Integrated Annual Report 2013

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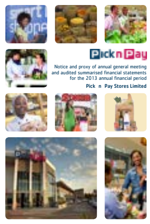
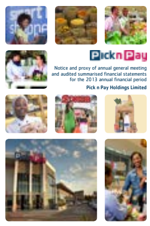
HOW TO USE OUR REPORTS

To best serve the needs of a variety of stakeholders, different sections of our full Integrated Report are available in different mediums. These are cross-referenced in the different reports and detailed below:

Medium	Report	Content
Printed and available on request **www.picknpay-ir.co.za**		**Integrated Annual Report** Group overview report to stakeholders Sustainability summary Corporate governance Annual Financial Statements
Printed and mailed to shareholders **www.picknpay-ir.co.za**		**Summarised Results: Pick n Pay Stores Limited** Review of operations Summarised Annual Financial Statements Summarised remuneration policy Shareholder information Notice of AGM and proxy form
Printed and mailed to shareholders **www.picknpay-ir.co.za**		**Summarised Results: Pick n Pay Holdings Limited RF** Review of operations Summarised Annual Financial Statements Summarised remuneration policy Shareholder information Notice of AGM and proxy form
www.picknpay-ir.co.za/ sustainability-reports		**Sustainable Living Report** Full sustainability report GRI index

In order to promote sustainability, we will not be posting the Integrated Annual Report to all our shareholders.

Notices of AGM and proxy forms can be found on our website, www.picknpay-ir.co.za, in the summarised results.

A printed copy of the Integrated Annual Report is available on request from our Company Secretary, Debra Muller, at demuller@pnp.co.za or by fax at + 27 21 797 0314. Any additional requests for information or comments on the report can also be directed to her.

APPROVAL

The audit committee has reviewed the Integrated Annual Report for 2013 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 3 March 2013 and its performance for the related annual financial period.

The Board authorised the Integrated Annual Report for release on 22 April 2013.

Gareth Ackerman
Non-executive Chairman

Richard Brasher
Chief Executive Officer

About this report

REGULATORY INTRODUCTION

We are pleased to present our Integrated Annual Report for 2013. In this document our aim is to provide a review of the financial, social and environmental performance indicators and results for Pick n Pay Holdings Limited RF ("Pick n Pay Holdings Limited") 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 will provide all 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 remain committed to achieving the highest standards of global best practice in reporting and, as such, continue on our journey to implement those standards as far as possible in the Group. We have expanded our disclosures in 2013 and will continue to engage with all stakeholders and improve year-on-year.

SCOPE OF THE REPORT

This report covers the financial performance, operational highlights and strategic objectives of Pick n Pay Holdings Limited and Pick n Pay Stores Limited and all their subsidiaries and associate (the Group).

Pick n Pay Holdings Limited is an investment holding company listed on JSE Limited (JSE), with a controlling shareholding in JSE listed Pick n Pay Stores Limited. The latter is an investment holding company whose subsidiaries and associate operate in the retail sector on the African continent.

Sustainability elements covered in this report are specific to our Pick n Pay branded business unit. It is our intention to expand these disclosures in the future to all business units of the Group in South Africa in order to provide a comprehensive view of the social and environmental impact of the Group as a whole.

The report covers the 2013 annual financial period 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 Committee's prototype of 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 71 of 2008, as amended;
- The JSE Listings Requirements; and
- International Financial Reporting Standards (IFRS).

There are a number of improvements in our report, which resulted in some changes to the structure and the presentation of information. This has not materially affected the consistency of our reporting, and no previously reported significant information has been excluded from the report.

See pages 97 to 99 of the annual financial statements for improved segmental reporting in line with our operational structure. There have been some changes in the executive management structure as detailed in the Chairman's report on pages 12 to 15.

There have been no restatements of financial information in respect of prior periods, however, in considering year-on-year comparability we draw your attention to the following:

- During the financial period under review the Group has adopted a 52-week financial reporting calendar for all future annual financial periods. This change will integrate financial reporting with operational structures and will improve comparative reporting to both internal and external stakeholders. As a result the 2013 annual financial period ended on 3 March 2013 compared to 29 February 2012 in the comparative period. Refer to note 29 on page 104 for the estimated impact on the annual financial statements.

FORWARD LOOKING INFORMATION

This Integrated Annual Report contains certain forward looking statements as relates to the financial 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 Report. This was achieved through setting up the appropriate teams and structures to undertake the reporting process and performing a thorough review of the report.

The annual financial statements in 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 annual financial statements. We are currently working with a qualified, independent third party to assist us with developing and implementing a comprehensive combined assurance approach, to ensure the integrity of all data contained within the report.

Group at a glance

Pick n Pay Holdings Limited and Pick n Pay Stores Limited are investment holding companies listed on the JSE since 1968. Pick n Pay Holdings Limited's sole purpose is the holding of the controlling shareholding in Pick n Pay Stores Limited. Pick n Pay Stores Limited, through its subsidiaries and associates, operates in the retail sector on the African continent.

Pick n Pay is the quintessential family store focused on the customer. Since 1967 when consumer champion Raymond Ackerman purchased the first few stores, the Ackerman family's vision has grown and expanded to now encompass stores in South Africa, Namibia, Botswana, Zambia, Mozambique, Mauritius, Swaziland and Lesotho. Additionally Pick n Pay owns a 49% share of a Zimbabwean supermarket business, TM Supermarkets. Our offer to customers focuses on groceries, clothing and general merchandise, but also includes additional value-added services to cater for our customers' expectations and evolving needs. To ensure a convenient and accessible shopping experience the Group operates across multiple store formats, both franchised and owned.

For the past 5 years the Group's core focus has been to strengthen its strong South African retail businesses under the Pick n Pay and Boxer brands, while adopting a systematic approach to expanding into adjacent areas, including geographical growth through the African continent.

As a major retailer in Africa, the Group strives to address socio-economic challenges through the supply of high-quality, affordable food for all customers, while providing significant employment and economic opportunities across its value chain. The growth and success of Pick n Pay is attributable to 3 basic principles, which form the cornerstone of the business:

- Consumer sovereignty;
- Doing good is good business; and
- Maximising business efficiency.

Mission

- **We serve**
- **With our hearts we create a great place to be**
- **With our minds we create an excellent place to shop**

Values

- **We are passionate about our customers and will fight for their rights**
- **We care for, and respect each other**
- **We foster personal growth and opportunity**
- **We nurture leadership and vision, and reward innovation**
- **We live by honesty and integrity**
- **We support and participate in our communities**
- **We take individual responsibility**
- **We are all accountable**

Store footprint

We are a multi-format, multi-channel retailer with a footprint of 992 stores, 107 opened during the 2013 annual financial period.

Pick n Pay

20
Hypermarkets
COMPANY OWNED
Food, wine, clothing, with wide range of general merchandise and home improvement supplies

185
Supermarkets
COMPANY OWNED
Food, wine, clothing, with associated range of general merchandise

287
Supermarkets
FRANCHISE
Food, wine, clothing, with associated range of general merchandise

17
Express
FRANCHISE
Convenience store – food

135
Liquor
COMPANY OWNED
Beer, wine and liquor

105
Liquor
FRANCHISE
Beer, wine and liquor

28
Pharmacy
COMPANY OWNED – 24 IN-STORE and 4 STAND ALONE
Pharmaceutical, health and beauty

76
CLOTHING
COMPANY OWNED
Clothing and homeware

13
CLOTHING
FRANCHISE
Clothing and homeware

Boxer

Boxer
113
Supermarkets
COMPANY OWNED
Food, wine and general merchandise

Boxer Build
15
Hardware
COMPANY OWNED
Hardware and general building supplies

Boxer Superliquors
12
Liquor
COMPANY OWNED
Beer, wine and liquor

Boxer Punch
10
Punch
COMPANY OWNED
Convenience store – food and an associated range of general merchandise

INVESTMENT IN ASSOCIATE
TM ZIMBABWE

TM
47
Supermarkets
Food, wine and general merchandise

Pick n Pay
2
Supermarkets
Food, wine and general merchandise

Key indicators

PERFORMANCE INDICATORS

- More than half of South Africa's customers regularly shop at Pick n Pay *(source: AMPS 2012)*
- Customer counts increased by **4.3%**
- More than **6.3 million** South Africans have smartshopper cards
- **10** smartshopper cards are swiped every second
- **95%** of our private label suppliers were audited on food safety

PRIVATE LABEL

- Brand positioning for price, range and quality.

Turnover
R59.3 billion

Net asset value per share increase
6.9%

992 stores

Net trading profit
R808.9 million

EBITDA
R1 793.1 million

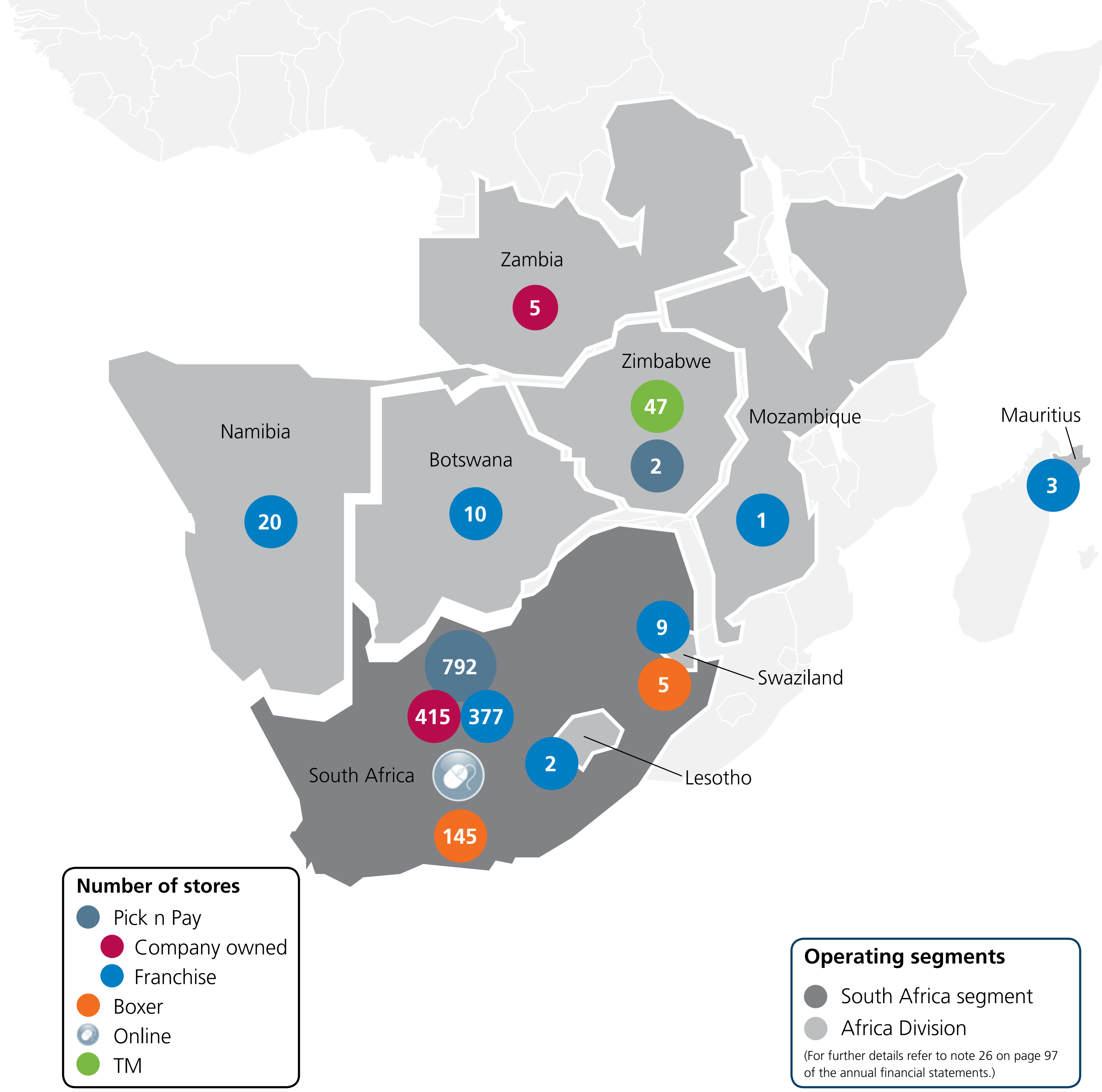
14 million
transactions per week

Headline earnings
R532.2 million

Total dividend per share
84.00 cents

Geographic spread

- We have 937 stores in South Africa across all formats.
- We have 104 stores outside South Africa.
- We serve most customer groups.
- We tailor our ownership model to the local environment, whether franchised, owned or part investment.
- We offer online shopping across South Africa.



Pick n Pay awards

AWARDS AND ACHIEVEMENTS

MOST TRUSTED RETAILER

Pick n Pay was voted the most trusted retailer in SA – Ask Africa Trust Barometer.

MOST REPUTABLE RETAILER
Pick n Pay was voted the most reputable retailer in SA, according to the 2013 RepTrak Pulse survey.

Sunday Times readers voted Pick n Pay as the most environmentally responsible South African retailer.

Pick n Pay was the Grand Prix winner for Green Awareness in the Sunday Times Top Brands Awards.

Pick n Pay was selected the No 1 Food Retailer in TGI's CON Brand Survey.

Pick n Pay was included in the JSE 100 Carbon Performance Leadership index for 2012.

Coolest grocery store in the country for the 8th year running 2012 – Sunday Times Generation Next Brand Survey.

Thyme on Nicol Restaurant at Pick n Pay on Nicol has won a coveted RASA Rosetta Award. This is in recognition of service excellence in the restaurant industry.

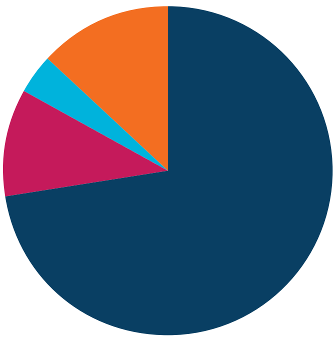
Value added analysis

VALUE ADDED STATEMENT

CONTINUING OPERATIONS

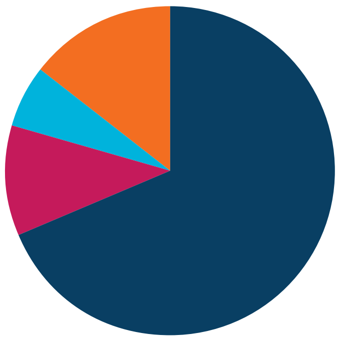
	2013 Rm	2013 %	2012 Rm	2012 %
Pick n Pay Stores Limited				
Turnover	**59 271.3**		55 330.5	
Amounts paid for merchandise and expenses	**(52 504.8)**		(48 598.3)	
Interest and dividends received	**42.8**		39.5	
Value added	**6 809.3**	**100.0**	6 771.7	100.0
Distributed as follows:				
To employees as salaries, wages and other benefits	**4 952.0**	**72.7**	4 658.5	68.8
To investors as dividends and interest paid	**714.8**	**10.5**	740.5	10.9
To government as income taxation	**258.3**	**3.8**	407.7	6.0
Reinvested to finance expansion and growth	**884.2**	**13.0**	965.0	14.3
	6 809.3	**100.0**	6 771.7	100.0

2013



Employees	72.7%
Investors	10.5%
Government	3.8%
Reinvested to finance expansion and growth	13.0%

2012

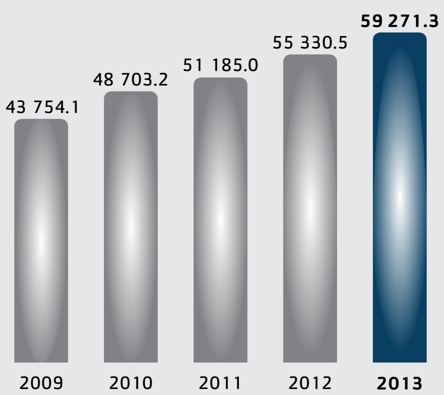


Employees	68.8%
Investors	10.9%
Government	6.0%
Reinvested to finance expansion and growth	14.3%

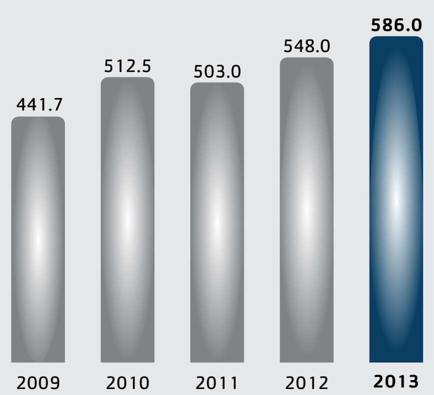
Five-year financial review

R million unless otherwise stated		2013	2012	2011	2010	2009
Pick n Pay Stores Limited						
PERFORMANCE MEASURES						
Continuing operations						
Turnover growth	%	**7.1**	8.1	5.1	11.3	17.2
Gross profit on turnover	%	**17.7**	18.0	17.8	18.1	18.5
Trading profit growth	%	**(33.2)**	(10.6)	(13.5)	(2.1)	10.7
Trading profit on turnover	%	**1.4**	2.3	2.8	3.4	3.8
EBITDA growth	%	**(13.5)**	(4.0)	(4.9)	3.6	14.4
Net profit margin	%	**1.4**	2.1	2.6	3.3	3.5
Headline earnings growth	%	**(30.7)**	(14.8)	(17.8)	1.4	15.2
Headline earnings per share	cents	**111.5**	160.8	189.3	231.7	229.3
Headline earnings per share growth	%	**(30.7)**	(15.1)	(18.3)	1.1	10.9
Total Group						
Return on shareholders' equity	%	**22.1**	29.9	36.5	52.7	65.1
Return on total assets	%	**4.3**	5.9	7.0	9.3	10.0
Net asset value per share	cents	**586.0**	548.0	503.0	512.5	441.7
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME						
Continuing operations						
Turnover		**59 271.3**	55 330.5	51 185.0	48 703.2	43 754.1
Trading profit		**852.4**	1 275.1	1 417.7	1 638.7	1 673.9
EBITDA		**1 793.1**	2 073.7	2 160.9	2 271.3	2 192.3
Headline earnings		**532.2**	767.8	900.8	1 096.4	1 081.5
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION						
Total Group operations						
ASSETS						
Non-current assets		**5 408.0**	5 091.1	4 078.3	4 849.3	4 336.4
Current assets		**7 613.1**	6 727.2	7 022.0	6 349.5	6 239.4
Total assets		**13 021.1**	11 818.3	11 100.3	11 198.8	10 575.8
EQUITY AND LIABILITIES						
Ordinary shareholders' equity		**2 416.0**	2 404.1	2 158.8	2 144.6	1 695.5
Non-current liabilities		**1 697.1**	1 609.3	1 383.3	1 391.4	1 344.8
Current liabilities		**8 908.0**	7 804.9	7 558.2	7 662.8	7 535.5
Total equity and liabilities		**13 021.1**	11 818.3	11 100.3	11 198.8	10 575.8

Turnover (Rm)



Net asset value (Rm)



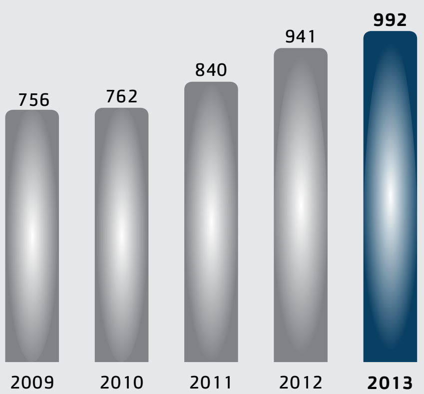
R million unless otherwise stated		2013	2012	2011	2010	2009
STOCK EXCHANGE (JSE LIMITED) PERFORMANCE						
Pick n Pay Stores Limited (PIK)						
Number of shares in issue		**480.4**	480.4	480.4	480.4	506.1
Weighted average number of shares in issue		**478.1**	477.4	475.7	473.2	471.7
Total market capitalisation		**21 829.3**	20 690.7	22 309.7	19 408.1	15 690.2
Price:earnings ratio	times	**40.8**	30.2	28.2	18.9	14.8
Dividend per share	cents	**84.0**	130.9	142.5	174.5	170.0
Dividend cover	times	**1.3**	1.1*	1.2	1.2	1.2
Volume of shares traded		**274.5**	216.8	275.7	209.5	238.8
Percentage of shares traded	%	**57.1**	45.1	57.4	43.6	47.2
Market price per share – average	cents	**4 461**	4 177	4 472	3 486	3 145
Pick n Pay Holdings Limited (PWK)						
Number of shares in issue		**527.2**	527.2	527.2	527.2	527.2
Weighted average number of shares in issue		**516.4**	516.4	515.9	515.3	514.7
Headline earnings per share	cents	**55.1**	70.8	82.1	106.8	104.8
Price:earnings ratio	times	**34.4**	25.9	24.4	15.7	12.5
Dividend per share	cents	**40.8**	63.5	69.3	84.9	83.0
Dividend cover	times	**1.4**	1.1*	1.2	1.3	1.3
Volume of shares traded		**139.6**	122.8	165.7	60.4	85.7
Percentage of shares traded	%	**26.5**	23.3	31.4	11.5	16.3
Market price per share – average	cents	**1 944**	1 745	1 885	1 495	1 325

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

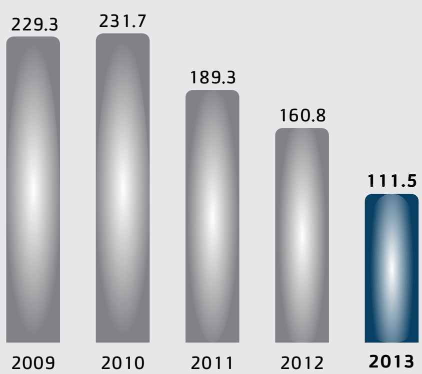
DEFINITIONS

Headline earnings	Net profit for the period adjusted for the after tax effect of certain capital items
EBITDA	Earnings before interest, tax, depreciation and amortisation
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

Number of stores (continuing operations)



Headline earnings per share (cents)



GROUP OVERVIEW
REPORT TO STAKEHOLDERS
CORPORATE GOVERNANCE
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CORPORATE AND SHAREHOLDER INFORMATION

Engaging with our stakeholders

The Pick n Pay mission statement and values form the foundation of the Group's approach to, and engagement with, its stakeholders. This is further underpinned by our Board's commitment to King III, which subscribes to a stakeholder-inclusive approach to corporate governance. Stakeholder engagement provides a platform for Pick n Pay to take into account the concerns and objectives of the Group's stakeholders in our decision-making and strategy development towards a sustainable future for the business.

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.

We are committed to communicating accurate and relevant information to all our stakeholders and welcome open dialogue with all parties with whom we do business. We are continuously expanding our stakeholder interactions to improve and encourage the diversity of engagement.

Pick n Pay engages most actively with the stakeholders below, but also acknowledges a range of other stakeholders and interested parties, which include for example the media, government and unions. We engage with these parties when any material issue arises that affects the sustainability of the business and needs to be communicated or addressed on a wider basis.

Customers

Our vision	Our engagement	Key issues
• Be the retailer of choice for all South Africans • Provide a wide range of products of outstanding quality and price and great service • Commitment to ethical and informative marketing practices	• A Customer Director appointed on the Board • Personal meetings • Customer surveys, consumer forums and online customer panels • Our website and social media (269 423 Facebook and 17 331 Twitter followers as well as 30 Pinterest boards) • Marketing campaigns • Smartshopper programme	• Product quality and food safety • Affordability • Health, social responsibility and ethical issues • Opportunities for active engagement, such as buying sustainable seafood and using in-store recycling

Community

Our vision	Our engagement	Key issues
• Benefit from our ongoing investment in social economic development • Provide skills development, education, small enterprise support, community gardens and various other projects	• Forums such as township co-operatives, community affiliations, university partnerships, the Pick n Pay Schools Club • Social responsibility programmes of the individual stores and the Ackerman Pick n Pay Foundation	• Product quality and food safety • Affordability • Health, social responsibility and ethical issues • Opportunities for active engagement, such as buying sustainable seafood and using in-store recycling

Employees

Our vision	Our engagement	Key issues
• Working for the most sought after employer in the retail industry • Access to recognition, opportunities, good working conditions and competitive remuneration	• Management updates • Employee surveys • Monthly publications • In-house television and radio, employee conferences • Skills development and training • Ongoing union interaction	• Training, career development and wellness programmes (including HIV) • Recognition, remuneration and rewards • Business performance • Our sustainability goals and performance

Associates

Our vision	Our engagement	Key issues
• Support our associates in operations and expansion of their businesses • Provide the best shopping experience for our customers	• Co-operative operational structures assist with operational and strategic decisions • Use logistical infrastructure to assist with efficient and cost-effective business management	• Transformation and enterprise development • Opportunities for cost reductions • Infrastructure and logistical support • Research and development support

Franchisees

Our vision

- 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

Our engagement

- One-on-one relationships
- 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

Key issues

- Building a sustainable business
- Resource efficiency (energy, water, waste, logistics)
- Security and sustainability of supply, timely delivery, pricing, product innovation, marketing support, quality of product and food safety
- Opportunities for cost reductions
- Transformation and enterprise development

Shareholders

Our vision

- Generate consistent profits in a long-term, sustainable manner
- Operate according to good corporate governance principles
- Innovative business practices
- Provide an attractive return on investment

Our engagement

- CEO and CFO regularly engage with investors, analysts and fund managers
- All relevant company information is made available to all our shareholders
- Analyst presentations twice a year
- Annual general meetings
- Investor relations section on our website (www.picknpay-ir.co.za)

Key issues

- ROI
- Sustainability
- Dividends
- Risks and opportunities
- New stores, channels and products
- Sufficient free float of shares for trade
- Constitution of the Board

Suppliers

Our vision

- Fair, efficient and mutually beneficial business relationships
- Develop new products that meet evolving customer needs and environmental requirements
- Give "new product innovation" the best chance of success on shelf, through visibility and availability
- Committed to continuous development of small businesses and suppliers
- Contribute to job creation in Africa

Our engagement

- Conduct food safety audits at supplier factories and production facilities on an annual basis
- Store visits
- Joint business planning sessions
- New store opening programmes
- Cycle meetings
- Technical support
- Compliance training
- Supplier conferences
- Dedicated enterprise development programme

Key issues

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

Chairman's report

Gareth Ackerman

"Our focus on values continues to lie at the heart of our business"

The 2013 annual financial period reflects a mixed result for the Pick n Pay Group. The financial performance of the Group continues to be impacted in the short term by the costs associated with our business transformation. The long-term benefits of these initiatives are still to be realised and we know that a lot of hard work lies ahead.

The year ended with the news that, according to a comprehensive survey of the South African public by Ask Africa, Pick n Pay is the most trusted retailer in South Africa. We work hard – and have done so since our inception – to earn the trust of our customers and the broader South African society. The news was welcomed by all our people, particularly given the extensive transformation initiatives we have been undertaking in recent years, some of which have inconvenienced our customers at times.

EXECUTIVE REVIEW

In the midst of a business transition, while also facing low economic growth and pressure on our customers, I believe we have achieved some notable milestones over the past year. These include:

- The appointment of Richard Brasher as Chief Executive Officer who has in a short space of time brought energy and impeccable global retailing credentials to Pick n Pay.
- We have made progress with our distribution strategy. We successfully opened our second major distribution centre, in Philippi in the Western Cape, and are pleased with the progress we have made with our distribution centre in Longmeadow in Johannesburg after the decision to take the management in-house.
- An encouraging new store pipeline across all our retail formats, which will enhance our community coverage and anchor our recovery in the coming year. This will ensure that customer choice and value for money continue to be the hallmarks of the Pick n Pay Group brands, demonstrating the extent to which a focus on our traditional values reinforces and complements the elements of our strategic plans to enhance performance.
- The bedding down of our category buying team. This has changed the way we negotiate with our suppliers, thereby enhancing our buying function to the advantage of customers.
- We streamlined our performance reporting process including changing to a 52-week reporting calendar, enhancing future comparable reporting.
- 95% of our private label supplies were audited for food safety.

Although we have recorded these and other achievements, they are of a longer-term nature with the commensurate benefits only expected to manifest themselves in future financial periods. In the short term they contribute to an anticipated increase in the cost base and a depressed financial result. Our trading results also reflect the challenging conditions that characterise both the global and domestic economies.

The recent weakening of the rand against developed market currencies may bring some relief to the exporting sectors. The impact on the price of imported and dollar-denominated commodities, especially maize, oil and fuel, imported food products and imported inputs into food and other manufactured goods can be ultimately devastating to the poorest of our customers. These customers are always the first to suffer the consequences of rising food inflation. This impact on the consumer is exacerbated by the above-inflation increases in government-administered prices and services such as electricity, petrol, rates and indirect taxes.

We are making representations against increased duties on imported chicken as it will inflate the retail prices which the population cannot afford.

Pick n Pay has always sought ways to mitigate the effects of such cost pressures on our customers. This we have achieved through strategies such as sourcing local merchandise where possible, competitive product-pricing, and managing our directly attributable operational costs without compromising the quality of our service.

As this Integrated Annual Report and our Sustainable Living Report demonstrate, our focus on sustainability continues to lie at the heart of our business model. We do not regard this as a passing fad or a marketing ploy to accommodate the desires of our more savvy customers. Pick n Pay's commitment to sustainable operating principles goes back to the late 1980s when, if anything, commentators wondered why we were heading in that direction. But in keeping with our traditional core belief that sustainable businesses have an important role to play in the building of sustainable communities, this report records our aspirations and achievements in our efforts to add value to the broader economy and society of which we are a part.

Our efforts on the sustainability front have been greatly augmented by Pick n Pay's participation in the Consumer Goods Forum (CGF), an international association of retailers, manufacturers and service providers committed to a sustainable, safe and healthy consumer goods industry. As the co-chairman of the CGF, I have been able to gain valuable insights into those global and emerging retail trends that are improving sustainability across the value chain. We have been able to integrate many of the CGF's programmes and initiatives into Pick n Pay's own strategic commitments. As a signatory to the CGF protocols, such as the Global Food Safety and Refrigeration Initiatives, we are in the process of adopting international benchmarks that ensure excellence at all points of our operations. These trends are also emerging in the South African consumer profile: while many of our consumers remain under intense cost of living pressure, many others have increasingly demanded premium and mainstream products that are either organic or fair trade.

Of course, no retailer in South Africa could hope to have escaped the recent worldwide polemic about adulterated food products and food safety. In this regard we have been able to reassure our customers that Pick n Pay has always been fastidious about food safety and every product line stocked in our stores is subject to rigorous testing, independent third-party auditing and/or laboratory analysis. I believe that the current issue is more about trust and good faith than it is about hygiene or the adulteration of products. Putting customers first is what builds trust: high on the list of consumer rights is the right of access to comprehensive, visible and reliable information about contents, ingredients and quantities, so that customers may know what they are buying.

In addition to this process of stringent checks and controls, we make every effort to give preference to local suppliers. This not only makes it easier to trace the geographic origin of products, but also to monitor the methods of manufacture. It enables us to enforce strict standards at the food source. Through developing long-term relationships with suppliers, we are able to monitor the entire supply chain, from farmer to wholesaler, delivering fully traceable, high-quality produce which we are able to trust and which is continuously monitored by independent auditors. Currently, over 90% of our products are sourced locally.

Such support for local producers and small-scale entrepreneurs is also an integral part of our commitment to job creation, economic development and broad-based black economic empowerment. It is in keeping with Pick n Pay's procurement policies to also give preference and support to those who were historically excluded from South Africa's formal economy.

We have spent much time during the past year in reminding ourselves of those basic values and fundamental principles which have always been at the core of our enterprise. I believe it is imperative that we should, even in the midst of the changes that we have embarked upon, reflect on the elementary principles of ethical conduct, business practice and social responsibility that informed our establishment in 1967. These are the principles that have underscored our subsequent development as South Africa's most respected retail brand.

Our experience has demonstrated that there can be no substitute for our time-tested legacy principles of consumer sovereignty, "doing good is good business" and maximising business efficiency. In the past few years and particularly now, the executive leadership of the Group has again focused on these principles, the need to continue perfecting them and to ensure that they lie at the core of our business philosophy and model.

Chairman's report continued

This must necessarily mean directing our focus firmly towards the customer:

- Enhancing the shopping experience;
- Opening our fair share of new trading space to get closer to where our customers live and work; and
- Generating deeper customer insights to improve our offering.

We are aiming to improve the shopping experience and give our customers more reasons to shop with us – range, quality, service, price and convenience.

We will continue the Group's strategy of expansion into Africa. The number of stores operated by Pick n Pay in the SADC region now exceeds 100 and we are trading in Botswana, Lesotho, Mauritius, Mozambique, Namibia, Swaziland, Zambia and Zimbabwe. As we expand, key decisions on the choice of local partners and whether new stores are company owned or franchised will depend on the most efficient and effective way of investing in individual countries.

The fact that we have progressed as far as we have in transforming the business, without losing sight of our core foundational principles, is testament of a loyal and committed staff who have been asked to endure much uncertainty over the past year.

Looking back on the past five years, I remain satisfied that we took the right decision to embark on this programme of change when we did, and to absorb the necessary financial and institutional pain in the short term, and remain confident that ultimately it would be to the tangible benefit of shareholders, customers and employees. It is part of a journey, and despite the unsatisfactory financial performance in the 2013 financial period, I am confident that 2014 will reflect our hard work.

CORPORATE GOVERNANCE

Pick n Pay has always recognised that sound governance will enhance stakeholder value. This has been ingrained in our Group's identity and value system. Governance processes in the Group are consistently monitored and improved. The past year was the first full annual period that our social and ethics committee has been in operation.

I need to, however, draw attention to the increasing complexity and cost of corporate governance in the South African business environment. While recognising the need for the highest possible standards of probity governance and accountability in both the public and private sectors, and while acknowledging the considerable value of the various codes of conduct and regulatory regimes that govern our affairs, I believe we are approaching a moment where these need to be consolidated and simplified if they are to retain their ethical and normative value and not become mere checklists demanding the appearance of compliance but only a semblance of commitment. We need to work on making sure that these values and standards are appropriately applied by all stakeholders.

Among matters that require attention is the independence of non-executive directors, particularly the criterion that governs length of service. The definition of such independence is a contentious issue in corporate governance, but institutional memory and corporate experience are essential to the effective operation of any company board. As Chairman of the Group, I value the wisdom and contribution of our long-standing directors and am satisfied that their length of tenure has in no sense diminished their independence. However, we will continue to monitor the independence of directors. We are currently reviewing our Board's composition.

There is an increasing need to align and consolidate the expectations, demands and benchmarks of the King code, the rules of JSE Limited and the South African Companies Act 2008. In recent years there has been a proliferation of benchmarks, toolkits, dashboards and checklists used by analysts, research firms and compliance consultants. We fully support the intention of these regulations, but there is a pressing need for the simplification and rationalisation of the myriad demands if we are to reduce the cost of doing business, while ensuring focus on the appropriate implementation of the important corporate governance issues and producing results.

PROSPECTS

The trading environment in the year ahead unfortunately shows little sign of improving: food inflation and increases in the price of petrol and municipal services will continue to burden consumers' disposable income, while economic growth and household spending is likely to remain sluggish. At the same time, any deterioration in the violent nature of industrial action across multiple sectors will impact fixed investment and job creation, further suppressing the consumer confidence on which we depend.

There is still too wide a range of matters where government's policy agenda remains opaque. We need, for example, a clearer picture of where land reform is heading, how the need for restitution in the agricultural sector is to be aligned to food security and reconciled with the urgent need to contain food inflation and bring down the cost of basic foodstuffs to the poor.

Against this background, we were, as mentioned previously, delighted to secure the appointment of Richard Brasher as our new Chief Executive Officer. He has lost no time in immersing himself thoroughly in the culture and operation of the Group and already his enthusiasm and outstanding experience have brought a new energy and drive to the Group.

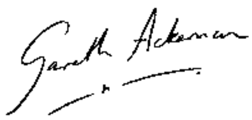
With Richard's appointment, my period as Executive Chairman since February 2012 came to an end and I have reverted to the Non-executive Chairmanship of Pick n Pay Stores Limited.

I would particularly like to thank our deputy CEO, Richard van Rensburg, and the executive team for their support and hard work over the past year.

Alex Mathole has resigned as an independent non-executive director, with effect from 28 February 2013. Alex has taken up an executive position at Tiger Brands Limited, a major supplier to Pick n Pay, and her resignation from the Board prevents the creation of a possible conflict of interests. Alex was a valuable member of the Board with her professional experience in sustainability and corporate social responsibility, as well as corporate governance issues. We thank her for her contribution and wish her all of the best in her future career.

As always, I am also pleased to have this opportunity to express thanks to my colleagues on the Board and the executive management team for their support. I would like to acknowledge the loyalty and commitment of the thousands of Pick n Pay employees who are the very heartbeat of the Group. I also acknowledge our shareholders and thank them for their support and patience over this period of systemic and fundamental change that we are undertaking at Pick n Pay.

Finally, I would like to thank our customers for their ongoing support and interactions.



Gareth Ackerman
Chairman

Cape Town
22 April 2013

Board of directors

Pick n Pay Stores Limited

Executive directors

Gareth Ackerman # Δ ‡ (55)

BSocSci, CMS, Associate Fellowship at Green Templeton College, Oxford
Chairman
Corporate governance and nominations committees' Chairman

Appointed 1990 **Years of service:** 29

Gareth was an executive director at Pick n Pay for 15 years before becoming a non-executive director in 1999. While an executive, he headed up many different divisions of the Company. He was appointed to the Board in 1990 and from 2002 until 2010 served as Chairman of Pick n Pay Holdings Limited. In 2010 he was appointed Chairman of Pick n Pay Stores Limited. He assumed the role of Executive Chairman and acting CEO on the resignation of Nick Badminton from 29 February 2012 until the appointment of CEO Richard Brasher.

Gareth is a member of the Board of the Consumer Goods Forum (CGF) and is the current co-chairman of the Board and of the knowledge pillar of CGF. He is Chairman and co-founder of Pleiad Capital, and serves as a trustee of the Ackerman Pick n Pay Foundation. Gareth is a tutor at Oxford University's Saïd Business School and an associate fellow at Green Templeton College, Oxford, as well as a member of the Oxford leadership Praxis advisory board. He serves as a member of the MENSA advisory group at the Tufts University, and is Chairman of the World President's Organisation in Cape Town. Gareth has lectured internationally on the issues of global food security and sustainable development.

Other listed company directorships: Pick n Pay Holdings Limited

Richard Brasher (51)

Bsc (Hons)
Chief Executive Officer

Appointed 2013

Richard joins Pick n Pay after a 26-year career at Tesco in the United Kingdom, during which time Tesco was transformed into a global retailer. Prior to being appointed the Chief Executive Officer of Tesco UK/Republic of Ireland, Richard was the Group Commercial Director. He transformed Tesco's non-food operation and developed the international supplier base. Richard was involved in the development of the house brand strategy, the modern convenience food category, the strategy of varying store formats, and the development of Tesco's loyalty programme. Richard has recently relocated to Cape Town with his family.

Richard van Rensburg (51)

CA(SA)
Deputy Chief Executive Officer

Appointed 2009 **Years of service:** 4

Richard has extensive experience in retail and information technology. His experience includes being a partner at Ernst & Young, CFO of Massmart Holdings Limited, managing director of Masstores Proprietary Limited, a director of Woolworths and Wooltru and founder and CEO of Affinity Logic Holdings Proprietary Limited. He was appointed to the Board as an independent non-executive director in 2009 and became deputy CEO in October 2011.

Aboubakar (Bakar) Jakoet (57)

CA(SA)
Chief Finance Officer

Appointed 2011 **Years of service:** 28

Bakar joined the Group in 1984 after qualifying as a Chartered Accountant. He commenced his career 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 its inception in 1995. He was appointed as CFO and a member of the Board in 2011.

Suzanne Ackerman-Berman ^ (50)

BA, Fellow: Aspen Business Institute; First Movers
Social and ethics committee Chairman

Appointed 2010 **Years of service:** 18

After graduating, Suzanne gained experience in the FMCG industry in Europe. Since joining Pick n Pay in 1995 as a trainee manager in fresh foods, Suzanne has worked in various positions in the business. In 2001, Suzanne was promoted to General Manager: Corporate Affairs and Social Responsibility. In 2007 she was appointed Director of Transformation. In 2010 she was appointed to the Board as an executive director and a representative of the controlling shareholder. She is active in Red Cross Hospital Trust, SMILE Foundation SA, Sunflower Fund, is Chairman of the Ackerman Pick n Pay Foundation and head of the Pick n Pay Small Business Incubator. In 2010, Suzanne graduated as a Fellow of the First Movers Fellowship Programme of the Aspen Business Institute of Management.

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

Jonathan Ackerman (46)

BA Marketing and Management

Appointed 2010 **Years of service:** 21

Jonathan graduated in marketing from the Roger Williams University in the USA, and worked in a commodity broking firm in New York. Upon returning to South Africa, he joined Pick n Pay in 1992 as a trainee manager. He has filled many executive positions in the company, gaining experience in all divisions, including produce, perishables, buying, store management, the franchise division and marketing. In 2001 he was appointed as Head of Marketing. In 2010 Jonathan was appointed to the Board as an executive director and a representative of the controlling shareholder. Jonathan is currently the Customer Director where his experience assists in ensuring that all strategic decisions are made in the best interests of the consumer.

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

Non-executive directors

Dave Robins (59)

BBusSci

Appointed 2002

David joined the Group in 1994 and was appointed to the then 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 also as an executive director of Pick n Pay Stores Limited. During 2008 he retired from his executive position. He remains on the Board of Pick n Pay Stores Limited 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

Independent non-executive directors

Hugh Herman * # (72)

Attorney
Lead independent non-executive director
Remuneration committee Chairman

Appointed 1976

Hugh was a partner at 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 1996, 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

Alex Mathole * □ (40)

Attorney

Appointed 2010 **Resigned** 28 February 2013

Alex was admitted as an attorney in 1997 and practised commercial, corporate law and litigation for 2 years before joining Gray Security (subsequently Securicor) in 1999 where she worked in the employment law field for 5 years. In 2004 she joined Omega Risk Solutions as an executive director and subsequently moved to Siemens in 2006 as group company secretary and legal counsel. In 2007 Alex was appointed head of legal for Siemens South East Africa. In 2008 she was appointed to the board of Siemens Limited. In 2011 she became general counsel for Africa. Alex later became the Siemens executive director for sustainability and corporate affairs in Africa, as well as the chair of their social and ethics committee. Alex resigned from Siemens and subsequently the Pick n Pay Stores Board to take up an executive position with a major supplier of the Group.

Lorato Phalatse ‡ ^ □ (51)

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 has seen the company grow from its establishment in 1999 to be one of the most successful women's investment businesses in South Africa. While at Nozala Investments, 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 has recently been appointed as Chairman of the Bidvest Group.

Other listed company directorships: Bidvest Group

Ben van der Ross * # ‡ (66)

Attorney

Appointed 2000

Ben was admitted as an attorney and conveyancer in 1970. He practiced 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 * Δ □ (63)

CA(SA)
Audit committee Chairman
Corporate finance committee Chairman

Appointed 2007

Jeff qualified as a Chartered Accountant in 1981. He founded his own auditing practice in 1984 which merged with Deloitte & Touche in 1990. He was a partner at Deloitte until June 2000 whereafter he was appointed CEO of the Financial Services Board, serving until 2005. He is a founding member and former president of the Association for the Advancement of Black Accountants and former chair of the Public Accountants and Auditors Board (now IRBA). Jeff represented SAICA on the Eastern, Central and Southern African Federation of Accountants. He is a founding member of the National Black Business Caucus and a former director of the Small Business Development Corporation. Jeff is the founder and CEO of Uranus Investment Holdings Proprietary Limited. He is a former trustee of the International Financial Reporting Standards Foundation. Jeff is presently a member of the advisory committee of SAICA.

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

Company Secretary

Debra Muller Δ ^ (51)

Attorney

Appointed 2010 **Years of service:** 7

** Member of audit committee*
 # Member of remuneration committee
Δ Member of corporate governance committee
‡ Member of nominations committee
^ Member of social and ethics committee
□ Member of corporate finance committee

Board of directors

Pick n Pay Holdings Limited

Non-executive directors

Raymond Ackerman (82)

BCom and various honorary doctorates
Chairman
Appointed 1981

Raymond founded Pick n Pay in 1967 and was its Chairman for 43 years. He was also CEO of the Group until 1999 when the roles of Chairman and CEO were split. He was Chairman until 2002 at which time Gareth Ackerman was appointed in his stead. In 2010 he was reappointed as Chairman 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 during the years as a leader, a businessman, a humanitarian and as the champion of the consumer.

Gareth Ackerman (55)

Appointed 1987
See CV under Pick n Pay Stores Limited.

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 where she remains integral to employee liaison, employee benefits and the management of extensive bursary funds.

Independent non-executive directors

René de Wet * (70)

CA(SA)
Audit committee Chairman
Appointed 1981

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

Hugh Herman * (72)

Appointed 1981
See CV under Pick n Pay Stores Limited.

Jeff van Rooyen * (63)

Appointed 2011
See CV under Pick n Pay Stores Limited.

Alternate directors

Suzanne Ackerman-Berman (50)

Appointed 2010
Alternate to Raymond Ackerman
See CV under Pick n Pay Stores Limited.

Jonathan Ackerman (46)

Appointed 2010
Alternate to Wendy Ackerman
See CV under Pick n Pay Stores Limited.

Dave Robins (59)

Appointed 2010
Alternate to Gareth Ackerman
See CV under Pick n Pay Stores Limited.

Chief Finance Officer

Bakar Jakoet (57)

Appointed 2012
See CV under Pick n Pay Stores Limited.

Company Secretary

Debra Muller (51)

Appointed 2010

* *Member of audit committee*

Chief Executive Officer's report

Richard Brasher

"Together we can bring about a new era for Pick n Pay, characterised by growing shared value – for our business, our staff, our shareholders, our stakeholders and most of all our customers"

Pick n Pay is a great business. But the past few years have been challenging, and this has been reflected in our financial results. I have taken leadership of the business at a time of transition. Transition can be disruptive and costly with no guarantee of success. The key is to have a plan which combines the unaltering basics of good retailing, relentless customer focus, consistent and determined execution and a strong vision for the future. I am very confident on each of these elements and that together we can bring about a new era for Pick n Pay, characterised by growing shared value – for our business, our staff, our shareholders, our stakeholders and most of all our customers.

Much of the attention on Pick n Pay has in recent times focused on strategic restructuring – for example in distribution infrastructure, in centralised category buying and in implementing the smartshopper loyalty scheme. Any change of this sort carries cost and a risk of disruption, and we have seen our fair share of both. My task as CEO is to ensure that we replace disruption with direction, and inject the right discipline and determination to make each of these and other changes succeed. By doing this we will strengthen our business, improve our offer to customers and create value.

The debate on strategic restructuring and the recent financial performance of Pick n Pay Group should never obscure the enduring strengths of our business, which together make up its powerful, beating heart.

We have the most loyal customers in South Africa. They trust our business and want us to succeed. More than half of South African consumers shop regularly with us and our customer numbers have grown over the past year. Through the improvements we are making to our business, through our relentless focus on value, quality and service, and through what is now the largest loyalty programme in the region, customer numbers and sales will continue to grow. Every second our business is open 10 smartshopper cards are swiped in our stores.

We have a very strong brand, built on a genuine desire to make life better for our customers. I have spent many hours listening and talking to customers and I have been inspired by their belief in our commitment to making life better for them.

We have a very strong and diverse portfolio of stores – approaching 1 000 across hypermarkets, supermarkets, Express, clothing, liquor and Boxer stores. Our trading space grew by 5.2% over the past year, and will grow significantly again over the coming year with more than 100 new stores. This is a key part of my vision: growing the business by opening stores in areas which reflect the changing habits of our customers and which bring new customers and communities into the Pick n Pay family. Pick n Pay can and must be part of the new South Africa's story of growing wealth, aspiration and access.

Commentators on the retail sector often speculate on whether a business occupies the higher, middle or lower ground in their appeal to customers. This is a false debate. The key to success in retail – and the heart of any good business – is to appeal broadly, to exclude nobody, and to move hand-in-hand with customer needs and aspirations. I believe Pick n Pay, with its rich history of inclusiveness and its deep well of customer loyalty, is uniquely positioned to do this in South Africa. I am particularly excited by the performance and the potential of our Boxer stores to reach more customers and enhance lives among the crucial LSM 4 – 7 markets.

Every significant retail business in the world is facing the challenge posed by a proliferation of formats and channels – in particular the online market. Through our smartshopper programme, our online business and other initiatives, Pick n Pay is well placed to lead in Africa on the global challenge of developing into a multi-format, multi-channel retailer.

We have a strong supplier base delivering quality products for our customers, combined with a deep commitment to helping emerging producers including those who suffered discrimination in the past. I strongly commend the work of the Pick n Pay and the Ackerman Pick n Pay Foundations and the successes they have encouraged, many of which feature in our Goodness campaign as examples of what can be achieved.

Ultimately, however, a business is best able to make its contribution to society not just by having the right values but by being commercially successful. If the value of a business grows, the benefits of that growing value will accrue not just to shareholders but to emerging suppliers through greater opportunities and to communities through better service and employment opportunities. I strongly endorse the Pick n Pay maxim, demonstrated over many decades, that "doing good is good business". My belief is that, in turn, good business, and the growth that flows from it, creates further opportunities to do good.

Achieving this virtuous circle is a key part of my vision for Pick n Pay. As a lifetime retailer, however, I am not content to rest on a vision. What excites me is the knowledge that it is only by getting a team organised, bringing clarity, focus and motivation, and having a clear plan – in short by getting busy – that we will turn vision into reality.

Over the coming year I am determined that we will succeed on a number of practical priorities. The transition to central category buying will be completed so that customers can benefit tangibly from better products, better prices and greater innovation. The changes to our supply chain will also benefit customers through better availability, fresher products and less cluttered stores.

I will also focus the business on transforming the customer experience in-store. Our staff are central to this objective. I have been impressed by the Pick n Pay staff I have met. They will be crucial in this next phase of our journey. Among other things I will be encouraging our office staff to spend more time in our stores, for it is only there that management will be able to live the maxim that if the Company cares about the customer, the customer will care about the Company.

I am confident that, through these and other steps, we will deliver significant improvement and growth to our South Africa business. Although the economy remains sluggish, its underlying potential for growth is strong. Our population is growing and is becoming more affluent. As our business strengthens it will be well-placed to benefit from the opportunities generated by a return to sustained economic growth.

We have declared our Africa performance separately for the first time. Pick n Pay now generates R2.7 billion sales outside South Africa in eight countries, generating close to R100 million trading profit. This has the strong potential to develop into a second engine of growth for our business. So this too will be an area of strategic focus.

I am grateful to all my colleagues in Pick n Pay, from the thousands of staff in our stores through to our Chairman, who have welcomed and supported me since my arrival in February.

We have a great business. We have the right plan. We will get busy as a team to deliver the plan. This way we will lead Pick n Pay into a successful new era – to the benefit of our customers, our staff, our shareholders and our wider stakeholders.

Richard Brasher
Chief Executive Officer

Cape Town
22 April 2013

Chief Finance Officer's report

Bakar Jakoet

"Pick n Pay is a growing business in a growing market; however, we delivered a result that did not turn those sales into sufficient profit"

Pick n Pay is a growing business in a growing market. We've served more customers and sold more products this period than we did last period. However, we have delivered a disappointing result as we failed to turn those sales into sufficient profit. We have invested heavily to build a better future for Pick n Pay. These investments have yet to generate sufficient value for our customers and shareholders.

The Group experienced a challenging trading period against a backdrop of depressed economic growth and waning consumer confidence.

Our core customer remains under pressure:

- The South African economy continues to record low economic growth driven by low demand from developed economies and uncertainty created by industrial action. This resulted in moderate salary increases for many of our customers.
- Household cost inflation was significantly more than overall inflation, particularly considering increases in electricity, fuel and rates and taxes.
- Historic low interest rates place pressure on the disposable income of our customers who rely on investment income.

The pressure on customers' disposable income, combined with continued competition for market share by an increasing number of market players vying for the same basket, contributed to unsatisfactory turnover growth of 7.1%. Operating profit at R808.9 million, 30.9% below last financial period, reflects our weak trading performance. We have invested in the business and we now need to ensure we deliver the benefits.

The Group adopted a 52-week financial reporting calendar for all future annual financial periods. This change will align financial reporting with Group operational structures and will improve comparative reporting to both internal and external stakeholders. As a result, the 2013 annual financial reporting period ended on 3 March 2013 compared to 29 February 2012 at the end of the comparative period. The impact of this change has added 0.9% growth to turnover and 6.1 cents per share to HEPS.

The Group is managed through 2 divisions, the South Africa Division and the Africa Division. The South Africa Division operates in various formats under the Pick n Pay and Boxer brands. The Africa Division is responsible for the Group's emerging expansion into the rest of Africa and operates in Namibia, Lesotho, Swaziland, Mozambique, Mauritius, Botswana, Zimbabwe and Zambia.

We are a scale business that is growing. The Group opened 107 stores during the financial period, ending with 992, consisting of 570 company owned and 422 franchise stores across multiple formats and in 8 geographies. In addition 49 stores, 2 of which operate under the Pick n Pay brand, are operated in Zimbabwe by our associate, TM Supermarkets. Our customer count increased by 4.3% and we serviced our customers with close on 750 million transactions. More than half of South African consumers regularly shop with us (source: AMPS 2012). Close on 60% of the Group's turnover is through smartshopper, the largest loyalty programme in South Africa.

Number of stores	2012	Opened	Closed	Conver-sion	2013
Company owned					
Pick n Pay	**374**	**45**	**(1)**	**2**	**420**
Hypermarkets	20	—	—	—	20
Supermarkets	174	10	(1)	2	185
Clothing	62	14	—	—	76
Liquor	117	18	—	—	135
Pharmacy	1	3	—	—	4
Boxer	**129**	**23**	**(3)**	**1**	**150**
Supercities	3	7	(1)	—	9
Superstores	96	7	—	1	104
Hardware	13	2	—	—	15
Liquor	8	5	(1)	—	12
Punch	9	2	(1)	—	10
Total company owned	**503**	**68**	**(4)**	**3**	**570**
Franchise					
Pick n Pay					
Family	260	8	(1)	(4)	**263**
Mini Market	21	1	—	1	**23**
Daily	1	—	—	—	**1**
Express	9	8	—	—	**17**
Clothing	12	1	—	—	**13**
Liquor	85	21	(1)	—	**105**
Total franchise	**388**	**39**	**(2)**	**(3)**	**422**
Total Group stores	**891**	**107**	**(6)**	**—**	**992**

PICK N PAY STORES LIMITED

FINANCIAL PERFORMANCE

Turnover

Group turnover increased by 7.1% (6.3% excluding the impact of the change in financial reporting calendar).

	2013 Rm	2012 Rm	% Change	% LFL
Group turnover	**59 271.3**	55 330.5	7.1	3.0
South Africa Division	**56 694.0**	53 375.5	6.2	3.0
Africa Division	**2 577.3**	1 955.0	31.8	22.9

The challenging trading period is reflected in our turnover growth. Inflation for the period was 5.9%. Like-for-like (LFL) turnover growth was 3.0% and 107 new company owned and franchise stores contributed 5.2% to our trading space and 3.3% to the turnover growth.

South Africa Division

The South Africa Division, representing the majority of the Group's operations, experienced positive growth in the number of stores, customers and volumes, underpinning the broad appeal of the Group's brands. Turnover was, however, negatively affected by the difficult trading environment and the transport strike during September and October 2012. The strike caused major supply chain disruption, resulting in out-of-stock positions with a consequential negative impact on turnover across all our brands.

Turnover was supported by 96 store openings (67 company owned, 29 franchised), including 10 Pick n Pay supermarkets and 23 Boxer formats. The Hypermarket format remains under pressure but is showing some improvement year-on-year. We are working hard on ensuring that the customer offering in these stores remains competitive.

Africa Division

The Africa Division increased external turnover by 31.8% during the reporting period. This division is becoming a sizable business, with store openings in Zambia, Namibia, Swaziland, Lesotho and Mauritius contributing to strong growth, albeit off a small base. The Group is focused on its core South African business but will continue to look for profitable growth opportunities in the rest of Africa.

Gross margin

The Group's gross margin reduced to 17.7% from 18.0% in a highly competitive market that necessitated investment in price. A number of factors further contributed to the lower margin:

- We launched a targeted promotion in the latter part of the financial period in a determined and successful effort to clear out under-performing inventory lines.
- Distribution costs are included in the Group's gross profit. During the financial period, once-off costs of R64 million were incurred to bring in-house the management of our Longmeadow distribution centre in Gauteng.
- The Group also opened a new distribution centre in Philippi in Cape Town with the expected related initial startup costs. Our investment in the distribution channel is focused on improving product availability and freshness for our customers.

Shrinkage across the Group remained well controlled and within industry benchmarks.

Trading margin

	2013 % of turnover	2012 % of turnover
Trading margin	**1.4**	2.3
South Africa Division	**1.3**	2.3
Africa Division	**3.6**	2.5

The trading margin decreased from 2.3% to 1.4% as a result of the reduction in gross margin as explained earlier and our investment in people and infrastructure. The Africa Division increased trading margin primarily as a result of the focus on our fresh offering to customers as well as an improved general merchandise range and availability. An increase in volumes exported from the African distribution centre has also contributed to increased profitability.

Chief Finance Officer's report continued

Trading expenses

Trading expenses increased by 11.5% as a result of the cost of our business improvement initiatives compared to turnover growth of 7.1%.

	2013 Rm	% of turnover	2012 Rm	% of turnover	% change
Trading expenses	**10 001.9**	16.9	8 969.8	16.3	11.5
Employee costs	**4 952.0**	8.4	4 658.5	8.4	6.3
Occupancy	**1 500.5**	2.5	1 302.1	2.4	15.2
Operations	**2 363.9**	4.0	2 149.4	3.9	10.0
Merchandising and administration	**1 185.5**	2.0	859.8	1.6	37.9

Employee costs

- Employee costs were well managed, with an increase of 6.3%, especially when taking into account the increase in our store footprint.
- All our customer-facing employees attended "Every Customer Every Time" training, focused on improving customer service.

Occupancy

- Occupancy costs, up by 15.2%, increased in line with the Group's expansion strategy.
- Increases in rates and taxes also contributed to the above-inflationary increase.

Operations

- Short-term costs increased due to the overlap of regional and centralised structures as we move to centralised buying and administration. Increased efficiencies from the new structure will contribute to future profitability.
- Electricity usage is being controlled well, but in spite of efficiency measures the administered price increases, at an average of 16%, are still well above inflation.

Merchandising and administration

- The Group is South Africa's largest acceptor of electronic tender. A significant increase in credit card sales participation is a concerning indicator that customers are supplementing household income with debt.

Tax

The Group's effective tax rate decreased from 34.9% to 31.9% mainly due to the replacement of secondary tax on companies (STC) with a dividend withholding tax.

Earnings per share

Headline earnings per share (HEPS) from continuing operations decreased by a disappointing 30.8% from 160.8 cents to 111.3 cents.

The change in the financial reporting calendar made a positive contribution to HEPS. The additional trading days included in the 2013 result contributed 6.1 cents per share to HEPS and, if excluded, the decrease on the prior period was 34.6%.

Basic earnings per share including discontinued operations decreased by 50.6% from 233.21 cents to 115.14 cents per share as the prior period result included a non-recurring after-tax profit of R438 million on the disposal of Franklins, our discontinued Australian operation.

FINANCIAL POSITION

The financial position of the Group as at 3 March 2013 was impacted by the change in reporting close-off date due to the changeover to a 52-week reporting calendar. During the additional days a net cash outflow of R1.1 billion was recorded which related mainly to the payment of trade creditors. Although cash balances were reduced this did not have an impact on the net working capital of the Group.

When reviewing the Group's financial position it is more appropriate to consider the movement in net working capital in order to eliminate cut-off impacts and ensure year-on-year comparability. The net working capital decrease, during the period under review as illustrated in the table below, is discussed in the context of the relevant statement of financial position items.

	2013 Sunday 3 Mar 2013 Rm	2012 Wednesday 29 Feb 2012 Rm
Inventory	**3 996.5**	3 334.9
Trade and other receivables	**2 360.9**	2 120.6
Cash and cash equivalents	**1 255.7**	1 271.7
Current liabilities	**(8 908.0)**	(7 804.9)
Net working capital	**(1 294.9)**	(1 077.7)

Inventory

The 20% increase in inventory holding is a result of the following:

- Provisioning of the new Western Cape distribution centre in Philippi;
- Expanding our store footprint;
- Ensuring that our customer offering is accessible and convenient; and
- Increase in imported merchandise to strengthen the customer offering in our Hypermarkets.

If these factors are taken into account, our inventory levels are in line with those of the comparable period.

Trade and other receivables

The increase of R240 million in trade and other receivables relates to the change in reporting cut-off and 39 new franchise stores. Franchise receivables were well controlled, but our exposure to emerging market franchisees has resulted in an increase in our provision for bad debts of R111.2 million.

Cash and capital management

The Group's liquidity position is reviewed continually. Working capital management is critical in maintaining a sustainable and cost-effective capital structure. 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 R88.5 million (2012: R95.6 million) was well controlled. The R1.2 billion proceeds from the sale of Franklins during September 2012 strengthened our cash position.

Cash outflows during the period related to the settlement of loan funding of R250 million and capital expenditure of R1.3 billion. More than half of capital expenditure consisted of expanding our store base and improving the customer experience in existing stores, as detailed below.

	2013 Rm	2014 Rm
Capital expenditure		
Expansion into new stores	**539**	803
Improving existing stores	**135**	232
Improving the customer experience	**674**	1 035
Investing in future infrastructure	**328**	442
Maintaining current infrastructure	**293**	280
Total capital expenditure	**1 295**	1 757

Capital commitments to the value of R1.8 billion are planned for the next financial period. More than half will be focused on an increase in our footprint and convenience offering to the customer. This includes adding trading space via more than 100 stores. All future capital commitments will be funded by internal funding, the rollover of our Domestic Medium Term Note (DMTN) programme and longer-term borrowings, where appropriate.

PICK N PAY HOLDINGS LIMITED GROUP

Pick n Pay Holdings Limited (Pikwik) Group's only asset is its 53.8% (2012: 53.8%) effective holding in Pick n Pay Stores Limited (excluding treasury shares). The Pikwik Group earnings are directly related to those of this investment. The table below highlights the key financial indicators.

	2013	2012	% change
Turnover (Rbn)	59.3	55.3	7.1
Headline earnings per share (cents)	55.11	79.81	(30.9)
EBITDA (Rm)	1 791.1	2 072.1	(13.6)

PICK N PAY HOLDINGS LIMITED GROUP AND PICK N PAY STORES LIMITED GROUP

SHAREHOLDER DISTRIBUTION

The Groups maintain a dividend cover at 1.33 times headline earnings per share. The final dividend of 69.25 cents per share for Pick n Pay Stores Limited (Stores) and 33.61 cents per share for Pick n Pay Holdings Limited (Holdings) brings the total dividend for the annual period to 84.0 cents per share for Pick n Pay Stores Limited (35.8% down on the comparable period) and 40.78 cents per share for Pick n Pay Holdings Limited (35.8% down on the comparable period).

During the previous financial period, an additional dividend of 9.85 cents for Stores and 4.78 cents for Holdings was declared in respect of STC no longer payable by the Group, thus passing on the cash benefit to shareholders. If this is excluded, the decline in the year-on-year dividend was 30.6% and 30.5% for Stores and Holdings respectively, in line with the decrease in headline earnings per share.

PROSPECTS

We expect the economic outlook to remain challenging for the foreseeable future. The current weak rand will result in increased costs of imported goods and high commodity prices will impact the cost of manufactured goods. Interest rates and inflation will stay at current low levels and our customers' disposable income will remain under pressure.

In this trading environment the Group will be focusing on the basics of retailing, and ensuring our customers are central to all that we do. We will concentrate on cost containment, increasing administrative efficiencies and realising the related cost reductions.

Under the leadership of newly appointed CEO Richard Brasher, our immediate priority is improving the shopping trip for our customers. Pick n Pay is a great business, but as a team we know that a lot of hard work lies ahead. It will be a challenging and exciting period for the Group and we look forward to the future with optimism.

Bakar Jakoet
Chief Finance Officer

22 April 2013

Sustainability summary

OVERVIEW

Environmental, social and governance (ESG) issues are impacting businesses more overtly and with greater urgency. Global debates on the interconnectedness of water, food and energy issues are finding local expression and food-related businesses are coming under pressure to increase their role in addressing food security and associated social challenges.

As a major retailer in South Africa, Pick n Pay strives to address social challenges through the supply of high-quality, affordable food for all South Africans, while providing significant employment and economic opportunities across our supply chain.

A wide range of environmental, social and governance trends are combining to create new commercial and socio-economic challenges:

- Continued volatility of global commodity prices.
- Global resource availability challenges putting upward pressure on food prices.
- Rising energy prices continue to increase our operating costs. Ongoing efforts to mitigate these increases include reducing electricity usage, eliminating non-essential corporate travel, and further optimising our logistics and distribution network.
- Soil fertility, water demand, fertiliser prices and erratic rainfall are just some of the issues that are of key concern to our local produce suppliers, and all will have an increasing impact on our ability to provide quality food at affordable prices to our customers.
- Partnerships are important in addressing social and environmental challenges. We will continue to pursue opportunities in this regard. A good example of this is the Organic Farmer and Retailer programme, an initiative between Pick n Pay and other supermarket retailers and the Department of Trade and Industry, to facilitate the supply of organic produce from emerging farmers.
- Customer interest in green and ethical products remains strong. While the demand for green and ethical products increases, customers continue to expect price parity in the product offerings. Our attention is therefore focused on meeting these dual requirements.
- Governance and disclosure requirements continue to be developed and enhanced. Demand for greater transparency, accountability and transformation is expected to increase across the full value chain over the coming years.

Within this context, the Group seeks to deliver on a broad sustainability mandate and a wide range of commitments. All of our sustainability initiatives are directed at increasing the agility and resilience of our business, through encouraging innovative thinking and partnerships and the transformation of systems and processes. We will continue to improve and grow, to ensure that we not only become the retailer of choice for all South Africans, but that we lead by example, as a strong and principled corporate citizen, playing an integral role in building a strong and successful South Africa.

This sustainability summary provides a brief, high-level overview of our sustainability initiatives and performance. Our Sustainable Living Report 2013 and GRI index provide a more detailed review and are available on our website at www.picknpay-ir.co.za/sustainability-reports.php.

Our sustainability strategy comprises 6 focus areas. These are clearly aligned to our focus of creating value, both within our business and in the wider society.

TOWNSHIP®BAGS

Township®bags are made in Khayelitsha by co-operatives. They're manufactured by Township, a Fairtrade supplier, and generate employment for more than 60 women.

Focus area	How this creates value for our business	How this creates value for society
Providing safe food and expanding sustainable product lines	Addresses increasing demand for ethical and green products, sustains viability of supply and drives innovative thinking and solutions	Promotes health and the good functioning of natural systems
Building a resilient supplier network	Supports existing supply chain initiatives, consolidating our relationship with suppliers	Provides market access for producers and a support system for small-scale suppliers
Empowering our people	Enables employees to act as brand ambassadors	Provides personal and career development and an opportunity to contribute positively to social change
Supporting communities in their contribution to change	Builds the brand by putting social responsibility into action	Builds social capital by encouraging action towards a sustainable society
Working for a clean and healthy environment	Manages environmental risks and achieves cost reductions in the short, medium and/or longer term	Reduces negative impact, promotes ecosystem function and restoration
Enhancing sustainable governance and accountability	Ensures compliance with existing and emerging codes of good governance	Develops trust and accountability between stakeholders

Our sustainability efforts have resulted in significant benefits for the business. We see this process as one of continual learning and improvement.

PRIORITIES GOING FORWARD

- Assurance on integrated reporting.
- Improving non-financial data management and integrating sustainability compliance into our internal audit system.
- Enhancing transparency on ESG commitments by making them available on our website.
- Greater transparency for external stakeholders through sharing a wide range of ESG-specific commitments by making them available on our website.
- More focused sustainability awareness programme for stores and customers.
- Increased focus on partnerships in our broader supply chain.

BIN IT!

PnP has collection points in store for CFLs, batteries, plastic bags and printer cartridges so they can be recycled in an eco-friendly way. PnP recycled 13 611 tonnes of waste in our last financial year, which would otherwise have gone to landfills.

Sustainability summary continued

Focus area summaries for 2013	Achievements include
Providing safe food and expanding sustainable product lines	
Pick n Pay strives to deliver safe, quality products to our customers while ensuring the welfare of animals and the environment that supports us. To ensure food safety, we regularly audit our private label suppliers along strict health and safety guidelines. We are committed to ensuring that Pick n Pay private label products deliver on our promise of good quality and value for money. We also work closely with many suppliers to develop a common vision and to expand ethical and sustainable product lines.	■ We have expanded our organic food categories. ■ We launched a project in partnership with Unilever, which will reduce packaging within our shared supply chain by 30% by 2015. ■ 95% of our private label suppliers were audited for food safety.
Building a resilient supplier network	
We continue to work closely with suppliers to ensure the sustainability of our supply base, with enterprise development being a clear focus. Our work in the agricultural sector includes projects to address the challenge of market access for emerging farmers. Successful enterprises have grown from regional to national suppliers.	■ We have quantified ESG risks in our supply chain through a formal risk assessment. ■ Pick n Pay Small Business Incubator provides ongoing mentorship to 72 businesses. This is an encouraging increase from 62 businesses in 2012. ■ Through our Enterprise Development Foundation, 52 emerging entrepreneurs have gained market access through our stores.
Empowering our people	
We see diversity as a driver of innovation, responsibility and a learning culture. A robust career development framework is in place, emphasising training and competence for all our employees. This meets business needs while empowering employees to grow to their full potential.	■ We have established a Standard Operating Procedure Manual, available to all operating units. ■ We introduced an "Every Customer, Every Time" training programme to improve our service to customers. To date more than 29 000 employees, support staff and external service staff members have completed the programme. ■ Our foundational ABET Literacy and Numeracy programmes have been extended to incorporate business specific concepts such as turnover, wastage, merchandising and sales promotion.
Supporting communities in their contribution to change	
Partnerships are key to finding solutions to sustainability challenges and we actively engage with a wide range of stakeholders. We partner with communities through the Ackerman Pick n Pay Foundation and support corporate social responsibility projects that are aligned to our business. Our engagement encourages financial empowerment and independence through business development. Effective project development has enabled small enterprises to operate independently and turned seed projects into thriving community gardens.	■ We helped develop 100 community gardens, with 9 in KwaZulu-Natal evolving into suppliers for the Group. ■ We assisted in creating permanent employment for more than 60 women, employed in 7 co-operatives in townships around Cape Town who manufacture the cotton eco-bags sold in our stores.
Working for a clean and healthy environment	
We continue to embed sustainability across our operations, driving efficiency and exploring new opportunities for our business. We continue to see significant energy and cost savings as a result of ongoing in-store efficiency initiatives and optimisation of our logistics network. We have intensified our efforts on waste management and are also starting to address environmental challenges within our wider supplier network.	■ We have reduced our carbon footprint by 4.94% compared to our 2012 footprint. Our store energy intensity has improved by 8.8%. ■ Food which has reached its sell-by date, but is still safe to consume, is donated to Foodbank South Africa. During 2012, Pick n Pay donated 1.26 million tonnes of food to Foodbank. ■ Our development of eco-friendly stores and ongoing commitment to climate change education was recognised when Pick n Pay received the Climate Change Leadership award in the retail category.
Enhancing sustainable governance and accountability	
Governance and accountability ensure compliance with existing and emerging codes of good governance, and develops trust and accountability between stakeholders. We are increasing our engagement with stakeholders on ESG issues.	■ Our CDP Carbon Action Programme score improved from 86 to 96 and we were placed in performance band B. ■ We are included in the JSE 100 Carbon Disclosure Leadership index for 2012. ■ A comprehensive sustainability communications strategy has streamlined our engagement with stakeholders on ESG issues.

Key challenges	Key performance indicator	2013	2012	2011
• Engaging stakeholders on food security is a key concern. • Securing viable sources of supply remains a key priority in expanding our organic range, sustainable palm oil initiative and attaining our sustainable seafood targets. • Achieving price parity on green products is a challenge. We remain committed to expanding the Pick n Pay Green Range, focusing on decreasing the price gap with non-green products and engaging customers on sustainable choices.	**Increase the range of sustainable and ethical products within Pick n Pay private label**			
	Private Label Food Safety Audits	**95%**	94%	94%
• Communicating sustainability risks, opportunities and requirements to all our suppliers. • Balancing requirements for ESG compliance, cost reduction and the promotion of emerging farmers and entrepreneurs. • Aligning enterprise development with the needs of the business and supply chains.	**Promote sustainability commitment, learning and performance across the supplier network**			
	Small farmers and businesses in our small business incubator	**72**	62	54
• Ensuring continual implementation of equity appointments in all divisions.	**Develop a skilled workplace enabling employees to grow to their full potential**			
	Employee turnover (%)	**16**	15	15
	Total investment in training including bursaries (Rm)	**89.9**	80.2	71.8
	Employment equity			
	Top management (target 40%)	**40**	38	39
	Senior management (target 65%)	**61**	61	58
	Professionally qualified middle management (target 70%)	**84**	85	84
	Semi-skilled junior management (target 80%)	**99**	95	94
	Unskilled and defined decision-making (target 100%)	**99.5**	100	100
• Measuring the social impact of our community initiatives.	**Provide those most in need with easier access to affordable and healthy food**			
	Number of community food gardens established to date	**100**	—	—
• Continuing to reduce our consumption and impact on natural resources as the business expands.	**Reduce the environmental impact of our operations**			
	% reduction in carbon footprint (2010 baseline)	**10.1**	5.5*	6.0
	Store energy intensity (KWh/sqm)	**431**	472	528
	Tonnes of waste recycled	**13 611**	12 456	6 444
	Carbon footprint (Scope 1&2) (Tonnes CO_2)	**577 289**	607 156*	602 782**
• Enhancing ESG data management through our Executive Scorecard and aligning with an increasing number of external guidance bodies.	**Consolidate a robust, audited sustainability performance management system**			
	JSE SRI listing	**Listed**	Listed	Listed
	Carbon Disclosure Leadership Index Score (JSE Top 100)	**Included on 2012 96**	Included on 2011 86	Included on 2010 77

** Emissions increase in FY12 due to boundary change*

*** The figure for scope 1 and scope 2 CO_2 emissions in 2011 was based on a limited scope that excluded a number of facilities and gas types. It is currently being recalculated to allow for a more accurate year-on-year comparison of CO_2 emissions*


Shoes
Shoes


Raspberry


Bakery
MINI CHOCOLATE MOUSSE CAKE

Corporate governance report

Pick n Pay Stores Limited

INTRODUCTION

The Pick n Pay Group of companies (the Group) is committed to uphold the highest standards of ethics, transparency and good governance, while pursuing profitable growth. This report applies to Pick n Pay Stores Limited and, where applicable, to Pick n Pay Holdings Limited. Pick n Pay Holdings Limited and Pick n Pay Stores Limited are investment holding companies. Pick n Pay Holdings Limited's sole purpose is the holding of the controlling shareholding in Pick n Pay Stores Limited. Pick n Pay Stores Limited, through its subsidiaries and associates, operates in the retail sector on the African continent. The Board takes overall responsibility for the Group, selecting the management team, overseeing corporate strategy and performance, and acting as a resource for management in matters of planning and policy. To ensure effective decision-making, directors are encouraged to ask difficult questions of management. With the aim of achieving balanced economic, social and environmental performance, the Board supports the long-term sustainability of the business. Legitimate stakeholder involvement is kept in mind at all times.

It is the responsibility of the Board to ensure the application of the principles contained in 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 Pick n Pay, this report follows King III in explaining the reasons for an alternative approach to, and application of, governance.

Summary of the application of King III principles

The table below summarises Pick n Pay 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 the Pick n Pay mission statement and values on page 2.
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 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 Board 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 October 2012. A copy of this document is to be found on our website, www.picknpay-ir.co.za.
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 updated regularly and are reviewed bi-annually. 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 2008.	✓	Not relevant during the 2013 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 35.
The Board should appoint the CEO and establish a framework for the delegation of authority.	#	Refer to note 2 on page 35.

Corporate governance report continued

Pick n Pay Stores Limited

Chapter and principle	Application	Comments
Chapter 2 – Board and directors continued		
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 3 on pages 35 and 36.
Directors should be appointed through a formal process.	✓	Refer to the details on the nominations committee on page 38.
The induction and ongoing training and development of directors should be conducted through formal processes.	✓	A copy of the Board charter is given to each director upon induction, as is the Memorandum of Incorporation, which also addresses certain responsibilities of the directors. In addition, directors are provided with relevant material regarding statutory and regulatory developments.
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 accordingly maintains an arm's-length relationship with the Board and its directors. The Company Secretary reports to the Chief Finance Officer and has a direct channel of communication to the Chairman and the CEO. 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 2013, following consideration, the appointment was affirmed.
The evaluation of the Board, its committees and the individual directors should be performed every year.	#	Refer to note 4 on page 36.
The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	✓	The following committees were active during 2013: ■ Social and ethics committee ■ Audit committee ■ Remuneration committee ■ Nominations committee ■ Corporate governance committee ■ Corporate finance committee Each committee has a formal charter which is reviewed annually by the Board. Information on each of the committees is available on www.picknpay-ir.co.za and on page 38 of this report.
A governance framework should be agreed between the Group and its subsidiary boards.	✓	Refer to the diagram on page 37.
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 41 to 47.
Companies should disclose the remuneration of each individual director and prescribed officer.	✓	Refer to the remuneration committee report on pages 41 to 47.
Shareholders should approve the Company's remuneration policy.	✓	Shareholders approved the policy at the AGM on 15 June 2012.
Chapter 3 – Audit committee		
The Board should ensure that the Company has an effective and independent audit committee.	✓	Refer to the audit committee report on pages 39 and 40.
The audit committee members should be suitably skilled and experienced independent non-executive directors.	✓	Refer to CVs on pages 16 to 18.
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.	#	Refer to note 5 on page 36.

Chapter and principle	Application	Comments
Chapter 3 – Audit committee continued		
The audit committee should satisfy itself of the expertise, resources and experience of the Company's finance function.	✓	Refer to the audit committee report on pages 39 and 40.
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 49 and 50.
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 5 – The governance of information technology		
The Board should be responsible for information technology (IT) governance.	✓	Refer to note 6 on page 36. The Board, through its audit committee, risk management and executive reporting, takes responsibility for IT governance. The management of IT systems has been delegated to the Deputy CEO.
IT should be aligned with the performance and sustainability objectives of the Company.	✓	IT systems at Pick n Pay are aligned with the strategy, objectives and reporting requirements of the Company.
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.	✓	Pick n Pay's IT systems form part of the internal and annual external audit programme, which also considers risks to the Group. The IT systems governance function is developing a risk management framework to focus and manage IT-specific risks.

Corporate governance report continued
Pick n Pay Stores Limited

Chapter and principle	Application	Comments
Chapter 5 – The governance of information technology continued		
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 committee, which reviews these risks according to the Group's risk appetite.
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 51.
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 committee report on pages 49 and 50.
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 8 – Governing stakeholder relationships		
The Board should appreciate that stakeholders' perceptions affect a Company's reputation.	✓	Refer to engaging with our stakeholders on pages 10 and 11.
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 committee reviews the annual financial statements, and the Integrated Report 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.	✗	Refer to note 5 on page 36.

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 currently owns 51% of the shares in the holding company, Pick n Pay Holdings Limited, 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 Pick n Pay and its shareholders. Due to the resignation of the previous CEO of the Group in February 2012, Gareth Ackerman adopted a temporary executive role while the search for a new CEO was undertaken.

Hugh Herman has been appointed as lead independent director (LID) (see note 3 in relation to independence of non-executive directors). The main function of the LID is to provide leadership and advice to the Board when the Chairman has a conflict of interest, without detracting from the authority of the Chairman. The LID provides an important point of contact for the broader investment and stakeholder community should they have concerns with the running of the Company or potential conflicts of interest. All members of the Board have unfettered access to the LID when required. With the executive role of acting CEO being temporarily fulfilled by Gareth Ackerman in the 2013 annual financial period, the Board relied on the guidance of the LID to ensure that it fulfilled its mandate.

Consistent with the King III guidelines, Gareth Ackerman:

- Is not a member of the audit committee;
- Does not chair the remuneration committee, but is a member; and
- Is not a member of the social and ethics committee.

Note 2

Chief Executive Officer

The 2013 financial period was unusual for Pick n Pay in that Gareth Ackerman, previously non-executive Chairman of Pick n Pay Stores Limited, assumed the role of executive Chairman. He ran the day-to-day administration of the Group together with Richard van Rensburg, deputy CEO, until the CEO position was filled. The CEO vacancy arose as a result of the resignation of Nick Badminton at the end of the 2012 annual financial period. After a worldwide search, Richard Brasher was appointed CEO to the Group, effective 23 January 2013. Accordingly, Gareth has reverted to his position as non-executive Chairman.

Note 3

Board composition

The Board consists of 11 directors. Of the 6 non-executive directors, 5 are independent. The remaining 5 directors are executive. Full curricula vitae of all directors are set out on pages 16 and 17.

The Company has appointed independent, tough-minded non-executive directors, all of whom are successful and experienced professionals in their respective fields, have personal integrity, do not depend financially on the directors' fees they receive from the Company, and strive to preserve their reputation for independence and governance in corporate South Africa.

The composition of the Board is continually reviewed to ensure the correct balance is achieved. The nominations committee is looking for a suitable candidate to replace Alex Mathole as an independent non-executive director. Alex resigned in order to avoid a possible conflict of interest arising as a result of her new executive position with a major supplier to the Group. In addition, to promote succession planning on the Board, the nominations committee is considering additional candidates. Consideration is given to candidates who will ensure a balance of skills and experience on the Board. Strength of character is a key consideration, to negate any perception that the controlling shareholder dominates any decision making, to promote rigorous debate, to reduce the possibility of conflicts of interest and to promote objectivity.

Board function

The Board debates issues vigorously and 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 nominated and elected by the shareholders at the AGM to the Board. Between them they have 59 years' executive experience in the Group. Suzanne and Jonathan are executive directors, while David was an executive for 14 years and has been a non-executive director since 2008. The Chairman, Gareth Ackerman, has been with the Group for 20 years, the last 14 (other than an 11-month period during the last financial period) 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.

Corporate governance report continued

Pick n Pay Stores Limited

***Note 3* continued**

Executive representation on the Board

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

Non-executive representation on the Board

Of the 6 non-executive directors on the Board during the 2013 annual financial period, 5 are independent. Hugh Herman has been appointed as LID (see note 1).

Annual assessment of independence

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

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

The assessment is undertaken by the Chairman in individual interviews. He presents his findings to each non-executive director for them to confirm, or to provide further evidence supporting their independence. If necessary, 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 bi-annually 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 their ability to act in an independent manner.

Length of service

The Board has found that length of service does not automatically preclude a director from exercising independence in decision-making. It is our experience that our long-serving non-executive directors have translated their loyalty into a pursuit of 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 wisdom derived from the experience of the long-serving directors.

Conclusion as to independence

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

Note 4

An evaluation of the Board's effectiveness was undertaken in March 2013. Previous evaluations were conducted in 2007, 2009 and 2011. 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.

Note 5

The Board and audit committee are currently working with a qualified, independent third party to assist with developing and implementing a comprehensive combined assurance approach, to ensure the integrity of financial and non-financial data contained within the report.

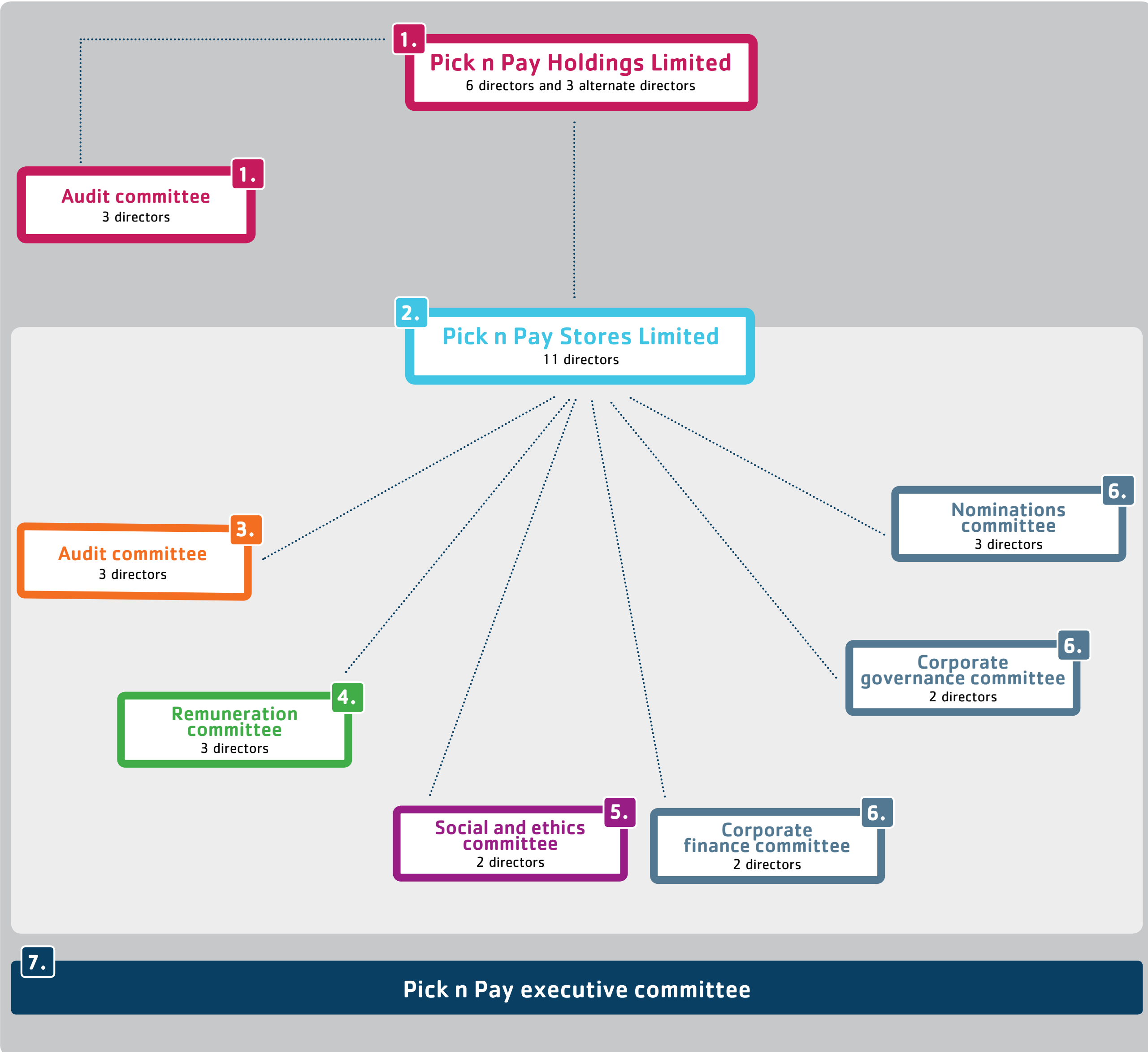
Note 6

During the past annual financial period an IT services governance function was established within the IT division. The IT governance management 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.

GOVERNANCE STRUCTURE

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



1. Refer to the Pick n Pay Holdings Limited corporate governance report on pages 52 to 54 and Board of directors on page 18.
2. Refer to the Pick n Pay Stores Limited corporate governance report on pages 31 to 38.
3. Refer to the audit committee report on pages 39 and 40.
4. Refer to the remuneration committee report on pages 41 to 47.
5. Refer to the social and ethics committee report on page 48.
6. Refer to page 32 for composition of committees.
7. The Pick n Pay executive committee for the 2013 annual financial period consisted of Gareth Ackerman (for 11 months), Richard Brasher (CEO) (for 1 month), Richard van Rensburg (Deputy CEO) and Bakar Jakoet (CFO).

Corporate governance report continued

Pick n Pay Stores Limited

Directors' attendance at Board meetings

The Board convenes a minimum of 4 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	16 April 2012	15 June 2012	22 and 23 October 2012	19 February 2013	AGM 15 June 2012
Gareth Ackerman (Chairman)	P	P	P	P	P
Richard Brasher (CEO)*	—	—	—	P	—
Richard van Rensburg (Deputy CEO)	P	P	P	P	P
Bakar Jakoet (CFO)	P	P	P	P	P
Suzanne Ackerman-Berman	A	P	P	P	P
Jonathan Ackerman	P	P	P	P	P
Hugh Herman (LID)	P	P	P	P	P
Ben van der Ross	P	P	A	P	P
Jeff van Rooyen	P	P	P	P	P
Lorato Phalatse	P	P	P	P	P
Alex Mathole**	P	P	P	P	P
David Robins	A	P	P	P	P

P = present
A = apologies
** Appointed in 2013.*
*** Alex Mathole resigned with effect from 28 February 2013 to take up an executive position with a major supplier to the Group.*

Board subcommittees

The Board is assisted by 6 subcommittees as set out below:

Committee	Roles and responsibilities
Audit committee	For details on this committee, please refer to the audit committee report on pages 39 and 40.
Remuneration committee	For details on this committee, please refer to the remuneration report on pages 41 to 47.
Nominations committee	The nominations committee is chaired by Gareth Ackerman, as a representative of the controlling shareholder. The majority of the members, Lorato Phalatse and Ben van der Ross, are independent non-executive directors. Checks in place include the fact that the majority of members are independent non-executive directors, that the Board retains the authority to appoint directors recommended by the committee, and that all directors appointed by the Board are referred for election by shareholders at the earliest opportunity. The committee is responsible for identifying and evaluating suitable candidates for possible appointment to the Board. Requirements include independence, integrity, tough-mindedness and respect for the values and principles of the Group. The committee meets on an ad hoc basis. 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. Given the importance to the Group of the search for a new CEO, in this instance the nominations committee was expanded to include all non-executive directors on the Board.
Corporate governance committee	The corporate governance committee reviews and evaluates the governance practices and structures of the Group, and recommends any changes to the Board for a decision. The focus is on implementing King III's recommendations and ensuring that the Group complies with the code of corporate practices and conduct. In addition, international standards of corporate governance are considered alongside local practices. The committee comprises Gareth Ackerman, as Chairman, and Jeff van Rooyen. The Chairman is not independent. Checks in place include the Company's commitment to conduct its affairs in accordance with the highest standards of corporate governance, and the self-evident desire to uphold the proud record of the Ackerman family in the history of South African corporate governance and social responsibility. 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.
Corporate finance committee	The Company has formed the corporate finance committee 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. Meeting on an ad hoc basis, this committee assists the Board in assessing investment opportunities for the Pick n Pay Group. Chaired by Jeff van Rooyen, the committee comprises independent non-executive directors.
Social and ethics committee	For details on this committee, please refer to the social and ethics committee report on page 48.

Audit committee report
Pick n Pay Stores Limited

The audit committee is pleased to present this report as required by the Companies Act, 2008. The audit committee is a formal committee of the Board and functions within an approved charter and complies with all relevant legislation, regulation and governance codes.

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 2008, activities recommended by King III and the responsibilities assigned by the Board.

The committee's main responsibilities are as follows:

Integrated and financial reporting

- Review the annual financial statements, interim report, preliminary results announcement, summarised annual financial statements and the Integrated Annual Report, and ensure compliance with International Financial Reporting Standards and the Companies Act 2008.
- 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 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.
- Recommend the approval of the Integrated Annual Report to the Board.

Finance function

- Consider the expertise and experience of the Chief Finance Officer.
- 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.
- 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.
- 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.
- 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.
- 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 2008, members of the committee are appointed annually by the Board for the ensuing financial period 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.

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

Committee member	Status	16 April 2012	15 October 2012
Jeff van Rooyen (Chairman)	Independent non-executive director	P	P
Hugh Herman	Independent non-executive director	P	P
Alex Mathole*	Independent non-executive director	P	P
Ben van der Ross	Independent non-executive director	P	A

P = present
A = apologies
** Resigned on 28 February 2013.*

Audit committee report continued
Pick n Pay Stores Limited

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 always 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 executives 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, reviews, 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 committee.

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

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 nominates KPMG as external auditor for the 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.

EXPERTISE AND EXPERIENCE OF CHIEF FINANCE OFFICER AND FINANCE FUNCTION

The audit 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 COMMITTEE REPORT

The committee confirms that it has functioned in accordance with its charter for the 2013 financial period and that its report to shareholders has been approved by the Board.

Jeff van Rooyen
Chairman: Audit committee

22 April 2013

Remuneration committee report

Pick n Pay Stores Limited

This report sets out the Group's remuneration policy, the role of the remuneration committee, the remuneration structure of the Group, the remuneration and benefits granted to key executives during the 2013 annual financial period as well as the procedures followed in ensuring that remuneration practices adhere to appropriate corporate governance principles and in ensuring alignment with the Group's strategy. 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 AGM to be held on 25 June 2013.

REMUNERATION POLICY

The Group's remuneration policy is aimed at attracting, retaining and motivating employees and executives, while at the same time aligning their remuneration with shareholder interests and best practice. The remuneration policy is based on the following underlying principles:

- Remuneration at all levels is benchmarked to ensure that it is fair and just;
- An independent expert attends remuneration committee meetings to assist in 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 must be balanced between long-term and short-term incentives; and
- Non-executive directors do not receive remuneration or incentive awards related to share price or corporate performance.

REMUNERATION COMMITTEE

The remuneration committee, which meets at least twice a year, is chaired by an independent non-executive director and comprises mainly non-executive directors. The committee operates in terms of a Board-approved charter and its key responsibilities are to:

- 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; and
- Review the Group's remuneration philosophy and policies to ensure alignment with market practices.

Remuneration activities and decisions taken during the 2013 annual financial period

The main items considered and approved by the remuneration committee during the 2013 annual financial period were:

- Executive and non-executive director remuneration benchmarking;
- Annual salary increases for executives;
- Remuneration package for the incoming CEO;
- Remuneration package for the non-executive Chairman for the 2014 annual financial period;
- Review of the Group's short-term incentive scheme;
- Review and approval of the Group's remuneration policy and report; and
- Review and approval of proposed non-executive directors' fees for the 2014 annual financial period.

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

Director	Status	12 April 2012	20 October 2012
Hugh Herman (Chairman)	Independent non-executive director	P	P
Gareth Ackerman	Chairman	P	P
Ben van der Ross	Independent non-executive director	P	P

P = present

Remuneration structure

Remuneration comprises the following elements:

Base pay

Executive directors

Executive directors' base pay is benchmarked to information disclosed in the remuneration reports of comparative organisations. The annual remuneration of executive directors is directly related to individual performance ratings and is reviewed in April each year. 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.

Management and employees

The remuneration committee reviews the salaries of senior management annually. Remuneration reflects the relative skill, experience, contribution and performance of the individual. Base pay is set at levels which 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. 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 (CPI) figures. If approved, annual increases are effective in June each year.

Retirement and medical

Pick n Pay contributes a total of 17.35% of salary towards retirement funding of executive directors and employees. In addition, the Company also contributes towards medical aid. For further details please refer to pages 94 and 95 of the annual financial statements where retirement benefits are disclosed.

Company car allowances

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

Low-interest housing loans

Salaried employees are granted low-interest loans for the purpose of acquisition of residential property. Interest rates average 3.3%.

The value of executive directors' low interest loans at period end is R0.4 million.

Short-term incentive scheme (profit-sharing scheme)

Executives and management participate in the Group's short-term incentive scheme. Bonuses awarded to executives and management are linked to the achievement of net profit growth hurdles as well as individual performance as measured through the Group's annual

Remuneration committee report continued

Pick n Pay Stores Limited

performance appraisal process. Bonuses are paid as a multiple of basic monthly salary, with multiples varying at the various hurdle levels. Bonuses awarded to executives are capped at 2 times annual basic salary.

The short-term incentive scheme mitigates the risk that management focus attention 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. No bonuses were paid during the 2013 annual financial period as the Group did not meet its targets.

Long-term incentive scheme (Employee Share Scheme)

The Group operates the 1997 Employee Share Option Scheme (the Scheme) in order to facilitate broad-based employee share ownership and to foster trust and loyalty among employees. The Scheme incentivises key 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 long-term incentive scheme ensures that interests are aligned with shareholders relating to capital growth in share value.

Long-service share options – are granted to all permanent employees who have been with the Group for 5 years and further options are granted every 5 years thereafter. Long-service share options may be taken up immediately on granting.

During the financial period under review 3.1 million Pick n Pay Holdings Limited (PWK) share options were granted to employees in respect of long service, and at period end 13.9 million PWK share options are held by employees amounting to 2.6% of shares in issue.

Status share options – are granted to employees who attain manager status and further options are granted at each promotion to higher levels of management. In order to encourage employee retention, status shares vest in 3 tranches as follows:
40% after 3 years
30% after 5 years
30% after 7 years

During the financial period under review 6 million Pick n Pay Stores Limited (PIK) options were issued to management, and at period end 52.8 million PIK share options are held by employees amounting to 11% of shares in issue.

Binary shares – are granted to key executives. These 3- to 5-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 3 binary share schemes in issue. The first was issued in October 2010 to senior executives, the second in October 2011 to deputy CEO Richard van Rensburg and the third to CEO Richard Brasher.

October 2010 binary issue – The salient features are as follows:

Grant date:	October 2010
Grant price:	R41.23

Exercise date	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

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 performance hurdles are met, the discounted grant prices will apply on exercise.

Binary issue to deputy CEO Richard van Rensburg – The salient features are as follows:

Grant date:	October 2011
Grant price:	R36.55

Exercise date	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

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 performance hurdles are met, the discounted grant prices will apply on exercise.

Binary issue to CEO Richard Brasher – The salient features are as follows:

Grant date	November 2012
Grant price:	R42.24

Exercise date	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

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, the discounted grant prices will apply on exercise.

Share options granted to directors

	Calendar year granted	Option grant price R	Balance held at 1 March 2012	Granted during the period	Balance held at 3 March 2013	Available for take-up
Jonathan Ackerman	2005	20.70	6 441		6 441	Now
	2006	28.00	14 286		14 286	Now
	2007	31.15	14 446		14 446	Now
	2008	26.56	9 414		9 414	Now
		26.14	25 000		25 000	Aug 2015
		26.14	25 000		25 000	Aug 2016
		26.14	25 000		25 000	Aug 2017
		26.14	25 000		25 000	Aug 2018
	2009	28.20	6 207		6 207	Now
		28.20	2 660		2 660	Apr 2013
	2010	42.27	624		624	Now
		42.27	468		468	Apr 2013
		42.27	468		468	Apr 2014
		41.23	400 000*		400 000*	May 2014
			555 014		**555 014**	
Suzanne Ackerman-Berman	2004	21.00	10 000		10 000	Now
	2006	31.15	60 000		60 000	Now
		31.15	60 000		60 000	Apr 2014
	2007	31.15	2 408		2 408	Now
	2008	26.56	2 259		2 259	Now
		26.56	2 260		2 260	Now
		26.14	25 000		25 000	Aug 2015
		26.14	25 000		25 000	Aug 2016
		26.14	25 000		25 000	Aug 2017
		26.14	25 000		25 000	Aug 2018
	2009	28.20	6 207		6 207	Now
		28.20	2 660		2 660	Apr 2013
	2010	42.27	569		569	Now
		42.27	426		426	Apr 2013
		42.27	426		426	Apr 2014
		41.23	400 000*		400 000*	May 2014
			647 215		**647 215**	
Richard Brasher	2012	42.24	—	333 334	333 334	Nov 2015
		42.24	—	333 333	333 333	Nov 2017
		42.24	—	333 333	333 333	Nov 2019
		42.24	—	1 000 000*	1 000 000*	Nov 2017
			—	**2 000 000**	**2 000 000**	

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

Remuneration committee report continued

Pick n Pay Stores Limited

Share options granted to directors continued

	Calendar year granted	Option grant price R	Balance held at 1 March 2012	Granted during the period	Balance held at 3 March 2013	Available for take-up
Bakar Jakoet	2003	12.00	250 000		250 000	Now
	2007	31.15	5 779		5 779	Now
	2008	26.55	3 954		3 954	Now
		26.55	3 953		3 953	Now
		26.14	60 000		60 000	Now
		26.14	45 000		45 000	Aug 2013
		26.14	45 000		45 000	Aug 2015
	2009	28.20	8 689		8 689	Now
		28.20	3 724		3 724	Apr 2013
	2010	42.28	719		719	Now
		42.28	540		540	Apr 2013
		42.28	540		540	Apr 2014
		41.23	500 000*		500 000*	May 2014
	2011	41.70	200 000		200 000	Apr 2014
		41.70	300 000		300 000	Apr 2016
			1 427 898		**1 427 898**	
Richard van Rensburg	2011	36.55	400 000*		400 000*	May 2015
			400 000		**400 000**	

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

Directors' interest in shares – all held beneficially

2013	How held**	Balance held 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**
David Robins	direct	74 108			(74 108)	40.23	**—**
	indirect	224 000			(224 000)	40.34	**—**

2012	How held**	Balance held at 1 March 2011	Additions during the period	Average purchase price per share R	Disposals during the period	Average selling price per share R	Balance held at 29 February 2012
Gareth Ackerman	direct	43					**43**
Jonathan Ackerman	direct	43					**43**
Suzanne Ackerman-Berman	direct	2 500					**2 500**
	indirect	4 651					**4 651**
Nick Badminton‡	direct	630 000	149 478	43.30			**779 478**
	indirect	350 000					**350 000**
Bakar Jakoet	direct	500 000					**500 000**
David Robins	direct	74 108					**74 108**
	indirect	333 604			(109 604)	46.07	**224 000**

** *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.*

‡ *Resigned 29 February 2012.*

Remuneration and benefits awarded to directors

2013	Fees for board meetings R'000	Fees for committee and other work R'000	Remune-ration R'000	Retirement and medical contri-butions R'000	Fringe and other benefits R'000	Total R'000	Expense relating to share options granted R'000
Non-executive directors							
Gareth Ackerman*	349.7					349.7	
Hugh Herman	300.0	459.0				759.0	
Alex Mathole**	300.0	100.0				400.0	
Lorato Phalatse	300.0	165.0				465.0	
David Robins	300.0					300.0	
Ben van der Ross	300.0	294.0				594.0	
Jeff van Rooyen	300.0	400.0				700.0	
	2 149.7	**1 418.0**	**—**	**—**	**—**	**3 567.7**	**—**
Executive directors							
Gareth Ackerman*	1.5		3 100.3		254.4	3 356.2	
Jonathan Ackerman	1.5		2 170.2	333.6	47.2	2 552.5	969.0
Suzanne Ackerman-Berman	1.5		2 202.3	325.2	16.0	2 545.0	1 057.4
Richard Brasher***	1.5		838.9	134.5	140.0	1 114.9	413.7
Bakar Jakoet	1.5		2 551.0	409.6	227.2	3 189.3	1 900.2
Richard van Rensburg	1.5		3 940.8		49.2	3 991.5	1 603.3
	9.0	**—**	**14 803.5**	**1 202.9**	**734.0**	**16 749.4**	**5 943.6**
Total remuneration	**2 158.7**	**1 418.0**	**14 803.5**	**1 202.9**	**734.0**	**20 317.1**	**5 943.6**
2012							
Non-executive directors							
Gareth Ackerman	3 000.0					3 000.0	
Hugh Herman	280.0	336.5				616.5	
Alex Mathole	280.0	145.0				425.0	
Lorato Phalatse	280.0	116.3				396.3	
David Robins	280.0					280.0	
Ben van der Ross	280.0	181.5				461.5	
Richard van Rensburg□	220.2					220.2	
Jeff van Rooyen	280.0	285.0				565.0	
	4 900.2	**1 064.3**	**—**	**—**	**—**	**5 964.5**	**—**
Executive directors							
Jonathan Ackerman	1.5		1 868.2	311.7	252.8	2 434.2	985.5
Suzanne Ackerman-Berman	1.5		2 006.4	298.6	29.2	2 335.7	1 190.2
Nick Badminton^	1.5		3 919.6	646.3	10 392.3	14 959.7	3 683.7
Dennis Cope#	1.5		400.0		30.6	432.1	77.1
Bakar Jakoet¥	1.5		1 947.9	311.1	732.7	2 993.2	1 233.1
Richard van Rensburg			1 400.0			1 400.0	1 900.0
	7.5	**—**	**11 542.1**	**1 567.7**	**11 437.6**	**24 554.9**	**9 069.6**
Total remuneration	**4 907.7**	**1 064.3**	**1 1542.1**	**1 567.7**	**11 437.6**	**30 519.4**	**9 069.6**

* *Performed a dual role of Chairman and acting CEO until the appointment of Richard Brasher.*
** *Resigned 28 February 2013.*
*** *Appointed to the Board as CEO during 2013 and received remuneration from this date. Prior to this appointment, Richard Brasher received contractor fees of R897 489 and the Group paid for his relocation costs of R971 447. Both these costs are not included in his remuneration.*
□ *Appointed as deputy CEO, effective 1 October 2011; received remuneration as an executive director from this date.*
^ *Resigned 29 February 2012. Fringe and other benefits include a restraint of trade payment of R10.1 million.*
# *Retired 29 April 2011.*
¥ *Appointed 29 April 2011 – remuneration included from this date.*

No performance bonuses were paid due to the performance of the Group.

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Remuneration committee report continued

Pick n Pay Stores Limited

Remuneration of Chief Executive Officer

Richard Brasher was appointed as CEO of the Group in 2013. He will be paid an annual base salary of R7 million, will receive a company car allowance and the Company will contribute towards the medical aid scheme on his behalf. He will also take part in the Group's short-term and long-term incentive schemes as disclosed on pages 41 and 42. In deciding on Richard Brasher's base pay, the remuneration committee took into account the following factors:

- Over 26 years of experience in the retail industry;
- Former CEO of Tesco UK/Republic of Ireland; and
- Instrumental in transforming Tesco into the market share leader in the United Kingdom and into a global retailer.

The remuneration committee benchmarked our new CEO's base salary against similar sized South African companies and his salary is considered fair in relation to the market and his expertise.

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 on page 45.

Top 3 earners

In accordance with King III, we disclose below the top 3 earners of the Group, excluding executive directors, identified by the total remuneration awarded including the IFRS 2 value of share options granted.

2013	Remune-ration R'000	Retirement and medical contributions R'000	Bonus* R'000	Fringe and other benefits R'000	Cash total R'000	Expense relating to share options granted R'000
Executive 1	3 002.3	459.0	—	12.4	3 473.7	570.9
Executive 2	2 691.2	391.0	—	61.3	3 143.5	985.6
Executive 3	2 668.4	375.9	—	37.3	3 081.6	1 450.4
Total remuneration	**8 361.9**	**1 225.9**	**—**	**111.0**	**9 698.8**	**3 006.9**
2012						
Executive 1	1 899.0	347.9	1 540.0	260.9	4 047.8	1 206.4
Executive 2	2 681.1	429.4	—	177.6	3 288.1	628.7
Executive 3	2 604.0	67.7	382.0	70.0	3 123.7	—
Total remuneration	**7 184.1**	**845.0**	**1 922.0**	**508.5**	**10 459.6**	**1 835.1**

** The bonus relates to the amount provided in the financial periods.*

Non-executive directors' fees

In respect of non-executive directors, the remuneration committee proposes fees to be paid for the membership of 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 share options. The fees for the 2013 annual financial period were approved by shareholders at the AGM held on 15 June 2012. The proposed fees for the 2014 annual financial period will be submitted to shareholders for approval at the AGM to be held on 25 June 2013.

Remuneration of non-executive Chairman for the 2014 annual financial period

Gareth Ackerman received a fee of R3 450 000 in his role as Chairman and acting CEO for the 2013 annual financial period while the Group conducted its search for a new CEO. The remuneration committee has proposed that his fee remain unchanged for the 2014 annual financial period. His role has reverted to that of non-executive Chairman for the 2014 annual financial period. Gareth is active in corporate governance issues and the overarching strategy for the companies in the Group. He is not involved in the day-to-day executive administration of the business, but holds himself available to contribute to the executive team if they request his advice. In addition, Gareth is ensuring that the CEO enjoys a smooth transition into the business.

Fees for the current and proposed periods are unchanged, as follows:

	Proposed 2014 R	2013 R
Chairman of the Board	3 450 000	3 450 000
Lead non-executive director	100 000	100 000
Member of the Board	300 000	300 000
Chairman of the audit committee	250 000	250 000
Member of the audit committee	100 000	100 000
Chairman of the remuneration committee	130 000	130 000
Member of the remuneration committee	65 000	65 000
Member of the nominations committee	60 000	60 000
Member of the social and ethics committee	65 000	65 000
Member of the corporate finance committee	100 000	100 000
Trustee of employee share purchase trust	29 000	29 000

Risk management and remuneration practices

The remuneration committee ensures that corporate governance aspects 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 and remuneration policies are aligned to the Company's risk profile.

Hugh Herman
Chairman: Remuneration committee

22 April 2013

Social and ethics committee report

Pick n Pay Stores Limited

In accordance with the provisions of the Companies Act 2008, the Group has established a social and ethics committee. The committee reports to the Board and conducts its affairs within its approved charter. It performs an oversight and monitoring role with the aim of further entrenching the culture of ethical behaviour within 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 has the following responsibilities:

- To monitor the Group's activities with regard to social and economic development, environment, health and public safety, consumer relationships, and labour and employment;
- To draw matters within its mandate to the attention of the Board as required; and
- To report to the shareholders at the Company's annual general meeting on the matters within its mandate.

The committee meets quarterly and focuses, amongst other subjects, on the following:

- Best practice examples for social and ethics committees;
- Ethics policies;
- Whistleblowing structures;
- BBBEE;
- Employment equity;
- Corporate social investment;
- Ethical treatment of animals;
- Local ethical procurement; and
- Integrity of food products and ingredients.

As a result of our commitment to doing business in a sustainable manner, the Group has been included on the Socially Responsible Investment Index of the JSE.

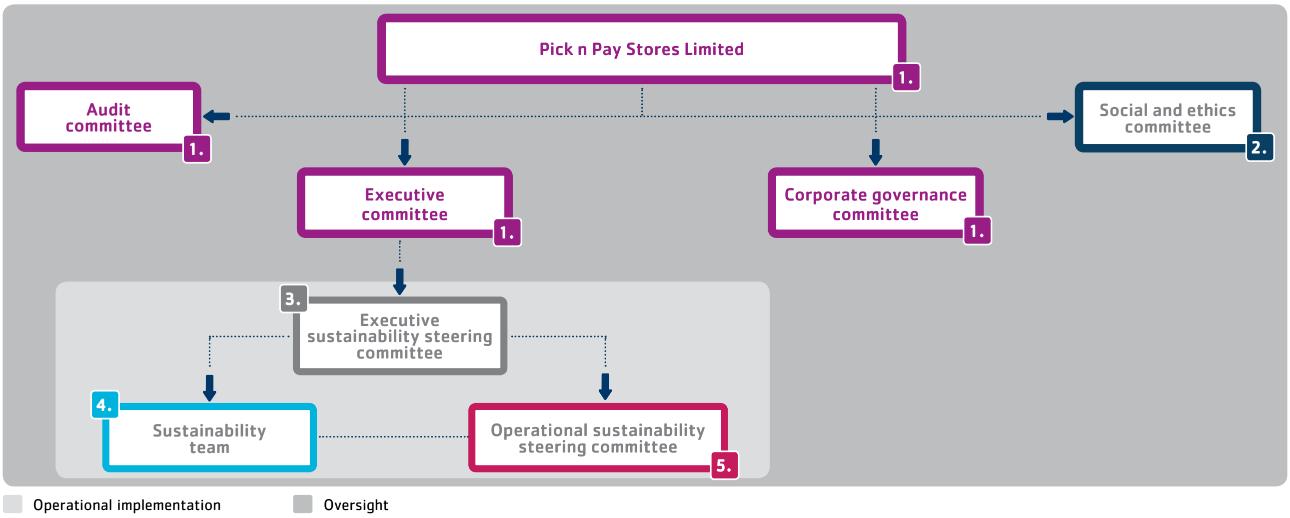
COMPOSITION OF THE COMMITTEE

The committee is chaired by executive director, Suzanne Ackerman-Berman. Her positions 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, ensures that Suzanne is uniquely qualified to chair the committee. Other committee members comprise non-executive director, Lorato Phalatse, senior management and technical experts on areas of mandate. Care has been taken to ensure that management is representative of the organisation across all levels and areas of expertise.

Director representation	Status	11 June 2012	27 August 2012	28 November 2012	21 February 2013
Suzanne Ackerman-Berman	Chairman and executive director	P	P	P	P
Lorato Phalatse	Independent non-executive director	P	P	P	P

P = present

Sustainability governance structure



1. Refer to page 37 for composition of committees.
2. The social and ethics committee provides ongoing governance and management review.
3. The executive sustainability steering committee meets on a quarterly basis to ensure alignment with the business strategy. The Board is represented on the steering committee by Suzanne Ackerman-Berman and Richard Brasher.
4. The sustainability team is tasked with co-ordinating Pick n Pay's response to ESG challenges across all of the Company's operations.
5. The operational sustainability steering committee consists of senior management representing each of the focus areas set out in the sustainability summary, and is responsible for implementation of the sustainability strategy.

Suzanne Ackerman-Berman
Chairman: Social and ethics committee
22 April 2013

Risk management report
Pick n Pay Stores Limited

The Board has recognised the importance of an effective risk management process and has adopted an enterprise-wide approach to risk management. Risks identified are captured and rated in the Group's risk register.

The Board is responsible for ensuring that adequate procedures and processes are in place to identify, assess, manage and monitor key business risks. The Board is assisted in its responsibilities by the audit committee, whose objective is to monitor, develop and communicate the process for managing risk across all divisions in the Group. The day-to-day responsibility for identifying, evaluating and managing risk resides with management. The risk management process, which is regularly assessed by the audit committee, involves a formalised system to identify and assess risk, both at a strategic and operational level. Mitigating controls, and other assurances in identifying and assessing the risks, are continuously evaluated.

The Group's assets are insured against loss, with cover being taken out above predetermined self-insurance levels. In a disaster recovery circumstance, business continuity plans will ensure the business continues with the least amount of disruption, both from an information technology and operational viewpoint. These plans are reviewed and updated regularly.

A summary of major risks and mitigation strategies is presented in the table below:

Risk	Risk mitigation
Strategic and market risk	
Damage to brand and reputation	The Group's governance philosophy seeks to protect and enhance our brand and reputation. Pick n Pay strives to maintain ethical business practices, and to achieve the highest levels of compliance and integrity.
Increasing competition	The Group continuously monitors market trends and sets its strategy accordingly, with the aim of ensuring that Pick n Pay remains the retailer of choice.
Ability to implement and execute strategy	All Group strategies are formally documented. Strategic progress reports are reviewed and evaluated monthly by the executive committee and bi-annually at Board level.
Ability to manage the impact of potential differentials in markets identified for expansion	The Group has a measured approach to expansion into non-South African markets. The regulatory environment and economic stability of the selected countries are carefully evaluated. Care is taken to ensure that good relationships are developed and maintained with key government and regulatory authorities.
Increased awareness of green/ethical issues	Levels of customer expectations on green/ethical issues are tracked via the smartshopper survey. The Group consistently retains a leading position in respect of "green retail" and is committed to addressing sustainability issues. Employee awareness initiatives include energy usage and saving initiatives such as the use of natural refrigerants over synthetic substances to reduce greenhouse-emitting gases. World-class sustainability features, tested in our "green store", PnP-on-Nicol, are being implemented where appropriate throughout the Group.
Sustainable food supply	The Group continues its analysis of the potential effects of climate change on food supply, and is actively involved in sustainable food supply initiatives in at-risk product areas. A comprehensive supply chain ESG risk analysis process was initiated in 2013. Understanding of these risks will increasingly inform supply chain decision-making. The Group continues to monitor the potential effect on food supply of wage disputes among agricultural labour forces.

Risk management report continued
Pick n Pay Stores Limited

Risk	Risk mitigation
Financial risk	
Volatility of profit margins	Market conditions and their effect on profitability are continuously reviewed by management and the Board. Unit sales growth and cost efficiencies are the primary drivers to protect profit margins. Unit sales growth depends on high levels of customer satisfaction.
Going-concern status	The going concern of the Group is reviewed by the Board at least twice a period and includes a review of adequate levels of capital to continue operations and implement strategy.
Liquidity and credit risk	The Group maintains 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.
Operational risk	
Product quality and third-party liability	Product safety and quality are carefully scrutinised by our internal quality control and food safety technicians. Where any indications exist of a product flaw, the product is immediately uplifted and returned to the supplier. Merchandise is purchased from reputable suppliers. The safety and quality of house brands are carefully scrutinised by food safety technicians. Appropriate levels of insurance are in place.
Safeguarding of assets	Group assets are insured against loss. Business continuity plans are in place. All stores and distribution centres have surveillance cameras in place which are monitored to assist in the safe keeping of assets.
Security of supply	Pick n Pay places much emphasis on forging good relationships with suppliers to ensure that the partnership is mutually beneficial to both parties. Electronic data interchange (EDI) is in process to improve delivery and communication levels between Pick n Pay and suppliers. Central distribution is in place to assist with improving lead times and minimising out of stocks.
Reliance on information systems	The information systems division evaluates and decides on appropriate technology for the Group. Further details on information systems risks are on pages 33 and 34.
Energy security and utilities	Resource use is a key focus of our optimisation drive. The Group has consistently reduced energy usage for the past 3 years and significant savings will enable further investment in reducing fuel and electricity consumption.
Legislative risk	
Compliance with legislation	Pick n Pay has an in-house compliance office to monitor and assess the impact of legislation on the business. Use is made of external specialists and advice where necessary.

Legal report
Pick n Pay Stores Limited

COMPLIANCE

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

The Group has created a set of compliance questionnaires that are distributed bi-annually to the relevant departments. The compliance questionnaires indicate levels of compliance to statutes that impact the retail industry such as the Consumer Protection Act, the Competition Act and the Companies Act 2008. Statutory developments are regularly monitored to establish the compliance regime, and we are currently reviewing what is needed to establish compliance with the provisions of the Protection of Personal Information Bill.

Compliance questionnaires are also used to educate employees in the requirements of statutory and regulatory compliance in the retail sector, and staff members are trained in sessions dealing with important legal issues such as the provisions of the Consumer Protection Act.

The questionnaires are regularly audited internally to ensure accurate reporting.

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

Each year, the executive directors and senior managers 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 during April 2013, and no incidents of contravention of the policies or the statutes were reported.

COMPETITION COMMISSION

In August 2012, a subsidiary company received a summons from the Competition Commission regarding an investigation into whether or not long-term exclusive lease agreements, as entered into between landlords and various South African national retail chains, are anti-competitive. Pick n Pay is co-operating fully with the Competition Commission in providing all information requested, and remains convinced that no anti-competitive behaviour exists.

In February 2013, a subsidiary company received notification of a complaint laid against it with the Competition Commission by a small number of Pick n Pay franchisees relating to the sourcing of suppliers and the centralised buying system. Pick n Pay co-operated fully with the Competition Commission in providing all information requested. After reviewing all documentation, the Competition Commission declined to refer the complaint to the Competition Tribunal.

Following the recent statutory changes to, inter alia, the Competitions Act 2008, the Consumer Protection Act and the Companies Act, our franchise agreement was thoroughly reviewed by both commercial and competition lawyers, and was amended to ensure that Pick n Pay and our franchisees remain compliant with all statutory requirements.

LITIGATION MATTERS

The Company and its subsidiaries are not involved, and have not in the 2013 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.

Corporate governance report
Pick n Pay Holdings Limited

INTRODUCTION
This report deals with the corporate governance of Pick n Pay Holdings Limited, the investment holding company of Pick n Pay Stores Limited. Pick n Pay Holdings Limited's sole purpose is the holding of the controlling shareholding in Pick n Pay Stores Limited and the Company therefore has minimal operating activities. Only principles specific to Pick n Pay Holdings Limited are included in this report as most principles have been addressed in the Pick n Pay Stores Limited corporate governance report (see pages 31 to 38).

DIRECTORS
The Board comprises 6 non-executive directors of which 3 are independent. In addition, there are 3 alternate directors who are available to step in for Raymond Ackerman, Wendy Ackerman and Gareth Ackerman 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 non-executive director (LID). All members of the Board have unfettered access to the LID when required.

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

INDEPENDENCE OF DIRECTORS
Of the 3 independent non-executive directors, Hugh Herman and René de Wet have held their positions for longer than 9 years. Their independence has been thoroughly scrutinised by the Chairman and discussed by the Board given their years of service on the Board. The Board is satisfied that, despite their length of service, they remain independent, tough-minded individuals with personal integrity, and they translate their experience in the Group into meaningful interrogation of the Group's implementation of its strategy. All 3 independent directors meet the criteria for independence as established by King III, the Companies Act and the JSE Listings Requirements. The Ackerman family members are not independent given their indirect controlling shareholding of the Group.

BOARD SUB-COMMITTEES
Pick n Pay Holdings has an 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 Pick n Pay Stores Limited for the Group.

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

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

	Proposed 2014	2013
Total fee	R57 000	**R57 000**

Share options granted to directors

	Calendar year granted	Option grant price R	Balance held at 1 March 2012	Balance held at 3 March 2013	Available for take-up
Jonathan Ackerman (alternate director)	2010	16.00	1 000	1 000	Now
			1 000	**1 000**	
Suzanne Ackerman-Berman (alternate director)	2011	15.35	400	400	Now
			400	**400**	
Directors of Pick n Pay Stores Limited					
Bakar Jakoet	2006	11.50	400	400	Now
	2009	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
			1 000 000	**1 000 000**	

Directors' interest in shares

2013	How held*	Balance held at 1 March 2012 000's	Additions during the period 000's	Average purchase 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
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
Alternate directors						
Jonathan Ackerman	direct	252.0			252.0	Beneficial
	indirect	1 089.6			1 089.6	Beneficial
Suzanne Ackerman-Berman	direct	242.1			242.1	Beneficial
	indirect	811.3			811.3	Beneficial
David Robins	direct	886.7			886.7	Beneficial
Directors of Pick n Pay Stores Limited						
Bakar Jakoet	direct	250.0			250.0	Beneficial

2012	How held*	Balance held at 1 March 2011 000's	Additions during the year 000's	Average purchase price per share R	Balance held at 29 February 2012 000's	Beneficial/ non-beneficial interest
Directors' holdings						
Raymond Ackerman	direct	1 019.4	250.0	17.37	1 269.4	Beneficial
Gareth Ackerman	direct	0.5			0.5	Beneficial
	indirect	3 072.0	81.0	17.77	3 153.0	Non-beneficial
Ackerman Investment Holdings Proprietary Limited**	indirect	254 896.0			254 896.0	Non-beneficial
Mistral Trust**	indirect	5 201.5	106.7	17.25	5 308.2	Non-beneficial
Hugh Herman	direct	62.5	17.5	16.09	80.0	Beneficial
	indirect	65.0			65.0	Beneficial
Alternate directors						
Jonathan Ackerman	direct	252.0			252.0	Beneficial
	indirect	1 089.6			1 089.6	Beneficial
Suzanne Ackerman-Berman	direct	242.1			242.1	Beneficial
	indirect	781.2	30.1	16.38	811.3	Beneficial
David Robins	direct	886.7			886.7	Beneficial
Directors of Pick n Pay Stores Limited						
Nick Badminton***	direct	880.6			880.6	Beneficial
Bakar Jakoet	direct	250.0			250.0	Beneficial

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

** *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.*

*** *Resigned 29 February 2012.*

Corporate governance report continued

Pick n Pay Holdings Limited

KING III

Dispensation by JSE

- Pick n Pay has been granted a dispensation by the JSE from the King III requirement to have a minimum of 2 executive directors, given that 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 has applied for dispensation from the requirement 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 has been granted dispensation from the JSE Listings Requirements of having separate remuneration, risk, nominations and corporate governance committees, as this function is fulfilled for the Group by the Board committees formed by Pick n Pay Stores Limited.

Notes on King III

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 the existing structure of the Group is currently in the best interests of all shareholders.

Directors' attendance at meetings

Board meetings

Director	16 April 2012	23 October 2012	19 February 2013	AGM 15 June 2012
Raymond Ackerman (Chairman)	P	P	P	P
Gareth Ackerman	P	P	P	P
Wendy Ackerman	P	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)	A	P	P	P
David Robins (alternate director)	A	P	P	P

P = present
A = apologies

Fees for board meetings

Non-executive directors	2013 R'000	2012 R'000
Raymond Ackerman	**57.0**	53.0
Wendy Ackerman	**57.0**	53.0
René de Wet	**57.0**	53.0
	171.0	159.0

Audit committee report
Pick n Pay Holdings Limited

The audit committee is pleased to present this report as required by the Companies Act, 2008. The audit committee is a formal committee of the Board and functions within an approved charter and complies with all relevant legislation, regulation and governance codes.

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 2008, 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 2008, members of the committee are appointed annually by the Board for the ensuing financial period 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.

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

Committee member	16 April 2012	15 October 2012
René de Wet (Chairman)	P	P
Hugh Herman	P	P
Jeff van Rooyen	P	P

P = present

The committee discharges its Board responsibilities by:

- Meeting at least twice a year to review the Group's financial results;
- Receiving and reviewing reports from the Pick n Pay Stores audit committee;
- Reviewing the carrying value of its investment in Pick n Pay Stores Limited; and
- Reporting to the Board at the next meeting.

The committee's main responsibilities are discharged by the audit committee elected for Pick n Pay Stores Limited. The Pick n Pay Holdings 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 nominates KPMG as external auditor for the 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.

EXPERTISE AND EXPERIENCE OF CHIEF FINANCE OFFICER AND FINANCE FUNCTION

The audit 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 COMMITTEE REPORT

The committee confirms that it has functioned in accordance with its charter for the 2013 annual financial period and that its report to shareholders has been approved by the Board.

René de Wet

René de Wet
Chairman: Audit committee

22 April 2013


smart shopper


smart shopper

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The annual financial statements have been prepared by the Pick n Pay Finance Division under the supervision of the Chief Finance Officer, Bakar Jakoet, CA(SA).

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 annual financial statements of Pick n Pay Stores Limited, comprising the statements of financial position at 3 March 2013, 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 2008 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 annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

APPROVAL OF CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

The consolidated and separate annual financial statements of Pick n Pay Stores Limited, as identified in the first paragraph, were approved by the Board of directors on 22 April 2013 and signed on their behalf by:

Gareth Ackerman
Chairman

Richard Brasher
Chief Executive Officer

Company Secretary's certificate

PICK N PAY STORES LIMITED AND ITS SUBSIDIARIES

I certify that 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

22 April 2013

Directors' report

for the period ended 3 March 2013

PICK N PAY STORES LIMITED AND ITS SUBSIDIARIES

Nature of business

The Company, which is domiciled and incorporated in the Republic of South Africa and listed on the JSE, the recognised securities exchange in South Africa, is an investment holding company. The Group comprises trading subsidiaries that retail food, clothing, general merchandise, pharmaceuticals and liquor throughout southern Africa, both on an owned and franchise basis. The Group also acquires and develops strategic retail and distribution sites.

The nature of the business of the subsidiaries held directly and indirectly is presented in note 5 of the Company annual financial statements on page 111.

Review of financial results and activities

The reviews of financial results and activities of the Group are contained in the Chief Finance Officer's report on pages 22 to 25. During the period under review the Group adopted a 52-week reporting calendar for all future financial periods. Refer to note 29 for further details.

Audit committee

We draw your attention to the audit committee report on pages 39 and 40 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 90) of 69.25 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 15%. The last day to trade in order to participate in the dividend (CUM dividend) will be Friday, 7 June 2013. The shares will trade EX dividend from the commencement of business on Monday, 10 June 2013 and the record date will be Friday, 14 June 2013. The dividends will be paid on Tuesday, 18 June 2013. Refer to page 85 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 2 046 597 (2012: 2 482 193) shares in the Company and 9 115 723 (2012: 9 011 002) shares in Pick n Pay Holdings Limited and a subsidiary company held 1 845 803 (2012: 1 845 103) shares in Pick n Pay Holdings Limited, all of which are accounted for as treasury shares. These shares are held to meet obligations of options granted.

Going concern

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

The Board has performed a formal review of the Company and Group's 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 August 2012, a subsidiary company received a summons from the Competition Commission regarding an investigation into whether or not long-term exclusive lease agreements, as entered into between landlords and various South African national retail chains, are anti-competitive. Pick n Pay is co-operating fully with the Competition Commission in providing all information requested, and remains convinced that no anti-competitive behaviour exists.

In February 2013, a subsidiary company received notification of a complaint laid against it with the Competition Commission by a small number of Pick n Pay franchisees relating to the sourcing of suppliers and the centralised buying system. Pick n Pay co-operated fully with the Competition Commission in providing all information requested. After reviewing all documentation, the Competition Commission declined to refer the complaint to the Competition Tribunal.

Following the recent statutory changes to, inter alia, the Competitions Act, the Consumer Protection Act and the Companies Act 2008, our franchise agreement was thoroughly reviewed by both commercial and competition lawyers, and was amended to ensure that Pick n Pay and our franchisees remain compliant with all statutory requirements.

Legal proceedings

The Company and its subsidiaries are not, and have not in the 2013 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 15 June 2012 the Company's shareholders approved the following special resolutions as tabled in the notice to the annual general meeting:

Directors' fees for the 2013 annual financial period

Shareholders approved the directors' fees.

Directors' report continued

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

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

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, No. 71 of 2008, as amended and the Listings Requirements of JSE Limited (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

Richard Brasher was appointed Chief Executive Officer in 2013 and in terms of the Companies Act and the Company's Memorandum of Incorporation, offers himself for election as an executive director of the Company.

Alex Mathole resigned with effect from 28 February 2013 to take up an executive position with a major supplier to the Group.

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

Executive

Suzanne Ackerman-Berman
Jonathan Ackerman

Independent non-executive

Lorato Phalatse

Information pertaining to the directors and the Company Secretary appear on pages 16 to 18.

Holding company

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

Directors' interest in shares

	2013 %	2012 %
Beneficial	**1.0**	1.3
Non-beneficial	**27.5**	27.6
Total	**28.5**	28.9

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 41 to 47.

Subsidiary companies

Details of subsidiary companies are presented in note 5 of the Company annual financial statements on page 111.

Borrowings

The Group's overall level of debt (including bank overdrafts and overnight borrowings) increased from R1 464.5 million to R2 729.6 million. This increase is largely due to the adoption of the 52-week financial reporting period. The change in reporting date cut-off resulted in an increase in bank overdraft of R1 059.2 million. There has been no change in net working capital due to the adoption of the 52-week financial reporting period.

Independent auditor's report

for the period ended 3 March 2013

TO THE SHAREHOLDERS OF PICK N PAY STORES LIMITED

Report on the annual financial statements

We have audited the consolidated and separate annual financial statements of Pick n Pay Stores Limited, which comprise the statements of financial position at 3 March 2013, 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 66 to 113 and the remuneration report as set out on pages 41 to 47.

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 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 3 March 2013, 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 3 March 2013, 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

22 April 2013

MSC House
Mediterranean Street
Cape Town
8001

Directors' responsibility statement

PICK N PAY HOLDINGS LIMITED AND ITS SUBSIDIARIES

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of Pick n Pay Holdings Limited, comprising the statements of financial position at 3 March 2013, 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 2008 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 annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

APPROVAL OF CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

The consolidated and separate annual financial statements of Pick n Pay Holdings Limited, as identified in the first paragraph, were approved by the Board of directors on 22 April 2013 and signed on their behalf by:

Raymond Ackerman
Chairman

Company Secretary's certificate

PICK N PAY HOLDINGS LIMITED AND ITS SUBSIDIARIES

I certify that Pick n Pay Holdings 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

22 April 2013

Directors' report

for the period ended 3 March 2013

PICK N PAY HOLDINGS 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, 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.

Audit committee

We draw your attention to the audit committee report on page 55 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 (PIKWIK) of 40.78 cents, to that of Pick n Pay Stores Limited (PICKNPAY), 84.00 cents, determines the relative value of a Pick n Pay Holdings Limited share, which, based on these figures, is 48.5% (2012: 48.5%) of a Pick n Pay Stores Limited share.

Dividends declared

The directors have declared a final dividend (dividend 63) of 33.61 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 15%. The last day to trade in order to participate in the dividend (CUM dividend) will be Friday, 7 June 2013. The shares will trade EX dividend from the commencement of business on Monday, 10 June 2013 and the record date will be Friday, 14 June 2013. The dividends will be paid on Tuesday, 18 June 2013. Refer to page 85 for a detailed analysis.

Investment

The Company's sole asset is its 53.6% (2012: 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% (2012: 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 9 115 723 (2012: 9 011 002) and 1 845 803 (2012: 1 845 103) shares in the Company, respectively. These shares are reflected as treasury shares in the annual financial statements.

Going concern

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

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

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

Competition Commission

In August 2012, a subsidiary company received a summons from the Competition Commission regarding an investigation into whether or not long-term exclusive lease agreements, as entered into between landlords and various South African national retail chains, are anti-competitive. Pick n Pay is co-operating fully with the Competition Commission in providing all information requested, and remains convinced that no anti-competitive behaviour exists.

In February 2013, a subsidiary company received notification of a complaint laid against it with the Competition Commission by a small number of Pick n Pay franchisees relating to the sourcing of suppliers and the centralised buying system. Pick n Pay co-operated fully with the Competition Commission in providing all information requested. After reviewing all documentation, the Competition Commission declined to refer the complaint to the Competition Tribunal.

Following the recent statutory changes to, inter alia, the Competitions Act, the Consumer Protection Act and the Companies Act 2008, our franchise agreement was thoroughly reviewed by both commercial and competition lawyers, and was amended to ensure that Pick n Pay and our franchisees remain compliant with all statutory requirements.

Legal proceedings

The Company and its subsidiaries are not, and have not in the 2013 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 15 June 2012 the Company's shareholders approved the following special resolutions as tabled in the notice to the annual general meeting:

Directors' fees for the 2013 annual financial period

Shareholders approved the directors' fees.

Directors' report continued

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

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

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, No. 71 of 2008, as amended 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 and alternate directors listed below retire by rotation and they offer themselves for re-election.

Gareth Ackerman
Hugh Herman
Jonathan Ackerman (alternate)
Suzanne Ackerman-Berman (alternate)
David Robins (alternate)

Information pertaining to the directors and the Company Secretary appear on pages 16 to 18.

Directors' interest in shares

	2013 %	2012 %
Beneficial	**0.9**	0.9
Non-beneficial	**50.4**	50.4
Total	**51.3**	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 52 and 53.

Borrowings

The Group's overall level of debt (including bank overdrafts and overnight borrowings) increased from R1 464.5 million to R2 729.6 million during the period. This is largely due to the adoption of the 52-week financial reporting period. The change in reporting date cut-off resulted in an increase in bank overdraft of R1 059.2 million. There has been no change in net working capital due to the adoption of the 52-week financial reporting period.

Independent auditor's report

for the period ended 3 March 2013

TO THE SHAREHOLDERS OF PICK N PAY HOLDINGS LIMITED

Report on the annual financial statements

We have audited the consolidated and separate annual financial statements of Pick n Pay Holdings Limited, which comprise the statements of financial position at 3 March 2013, 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 66 to 113 and the remuneration report as set out on pages 52 and 53.

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 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 at 3 March 2013, 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 3 March 2013, 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

22 April 2013

MSC House
Mediterranean Street
Cape Town
8001

Consolidated statements of comprehensive income

for the period ended 3 March 2013

	Notes	PICK N PAY STORES GROUP 2013 Rm	PICK N PAY STORES GROUP 2012 Rm	PICK N PAY HOLDINGS GROUP 2013 Rm	PICK N PAY HOLDINGS GROUP 2012 Rm
CONTINUING OPERATIONS					
Revenue	1	**59 658.5**	55 634.4	**59 658.5**	55 634.4
Turnover		**59 271.3**	55 330.5	**59 271.3**	55 330.5
Cost of merchandise sold		**(48 761.4)**	(45 350.0)	**(48 761.4)**	(45 350.0)
Gross profit		**10 509.9**	9 980.5	**10 509.9**	9 980.5
Other trading income	1	**344.4**	264.4	**344.4**	264.4
Trading expenses		**(10 001.9)**	(8 969.8)	**(10 003.8)**	(8 971.4)
Employee costs	2.2	**(4 952.0)**	(4 658.5)	**(4 952.0)**	(4 658.5)
Occupancy		**(1 500.5)**	(1 302.1)	**(1 500.5)**	(1 302.1)
Operations		**(2 363.9)**	(2 149.4)	**(2 363.9)**	(2 149.4)
Merchandising and administration		**(1 185.5)**	(859.8)	**(1 187.4)**	(861.4)
Trading profit		**852.4**	1 275.1	**850.5**	1 273.5
Profit/(loss) on sale of property, equipment and vehicles and intangible assets		**21.6**	(7.6)	**21.6**	(7.6)
Interest received	1	**42.8**	39.5	**42.8**	39.5
Interest paid	2.3	**(131.3)**	(135.1)	**(131.3)**	(135.1)
Share of associates' income/(losses)	14.1	**23.4**	(1.9)	**23.4**	(1.9)
Profit before tax	2.1	**808.9**	1 170.0	**807.0**	1 168.4
Tax	5.1	**(258.3)**	(407.7)	**(258.3)**	(407.7)
Profit for the period from continuing operations		**550.6**	762.3	**548.7**	760.7
Profit for the period from discontinued operation		**—**	351.2	**—**	351.2
Profit on sale of discontinued operation	6	**—**	438.4	**—**	438.4
Loss from discontinued operation	6	**—**	(87.2)	**—**	(87.2)
Profit for the period		**550.6**	1 113.5	**548.7**	1 111.9
Equity holders of the Company		**—**	—	**294.5**	598.6
Non-controlling interest		**—**	—	**254.2**	513.3
Other comprehensive income/(loss), net of tax		**6.5**	(358.3)	**6.5**	(358.3)
Exchange rate differences on translating foreign operations		**5.1**	224.1	**5.1**	224.1
Net loss on hedge of net investment in foreign operation		**—**	(49.9)	**—**	(49.9)
Foreign currency translation deficit realised on sale of discontinued operation		**—**	(539.8)	**—**	(539.8)
Retirement benefit actuarial gain		**1.4**	7.3	**1.4**	7.3
Total comprehensive income for the period		**557.1**	755.2	**555.2**	753.6
Comprehensive income for the period attributable to:					
Equity holders of the Company		**—**	—	**298.0**	405.4
Non-controlling interest		**—**	—	**257.2**	348.2
		—	—	**555.2**	753.6
Earnings per share – cents					
Basic	7	**115.14**	233.21	**57.03**	115.91
Continuing operations		**115.14**	159.64	**57.03**	79.24
Discontinued operation		**—**	73.57	**—**	36.67
Diluted basic	7	**113.39**	228.69	**55.57**	112.48
Continuing operations		**113.39**	156.55	**55.57**	76.16
Discontinued operation		**—**	72.14	**—**	36.32

Consolidated statements of financial position

	Notes	PICK N PAY STORES GROUP As at 3 March 2013 Rm	PICK N PAY STORES GROUP As at 29 February 2012 Rm	PICK N PAY HOLDINGS GROUP As at 3 March 2013 Rm	PICK N PAY HOLDINGS GROUP As at 29 February 2012 Rm
ASSETS					
Non-current assets					
Intangible assets	9	**947.9**	799.6	**947.9**	799.6
Property, equipment and vehicles	10	**3 917.7**	3 863.9	**3 917.7**	3 863.9
Operating lease asset	11.1	**105.5**	84.8	**105.5**	84.8
Participation in export partnerships	12	**28.1**	34.8	**28.1**	34.8
Deferred tax assets	13	**174.4**	116.5	**174.4**	116.5
Investment in associate	14.1	**133.9**	110.5	**133.9**	110.5
Loans	15	**98.5**	80.8	**98.9**	81.2
Available-for-sale investment	16	**0.2**	0.2	**0.2**	0.2
Retirement scheme assets	23.1	**1.8**	—	**1.8**	—
		5 408.0	5 091.1	**5 408.4**	5 091.5
Current assets					
Inventory	17	**3 996.5**	3 334.9	**3 996.5**	3 334.9
Trade and other receivables	18	**2 360.9**	2 120.6	**2 360.9**	2 120.6
Cash and cash equivalents	19	**1 255.7**	1 271.7	**1 255.7**	1 271.7
		7 613.1	6 727.2	**7 613.1**	6 727.2
Total assets		**13 021.1**	11 818.3	**13 021.5**	11 818.7
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	20	**6.0**	6.0	**6.6**	6.6
Share premium		**—**	—	**120.8**	120.8
Treasury shares	21	**(139.4)**	(142.8)	**(89.3)**	(82.4)
Retained earnings		**2 562.6**	2 559.2	**1 222.4**	1 218.2
Foreign currency translation deficit		**(13.2)**	(18.3)	**(7.1)**	(9.9)
Attributable to equity holders of the Company		**2 416.0**	2 404.1	**1 253.4**	1 253.3
Non-controlling interest		**—**	—	**1 157.4**	1 147.5
Total shareholders' interest		**2 416.0**	2 404.1	**2 410.8**	2 400.8
Non-current liabilities					
Borrowings	22	**772.5**	771.2	**772.5**	771.2
Retirement scheme obligations	23.1	**—**	9.0	**—**	9.0
Operating lease liability	11.2	**924.6**	829.1	**924.6**	829.1
		1 697.1	1 609.3	**1 697.1**	1 609.3
Current liabilities					
Bank overdraft and overnight borrowings	19	**1 525.6**	—	**1 525.6**	—
Borrowings	22	**431.5**	693.3	**431.5**	693.3
Tax	5.4	**82.8**	99.6	**82.8**	99.6
Trade and other payables	24	**6 865.0**	7 006.3	**6 870.6**	7 010.0
Derivative financial instruments	28.3.1	**3.1**	5.7	**3.1**	5.7
		8 908.0	7 804.9	**8 913.6**	7 808.6
Total equity and liabilities		**13 021.1**	11 818.3	**13 021.5**	11 818.7

Consolidated statement of changes in equity

for the period ended 3 March 2013

	Notes	Share capital Rm	Treasury shares Rm	Retained earnings Rm	Foreign currency translation reserve/ (deficit) Rm	Total Rm
PICK N PAY STORES GROUP						
At 1 March 2011		6.0	(172.0)	1 977.5	347.3	2 158.8
Total comprehensive income for the period		—	—	1 120.8	(365.6)	755.2
Profit for the period				1 113.5		1 113.5
Exchange rate differences on translating foreign operations					224.1	224.1
Net loss on hedge of net investment in translating foreign operation					(49.9)	(49.9)
Foreign currency translation deficit realised on sale of discontinued operation					(539.8)	(539.8)
Retirement benefit actuarial gain				7.3		7.3
Transactions with owners		—	29.2	(539.1)	—	(509.9)
Dividends paid	8.1			(605.4)		(605.4)
Share repurchases	21		(42.7)			(42.7)
Net effect of settlement of employee share options	21		71.9	(29.4)		42.5
Share options expense	4.3			95.7		95.7
At 29 February 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**
Retirement benefit actuarial gain				**1.4**		**1.4**
Transactions with owners		**—**	**3.4**	**(548.6)**	**—**	**(545.2)**
Dividends paid	8.1			**(583.5)**		**(583.5)**
Share repurchases	21		**(77.9)**			**(77.9)**
Net effect of settlement of employee share options	21		**81.3**	**(56.4)**		**24.9**
Share options expense	4.3			**91.3**		**91.3**
At 3 March 2013		**6.0**	**(139.4)**	**2 562.6**	**(13.2)**	**2 416.0**

Consolidated statement of changes in equity

for the period ended 3 March 2013

	Notes	Share capital Rm	Share premium Rm	Treasury shares Rm	Retained earnings Rm	Foreign currency translation reserve/ (deficit) Rm	Attri-butable to equity holders of the Company Rm	Non-controlling interest Rm	Total Rm
PICK N PAY HOLDINGS GROUP									
At 1 March 2011		6.6	120.8	(77.7)	890.1	187.4	1 127.2	1 029.9	2 157.1
Total comprehensive income for the period		—	—	—	602.5	(197.1)	405.4	348.2	753.6
Profit for the period					598.6		598.6	513.3	1 111.9
Exchange rate differences on translating foreign operations						120.8	120.8	103.3	224.1
Net loss on hedge of net investment in translating foreign operation						(26.9)	(26.9)	(23.0)	(49.9)
Foreign currency translation deficit realised on sale of discontinued operation						(291.0)	(291.0)	(248.8)	(539.8)
Retirement benefit actuarial gain					3.9		3.9	3.4	7.3
Transactions with owners		—	—	(4.7)	(274.4)	(0.2)	(279.3)	(230.6)	(509.9)
Dividends paid	8.1				(328.2)		(328.2)	(277.2)	(605.4)
Share repurchases	21			(12.0)	(16.5)		(28.5)	(14.2)	(42.7)
Net effect of settlement of employee share options	21			7.3	19.0		26.3	16.2	42.5
Share options expense	4.3				51.6		51.6	44.1	95.7
Movement in treasury shares					(0.3)	(0.2)	(0.5)	0.5	—
At 29 February 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**
Retirement benefit actuarial gain					**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	8.1				**(315.0)**		**(315.0)**	**(268.5)**	**(583.5)**
Share repurchases	21			**(10.5)**	**(31.4)**		**(41.9)**	**(36.0)**	**(77.9)**
Net effect of settlement of employee share options	21			**3.6**	**9.8**		**13.4**	**11.5**	**24.9**
Share options expense	4.3				**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**

Consolidated statements of cash flows

for the period ended 3 March 2013

	Notes	PICK N PAY STORES GROUP 2013 Rm	PICK N PAY STORES GROUP 2012 Rm	PICK N PAY HOLDINGS GROUP 2013 Rm	PICK N PAY HOLDINGS GROUP 2012 Rm
Cash flows from operating activities					
Trading profit		**852.4**	1 275.1	**850.5**	1 273.5
Depreciation and amortisation	2.1	**895.5**	808.1	**895.5**	808.1
Share options expense	4.3	**91.3**	95.7	**91.3**	95.7
Net operating lease liability		**74.8**	52.7	**74.8**	52.7
Cash generated before movements in working capital		**1 914.0**	2 231.6	**1 912.1**	2 230.0
Movements in working capital		**(1 012.1)**	490.3	**(1 010.2)**	491.9
(Decrease)/increase in trade and other payables		**(152.4)**	1 030.4	**(150.5)**	1 032.0
Increase in inventory		**(626.0)**	(172.2)	**(626.0)**	(172.2)
Increase in trade and other receivables		**(233.7)**	(367.9)	**(233.7)**	(367.9)
Cash generated by trading activities		**901.9**	2 721.9	**901.9**	2 721.9
Interest received	1	**42.8**	39.5	**42.8**	39.5
Interest paid	2.3	**(131.3)**	(135.1)	**(131.3)**	(135.1)
Cash generated by operations		**813.4**	2 626.3	**813.4**	2 626.3
Dividends paid	8	**(583.5)**	(605.4)	**(583.5)**	(605.4)
Tax paid	5.4	**(311.6)**	(462.1)	**(311.6)**	(462.1)
Net cash (utilised in)/generated by operating activities – continuing operations		**(81.7)**	1 558.8	**(81.7)**	1 558.8
Net cash utilised in operating activities – discontinued operation		**—**	(330.4)	**—**	(330.4)
Total net cash (utilised in)/generated by operating activities		**(81.7)**	1 228.4	**(81.7)**	1 228.4
Cash flows from investing activities					
Investment in property, equipment and vehicles and intangible assets		**(1 212.5)**	(1 611.0)	**(1 212.5)**	(1 611.0)
Intangible asset additions	9	**(242.4)**	(271.7)	**(242.4)**	(271.7)
Property additions	10	**(166.5)**	(446.8)	**(166.5)**	(446.8)
Equipment and vehicle additions and leasehold improvements	10	**(803.6)**	(889.9)	**(803.6)**	(889.9)
Aircraft additions	10	**—**	(2.6)	**—**	(2.6)
Increase in investment in associate	14	**—**	(102.5)	**—**	(102.5)
Purchase of operations	9,10,17	**(118.3)**	(106.4)	**(118.3)**	(106.4)
Proceeds on disposal of property, equipment and vehicles and intangible assets		**231.5**	44.5	**231.5**	44.5
Loans (advanced)/repaid		**(17.7)**	9.4	**(17.7)**	9.4
Net cash utilised in investing activities – continuing operations		**(1 117.0)**	(1 766.0)	**(1 117.0)**	(1 766.0)
Net cash generated by investing activities – discontinued operation		**—**	1 459.6	**—**	1 459.6
Total net cash utilised in investing activities		**(1 117.0)**	(306.4)	**(1 117.0)**	(306.4)
Cash flows from financing activities					
Borrowings (repaid)/raised		**(260.5)**	787.5	**(260.5)**	787.5
Share repurchases	21	**(77.9)**	(42.7)	**(77.9)**	(42.7)
Proceeds from employees on settlement of share options		**2.9**	31.1	**2.9**	31.1
Total net cash (utilised in)/generated by financing activities		**(335.5)**	775.9	**(335.5)**	775.9
Net (decrease)/increase in cash and cash equivalents		**(1 534.2)**	1 697.9	**(1 534.2)**	1 697.9
Cash and cash equivalents at beginning of period		**1 271.7**	(431.8)	**1 271.7**	(431.8)
Effect of exchange rate fluctuations on cash and cash equivalents		**(7.4)**	5.6	**(7.4)**	5.6
Cash and cash equivalents at end of period	19	**(269.9)**	1 271.7	**(269.9)**	1 271.7

Accounting policies

Pick n Pay Stores Limited and Pick n Pay Holdings Limited are domiciled in South Africa. The consolidated financial statements for the period ended 3 March 2013 comprise the Pick n Pay Stores Limited Company and its subsidiaries (referred to as "Pick n Pay Stores Group") and Pick n Pay Holdings Limited Company and its subsidiaries (referred to as "Pick n Pay Holdings Group") (together referred to as the "Group") and the Group's interest in its associates, TM Supermarkets (Pvt) Limited and Red Apple Retail Company Limited.

The financial statements were approved by the directors and authorised for issue on 22 April 2013.

These consolidated financial statements are presented in South African Rands, which is the Group and Companies' functional currency. All financial information has been rounded to the nearest million, unless otherwise stated.

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

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

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

STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Group (consolidated) and Company (separate) 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 South African Companies Act of 2008.

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, the results of which form the basis of making the judgements about carrying values of assets and liabilities. 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.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 4	measurement of share-based payments
Note 9	measurement of the recoverable amounts of cash-generating units containing goodwill
Note 9	estimates of useful lives and residual values of intangible assets
Note 10	estimates of useful lives and residual values of property, equipment and vehicles
Note 11	classification of operating leases
Note 13	the recognition of deferred tax assets
Note 14	the impairment reviews undertaken in respect of our associate
Note 18	the estimation of the impairment allowance for trade and other receivables
Note 22	classification of finance leases
Note 23	measurement of defined-benefit obligations
Note 24	recognition of deferred revenue in respect of customer loyalty programme

The accounting policies set out below have been applied consistently to all periods presented in these consolidated and separate financial statements. During the annual financial period under review the Group adopted a 52-week financial reporting calendar for all future annual financial periods. Please refer to note 29 for further information. During the annual financial period under review the Chief Operating Decision Maker of the Group was reviewed and was changed from the Pick n Pay Stores Limited Board to the Executive Committee. The operating segments and the related comparatives have been restated. Please refer to note 26 for further information.

BASIS OF CONSOLIDATION

Investment in subsidiaries

The Group financial statements include the financial statements of the Company and the entities that it controls. Control is achieved where 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. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account.

As the Company controls the Pick n Pay Employee Share Purchase Trust (Share Trust), this entity has been consolidated into the Group financial statements.

All business combinations are accounted for by applying the acquisition method of accounting. The financial statements of subsidiaries are included in the consolidated financial statements of the Group, from the date that control commences until the date that control ceases.

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset, depending on the level of influence retained.

Investments 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. 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 the income and expenses and equity movements 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 or made payments on behalf of an associate.

Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

INTANGIBLE ASSETS

Goodwill

Goodwill is initially measured at the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Goodwill is stated at cost less any accumulated impairment losses. For the purposes of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination. The units or the groups of units to which goodwill is allocated cannot be larger than the operating segments identified by the Group.

The underlying key assumptions of the tests of impairment include, but are not limited to, profit and cash forecasts discounted at an appropriate rate. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate. A gain on bargain purchase on an acquisition is recognised in profit or loss.

Systems development

Systems development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss when incurred.

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in profit or loss as incurred.

Licences

Licences that are acquired by the Group are stated at cost (including any related borrowing costs) less accumulated amortisation and impairment losses.

Where payments are made for the acquisition of licences, the amounts are capitalised and amortised over their anticipated useful lives. Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. Expenditure incurred to maintain trademarks or brand names are expensed in full in profit or loss.

Intangible assets acquired and subsequent expenditure

Intangible assets that are acquired by the Group are stated at cost (including any related borrowing costs) less accumulated amortisation and impairment losses.

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. No valuation is made of internally developed and maintained trademarks or brand names. Expenditure incurred to maintain trademarks or brand names is expensed in full in profit or loss.

Amortisation

Amortisation is based on the carrying value of an asset less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The current and comparative estimated useful life of systems development costs is 7 years. The current and comparative estimated useful life of licences is 5 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

PROPERTY, EQUIPMENT AND VEHICLES

Property (comprising land and buildings) owned by the Group is classified as owner-occupied property and is shown at cost less accumulated depreciation and impairment losses.

Equipment (comprising furniture, fittings and equipment), vehicles and aircraft are stated at cost less accumulated depreciation and impairment losses.

The cost of property, equipment, vehicles and aircraft 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, equipment, vehicles and aircraft 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 are recognised in profit or loss as an expense as incurred.

Leasehold improvements

Expenditure by the Group on leased retail space is referred to as leasehold improvements. Leasehold improvements are recognised at cost and depreciated over the lesser of their useful lives and the remaining lease term.

Depreciation

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, equipment, vehicles and aircraft. Leased assets 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.

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

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

Estimates of useful lives, residual values and methods of depreciation are reviewed annually. Any changes are accounted for prospectively as a change in accounting estimate. If the expected residual value of an asset is equal to or greater than its carrying value, depreciation on that asset is ceased. Depreciation is resumed when the expected residual value falls below the asset's carrying value.

Gains or losses on disposal of an item of property, equipment, vehicles and aircraft are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognised directly in profit or loss.

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 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. 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.

This liability and 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.

Accounting policies continued

INVENTORY

Inventory comprises merchandise for resale and consumables. Inventory is measured at the lower of cost and net realisable value. 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. The cost of merchandise sold includes shrinkage.

Obsolete, redundant and slow-moving items are identified on a regular basis and are written down to their estimated net realisable values. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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.

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.

GUARANTEES

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.

Insurance contracts are classified as financial guarantees. A liability is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the contract and a reliable estimate can be made of the amount of the obligation. The amount recognised is the best estimate of the expenditure required to settle the contract 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.

The Group performs liability adequacy tests on financial guarantee contract liabilities to ensure that the carrying amount of the liabilities is sufficient in view of estimated future cash flows. When performing the liability adequacy test, the Group discounts all the expected contractual cash flows and compares this amount to the carrying value of the liability. Where a shortfall is identified, an additional provision is made.

FINANCIAL INSTRUMENTS

Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, investments, trade and other receivables, loans, participation in export partnerships, trade and other payables and borrowings.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument.

These financial instruments are initially recognised at fair value. For instruments not recognised at fair value through profit or loss, any directly attributable transaction costs are included.

Financial assets are derecognised 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 subsequent measurement of financial instruments is stated below:

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost. Cash and cash equivalents comprise cash on hand and amounts held on deposit at financial institutions. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Investments

Listed investments are valued at market value, which is calculated by reference to stock exchange quoted selling prices at the close of business at the reporting date. Other investments are shown at fair value. Gains or losses are recognised directly in equity in the revaluation reserve.

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.

Participation in export partnerships

The participation in export partnerships is measured at amortised cost using the effective interest method. 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 less any write down for impairment or uncollectability.

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.

Trade and other payables

Trade and other payables are carried at amortised cost using the effective interest method.

Borrowings

Borrowings is carried at amortised cost. The interest expense recognised in profit or loss is calculated using the effective interest method.

Off-set

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.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group holds derivative financial instruments to hedge its foreign currency risk exposures.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes in fair value are recognised in profit or loss.

HEDGE OF A NET INVESTMENT IN FOREIGN OPERATIONS

The Group applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the Group's functional currency (Rand), regardless of whether the net investment is held directly or through an intermediate parent.

Foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the foreign currency translation reserve.

To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged net investment is disposed of, the relevant amount in the translation reserve is transferred to profit or loss as part of the profit or loss on disposal.

IMPAIRMENT OF ASSETS

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 1 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. An impairment loss in respect of an available-for-sale asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. All the remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. When a decline in the fair value of an available-for-sale asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is transferred to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised.

Non-financial assets

The carrying amounts of non-financial 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 intangible assets that have indefinite useful lives such as goodwill or that are not yet available for use, the recoverable amount is estimated at each reporting date.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU).

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are 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.

Accounting policies continued

Calculation of recoverable amount

The recoverable amount of an asset or CGU 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 or CGU. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

Reversals of impairment

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. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity through other comprehensive income.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

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.

SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

TREASURY SHARES

Shares in the Company held by Group entities are classified as treasury shares. 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.

Upon settlement (take-up) of share options by employees, the difference between the proceeds received from the employees and the purchase price of the shares is accounted for directly in retained earnings.

TURNOVER

Turnover comprises retail sales to customers and wholesale sales to franchisees through the Group's supply arrangements. All turnover is stated exclusive of value added tax.

TRADING PROFIT

Trading profit is net income and expenditure from trading operations, excluding interest received, interest paid, the Group's share of its associates' income or loss and profit or loss on transactions related to fixed and intangible assets.

REVENUE RECOGNITION

Turnover

Revenue from the sale of goods is measured at the fair value of consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue 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 revenue 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.

Loyalty programme

The Group has a customer loyalty programme in South Africa, smartshopper, whereby customers are rewarded with smartshopper points (reward credits) which are effectively used as cash back against future purchases. For every Rand spent our customers earn 1 smartshopper 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 smartshopper 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.

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.

Dividend income

Dividend income from investments is recognised when the right to receive payment is established.

Franchise fee

Franchise fee income and franchise fee income is recognised when the purchase or 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.

BORROWING COSTS

Borrowing costs relating to the acquisition, construction or production of qualifying assets are capitalised to the cost of the asset.

General borrowing costs are capitalised by calculating the weighted average expenditure on the qualifying asset and applying a weighted-average borrowing rate to the expenditure. Specific borrowing costs are capitalised when the borrowing facility is utilised specifically for the qualifying asset less any investment income on the temporary investment of these funds.

All other 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.

INCOME TAX

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 charged to 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 charged or credited to 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.

Secondary tax on companies

Secondary tax on companies (STC) on net dividends paid is recognised as a tax charge in the period it is incurred. To the extent that it is probable that STC credits will be utilised, a deferred tax asset is raised. Effective 1 April 2012, STC has been replaced by dividend withholding tax. Dividend tax withheld on dividends paid is recognised as a liability until it is paid over to SARS.

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency

Transactions denominated in foreign currencies are translated to the functional currency of the Company and 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 functional currency 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 functional currency 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.

Accounting policies continued

Foreign operations

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

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

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

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 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. This treatment is consistently applied throughout the Group for both Pick n Pay Stores Limited and Pick n Pay Holdings Limited shares. 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.

A vested share option is "taken up" when the Group delivers the share to the employee on receipt of payment of the grant (strike) price.

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 in which the payment is made.

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 respect of their service to date; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The calculation is performed by an actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in profit or loss on a straight-line basis over the average period until the benefits vest.

To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

Actuarial gains and losses are recognised in other comprehensive income as incurred.

CAPITALISATION SHARE AWARDS AND CASH DIVIDENDS

The full value of capitalisation share awards and cash dividends are recorded as a deduction from retained earnings in the statement of changes in equity. Upon allotment of shares in terms of a capitalisation share award, the share election amounts are transferred to the share capital account and share premium account.

EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) information for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is 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.

DISCONTINUED OPERATION

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resell. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

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.

Operating segments are individual components of an entity that engages in business activities from which it may earn revenues and incur expenses, and whose operating results are regularly reviewed by the entity's CODM and for which discrete financial information is available.

Operating segments that display similar economic characteristics are aggregated for reporting purposes.

Notes to the Group annual financial statements

for the period ended 3 March 2013

	GROUP	
	2013 Rm	2012 Rm
1. REVENUE – CONTINUING OPERATIONS		
Revenue comprises:		
Turnover	**59 271.3**	55 330.5
Interest received	**42.8**	39.5
Bank balances and investments	**30.0**	30.4
Trade and other receivables	**9.7**	4.9
Staff loans and other	**3.1**	4.2
Other trading income	**344.4**	264.4
Franchise fee income	**284.0**	234.3
Operating lease income	**60.4**	30.1
	59 658.5	55 634.4

The Group has a customer loyalty programme, smartshopper, whereby customers are rewarded with smartshopper points (reward credits) which are effectively redeemed as cash against future purchases. At period end the Group has deferred revenue of R139.8 million (2012: R142.0 million) which represents the fair value of the smartshopper points granted and yet to be redeemed, adjusted for an expected forfeiture rate of 25% (2012: 22%) (refer note 24).

	PICK N PAY STORES GROUP		PICK N PAY HOLDINGS GROUP	
	2013 Rm	2012 Rm	**2013 Rm**	2012 Rm
2. PROFIT BEFORE TAX – CONTINUING OPERATIONS				
2.1 Profit before tax is stated after taking into account the following expenses:				
Auditor's remuneration	**7.2**	5.9	**7.3**	6.0
Assurance services	**7.1**	5.6	**7.2**	5.7
Other services	**0.1**	0.3	**0.1**	0.3
Amortisation (note 9)	**145.8**	101.0	**145.8**	101.0
Depreciation (note 10)	**749.7**	707.1	**749.7**	707.1
Impairment of trade and other receivables (note 18)	**111.2**	68.5	**111.2**	68.5
2.2 Employee costs – continuing operations				
Salaries and wages	**4 243.3**	4 010.5	**4 243.3**	4 010.5
Staff benefits and training	**316.3**	269.1	**316.3**	269.1
Contributions to defined-contribution plans (note 23.2)	**278.6**	261.8	**278.6**	261.8
Share-based payments expense (note 4.3)	**91.3**	95.7	**91.3**	95.7
Net expense recognised on defined-benefit plan (note 23.1)	**17.6**	19.4	**17.6**	19.4
Leave pay	**4.9**	2.0	**4.9**	2.0
	4 952.0	4 658.5	**4 952.0**	4 658.5
2.3 Interest paid	**131.3**	135.1	**131.3**	135.1
Finance leases	**6.5**	7.4	**6.5**	7.4
Bank overdrafts	**22.7**	52.1	**22.7**	52.1
Borrowings	**102.1**	75.6	**102.1**	75.6

3. 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 41 to 47 and 52 and 53.

	Fees for board meetings R'000	Fees for committee and other work R'000	Remuneration R'000	Retirement and medical contributions 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							
2013							
Non-executive directors	**2 149.7**	**1 418.0**	**—**	**—**	**—**	**3 567.7**	**—**
Executive directors	**9.0**	**—**	**14 803.5**	**1 202.9**	**734.0**	**16 749.4**	**5 943.6**
Total remuneration	**2 158.7**	**1 418.0**	**14 803.5**	**1 202.9**	**734.0**	**20 317.1**	**5 943.6**
2012							
Non-executive directors	4 900.2	1 064.3	—	—	—	5 964.5	—
Executive directors	7.5	—	11 542.1	1 567.7	11 437.6	24 554.9	9 069.6
Total remuneration	4 907.7	1 064.3	11 542.1	1 567.7	11 437.6	30 519.4	9 069.6
PICK N PAY HOLDINGS GROUP							
2013							
Non-executive directors	**2 320.7**	**1 418.0**	**—**	**—**	**—**	**3 738.7**	**—**
Executive directors	**9.0**	**—**	**14 803.5**	**1 202.9**	**734.0**	**16 749.4**	**5 943.6**
Total remuneration	**2 329.7**	**1 418.0**	**14 803.5**	**1 202.9**	**734.0**	**20 488.1**	**5 943.6**
2012							
Non-executive directors	5 059.2	1 064.3	—	—	—	6 123.5	—
Executive directors	7.5	—	11 542.1	1 567.7	11 437.6	24 554.9	9 069.6
Total remuneration	5 066.7	1 064.3	11 542.1	1 567.7	11 437.6	30 678.4	9 069.6

4. SHARE-BASED PAYMENTS

The Group operates an Employee Share Option Scheme (the Scheme). The Scheme is administered by the Employee Share Purchase Trust (the share trust) and its Board of trustees. All options are granted in accordance with the rules of the Scheme, which have been approved by the shareholders and the JSE.

All 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 are authorised to utilise up to 13.3% of the issued share capital for the Scheme.

The Scheme grants the following options to employees:

Service share options in Pick n Pay Holdings Limited – are granted to all permanent employees who have been with the Group for 5 years and further options are granted every 5 years thereafter.

Service share options may be taken up immediately on granting.

Status share options in Pick n Pay Stores Limited – are granted to employees who attain manager status and further options are granted at each promotion to higher levels of management.

Status share options may be taken up in 3 tranches as follows:

40% after 3 years

30% after 5 years

30% after 7 years

Retention share options in Pick n Pay Stores Limited – further share allocations are also made for the retention of key executives, with longer vesting dates of up to 10 years.

Executive share options in Pick n Pay Stores Limited – are granted to senior executives. These 5 year options may only be taken up when prescribed performance conditions linked to the growth of Pick n Pay Stores Limited's 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 the remuneration report on pages 41 to 47 for further details.

	PICK N PAY STORES GROUP		PICK N PAY HOLDINGS GROUP	
	2013 Number of options 000's	2012 Number of options 000's	**2013 Number of options 000's**	2012 Number of options 000's
4. SHARE-BASED PAYMENTS continued				
4.1 Outstanding share options				
Movement in the total number of share options granted is as follows:				
At beginning of period	**54 244.9**	53 148.8	**12 107.4**	9 824.6
New options granted*	**6 022.4**	6 287.5	**3 159.8**	3 230.4
Options taken up**	**(5 298.9)**	(2 442.5)	**(892.9)**	(918.8)
Options forfeited	**(2 118.8)**	(2 748.9)	**(419.0)**	(28.8)
At end of period	**52 849.6**	54 244.9	**13 955.3**	12 107.4

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 2013	Pick n Pay Holdings Group 2013
2014	R34.48	R12.02	**31 999.2**	**13 955.3**
2015	R34.04		**6 618.2**	**—**
2016	R34.89		**5 100.9**	**—**
2017	R37.98		**4 637.9**	**—**
2018 and thereafter	R37.24		**4 493.4**	**—**
			52 849.6	**13 955.3**

	PICK N PAY STORES GROUP 2013	PICK N PAY STORES GROUP 2012	PICK N PAY HOLDINGS GROUP 2013	PICK N PAY HOLDINGS GROUP 2012
Percentage of issued shares	**11.0%**	11.3%	**2.6%**	2.1%
Options available for granting under current authorisation (000's)	**11 043.0**	9 647.9	**78 313.3**	80 161.2
*Average grant price of options granted during the period	**R44.85**	R41.58	**R15.36**	R15.35
**Average grant price of options taken up during the period	**R27.94**	R24.48	**R12.68**	R10.93
For details of share options held by directors refer to the remuneration reports on pages 41 to 47 and 52 and 53.				
	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	**2 046.6**	2 482.2	**9 115.8**	9 011.0
On behalf of share purchase scheme participants	**133.1**	144.3	**389.8**	426.2
	2 179.7	2 626.5	**9 505.6**	9 437.2

4.2 Fair value

The fair value of share options granted to employees are valued at the grant date and expensed through the statement of comprehensive income 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 (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]
2012	PWK	2 230.4	1	R16.50	R16.50	20.66	4.49	5.60
2012	PIK	6 287.5	3 – 7	R37.36 – R47.23	R37.29 – R47.10	24.24 – 25.72	3.68 – 4.16	6.40 – 8.38
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**

[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.*

		GROUP 2013 Rm	2012 Rm
4.	**SHARE-BASED PAYMENTS** continued		
4.3	**Share-based payment expense**		
	Total expensed to date – beginning of period	**407.8**	312.1
	Share options expense for the period	**91.3**	95.7
	Total expensed to date – end of period	**499.1**	407.8
	Share options expense to be recognised in future financial periods, in respect of all options granted since 2003, is:		
	Within 1 year	**74.3**	75.5
	Within 2 to 5 years	**82.6**	110.0
	After 5 years	**3.9**	3.9
	Total expense to be recognised	**160.8**	189.4
	Total current and future share-based payment expense	**659.9**	597.2
5.	**TAX**		
5.1	**Tax recognised in the statement of comprehensive income**		
	Normal tax	**316.8**	359.0
	– current period	**280.4**	360.7
	– prior period under/(over) provision	**36.4**	(1.7)
	Deferred tax (note 13)	**(58.5)**	(11.9)
	Secondary tax on companies	**—**	60.6
	Total tax charge recognised in the statement of comprehensive income	**258.3**	407.7
	Tax charge relating to the sale of discontinued operation	**—**	55.0
5.2	**Tax recognised directly in equity**		
	Tax effect of share incentive transactions recorded directly in equity	**(22.0)**	(11.4)
	Tax effect of forward exchange contracts realised directly in equity	**—**	2.3
	Total recognised directly in equity	**(22.0)**	(9.1)
5.3	**Statutory tax rate reconciliation**	**%**	%
	Statutory tax rate	**28.0**	28.0
	Exempt income	**(3.9)**	(1.6)
	Secondary tax on companies	**—**	5.2
	Non-deductible share options expense	**3.0**	2.2
	Other non-deductible expenditure	**3.9**	1.1
	Capital gains tax	**0.4**	—
	Net prior year under/(over) provisions	**0.5**	(0.1)
	Other	**—**	0.1
	Effective tax rate	**31.9**	34.9
		Rm	Rm
5.4	**Tax paid**		
	Owing – beginning of period	**99.6**	96.2
	Movement through statement of comprehensive income		
	Current tax charge – continuing operations	**316.8**	359.0
	Secondary tax on companies	**—**	60.6
	Tax charge relating to the sale of discontinued operation	**—**	55.0
	Movement through equity	**(22.0)**	(9.1)
	Owing – end of period	**(82.8)**	(99.6)
	Total tax paid	**311.6**	462.1

6. DISCONTINUED OPERATION

Interfrank Group Holdings Pty Limited (Franklins)

In September 2011, after a legal dispute with the Australian Competition and Consumer Commission, the Group sold its Australian business, Franklins, to Metcash Limited for R1.2 billion, net of fees. The operational loss of Franklins for the 7 months to 30 September 2011 of R87.2 million and the subsequent profit on sale of the business of R438.4 million, net of tax, was disclosed separately as a discontinued operation.

		PICK N PAY STORES GROUP		PICK N PAY HOLDINGS GROUP	
		2013 Cents per share	2012 Cents per share	**2013 Cents per share**	2012 Cents per share
7.	**BASIC, HEADLINE AND DILUTED EARNINGS PER SHARE**				
	Basic	**115.14**	233.21	**57.03**	115.91
	Continuing operations	**115.14**	159.64	**57.03**	79.24
	Discontinued operation	—	73.57	—	36.67
	Diluted basic	**113.39**	228.69	**55.57**	112.48
	Continuing operations	**113.39**	156.55	**55.57**	76.16
	Discontinued operation	—	72.14	—	36.32
	Headline	**111.30**	142.69	**55.11**	70.79
	Continuing operations	**111.30**	160.78	**55.11**	79.81
	Discontinued operation	—	(18.09)	—	(9.02)
	Diluted headline	**109.61**	139.92	**53.70**	68.69
	Continuing operations	**109.61**	157.67	**53.70**	77.63
	Discontinued operation	—	(17.75)	—	(8.94)
7.1	**Basic and headline earnings**	**Rm**	Rm	**Rm**	Rm
	Reconciliation between basic and headline earnings:				
	Basic earnings (profit for the period)	**550.6**	1 113.5	**294.5**	598.6
	Continuing operations	**550.6**	762.3	**294.5**	409.2
	Discontinued operation	—	351.2	—	189.4
	Adjustments:				
	Continuing operations	**(18.4)**	5.5	**(9.9)**	2.9
	(Profit)/loss on sale of property, equipment and vehicles and intangible assets	**(21.6)**	7.6	**(11.6)**	4.0
	Tax effect of profit/(loss) on sale of property, equipment and vehicles and intangible assets	**3.2**	(2.1)	**1.7**	(1.1)
	Discontinued operation	—	(437.6)	—	(236.0)
	Loss on sale of property, equipment and vehicles and intangible assets	—	0.8	—	0.3
	Profit on sale of discontinued operation	—	(493.4)	—	(265.9)
	Tax effect relating to sale of discontinued operation	—	55.0	—	29.6
	Headline earnings	**532.2**	681.4	**284.6**	365.5
	Continuing operations	**532.2**	767.8	**284.6**	412.1
	Discontinued operation	—	(86.4)	—	(46.6)
		000's	000's	**000's**	000's
7.2	**Number of shares**				
	Movement in the weighted average number of ordinary shares in issue comprises:				
	At beginning of period	**477 450.4**	475 770.3	**516 360.5**	515 857.7
	Effect of current period share repurchases by the share trust	**(899.7)**	(478.7)	**(268.8)**	(326.7)
	Effect of share sales on the take up of share options	**1 117.5**	943.5	**216.1**	359.0
	Prior period net share sales/repurchases now fully weighted	**464.7**	1 215.3	**32.4**	470.5
	At end of period	**478 132.9**	477 450.4	**516 340.2**	516 360.5
	Dilutive effect of share options	**7 385.9**	9 434.2	**5 192.8**	4 895.6
	Diluted weighted average number of ordinary shares in issue	**485 518.8**	486 884.6	**521 533.0**	521 256.1

Refer to note 20 for the number of shares in issue.

	PICK N PAY STORES GROUP	
	2013 Cents per share	2012 Cents per share
8. DIVIDENDS		
8.1 Dividends paid		
Number 88 – declared 16 April 2012 – paid 11 June 2012 (2012: Number 86 – declared 15 April 2011 – paid 13 June 2011)	**108.35**	105.50
Number 89 – declared 23 October 2012 – paid 18 December 2012 (2012: Number 87 – declared 18 October 2011 – paid 12 December 2011)	**14.75**	22.50
Total dividends for the period	**123.10**	128.00
	Rm	Rm
Total value of dividends paid by the Company	**591.4**	614.9
Dividends paid on treasury shares	**(7.9)**	(9.5)
Total dividends paid outside the Pick n Pay Stores Group	**583.5**	605.4

	PICK N PAY HOLDINGS GROUP	
	2013 Cents per share	2012 Cents per share
Number 61 – declared 16 April 2012 – paid 11 June 2012 (2012: Number 59 – declared 15 April 2011 – paid 13 June 2011)	**52.57**	51.34
Number 62 – declared 23 October 2012 – paid 18 December 2012 (2012: Number 60 – declared 18 October 2011 – paid 12 December 2011)	**7.17**	10.91
Total dividends for the period	**59.74**	62.25
	Rm	Rm
Total value of dividends paid by the Company	**315.0**	328.2
Dividends paid by subsidiary companies to non-controlling shareholders	**268.5**	277.2
Total dividends paid by the Pick n Pay Holdings Group	**583.5**	605.4

	PICK N PAY STORES GROUP	
	2013 Cents per share	2012 Cents per share
8.2 Dividends declared		
Interim dividend – number 89 (2012: number 87)	**14.75**	22.50
Final dividend – number 90 (2012: number 88)	**69.25**	108.35
	84.00	130.85

The directors have declared a final dividend (dividend 90) of 69.25 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 15%.

The last day to trade in order to participate in the dividend (CUM dividend) will be Friday, 7 June 2013. The shares will trade EX dividend from the commencement of business on Monday, 10 June 2013 and the record date will be Friday, 14 June 2013. The dividends will be paid on Tuesday, 18 June 2013.

	PICK N PAY HOLDINGS GROUP	
	2013 Cents per share	2012 Cents per share
Interim dividend – number 62 (2012: number 60)	**7.17**	10.91
Final dividend – number 63 (2012: number 61)	**33.61**	52.57
	40.78	63.48

The directors have declared a final dividend (dividend 63) of 33.61 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 15%.

The last day to trade in order to participate in the dividend (CUM dividend) will be Friday, 7 June 2013. The shares will trade EX dividend from the commencement of business on Monday, 10 June 2013 and the record date will be Friday, 14 June 2013. The dividends will be paid on Tuesday, 18 June 2013.

	GROUP			
	Goodwill Rm	Systems develop-ment Rm	Licences Rm	Total Rm
9. INTANGIBLE ASSETS				
2013				
Carrying value	**233.5**	**642.1**	**72.3**	**947.9**
Cost	**254.4**	**1 054.6**	**122.6**	**1 431.6**
Accumulated amortisation	**(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**
Additions	**—**	**242.4**	**—**	**242.4**
Expansion of operations	**—**	**192.0**	**—**	**192.0**
Maintaining operations	**—**	**50.4**	**—**	**50.4**
Amortisation	**—**	**(128.9)**	**(16.9)**	**(145.8)**
Disposals	**—**	**(9.4)**	**—**	**(9.4)**
Purchase of operations	**32.0**	**—**	**9.8**	**41.8**
Foreign currency translation	**—**	**(0.9)**	**—**	**(0.9)**
Reclassifications from property, equipment and vehicles	**—**	**7.6**	**12.6**	**20.2**
Carrying value at end of period	**233.5**	**642.1**	**72.3**	**947.9**
2012				
Carrying value	201.5	531.3	66.8	799.6
Cost	222.4	812.9	100.2	1 135.5
Accumulated amortisation	(20.9)	(281.6)	(33.4)	(335.9)
Reconciliation of carrying value				
Carrying value at beginning of period	142.4	222.1	40.0	404.5
Additions	—	271.7	—	271.7
Expansion of operations	—	240.8	—	240.8
Maintaining operations	—	30.9	—	30.9
Amortisation	—	(97.0)	(4.0)	(101.0)
Disposals	—	(4.3)	—	(4.3)
Purchase of operations	59.1	—	30.5	89.6
Reclassifications from property, equipment and vehicles	—	138.8	0.3	139.1
Carrying value at end of period	201.5	531.3	66.8	799.6

The cash-generating units to which goodwill has been allocated have been identified. The recoverable amount for each cash-generating unit was based on value in use. The value in use was determined by discounting the future cash flow forecast for the cash-generating unit at an appropriate pre-tax rate.

		GROUP			
	Land and buildings Rm	Furniture, fittings, equipment and vehicles Rm	Leasehold improve-ments Rm	Aircraft Rm	Total Rm
10. PROPERTY, EQUIPMENT AND VEHICLES					
2013					
Carrying value	**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**
Accumulated depreciation	**(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**
Additions	**160.1**	**701.0**	**102.6**	**—**	**963.7**
Expansion of operations	**159.0**	**332.9**	**59.9**	**—**	**551.8**
Maintaining operations	**1.1**	**368.1**	**42.7**	**—**	**411.9**
Borrowing costs capitalised†	**6.4**	**—**	**—**	**—**	**6.4**
Depreciation	**(35.6)**	**(604.8)**	**(103.7)**	**(5.6)**	**(749.7)**
Disposals	**(168.3)**	**(30.3)**	**(1.9)**	**—**	**(200.5)**
Purchase of operations	**—**	**40.8**	**—**	**—**	**40.8**
Reclassifications to intangible assets	**—**	**1.8**	**(22.0)**	**—**	**(20.2)**
Foreign currency translation	**—**	**13.3**	**—**	**—**	**13.3**
Carrying value at end of period*	**1 522.9**	**2 052.2**	**321.2**	**21.4**	**3 917.7**
2012					
Carrying value	1 560.3	1 930.4	346.2	27.0	3 863.9
Cost	1 722.9	4 566.7	892.9	73.7	7 256.2
Accumulated depreciation	(162.6)	(2 636.3)	(546.7)	(46.7)	(3 392.3)
Reconciliation of carrying value					
Carrying value at beginning of period	1 149.0	1 933.0	289.8	30.0	3 401.8
Additions	439.5	572.7	317.2	2.6	1 332.0
Expansion of operations	428.2	246.7	51.5	—	726.4
Maintaining operations	11.3	326.0	265.7	2.6	605.6
Borrowing costs capitalised†	7.3	—	—	—	7.3
Depreciation	(34.9)	(411.8)	(254.8)	(5.6)	(707.1)
Disposals	(0.6)	(41.2)	(6.0)	—	(47.8)
Purchase of operations	—	16.8	—	—	16.8
Reclassifications to intangible assets	—	(139.1)	—	—	(139.1)
Carrying value at end of period*	1 560.3	1 930.4	346.2	27.0	3 863.9

Property with a carrying value of R649.3 million (2012: R670.2 million) (directors' valuation – R1 200.7 million (2012: R1 138.0 million)) is provided as security for long-term borrowings (refer note 22).

* *Included in the carrying value of property, equipment and vehicles is leased vehicles with a carrying value of R97.3 million (2012: R101.7 million) secured by lease liabilities (note 22).*

† *Borrowing costs are capitalised on qualifying assets. The weighted average expenditure incurred on qualifying assets was R190.2 million (2012: R223.4 million) and the weighted average borrowing rate was 5.54% (2012: 5.78%).*

		GROUP 2013 Rm	GROUP 2012 Rm
11.	**OPERATING LEASES**		
	The Group has entered into various operating lease agreements in respect of premises. Leases on premises are contracted for periods of between 10 and 20 years (2012: 10 and 20 years) with renewal options for a further 10 to 20 years (2012: 10 and 20 years). Rentals comprise minimum monthly payments and additional payments based on turnover levels. Turnover rentals, where applicable, average 1.5% (2012: 1.5%) of turnover. Rental escalations vary but average 6.5% (2012: 6.5%) per annum.		
	Operating lease charges	**1 240.2**	1 058.9
	Property – minimum lease payments	**1 201.3**	1 024.9
	– turnover payments	**38.9**	34.0
	Leases contained within service agreements	**205.2**	170.6
11.1	**Operating lease asset**		
	At beginning of period	**84.8**	37.7
	Accrual for future lease income	**20.7**	47.1
	At end of period	**105.5**	84.8
	At the end of the period future minimum rentals receivable from non-cancellable sublease contracts amount to:		
	Cash flow due in 2014	**256.4**	241.8
	Cash flow due in 2015 to 2018	**738.4**	655.6
	Cash flow due after 2018	**1 002.8**	789.1
	Total future cash flows	**1 997.6**	1 686.5
	Less: Operating lease asset	**(105.5)**	(84.8)
	Total operating lease income receivable	**1 892.1**	1 601.7
11.2	**Operating lease liability**		
	At beginning of period	**829.1**	729.3
	Accrual for future lease expenditure	**95.5**	99.8
	At end of period	**924.6**	829.1
	At the end of the period future non-cancellable minimum lease rentals are payable during the following financial years:		
	Cash flow due in 2014	**1 234.6**	1 089.6
	Cash flow due in 2015 to 2018	**4 424.8**	3 909.4
	Cash flow due after 2018	**6 143.3**	5 058.3
	Total future cash flows	**11 802.7**	10 057.3
	Less: Operating lease liability	**(924.6)**	(829.1)
	Total operating lease commitments	**10 878.1**	9 228.2
12.	**PARTICIPATION IN EXPORT PARTNERSHIPS**		
	Balance at beginning of period	**34.8**	41.5
	Current portion included in trade and other receivables	**(6.7)**	(6.7)
	Balance at end of period	**28.1**	34.8

The Group participated in various export partnerships, the business of which 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.

	GROUP 2013 Rm	2012 Rm
13. DEFERRED TAX ASSETS		
The movement in deferred tax assets are as follows:		
At beginning of period	**116.5**	85.8
Recognised in the statement of comprehensive income (note 5.1)	**58.5**	11.9
Participation in export partnerships	**6.7**	6.9
Property, equipment and vehicles and intangible assets	**(12.4)**	(7.1)
Net operating lease liability	**19.6**	13.7
Retirement benefits	**(2.5)**	(2.2)
Prepayments	**(0.2)**	(0.2)
Allowance for impairment losses	**13.6**	(4.6)
Income and expense accruals	**33.7**	5.4
Recognised in other comprehensive income		
Tax effect of foreign currency translations	**—**	39.7
Tax effect of actuarial gains	**(0.6)**	(2.9)
Tax effect of forward exchange contract unrealised loss	**—**	(18.0)
At end of period	**174.4**	116.5
Comprising:		
Participation in export partnerships	**(35.3)**	(42.0)
Property, equipment and vehicles and intangible assets	**(140.6)**	(128.2)
Net operating lease liability	**206.2**	186.6
Retirement benefits and actuarial (gains)/losses	**(0.6)**	2.5
Prepayments	**(4.9)**	(4.7)
Allowance for impairment losses	**47.5**	33.9
Income and expense accruals	**102.1**	68.4
Total deferred tax assets	**174.4**	116.5

The Group has approximately R132.6 million (2012: R188.9 million) of estimated tax losses available for set-off against future taxable income, for which no deferred tax assets have been raised.

14. INVESTMENT IN ASSOCIATE

14.1 TM Supermarkets (Pvt) Limited

The Group has a 49% investment in TM Supermarkets (Pvt) Limited registered in Zimbabwe.

	2013 Rm	2012 Rm
At beginning of period	**110.5**	9.9
Share of associate's income/(loss)	**23.4**	(1.9)
Subscription for additional 24% interest	**—**	102.5
At end of period	**133.9**	110.5

Summary financial information of TM Supermarkets (Pvt) Limited – presented in US Dollars (the associate's functional currency)

	US$m	US$m
Statement of comprehensive income		
Turnover	**306.7**	291.6
Profit/(loss) for the period	**5.9**	(0.9)
Statement of financial position		
Total assets	**54.0**	53.3
Total liabilities	**32.7**	35.5
Equity	**21.3**	17.8

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14. INVESTMENT IN ASSOCIATE continued

14.2 Related party transactions

The nature of the transactions between the associate and the Group consists mainly of the sale of inventory.

	2013 Rm	2012 Rm
The following related party transactions occurred during the period:		
Sale of inventory		
TM Supermarkets (Pvt) Limited	**35.7**	2.1
The following trade receivable balance is outstanding at end of period:		
TM Supermarkets (Pvt) Limited	**15.2**	—

15. LOANS

	PICK N PAY STORES GROUP		PICK N PAY HOLDINGS GROUP	
	2013 Rm	2012 Rm	2013 Rm	2012 Rm
The following loans have been advanced by subsidiary companies:				
Employees				
Executive directors				
At beginning of period	**0.4**	0.5	**0.4**	0.5
Repaid	**—**	(0.1)	**—**	(0.1)
At end of period	**0.4**	0.4	**0.4**	0.4
Other employees	**93.6**	76.8	**93.6**	76.8
Total employee loans	**94.0**	77.2	**94.0**	77.2
Other loans	**4.5**	3.6	**4.9**	4.0
Total loans at end of period	**98.5**	80.8	**98.9**	81.2

Loans to directors and employees are secured, bear interest at varying rates subject to an average rate of 3.3% per annum and have varying repayment terms. Loans to employees from the Employee Share Purchase Trust are payable within 10 years from the date of advance.

16. AVAILABLE-FOR-SALE INVESTMENT

	GROUP	
	2013 Rm	2012 Rm
Unlisted shares at fair value		
Business Partners Limited		
200 000 (2012: 200 000) shares at R1 each	**0.2**	0.2

This available-for-sale investment is stated at original purchase cost. The shares are unlisted and no active market exists where they can be traded easily. Based on management's evaluation and judgement, management believes that original cost approximates fair value and that the investment is therefore not impaired.

		GROUP 2013 Rm	GROUP 2012 Rm
17.	**INVENTORY**		
	Merchandise for resale	**3 962.6**	3 311.0
	Consumables	**33.9**	23.9
		3 996.5	3 334.9
	During the period an amount of R35.7 million (2012: nil) was acquired as a result of the purchase of operations		
18.	**TRADE AND OTHER RECEIVABLES**		
	Trade and other receivables	**2 606.9**	2 282.0
	Allowance for impairment losses	**(246.0)**	(161.4)
	Total trade and other receivables, net of allowance for impairment losses	**2 360.9**	2 120.6
	The ageing of trade and other receivables at end of period was:		
	Trade and other receivables not impaired		
	Within payment terms	**1 888.6**	1 728.2
	Exceeding payment terms by less than 14 days	**112.0**	78.6
	Exceeding payment terms by more than 14 days	**48.9**	45.2
		2 049.5	1 852.0
	Trade and other receivables with impairments		
	Within payment terms	**241.3**	217.4
	Exceeding payment terms by less than 14 days	**27.5**	21.1
	Exceeding payment terms by more than 14 days	**288.6**	191.5
		557.4	430.0
	The movement in the allowance for impairment of trade and other receivables during the period was as follows:		
	Balance at beginning of period	**161.4**	183.2
	Irrecoverable debts written off	**(26.6)**	(76.1)
	Additional impairment losses recognised	**111.2**	68.5
	Prior allowances for impairment reversed	**—**	(14.2)
	At end of period	**246.0**	161.4

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 debtors which have clearly indicated financial difficulty and the likelihood of repayment has become impaired. More than 80% (2012: 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.

		GROUP 2013 Rm	GROUP 2012 Rm
19.	**CASH AND CASH EQUIVALENTS**		
		1 255.7	1 271.7
	Cash at bank and cash on hand	**1 255.7**	271.7
	Cash investments	**—**	1 000.0
		(1 525.6)	—
	Bank overdraft	**(25.6)**	—
	Overnight bank borrowings	**(1 500.0)**	—
	At end of period	**(269.9)**	1 271.7

Cash at bank and cash on hand

Cash at bank and cash on hand 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. Interest rates earned on current account balances are linked to the South African prime rate of 8.5% p.a. (2012: 9.0% p.a.)

Cash investments

The Group invests surplus cash throughout the year in money market funds with low levels of risk and high levels of liquidity. The funds are exposed primarily to the top 4 South African banks and have minimum rating requirements of AA (zaf). Nominal returns on the funds varied between 5.3% p.a. and 5.6% p.a. (2012: 5.7% p.a.)

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 7.0% p.a. (2012: 7.5% p.a.)

Overnight bank borrowings

The Group utilised overnight bank borrowings during the period. Interest rates varied between 5.3% p.a. and 6.0% p.a. (2012: 5.8% p.a.)

		GROUP	
		2013 Rm	2012 Rm
20.	**SHARE CAPITAL**		
20.1	**Pick n Pay Stores Group**		
	Authorised		
	800 000 000 ordinary shares of 1.25 cents each	**10.0**	10.0
	Issued		
	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 21)	**2 046.6**	2 482.2
	Shares held outside the Group	**478 350.7**	477 915.1
	Total shares in issue at end of period	**480 397.3**	480 397.3

Under a general authority, 24 million of the unissued shares remain under the control of the directors until the next annual general meeting (5% of the issued share capital of the Company).

In addition to the general authority above, 63.9 million unissued shares (13.3% of issued shares) remain under the control of the directors to implement the terms and provisions of the Pick n Pay 1997 Share Option Scheme.

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to 1 vote per share at meetings of the Company.

Refer to note 4.1 for details of share options granted by the Group.

Refer to the remuneration report on pages 41 to 47 for details of directors' interest in shares.

		2013 Rm	2012 Rm
20.2	**Pick n Pay Holdings Group**		
	Authorised		
	800 000 000 ordinary shares of 1.25 cents each	**10.0**	10.0
	Issued		
	527 249 082 ordinary shares of 1.25 cents each	**6.6**	6.6
		000's	000's
	Number of shares in issue at end of period is made up as follows:		
	Treasury shares held by the share trust (note 21)	**9 115.8**	9 011.0
	Treasury shares held by a subsidiary company (note 21)	**1 845.8**	1 845.1
		10 961.6	10 856.1
	Shares held outside the Group	**516 287.5**	516 393.0
	Total shares in issue at end of period	**527 249.1**	527 249.1

Under a general authority, 26.4 million of the unissued shares remain under the control of the directors until the next annual general meeting (5% of the issued share capital of the Company).

1997 Employee Share Option Scheme

In addition to the general authority above, 92.3 million unissued shares (17.5% of the issued shares) remain under the control of the directors to implement the terms and provisions of the Pick n Pay 1997 Share Option Scheme.

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to 1 vote per share at meetings of the Company.

Refer to note 4.1 for details of share options granted by the Group.

Refer to the remuneration report on pages 52 and 53 for details of directors' interest in shares.

	PICK N PAY STORES GROUP 2013 Rm	PICK N PAY STORES GROUP 2012 Rm	PICK N PAY HOLDINGS GROUP 2013 Rm	PICK N PAY HOLDINGS GROUP 2012 Rm
21. TREASURY SHARES				
At beginning of period	**142.8**	172.0	**82.4**	77.7
Share repurchases	**77.9**	42.7	**10.5**	12.0
Take-up of share options by employees	**(81.3)**	(71.9)	**(3.6)**	(7.3)
At end of period	**139.4**	142.8	**89.3**	82.4
Comprises:				
Pick n Pay Stores Limited shares	**50.1**	60.4	**—**	—
Pick n Pay Holdings Limited shares	**89.3**	82.4	**89.3**	82.4
The movement in the number of treasury shares held is as follows:	**000's**	000's	**000's**	000's
At beginning of period	**2 482.2**	3 411.6	**10 856.1**	10 920.8
Shares purchased during the period	**1 799.4**	957.5	**537.6**	653.2
Shares sold during the period pursuant to the take-up of share options by employees	**(2 235.0)**	(1 886.9)	**(432.1)**	(717.9)
At end of period	**2 046.6**	2 482.2	**10 961.6**	10 856.1
Comprises:				
Shares held by share trust	**2 046.6**	2 482.2	**9 115.8**	9 011.0
Shares held by a subsidiary (Blue Ribbon Share Trust)	**—**	—	**1 845.8**	1 845.1
Average purchase price of shares purchased during the period	**R43.29**	R42.25	**R19.53**	R18.37
Average purchase price of shares held at period end	**R24.48**	R24.33	**R8.15**	R7.59

	GROUP 2013 Rm	GROUP 2012 Rm
22. BORROWINGS		
22.1 Secured and unsecured borrowings		
Secured	**804.0**	814.5
Secured loan in respect of property with a carrying value of R70.0 million (2012: R72.3 million) (note 10) bearing interest at a fixed rate of 11.4% and payable monthly in arrears over a 15-year period, ending on 28 October 2018.	**58.0**	64.8
Secured loan raised to fund property development. The loan is secured by property with a carrying value of R579.3 million (2012: R597.9 million) (note 10). The directors' valuation of the property at 3 March 2013 is R1 012.7 million. Interest is payable every 6 months in arrears at a fixed rate of 8.8% p.a. The capital is repayable on 29 June 2015.	**250.0**	250.0
Secured loan raised to fund property development. The loan is secured by property with a carrying value of R579.3 million (2012: R597.9 million) (note 10).The directors' valuation of the property at 3 March 2013 is R1 012.7 million. Interest is payable every 6 months in arrears at a fixed rate of 8.9% p.a. The capital is repayable on 18 August 2016.	**400.0**	400.0
Finance leases in respect of vehicles with a carrying value of R97.3 million (2012: R101.7 million) (note 10) held under finance lease agreements bearing interest at prime bank rate less 2% and payable monthly in arrears over a 4-year period (refer note 22.2). 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.	**96.0**	99.7
Unsecured	**400.0**	650.0
Unsecured 3-month corporate paper, issued under our Domestic Medium Term Note Programme, to fund capital projects. The notes are repayable on 23 May 2013 and carry an average interest rate linked to Jibar of 5.5% p.a. (2012: 5.8% p.a.)	**400.0**	400.0
Unsecured loan raised to fund property development. The loan bore interest at a fixed rate of 9.6%. Interest was payable every 6 months in arrears. The capital was repaid on 3 September 2012.	**—**	250.0
Total debt at end of period	**1 204.0**	1 464.5
***Less:* Current portion (repayable within 1 year)**	**(431.5)**	(693.3)
Non-current portion (repayable after 1 year)	**772.5**	771.2

		GROUP 2013 Rm	GROUP 2012 Rm
22.	**BORROWINGS** continued		
22.2	**Finance lease commitments**		
	At end of period finance lease rentals are payable as follows:		
	Within 1 year		
	Capital repayments	**23.8**	36.5
	Interest	**3.6**	5.5
	Cash flows	**27.4**	42.0
	Within 2 to 5 years		
	Capital repayments	**72.2**	63.2
	Interest	**5.1**	4.4
	Cash flows	**77.3**	67.6
	Total cash flows	**104.7**	109.6
	Capital repayments	**96.0**	99.7
	Interest	**8.7**	9.9

23. 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.

One of the Group's defined-contribution funds 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.

		GROUP				
		Pensioners' defined-benefit guarantee Rm	Retirement defined-benefit guarantee Rm	Post-retirement medical guarantee Rm	Total obligation 2013 Rm	Total obligation 2012 Rm
23.1	**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	**447.6**	**545.9**	**54.4**	**1 047.9**	993.4
	Fair value of assets	**(447.6)**	**(547.7)**	**(54.4)**	**(1 049.7)**	(984.4)
	Funded position	**—**	**(1.8)**	**—**	**(1.8)**	9.0
	Amounts recognised in the statement of comprehensive income are as follows:					
	Current service cost	**—**	**21.7**	**0.5**	**22.2**	26.5
	Interest on the obligation	**32.8**	**49.2**	**6.8**	**88.8**	88.2
	Expected return on the plan assets	**(34.6)**	**(52.6)**	**(6.2)**	**(93.4)**	(95.3)
	Total included in employee costs	**(1.8)**	**18.3**	**1.1**	**17.6**	19.4
	Cumulative unrecognised gains:					
	Net cumulative unrecognised gain – beginning of period	**—**	**—**	**—**	**—**	—
	Actuarial (loss)/gain – obligation	**(82.4)**	**(8.1)**	**9.3**	**(81.2)**	56.7
	Actuarial gain/(loss) – assets	**80.6**	**(9.9)**	**5.3**	**76.0**	(46.5)
	Actuarial gain/(loss) to be recognised (before tax)	**1.8**	**18.0**	**(14.6)**	**5.2**	(10.2)
	Net cumulative unrecognised gain – end of period	**—**	**—**	**—**	**—**	—

	Pensioners' defined-benefit guarantee Rm	Retirement defined-benefit guarantee Rm	Post-retirement medical guarantee Rm	Total obligation 2013 Rm	Total obligation 2012 Rm
	GROUP				
23. RETIREMENT BENEFITS continued					
23.1 The Pick n Pay Retirement Scheme					
Movement in the liability recognised on the statement of financial position is as follows:					
Net liability – beginning of period	—	1.2	7.8	9.0	27.1
Total included in employee costs in statement of comprehensive income	(1.8)	18.3	1.1	17.6	19.4
Amount recognised in other comprehensive income	1.8	18.0	(14.6)	5.2	(10.2)
Contributions	—	(39.3)	5.7	(33.6)	(27.3)
Net (asset)/liability – end of period	—	(1.8)	—	(1.8)	9.0
Movement in the fund's obligations and plan assets recognised on the statement of financial position is as follows:					
Liability – beginning of period	360.5	547.1	85.8	993.4	996.4
Service cost	—	21.7	0.5	22.2	26.5
Interest cost	32.8	49.2	6.8	88.8	88.2
Actuarial loss/(gain)	82.4	8.1	(9.3)	81.2	(56.7)
Benefits paid	(28.1)	(80.2)	(29.4)	(137.7)	(61.0)
Liability – end of period	447.6	545.9	54.4	1 047.9	993.4
Plan assets – beginning of period	360.5	545.9	78.0	984.4	969.3
Expected return	34.6	52.6	6.2	93.4	95.3
Actuarial gain/(loss)	80.6	(9.9)	5.3	76.0	(46.5)
Contributions by employer	—	39.3	(5.7)	33.6	27.3
Benefits paid	(28.1)	(80.2)	(29.4)	(137.7)	(61.0)
Plan assets – end of period	447.6	547.7	54.4	1 049.7	984.4
	%	%	%	%	%
Actuarial return on plan assets	28.5	7.8	17.2	16.7	5.0
Asset mix					
Equity	34.3	67.1	67.1	53.1	50.1
Fixed interest	63.7	29.0	29.0	43.8	46.9
Property	2.0	3.9	3.9	3.1	3.0
	100.0	100.0	100.0	100.0	100.0

	GROUP	
	November 2012 % per annum	November 2011 % per annum
23. RETIREMENT BENEFITS continued		
23.1 The Pick n Pay Retirement Scheme continued		
The principal actuarial assumptions at the last valuation date are:		
Discount rate	**9.25**	9.50
Future salary increases	**7.56**	6.71
Future pension increases	**6.00**	6.00
Annual increase in health care costs	**7.50**	7.50
Expected rate of return^	**9.75**	10.00

^ *The expected rate of return on plan assets was determined by assuming that the fixed interest assets would earn a return equal to the discount rate of 9.5%, with a further 2.25% risk premium applied to the equities and property, giving a weighted average return of 9.75% based on the current asset allocation.*

At 3 March 2013, 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% 8.25% Rm	As reported 9.25% Rm	+1% 10.25% Rm
Statement of comprehensive income			
Expense included in employee costs	17.7	17.6	17.5
Statement of financial position			
Asset at end of period	(1.7)	(1.8)	(1.9)

	GROUP	
	2013 Rm	2012 Rm
23.2 Defined current contribution benefits		
Current contributions	**278.6**	295.6
Continuing operations	**278.6**	261.8
Discontinued operation	**—**	33.8

	GROUP				
	2013 Rm	2012 Rm	2011 Rm	2010 Rm	2009 Rm
23.3 Historical information					
Present value of defined-benefit obligation	**1 047.9**	993.4	996.4	973.3	975.5
Fair value of plan assets	**(1 049.7)**	(984.4)	(969.3)	(984.6)	(1 004.0)
(Surplus)/deficit in the plan	**(1.8)**	9.0	27.1	(11.3)	(28.5)

	PICK N PAY STORES GROUP		PICK N PAY HOLDINGS GROUP	
	2013 Rm	2012 Rm	**2013 Rm**	2012 Rm
24. TRADE AND OTHER PAYABLES				
Trade and other payables	**6 543.1**	6 691.5	**6 548.7**	6 695.2
Leave pay obligations	**182.1**	172.8	**182.1**	172.8
Deferred revenue – customer loyalty programme (note 1)	**139.8**	142.0	**139.8**	142.0
	6 865.0	7 006.3	**6 870.6**	7 010.0

	GROUP 2013 Rm	GROUP 2012 Rm
25. COMMITMENTS		
25.1 Capital commitments		
All capital expenditure will be funded from internal cash flow and through unlimited borrowing powers.		
Authorised capital expenditure		
Contracted for	**332.5**	378.2
Property	**—**	260.2
Equipment and vehicles	**262.7**	103.4
Intangible assets	**69.8**	14.6
Not contracted for	**1 424.5**	1 271.2
Property	**159.7**	—
Equipment and vehicles	**1 069.7**	1 214.4
Intangible assets	**195.1**	56.8
Total commitments	**1 757.0**	1 649.4

25.2 Operating lease commitments

Refer to note 11

25.3 Finance lease commitments

Refer to note 22

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. During the period the CODM of the Group was reviewed and was changed from the Pick n Pay Stores Limited Board to the Executive Committee, as detailed on page 37. The operating segments and the related comparatives have been restated.

The Group has 3 operating segments, as described below, with no individual customer accounting for more than 10% of turnover.

South Africa Division – operates in various formats under the Pick n Pay and Boxer brands in South Africa. For a detailed list of brands refer to the structure on page 3.

Africa Division – responsible for the Group's emerging expansion into the rest of Africa. The division operates in Namibia, Lesotho, Swaziland, Mozambique, Mauritius, Botswana, Zimbabwe and Zambia.

Discontinued operation (Australia) – Franklins, our retail operation retailing food and general merchandise in New South Wales, Australia, was sold on 30 September 2011 and is disclosed as a discontinued operation in the comparatives.

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

PICK N PAY STORES GROUP	South Africa Rm	Africa Rm	Total continuing operations Rm	Discon-tinued operation Australia Rm	Total operations Rm
26. OPERATING SEGMENTS continued					
2013					
Total revenue	**57 776.6**	**2 672.9**	**60 449.5**	**—**	**60 449.5**
External revenue	**57 776.6**	**1 881.9**	**59 658.5**	**—**	**59 658.5**
Direct deliveries*	**—**	**695.4**	**695.4**		**695.4**
Inter-segment revenue	**—**	**95.6**	**95.6**	**—**	**95.6**
External turnover	**56 694.0**	**2 577.3**	**59 271.3**	**—**	**59 271.3**
Profit before tax	**716.2**	**92.7**	**808.9**	**—**	**808.9**
Other information					
Statement of comprehensive income					
Interest income	**40.0**	**2.8**	**42.8**	**—**	**42.8**
Interest expense	**131.3**	**—**	**131.3**	**—**	**131.3**
Depreciation and amortisation	**881.4**	**14.1**	**895.5**	**—**	**895.5**
Share of associates' income	**—**	**23.4**	**23.4**	**—**	**23.4**
Statement of financial position					
Total assets	**12 504.3**	**516.8**	**13 021.1**	**—**	**13 021.1**
Total liabilities	**10 150.7**	**454.4**	**10 605.1**	**—**	**10 605.1**
2012					
Total revenue	54 284.1	2 009.9	56 294.0	3 389.3	59 683.3
External revenue	54 284.1	1 350.3	55 634.4	3 389.3	59 023.7
Direct deliveries*	—	604.7	604.7	—	604.7
Inter-segment revenue	—	54.9	54.9	—	54.9
External turnover	53 375.5	1 955.0	55 330.5	3 389.2	58 719.7
Profit/(loss) before tax	1 120.3	49.7	1 170.0	(87.2)	1 082.8
Other information					
Statement of comprehensive income					
Interest income	33.0	6.5	39.5	0.2	39.7
Interest expense	135.1	—	135.1	6.0	141.1
Depreciation and amortisation	800.1	8.0	808.1	—	808.1
Share of associate's loss	—	(1.9)	(1.9)	—	(1.9)
Profit on sale of Franklins (after tax)	—	—	—	438.4	438.4
Statement of financial position					
Total assets	11 377.8	440.5	11 818.3	—	11 818.3
Total liabilities	9 004.9	409.3	9 414.2	—	9 414.2

** Direct deliveries are issues to franchisees directly by Group suppliers facilitated through the Group's supply chain.*

PICK N PAY HOLDINGS GROUP	South Africa Rm	Africa Rm	Total continuing operations Rm	Discon-tinued operation Australia Rm	Total operations Rm
26. OPERATING SEGMENTS continued					
2013					
Total revenue	**57 776.6**	**2 672.9**	**60 449.5**	—	**60 449.5**
External revenue	**57 776.6**	**1 881.9**	**59 658.5**	—	**59 658.5**
Direct deliveries*	—	**695.4**	**695.4**	—	**695.4**
Inter-segment revenue	—	**95.6**	**95.6**	—	**95.6**
External turnover	**56 694.0**	**2 577.3**	**59 271.3**	—	**59 271.3**
Profit before tax	**714.3**	**92.7**	**807.0**	—	**807.0**
Other information					
Statement of comprehensive income					
Interest income	**40.0**	**2.8**	**42.8**	—	**42.8**
Interest expense	**131.3**	—	**131.3**	—	**131.3**
Depreciation and amortisation	**881.4**	**14.1**	**895.5**	—	**895.5**
Share of associates' income	—	**23.4**	**23.4**	—	**23.4**
Statement of financial position					
Total assets	**12 504.7**	**516.8**	**13 021.5**	—	**13 021.5**
Total liabilities	**10 156.3**	**454.4**	**10 610.7**	—	**10 610.7**
2012					
Total revenue	54 284.1	2 009.9	56 294.0	3 389.3	59 683.3
External revenue	54 284.1	1 350.3	55 634.4	3 389.3	59 023.7
Direct deliveries*	—	604.7	604.7	—	604.7
Inter-segment revenue	—	54.9	54.9	—	54.9
External turnover	53 375.5	1 955.0	55 330.5	3 389.2	58 719.7
Profit/(loss) before tax	1 118.7	49.7	1 168.4	(87.2)	1 081.2
Other information					
Statement of comprehensive income					
Interest income	33.0	6.5	39.5	0.2	39.7
Interest expense	135.1	—	135.1	6.0	141.1
Depreciation and amortisation	800.1	8.0	808.1	—	808.1
Share of associate's loss	—	(1.9)	(1.9)	—	(1.9)
Profit on sale of Franklins (after tax)	—	—	—	438.4	438.4
Statement of financial position					
Total assets	11 378.2	440.5	11 818.7	—	11 818.7
Total liabilities	9 008.6	409.3	9 417.9	—	9 417.9

* *Direct deliveries are issues to franchisees directly by Group suppliers facilitated through the Group's supply chain.*

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. For details of loans within the Group refer to note 9 of the Company annual financial statements.

27.2 Loans to executive directors

Loans to directors amount to R0.4 million at end of period (2012: R0.4 million), are secured and bear interest at varying interest rates. For further information refer to note 15.

27. RELATED PARTY TRANSACTIONS continued

27.3 Key management personnel

Key management personnel are directors and those executives having authority and responsibility for planning, directing and controlling the activities of the Group. No key management personnel had a material interest in any contract of any significance with any Group company during the period under review.

	PICK N PAY STORES GROUP		PICK N PAY HOLDINGS GROUP	
	2013 Rm	2012 Rm	**2013 Rm**	2012 Rm
Key management personnel remuneration comprises:				
Directors' fees	**3.7**	6.0	**3.7**	6.0
Remuneration for management services	**26.6**	27.3	**26.6**	27.3
Retirement and medical aid contributions	**3.6**	3.9	**3.6**	3.9
Performance bonus	**2.2**	2.0	**2.2**	2.0
Fringe and other benefits	**1.6**	13.0	**1.6**	13.0
	37.7	52.2	**37.7**	52.2
Expense relating to share options granted	**14.1**	18.6	**14.1**	18.6
	51.8	70.8	**51.8**	70.8

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 executives, 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 19).

Trade and other receivables mainly relate to amounts owing by franchisees and are presented net of impairment losses (refer note 18). 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 amongst 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.

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.

	GROUP	
	2013 Rm	2012 Rm
Total borrowing facilities granted by financial institutions	**5 723.7**	5 739.7
Total actual borrowings and utilisation of facilities	**(2 862.7)**	(1 840.2)
Unutilised borrowing facilities	**2 861.0**	3 899.5

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					
2013					
Secured loans – note 22.1	**804.0**	**986.9**	**100.0**	**877.6**	**9.3**
Unsecured loans – note 22.1	**400.0**	**405.3**	**405.3**		
Trade and other payables – note 24	**6 543.1**	**6 543.1**	**6 543.1**		
Bank overdrafts – note 19	**25.6**	**25.6**	**25.6**		
Overnight bank borrowings – note 19	**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	**9 275.8**	**9 464.0**	**8 577.1**	**877.6**	**9.3**
2012					
Secured loans – note 22.1	814.5	1 077.7	114.6	939.9	23.2
Unsecured loans – note 22.1	650.0	667.8	667.8		
Trade and other payables – note 24	6 691.5	6 691.5	6 691.5		
Forward exchange contracts – note 28.3.1	5.7	5.7	5.7		
Total financial obligations	8 161.7	8 442.7	7 479.6	939.9	23.2
PICK N PAY HOLDINGS GROUP					
2013					
Secured loans – note 22.1	**804.0**	**986.9**	**100.0**	**877.6**	**9.3**
Unsecured loans – note 22.1	**400.0**	**405.3**	**405.3**		
Trade and other payables – note 24	**6 548.7**	**6 548.7**	**6 548.7**		
Bank overdrafts – note 19	**25.6**	**25.6**	**25.6**		
Overnight bank borrowings – note 19	**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	**9 281.4**	**9 469.6**	**8 582.7**	**877.6**	**9.3**
2012					
Secured loans – note 22.1	814.5	1 077.7	114.6	939.9	23.2
Unsecured loans – note 22.1	650.0	667.8	667.8		
Trade and other payables – note 24	6 695.2	6 695.2	6 695.2		
Forward exchange contracts – note 28.3.1	5.7	5.7	5.7		
Total financial obligations	8 165.4	8 446.4	7 483.3	939.9	23.2

28. FINANCIAL INSTRUMENTS continued

28.3 Market risk management

Changes in market prices relating to foreign exchange rates and interest rates will affect the Group's financial result or position. The objective of market risk management is to manage and control exposure to market risk, while optimising the return on the risk.

28.3.1 Currency risk management

Transactional currency risk

The Group operates internationally and is exposed to currency risk through the importation of merchandise. Investments in foreign operations and master franchise agreements with international counterparties do not contribute to transactional currency risk as the related transactions and balances are denominated in South African Rands.

The following exchange rates applied during the period:

	Average rate		Closing rate	
	2013	2012	**2013**	2012
US Dollar/ZAR	**8.28**	7.25	**9.02**	7.53
Euro/ZAR	**10.97**	9.86	**11.83**	10.11
GBP/ZAR	**12.84**	11.61	**13.73**	11.94

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 FEC's for speculative purposes and does not apply cash flow hedge accounting.

Forward exchange contracts	Contract foreign currency m	Rand equivalent Rm	Average rate R	Fair value adjust-ment Rm
2013				
US Dollars	**11.6**	**103.8**	**8.95**	**3.3**
Euro	**1.1**	**12.7**	**11.55**	**(0.1)**
GBP	**0.4**	**5.1**	**12.75**	**(0.1)**
		121.6		**3.1**
2012				
US Dollars	9.7	78.0	8.00	4.1
Euro	3.4	36.4	10.67	1.6
		114.4		5.7

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 Rands. 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 risks. 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 result 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:

	2013 Weighted average interest rate %	2012 Weighted average interest rate %
Financial assets		
Cash at bank and cash on hand (note 19)	**4.8**	4.8
Cash investments (note 19)	**5.7**	5.6
Loans (note 15)	**4.7**	4.7
Financial liabilities		
Variable-rate interest-bearing debt		
Bank overdraft (note 19)	**7.0**	7.5
Overnight bank borrowings (note 19)	**5.4**	5.8
Finance leases (note 22.2)	**6.5**	7.0
3-month corporate paper (note 22.1)	**5.5**	5.8
Fixed-rate interest-bearing debt		
Secured loans (note 22.1)	**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. We expect interest rates to remain unchanged for the following financial period, therefore there will be no impact on profit before tax. During the previous period an expected movement of 1% would have resulted in an increase or decrease of R8.5 million in profit before tax.

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); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Available-for-sale investments are measured at fair value. The investment in Business Partners Limited is classified at level 2.

Foreign exchange contracts 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. With regard to retirement benefit obligations, fair value is determined by a qualified actuary using actuarial assumptions.

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.

28. FINANCIAL INSTRUMENTS continued

28.5 Capital management

The Group's strategy is to maintain a strong capital base (represented by total shareholders' equity) so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of directors is ultimately responsible for capital management and has the following responsibilities in this regard:

- To provide an adequate return to shareholders;
- To ensure that the Group has adequate capital to continue as a going concern;
- To ensure that the Group complies with the solvency and liquidity requirements for any share repurchase or dividend payment or provision of financial assistance per the Companies Act; and
- To maintain a balance between debt and equity so as to leverage return on equity whilst 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.

29. CHANGE IN FINANCIAL PERIOD CUT-OFF DATE

During the financial period under review the Group adopted a 52-week financial reporting calendar for all future financial periods. This change will align financial reporting with Group operational structures and will improve comparative reporting to both internal and external stakeholders.

As a result, the 2013 annual financial period ended on 3 March 2013 compared to 29 February 2012 in the comparative period. The additional trading days included in the 2013 result had the following estimated impact on the consolidated financial statements:

	Rm
Statement of comprehensive income	
Turnover	**479.6**
Net profit after tax	**28.0**
Statement of financial position	
Trade and other payables	**1 158.7**
Trade and other receivables	**(99.5)**
Cash and cash equivalents	**(1 059.2)**
Net working capital	**—**

30. ACCOUNTING STANDARDS AND INTERPRETATIONS TO BE ADOPTED IN FUTURE YEARS

International Financial Reporting Standards (IFRS)

A number of new standards, amendments to standards and interpretations that are applicable to the Group with an effective date after the date of these financial statements, have not been applied in preparing these consolidated financial statements. These are listed below:

IAS 19: Employee Benefits

Amendments to the standard include measuring expected returns on plan assets based on rates used to discount the defined benefit, past service cost to be expensed when the plan amendment occurs whether or not they have vested and short- and long-term benefits will be distinguished based on expected timing of settlements, rather than employee entitlement.

IFRS 9: Financial Instruments

Principal change is the reduction from 4 classifications of financial assets (fair value through profit or loss, loans and receivables, held-to-maturity and those measured at amortised cost) to 2 (assets measured at fair value through profit or loss and those measured at amortised cost). The new standard reduces complexity.

IFRS 10: Consolidated Financial Statements

Introduces a single concept of control as determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides guidance on how to determine if control exists.

IFRS 13: Fair Value Measurements

Provides new guidance on fair value measurement and additional disclosure requirements.

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.

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Statements of comprehensive income

for the period ended 3 March 2013

	Notes	PICK N PAY STORES LIMITED 2013 Rm	PICK N PAY STORES LIMITED 2012 Rm	PICK N PAY HOLDINGS LIMITED 2013 Rm	PICK N PAY HOLDINGS LIMITED 2012 Rm
Revenue					
Interest received – bank balances and investments		**22.4**	16.5	**—**	—
Dividends received		**366.6**	847.4	**316.8**	329.4
		389.0	863.9	**316.8**	329.4
Administration expenses	2	**(38.1)**	(11.2)	**(1.9)**	(1.6)
Profit		**350.9**	852.7	**314.9**	327.8
Interest paid – loans		**(22.4)**	(16.5)	**—**	—
Profit before tax		**328.5**	836.2	**314.9**	327.8
Tax	3	**—**	—	**—**	—
Profit for the period		**328.5**	836.2	**314.9**	327.8
Other comprehensive income for the period, net of tax		**—**	—	**—**	—
Total comprehensive income for the period		**328.5**	836.2	**314.9**	327.8

Statements of financial position

	Notes	PICK N PAY STORES LIMITED As at 3 March 2013 Rm	PICK N PAY STORES LIMITED As at 29 February 2012 Rm	PICK N PAY HOLDINGS LIMITED As at 3 March 2013 Rm	PICK N PAY HOLDINGS LIMITED As at 29 February 2012 Rm
ASSETS					
Non-current assets					
Investments in subsidiaries and trusts	5	**101.9**	363.7	**129.4**	129.4
Available-for-sale investment	6	**0.2**	0.2	**—**	—
		102.1	363.9	**129.4**	129.4
Current assets					
Investments in subsidiaries and trusts	5	**400.0**	400.0	**—**	—
Trade and other receivables		**—**	—	**1.3**	0.6
		400.0	400.0	**1.3**	0.6
Total assets		**502.1**	763.9	**130.7**	130.0
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	7	**6.0**	6.0	**6.6**	6.6
Share premium		**—**	—	**120.8**	120.8
Retained earnings/(accumulated losses)		**90.5**	353.4	**(0.6)**	(0.5)
Total shareholders' equity		**96.5**	359.4	**126.8**	126.9
Current liabilities					
Borrowings	8	**400.0**	400.0	**—**	—
Trade and other payables		**5.6**	4.5	**3.9**	3.1
		405.6	404.5	**3.9**	3.1
Total equity and liabilities		**502.1**	763.9	**130.7**	130.0

Statements of changes in equity

for the period ended 3 March 2013

	Note	Share capital Rm	Retained earnings Rm	Total Rm
PICK N PAY STORES LIMITED				
At 1 March 2011		6.0	132.1	138.1
Total comprehensive income for the period		—	836.2	836.2
Dividends paid	4.1	—	(614.9)	(614.9)
At 29 February 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**

	Note	Share capital Rm	Share premium Rm	Accu-mulated losses Rm	Total Rm
PICK N PAY HOLDINGS LIMITED					
At 1 March 2011		6.6	120.8	(0.1)	127.3
Total comprehensive income for the period		—	—	327.8	327.8
Dividends paid	4.1	—	—	(328.2)	(328.2)
At 29 February 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**

Statements of cash flows

for the period ended 3 March 2013

	Note	PICK N PAY STORES LIMITED 2013 Rm	PICK N PAY STORES LIMITED 2012 Rm	PICK N PAY HOLDINGS LIMITED 2013 Rm	PICK N PAY HOLDINGS LIMITED 2012 Rm
Cash flows from operating activities					
Profit		**350.9**	852.7	**314.9**	327.8
Cash generated before movements in working capital		**350.9**	852.7	**314.9**	327.8
Movements in working capital		**1.1**	5.7	**0.1**	0.4
Increase in trade and other payables		**1.1**	2.5	**0.8**	0.9
Decrease/(increase) in trade and other receivables		**—**	3.2	**(0.7)**	(0.5)
Cash generated by trading activities		**352.0**	858.4	**315.0**	328.2
Interest paid		**(22.4)**	(16.5)	**—**	—
Cash generated by operations		**329.6**	841.9	**315.0**	328.2
Dividends paid	4.1	**(591.4)**	(614.9)	**(315.0)**	(328.2)
Total net cash (utilised in)/generated by operating activities		**(261.8)**	227.0	**—**	—
Cash flows from investing activities					
Loans repaid/(advanced)		**261.8**	(627.0)	**—**	—
Total net cash generated by/(utilised in) investing activities		**261.8**	(627.0)	**—**	—
Cash flows from financing activities					
Debt raised		**—**	400.0	**—**	—
Total net cash generated by financing activities		**—**	400.0	**—**	—
Net increase 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 annual financial statements

for the period ended 3 March 2013

1. ACCOUNTING POLICIES

Except as presented below, the accounting policies and notes to the annual financial statements are identical to those disclosed in the consolidated annual financial statements on pages 71 to 104.

Investments in subsidiaries

The Company carries its investments in subsidiaries at cost less impairment losses.

2. ADMINISTRATION EXPENSES

Administration expenses are stated after taking into account the following expenses:

2.1 Directors' remuneration

Directors' remuneration paid by Pick n Pay Stores Limited and Pick n Pay Holdings Limited is detailed below. Refer to pages 41 to 47 and 52 and 53 of the remuneration report for details of the directors' remuneration and directors' interest in shares.

	PICK N PAY STORES LIMITED*			PICK N PAY HOLDINGS LIMITED**	
	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
2013					
Non-executive directors	**2 149.7**	**1 418.0**	**3 567.7**	**171.0**	**171.0**
2012					
Non-executive directors	4 900.2	1 064.3	5 964.5	159.0	159.0

* *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 do not receive directors' remuneration for services rendered as a director of this Company.*

		PICK N PAY STORES LIMITED		PICK N PAY HOLDINGS LIMITED	
		2013 Rm	2012 Rm	**2013 Rm**	2012 Rm
2.2	**Audit fees**	**0.1**	0.1	**0.1**	0.1
3.	**TAX**	**%**	%	**%**	%
	Statutory tax rate reconciliation	**28.0**	28.0	**28.0**	28.0
	Exempt income – dividends received	**(31.2)**	(28.4)	**(28.2)**	(28.1)
	Other non-deductible expenditure	**3.2**	0.4	**0.2**	0.1
	Effective tax rate	**—**	—	**—**	—

4. DIVIDENDS

4.1 Dividends paid

	2013 Cents per share	2012 Cents per share
PICK N PAY STORES LIMITED		
Number 88 – declared 17 April 2012 – paid 11 June 2012 (2012: Number 86 – declared 15 April 2011 – paid 13 June 2011)	**108.35**	105.50
Number 89 – declared 23 October 2012 – paid 18 December 2012 (2012: Number 87 – declared 18 October 2011 – paid 12 December 2011)	**14.75**	22.50
Total dividends per share for the period	**123.10**	128.00
	Rm	Rm
Total value of dividends paid by the Company	**591.4**	614.9
	Cents per share	Cents per share
PICK N PAY HOLDINGS LIMITED		
Number 61 – declared 17 April 2012 – paid 11 June 2012 (2012: Number 59 – declared 15 April 2011 – paid 13 June 2011)	**52.57**	51.34
Number 62 – declared 23 October 2012 – paid 18 December 2012 (2012: Number 60 – declared 18 October 2011 – paid 12 December 2011)	**7.17**	10.91
Total dividends per share for the period	**59.74**	62.25
	Rm	Rm
Total value of dividends paid by the Company	**315.0**	328.2

	2013 Cents per share	2012 Cents per share
4. DIVIDENDS continued		
4.2 Dividends declared		
PICK N PAY STORES LIMITED		
Interim dividend – number 89 (2012: number 87)	**14.75**	22.50
Final dividend – number 90 (2012: number 88)	**69.25**	108.35
	84.00	130.85
The directors have declared a final dividend (dividend 90) of 69.25 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 15%. The last day to trade in order to participate in the dividend (CUM dividend) will be Friday, 7 June 2013. The shares will trade EX dividend from the commencement of business on Monday, 10 June 2013 and the record date will be Friday, 14 June 2013. The dividends will be paid on Tuesday, 18 June 2013.		
PICK N PAY HOLDINGS LIMITED		
Interim dividend – number 62 (2012: number 60)	**7.17**	10.91
Final dividend – number 63 (2012: number 61)	**33.61**	52.57
	40.78	63.48
The directors have declared a final dividend (dividend 63) of 33.61 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 15%. The last day to trade in order to participate in the dividend (CUM dividend) will be Friday, 7 June 2013. The shares will trade EX dividend from the commencement of business on Monday, 10 June 2013 and the record date will be Friday, 14 June 2013. The dividends will be paid on Tuesday, 18 June 2013.		

	Rm	Rm
5. INVESTMENTS IN SUBSIDIARIES AND TRUST		
5.1 Investments in subsidiaries and trust		
PICK N PAY STORES LIMITED		
Shares at cost		
Trading subsidiaries	**37.5**	37.5
Guardrisk Insurance Company Limited "A122 ordinary shares"		
Pick n Pay Garages Proprietary Limited		
Pick n Pay Retailers Proprietary Limited		
Pick n Pay Investment Holdings Limited		
Property owning subsidiaries	**0.5**	0.5
Pick n Pay (Newton Park) Proprietary Limited		
Pick n Pay Wholesalers Proprietary Limited		
Pick n Pay Wholesalers (Transvaal) Proprietary Limited		
Trust		
The Pick n Pay Employee Share Purchase Trust		
Dormant subsidiaries	**0.3**	0.3
Total investments in subsidiaries and trust	**38.3**	38.3
5.2 Amount owing by subsidiary companies		
At beginning of period	**725.4**	98.4
Amounts (received)/advanced during the period	**(261.8)**	627.0
At end of period	**463.6**	725.4
Refer to note 9.1.3 for a detailed analysis.		
The amount owing is unsecured, interest-free and no fixed rate for repayment has been determined.		
Total investments in subsidiaries and trust	**501.9**	763.7
5.3 Investment in subsidiary		
PICK N PAY HOLDINGS LIMITED		
Pick n Pay Stores Limited		
257 345 334 (2012: 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
5.4 Amount owing by subsidiary company	**1.4**	1.4
Refer to note 9.2.2 for a detailed analysis.		
The amount owing is unsecured, interest-free and no fixed rate for repayment has been determined.		
Total investment in subsidiary	**129.4**	129.4

		PICK N PAY STORES LIMITED 2013 Rm	PICK N PAY STORES LIMITED 2012 Rm
6.	**AVAILABLE-FOR-SALE INVESTMENT**		
	Unlisted shares at fair value		
	Business Partners Limited		
	200 000 (2012: 200 000) shares at R1 each	**0.2**	0.2
	This available-for-sale investment is stated at original purchase price. The shares are unlisted and no active market exists where they can be traded easily. Based on management's evaluation and judgement, management believes that original cost approximates fair value and that the investment is therefore not impaired.		

		PICK N PAY STORES LIMITED	
7.	**SHARE CAPITAL**		
7.1	**Pick n Pay Stores Limited**		
	Authorised		
	800 000 000 ordinary shares of 1.25 cents each	**10.0**	10.0
	Issued		
	480 397 321 ordinary shares of 1.25 cents each	**6.0**	6.0
	Under a general authority, 24 million of the unissued shares remain under the control of the directors until the next annual general meeting (5% of the issued share capital of the Company).		
	The holders of ordinary shares are entitled to receive dividends as declared and are entitled to 1 vote per share at meetings of the Company.		
		PICK N PAY HOLDINGS LIMITED	
7.2	**Pick n Pay Holdings Limited**		
	Authorised		
	800 000 000 ordinary shares of 1.25 cents each	**10.0**	10.0
	Issued		
	527 249 082 ordinary shares of 1.25 cents each	**6.6**	6.6
	Under a general authority 26.4 million of the unissued shares remain under the control of the directors until the next annual general meeting (5% of the issued share capital of the Company).		
	The holders of ordinary shares are entitled to receive dividends as declared and are entitled to 1 vote per share at meetings of the Company.		

		PICK N PAY STORES LIMITED 2013 Rm	PICK N PAY STORES LIMITED 2012 Rm
8.	**BORROWINGS**		
	Unsecured 3-month corporate paper, issued under our Domestic Medium Term Note Programme, to fund capital projects. The notes are repayable on 23 May 2013 and carry an average interest rate linked to Jibar of 5.5% p.a. (2012: 5,8% p.a.)	**400.0**	400.0
9.	**RELATED PARTY TRANSACTIONS**		
9.1	**Pick n Pay Stores Limited**		
9.1.1	**Dividends received from subsidiary companies and paid to its holding company**		
	Dividends received		
	Pick n Pay Retailers Proprietary Limited	**358.7**	605.4
	Pick n Pay Employee Share Purchase Trust	**7.9**	9.4
	Carrefour Proprietary Limited	**—**	102.9
	Pick n Pay (Steelpark) Proprietary Limited	**—**	1.9
	Pick n Pay (Steeldale) Proprietary Limited	**—**	63.4
	Bedworth Sentrum Proprietary Limited	**—**	57.7
	Pick n Pay (Mitchells Plain) Limited	**—**	6.7
	Total dividends received from related parties	**366.6**	847.4
	Dividends paid to holding company		
	Pick n Pay Holdings Limited	**316.8**	329.4
9.1.2	**Interest received from a subsidiary company**		
	Pick n Pay Retailers Proprietary Limited	**22.4**	16.5

	PICK N PAY STORES LIMITED 2013 Rm	2012 Rm
9. RELATED PARTY TRANSACTIONS continued		
9.1 Pick n Pay Stores Limited continued		
9.1.3 Loans to a subsidiary company		
Pick n Pay Retailers Proprietary Limited	**224.5**	484.9
Pick n Pay Employee Share Purchase Trust	**7.9**	9.4
Carrefour Proprietary Limited	**102.9**	102.9
Pick n Pay (Steelpark) Proprietary Limited	**1.8**	1.8
Pick n Pay (Steeldale) Proprietary Limited	**63.5**	63.4
Bedworth Sentrum Proprietary Limited	**57.7**	57.7
Pick n Pay (Mitchells Plain) Limited	**6.7**	6.7
	465.0	726.8
9.1.4 Loans from holding company		
Pick n Pay Holdings Limited	**(1.4)**	(1.4)
Total loans to related parties	**463.6**	725.4

	PICK N PAY HOLDINGS LIMITED 2013	2012
9.2 Pick n Pay Holdings Limited		
9.2.1 Dividends received from subsidiary company		
Pick n Pay Stores Limited	**316.8**	329.4
9.2.2 Loan to subsidiary company		
Pick n Pay Stores Limited	**1.4**	1.4
9.2.2 Trade and other receivables due from companies within the Group		
Pick n Pay Retailers Proprietary Limited	**1.3**	0.6

9.3 Shares held by directors

The percentage of shares held by directors of Pick n Pay Stores Limited and Pick n Pay Holdings Limited at the reporting date are disclosed in the directors' reports on pages 59 and 60 and 63 and 64. For further information refer to the remuneration reports on pages 41 to 47 and 52 and 53.

10. FINANCIAL INSTRUMENTS

OVERVIEW

Pick n Pay Stores Limited and Pick n Pay Holdings Limited 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 by the main operating company within the Group. Market risk is negated as the financial assets and liabilities have no exposure to changes in exchange rates and have very limited exposure to changes in interest rates.

10.1 Liquidity risk

Liquidity risk is the risk that the companies will not be able to meet their financial obligations as they fall due. Pick n Pay Stores Limited and Pick n Pay Holdings Limited have unlimited access to the funds of the Group companies. Therefore, Pick n Pay Stores Limited and Pick n Pay Holdings Limited's liquidity risk is linked to the liquidity of the Group companies. Refer to note 28.2 of the related Group financial statements on page 101.

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

	PICK N PAY STORES			PICK N PAY HOLDINGS		
	Carrying amount Rm	Contractual cash flows Rm	Within 1 year Rm	Carrying amount Rm	Contractual cash flows Rm	Within 1 year Rm
2013						
Non-derivative financial liabilities						
3-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**
2012						
Non-derivative financial liabilities						
3-month corporate paper	400.0	405.7	405.7	—	—	—
Trade and other payables	4.5	4.5	4.5	3.1	3.1	3.1
Total financial obligations	404.5	410.2	410.2	3.1	3.1	3.1

10.2 Capital management

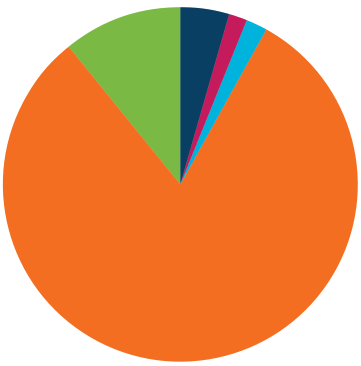
The Companies consider the management of capital with reference to the Group policy which can be found on page 104 of the Group annual financial statements.

Pick n Pay Stores Limited

SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares millions	%
1 – 1 000 shares	5 514	57.0	2.2	0.5
1 001 – 10 000 shares	3 365	34.7	10.4	2.2
10 001 – 100 000 shares	630	6.5	19.2	4.0
100 001 – 1 000 000 shares	144	1.5	42.9	8.9
1 000 001 shares and over	26	0.3	405.7	84.4
Total	**9 679**	**100.0**	**480.4**	**100.0**
PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public shareholders	**58**	**0.6**	**316.4**	**65.9**
Directors and associates	55	0.6	3.1	0.7
Pick n Pay Holdings Limited	1	—	257.4	53.6
Pick n Pay Employee Share Purchase Trust	1	—	2.1	0.4
Government Employees Pension Fund	1	—	53.8	11.2
Public shareholders	**9 621**	**99.4**	**164.0**	**34.1**
Total	**9 679**	**100.0**	**480.4**	**100.0**
BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE				
Pick n Pay Holdings Limited			257.4	53.6
Government Employees Pension Fund			53.8	11.2
Genesis Emerging Markets Investment Company			7.5	1.6
Liberty Life Assurance of Africa Limited			7.3	1.5
Vanguard Emerging Markets Stock Index Fund			4.9	1.0

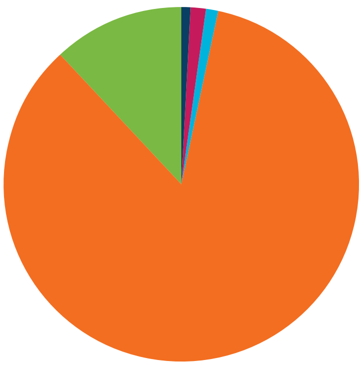
GEOGRAPHICAL SPREAD OF SHAREHOLDERS

2013



South Africa	81.2%
United States of America	10.7%
Great Britain	4.6%
Luxembourg	1.7%
Other countries	1.8%

2012



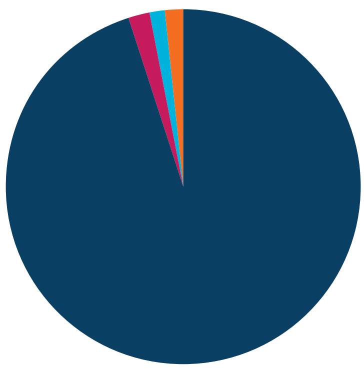
South Africa	84.7%
United States of America	11.7%
Great Britain	1.0%
Luxembourg	1.3%
Other countries	1.3%

Pick n Pay Holdings Limited

SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares millions	%
1 – 1 000 shares	2 615	29.5	1.4	0.3
1 001 – 10 000 shares	4 580	51.8	17.8	3.4
10 001 – 100 000 shares	1 343	15.2	38.7	7.3
100 001 – 1 000 000 shares	264	3.0	79.9	15.1
1 000 001 shares and over	48	0.5	389.4	73.9
Total	**8 850**	**100.0**	**527.2**	**100.0**
PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public shareholders	**59**	**0.7**	**279.9**	**53.0**
Directors and associates	57	0.7	15.8	3.0
Ackerman Investment Holdings Proprietary Limited	1	—	255.0	48.3
Pick n Pay Employee Share Purchase Trust	1	—	9.1	1.7
Public shareholders	**8 791**	**99.3**	**247.3**	**47.0**
Total	**8 850**	**100.0**	**527.2**	**100.0**
BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE				
Ackerman Investment Holdings Proprietary Limited			255.0	48.3
Investec Opportunity Fund			13.6	2.6
Government Employees Pension Fund			13.2	2.5
Sanlam Life Insurance Limited			9.3	1.8
Pick n Pay Employee Share Purchase Trust			9.1	1.7
Allan Gray Equity Fund			8.0	1.5
Eskom Pension and Provident Fund			7.0	1.3

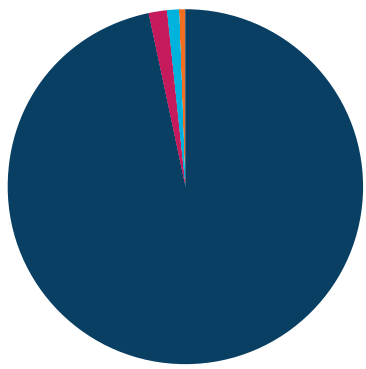
GEOGRAPHICAL SPREAD OF SHAREHOLDERS

2013



South Africa	95.0%
United States of America	2.0%
Great Britain	1.4%
Other countries	1.6%

2012



South Africa	96.9%
United States of America	1.7%
Great Britain	1.0%
Other countries	0.4%

Shareholders' information

ANNUAL GENERAL MEETINGS (AGMs) – 25 JUNE 2013

The 45th 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 Tuesday, 25 June 2013 at 08:30.

The 32nd annual general meeting of shareholders of **Pick n Pay Holdings Limited** will be held at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708 on Tuesday, 25 June 2013 at 09:00, or as soon as the Stores AGM is completed. There will be a video conferencing link to our offices situated at 2 Allum Road, Kensington, Gauteng to allow for electronic participation in the meeting.

Registration for both AGMs will commence at 08:00.

The minutes of the previous period's AGMs held on 15 June 2012 are available on our Pick n Pay investor relations website at www.picknpay-ir.co.za.

SHAREHOLDER DIARY

DIVIDENDS

	PICK N PAY STORES LIMITED Reg No 1968/008034/06 Share code: PIK ISIN code: ZAE000005443		PICK N PAY HOLDINGS LIMITED Reg No 1981/009610/06 Share code: PWK ISIN code: ZAE000005724			
	Number	Amount (cents)	Number	Amount (cents)	Last day of trade	Date of payment
Interim	87	22.50	60	10.91	2 December 2011	12 December 2011
Final	88	108.35	61	52.57	1 June 2012	11 June 2012
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		64		6 December 2013*	17 December 2013*
Final	92		65		6 June 2014*	17 June 2014*

**estimated*

RESULT ANNOUNCEMENTS

Interim to 31 August 2012: 23 October 2012

Final to 3 March 2013: 23 April 2013

Interim to 1 September 2013: about 22 October 2013

Final to 2 March 2014: about 22 April 2014

PUBLICATION OF INTEGRATED ANNUAL REPORTS

2013: May 2013

2014: May 2014

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(0)21 658 1000.
Fax +27(0)21 797 0314

POSTAL ADDRESS
PO Box 23087, Claremont, 7735

WEBSITE
Pick n Pay: www.picknpay.co.za

Investor relations: www.picknpay-ir.co.za

PROMOTION OF ACCESS TO INFORMATION ACT
Information officer – Penny Gerber
email address: pgerber@pnp.co.za

ENGAGE WITH US ON:

CUSTOMER CARELINE
Tel +27(0)800 11 22 88
email address: customercare@pnp.co.za

ONLINE SHOPPING
Tel +27(0)860 30 30 30
www.picknpay.co.za

REGISTRAR
Computershare Investor Services Proprietary Limited
70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, 2107
Tel +27(0)11 370 5000.
Fax +27(0)11 688 5248

AUDITORS
KPMG Inc.

ATTORNEYS
Edward Nathan Sonnenberg

PRINCIPAL TRANSACTIONAL BANKERS
Absa Limited
First National Bank

JSE SPONSOR
Investec Bank Limited
100 Grayston Drive, Sandton, 2196

BASTION GRAPHICS

Pick n Pay

101 Rosmead Avenue
Kenilworth
7708
Cape Town

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