.1	3.1	3.1	3.1	—	—
Total financial obligations	9 272.4	9 460.6	8 573.7	877.6	9.3

Notes to the Group financial statements continued

for the period ended

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 critically evaluating the associated costs.

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	
	2014	2013	**2014**	2013
USD /ZAR	**9.87**	8.28	**10.71**	9.02
Euro/ZAR	**13.31**	10.97	**14.78**	11.83
GBP/ZAR	**15.82**	12.84	**17.97**	13.73

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 cash flow hedge accounting.

Forward exchange contract asset/(liability)	Contract foreign currency m	Rand equivalent Rm	Average rate R	Fair value Rm
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**
2013				
US dollar	11.6	103.8	8.95	(3.3)
Euro	1.1	12.7	11.55	0.1
British pound	0.4	5.1	12.75	0.1
		121.6		(3.1)

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 partnership's sales into South Africa 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 investments in foreign subsidiaries and the translation of the underlying assets and liabilities from the functional currency to the Group's reporting currency exposes the Group to currency translation risk. The Group also 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.

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 results in cash flow interest rate risk. The exposure to interest rate risk is managed though the Group's cash management system taking into account expected movements in interest rates when funding or investing decisions are made.

The effective rates on financial instruments at end of period are:	364 days to 2 March 2014 Weighted average interest rate %	368 days to 3 March 2013 Weighted average interest rate %
Financial assets		
Cash and cash equivalents (note 18)	**4.8**	4.5
Loans (note 15)	**3.4**	3.3
Financial liabilities		
Variable-rate interest-bearing debt		
Overnight bank borrowings (note 18)	**5.8**	5.4
Finance leases (note 21.2)	**6.5**	6.5
Three-month corporate paper (note 21.1)	**5.6**	5.5
Fixed-rate interest-bearing debt		
Secured loans (note 21.1)	**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 and equity 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 2014 calendar year and we have used this range in our sensitivity analysis.

	2014		2013	
	1% increase Rm	2% increase Rm	1% increase Rm	2% increase Rm
Total effect on interest received	**15.4**	**30.8**	12.6	25.2
Total effect on interest paid	**(14.5)**	**(29.0)**	(20.2)	(40.4)
Net effect on profit before tax	**0.9**	**1.8**	(7.6)	(15.2)

28.3.3 Price risk management

The Group's price risk arises from its exposure to commodity prices. Due to the nature of the Group's operations there is significant exposure to changes in fuel prices. The Group manages price risk by taking out commodity hedges on fuel purchases.

During the 2014 financial year 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	GASOIL index rand/litre	Strike price/ hedge level rand/litre	Fair value Rm
2014				
GASOIL – Asian call option	**April 2014**	**8.49**	**8.50**	**—**
	May 2014	**8.51**	**8.50**	**0.1**
	June 2014	**8.52**	**8.50**	**0.2**
	July 2014	**8.55**	**8.40**	**0.3**
	August 2014	**8.58**	**8.40**	**0.3**
	September 2014	**8.60**	**8.40**	**0.4**
				1.3

Notes to the Group financial statements continued

for the period ended

28. FINANCIAL INSTRUMENTS continued

28.4 Fair value of financial instruments

Financial instruments measured at fair value are classified using a 3-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.

	Carrying amount Rm				Fair value Rm			
Pick n Pay Stores Group	Fair value hedging instruments	Loans and receivables	Financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Forward exchange contracts	2.2	—	—	2.2	—	2.2	—	2.2
Commodity hedge	1.3	—	—	1.3	—	1.3	—	1.3
	3.5	—	—	3.5	—	3.5	—	3.5
Financial liabilities measures at fair value								
Trade and other payables – financial guarantee – note 14.1	—	—	11.8	11.8	—	11.8	—	11.8
	—	—	11.8	11.8	—	11.8	—	11.8
Financial assets not measured at fair value*								
Trade and other receivables – note 17	—	2 841.1	—	2 841.1				
Cash and cash equivalents – note 18	—	1 540.3	—	1 540.3				
Loans – note 15	—	92.0	—	92.0				
Participation in export partnerships – note 12	—	25.1	—	25.1				
	—	4 498.5	—	4 498.5				
Financial liabilities not measured at fair value*								
Secured loans – note 21.1	—	—	784.9	784.9				
Unsecured loans – note 21.1	—	—	700.0	700.0				
Trade and other payables – note 23	—	—	7 793.3	7 793.3				
Overnight bank borrowings – note 18	—	—	670.0	670.0				
	—	—	9 948.2	9 948.2				

** Fair value not disclosed as carrying value is a reasonable approximation of fair value.*

28. FINANCIAL INSTRUMENTS continued

28.4 Fair value of financial instruments continued

Pick n Pay Holdings Group	Carrying amount Rm				Fair value Rm			
	Fair value hedging instruments	Loans and receivables	Financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Forward exchange contracts	2.2	—	—	2.2	—	2.2	—	2.2
Commodity hedge	1.3	—	—	1.3	—	1.3	—	1.3
	3.5	—	—	3.5	—	3.5	—	3.5
Financial liabilities measures at fair value								
Trade and other payables – financial guarantee – note 14.1	—	—	11.8	11.8	—	11.8	—	11.8
	—	—	11.8	11.8	—	11.8	—	11.8
Financial assets not measured at fair value*								
Trade and other receivables – note 17	—	2 841.1	—	2 841.1				
Cash and cash equivalents – note 18	—	1 540.3	—	1 540.3				
Loans – note 15	—	92.0	—	92.0				
Participation in export partnerships – note 12	—	25.1	—	25.1				
	—	4 498.5	—	4 498.5				
Financial liabilities not measured at fair value*								
Secured loans – note 21.1	—	—	784.9	784.9				
Unsecured loans – note 21.1	—	—	700.0	700.0				
Trade and other payables – note 23	—	—	7 799.5	7 799.5				
Overnight bank borrowings – note 18	—	—	670.0	670.0				
	—	—	9 954.4	9 954.4				

** Fair value not disclosed as carrying value is a reasonable approximation of fair value.*

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 are ultimately responsible for capital management and have 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.

All debt covenants which exist on long-term and short-term borrowings are monitored on an ongoing basis. The Group purchases its own shares on the market from time to time which are intended to be used to cover share options granted under the Employee Share Scheme.

There were no changes in the Group's approach to capital management during the period.

Notes to the Group financial statements continued

for the period ended

29. CHANGE IN FINANCIAL PERIOD CUT OFF DATE

The Group implemented a 52-week financial reporting calendar in February 2013. The 52-week financial reporting calendar reflects that revenue and gross profit is managed on a daily basis and is aggregated into 52 trading weeks of 364 days. All other 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 year consists of 52 weeks of gross profit and 12 calendar months of other income and trading expenses. As a result of this change, the 2014 annual financial period began on 4 March 2013 and ended on 2 March 2014 (364 trading days). This compares to the 2013 annual financial period which ran from 1 March 2012 to 3 March 2013 (368 trading days). The 2013 financial period therefore included four extra days of turnover and related gross profit. Other income and expenditure between the two years are comparable, with both the 2014 and 2013 financial years reporting a full 12 calendar months of other income and trading expenses.

The details and impact of the additional four days included in the comparative period is set out below. The normalised 2013 result presented below excludes four days of turnover and gross profit relating to items sold during 1 to 4 March 2012. The accounting policies applied in calculating the impact of the additional trading days are consistent with those applied in the Group's consolidated financial statements. The tax rate applied is the effective tax rate relating to the relevant entities within the Group. The information below has been prepared for illustrative purposes only and is the responsibility of the directors and because of its nature, may not fairly present the financial position, changes in equity, results of operations or cash flows.

	Pick n Pay Stores Group		
	Prior year as published 368 days to 3 March 2013 Rm	Effect of new trading calendar Rm	Normalised trading calendar 364 days to 3 March 2013 (pro forma) Rm
Statement of comprehensive income			
Revenue (refer to note 2)	59 833.0	(663.8)	59 169.2
Turnover	59 271.3	(663.8)	58 607.5
Cost of sales	(48 935.9)	563.1	(48 372.8)
Gross profit (refer to note 2)	**10 335.4**	**(100.7)**	**10 234.7**
Other trading income (refer to note 2)	518.9	—	518.9
Trading expenses	(10 001.9)	—	(10 001.9)
Trading profit	**852.4**	**(100.7)**	**751.7**
Profit on sale of property, plant and equipment	21.6	—	21.6
Interest received	42.8	—	42.8
Interest paid	(131.3)	—	(131.3)
Share of associate's income	23.4	—	23.4
Profit before tax	**808.9**	**(100.7)**	**708.2**
Tax	(258.3)	30.7	(227.6)
Profit for the period	**550.6**	**(70.0)**	**480.6**

Statement of financial position

In the 52-week trading calendar the reporting period will always end on a Sunday. The current and comparative period ended on similar days (2 March 2014 versus 3 March 2013) and therefore had no material impact on the statement of financial position.

29. CHANGE IN FINANCIAL PERIOD CUT OFF DATE continued

	Pick n Pay Holdings Group		
	Prior year as published 368 days to 3 March 2013 Rm	Effect of new trading calendar Rm	Normalised trading calendar 364 days to 3 March 2013 (pro forma) Rm
Statement of comprehensive income			
Revenue (refer to note 2)	59 833.0	(663.8)	59 169.2
Turnover	59 271.3	(663.8)	58 607.5
Cost of sales	(48 935.9)	563.1	(48 372.8)
Gross profit (refer to note 2)	**10 335.4**	**(100.7)**	**10 234.7**
Other trading income (refer to note 2)	518.9	—	518.9
Trading expenses	(10 003.8)	—	(10 003.8)
Trading profit	**850.5**	**(100.7)**	**749.8**
Profit on sale of property, plant and equipment	21.6	—	21.6
Interest received	42.8	—	42.8
Interest paid	(131.3)	—	(131.3)
Share of associate's income	23.4	—	23.4
Profit before tax	**807.0**	**(100.7)**	**706.3**
Tax	(258.3)	30.7	(227.6)
Profit for the period	**548.7**	**(70.0)**	**478.7**

Statement of financial position

In the 52-week trading calendar the reporting period will always end on a Sunday. The current and comparative period ended on similar days (2 March 2014 versus 3 March 2013) and therefore had no material impact on the statement of financial position.

30. 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 controls 46.0% (2013: 46.0%) of the issued share capital of the subsidiary.

Notes to the Group financial statements continued

for the period ended

31. EARLY ADOPTION AND OTHER RECLASSIFICATIONS

31.1 Early adoption

The amendments to IAS 36 *Impairment of Assets*, effective 1 January 2014, has been early adopted by the Group. Amendments to the standard requires recoverable amounts to be disclosed only when an impairment loss has been recognised or reversed. This had no material impact on the reported result and all related disclosure has been amended in the 2014 integrated annual report.

31.2 Reclassifications

Other trading income

During the period under review, trading income previously included under cost of merchandise sold has been reclassified and disclosed separately. This has been done to improve visibility of all other trading income, specifically commissions received. The prior year has been restated to align with the current year disclosures. Refer to note 2.

Pick n Pay Stores Group and Pick n Pay Holdings Group

	364 days to 2 March 2014 Rm	368 days to 3 March 2013 Rm	Adjustment Rm	368 days to 3 March 2013 As previously stated Rm
Other trading income	**500.6**	518.9	174.5	344.4
Franchise fee income	**311.2**	321.5	37.5	284.0
Operating lease income	**77.8**	75.8	15.4	60.4
Commissions and other income	**111.6**	121.6	121.6	—

Provisions

In order to improve disclosure, provisions previously included under trade and other payables are now presented separately.

Refer to notes 11, 16, 24 and 26 for further restatements in order to improve disclosure.

32. ACCOUNTING STANDARDS AND INTERPRETATIONS TO BE ADOPTED IN FUTURE PERIODS

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, and have not been applied in preparing these consolidated financial statements. These include:

IFRS 9 Financial Instruments

The principal change is the reduction from four classifications of financial assets (fair value through profit or loss, loans and receivables, held-to-maturity and those measured at amortised cost) to two (assets measured at fair value through profit or loss and those measured at amortised cost). The new standard reduces complexity.

The other remaining standards, amendments and interpretations issued but not yet effective have been assessed for applicability to the Group and management has concluded that they are not expected to have a significant impact on future financial statements, but will result in enhanced disclosure.

Company financial statements

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Pick n Pay Stores Limited and Pick n Pay Holdings Limited RF

Statements of comprehensive income

for the period ended

	Notes	Pick n Pay Stores Limited 364 days to 2 March 2014 Rm	Pick n Pay Stores Limited 368 days to 3 March 2013 Rm	Pick n Pay Holdings Limited RF 364 days to 2 March 2014 Rm	Pick n Pay Holdings Limited RF 368 days to 3 March 2013 Rm
Revenue					
Interest received – investments	8	**38.3**	22.4	**—**	—
Dividends received	8	**410.6**	366.6	**216.3**	316.8
		448.9	389.0	**216.3**	316.8
Administration expenses	2	**(12.7)**	(38.1)	**(1.8)**	(1.9)
Profit		**436.2**	350.9	**214.5**	314.9
Interest paid – borrowings		**(38.3)**	(22.4)	**—**	—
Profit before tax		**397.9**	328.5	**214.5**	314.9
Tax	3	**—**	—	**—**	—
Profit for the period		**397.9**	328.5	**214.5**	314.9
Other comprehensive income for the period, net of tax		**—**	—	**—**	—
Total comprehensive income for the period		**397.9**	328.5	**214.5**	314.9

Company financial statements

Statements of financial position

	Notes	Pick n Pay Stores Limited As at 2 March 2014 Rm	Pick n Pay Stores Limited As at 3 March 2013 Rm	Pick n Pay Holdings Limited RF As at 2 March 2014 Rm	Pick n Pay Holdings Limited RF As at 3 March 2013 Rm
ASSETS					
Non-current assets					
Investments in subsidiaries and trust	5	**97.4**	101.9	**129.9**	130.7
		97.4	101.9	**129.9**	130.7
Current assets					
Investments in subsidiaries and trust	5	**700.0**	400.0	**—**	—
Trade and other receivables		**0.2**	0.2	**—**	—
		700.2	400.2	**—**	—
Total assets		**797.6**	502.1	**129.9**	130.7
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	6	**6.0**	6.0	**6.6**	6.6
Share premium		**—**	—	**120.8**	120.8
Retained earnings/(accumulated losses)		**84.6**	90.5	**(1.3)**	(0.6)
Total shareholders' interest		**90.6**	96.5	**126.1**	126.8
Current liabilities					
Borrowings	7	**700.0**	400.0	**—**	—
Trade and other payables		**7.0**	5.6	**3.8**	3.9
		707.0	405.6	**3.8**	3.9
Total equity and liabilities		**797.6**	502.1	**129.9**	130.7

Statement of changes in equity

for the period ended 2 March 2014

	Note	Share capital Rm	Share premium Rm	Retained earnings Rm	Total equity Rm
Pick n Pay Stores Limited					
At 1 March 2012		6.0	—	353.4	359.4
Total comprehensive income for the period		—	—	328.5	328.5
Dividends paid	4.1	—	—	(591.4)	(591.4)
At 3 March 2013		**6.0**	**—**	**90.5**	**96.5**
Total comprehensive income for the period		**—**	**—**	**397.9**	**397.9**
Dividends paid	4.1	**—**	**—**	**(403.8)**	**(403.8)**
At 2 March 2014		**6.0**	**—**	**84.6**	**90.6**

	Note	Share capital Rm	Share premium Rm	Accumulated losses Rm	Total equity Rm
Pick n Pay Holdings Limited RF					
At 1 March 2012		6.6	120.8	(0.5)	126.9
Total comprehensive income for the period		—	—	314.9	314.9
Dividends paid	4.1	—	—	(315.0)	(315.0)
At 3 March 2013		**6.6**	**120.8**	**(0.6)**	**126.8**
Total comprehensive income for the period		**—**	**—**	**214.5**	**214.5**
Dividends paid	4.1	**—**	**—**	**(215.2)**	**(215.2)**
At 2 March 2014		**6.6**	**120.8**	**(1.3)**	**126.1**

Company financial statements

Statements of cash flows

for the period ended

	Note	Pick n Pay Stores Limited 364 days to 2 March 2014 Rm	Pick n Pay Stores Limited 368 days to 3 March 2013 Rm	Pick n Pay Holdings Limited RF 364 days to 2 March 2014 Rm	Pick n Pay Holdings Limited RF 368 days to 3 March 2013 Rm
Cash flows from operating activities					
Profit		**436.2**	350.9	**214.5**	314.9
Cash generated before movements in working capital		**436.2**	350.9	**214.5**	314.9
Movements in working capital		**1.4**	1.1	**(0.1)**	0.1
Movements in trade and other payables		**1.4**	1.1	**(0.1)**	0.8
Movements in trade and other receivables		**—**	—	**—**	(0.7)
Cash generated by trading activities		**437.6**	352.0	**214.4**	315.0
Interest paid		**(38.3)**	(22.4)	**—**	—
Cash generated by operations		**399.3**	329.6	**214.4**	315.0
Dividends paid	4.1	**(403.8)**	(591.4)	**(215.2)**	(315.0)
Cash utilised in operating activities		**(4.5)**	(261.8)	**(0.8)**	—
Cash flows from investing activities					
Investment in subsidiaries	5.1	**(0.3)**	—	**—**	—
Loans (advanced)/repaid	5.1	**(295.2)**	261.8	**0.8**	—
Cash (utilised in)/generated by investing activities		**(295.5)**	261.8	**0.8**	—
Cash flows from financing activities					
Debt raised	7	**300.0**	—	**—**	—
Cash generated by financing activities		**300.0**	—	**—**	—
Net movement in cash and cash equivalents		**—**	—	**—**	—
Cash and cash equivalents at beginning of period		**—**	—	**—**	—
Cash and cash equivalents at end of period		**—**	—	**—**	—

Notes to the Company financial statements

for the period ended

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 97 to 136.

1.1 Investments in subsidiaries

The Company carries its 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 Company's functional currency. All transactions are in South African rand.

1.3 Basis of consolidation

The Company financial statements are presented as separate financial statements.

1.4 Property, plant and equipment

No property, plant and equipment are held by the Company.

1.5 Intangible assets

No intangible assets are held by the Company.

1.6 Leases

No lease arrangements are held by the Company.

1.7 Inventory

No inventory is held by the Company.

1.8 Treasury shares

No treasury shares are held by the Company.

1.9 Employee benefits

No employee benefits are recognised by the Company.

1.10 Operating segments

No segmental financial information is required for the separate financial statements of the Company.

2. ADMINISTRATION EXPENSES

Administration expenses is 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 55 to 66 and 76 to 77 of the remuneration reports 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
2014					
Non-executive directors	**5 185.9**	**1 348.0**	**6 533.9**	**171.0**	**171.0**
2013					
Non-executive directors	2 149.7	1 418.0	3 567.7	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.*

	Pick n Pay Stores Limited		Pick n Pay Holdings Limited RF	
	364 days to 2 March 2014 Rm	368 days to 3 March 2013 Rm	364 days to 2 March 2014 Rm	368 days to 3 March 2013 Rm
2.2 Audit fees	**0.1**	0.1	**0.1**	0.1

	Pick n Pay Stores Limited		Pick n Pay Holdings Limited RF	
	364 days to 2 March 2014 %	368 days to 3 March 2013 %	**364 days to 2 March 2014 %**	368 days to 3 March 2013 %
3. TAX				
Statutory tax rate	**28.0**	28.0	**28.0**	28.0
Exempt income – dividends received	**(28.9)**	(31.2)	**(28.2)**	(28.2)
Other non-deductible expenditure	**0.9**	3.2	**0.2**	0.2
Effective tax rate	**—**	—	**—**	—

	364 days to 2 March 2014 Cents per share	368 days to 3 March 2013 Cents per share
4. DIVIDENDS		
4.1 Dividends paid		
Pick n Pay Stores Limited		
Number 90 – declared 22 April 2013 – paid 18 June 2013 (2013: Number 88 – declared 16 April 2012 – paid 11 June 2012)	**69.25**	108.35
Number 91 – declared 21 October 2013 – paid 17 December 2013 (2013: Number 89 – declared 23 October 2012 – paid 18 December 2012)	**14.80**	14.75
Total dividends per share for the period	**84.05**	123.10
	Rm	Rm
Total value of dividends paid by the Company	**403.8**	591.4
	Cents per share	Cents per share
Pick n Pay Holdings Limited RF		
Number 63 – declared 22 April 2013 – paid 18 June 2013 (2013: Number 61 – declared 16 April 2012 – paid 11 June 2012)	**33.61**	52.57
Number 64 – declared 21 October 2013 – paid 17 December 2013 (2013: Number 62 – declared 23 October 2012 – paid 18 December 2012)	**7.20**	7.17
Total dividends per share for the period	**40.81**	59.74
	Rm	Rm
Total value of dividends paid by the Company	**215.2**	315.0

		364 days to 2 March 2014 cents per share	368 days to 3 March 2013 cents per share
4.	**DIVIDENDS continued**		
4.2	**Dividends declared**		
	Pick n Pay Stores Limited		
	Interim dividend – number 91 (2013: number 89)	**14.80**	14.75
	Final dividend – number 92 (2013: number 90)	**77.50**	69.25
		92.30	84.00
	The directors have declared a final dividend (dividend 92) of 77.50 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, 6 June 2014. The shares will trade EX dividend from the commencement of business on Monday, 9 June 2014 and the record date will be Friday, 13 June 2014. The dividends will be paid on Tuesday, 17 June 2014.		
	Pick n Pay Holdings Limited RF		
	Interim dividend – number 64 (2013: number 62)	**7.20**	7.17
	Final dividend – number 65 (2013: number 63)	**37.10**	33.61
		44.30	40.78
	The directors have declared a final dividend (dividend 65) of 37.10 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, 6 June 2014. The shares will trade EX dividend from the commencement of business on Monday, 9 June 2014 and the record date will be Friday, 13 June 2014. The dividends will be paid on Tuesday, 17 June 2014.		

		Rm	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**	36.3
	Total investments in subsidiaries and trust	**38.6**	38.3
5.1.2	*Amounts owing by subsidiary companies*		
	At beginning of period	**463.6**	725.4
	Amounts advanced/(received) during the period	**295.2**	(261.8)
	At end of period	**758.8**	463.6
	Refer to note 8.1.3 for a detailed analysis		
	These amounts owing are unsecured and no fixed rate for repayment has been determined. The non-current portion is interest-free and the current portion earns interest at a rate equal to the unsecured 3-month corporate paper, issued under the Company's Domestic Medium Term Note Programme (refer to note 7).		
	Total investments in subsidiaries and trust		
	Non-current	**97.4**	101.9
	Current	**700.0**	400.0
		797.4	501.9

		364 days to 2 March 2014 Rm	368 days to 3 March 2013 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 (2013: 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 8.2.2 for a detailed analysis	**1.9**	2.7
	These amounts owing are unsecured, interest-free and no fixed rate for repayment has been determined.		
	Total investment in subsidiary	**129.9**	130.7

		364 days to 2 March 2014 Rm	368 days to 3 March 2013 Rm
6.	**SHARE CAPITAL**		
6.1	**Pick n Pay Stores Limited**		
	Authorised		
	800 000 000 (2013: 800 000 000) ordinary shares of 1.25 cents each	**10.0**	10.0
	Issued		
	480 397 321 (2013: 480 397 321) ordinary shares of 1.25 cents each	**6.0**	6.0

5% of the unissued shares of the Company may be utilised to settle the Company's obligations under the employee share schemes. To date, 2.7 million shares have been issued, resulting in 4.5% remaining.

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.

		364 days to 2 March 2014 Rm	368 days to 3 March 2013 Rm
6.2	**Pick n Pay Holdings Limited RF**		
	Authorised		
	800 000 000 (2013: 800 000 000) ordinary shares of 1.25 cents each	**10.0**	10.0
	Issued		
	527 249 082 (2013: 527 249 082) ordinary shares of 1.25 cents each	**6.6**	6.6

5% of the unissued shares of the Company may be utilised, and is available, to settle the Company's obligations under the employee share schemes.

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.

		364 days to 2 March 2014 Rm	368 days to 3 March 2013 Rm
7.	**BORROWINGS**		
	Pick n Pay Stores Limited		
	Unsecured three-month corporate paper, issued under the company's Domestic Medium Term Note programme. The notes are repayable on 12 May 2014 and 22 May 2014 (2013: 23 May 2013) and carry variable interest rates of 17 basis points above the three-month Jibar rate of 5.7% per annum (2013: 5.5% per annum)	**700.0**	400.0
8.	**RELATED PARTY TRANSACTIONS**		
8.1	**Pick n Pay Stores Limited**		
8.1.1	*Dividends received from subsidiary companies and paid to its holding company*		
	Dividends received		
	Pick n Pay Retailers Proprietary Limited	**365.0**	358.7
	Guardrisk Insurance Company Limited "A122 ordinary shares"	**40.2**	—
	Pick n Pay Employee Share Purchase Trust	**5.4**	7.9
	Total dividends received from related parties	**410.6**	366.6
	Dividends paid to holding company		
	Pick n Pay Holdings Limited RF	**216.3**	316.8
8.1.2	*Interest received from a subsidiary company*		
	Pick n Pay Retailers Proprietary Limited	**38.3**	22.4
8.1.3	*Amounts owing by Group companies*		
	Loans to subsidiary companies		
	Pick n Pay Retailers Proprietary Limited	**527.5**	232.4
	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
	Pick n Pay (Mitchells Plain) Limited	**6.7**	6.7
		760.1	465.0
	Loans from holding company		
	Pick n Pay Holdings Limited RF	**(1.3)**	(1.4)
		758.8	463.6

	364 days to 2 March 2014 Rm	368 days to 3 March 2013 Rm
8. RELATED PARTY TRANSACTIONS continued		
8.2 Pick n Pay Holdings Limited RF		
8.2.1 Dividends received from subsidiary company		
Pick n Pay Stores Limited	**216.3**	316.8
8.2.2 Amount owing by Group companies		
Loan to subsidiary company		
Pick n Pay Stores Limited	**1.4**	1.4
Loan to company within the Group		
Pick n Pay Retailers Proprietary Limited	**0.5**	1.3
	1.9	2.7

8.3 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 84 to 85 and 88 to 89. For further information refer to the remuneration report on pages 55 to 66 and 76 to 77.

9. 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 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.

9.1 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 on page 128.

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
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**
2013						
Non-derivative financial liabilities						
Three-month corporate paper	400.0	405.7	405.7	—	—	—
Trade and other payables	5.6	5.6	5.6	3.9	3.9	3.9
Total financial obligations	405.6	411.3	411.3	3.9	3.9	3.9

9.2 Capital management

The Companies consider the management of capital with reference to the Group policy which can be found on page 102 of the Group financial statements.

Pick n Pay offers our customers an extensive range of quality private label products

We have more than 2 300 products across our No Name, PnP and Finest brands.

Customers trust our Pick n Pay brands with 75% of our customers choosing private label products for their basket.

Sales of private label products have grown ahead of total sales as more and more customers turn to our combination of good quality and value-for-money. This gives us valuable differentiation in the market.

In January 2014 we launched our "No Name Cheapest on Shelf" campaign, promising our customers that our No Name products will always be cheapest on shelf.

We are also committed to providing our customers with more healthy food choices and have reduced the salt content in a large number of Pick n Pay branded products.

Pick n Pay is proudly South African and sources more than 90% of our private label products locally.

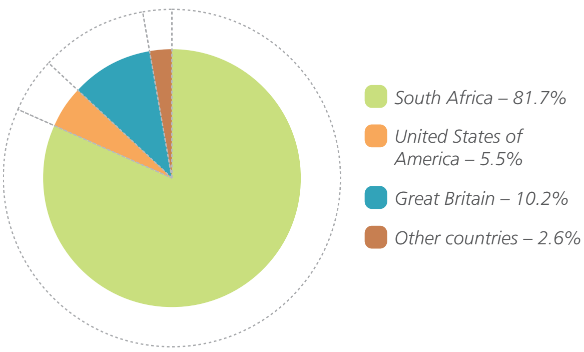
Pick n Pay Stores Limited

Analysis of shareholders

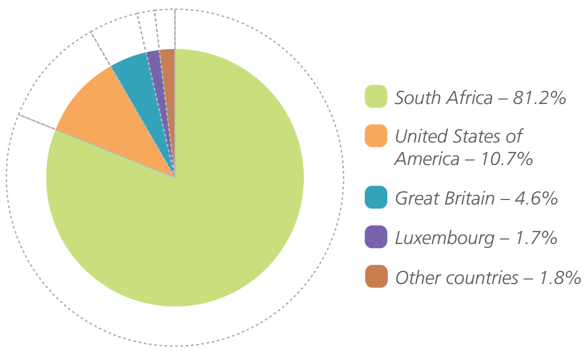
SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	5 409	57.31	2 139 233	0.44
1 001 – 10 000 shares	3 214	34.06	9 890 410	2.06
10 001 – 100 000 shares	633	6.71	19 258 393	4.01
100 001 – 1 000 000 shares	149	1.58	40 116 839	8.35
1 000 001 shares and over	32	0.34	408 992 446	85.14
Total	**9 437**	**100.00**	**480 397 321**	**100.00**
PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public shareholders	**7**	**0.07**	**313 233 913**	**65.20**
Directors	4	0.04	507 981	0.11
Pick n Pay Holdings Limited RF	1	0.01	257 345 334	53.57
Pick n Pay Employee Share Purchase Trust	1	0.01	1 974 529	0.40
Strategic Holdings (more than 10%)	1	0.01	53 406 069	11.12
Public shareholders	**9 430**	**99.93**	**167 163 408**	**34.80**
Total	**9 437**	**100.00**	**480 397 321**	**100.00**
BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE				
Pick n Pay Holdings Limited RF			257 345 334	53.57
Government Employees Pension Fund			53 406 069	11.12
Genesis Emerging Markets Investment Company			7 361 096	1.53

Geographical spread of shareholders

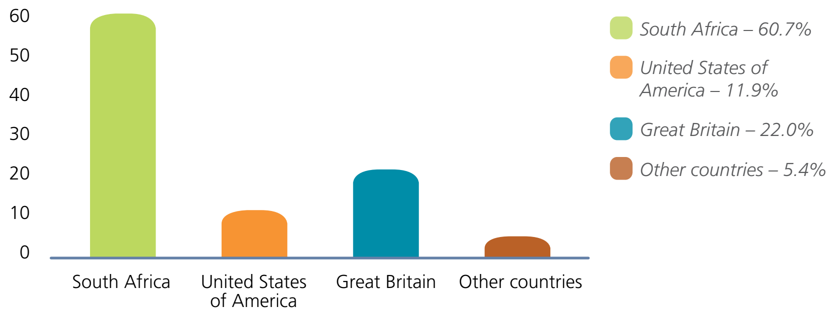
2014



2013



Geographical spread of non-controlling shareholders



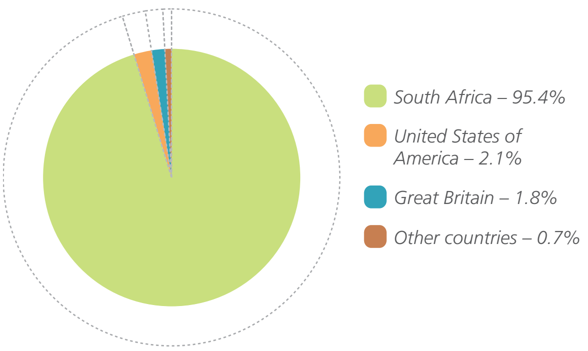
Pick n Pay Holdings Limited RF

Analysis of shareholders

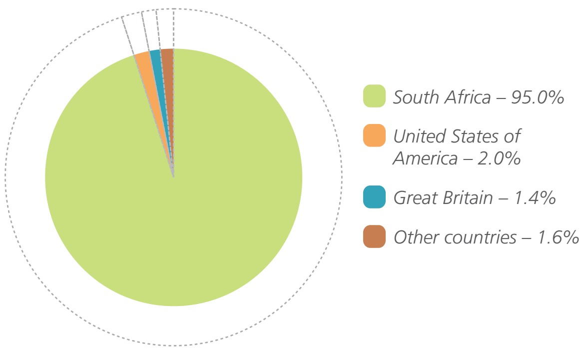
SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	2 335	30.76	1 141 551	0.21
1 001 – 10 000 shares	3 819	50.32	14 949 048	2.84
10 001 – 100 000 shares	1 138	14.99	34 001 163	6.45
100 001 – 1 000 000 shares	246	3.24	72 750 416	13.80
1 000 001 shares and over	52	0.69	404 406 904	76.70
Total	**7 590**	**100.00**	**527 249 082**	**100.00**
PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public shareholders	**10**	**0.12**	**279 532 042**	**53.02**
Directors and public officer	7	0.09	12 752 729	2.42
Ackerman Investment Holdings Proprietary Limited	1	0.01	255 736 850	48.50
Pick n Pay Employee Share Purchase Trust	1	0.01	9 193 760	1.75
Blue Ribbon Share Trust	1	0.01	1 848 703	0.35
Public shareholders	**7 580**	**99.88**	**247 717 040**	**46.98**
Total	**7 590**	**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			18 899 201	3.58
Pick n Pay Employee Share Purchase Trust			9 193 760	1.75
Investec Opportunity Fund			8 337 520	1.58
Sanlam Life Insurance Limited			8 134 549	1.54
Allan Gray Equity Fund			8 052 300	1.53
Investment Solutions Capital Life Equity			6 988 100	1.33
State Street Bank & Trust Co (Custodian)			6 894 732	1.31
Allan Gray Balanced Fund			5 536 200	1.05
The Mistral Trust			5 415 200	1.03

Geographical spread of shareholders

2014



2013



Shareholders' information

ANNUAL GENERAL MEETINGS (AGMs) – 2 JUNE 2014

The 46th 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, 2 June 2014 at 08:30.

The 33rd 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, 2 June 2014 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 AGMs held on 25 June 2013 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: ZAE000005443		Pick n Pay Holdings Limited RF JSE share code: PWK ISIN code: ZAE000005724			
	Number	Amount (cents)	Number	Amount (cents)	Last day of trade	Date of payment
Interim	89	14.75	62	7.17	7 December 2012	18 December 2012
Final	90	69.25	63	33.61	7 June 2013	18 June 2013
Interim	91	14.80	64	7.20	6 December 2013	17 December 2012
Final	92	77.50	65	37.10	6 June 2014	17 June 2014
Interim	93	—	66	—	5 December 2014*	16 December 2014*
Final	94	—	67	—	5 June 2015*	16 June 2015*

RESULT ANNOUNCEMENTS

Interim to 1 September 2013: 22 October 2013
Final to 2 March 2014: 15 April 2014
Interim to 31 August 2014: 16 October 2014*
Final to 1 March 2015: 21 April 2015*

PUBLICATION OF INTEGRATED ANNUAL REPORTS

2014: May 2014
2015: May/June 2015*

** Estimated.*

Pick n Pay Stores Limited

Notice of annual general meeting

The 46th annual general meeting (annual general meeting) of shareholders of Pick n Pay Stores Limited (the Company) for the 2014 annual financial period will be held at 08:30 on Monday, 2 June 2014. To ensure that registration procedures are completed by 08:30, please register for the annual general meeting from 08:00.

The venue for the annual general meeting will be the registered office of the Company, situated at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708, with a video-conferencing link to the Conference Centre at Pick n Pay Office Park, 2 Allum Road, Kensington, Johannesburg. Shareholders or their proxies may attend at either of the above mentioned venues.

All references to the "Companies Act" in this notice of annual general meeting and the ordinary and special resolutions set out below are references to the South African Companies Act, No 71 of 2008, as amended.

The Board of directors of the Company has determined that the record date for the purpose of determining which shareholders of the Company are entitled to receive notice of the 46th annual general meeting is Friday, 25 April 2014 and the record date for purposes of determining which shareholders of the Company are entitled to participate in and vote at the annual general meeting is Friday, 23 May 2014. Accordingly, only shareholders who are registered in the register of members of the Company on Friday, 23 May 2014 will be entitled to participate in and vote at the annual general meeting.

Each of the ordinary and special resolutions set out below may be proposed and passed, with or without modification or amendment, at the annual general meeting or at any postponement or adjournment of the annual general meeting.

Ordinary resolutions require the approval of at least 50% (fifty percent) of the voting rights plus 1 (one) vote exercised on the resolution. Special resolutions require the approval of at least 75% (seventy-five percent) of the voting rights exercised on the resolutions.

The purpose of the annual general meeting is for the following business to be transacted and for the following special and ordinary resolutions to be proposed:

1. To present the audited financial statements, the directors' report and the audit committee's report of the Company for the 2014 annual financial period

The audited financial statements are set out on pages 92 to 147. The full annual financial results are published on the Pick n Pay website, www.picknpayinvestor.co.za, or can be requested from the Company Secretary at demuller@pnp.co.za. The audited financial statements and the directors' report of the Company and its subsidiaries are set out in the financial section of the integrated annual report. The audit committee's report of the Company and its subsidiaries is set out in the corporate governance section of the integrated annual report.

2. ORDINARY RESOLUTION NUMBER 1

Appointment of external auditors

"Resolved as an ordinary resolution that KPMG Inc. are hereby reappointed as the external auditors of the Company."

Note that the audit committee has recommended the reappointment of KPMG Inc. as external auditors of the Company.

3. ORDINARY RESOLUTION NUMBER 2

Reappointment of directors

Curricula vitae of directors to be elected are presented on pages 40 to 41.

Gareth Ackerman, Hugh Herman and Ben van der Ross retire in accordance with the Company's Memorandum of Incorporation and, being eligible, offer themselves for re-election as non-executive directors of the Company.

The Board recommends the re-election of the above directors. Shareholders are requested to consider and, if deemed fit, to re-elect Gareth Ackerman, Hugh Herman and Ben van der Ross by way of passing the separate ordinary resolutions set out below:

ORDINARY RESOLUTION NUMBER 2.1

Appointment of Gareth Ackerman as director

"Resolved that Gareth Ackerman be and is hereby elected as a director of the Company."

ORDINARY RESOLUTION NUMBER 2.2

Appointment of Hugh Herman as director

"Resolved that Hugh Herman be and is hereby elected as a director of the Company."

ORDINARY RESOLUTION NUMBER 2.3

Appointment of Ben van der Ross as director

"Resolved that Ben van der Ross be and is hereby elected as a director of the Company."

4. ORDINARY RESOLUTION NUMBER 3

Appointment of audit committee members for the 2015 annual financial period

Curricula vitae of directors to be elected are presented on pages 40 to 41.

ORDINARY RESOLUTION NUMBER 3.1

Appointment of Jeff van Rooyen as a member of the audit committee

"Resolved that Jeff van Rooyen be and is hereby elected as a member of the audit committee of the Company for the 2015 annual financial period."

ORDINARY RESOLUTION NUMBER 3.2

Appointment of Ben van der Ross as a member of the audit committee

"Resolved that Ben van der Ross be and is hereby elected as a member of the audit committee of the Company for the 2015 annual financial period, subject to his re-election as a director of the Company in terms of ordinary resolution 2.3."

ORDINARY RESOLUTION NUMBER 3.3

Appointment of Hugh Herman as a member of the audit committee

"Resolved that Hugh Herman be and is hereby elected as a member of the audit committee of the Company for the 2015 annual financial period, subject to his re-election as a director of the Company in terms of ordinary resolution 2.2."

ORDINARY RESOLUTION NUMBER 3.4

Appointment of Audrey Mothupi as a member of the audit committee

"Resolved that Audrey Mothupi be and is hereby elected as a member of the audit committee of the Company for the 2015 annual financial period."

5. ADVISORY VOTE

Remuneration report for the 2014 annual financial period

The directors table the remuneration report for the 2014 annual financial period. The remuneration report is set out on pages 55 to 66. In addition, the remuneration report is set out in the corporate governance section of the integrated annual report, to be found on our website, www.picknpayinvestor.co.za.

As a non-binding advisory vote, "shareholders hereby endorse the remuneration report".

As this is not a matter that is required to be resolved or approved by shareholders, no minimum voting threshold is required. Nevertheless, for record purposes, the minimum percentage of voting rights that is required in favour of the remuneration report is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast.

6. SPECIAL RESOLUTION NUMBER 1

Directors' fees for the 2015 and 2016 annual financial periods

"RESOLVED AS A SPECIAL RESOLUTION that the directors' fees, to be paid to the directors in their capacity as directors only, for the 2015 annual period, and to be increased by CPI for the 2016 annual financial period, be as follows:

- Executive directors: unchanged at R1 500
- Chairman: unchanged at R3 450 000
- Lead non-executive director: R107 000 (previously R100 000)
- Non-executive directors: R320 000 (previously R300 000)
- Chairman of the audit committee: R265 000 (previously R250 000)
- Chairman of the remuneration committee: R140 000 (previously R130 000)
- Member of the audit committee: R107 000 (previously R100 000)
- Member of the remuneration committee: R70 000 (previously R65 000)
- Member of the nominations committee: R65 000 (previously R60 000)
- Member of the social and ethics committee: R70 000 (previously R65 000)
- Chairman of the corporate finance committee: R160 000* (previously R150 000)
- Member of the corporate finance committee: R107 000* (previously R100 000)

** The corporate finance committee is an ad hoc committee. In the event that it is convened during the financial period, fees to be paid shall not exceed the annual fees proposed in special resolution number 1.*

Reason and effect of special resolution number 1

The reason for special resolution number 1 is to obtain shareholder approval for the remuneration of each of the directors of the Company in accordance with section 66(9) of the Companies Act. The passing of this special resolution will have the effect of approving the remuneration of each of the directors of the Company in accordance with section 66(9) of the Companies Act.

This authority will be in place for a period of two years from the date of adoption of this special resolution number 1 or until superseded by another special resolution, whichever is the shorter period of time.

7. SPECIAL RESOLUTION NUMBER 2

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

The Board undertakes that it shall not adopt any resolution to authorise such financial assistance as contemplated in special resolutions numbers 2.1 and 2.2 unless the board of directors of the Company:

- is satisfied that immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act; and
- is satisfied that the terms under which such financial assistance is proposed to be given are fair and reasonable to the Company as contemplated in section 45(3)(b)(ii) of the Companies Act; and
- has ensured that, to the extent which may be applicable, any conditions or restrictions in respect of the granting of financial assistance set out in the Company's Memorandum of Incorporation have been satisfied as contemplated in section 45(4) of the Companies Act.

SPECIAL RESOLUTION NUMBER 2.1

Provision of financial assistance to related or inter-related companies

"RESOLVED AS A SPECIAL RESOLUTION that the board of directors be and is hereby authorised to the extent required by section 45 of the Companies Act as a general approval, to authorise the Company to provide any direct or indirect financial assistance ("financial assistance" having the meaning attributed to such term in section 45(1) of the Companies Act) that the Board may deem fit to any one or more related or inter-related companies or corporations ("related" and "inter-related" having the meaning attributed to such terms in section 2 of the Companies Act), on the terms and conditions and for the amounts that the board of directors may determine."

NOTES ON THE INTERPRETATION OF SPECIAL RESOLUTION NUMBER 2.1:

This authority is required in order to grant the board of directors the authority to authorise the Company to provide inter-group loans and other financial assistance for the purpose of funding the day-to-day operational decisions of the Group.

Reason and effect of special resolution number 2.1

The reason for and effect of special resolution number 2.1 is to grant the directors of the Company the general authority to provide direct and indirect financial assistance to any company or corporation forming part of the Group, by way of loan, guarantee, the provision of security or otherwise. This authority will be in place for a period of two years from the date of adoption of this special resolution number 2.1, or until superseded by another special resolution, whichever is the shorter period of time.

SPECIAL RESOLUTION NUMBER 2.2

Provision of financial assistance to persons

"RESOLVED AS A SPECIAL RESOLUTION that the board of directors be and is hereby authorised to the extent required by section 45 of the Companies Act as a general approval, to authorise the Company to provide any direct or indirect financial assistance ("financial assistance" having the meaning attributed to such term in section 45(1) of the Companies Act) that the Board may deem fit to an employee of the Company or its subsidiaries, on the terms and conditions and for the amounts that the Board of directors may determine, within the Company's existing housing loan policy."

NOTES ON THE INTERPRETATION OF SPECIAL RESOLUTION NUMBER 2.2:

This special resolution allows the Company to continue with its existing policy of providing financial assistance to employees. The policy will continue to be limited to housing loans that may be extended to executives and management of the Group. In terms of this policy, no loans are extended to non-executive directors or to related parties. All housing loans are secured against the employee's retirement funding. All loans bear interest at varying rates, subject to a maximum rate of 8% (eight percent), and have varying repayment terms. The Company does not intend to amend this policy in the foreseeable future.

This special resolution does not authorise the provision of financial assistance to a person related to an employee of the Company or any of its subsidiary companies.

Reason and effect of special resolution number 2.2

The reason for and effect of special resolution number 2.2 is to grant the directors of the Company the general authority to provide direct and indirect financial assistance to an employee of the companies in the Group, by way of loan, guarantee, the provision of security or otherwise. This authority will be in place for a period of two years from the date of adoption of this special resolution number 2.2, or until superseded by another special resolution, whichever is the shorter period of time.

8. SPECIAL RESOLUTION NUMBER 3

General approval to repurchase Company shares

"RESOLVED AS A SPECIAL RESOLUTION that the Company hereby approves, as a general approval, the acquisition by the Company or any of its subsidiaries from time to time of the 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 from time to time determine, but subject to the Memorandum of Incorporation of the Company, the provisions of the Companies Act, and the JSE Limited (JSE) Listings Requirements (JSE Listings Requirements) as presently constituted and which may be amended from time to time, and provided that acquisitions by the Company and its subsidiaries of shares in the capital of the Company or its holding company may not, in the aggregate, exceed in any one financial year 5% (five percent) of the Company's issued share capital, or its holding Company's issued share capital, of the class of repurchased shares from the date of the grant of this general approval."

Additional requirements imposed by the JSE Listings Requirements

It is recorded that the Company or its subsidiaries may only make a general acquisition of shares if the following JSE Listings Requirements are met:

- any such acquisition of shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company or its subsidiaries and the counterparty or in any other manner approved by the JSE;
- the general approval shall only be valid until the Company's next annual general meeting, or for 15 (fifteen) months from the date of passing of this special resolution, whichever period is shorter;
- an announcement will be made as soon as the Company and/or its subsidiaries has/have acquired shares in terms of this authority constituting, on a cumulative basis, 3% (three percent) of the number of shares of the class of shares acquired in issue at the time of granting of this general approval and for each 3% (three percent) in aggregate of the initial number of that class of shares acquired thereafter, which announcement shall contain full details of such acquisitions as required by paragraph 11.27 of the JSE Listings Requirements;
- in determining the price at which shares are acquired by the Company or its subsidiaries in terms of this general approval, the maximum price at which such shares may be acquired may not be greater than 10% (ten percent) above the weighted average of the market value at which such shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date of the acquisition of such shares by the Company or its subsidiaries;
- in the case of a derivative (as contemplated in the JSE Listings Requirements), the price of the derivative shall be subject to the limitations set out in paragraph 5.84(a) of the JSE Listings Requirements;
- a resolution by the board of directors of the Company that they authorised the repurchase, that the Company passed the solvency and liquidity test and that since the test was done there have been no material changes to the financial position of the Group; and
- the Company and/or its subsidiaries may not repurchase any shares in terms of this authority during a prohibited period, as defined in the JSE Listings Requirements, unless there is in place a repurchase programme where dates and quantities of shares to be traded during the prohibited period are fixed and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period.

Statement by the board of directors of the Company

Pursuant to the JSE Listings Requirements the board of directors of the Company hereby states that:

- the intention of the directors of the Company is to utilise the general approval to repurchase shares in the capital of the Company or its holding company if at some future date the cash resources of the Company are in excess of its requirements or there are other good grounds for doing so. In this regard the directors will take account of, inter alia, an appropriate capitalisation structure for the Company, the long-term cash needs of the Company and the interests of the Company;
- in determining the method by which the Company intends to repurchase its securities or the securities of its holding company, the maximum number of securities to be repurchased and the date on which such repurchase will take place, the directors of the Company will only make repurchases if at the time of the repurchase they are of the opinion that:
  - the Company and its subsidiaries will, after the repurchase, be able to pay their debts as they become due in the ordinary course of business for the 12 (twelve) month period following the date of the repurchase;
  - the consolidated assets of the Company and its subsidiaries, fairly valued and recognised and measured in accordance with the accounting policies used in the latest audited financial statements, will, after the repurchase, be in excess of the consolidated liabilities of the Company and its subsidiaries for the 12 (twelve) month period following the date of the repurchase;
  - the issued share capital and reserves of the Company and its subsidiaries will, after the repurchase, be adequate for the ordinary business purposes of the Company and its subsidiaries for the 12 (twelve) month period following the date of the repurchase; and
  - the working capital available to the Company and its subsidiaries will, after the repurchase, be adequate for the ordinary business purposes of the Company and its subsidiaries for the 12 (twelve) month period following the date of the repurchase;
- the repurchase shall only be effected if the board of directors has at the time of the repurchase passed a resolution authorising the repurchase in terms of sections 48 and 46 of the Companies Act and it reasonably appears that the Company and its subsidiaries have satisfied the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the Company and its subsidiaries.

Litigation statement

In terms of paragraph 11.26 of the JSE Listings Requirements, the directors, whose names appear on pages 40 and 41, are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or had in the recent past, being at least the previous 12 months, a material effect on the Pick n Pay Group's financial position.

Directors' responsibility statement

The directors, whose names appear on pages 40 and 41, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted that would make any statements false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this special resolution contains all information required by law and the JSE Listings Requirements.

Material changes

Other than the facts and developments reported on in terms hereof and in the integrated annual report, there have been no material changes in the financial or trading position of the Company.

Reason for and effect of special resolution number 3

The reason for special resolution number 3 is to grant the Company a general authority in terms of the JSE Listings Requirements for the acquisition by the Company or any of its subsidiaries of shares issued by the Company or its holding company, which authority shall be valid until the earlier of the next annual general meeting of the Company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the Company, provided that the general authority shall only be valid until the Company's next annual general meeting, or for 15 (fifteen) months from the date of passing of this special resolution, whichever period is shorter. The passing of this special resolution will have the effect of authorising the Company or any of its subsidiaries to acquire shares issued by the Company or its holding company.

Other than as set out, the Board has no specific intention, at present, for the Company to repurchase any of its shares, but consider that such a general authority should be put in place should an opportunity present itself to do so during the year, which the Board deems to be in the best interests of the Company and its shareholders, taking prevailing market conditions and other factors into account. The Board will continue to exercise this resolution to buy shares to cover share scheme obligations, which obligations now include the Forfeitable Share Plan approved by shareholders at the general meeting held on 12 February 2014.

9. ORDINARY RESOLUTION NUMBER 4

Directors' authority to implement special and ordinary resolutions

"Resolved as an ordinary resolution that each and every director of the Company be and is hereby authorised to do all such things and sign all such documents as may be necessary for or incidental to the implementation of the resolutions passed at this meeting."

10. TO TRANSACT SUCH OTHER BUSINESS THAT MAY BE TRANSACTED AT AN ANNUAL GENERAL MEETING

GENERAL INSTRUCTIONS AND INFORMATION

In addition to the notice and proxy, this document contains:

- the audited financial statements on pages 92 to 147;
- details of the directors of the Company on pages 40 and 41;
- the curricula vitae of directors up for re-election on pages 40 and 41;
- the curricula vitae of directors nominated for election as members of the audit committee on pages 40 and 41;
- the remuneration report on pages 55 to 66; and
- directors' interests in shares on page 85.

The integrated annual report, incorporating the financial statements, is published on the Pick n Pay website, www.picknpayinvestor.co.za or can be requested from the Company Secretary at demuller@pnp.co.za.

There are no material changes to the Group's financial or trading position, nor are there any material legal or arbitration proceedings (pending or threatened) that may affect the financial position of the Group between the 2014 financial period and 25 April 2014.

The directors, whose names are given on pages 40 and 41, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the integrated annual report and this document contain all information required by law and the JSE Listings Requirements.

All shareholders are encouraged to attend, speak and vote at the annual general meeting.

ENTITLEMENT TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IN PERSON OR BY PROXY

If you hold certificated shares (i.e. have not dematerialised your shares in the Company) or are registered as an own-name dematerialised shareholder (i.e. have specifically instructed your Central Securities Depository Participant (CSDP) to hold your shares in your own name in the Company subregister) then:

- you may attend and vote at the annual general meeting; alternatively
- you may appoint an individual as a proxy (who need not be a shareholder of the Company) to attend, participate in and speak and vote in your place at the annual general meeting by completing the attached form of proxy and returning it to the registered office of the Company or to the transfer secretaries, Computershare Investor Services Proprietary Limited, the details of which are set out on the inside back cover, by no later than 08:30 on Thursday, 29 May 2014, being 2 (two) business days prior to the time appointed for the holding of the annual general meeting, for administrative reasons only. Please note that your proxy may delegate his/her authority to act on your behalf to another person, subject to the restrictions set out in the attached form of proxy. Please also note that the attached form of proxy must be delivered to the registered office of the Company or to the transfer secretaries, Computershare Investor Services Proprietary Limited as aforesaid, before your proxy may exercise any of your rights as a shareholder at the annual general meeting. The contact details of Computershare Investor Services Proprietary Limited are in note 5 to the form of proxy.

Unless revoked before then, a signed proxy form shall remain valid at any adjournment or postponement of the annual general meeting and the proxy so appointed shall be entitled to vote, as indicated on the proxy form, on any resolution (including any resolution which is amended or modified) at such annual general meeting or any adjournment or postponement thereof.

Shareholders of the Company who wish to participate in the annual general meeting should please note that any shareholder of the Company that is a company may authorise any person to act as its representative at the annual general meeting. Please also note that section 63(1) of the Companies Act requires that persons wishing to participate in the annual general meeting (including the aforementioned representative) must provide reasonably satisfactory identification before they may so participate.

Please note that if you are the owner of dematerialised shares (i.e. have replaced the paper share certificates representing the shares with electronic records of ownership under the JSE's electronic settlement system, Share Transactions Totally Electronic (STRATE)) held through a CSDP or broker (or their nominee) and are not registered as an "own name dematerialised shareholder" then you are not a registered shareholder of the Company, but your CSDP or broker (or their nominee) would be.

Accordingly, in these circumstances, subject to the mandate between yourself and your CSDP or broker as the case may be:

- if you wish to attend the annual general meeting you must contact your CSDP or broker, as the case may be, and obtain the relevant letter of representation from it; alternatively
- if you are unable to attend the annual general meeting but wish to be represented at the meeting, you must contact your CSDP or broker, (or their nominee) and furnish it with your voting instructions in respect of the annual general meeting and/or request it to appoint a proxy. You should not complete the attached form of proxy. The instructions must be provided in accordance with the mandate between yourself and your CSDP or broker within the time period required by your CSDP or broker.

CSDPs, brokers or their nominees recorded in the Company's subregister as holders of dematerialised shares held on behalf of an investor/beneficial owner in terms of STRATE should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares in the Company, vote by either appointing a duly authorised representative to attend and vote at the annual general meeting or by completing the attached form of proxy in accordance with the instructions thereon and returning it to the registered office of the Company or to the transfer secretaries, Computershare Investor Services Proprietary Limited, the details of which are set out on the inside back cover, by no later than 08:30 on Thursday, 29 May 2014, being 2 (two) business days prior to the time appointed for the holding of the annual general meeting, for administrative reasons only.

By order of the Board

Debra Muller
Company Secretary

Cape Town
2 May 2014

Pick n Pay Stores Limited

Form of proxy

For use at the annual general meeting of Pick n Pay Stores Limited (the Company) to be held at the registered office of the Company, situated at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town at 08:30 on Monday, 2 June 2014.

This form of proxy is not to be used by beneficial owners of shares who have dematerialised their shares (dematerialised shares) through a Central Securities Depository Participant (CSDP) or broker, as the case may be, unless you are recorded on the subregister as an own-name dematerialised shareholder. Generally, you will not be an own-name dematerialised shareholder unless you have specifically requested your CSDP to record you as the holder of the shares in your own name in the Company's subregister.

This form of proxy is only for use by certificated, own-name dematerialised shareholders and CSDPs or brokers (or their nominees) registered in the Company's subregister as the holder of dematerialised ordinary shares.

Each shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy (who need not be a shareholder of the Company) to attend, participate in and speak and vote in place of that shareholder at the annual general meeting, and at any adjournment or postponement thereafter.

Please note the following:
- The appointment of your proxy may be suspended at any time to the extent that you choose to act directly and in person in the exercise of your rights as a shareholder at the annual general meeting;
- The appointment of the proxy is revocable;
- You may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy, and to the Company; and
- Unless revoked before then, a signed proxy form shall remain valid at any adjournment or postponement of the annual general meeting and the proxy so appointed shall be entitled to vote, as indicated on the proxy form, on any resolution (including any resolution which is amended or modified) at such annual general meeting or any adjournment or postponement thereof.

Please note that any shareholder of the Company that is a company may authorise any person to act as its representative at the annual general meeting. Please also note that section 63(1) of the Companies Act, No 71 of 2008, as amended (the Companies Act), requires that persons wishing to participate in the annual general meeting (including the aforementioned representative) must provide reasonably satisfactory identification before they may so participate.

Note that voting will be performed by way of a poll so each shareholder present or represented by way of proxy will be entitled to vote.

I/We (block letters)

(the registered shareholder)

I/We (block letters)

(the beneficial shareholder – insert details of beneficial shareholder only if different to the registered shareholder)

of (address)

Telephone: Work (   )   Telephone: Home (   )

being the holder/s of (number of shares)   ordinary shares in the Company, hereby appoint (refer to note 1)

1.   or failing him/her,

2.   or failing him/her,

3. the Chairman of the annual general meeting,

as my/our proxy to attend, participate in and speak and vote in my/our place and on my/our behalf at the annual general meeting which will be held for the purpose of considering and, if deemed fit, passing the resolutions to be proposed thereat with or without modification or amendment, and at any postponement or adjournment thereof and to vote for or against such resolutions or to abstain from voting and to vote for or against any motions to postpone or adjourn the annual general meeting or to abstain from voting in respect of the shares in the issued capital of the Company registered in my/our name/s, in accordance with the instructions set out below (refer to note 2).

My/our proxy may delegate to another person his/her authority to act on my/our behalf at the annual general meeting, provided that my/our proxy:
- may only delegate his/her authority to act on my behalf at the annual general meeting to a director of the Company; and
- must provide written notification to the transfer secretaries of the Company, namely Computershare Investor Services Proprietary Limited, of the delegation by my/our proxy of his/her authority to act on my/our behalf at the annual general meeting by no later than 08:30 on Thursday, 29 May 2014, being 2 (two) business days before the annual general meeting to be held at 08:30 on Monday, 2 June 2014; and
- must provide to his/her delegee a copy of his/her authority to delegate his/her authority to act on my/our behalf at the general meeting.

		Number of votes (one vote per ordinary share)		
		In favour of	Against	Abstained
Ordinary resolution number 1:	Appointment of the external auditors			
Ordinary resolution number 2.1:	Election of Gareth Ackerman as director			
Ordinary resolution number 2.2:	Election of Hugh Herman as director			
Ordinary resolution number 2.3:	Election of Ben van der Ross as director			
Ordinary resolution number 3.1:	Appointment of Jeff van Rooyen to the audit committee			
Ordinary resolution number 3.2:	Appointment of Ben van der Ross to the audit committee			
Ordinary resolution number 3.3:	Appointment of Hugh Herman to the audit committee			
Ordinary resolution number 3.4:	Appointment of Audrey Mothupi to the audit committee			
Non-binding advisory vote:	Endorsement of remuneration report			
Special resolution number 1:	Directors' fees			
Special resolution number 2.1:	Financial assistance to related or inter-related companies			
Special resolution number 2.2:	Financial assistance to persons			
Special resolution number 3:	General approval to repurchase Company shares			
Ordinary resolution number 4:	Directors' authority to implement special and ordinary resolutions			

Insert an X in the relevant spaces above according to how you wish your votes to be cast. If you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of shares held in respect of which you desire to vote (see note 3).

I give permission to my CSDP to disclose to the Company how my votes have been cast, should the Company request such information from my CSDP   Yes ☐

Please note: if an "X" is not inserted into the box, it will be taken that permission has been declined and that the CSDP will not be permitted to disclose to the Company how my votes have been cast.

Signed at   on   2014

Signature

(Authority of signatory to be attached if applicable – see note 7)

Assisted by me (where applicable – see note 9)   Telephone number

Please also read the notes overleaf.

Form of proxy continued

Summary of shareholder's rights in respect of proxy appointments as contained in section 58 of the Companies Act

Please note that in terms of section 58 of the Companies Act:

- this proxy form must be dated and signed by the shareholder appointing the proxy;
- you may appoint an individual as a proxy, including an individual who is not a shareholder of the Company, to participate in and speak and vote at a shareholders' meeting on your behalf;
- your proxy may delegate his/her authority to act on your behalf to another person, subject to any restriction set out in this proxy form;
- this proxy form must be delivered to the Company, or to the transfer secretaries of the Company, namely Computershare Investor Services Proprietary Limited, before your proxy exercises any of your rights as a shareholder at the annual general meeting;
- the appointment of your proxy or proxies will be suspended at any time to the extent that you choose to act directly and in person in the exercise of any of your rights as a shareholder at the annual general meeting;
- the appointment of your proxy is revocable unless you expressly state otherwise in this proxy form;
- as the appointment of your proxy is revocable, you may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy and to the Company. Please note the revocation of a proxy appointment constitutes a complete and final cancellation of your proxy's authority to act on your behalf as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered to the Company and the proxy as aforesaid;
- if this proxy form has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the Company's Memorandum of Incorporation to be delivered by the Company to you will be delivered by the Company to you or your proxy or proxies, if you have directed the Company to do so, in writing and paid any reasonable fee charged by the company for doing so;
- your proxy is entitled to exercise, or abstain from exercising, any voting right of yours at the annual general meeting, but only as directed by you on this proxy form;
- the appointment of your proxy remains valid only until the end of the annual general meeting or any adjournment or postponement thereof or for a period of 6 (six) months, whichever is shortest, unless it is revoked by you before then on the basis set out above.

The proxy form shall be valid and shall apply to any adjournment or postponement of the annual general meeting to which it relates and shall apply to any resolution proposed at the annual general meeting to which it relates and to such resolution as modified or amended including any such modified or amended resolution to be voted on at any adjourned or postponed meeting of the annual general meeting to which the proxy relates, unless before the adjourned or postponed meeting the appointment of the proxy is revoked.

Notes

1. The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as a proxy to the exclusion of those whose names follow thereafter.

2. If no proxy is inserted in the spaces provided, then the Chairman shall be deemed to be appointed as the proxy to vote or abstain as the Chairman deems fit.

3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. If there is no clear indication as to the voting instructions to the proxy, the proxy form will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all of the shareholder's votes exercisable at the annual general meeting.

4. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy. A proxy shall be entitled to demand that voting takes place on a poll.

5. Proxy forms must be lodged at the registered office of the Company, Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708, or posted to the Company Secretary at PO Box 23087, Claremont, 7735, or lodged with or posted to the transfer secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107, South Africa).

6. Forms of proxy must be received or lodged by no later than 08:30 on Thursday, 29 May 2014, being 2 (two) business days before the annual general meeting to be held at 08:30 on Monday, 2 June 2014, for administrative reasons only.

7. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the Company Secretary or waived by the Chairman of the annual general meeting if he/she is reasonably satisfied that the right of the representative to participate and vote has been reasonably verified. CSDPs or brokers registered in the Company's subregister voting on instructions from beneficial owners of shares registered in the Company's subregister, are requested that they identify the beneficial owner in the subregister on whose behalf they are voting and return a copy of the instruction from such owner to the Company Secretary or to the transfer secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107, South Africa), together with this form of proxy.

8. Any alteration or correction made to this proxy form must be initialled by the signatory/ies, but will only be validly made if such alteration or correction is accepted by the Chairman of the annual general meeting.

9. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company Secretary.

Pick n Pay Holdings Limited RF

Notice of annual general meeting

The 33rd annual general meeting (annual general meeting) of shareholders of Pick n Pay Holdings Limited RF (the Company) for the 2014 annual financial period will be held at 09:00, or as soon as the annual general meeting for Pick n Pay Stores Limited is completed, on Monday, 2 June 2014. Registration for attendance at the annual general meeting will commence at 08:00.

The venue for the annual general meeting will be the registered office of the Company, situated at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708, with a video-conferencing link to the Conference Centre at Pick n Pay Office Park, 2 Allum Road, Kensington, Johannesburg. Shareholders or their proxies may attend at either of the above mentioned venues.

All references to the "Companies Act" in this notice of annual general meeting and the ordinary and special resolutions set out below are references to the South African Companies Act, No 71 of 2008, as amended.

The board of directors of the Company has determined that the record date for the purpose of determining which shareholders of the Company are entitled to receive notice of the annual general meeting is Friday, 25 April 2014 and the record date for purposes of determining which shareholders of the Company are entitled to participate in and vote at the annual general meeting is Friday, 23 May 2014. Accordingly, only shareholders who are registered in the register of members of the Company on Friday, 23 May 2014 will be entitled to participate in and vote at the annual general meeting.

Each of the ordinary and special resolutions set out below may be proposed and passed, with or without modification or amendment, at the annual general meeting or at any postponement or adjournment of the annual general meeting.

Ordinary resolutions require the approval of at least 50% (fifty percent) of the voting rights plus 1 (one) vote exercised on the resolution. Special resolutions require the approval of at least 75% (seventy-five percent) of the voting rights exercised on the resolutions.

The purpose of the annual general meeting is for the following business to be transacted and for the following special and ordinary resolutions to be proposed:

1. To present the audited financial statements, the directors' report and the audit committee's report of the Company for the 2014 annual financial period

The audited financial statements are set out on pages 92 to 147. The full annual financial results are published on the Pick n Pay website, www.picknpayinvestor.co.za, or can be requested from the Company Secretary at demuller@pnp.co.za. The audited financial statements and the directors' report of the Company and its subsidiaries are set out in the financial section of the integrated annual report. The audit committee's report of the Company and its subsidiaries is set out in the corporate governance section of the integrated annual report.

2. ORDINARY RESOLUTION NUMBER 1

Appointment of external auditors

"Resolved as an ordinary resolution that KPMG Inc. are hereby reappointed as the external auditors of the Company."

Note that the audit committee has recommended the reappointment of KPMG Inc. as external auditors of the Company.

3. ORDINARY RESOLUTION NUMBER 2

Reappointment of directors

Curricula vitae of directors to be elected are presented on page 75.

Wendy Ackerman and Jeff van Rooyen retire in accordance with the Company's Memorandum of Incorporation and, being eligible, offer themselves for re-election.

The Board recommends the re-election of the above directors. Shareholders are requested to consider and, if deemed fit, to re-elect Wendy Ackerman and Jeff van Rooyen as directors by way of passing the separate ordinary resolutions set out below:

ORDINARY RESOLUTION NUMBER 2.1

Appointment of Wendy Ackerman as director

"Resolved that Wendy Ackerman be and is hereby elected as a director of the Company."

ORDINARY RESOLUTION NUMBER 2.2

Appointment of Jeff van Rooyen as director

"Resolved that Jeff van Rooyen be and is hereby elected as a director of the Company."

Notice of annual general meeting continued

4. ORDINARY RESOLUTION NUMBER 3

Appointment of audit committee members for the 2015 annual financial period

Curricula vitae of directors to be elected are presented on page 75.

ORDINARY RESOLUTION NUMBER 3.1

Appointment of René de Wet as a member of the audit committee

"Resolved that René de Wet be and is hereby elected as a member of the audit committee of the Company for the 2015 annual financial period."

ORDINARY RESOLUTION NUMBER 3.2

Appointment of Jeff van Rooyen as a member of the audit committee

"Resolved that Jeff van Rooyen be and is hereby elected as a member of the audit committee of the Company for the 2015 annual financial period, subject to his re-election as a director of the Company in terms of ordinary resolution 2.2."

ORDINARY RESOLUTION NUMBER 3.3

Appointment of Hugh Herman as a member of the audit committee

"Resolved that Hugh Herman be and is hereby elected as a member of the audit committee of the Company for the 2015 annual financial period."

5. ADVISORY VOTE

Remuneration report for the 2014 annual financial period

The directors table the remuneration report for the 2014 annual financial period. The remuneration report is set out on pages 76 to 77. In addition, the remuneration report is set out in the corporate governance section of the integrated annual report, to be found on our website, www.picknpayinvestor.co.za.

As a non-binding advisory vote, "shareholders hereby endorse the remuneration report".

As this is not a matter that is required to be resolved or approved by shareholders, no minimum voting threshold is required. Nevertheless, for record purposes, the minimum percentage of voting rights that is required in favour of the remuneration report is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast.

6. SPECIAL RESOLUTION NUMBER 1

Directors' fees for the 2015 and 2016 annual financial periods

"RESOLVED AS A SPECIAL RESOLUTION that the directors' fees, to be paid to the directors in their capacity as directors only, for the 2015 annual financial period, and to be increased by CPI for the 2016 annual financial period, be as follows:

- Non-executive Chairman: R60 000 (an increase of 7% on last year's fee of R57 000)
- Non-executive directors not serving on the Pick n Pay Stores Limited Board: R60 000 (an increase of 7% on last year's fee of R57 000)

NOTES ON SPECIAL RESOLUTION NUMBER 1

As a holding company, the Company has no material operating activities other than the receipt and payment of dividends and assessment of the carrying value. Accordingly, the Company has been granted an exemption from the JSE Listings Requirements regarding the King III requirement to have executive directors.

The Company has a separate audit committee consisting of independent 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 Pick n Pay Group of companies (the Group) as a whole.

If, in addition to serving on the Board of the Company, directors serve on the Board of Pick n Pay Stores Limited, they do not receive an additional fee for serving on the Board of the Company.

Reason and effect of special resolution number 1

The reason for special resolution number 1 is to obtain shareholder approval for the remuneration of each of the directors of the Company in accordance with section 66(9) of the Companies Act. The passing of this special resolution will have the effect of approving the remuneration of each of the directors of the Company in accordance with section 66(9) of the Companies Act.

This authority will be in place for a period of two years from the date of adoption of this special resolution number 1 or until superseded by another special resolution, whichever is the shorter period of time.

7. SPECIAL RESOLUTION NUMBER 2

Provision of financial assistance to related or inter-related companies

"RESOLVED AS A SPECIAL RESOLUTION that the board of directors be and is hereby authorised to the extent required by section 45 of the Companies Act as a general approval, to authorise the Company to provide any direct or indirect financial assistance ("financial assistance" having the meaning attributed to such term in section 45(1) of the Companies Act) that the Board may deem fit to any one or more related or inter-related companies or corporations ("related" and "inter-related" having the meaning attributed to such terms in section 2 of the Companies Act), on the terms and conditions and for the amounts that the board of directors may determine."

NOTES ON SPECIAL RESOLUTION NUMBER 2:

This authority is required in order to grant the board of directors the authority to authorise the Company to provide inter-group loans and other financial assistance for the purpose of funding the day-to-day operational decisions of the Group.

The Board undertakes that it shall not adopt any resolution to authorise such financial assistance as contemplated in this special resolution unless the board of directors of the Company:

- is satisfied that immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act; and
- is satisfied that the terms under which such financial assistance is proposed to be given are fair and reasonable to the Company as contemplated in section 45(3)(b)(ii) of the Companies Act; and
- has ensured that, to the extent which may be applicable, any conditions or restrictions in respect of the granting of financial assistance set out in the Company's Memorandum of Incorporation have been satisfied as contemplated in section 45(4) of the Companies Act.

Reason and effect of special resolution number 2

The reason for and effect of special resolution number 2 is to grant the directors of the Company the general authority to provide direct and indirect financial assistance to any company or corporation forming part of the Group, by way of loan, guarantee, the provision of security or otherwise. This authority will be in place for a period of two years from the date of adoption of this special resolution number 2, or until superseded by another special resolution, whichever is the shorter period of time.

8. SPECIAL RESOLUTION NUMBER 3

General approval to repurchase Company shares

"RESOLVED AS A SPECIAL RESOLUTION that the Company hereby approves, as a general approval, the acquisition by the Company or any of its subsidiaries from time to time of the issued shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the Memorandum of Incorporation of the Company, the provisions of the Companies Act, and the JSE Limited (JSE) Listings Requirements (JSE Listings Requirements) as presently constituted and which may be amended from time to time, and provided that acquisitions by the Company and its subsidiaries of shares in the capital of the Company may not, in the aggregate, exceed in any one financial year 5% (five percent) of the Company's issued share capital of the class of shares acquired from the date of the grant of this general approval."

Additional requirements imposed by the JSE Listings Requirements

It is recorded that the Company or its subsidiaries may only make a general acquisition of shares if the following JSE Listings Requirements are met:

- Any such acquisition of shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company or its subsidiaries and the counterparty or other manner approved by the JSE;
- The general approval shall only be valid until the Company's next annual general meeting or for 15 (fifteen) months from the date of passing of this special resolution, whichever period is shorter;
- An announcement will be made as soon as the Company and/or its subsidiaries has/have acquired shares in terms of this authority constituting, on a cumulative basis, 3% (three percent) of the number of shares of the class of shares acquired in issue at the time of granting of this general approval and for each 3% (three percent) in aggregate of the initial number of that class of shares acquired thereafter, which announcement shall contain full details of such acquisitions as required by paragraph 11.27 of the JSE Listings Requirements;
- In determining the price at which the Company's shares are acquired by the Company or its subsidiaries in terms of this general approval, the maximum price at which such shares may be acquired may not be greater than 10% (ten percent) above the weighted average of the market value at which such shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date of the acquisition of such shares by the Company or its subsidiaries;
- In the case of a derivative (as contemplated in the JSE Listings Requirements), the price of the derivative shall be subject to the limitations set out in paragraph 5.84(a) of the JSE Listings Requirements;
- A resolution by the board of directors of the Company that they authorised the repurchase, that the Company passed the solvency and liquidity test and that since the test was done there have been no material changes to the financial position of the Group; and
- The Company and/or its subsidiaries may not repurchase any shares in terms of this authority during a prohibited period, as defined in the JSE Listings Requirements, unless the Company and/or its subsidiaries has in place a repurchase programme, where dates and quantities of shares to be traded during the prohibited period are fixed and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period.

Statement by the Board of directors of the Company

Pursuant to the JSE Listings Requirements, the board of directors of the Company hereby states that:

- the intention of the directors of the Company is to utilise the general authority to acquire shares in the capital of the Company if at some future date the cash resources of the Company are in excess of its requirements or there are other good grounds for doing so. In this regard the directors will take account of, inter alia, an appropriate capitalisation structure for the Company, the long-term cash needs of the Company and the interests of the Company;
- in determining the method by which the Company intends to repurchase its securities, the maximum number of securities to be repurchased and the date on which such repurchase will take place, the directors of the Company will only make repurchases if at the time of the repurchase they are of the opinion that:
  - the Company and its subsidiaries will, after the repurchase, be able to pay their debts as they become due in the ordinary course of business for the 12 (twelve) month period following the date of the repurchase;
  - the consolidated assets of the Company and its subsidiaries, fairly valued and recognised and measured in accordance with the accounting policies used in the latest audited financial statements, will, after the repurchase, be in excess of the consolidated liabilities of the Company and its subsidiaries for the 12 (twelve) month period following the date of the repurchase;
  - the issued share capital and reserves of the Company and its subsidiaries will, after the repurchase, be adequate for the ordinary business purposes of the Company and its subsidiaries for the 12 (twelve) month period following the date of the repurchase; and
  - the working capital available to the Company and its subsidiaries will, after the repurchase, be adequate for the ordinary business requirements of the Company and its subsidiaries for the 12 (twelve) month period following the date of the repurchase;
- the repurchase shall only be effected if the board of directors has at the time of the repurchase passed a resolution authorising the repurchase in terms of sections 48 and 46 of the Companies Act and it reasonably appears that the Company and its subsidiaries have satisfied the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the Company and its subsidiaries.

Litigation statement

In terms of paragraph 11.26 of the JSE Listings Requirements, the directors, whose names appear on page 75, are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or had in the recent past, being at least the previous 12 months, a material effect on the Pick n Pay Group's financial position.

Directors' responsibility statement

The directors, whose names appear on page 75, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted that would make any statements false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this special resolution contains all information required by law and the JSE Listings Requirements.

Material changes

Other than the facts and developments reported on in terms hereof and in the integrated annual report, there have been no material changes in the financial or trading position of the Company.

Reason and effect of special resolution number 3

The reason for special resolution number 3 is to grant the Company a general authority in terms of the JSE Listings Requirements for the acquisition by the Company or any of its subsidiaries of shares issued by the Company, which authority shall be valid until the earlier of the next annual general meeting of the Company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the Company, provided that the general authority shall only be valid until the Company's next annual general meeting, or for 15 (fifteen) months from the date of passing of this special resolution, whichever period is shorter. The passing of this special resolution will have the effect of authorising the Company and/or any of its subsidiaries to acquire shares issued by the Company.

Other than as set out, the Board has no specific intention, at present, for the Company to repurchase any of its shares, but consider that such a general authority should be put in place should an opportunity present itself to do so during the year, which the Board deems to be in the best interests of the Company and its shareholders, taking prevailing market conditions and other factors into account. Historically, the Board has only exercised this resolution to buy back shares from employees who are exercising their share options, and to cover share scheme obligations.

9. ORDINARY RESOLUTION NUMBER 4

Directors' authority to implement special and ordinary resolutions

"Resolved as an ordinary resolution that each and every director of the Company be and is hereby authorised to do all such things and sign all such documents as may be necessary for or incidental to the implementation of the resolutions passed at this meeting."

10. TO TRANSACT SUCH OTHER BUSINESS THAT MAY BE TRANSACTED AT AN ANNUAL GENERAL MEETING

GENERAL INSTRUCTIONS AND INFORMATION

In addition to the notice and proxy, this document contains:

- the audited financial statements on pages 92 to 147;
- details of the directors of the Company on page 75;
- the curricula vitae of directors and alternate directors up for re-election on page 75;
- the curricula vitae of directors nominated for election as members of the audit committee on page 75;
- the remuneration report on pages 76 to 77; and
- the directors' interests in shares on page 89.

The integrated annual report, incorporating the financial statements, is published on the Pick n Pay website, www.picknpayinvestor.co.za or can be requested from the Company Secretary at demuller@pnp.co.za.

There are no material changes to the Group's financial or trading position, nor are there any material, legal or arbitration proceedings (pending or threatened) that may affect the financial position of the Group between the end of the 2014 financial period and 25 April 2014.

The directors, whose names are given on page 75, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the integrated annual report and this document contain all information required by law and the JSE Listings Requirements.

All shareholders are encouraged to attend, speak and vote at the annual general meeting.

ENTITLEMENT TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IN PERSON OR BY PROXY

If you hold certificated shares (i.e. have not dematerialised your shares in the Company) or are registered as an own-name dematerialised shareholder (i.e. have specifically instructed your Central Securities Depository Participant (CSDP) to hold your shares in your own name on the Company's subregister) then:

- you may attend and vote at the annual general meeting; alternatively
- you may appoint an individual as a proxy (who need not be a shareholder of the Company) to attend, participate in and speak and vote in your place at the annual general meeting by completing the attached form of proxy and returning it to the registered office of the Company or to the transfer secretaries, Computershare Investor Services Proprietary Limited, the details of which are set out on the inside back cover, by no later than 09:00 on Thursday, 29 May 2014 being 2 (two) business days prior to the time appointed for the holding of the annual general meeting, for administrative reasons only. Please note that your proxy may delegate his/her authority to act on your behalf to another person, subject to the restrictions set out in the attached form of proxy. Please also note that the attached form of proxy must be delivered to the registered office of the Company or to the transfer secretaries, Computershare Investor Services Proprietary Limited as aforesaid, before your proxy may exercise any of your rights as a shareholder at the annual general meeting. The contact details of Computershare are in note 5 to the form of proxy.

Unless revoked before then, a signed proxy form shall remain valid at any adjournment or postponement of the annual general meeting and the proxy so appointed shall be entitled to vote, as indicated on the proxy form, on any resolution (including any resolution which is amended or modified) at such annual general meeting or any adjournment or postponement thereof.

Shareholders of the Company who wish to participate in the annual general meeting should please note that any shareholder of the Company that is a company may authorise any person to act as its representative at the annual general meeting. Please also note that section 63(1) of the Companies Act requires that persons wishing to participate in the annual general meeting (including the aforementioned representative) must provide reasonably satisfactory identification before they may so participate.

Notice of annual general meeting continued

Please note that if you are the owner of dematerialised shares (i.e. have replaced the paper share certificates representing the shares with electronic records of ownership under the JSE's electronic settlement system, Share Transactions Totally Electronic (STRATE)) held through a CSDP or broker (or their nominee) and are not registered as an "own name dematerialised shareholder", then you are not a registered shareholder of the Company, but your CSDP or broker (or their nominee) would be.

Accordingly, in these circumstances, subject to the mandate between yourself and your CSDP or broker (or their nominee), as the case may be:
- if you wish to attend the annual general meeting you must contact your CSDP or broker (or their nominee) and obtain the relevant letter of representation from it; alternatively
- if you are unable to attend the annual general meeting but wish to be represented at the meeting, you must contact your CSDP or broker (or their nominee) and furnish it with your voting instructions in respect of the annual general meeting and/or request it to appoint a proxy. You should not complete the attached form of proxy. The instructions must be provided in accordance with the mandate between yourself and your CSDP or broker within the time period required by your CSDP or broker.

CSDPs, brokers or their nominees recorded in the Company's subregister as holders of dematerialised shares held on behalf of an investor/beneficial owner in terms of STRATE should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares in the Company, vote by either appointing a duly authorised representative to attend and vote at the annual general meeting or by completing the attached form of proxy in accordance with the instructions thereon and returning it to the registered office of the Company or to the transfer secretaries, Computershare Investor Services Proprietary Limited, the details of which are set out on the inside back cover, by no later than 09:00 on Thursday, 29 May 2014, being 2 (two) business days prior to the time appointed for the holding of the annual general meeting, for administrative reasons only.

By order of the Board

Debra Muller
Company Secretary

Cape Town
2 May 2014

Pick n Pay Holdings Limited RF

Form of proxy

For use at the annual general meeting of Pick n Pay Holdings Limited RF (the Company) to be held at the registered office of the Company, situated at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town in the conference centre at 09:00 or as soon as the annual general meeting for Pick n Pay Stores Limited is completed, on Monday, 2 June 2014.

This form of proxy is not to be used by beneficial owners of shares who have dematerialised their shares (dematerialised shares) through a Central Securities Depository Participant (CSDP) or broker, as the case may be, unless you are recorded on the subregister as an own-name dematerialised shareholder. Generally, you will not be an own-name dematerialised shareholder unless you have specifically requested your CSDP to record you as the holder of the shares in your own name in the Company's subregister.

This form of proxy is only for use by certificated, own-name dematerialised shareholders and CSDPs or brokers (or their nominees) registered in the Company's subregister as the holder of dematerialised ordinary shares.

Each shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy (who need not be a shareholder of the Company) to attend, participate in and speak and vote in place of that shareholder at the annual general meeting, and at any adjournment or postponement thereafter.

Please note the following:
- The appointment of your proxy may be suspended at any time to the extent that you choose to act directly and in person in the exercise of your rights as a shareholder at the annual general meeting;
- The appointment of the proxy is revocable;
- You may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy, and to the Company; and
- Unless revoked before then, a signed proxy form shall remain valid at any adjournment or postponement of the annual general meeting and the proxy so appointed shall be entitled to vote, as indicated on the proxy form, on any resolution (including any resolution which is amended or modified) at such annual general meeting or any adjournment or postponement thereof.

Please note that any shareholder of the Company that is a company may authorise any person to act as its representative at the annual general meeting. Please also note that section 63(1) of the Companies Act, No 71 of 2008, as amended (the Companies Act), requires that persons wishing to participate in the annual general meeting (including the aforementioned representative) must provide reasonably satisfactory identification before they may so participate.

Note that voting will be performed by way of a poll so each shareholder present or represented by way of proxy will be entitled to vote.

I/We (block letters)

(the registered shareholder)

I/We (block letters)

(the beneficial shareholder – insert details of beneficial shareholder only if different to the registered shareholder)

of (address)

Telephone: Work (   )   Telephone: Home (   )

being the holder/s of (number of shares)   ordinary shares in the Company, hereby appoint (refer to note 1)

1.   or failing him/her,

2.   or failing him/her,

3. the Chairman of the annual general meeting,

as my/our proxy to attend, participate in and speak and vote in my/our place and on my/our behalf at the annual general meeting which will be held for the purpose of considering and, if deemed fit, passing the resolutions to be proposed thereat with or without modification or amendment, and at any postponement or adjournment thereof and to vote for or against such resolutions or to abstain from voting and to vote for or against any motions to postpone or adjourn the annual general meeting or to abstain from voting in respect of the shares in the issued capital of the Company registered in my/our name/s, in accordance with the instructions set out below (refer to note 2).

My/our proxy may delegate to another person his/her authority to act on my/our behalf at the annual general meeting, provided that my/our proxy:
- may only delegate his/her authority to act on my/our behalf at the annual general meeting to a director of the Company; and
- must provide written notification to the transfer secretaries of the Company, namely Computershare Investor Services Proprietary Limited, of the delegation by my/our proxy of his/her authority to act on my/our behalf at the annual general meeting by no later than 09:00 on Thursday, 29 May 2014, 2 (two) business days before the annual general meeting to be held at 09:00 on Monday, 2 June 2014; and
- must provide to his/her delegee a copy of his/her authority to delegate his/her authority to act on my/our behalf at the annual general meeting.

		Number of votes (one vote per ordinary share)		
		In favour of	Against	Abstained
Ordinary resolution number 1:	Appointment of the external auditors			
Ordinary resolution number 2.1:	Election of Wendy Ackerman as director			
Ordinary resolution number 2.2:	Election of Jeff van Rooyen as director			
Ordinary resolution number 3.1:	Appointment of René de Wet to the audit committee			
Ordinary resolution number 3.2:	Appointment of Jeff van Rooyen to the audit committee			
Ordinary resolution number 3.3:	Appointment of Hugh Herman to the audit committee			
Non-binding advisory vote:	Endorsement of remuneration report			
Special resolution number 1:	Directors' fees			
Special resolution number 2:	Financial assistance to related or inter-related companies			
Special resolution number 3:	General approval to repurchase Company shares			
Ordinary resolution number 4:	Directors' authority to implement special and ordinary resolutions			

Insert an X in the relevant spaces above according to how you wish your votes to be cast. If you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of shares held in respect of which you desire to vote (see note 3).

I give permission to my CSDP to disclose to the Company how my votes have been cast, should the Company request such information from my CSDP   Yes ☐

Please note: if an X is not inserted into the box, it will be taken that permission has been declined and that the CSDP will not be permitted to disclose to the Company how my votes have been cast.

Signed at   on   2014

Signature

(Authority of signatory to be attached if applicable – see note 7)

Assisted by me (where applicable – see note 9)   Telephone number

Please also read the notes overleaf.

Form of proxy continued

Summary of shareholder's rights in respect of proxy appointments as contained in section 58 of the Companies Act

Please note that in terms of section 58 of the Companies Act:

- this proxy form must be dated and signed by the shareholder appointing the proxy;
- you may appoint an individual as a proxy, including an individual who is not a shareholder of the Company, to participate in and speak and vote at a shareholders' meeting on your behalf;
- your proxy may delegate his/her authority to act on your behalf to another person, subject to any restriction set out in this proxy form;
- this proxy form must be delivered to the Company, or to the transfer secretaries of the Company, namely Computershare Investor Services Proprietary Limited, before your proxy exercises any of your rights as a shareholder at the annual general meeting;
- the appointment of your proxy or proxies will be suspended at any time to the extent that you choose to act directly and in person in the exercise of any of your rights as a shareholder at the annual general meeting;
- the appointment of your proxy is revocable unless you expressly state otherwise in this proxy form;
- as the appointment of your proxy is revocable, you may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy and to the Company. Please note the revocation of a proxy appointment constitutes a complete and final cancellation of your proxy's authority to act on your behalf as at the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered to the Company and the proxy as aforesaid;
- if this proxy form has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the Company's Memorandum of Incorporation to be delivered by the Company to you will be delivered by the Company to you or your proxy or proxies, if you have directed the Company to do so in writing and paid any reasonable fee charged by the Company for doing so;
- your proxy is entitled to exercise, or abstain from exercising, any voting right of yours at the annual general meeting, but only as directed by you on this proxy form;
- the appointment of your proxy remains valid only until the end of the annual general meeting or any adjournment or postponement thereof or for a period of 6 (six) months, whichever is shortest, unless it is revoked by you before then on the basis set out above.

The proxy form shall be valid and shall apply to any adjournment or postponement of the annual general meeting to which it relates and shall apply to any resolution proposed at the annual general meeting to which it relates and to such resolution as modified or amended, including any such modified or amended resolution to be voted on at any adjourned or postponed meeting of the annual general meeting to which the proxy relates, unless before the adjourned or postponed meeting the appointment of the proxy is revoked.

Notes

1. The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as a proxy to the exclusion of those whose names follow thereafter.
2. If no proxy is inserted in the spaces provided, then the Chairperson shall be deemed to be appointed as the proxy to vote or abstain as the Chairperson deems fit.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. If there is no clear indication as to the voting instructions to the proxy, the proxy form will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable at the annual general meeting.
4. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy. A proxy shall be entitled to demand that voting takes place on a poll.
5. Proxy forms must be lodged at the registered office of the Company, Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708, or posted to the Company Secretary at PO Box 23087, Claremont, 7735, or lodged with or posted to the transfer secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107, South Africa).
6. Forms of proxy must be received or lodged by no later than 09:00 on Thursday, 29 May 2014, being (two) business days before the annual general meeting to be held at 09:00 on Monday, 2 June 2014, for administrative reasons only.
7. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the Company Secretary or waived by the Chairperson of the annual general meeting if he/she is reasonably satisfied that the right of the representative to participate and vote has been reasonably verified. CSDPs or brokers registered in the Company's subregister voting on instructions from beneficial owners of shares registered in the Company's subregister, are requested that they identify the beneficial owner in the subregister on whose behalf they are voting and return a copy of the instruction from such owner to the Company Secretary or to the transfer secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107, South Africa), together with this form of proxy.
8. Any alteration or correction made to this proxy form must be initialled by the signatory/ies, but will only be validly made if such alteration or correction is accepted by the Chairperson.
9. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company Secretary.

Pick n Pay Group of Companies

Administration

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

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

POSTAL ADDRESS
PO Box 23087
Claremont 7735

PROMOTION OF ACCESS TO INFORMATION ACT
Information Officer – Penny Gerber
email address: pgerber@pnp.co.za

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

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

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

ENGAGE WITH US ON

TRANSFER SECRETARIES
Computershare Investor Services Proprietary Limited
70 Marshall Street
Johannesburg 2001
PO Box 61051
Marshalltown 2107
Tel +27 11 370 5000
Fax +27 11 688 5248

AUDITORS
KPMG Inc.

ATTORNEYS
Edward Nathan Sonnenberg

PRINCIPAL TRANSACTIONAL BANKERS
Absa Limited
First National Bank

JSE LIMITED SPONSOR
Investec Bank Limited
100 Grayston Drive
Sandton
2196

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

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

BASTION GRAPHICS