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

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

Pick n Pay Group of Companies financial statements

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Pick n Pay Stores Group

Directors' responsibility statement

PICK N PAY STORES LIMITED AND ITS SUBSIDIARIES

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Pick n Pay Stores Limited, comprising the statements of financial position at 2 March 2014, and the statements of comprehensive income, changes in equity and cash flows for the period then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors' report.

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

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

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

APPROVAL OF CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

Gareth Ackerman

Gareth Ackerman
Chairman

14 April 2014

Richard Brasher
Chief Executive Officer

14 April 2014

Company Secretary's certificate

PICK N PAY STORES LIMITED AND ITS SUBSIDIARIES

In my capacity as Company Secretary, I certify that for the period ended 2 March 2014, Pick n Pay Stores Limited has filed all returns and notices as required by a public company in terms of section 88(2)(e) of the Companies Act No 71 of 2008, as amended, and that such returns and notices are, to the best of my belief, true, correct and up to date.

Debra Muller
Company Secretary

14 April 2014

Pick n Pay Stores Group

Directors' report

for the period ended 2 March 2014

PICK N PAY STORES LIMITED AND ITS SUBSIDIARIES

Nature of business

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

Overview of financial results and activities

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

Audit committee

We draw your attention to the audit committee report on pages 51 to 52 where we set out the responsibilities of the committee and how it has discharged these responsibilities during the period.

Dividends declared

The directors have declared a final dividend (dividend 92) of 77.50 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 15% where shareholders are subject to this tax. The last day to trade in order to participate in the dividend (CUM dividend) will be Friday, 6 June 2014. The shares will trade EX dividend from the commencement of business on Monday, 9 June 2014 and the record date will be Friday, 13 June 2014. The dividends will be paid on Tuesday, 17 June 2014. Refer to page 112 for a detailed analysis.

Share capital

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

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

Going concern

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

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

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

Competition Commission

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

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

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

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

Legal proceedings

The Company and its subsidiaries are not involved, and have not in the 2014 annual financial period been involved, in any legal or arbitration proceedings which may have or have had a material effect on the financial position of the Pick n Pay Group of Companies, nor is the Company aware of any such proceedings that are pending or threatened.

Special resolutions

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

Directors' fees for the 2014 annual financial period

Shareholders approved the directors' fees.

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

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

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

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

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

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

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

Gareth Ackerman
Hugh Herman
Ben van der Ross

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

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

Directors' interest in shares

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

The directors' interest in shares is their effective direct shareholding in the Company (excluding treasury shares) and their effective indirect shareholding through Pick n Pay Holdings Limited (excluding treasury shares). For further details refer to the remuneration report on pages 55 to 66.

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

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

Pick n Pay Stores Group

Independent auditor's report

for the period ended 2 March 2014

TO THE SHAREHOLDERS OF PICK N PAY STORES LIMITED

Report on the financial statements

We have audited the consolidated and separate financial statements of Pick n Pay Stores Limited, which comprise the statements of financial position at 2 March 2014, and the statements of comprehensive income, changes in equity and cash flows for the period then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 92 to 147.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Pick n Pay Stores Limited at 2 March 2014, and its consolidated and separate financial performance and consolidated and separate cash flows for the period then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the period ended 2 March 2014, we have read the directors' report, the audit committee's report and the Company Secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

KPMG Inc.
Registered Auditor

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

14 April 2014

MSC House
Mediterranean Street
Cape Town
8001

Pick n Pay Holdings Group

Directors' responsibility statement

PICK N PAY HOLDINGS LIMITED RF AND ITS SUBSIDIARIES

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Pick n Pay Holdings Limited RF, comprising the statements of financial position at 2 March 2014, and the statements of comprehensive income, changes in equity and cash flows for the period then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors' report.

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

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

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

APPROVAL OF CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

Raymond Ackerman
Chairman

14 April 2014

Company Secretary's certificate

PICK N PAY HOLDINGS LIMITED RF AND ITS SUBSIDIARIES

In my capacity as Company Secretary, I certify that for the period ended 2 March 2014, Pick n Pay Holdings Limited RF has filed all returns and notices as required by a public company in terms of section 88(2)(e) of the Companies Act No 71 of 2008, as amended, and that such returns and notices are, to the best of my belief, true, correct and up to date.

Debra Muller
Company Secretary

14 April 2014

Pick n Pay Holdings Group

Directors' report

for the period ended 2 March 2014

PICK N PAY HOLDINGS LIMITED RF AND ITS SUBSIDIARIES

Nature of business

The Company, which is domiciled and incorporated in the Republic of South Africa and listed on the JSE, the recognised securities exchange in South Africa, was formed with the sole purpose of holding a controlling interest in Pick n Pay Stores Limited. The Company is entitled to redistribute any dividend received from Pick n Pay Stores Limited. For the directors' report of Pick n Pay Stores Limited, refer to pages 84 and 85.

Audit committee

We draw your attention to the audit committee report on page 79 where we set out the responsibilities of the committee and how it has discharged these responsibilities during the period.

Share value

The directors consider that the ratio of the dividend paid per share for the period of Pick n Pay Holdings Limited RF (PIKWIK) of 44.30 cents, to that of Pick n Pay Stores Limited (PIK), 92.30 cents, determines the relative value of a Pick n Pay Holdings Limited RF share, which, based on these figures, is 48.0% (2013: 48.5%) of a Pick n Pay Stores Limited share.

Dividends declared

The directors have declared a final dividend (dividend 65) of 37.10 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 15% where shareholders are subject to this tax. The last day to trade in order to participate in the dividend (CUM dividend) will be Friday, 6 June 2014. The shares will trade ex dividend from the commencement of business on Monday, 9 June 2014 and the record date will be Friday, 13 June 2014. The dividends will be paid on Tuesday, 17 June 2014. Refer to page 112 for a detailed analysis.

Investment

The Company's sole asset is its 53.6% (2013: 53.6%) direct shareholding in its subsidiary, Pick n Pay Stores Limited, and its only source of income is the dividend received from Pick n Pay Stores Limited. After taking into account the Pick n Pay Stores Limited treasury shares held by the Group, the Company's effective holding in Pick n Pay Stores Limited at period end is 53.8% (2013: 53.8%).

Share capital

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

As at period end, the Pick n Pay Employee Share Purchase Trust and a subsidiary company held 9 193 760 (2013: 9 115 753) and 1 848 703 (2013: 1 845 803) shares in the Company, respectively. These shares are reflected as treasury shares in the financial statements.

Going concern

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

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

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

Competition Commission

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

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

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

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

Legal proceedings

The Company and its subsidiaries are not involved, and have not in the 2014 annual financial period been involved, in any legal or arbitration proceedings which may have or have had a material effect on the financial position of the Pick n Pay Holdings Group of Companies, nor is the Company aware of any such proceedings that are pending or threatened.

Special resolutions

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

Directors' fees for the 2014 annual financial period

Shareholders approved the directors' fees.

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

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

General approval to repurchase Company shares

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

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

Directors and secretary

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

Wendy Ackerman
Jeff van Rooyen

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

Directors' interest in shares

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

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

Subsidiary companies

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

Borrowings

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

Independent auditor's report

for the period ended 2 March 2014

TO THE SHAREHOLDERS OF PICK N PAY HOLDINGS LIMITED RF

Report on the financial statements

We have audited the consolidated and separate financial statements of Pick n Pay Holdings Limited RF, which comprise the statements of financial position at 2 March 2014, and the statements of comprehensive income, changes in equity and cash flows for the period then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 92 to 147.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Pick n Pay Holdings Limited RF at 2 March 2014, and its consolidated and separate financial performance and consolidated and separate cash flows for the period then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the period ended 2 March 2014, we have read the directors' report, the audit committee's report and the Company Secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

KPMG Inc.
Registered Auditor

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

14 April 2014

MSC House
Mediterranean Street
Cape Town
8001

Our central distribution channels are getting better every day. We increased the volumes through our Pick n Pay distribution centres by 10.8% and are delivering to more stores, more often, using fewer trucks. This increased scale and efficiency has resulted in meaningful benefits to Pick n Pay which we have been able to pass on to our customers through lower prices and improved on-shelf availability. There is still a great deal of work to be done and our supply chain team are working tirelessly to deliver a first class distribution network.

Consolidated statements of comprehensive income

for the period ended

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

Pick n Pay Group of Companies financial statements

Consolidated statements of financial position

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

Consolidated statements of changes in equity

for the period ended

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

Pick n Pay Group of Companies financial statements

Consolidated statements of changes in equity

for the period ended

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

Consolidated statements of cash flows

for the period ended

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

Notes to the Group financial statements

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Reporting entities

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

1.2 Statement of compliance

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

1.3 Basis of preparation

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Group financial statements continued

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.3 Basis of preparation continued

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

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

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

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

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

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

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

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

1.4 Foreign currency transactions and translations

Functional and presentation currency
The consolidated financial statements are presented in South African rand, which is the Company's functional currency. Certain individual companies (foreign operations) in the Group have functional currencies different to that of the Group and are translated on consolidation.

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

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

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

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

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

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

1.5 Use of estimates, judgements and assumptions

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

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

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

Measurements of share-based payments

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

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

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

Estimates of useful lives, residual values and impairment of intangible assets

Intangible assets are amortised over their useful lives taking into account applicable residual values. Useful lives, residual values and carrying values are reviewed at each reporting date taking into account factors such as the manner of recovery, innovation in technology and relevant market information. During the period under review, management estimated the recoverable amount of certain intangible assets (calculated as the higher of value in use and the fair value less cost to sell) at zero. As a result, an impairment loss of R104.1 million was recognised in the statement of comprehensive income. Refer to note 9.

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

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

Classification of leases

Judgements are applied when determining whether the risks and rewards of the underlying asset have been transferred in order to classify leases as either finance leases or operating leases. Refer to notes 11 and 21.

The recognition of deferred tax assets

Deferred tax assets for unused tax losses are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised. Judgement is required to determine whether future taxable income will be available against which these losses can be utilised. Refer to note 13.

Classification of equity-accounted investees

Judgements have been applied in the classification of our equity-accounted investee, TM Supermarkets (Pvt). Control is achieved when the Company has the power, directly or indirectly, to govern the financial and operating policies of a Group entity so as to obtain benefits from its activities. The existence of a 51% investment in TM Supermarkets (Pvt) by an entity outside of the Group, which also controls majority of the decision-making rights, has resulted in the Group's 49% investment being classified as an equity-accounted investee. Refer to note 14.

The impairment reviews undertaken in respect equity-accounted investees

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

The estimation of the impairment allowance for trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash inflows discounted at a market-related interest rate. The Group makes allowance for specific trade receivables which have clearly indicated financial difficulty and the likelihood of repayment has become impaired. Judgement is required in the estimation of future cash flows and the determination of impairment of the likelihood of repayment. Refer to note 17.

Measurements of post-retirement benefit obligations

The Group operates post-retirement benefit schemes. Actuarial valuations are performed to assess the financial position of these various schemes and are based on assumptions such as the discount rate, future salary increases, future pension increases and increases in healthcare rates. Refer to note 22.

Recognition of deferred revenue in respect of customer loyalty programme

Judgements are made in the measurement of deferred revenue. The consideration allocated to the award credits is measured by reference to their fair value which is calculated as the amount for which the award credits could be separately sold, adjusted for an expected forfeiture rate. Refer to note 23.

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.5 Use of estimates, judgements and assumptions continued

Consolidation of the Group's share trust

The Group operates an employee share option scheme through the Employee Share Purchase Trust. As the Group retains the associated residual risks in the share trust, it is consolidated in the Group's results. Refer to notes 19 and 20.

1.6 Basis of consolidation

Investment in subsidiaries

The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements of the Group, from the date on which control commences until the date that control ceases.

Non-controlling interests are measured at their proportionate share of the subsidiary's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Interest in equity-accounted investees

The Group's interest in equity-accounted investees comprise its interests in associates.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method and are initially recognised at cost, which includes transaction costs. The Group's investment includes goodwill identified on acquisition and is net of any accumulated impairment losses.

The consolidated financial statements include the Group's share of profit or loss and other comprehensive income of the associate, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its investment in an associate, the Group's carrying amount of that interest (including any long-term loans considered as part of the net investment) is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations to made payments on behalf of an associate.

Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1.7 Property, plant and equipment

Property, plant and equipment are tangible assets held by the Group for use in the supply of goods or administrative purposes and are expected to be used for more than one financial period. It is initially recognised at cost if it is probable that associated future economic benefits will flow to the Group and the cost can be measured reliably.
All property, plant and equipment are subsequently measured at cost less accumulated depreciation and impairment losses, with the exception of land. Land is measured at cost less impairment losses as it has an indefinite life and is not depreciated.

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

Cost

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs related to the acquisition, construction or production of qualifying assets are capitalised to the cost of the asset.

The Group recognises in the carrying amount of property, plant and equipment subsequent expenditure, including the cost of replacing part of such an item, when that cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as day-to-day servicing costs, are recognised in profit or loss as expenses are incurred.

Depreciation

Depreciation is based on the carrying value of an asset less its residual value and its useful life. The residual value is the estimated amount that the Group would receive from the disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and the condition expected at the end of its useful life.

Management determines the depreciation methods, useful lives and residual values at acquisition and these are reviewed at each reporting date and adjusted, if appropriate. Any adjustments are accounted for prospectively as changes in estimate.

Depreciation is recognised as an expense in profit or loss, within operational expenses, on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment from the date that they are available for use. Leasehold improvements are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Useful lives

The estimated useful lives for the current and comparative periods are as follows:

Buildings	40 years
Major property components	10 to 20 years
Furniture and fittings	5 to 10 years
Equipment	2 to 7 years
Vehicles	4 to 5 years
Aircraft and major components	7 to 20 years
Leasehold improvements	8 years

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

Impairment

Property, plant and equipment are assessed for impairment as non-financial assets as per note 1.13.

Derecognition

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected to flow to the Group from either their use or disposal. Gains or losses on derecognition of an item of property, plant and equipment are determined by comparing the proceeds from disposal, if applicable, with the carrying amount of the item and are recognised directly in profit or loss.

1.8 Intangible assets

Intangible assets are held by the Group for use in the supply of goods or administrative purposes and are expected to be used for more than one financial period. Intangible assets acquired separately are initially recognised at cost, if it is probable that associated future economic benefits will flow to the Group and the cost can be measured reliably.

If the intangible assets are acquired via a business combination, initial recognition is at fair value.

Intangible assets that are developed are initially recognised at cost if the cost can be measured reliably, the intangible assets are technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete the development. If not then the development expenses are recognised in profit and loss when they are incurred.

All intangible assets are subsequently measured at cost less accumulated amortisation and impairment losses, with the exception of goodwill. Goodwill is measured at cost less impairment losses as it has an indefinite useful life and is not amortised.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised, but expensed in profit in loss when they are incurred.

Cost

The cost of intangible assets includes expenditure that is directly attributable to the acquisition of the intangible asset. The cost of developed intangible assets includes the cost of materials, direct labour and any overhead costs directly attributable to preparing the intangible asset for its intended use. Borrowing costs related to the acquisition or development of qualifying intangible assets are capitalised to the cost of the intangible asset.

The Group recognises in the carrying amount of intangible assets subsequent expenditure when that cost is incurred, if it is probable that related the future economic benefits will flow to the Group and the cost can be measured reliably. All other costs, such as costs associated with the implementation or maintenance of intangible assets, are recognised in profit or loss as expenses as incurred.

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

Amortisation

Amortisation is based on the carrying value of an intangible asset less its residual value and its useful live. The residual value is the estimated amount that the Group would receive from the disposal of the intangible asset, after deducting the estimated costs of disposal, if the intangible asset was already of the age and the condition expected at the end of its useful life.

Management determines the amortisation methods, useful lives and residual values at acquisition and these are reviewed at each reporting date and adjusted, if appropriate. Any adjustments are accounted for prospectively as changes in estimate.

Amortisation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful life of each intangible asset from the date that it is available for its intended use.

Useful lives

The estimated useful lives for the current and comparative periods are as follows:

Goodwill	Indefinite
Systems development	7 years
Licences	5 years

Impairment

Intangible assets are assessed for impairment as non-financial assets as per note 1.13.

Derecognition

Intangible assets are derecognised upon disposal or when no future economic benefits are expected to flow to the Group from either their use or disposal. Gains or losses on derecognition of an intangible asset are determined by comparing the proceeds from disposal, if applicable, with the carrying amount of the intangible asset and are recognised directly in profit or loss.

Notes to the Group financial statements continued

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.9 Leases

Finance leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred from the lessor to the Group as lessee.

Assets acquired in terms of finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments at the inception of the lease. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance lease assets are carried at the initial recognised amount less accumulated depreciation and impairment losses.

Finance lease liabilities are classified as non-current liabilities, with the exception of the portion with a maturity date of less than 12 months of the reporting date which is disclosed as a current liability.

Finance lease assets are depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. The Groups acts as lessee and lessor. Rentals payable or receivable under operating leases are charged or credited to profit or loss on a straight-line basis over the term of the relevant lease. This results in the raising of a liability for future lease expenses and an asset for future lease income on the statement of financial position. These operating lease assets and liabilities are classified as non-current assets or liabilities, with the exception of the portion with a maturity date of less than 12 months of the reporting date which is disclosed as a current asset or liability included under trade and other receivables and trade and other payables, respectively.

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

Service contracts dependent on specific underlying assets

Where the Group enters into a contract that depends on the use of a specific asset and that contract conveys the right to control the use of the specific asset, the arrangement is treated as a lease.

Recognition criteria as detailed above under finance leases and operating leases are applied to determine whether the arrangement should be treated as a finance lease or an operating lease.

1.10 Inventory

Inventory comprises merchandise for resale and consumables. Inventory is measured at the lower of cost and net realisable value and classified as a current asset as it is expected to be sold within the Group's normal operating cycle.

Cost is calculated on the weighted-average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition, including distribution costs, and is stated net of relevant purchase incentives.

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

1.11 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of discounts is recognised as a finance cost. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are classified as current or non-current depending on the underlying contractual maturities.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

1.12 Financial instruments

The Group classifies its financial instruments in the following categories: loans and receivables (comprising cash and cash equivalents, trade and other receivables, loans and participation in export partnerships); derivatives at fair value through profit or loss; and financial liabilities (comprising trade and other payables, financial guarantee contracts, bank overdrafts and borrowings). The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification at initial recognition and re-evaluates the designations when circumstances indicate that reclassification is required.

A financial instrument is recognised on trade date when the Group becomes a party to the contractual provisions of the instrument. These financial instruments are initially recognised at fair value. The fair values of financial instruments in an active market are determined with reference to quoted market bid and ask prices. Where there is no active market, fair value is determined using valuation techniques. Such valuation techniques include using recent arm's-length market transactions, reference to current market value of other similar instruments and discounted cash flows. The fair value of short-term receivables and payables with no stated interest rate may be measured at the original invoice amounts, unless the impact of imputing interest is significant.

Financial assets are derecognised on trade date if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled. The resulting differences between the carrying value on derecognition of the financial instrument and the amount received or paid are recognised in profit or loss.

All financial instruments are classified as current unless they mature later than 12 months after the reporting date. Financial assets and financial liabilities are off-set and the net amount reported in the statement of financial position, when the Group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the net assets and settle the liability simultaneously.

The subsequent measurements of financial instruments are stated below:

Cash and cash equivalents and bank overdrafts
Cash and cash equivalents and bank overdrafts are measured at amortised cost, using the effective interest rate method, less accumulated impairments. If these balances are denominated in foreign currencies they are translated at closing rates. Cash and cash equivalents comprise cash on hand and amounts held on short-term deposit at financial institutions. Bank overdrafts and overnight borrowings at financial institutions are repayable on demand.

Trade and other receivables and loans
Trade and other receivables and loans are measured at amortised cost, using the effective interest method, less impairment losses. Trade and other receivables mainly comprise franchisee receivables and are all short term in nature. Loans comprise housing and other employee loans with maturity dates of more than 12 months after the reporting date.

Participation in export partnerships
The participation in export partnerships is measured at amortised cost, using the effective interest method, less impairment losses. Amortised cost is the cost of the original participation less subsequent principal repayments received, plus the cumulative amortisation of the difference between the initial amount and the maturity amount. For fair value purposes, any impairment in the amounts due to the Group by virtue of its participation in export partnerships would result in a corresponding reduction in the carrying value of the related deferred tax liability. Consequently, such impairment would have no impact on profit or loss of the Group. The maturity date is more than 12 months after the reporting date.

Derivative financial instruments
Derivative financial instruments, being forward foreign exchange rate contracts (FECs) and commodity hedges are measured at fair value and changes in fair value are recognised in profit or loss. The fair value of FECs and commodity hedges are determined using market rates at the reporting date. The Group holds derivative financial instruments to hedge its foreign currency and market risk exposures. Attributable transaction costs are recognised in profit or loss when incurred. The maturity date is dependent on the remaining contractual maturity of the individual contracts. The Group does not apply hedge accounting.

Trade and other payables
Trade and other payables are measured at amortised cost using the effective interest method. Trade and other payables mainly comprise trade payables for merchandise for resale and are all short term in nature.

Financial guarantee contracts
Financial guarantee contracts are measured at the higher of: the initially recognised fair value, less appropriate cumulative amortisation recognised on a straight-line basis over the estimated duration of the contract; or an amount that is the best estimate of expenditure required to settle the present obligation at the reporting date. Where the effect of discounting is material, the liability is discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. The maturity date is dependent on the contractual maturity of the relevant contract.

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

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.13 Impairment of assets

The determination of whether an asset is impaired requires management judgement. Among others, the following factors will be considered: appropriate profit and cash forecasts, discounted at determined effective interest rates; duration and extent of the impairment; regional economic factors; and geographical and sector performance.

Financial assets

The carrying amounts of financial assets not carried at fair value through profit or loss are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

A financial asset is considered to be impaired if objective evidence indicates that one or more events (loss events) have had a negative effect on the estimated future cash flows of the asset. Examples of loss events include financial difficulty and default on payment by the counterparty.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are recognised in profit or loss, within merchandising and administration expenses.

Individually significant financial assets are tested for impairment on an individual basis. All the remaining financial assets are tested for impairment on an individual or collective basis. If no evidence of impairment exist for an individually assessed financial asset, whether significant or not, the financial asset is then included in a group of financial assets with similar credit risk characteristics and tested collectively.

An impairment loss for a financial asset is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised, the reversal is recognised in profit or loss.

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

Non-financial assets

The carrying amounts of non-financial assets (other than inventory, defined-benefit assets and deferred tax assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For non-financial assets, such as goodwill, which have indefinite useful lives and are not subject to depreciation or amortisation, or that are not yet available for use, the recoverable amount is estimated at each reporting date. Inventory, defined tax assets and defined benefit assets are not impaired as inventories and are written down to their net realisable and deferred tax and defined benefits assets are determined on a discounted basis.

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. A CGU is the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or groups of assets. Goodwill acquired in a business combination is allocated to CGUs that are expected to benefit from the synergies of the combination and for the purposes of impairment testing are evaluated at the lowest level at which goodwill is monitored for internal reporting purposes. The units or group of units cannot be larger than the operating segments identified by the Group.

An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. The carrying amount is impaired and the non-financial asset is written down to its recoverable amount with the related impairment loss recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs (or groups of units) and then to reduce the carrying value of the other assets in the unit (or groups of units) on a pro rata basis in the form of an accumulated impairment allowance.

An impairment loss for a non-financial asset is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Impairment losses in respect of goodwill are not reversed. Impairment losses for non-financial assets recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

1.14 Share capital

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

1.15 Treasury shares

Shares in the Companies held by Group entities are classified as treasury shares in the consolidated financial statements. These shares are treated as a deduction from the weighted average number of shares in issue and the cost price of the shares is deducted from equity in the statement of changes in equity.

When treasury shares are sold or reissued, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from retained earnings.

Treasury shares are used to settle employee share options when exercised.

Share options granted pre-October 2004, or between October 2004 and June 2008, are settled by delivering the full allocation of treasury shares to the employee in exchange for payment of the grant cost. This is referred to as gross settlement. Upon gross settlement of options, the number of treasury shares is reduced by the number of options exercised and the value of treasury shares is reduced by the weighted average cost of the treasury shares exercised. The corresponding profit or loss is recognised directly in equity.

Share options granted after June 2008 are settled by delivering a number of treasury shares based on the gain (calculated as the difference between the market value and the strike price) on the exercise of the options divided by the market value of the options. This is referred to as net settlement. Upon net settlement of options, the number of treasury shares is reduced by the net settled number of options exercised and the value of treasury shares is reduced by the market value of the net settled number of options exercised. The corresponding profit or loss is recognised directly in equity.

Dividends received on treasury shares are eliminated on consolidation.

1.16 Revenue

Revenue is measured at the fair value of consideration received and is stated net of related rebates and discounts granted.

Turnover

Revenue from sale of goods comprises retail sales to customers and wholesale sales to franchisees through the Group's supply arrangements and is defined as turnover. All turnover is stated exclusive of value added tax. Revenue from the sale of goods is measured at the fair value of consideration received or receivable, net of returns, trade discounts, loyalty discounts and volume rebates. Turnover is recognised when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the customer; recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably; there is no continuing management involvement with the goods; and the amount of turnover can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The Group has a customer loyalty programme in South Africa, smart shopper, whereby customers are rewarded with smart shopper points (reward credits) which are effectively used as cash back against future purchases. For every rand spent, our customers earn one smart shopper point. 1 000 points equate to R10 back on future purchases. Bonus points are issued on promotions.

The fair value of the consideration received, under the smart shopper programme, is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value which is calculated as the amount for which the award credits could be separately sold, adjusted for an expected forfeiture rate. Such consideration is not recognised as revenue at the time of the initial sale transaction, but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled. Deferred revenue is also released to revenue in profit or loss when it is no longer considered probable that the points will be redeemed, based on management's judgement of expected redemption rates.

Smart shopper points earned and money earned from smart shopper points switches are valid for a period of three years. The Group reserves the right to close any smart shopper account that has been inactive (no smart shopper points earned, switched or donated) for a period of 24 consecutive months. Any smart shopper points and money attached to closed accounts will be forfeited and recognised in profit or loss in the period in which it is forfeited.

Interest income

Interest income is recognised as it accrues in profit or loss, using the effective interest method, by reference to the principal amounts outstanding and at the interest rate applicable.

Other trading income

Franchise fee income: Income from franchisees, calculated as a percentage of franchise turnover in accordance with the substance of the relevant agreement, is recognised when the sale which gives rise to the income takes place.

Operating lease income: Income from operating leases in respect of property is recognised on a straight-line basis over the term of the lease.

Commissions received: The Group acts as a payment office for the services provided by a variety of third parties to the Group's customers. The related agents' commissions received are recognised as other income. Commissions relating to third-party products are recognised when the underlying third-party payments take place. Commissions relating to third-party services are recognised based on the stage of completion by reference to services performed to date as a percentage of the total services to be performed.

1.17 Borrowing costs

Borrowing costs incurred are recognised as an expense in profit or loss and are accrued on an effective interest basis by reference to the principal amounts outstanding and at the interest rate applicable.

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.17 Borrowing costs continued

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

1.18 Taxes

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity.

Current tax

Current tax comprises tax payable calculated on the basis of the expected taxable income for the period using tax rates enacted or substantively enacted at the reporting date and any adjustment of tax payable for previous periods.

Deferred tax

Deferred tax is recognised for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and investments in subsidiaries, associates, and interest in joint arrangements to the extent that the holding company has the ability to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in profit or loss, except to the extent that it relates to a transaction that is recognised directly in equity or other comprehensive income, or a business combination. The effect on deferred tax of any changes in tax rates is recognised in profit or loss, except to the extent that it relates to items previously recognised in other comprehensive income or directly to equity, in which case it is recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Dividends withholding tax

Dividends withholding tax is a tax on shareholders and is applicable on all dividends declared on or after 1 April 2012.

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

1.19 Employee benefits

The cost of all short-term employee benefits is recognised as an expense during the period in which the employee renders the related service.

Liabilities for employee entitlements to wages, salaries and leave represent the amount that the Group has as a present obligation, as a result of employee services provided to the reporting date, to the extent that such obligation can be reliably estimated. The accruals have been calculated at undiscounted amounts based on current wage and salary rates.

Share-based payment transactions

The share ownership programme allows Group employees to acquire shares in Pick n Pay Holdings Limited RF and Pick n Pay Stores Limited.

The fair value of options granted after 7 November 2002 is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an actuarial binomial option pricing model, taking into account the terms and conditions upon which the options are granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due to share prices not achieving the threshold for vesting.

Retirement benefits

The Group operates several retirement schemes comprising a number of defined-contribution funds (one of which has a defined-benefit element), the assets of which are held in separate trustee-administered funds.

The retirement schemes are largely non-contributory and are funded by payments from the relevant Group companies.

Defined-contribution plans
A defined-contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate legal entity and will have no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined-contribution retirement plans are recognised as an expense in profit or loss when they are due.

Where the Group is responsible for providing retirement benefits to employees with a retirement scheme outside the Group, contributions are made on behalf of the employee and the cost is accounted for in the period when the services have been rendered.

Contributions to a defined-contribution plan that are made more than 12 months after the end of the period in which the employees render the services are discounted to their present value.

Defined-benefit plans
A defined-benefit plan is a post-employment benefit plan which is not a defined-contribution plan.

The Group's net obligation in respect of the defined benefit is calculated separately by estimating the amount of future benefit that qualifying employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined-benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined liability or assets, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined-benefit liability or asset for the period by applying the discount rate used to measure the defined-benefit obligation at the beginning of the annual period to the then net defined-benefit liability or asset, taking into account any changes in the net defined-benefit liability or asset during the period as a result of contributions and benefit payments. Net interest expense or income and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined-benefit plan when the settlement occurs.

1.20 Expenses

Expenses, other than those dealt with under a specific accounting policy note, are recognised in profit or loss when it is probable that an outflow of economic benefits associated with the transaction will occur and that it can be measured reliably.

1.21 Earnings per share

The Group presents basic and diluted earnings per share (EPS) and headline earnings per share (HEPS) information for its ordinary shares. Basic EPS and HEPS are calculated by dividing the profit or loss attributable to ordinary shareholders of the companies or headline earnings respectively by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS and HEPS are determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees. Headline earnings are calculated in accordance with Circular 2/2013 issued by the South African Institute of Chartered Accountants as required by the JSE Listings Requirements.

1.22 Dividends distributed to shareholders

Dividends are accounted for in the period that they have been declared by the Companies and are directly charged to equity.

1.23 Operating segments

The Group discloses segmental financial information which is used internally by the entity's Chief Operating Decision Maker (CODM) in order to assess performance and allocate resources. The Group annually performs a detailed review of the executives, or group of executives, that could be considered the appropriate and relevant CODM of the Group.

Operating segments are individual components of an entity that engages in business activities from which it may earn revenues and incur expenses, and which operating results are regularly reviewed by the entity's CODM and for which discrete financial information is available. The CODM evaluates segmental performance based on profit before tax as management believes that such information is most relevant in evaluating the results of the segments against each other and other entities that operate within the retail industry. Operating segments that display similar economic characteristics are aggregated for reporting purposes.

The Group has two operating segments, namely South Africa and Africa, with no individual customer accounting for more than 10% of turnover. South Africa operates in various formats under the Pick n Pay and Boxer brands in South Africa. Africa is responsible for the Group's expansion into the rest of Africa.

Notes to the Group financial statements continued

for the period ended

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

The Group has a customer loyalty programme, smart shopper, whereby customers are rewarded with smart shopper points (reward credits) which are effectively redeemed as cash against future purchases. At period end the Group has deferred revenue of R92.3 million (2013: R139.8 million) which represents the fair value of the smart shopper points granted and yet to be redeemed, adjusted for an expected forfeiture rate of 25.0% (2013: 25.0%) (refer note 23).

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

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

4. DIRECTORS' REMUNERATION

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

	Fees for board meetings R'000	Fees for committee and other work R'000	Remuneration R'000	Annual bonus 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								
2014								
Non-executive directors*	**5 185.9**	**1 348.0**	**—**	**—**	**—**	**—**	**6 533.9**	**—**
Executive directors	**7.5**	**—**	**16.673.6**	**7 850.0**	**2 677.6**	**2 992.2**	**30 200.9**	**8 550.4**
Total remuneration	**5 193.4**	**1 348.0**	**16 673.6**	**7 850.0**	**2 677.6**	**2 992.2**	**36 734.8**	**8 550.4**
2013								
Non-executive directors	2 149.7	1 418.0	—	—	—	—	3 567.7	—
Executive directors**	9.0	—	13 626.3	—	1 712.9	1 401.2	16 749.4	5 943.6
Total remuneration	2 158.7	1 418.0	13 626.3	—	1 712.9	1 401.2	20 317.1	5 943.6
Pick n Pay Holdings Group								
2014								
Non-executive directors*	**5 356.9**	**1 348.0**	**—**	**—**	**—**	**—**	**6 704.9**	**—**
Executive directors	**7.5**	**—**	**16 673.6**	**7 850.0**	**2 677.6**	**2 992.2**	**30 200.9**	**8 550.4**
Total remuneration	**5 364.4**	**1 348.0**	**16 673.6**	**7 850.0**	**2 677.6**	**2 992.2**	**36 905.8**	**8 550.4**
2013								
Non-executive directors	2 320.7	1 418.0	—	—	—	—	3 738.7	—
Executive directors**	9.0	—	14 803.5	—	1 712.9	1 401.2	16 749.4	5 943.6
Total remuneration	2 329.7	1 418.0	14 803.5	—	1 712.9	1 401.2	20 488.1	5 943.6

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

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

5. SHARE-BASED PAYMENTS

The Group operates an employee share incentive scheme, the 1997 Employee Share Option Scheme (the scheme), for the benefit of its executive directors, senior management and employees. The scheme incentivises its executive directors, senior management and employees by providing them with an opportunity to acquire shares in the Group, thereby aligning interests with shareholders and encouraging employee retention.

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

All share options are granted at the volume-weighted average market price (VWAP) for the 20 trading days preceding the option grant date. No discount is applied.

All share options granted after 11 June 2008 will, at the time of exercise by the employee, be automatically net-settled by Pick n Pay Stores Limited. For all options granted prior to 11 June 2008, the employee can choose whether to net-settle the options, or whether to pay the purchase price in full to take-up the total allotment of shares (gross settle).

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

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

Pick n Pay Holdings Limited RF (PWK) shares

Long-service share options – are granted to all permanent employees who have been with the Group for five years and further options are granted every five years thereafter. There are no vesting conditions – long-service share options may be taken up immediately on granting.

Pick n Pay Stores Limited (PIK) shares

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

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

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

Retention share options – these share options specifically encourage the retention of key individuals and have longer vesting periods of up to 10 years.

Performance top-up options – senior management may be eligible for a performance "top-up", as recognition of their valuable contribution to the Group. These options vest in the same manner as status share options.

Binary share options (share options with performance conditions) – these are granted to key management. These three to five year options may only be taken up when prescribed performance conditions linked to the growth of the PIK share price are met. If the conditions are not met, these options are automatically forfeited. Should further performance hurdles be achieved, discounted grant prices may apply.

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

Notes to the Group financial statements continued

for the period ended

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	364 days to 2 March 2014 Number of options 000's	368 days to 3 March 2013 Number of options 000's	**364 days to 2 March 2014 Number of options 000's**	368 days to 3 March 2013 Number of options 000's
5. SHARE-BASED PAYMENTS continued				
5.1 Outstanding share options				
Movement in the total number of share options granted is as follows:				
At beginning of period	**52 849.6**	54 244.9	**13 955.3**	12 107.4
New options granted*	**2 582.0**	6 022.4	**2 159.0**	3 159.8
Options taken up**	**(2 172.2)**	(5 298.9)	**(849.7)**	(892.9)
Options forfeited	**(3 103.4)**	(2 118.8)	**—**	(419.0)
At end of period	**50 156.0**	52 849.6	**15 264.6**	13 955.3

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

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

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

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

	000's	000's	**000's**	000's
The Employee Share Purchase Trust, which administers the 1997 Employee Share Option Scheme, holds the following number of ordinary shares:				
As a hedge against share options granted or to be granted, reflected as treasury shares	**1 974.5**	2 046.6	**9 193.8**	9 115.8
On behalf of share purchase scheme participants	**125.3**	133.1	**365.2**	389.8
	2 099.8	2 179.7	**9 559.0**	9 505.6

5.2 Fair value

The fair value of share options granted to employees are valued at the grant date and expensed through profit or loss over the vesting period of the option.

The fair value of each option grant in Pick n Pay Stores Limited (PIK) and Pick n Pay Holdings Limited RF (PWK) has been estimated on the grant date using an actuarial binomial option pricing model. The assumptions used in determining the fair value of the options granted in each financial period are as follows:

Financial period of grant	Options granted	Number of options granted 000's	Expected life of options years	Share price at grant date	Grant price	Expected volatility[a]	Expected dividend yield[b]	Risk-free rate[c]
2013	PWK	3 159.8	1	R19.58 – R20.41	R18.00 – R20.04	22.82 – 23.85	3.61 – 4.04	5.69 – 6.97
2013	PIK	6 022.4	3 – 7	R37.00 – R48.49	R32.65 – R46.37	22.24 – 24.74	3.24 – 3.62	5.76 – 7.94
2014	**PWK**	**2 159.0**	**1**	**R17.38 – R22.50**	**R16.93 – R20.86**	**22.73 – 23.93**	**2.81 – 3.40**	**6.60 – 8.50**
2014	**PIK**	**2 582.0**	**3 – 7**	**R38.29 – R52.00**	**R37.31 – R50.29**	**21.61 – 25.25**	**2.55 – 3.14**	**5.66 – 8.61**

[a] *The expected volatility is determined based on the rolling historical volatility over the expected option term that prevailed at the grant date.*
[b] *The expected dividend yield is the best estimate of the forward looking dividend yield over the expected life of the option. This has been estimated by reference to the historical average dividend yield during the period preceding the grant, equal to the vesting period of the grant.*
[c] *The risk-free rate is the yield on zero-coupon South African government bonds of a term consistent with the estimated option term.*

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

Notes to the Group financial statements continued

for the period ended

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

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

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

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

The directors have declared a final dividend (dividend 92) of 77.50 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 15% where shareholders are subject to this tax.

The last day to trade in order to participate in the dividend (CUM dividend) will be Friday, 6 June 2014, the shares will trade EX dividend from the commencement of business on Monday, 9 June 2014 and the record date will be Friday, 13 June 2014. The dividends will be paid on Tuesday, 17 June 2014.

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

The directors have declared a final dividend (dividend 65) of 37.10 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 15% where shareholders are subject to this tax.

The last day to trade in order to participate in the dividend (CUM dividend) will be Friday, 6 June 2014, the shares will trade EX dividend from the commencement of business on Monday, 9 June 2014 and the record date will be Friday, 13 June 2014. The dividends will be paid on Tuesday, 17 June 2014.

Notes to the Group financial statements continued

for the period ended

	Pick n Pay Stores Group				Pick n Pay Holdings Group			
	Goodwill Rm	Systems development Rm	Licences Rm	Total Rm	Goodwill Rm	Systems development Rm	Licences Rm	Total Rm
9. INTANGIBLE ASSETS								
2014								
Carrying value	**291.2**	**635.2**	**61.2**	**987.6**	**291.2**	**635.2**	**61.2**	**987.6**
Cost	**312.1**	**1 297.7**	**109.8**	**1 719.6**	**312.1**	**1 297.7**	**109.8**	**1 719.6**
Accumulated amortisation and impairment losses	**(20.9)**	**(662.5)**	**(48.6)**	**(732.0)**	**(20.9)**	**(662.5)**	**(48.6)**	**(732.0)**
Reconciliation of carrying value								
Carrying value at beginning of period	**233.5**	**642.1**	**72.3**	**947.9**	**233.5**	**642.1**	**72.3**	**947.9**
Additions	**—**	**280.2**	**9.0**	**289.2**	**—**	**280.2**	**9.0**	**289.2**
Expansion of operations	**—**	**246.2**	**9.0**	**255.2**	**—**	**246.2**	**9.0**	**255.2**
Maintaining operations	**—**	**34.0**	**—**	**34.0**	**—**	**34.0**	**—**	**34.0**
Amortisation	**—**	**(179.2)**	**(20.1)**	**(199.3)**	**—**	**(179.2)**	**(20.1)**	**(199.3)**
Impairment	**—**	**(104.1)**	**—**	**(104.1)**	**—**	**(104.1)**	**—**	**(104.1)**
Disposals	**—**	**(11.1)**	**—**	**(11.1)**	**—**	**(11.1)**	**—**	**(11.1)**
Purchase of operations*	**57.7**	**—**	**—**	**57.7**	**57.7**	**—**	**—**	**57.7**
Foreign currency translation	**—**	**0.4**	**—**	**0.4**	**—**	**0.4**	**—**	**0.4**
Reclassifications from property, plant and equipment	**—**	**6.9**	**—**	**6.9**	**—**	**6.9**	**—**	**6.9**
Carrying value at end of period	**291.2**	**635.2**	**61.2**	**987.6**	**291.2**	**635.2**	**61.2**	**987.6**
2013								
Carrying value	233.5	642.1	72.3	947.9	233.5	642.1	72.3	947.9
Cost	254.4	1 054.6	122.6	1 431.6	254.4	1 054.6	122.6	1 431.6
Accumulated amortisation and impairment losses	(20.9)	(412.5)	(50.3)	(483.7)	(20.9)	(412.5)	(50.3)	(483.7)
Reconciliation of carrying value								
Carrying value at beginning of period	201.5	531.3	66.8	799.6	201.5	531.3	66.8	799.6
Additions	—	242.4	—	242.4	—	242.4	—	242.4
Expansion of operations	—	192.0	—	192.0	—	192.0	—	192.0
Maintaining operations	—	50.4	—	50.4	—	50.4	—	50.4
Amortisation	—	(128.9)	(16.9)	(145.8)	—	(128.9)	(16.9)	(145.8)
Disposals	—	(9.4)	—	(9.4)	—	(9.4)	—	(9.4)
Purchase of operations	32.0	—	9.8	41.8	32.0	—	9.8	41.8
Foreign currency translation	—	(0.9)	—	(0.9)	—	(0.9)	—	(0.9)
Reclassifications from property, plant and equipment	—	7.6	12.6	20.2	—	7.6	12.6	20.2
Carrying value at end of period	233.5	642.1	72.3	947.9	233.5	642.1	72.3	947.9

Cash-generating units to which goodwill has been allocated have been identified as trading sites or clusters. The recoverable amount for each cash-generating unit was determined as value in use. The value in use was determined by discounting the cash flow forecasts for the cash-generating units at an appropriate pre-tax rate. Recoverable amounts of all cash-generating units were determined to be higher than their carrying values and therefore no impairment losses have been recognised.

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

During the year under review the Group completed the centralisation of its buying and operational and finance support functions. As a result systems and reporting tools previously developed to support the decentralised business operation became obsolete indicating that certain intangible assets had to be assessed for impairment. Management estimated the recoverable amount (calculated as the higher of the value in use and the fair value less costs to sell) of the related intangible assets as zero and an impairment of R104.1 million was recognised in the statement of comprehensive income in the current reporting period. This impairment, net of the related tax effect of R29.1 million, has been added back in the calculation of headline earnings, refer note 7.

** The purchase of operations during the current and previous periods under review of R103.3 million and R118.3 million respectively relates to the purchase of various stores or the conversion of franchise stores to owned stores. None of the individual purchase transactions were material for the Group. Refer to note 10 and note 16 for purchases of related property, plant and equipment and inventory.*

10. PROPERTY, PLANT AND EQUIPMENT

	Pick n Pay Stores Group					Pick n Pay Holdings Group				
	Property Rm	Furniture, fittings, equipment and vehicles Rm	Leasehold improvements Rm	Aircraft Rm	Total Rm	Property Rm	Furniture, fittings, equipment and vehicles Rm	Leasehold improvements Rm	Aircraft Rm	Total Rm
2014										
Carrying value	**1 516.5**	**2 183.1**	**321.7**	**18.0**	**4 039.3**	**1 516.5**	**2 183.1**	**321.7**	**18.0**	**4 039.3**
Cost	**1 754.6**	**5 322.4**	**945.7**	**73.8**	**8 096.5**	**1 754.6**	**5 322.4**	**945.7**	**73.8**	**8 096.5**
Accumulated depreciation and impairment losses	**(238.1)**	**(3 139.3)**	**(624.0)**	**(55.8)**	**(4 057.2)**	**(238.1)**	**(3 139.3)**	**(624.0)**	**(55.8)**	**(4 057.2)**
Reconciliation of carrying value										
Carrying value at beginning of period	**1 522.9**	**2 052.2**	**321.2**	**21.4**	**3 917.7**	**1 522.9**	**2 052.2**	**321.2**	**21.4**	**3 917.7**
Additions	**33.0**	**750.8**	**98.6**	**—**	**882.4**	**33.0**	**750.8**	**98.6**	**—**	**882.4**
Expansion of operations	**33.0**	**433.0**	**33.4**	**—**	**499.4**	**33.0**	**433.0**	**33.4**	**—**	**499.4**
Maintaining operations	**—**	**317.8**	**65.2**	**—**	**383.0**	**—**	**317.8**	**65.2**	**—**	**383.0**
Depreciation	**(39.3)**	**(611.2)**	**(95.2)**	**(3.4)**	**(749.1)**	**(39.3)**	**(611.2)**	**(95.2)**	**(3.4)**	**(749.1)**
Disposals	**(0.1)**	**(40.7)**	**(2.9)**	**—**	**(43.7)**	**(0.1)**	**(40.7)**	**(2.9)**	**—**	**(43.7)**
Purchase of operations (note 9)	**—**	**30.7**	**—**	**—**	**30.7**	**—**	**30.7**	**—**	**—**	**30.7**
Reclassifications to intangible assets	**—**	**(6.9)**	**—**	**—**	**(6.9)**	**—**	**(6.9)**	**—**	**—**	**(6.9)**
Foreign currency translation	**—**	**8.2**	**—**	**—**	**8.2**	**—**	**8.2**	**—**	**—**	**8.2**
Carrying value at end of period*	**1 516.5**	**2 183.1**	**321.7**	**18.0**	**4 039.3**	**1 516.5**	**2 183.1**	**321.7**	**18.0**	**4 039.3**
2013										
Carrying value	1 522.9	2 052.2	321.2	21.4	3 917.7	1 522.9	2 052.2	321.2	21.4	3 917.7
Cost	1 720.0	4 903.3	888.0	73.8	7 585.1	1 720.0	4 903.3	888.0	73.8	7 585.1
Accumulated depreciation and impairment losses	(197.1)	(2 851.1)	(566.8)	(52.4)	(3 667.4)	(197.1)	(2 851.1)	(566.8)	(52.4)	(3 667.4)
Reconciliation of carrying value										
Carrying value at beginning of period	1 560.3	1 930.4	346.2	27.0	3 863.9	1 560.3	1 930.4	346.2	27.0	3 863.9
Additions	160.1	701.0	102.6	—	963.7	160.1	701.0	102.6	—	963.7
Expansion of operations	159.0	332.9	59.9	—	551.8	159.0	332.9	59.9	—	551.8
Maintaining operations	1.1	368.1	42.7	—	411.9	1.1	368.1	42.7	—	411.9
Borrowing costs capitalised†	6.4	—	—	—	6.4	6.4	—	—	—	6.4
Depreciation	(35.6)	(604.8)	(103.7)	(5.6)	(749.7)	(35.6)	(604.8)	(103.7)	(5.6)	(749.7)
Disposals	(168.3)	(30.3)	(1.9)	—	(200.5)	(168.3)	(30.3)	(1.9)	—	(200.5)
Purchase of operations (note 9)	—	40.8	—	—	40.8	—	40.8	—	—	40.8
Reclassifications to intangible assets	—	1.8	(22.0)	—	(20.2)	—	1.8	(22.0)	—	(20.2)
Foreign currency translation	—	13.3	—	—	13.3	—	13.3	—	—	13.3
Carrying value at end of period*	1 522.9	2 052.2	321.2	21.4	3 917.7	1 522.9	2 052.2	321.2	21.4	3 917.7

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

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

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

Notes to the Group financial statements continued

for the period ended

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

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

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

The Group participated in various export partnerships, whose business was the purchase and export sale of marine containers. The partnerships bought and sold containers in terms of long-term suspensive purchase and credit sale agreements respectively, with repayment terms usually over a 10 to 15-year period.

The last trade took place in the 1999 financial year. The current balance disclosed in respect of participation in export partnerships is the remaining long-term receivable.

For fair value purposes, any impairment in the amounts due to the Group by virtue of its participation in export partnerships would result in a corresponding reduction in the carrying value of the related deferred tax liability. Consequently, such impairment would have no impact on the statement of comprehensive income of the Group.

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

The Group has approximately R120.0 million (2013: R132.6 million) of estimated tax losses available for set-off against future taxable income, for which no deferred tax assets have been raised.

Notes to the Group financial statements continued

for the period ended

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	364 days to 2 March 2014 Rm	368 days to 3 March 2013 Rm	**364 days to 2 March 2014 Rm**	368 days to 3 March 2013 Rm
14. INVESTMENT IN ASSOCIATE				
The Group has a 49% investment in TM Supermarkets (Pvt) Limited registered in Zimbabwe.				
At beginning of period	**133.9**	110.5	**133.9**	110.5
Share of associate's income	**32.0**	23.4	**32.0**	23.4
At end of period	**165.9**	133.9	**165.9**	133.9
14.1 Related party transactions				
The nature of the transactions between the associate and the Group consists mainly of the sale of inventory.				
Sale of inventory	**28.0**	35.7	**28.0**	35.7
Trade receivable balances are outstanding at the end of the period	**8.2**	15.2	**8.2**	15.2
Fair value of financial guarantee (refer to note 28.4)	**11.8**	—	**11.8**	—
During the period under review, the Group entered into a financial guarantee contract that provides security for an overdraft facility of its associate. The purpose of the facility is to finance refurbishment programmes.				
14.2 Summary financial information of associate	**US$m**	US$m	**US$m**	US$m
The summary financial information has been presented in US dollars (the associate's functional currency).				
Statement of comprehensive income				
Revenue	**335.8**	306.7	**335.8**	306.7
Profit for the period	**6.5**	5.9	**6.5**	5.9
Statement of financial position				
Total assets	**76.9**	54.0	**76.9**	54.0
Current assets	**47.3**	30.5	**47.3**	30.5
Non-current assets	**29.6**	23.5	**29.6**	23.5
Total liabilities	**49.1**	32.7	**49.1**	32.7
Current liabilities	**32.5**	31.5	**32.5**	31.5
Non-current liabilities	**16.6**	1.2	**16.6**	1.2
Equity	**27.8**	21.3	**27.8**	21.3
15. LOANS	**Rm**	Rm	**Rm**	Rm
Employees				
Executive directors	**0.4**	0.4	**0.4**	0.4
Other employees	**91.6**	93.6	**91.6**	93.6
Total employee loans	**92.0**	94.0	**92.0**	94.0
Other loans	**—**	4.5	**—**	4.9
	92.0	98.5	**92.0**	98.9
Loans to executive directors and employees bear interest at varying rates averaging at a rate of 3.4% (2013: 3.3%) per annum and have varying repayment terms. At year-end, R70.5 million (2013: R71.9 million) of loans were secured. Loans to employees from the Employee Share Purchase Trust are payable within 10 years from the date of advance.				
16. INVENTORY				
Merchandise for resale	**4 104.2**	4 129.4	**4 104.2**	4 129.4
Provision for obsolescence	**(169.1)**	(166.8)	**(169.1)**	(166.8)
Consumables	**44.7**	33.9	**44.7**	33.9
	3 979.8	3 996.5	**3 979.8**	3 996.5

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

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

Trade and other receivables are interest-free unless overdue, and have payment terms ranging between 10 and 35 days.

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

Impairment losses are recorded in the allowance account until the Group is satisfied that no recovery of the amount owing is possible, at which point the amount is considered irrecoverable and is written off against the financial asset directly. Impairment losses have been included in merchandising and administration in the statement of comprehensive income.

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

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

	Stores 2014 Rm	Stores 2013 Rm	Holdings 2014 Rm	Holdings 2013 Rm
18. NET CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	**1 540.3**	1 255.7	**1 540.3**	1 255.7
Bank overdraft and overnight borrowings	**(670.0)**	(1 525.6)	**(670.0)**	(1 525.6)
Bank overdraft	**—**	(25.6)	**—**	(25.6)
Overnight bank borrowings	**(670.0)**	(1 500.0)	**(670.0)**	(1 500.0)
Net cash and cash equivalents at end of period	**870.3**	(269.9)	**870.3**	(269.9)

Cash and cash equivalents

Cash and cash equivalents includes cash floats at stores as well as the Group's current account balance. The Group's primary banker, which has a long-term credit rating of AAA (zaf), facilitates the collection of cash at stores, provides general banking facilities and facilitates the payment of suppliers via an electronic banking platform. The interest rate on the current account was 4.8% per annum (2013: 4.5% per annum).

Bank overdraft

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

Overnight bank borrowings

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

Notes to the Group financial statements continued

for the period ended

	Pick n Pay Stores Group 364 days to 2 March 2014 Rm	368 days to 3 March 2013 Rm
19. SHARE CAPITAL		
19.1 Authorised		
800 000 000 (2013: 800 000 000) ordinary shares of 1.25 cents each	**10.0**	10.0
Issued		
480 397 321 (2013: 480 397 321) ordinary shares of 1.25 cents each	**6.0**	6.0
	000's	000's
The number of shares in issue at end of period is made up as follows:		
Treasury shares held in the share trust (note 20)	**1 974.5**	2 046.6
Shares held outside the Group	**478 422.8**	478 350.7
	480 397.3	480 397.3

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

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

Refer to note 5.1 for details of share options granted by the Group.

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

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

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

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

Refer to note 5.1 for details of share options granted by the Group.

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

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

Notes to the Group financial statements continued

for the period ended

		Pick n Pay Stores Group		Pick n Pay Holdings Group	
		364 days to 2 March 2014 Rm	368 days to 3 March 2013 Rm	364 days to 2 March 2014 Rm	368 days to 3 March 2013 Rm
21.	**BORROWINGS**				
21.1	**Secured and unsecured borrowings**				
	Secured	**784.9**	804.0	**784.9**	804.0
	Secured loan in respect of property with a carrying value of R65.6 million (2013: R70.0 million) (note 10) bearing interest at a fixed annual rate of 11.4% and payable monthly in arrears over a 15-year period, ending on 28 October 2018.	**50.3**	58.0	**50.3**	58.0
	Secured loan in respect of property with a carrying value of R559.3 million (2013: R579.3 million) (note 10). Interest is payable every six months in arrears at a fixed rate of 8.8% per annum. The capital is repayable on 29 June 2015.	**250.0**	250.0	**250.0**	250.0
	Secured loan raised to fund property development. The loan is secured by property with a carrying value of R559.3 million (2013: R579.3 million) (note 10). Interest is payable every six months in arrears at a fixed rate of 8.9% per annum. The capital is repayable on 28 August 2016.	**400.0**	400.0	**400.0**	400.0
	Finance leases in respect of vehicles with a carrying value of R93.9 million (2013: R97.3 million) (note 10) held under finance lease agreements bearing interest at prime bank rate less 2% and payable monthly in arrears over a four-year period (refer note 21.2). At the end of the lease period the Group has the option to refinance or settle the lease and take ownership of the asset. Lease agreements do not contain any escalation or penalty clauses.	**84.6**	96.0	**84.6**	96.0
	Unsecured	**700.0**	400.0	**700.0**	400.0
	Unsecured three-month corporate paper, issued under our Domestic Medium Term Note Programme, to fund capital projects. The notes are repayable on 12 May 2014 and 22 May 2014 (2013: 23 May 2013) and carry variable interest rates of 17 basis points above the three-month Jibar rate of 5.7% per annum (2013: 5.5% per annum)	**700.0**	400.0	**700.0**	400.0
	Total borrowings at end of period	**1 484.9**	1 204.0	**1 484.9**	1 204.0
	Less: **Current portion (repayable within one year)**	**(737.8)**	(431.5)	**(737.8)**	(431.5)
	Non-current portion (repayable after one year)	**747.1**	772.5	**747.1**	772.5
21.2	**Finance lease commitments**				
	At end of period finance lease rentals are payable as follows:				
	Cash flows within one year	**31.2**	27.4	**31.2**	27.4
	Capital repayments	**29.1**	23.8	**29.1**	23.8
	Interest	**2.1**	3.6	**2.1**	3.6
	Cash flows within two to five years	**59.4**	77.3	**59.4**	77.3
	Capital repayments	**55.5**	72.2	**55.5**	72.2
	Interest	**3.9**	5.1	**3.9**	5.1
	Total cash flows	**90.6**	104.7	**90.6**	104.7
	Consisting of:				
	Capital repayments	**84.6**	96.0	**84.6**	96.0
	Interest	**6.0**	8.7	**6.0**	8.7

22. RETIREMENT BENEFITS

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

The Group's largest defined contribution fund is the Pick n Pay Retirement Scheme. Certain members of this fund were guaranteed that should their defined-contribution benefit be less than their previous defined-benefit guarantee (under the previous Pick n Pay Retirement Fund) they would retain the former. Due to this guarantee, and the fact that the pensioners are also paid by this scheme, the scheme's liabilities may be broken down between those which are defined contribution in nature and those which are defined benefit and for which the employer has an obligation to make additional contributions to ensure this element of the scheme is fully funded.

Pick n Pay Stores Group and Pick n Pay Holdings Group

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

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for the period ended

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

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

At 2 March 2014, if the discount rate had been 1% higher or 1% lower (with all other variables held constant), the impact on the financial statements would have been as follows:

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

The value of contributions expected to be paid in the next financial period is R25 million.

The weighted-average duration of the defined benefit obligation is five years (2013: seven years)

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

	Pick n Pay Stores Group 364 days to 2 March 2014 Rm	Pick n Pay Stores Group 368 days to 3 March 2013 Rm	Pick n Pay Holdings Group 364 days to 2 March 2014 Rm	Pick n Pay Holdings Group 368 days to 3 March 2013 Rm
23. TRADE AND OTHER PAYABLES				
Trade and other payables*	**7 805.1**	6 534.1	**7 811.3**	6 539.7
Leave pay obligations	**187.7**	182.1	**187.7**	182.1
Deferred revenue – customer loyalty programme (note 2)	**92.3**	139.8	**92.3**	139.8
	8 085.1	6 856.0	**8 091.3**	6 861.6

**In order to improve disclosure, provisions previously included under trade and other payables are now presented separately. Refer to note 24.*

	Pick n Pay Stores Group 2014 Rm	Pick n Pay Stores Group 2013 Rm	Pick n Pay Holdings Group 2014 Rm	Pick n Pay Holdings Group 2013 Rm
24. PROVISIONS*				
Onerous leases				
Balance at beginning of period	**9.0**	18.6	**9.0**	18.6
Provisions raised	**6.7**	—	**6.7**	—
Provisions utilised	**(7.6)**	(9.6)	**(7.6)**	(9.6)
Balance at end of period	**8.1**	9.0	**8.1**	9.0

Onerous leases

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

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

25. COMMITMENTS

25.1 Capital commitments

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

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

25.2 Operating lease commitments

Refer to note 11

25.3 Finance lease commitments

Refer to note 21.2

26. OPERATING SEGMENTS

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

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

South Africa – operates in various formats under the Pick n Pay and Boxer brands in South Africa. For a detailed list of store formats refer to page 8 and 9.

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

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

Notes to the Group financial statements continued

for the period ended

Pick n Pay Stores Group	South Africa Rm	Africa Rm	Total operations Rm
26. OPERATING SEGMENTS continued			
2014			
Total segment revenue	**60 925.9**	**3 241.5**	**64 167.4**
External revenue	**60 925.9**	**2 736.0**	**63 661.9**
Direct deliveries*	**—**	**505.5**	**505.5**
Segment external turnover	**60 381.0**	**2 736.0**	**63 117.0**
Profit before tax	**692.7**	**140.4**	**833.1**
Other information			
Statement of comprehensive income			
Interest received	**40.1**	**4.2**	**44.3**
Interest paid	**143.5**	**0.4**	**143.9**
Depreciation and amortisation	**923.1**	**25.3**	**948.4**
Impairment loss on intangible assets	**104.1**	**—**	**104.1**
Share of associate's income	**—**	**32.0**	**32.0**
Statement of financial position			
Total assets	**12 995.6**	**1 109.0**	**14 104.6**
Total liabilities	**11 064.1**	**337.9**	**11 402.0**
Additions to non-current assets	**1 233.8**	**26.2**	**1 260.0**
2013			
Total segment revenue**	57 951.1	2 577.3	60 528.4
External revenue	57 951.1	1 881.9	59 833.0
Direct deliveries*	—	695.4	695.4
Segment external turnover***	57 389.4	1 881.9	59 271.3
Profit before tax	716.2	92.7	808.9
Other information			
Statement of comprehensive income			
Interest received	40.0	2.8	42.8
Interest paid	131.3	—	131.3
Depreciation and amortisation	881.4	14.1	895.5
Share of associate's income	—	23.4	23.4
Statement of financial position			
Total assets	12 504.3	516.8	13 021.1
Total liabilities	10 150.7	454.4	10 605.1
Additions to non-current assets	1 276.7	29.7	1 306.4

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

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

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

Pick n Pay Holdings Group	South Africa Rm	Africa Rm	Total operations Rm
26. OPERATING SEGMENTS continued			
2014			
Total segment revenue	**60 925.9**	**3 241.5**	**64 167.4**
External revenue	**60 925.9**	**2 736.0**	**63 661.9**
Direct deliveries*	**—**	**505.5**	**505.5**
Segment external turnover	**60 381.0**	**2 736.0**	**63 117.0**
Profit before tax	**690.5**	**140.4**	**830.9**
Other information			
Statement of comprehensive income			
Interest received	**40.1**	**4.2**	**44.3**
Interest paid	**143.5**	**0.4**	**143.9**
Depreciation and amortisation	**923.1**	**25.3**	**948.4**
Impairment loss on intangible assets	**104.1**	**—**	**104.1**
Share of associate's income	**—**	**32.0**	**32.0**
Statement of financial position			
Total assets	**12 995.6**	**1 109.0**	**14 104.6**
Total liabilities	**11 070.3**	**337.9**	**11 408.2**
Additions to non-current assets	**1 233.8**	**26.2**	**1 260.0**
2013			
Total segment revenue**	57 776.6	2 577.3	60 353.9
External revenue	57 776.6	1 881.9	59 658.5
Direct deliveries*	—	695.4	695.4
Segment external turnover***	57 389.4	1 881.9	59 271.3
Profit/(loss) before tax	714.3	92.7	807.0
Other information			
Statement of comprehensive income			
Interest received	40.0	2.8	42.8
Interest paid	131.3	—	131.3
Depreciation and amortisation	881.4	14.1	895.5
Share of associate's income	—	23.4	23.4
Statement of financial position			
Total assets	12 504.7	516.8	13 021.5
Total liabilities	10 156.6	454.4	10 610.7
Additions to non-current assets	1 276.7	29.7	1 306.4

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

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

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

Notes to the Group financial statements continued

for the period ended

27. RELATED PARTY TRANSACTIONS

27.1 Transactions between Group subsidiaries

During the period, in the ordinary course of business, certain companies within the Group entered into transactions with each other. These intra-group transactions have been eliminated on consolidation.

27.2 Loans to executive directors

Loans to executive directors amount to R0.4 million at end of period (2013: R0.4 million), are secured and bear interest at varying interest rates. For further information refer to note 15.

27.3 Key management personnel

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

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	364 days to 2 March 2014 Rm	368 days to 3 March 2013 Rm	**364 days to 2 March 2014 Rm**	368 days to 3 March 2013 Rm
Key management personnel remuneration comprises:				
Directors' fees	**6.5**	3.7	**6.7**	3.7
Remuneration for management services	**36.6**	26.6	**36.6**	26.6
Retirement and medical aid contributions	**6.2**	3.6	**6.2**	3.6
Performance bonus	**13.7**	2.2	**13.7**	2.2
Fringe and other benefits	**6.2**	1.6	**6.2**	1.6
	69.2	37.7	**69.4**	37.7
Expense relating to share options granted	**14.7**	14.1	**14.7**	14.1
	83.9	51.8	**84.1**	51.8

28. FINANCIAL INSTRUMENTS

Overview

The Group is exposed to credit, liquidity, interest rate and currency risk due to the effects of changes in debt, exchange rates and interest rates experienced in the normal course of business. The Group's objective is to effectively manage each of the risks associated with its financial instruments in order to minimise the potential adverse effect on the financial performance and position of the Group.

The Board is ultimately responsible for ensuring that adequate procedures and processes are in place to identify, assess, manage and monitor financial risks. A treasury committee, appointed by the Board, comprising executive directors and senior management, sets and monitors the adherence to appropriate risk limits and controls. Risk management is carried out by a central treasury department in line with the overall treasury policy as reviewed and approved by the Board on a regular basis.

28.1 Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. Financial assets, which potentially subject the Group to concentrations of credit risk, consist principally of cash and cash equivalents, trade and other receivables, loans and participation in export partnerships.

The Group's cash is placed with major South African and international financial institutions of high credit standing with a long-term rating of AAA (zaf) (refer note 18).

Trade and other receivables mainly relate to amounts owing by franchisees and are presented net of impairment losses (refer note 17). Rigorous credit granting procedures are applied to assess the credit quality of the debtors, taking into account its financial position and credit rating. The Group obtains various forms of security from its franchise debtors, including bank guarantees, notarial bonds over inventory and moveable assets and suretyships from shareholders. The total credit risk with respect to receivables from franchise debtors is further limited as a result of the dispersion among the individual franchisees and across different geographic areas. Consequently, the Group does not consider there to be any significant concentration or exposure to credit risk.

Loans mainly comprise employee loans granted in line with the Group's remuneration policy. Loans are granted after reviewing the affordability for each employee and, where appropriate, suitable forms of security are obtained. Refer note 15.

A JSE listed company has warranted all material cash flow aspects of the Group's participation in export partnerships. The Group's directors have considered the credit risk relating to these aspects warranted and have satisfied themselves as to the creditworthiness of the warrantor company. Refer note 12.

The Group is exposed to a 49% share of a financial guarantee over a US$25 million term loan granted to our associate in Zimbabwe. The guarantee is linked to the creditworthiness of our associate. Management is confident in the future prospects of our associate and has no reason to believe that associate will default on its loan commitments or that the guarantee will be called upon.

28. FINANCIAL INSTRUMENTS continued

28.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages this risk by maintaining adequate reserves and borrowing facilities and by continuously monitoring forecasted and actual cash flows, ensuring that the maturity profiles of financial assets and liabilities do not expose the Group to liquidity risk. In terms of the Company's Memorandum of Incorporation the Group's borrowing powers are unlimited, however, the treasury committee maintains strict control over the acceptance and draw-down of any loan facility.

On average, trade and other receivables and inventory are realised within 30 days and trade and other payables are settled within 60 days. To the extent that the Group requires short-term funds, it utilises the banking facilities available. Long-term borrowings are utilised to fund capital expenditure. Liquidity risk has been mitigated by substantial unutilised borrowing facilities as illustrated below.

	Pick n Pay Stores Group		Pick n Pay Holdings Group	
	364 days to 2 March 2014 Rm	368 days to 3 March 2013 Rm	**364 days to 2 March 2014 Rm**	368 days to 3 March 2013 Rm
Total borrowing facilities granted by financial institutions	**6 292.5**	5 723.7	**6 292.5**	5 723.7
Total actual borrowings and utilisation of facilities	**(2 314.9)**	(2 862.7)	**(2 314.9)**	(2 862.7)
Unutilised borrowing facilities	**3 977.6**	2 861.0	**3 977.6**	2 861.0

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

	Carrying amount Rm	Contractual cash flows Rm	Within 1 year Rm	2 to 5 years Rm	Over 5 years Rm
Pick n Pay Stores Group					
2014					
Secured loans – note 21.1	**784.9**	**925.3**	**103.8**	**821.5**	—
Unsecured loans – note 21.1	**700.0**	**710.1**	**710.1**	—	—
Trade and other payables – note 23	**7 805.1**	**7 805.1**	**7 805.1**	—	—
Overnight bank borrowings – note 18	**670.0**	**670.0**	**670.0**	—	—
Total financial obligations	**9 960.0**	**10 110.5**	**9 289.0**	**821.5**	—
2013					
Secured loans – note 21.1	804.0	986.9	100.0	877.6	9.3
Unsecured loans – note 21.1	400.0	405.3	405.3	—	—
Trade and other payables – note 23	6 534.1	6 534.1	6 534.1	—	—
Bank overdrafts – note 18	25.6	25.6	25.6	—	—
Overnight bank borrowings – note 18	1 500.0	1 500.0	1 500.0	—	—
Derivative financial instruments – note 28.3.1	3.1	3.1	3.1	—	—
Total financial obligations	9 266.8	9 455.0	8 568.1	877.6	9.3
Pick n Pay Holdings Group					
2014					
Secured loans – note 21.1	**784.9**	**925.3**	**103.8**	**821.5**	—
Unsecured loans – note 21.1	**700.0**	**710.1**	**710.1**	—	—
Trade and other payables – note 23	**7 811.3**	**7 811.3**	**7 811.3**	—	—
Overnight bank borrowings – note 18	**670.0**	**670.0**	**670.0**	—	—
Total financial obligations	**9 966.2**	**10 116.7**	**9 295.2**	**821.5**	—
2013					
Secured loans – note 21.1	804.0	986.9	100.0	877.6	9.3
Unsecured loans – note 21.1	400.0	405.3	405.3	—	—
Trade and other payables – 23	6 539.7	6 539.7	6 539.7	—	—
Bank overdrafts – note 18	25.6	25.6	25.6	—	—
Overnight bank borrowings – note 18	1 500.0	1 500.0	1 500.0	—	—
Forward exchange contracts – note 28.3.1	3.1	3.1	3.1	—	—
Total financial obligations	9 272.4	9 460.6	8 573.7	877.6	9.3

28. FINANCIAL INSTRUMENTS continued

28.3 Market risk management

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

28.3.1 Currency risk management

Transactional currency risk

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

The following significant exchange rates applied during the period:

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

Although the Group is exposed to currency risk through the importation of merchandise it does not have significant foreign creditors as inventory imports are mostly prepaid. The currency risk relating to future cash flows of import orders is managed by entering into forward exchange contracts (FECs). FECs are taken out when an order is placed with a foreign supplier. The Group does not use FECs for speculative purposes and does not apply cash flow hedge accounting.

Forward exchange contract asset/(liability)	**Contract foreign currency m**	**Rand equivalent Rm**	**Average rate R**	**Fair value Rm**
2014				
US dollar	**8.0**	**85.5**	**10.7**	**2.3**
Euro	**1.8**	**27.6**	**15.1**	**0.2**
British pound	**0.5**	**9.8**	**18.6**	**(0.3)**
		122.9		**2.2**
2013				
US dollar	11.6	103.8	8.95	(3.3)
Euro	1.1	12.7	11.55	0.1
British pound	0.4	5.1	12.75	0.1
		121.6		(3.1)

Sensitivity of the Group's exposure to material foreign currencies is estimated by assessing the impact of a reasonable expected movement of the currencies on the profit and equity of the Group. A sensitivity analysis is not presented as the expected movement in currencies is not material.

In relation to the participation in export partnerships, a fixed rate of exchange was set for the purposes of converting the foreign currency receipts in respect of the partnership's sales into South Africa rand. Any exchange differences are for the account of the managing partner of the partnerships and will have no impact on the earnings of the Group.

Currency translation risk

The Group has investments in foreign subsidiaries and the translation of the underlying assets and liabilities from the functional currency to the Group's reporting currency exposes the Group to currency translation risk. The Group also has foreign cash balances that are exposed to currency translation risks. These risks are not considered material and therefore no sensitivity analysis is presented and the risks are not hedged.

28. FINANCIAL INSTRUMENTS continued

28.3 Market risk management continued

28.3.2 Interest rate risk management

The Group's interest rate risk arises from borrowings, cash and cash equivalents and loans. Fixed rate borrowings expose the Group to fair value interest rate risk. Variable rate borrowings, loans and cash and cash equivalents results in cash flow interest rate risk. The exposure to interest rate risk is managed though the Group's cash management system taking into account expected movements in interest rates when funding or investing decisions are made.

The effective rates on financial instruments at end of period are:	**364 days to 2 March 2014 Weighted average interest rate %**	368 days to 3 March 2013 Weighted average interest rate %
Financial assets		
Cash and cash equivalents (note 18)	**4.8**	4.5
Loans (note 15)	**3.4**	3.3
Financial liabilities		
Variable-rate interest-bearing debt		
Overnight bank borrowings (note 18)	**5.8**	5.4
Finance leases (note 21.2)	**6.5**	6.5
Three-month corporate paper (note 21.1)	**5.6**	5.5
Fixed-rate interest-bearing debt		
Secured loans (note 21.1)	**8.8 – 11.4**	8.8 – 11.4

Interest rate sensitivity analysis

Sensitivity of the Group's exposure to interest rate risk is estimated by assessing the impact of a reasonable expected movement in the relevant interest rates on the profit and equity of the Group based on the period end closing balances. Interest rates are expected to rise in the range of 1% to 2% during the 2014 calendar year and we have used this range in our sensitivity analysis.

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

28.3.3 Price risk management

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

During the 2014 financial year the Group took out Asian call options on diesel purchased. The options entitle the Group to purchase diesel at a certain strike price which is linked to the GASOIL index. If the GASOIL index is greater than the strike price at the maturity date of the option, the Group will benefit by the difference between the strike price and the index price. The table below shows the fair value of the options along with the maturity dates and strike prices of the options.

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

Notes to the Group financial statements continued

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28. FINANCIAL INSTRUMENTS continued

28.4 Fair value of financial instruments

Financial instruments measured at fair value are classified using a 3-level hierarchy to rank inputs used in measuring fair value. The levels are explained below:

Level 1 – quoted prices (unadjusted) in an active market for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

Foreign exchange contracts are measured at fair value and classified at level 2.

Commodity hedges are measured at fair value and classified at level 2.

Financial liabilities

Fair value is determined by calculating the present value of future cash outflows discounted at a market interest rate at the reporting date.

Other financial assets (including cash and cash equivalents and loans)

Fair value is estimated as the present value of future cash inflows discounted at a market interest rate at the reporting date.

The table below shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

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

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

28. FINANCIAL INSTRUMENTS continued

28.4 Fair value of financial instruments continued

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

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

28.5 Capital management

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

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

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

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

Notes to the Group financial statements continued

for the period ended

29. CHANGE IN FINANCIAL PERIOD CUT OFF DATE

The Group implemented a 52-week financial reporting calendar in February 2013. The 52-week financial reporting calendar reflects that revenue and gross profit is managed on a daily basis and is aggregated into 52 trading weeks of 364 days. All other items included in profit before tax (other than those included in gross profit) are managed on a calendar month basis and are not pro-rated to days or weeks.

The profit for the year consists of 52 weeks of gross profit and 12 calendar months of other income and trading expenses. As a result of this change, the 2014 annual financial period began on 4 March 2013 and ended on 2 March 2014 (364 trading days). This compares to the 2013 annual financial period which ran from 1 March 2012 to 3 March 2013 (368 trading days). The 2013 financial period therefore included four extra days of turnover and related gross profit. Other income and expenditure between the two years are comparable, with both the 2014 and 2013 financial years reporting a full 12 calendar months of other income and trading expenses.

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

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

Statement of financial position

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

29. CHANGE IN FINANCIAL PERIOD CUT OFF DATE continued

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

Statement of financial position

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

30. NON-CONTROLLING INTEREST

All of the non-controlling interest in Pick n Pay Holdings Group relates to its subsidiary Pick n Pay Stores Limited. Non-controlling shareholders controls 46.0% (2013: 46.0%) of the issued share capital of the subsidiary.

Notes to the Group financial statements continued

for the period ended

31. EARLY ADOPTION AND OTHER RECLASSIFICATIONS

31.1 Early adoption

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

31.2 Reclassifications

Other trading income

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

Pick n Pay Stores Group and Pick n Pay Holdings Group

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

Provisions

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

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

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

International Financial Reporting Standards (IFRS)

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

IFRS 9 Financial Instruments

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

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

Company financial statements

Contents

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

Statements of comprehensive income

for the period ended

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

Company financial statements

Statements of financial position

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

Statement of changes in equity

for the period ended 2 March 2014

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

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

Company financial statements

Statements of cash flows

for the period ended

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

Notes to the Company financial statements

for the period ended

1. ACCOUNTING POLICIES

Except as presented below, the accounting policies and notes to the financial statements are identical to those disclosed in the consolidated financial statements on pages 97 to 136.

1.1 Investments in subsidiaries

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

1.2 Foreign currency transactions and translations

The financial statements are presented in South African rand, which is the Company's functional currency. All transactions are in South African rand.

1.3 Basis of consolidation

The Company financial statements are presented as separate financial statements.

1.4 Property, plant and equipment

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

1.5 Intangible assets

No intangible assets are held by the Company.

1.6 Leases

No lease arrangements are held by the Company.

1.7 Inventory

No inventory is held by the Company.

1.8 Treasury shares

No treasury shares are held by the Company.

1.9 Employee benefits

No employee benefits are recognised by the Company.

1.10 Operating segments

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

2. ADMINISTRATION EXPENSES

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

2.1 Directors' remuneration

Directors' remuneration paid by Pick n Pay Stores Limited and Pick n Pay Holdings Limited RF is detailed below. Refer to pages 55 to 66 and 76 to 77 of the remuneration reports for details of the directors' remuneration and directors' interest in shares.

	Pick n Pay Stores Limited*			Pick n Pay Holdings Limited RF**	
	Fees for Board meetings R'000	Fees for committee and other work R'000	Cash total R'000	Fees for Board meetings R'000	Cash total R'000
2014					
Non-executive directors	**5 185.9**	**1 348.0**	**6 533.9**	**171.0**	**171.0**
2013					
Non-executive directors	2 149.7	1 418.0	3 567.7	171.0	171.0

* *Executive directors' salaries are paid by a subsidiary company.*

** *Directors of Pick n Pay Stores Limited who are also directors of Pick n Pay Holdings Limited RF do not receive directors' remuneration for services rendered as a director of this company.*

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

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

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

	364 days to 2 March 2014 cents per share	368 days to 3 March 2013 cents per share
4. DIVIDENDS continued		
4.2 Dividends declared		
Pick n Pay Stores Limited		
Interim dividend – number 91 (2013: number 89)	**14.80**	14.75
Final dividend – number 92 (2013: number 90)	**77.50**	69.25
	92.30	84.00

The directors have declared a final dividend (dividend 92) of 77.50 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 15%, where shareholders are subject to this tax. The last day to trade in order to participate in the dividend (CUM dividend) will be Friday, 6 June 2014. The shares will trade EX dividend from the commencement of business on Monday, 9 June 2014 and the record date will be Friday, 13 June 2014. The dividends will be paid on Tuesday, 17 June 2014.

Pick n Pay Holdings Limited RF		
Interim dividend – number 64 (2013: number 62)	**7.20**	7.17
Final dividend – number 65 (2013: number 63)	**37.10**	33.61
	44.30	40.78

The directors have declared a final dividend (dividend 65) of 37.10 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 15%, where shareholders are subject to this tax. The last day to trade in order to participate in the dividend (CUM dividend) will be Friday, 6 June 2014. The shares will trade EX dividend from the commencement of business on Monday, 9 June 2014 and the record date will be Friday, 13 June 2014. The dividends will be paid on Tuesday, 17 June 2014.

	Rm	Rm
5. INVESTMENTS IN SUBSIDIARIES AND TRUST		
5.1 Pick n Pay Stores Limited		
5.1.1 Investments in subsidiaries and trust		
Shares at cost		
Major trading subsidiary		
Pick n Pay Retailers Proprietary Limited	**2.0**	2.0
Trust		
The Pick n Pay Employee Share Purchase Trust	**—**	—
Other subsidiaries	**36.6**	36.3
Total investments in subsidiaries and trust	**38.6**	38.3
5.1.2 Amounts owing by subsidiary companies		
At beginning of period	**463.6**	725.4
Amounts advanced/(received) during the period	**295.2**	(261.8)
At end of period	**758.8**	463.6

Refer to note 8.1.3 for a detailed analysis

These amounts owing are unsecured and no fixed rate for repayment has been determined. The non-current portion is interest-free and the current portion earns interest at a rate equal to the unsecured 3-month corporate paper, issued under the Company's Domestic Medium Term Note Programme (refer to note 7).

Total investments in subsidiaries and trust		
Non-current	**97.4**	101.9
Current	**700.0**	400.0
	797.4	501.9

		364 days to 2 March 2014 Rm	368 days to 3 March 2013 Rm
5.	**INVESTMENTS IN SUBSIDIARIES AND TRUST continued**		
5.2	**Pick n Pay Holdings Limited RF**		
5.2.1	*Investment in subsidiary*		
	Pick n Pay Stores Limited		
	257 345 334 (2013: 257 345 334) ordinary shares		
	Comprising:		
	Initial investment	**24.7**	24.7
	Capitalisation share awards received	**103.3**	103.3
	Total investment in subsidiary	**128.0**	128.0
5.2.2	*Amount owing by subsidiary companies*		
	Refer to note 8.2.2 for a detailed analysis	**1.9**	2.7
	These amounts owing are unsecured, interest-free and no fixed rate for repayment has been determined.		
	Total investment in subsidiary	**129.9**	130.7

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

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

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

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

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

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

for the period ended

		364 days to 2 March 2014 Rm	368 days to 3 March 2013 Rm
7.	**BORROWINGS**		
	Pick n Pay Stores Limited		
	Unsecured three-month corporate paper, issued under the company's Domestic Medium Term Note programme. The notes are repayable on 12 May 2014 and 22 May 2014 (2013: 23 May 2013) and carry variable interest rates of 17 basis points above the three-month Jibar rate of 5.7% per annum (2013: 5.5% per annum)	**700.0**	400.0
8.	**RELATED PARTY TRANSACTIONS**		
8.1	**Pick n Pay Stores Limited**		
8.1.1	*Dividends received from subsidiary companies and paid to its holding company*		
	Dividends received		
	Pick n Pay Retailers Proprietary Limited	**365.0**	358.7
	Guardrisk Insurance Company Limited "A122 ordinary shares"	**40.2**	—
	Pick n Pay Employee Share Purchase Trust	**5.4**	7.9
	Total dividends received from related parties	**410.6**	366.6
	Dividends paid to holding company		
	Pick n Pay Holdings Limited RF	**216.3**	316.8
8.1.2	*Interest received from a subsidiary company*		
	Pick n Pay Retailers Proprietary Limited	**38.3**	22.4
8.1.3	*Amounts owing by Group companies*		
	Loans to subsidiary companies		
	Pick n Pay Retailers Proprietary Limited	**527.5**	232.4
	Carrefour Proprietary Limited	**102.9**	102.9
	Pick n Pay (Steelpark) Proprietary Limited	**1.8**	1.8
	Pick n Pay (Steeledale) Proprietary Limited	**63.5**	63.5
	Bedworth Sentrum Proprietary Limited	**57.7**	57.7
	Pick n Pay (Mitchells Plain) Limited	**6.7**	6.7
		760.1	465.0
	Loans from holding company		
	Pick n Pay Holdings Limited RF	**(1.3)**	(1.4)
		758.8	463.6

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

8.3 Shares held by directors

The percentage of shares held by directors of Pick n Pay Stores Limited and Pick n Pay Holdings Limited RF at the reporting date are disclosed in the directors' reports on pages 84 to 85 and 88 to 89. For further information refer to the remuneration report on pages 55 to 66 and 76 to 77.

9. FINANCIAL INSTRUMENTS

Overview

Pick n Pay Stores Limited and Pick n Pay Holdings Limited RF have limited exposure to risk in respect of financial instruments, as their only financial assets are their loans to subsidiary companies. There is minimal credit risk relating to these items as it is payable within the Group. Market risk is negated as the financial assets and liabilities have no exposure to changes in exchange rates and have very limited exposure to changes in interest rates.

9.1 Liquidity risk

Liquidity risk is the risk that the Companies will not be able to meet their financial obligations as they fall due. Pick n Pay Stores Limited and Pick n Pay Holdings Limited RF have unlimited access to the funds of the Group companies. Therefore, Pick n Pay Stores Limited and Pick n Pay Holdings Limited RF's liquidity risk is linked to the liquidity of the Group companies. Refer to note 28 of the related Group financial statements on page 128.

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

	Pick n Pay Stores Limited			Pick n Pay Holdings Limited RF		
	Carrying amount Rm	Contractual cash flows Rm	Within 1 year Rm	Carrying amount Rm	Contractual cash flows Rm	Within 1 year Rm
2014						
Non-derivative financial liabilities						
Three-month corporate paper	**700.0**	**710.1**	**710.1**	**—**	**—**	**—**
Trade and other payables	**7.0**	**7.0**	**7.0**	**3.8**	**3.8**	**3.8**
Total financial obligations	**707.0**	**717.1**	**717.1**	**3.8**	**3.8**	**3.8**
2013						
Non-derivative financial liabilities						
Three-month corporate paper	400.0	405.7	405.7	—	—	—
Trade and other payables	5.6	5.6	5.6	3.9	3.9	3.9
Total financial obligations	405.6	411.3	411.3	3.9	3.9	3.9

9.2 Capital management

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