HIGHLIGHTS

Financial

- HEPS + 28.0% to 177.26 cents
- Turnover + 6.1% to R66.9 billion
- Gross profit + 0.3% pts to 17.8%
- Like-for-like trading expenses +3.8%
- Rest of Africa segmental revenue +13.6%

Operational

- 127 new stores
- 8.9 million Smart Shopper cards
- On-shelf availability +2.5%
- Sourced over R40 billion of products from local suppliers
- 40 000 new online customers

Society

- Improved BBBEE score from level 6 to level 4
- Recycled 45% of Pick n Pay-owned store waste
- Volumes through the DC +11.0% pts
- Donated 933 tonnes of surplus food to charity

REPORT NAVIGATION

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

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

Summarised results and 2015 AGM notices
Pick n Pay Stores Limited
A high-level review of our operational and financial performance for the year, including summarised financial statements, remuneration report, relevant shareholder information, and notice of the annual general meeting and proxy voting form.

Sustainable Living Report 2015
This report is published in full every two years (with a condensed annual update forming part of the integrated annual report). This report details our sustainability strategy, with a review of our performance against strategic non-financial targets.

ENGAGE WITH US ON:

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

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THE PICK N PAY INTEGRATED ANNUAL REPORT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Materiality
Materiality has been applied in determining the scope and content of this report. Materiality is determined by the Board, supported by senior management, based on matters that could substantively affect the Group’s ability to create value over time and could have a material impact on the current and projected revenue and profitability of the Group. More specifically, the review includes the material business risks that could have a material impact on the Group’s ability to achieve the objectives of its strategic long-term plan. The Group has extensive interaction with the investor community, including shareholders and investment analysts, and our review of material issues also considers those issues that are material to the investor community.

These material issues were again reviewed by the Board and senior management during the reporting period to ensure all relevant internal, industry and macro-economic factors were considered. These material issues are presented on pages 20 to 26 under the seven business impact categories.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The fact that this is a wheel indicates the increasingly integrated nature of our Group’s thinking – that these performance areas are integrated and that performance and outcomes in one area impact those in other areas.
OUR ECONOMIC ENVIRONMENT
AND CONSUMER TRENDS

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

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

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

South African consumers have come under growing financial pressure over the past year. Living costs have increased, driven in particular by rising electricity bills and other regulatory administered prices, other inflation items and higher interest rates. The drought in the maize belt in South Africa further contributed to food inflation. Pressure on consumers will be exacerbated by the announced increases in personal income taxes and other levies, high levels of unemployment and the inflationary effects of a weaker currency.

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

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

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

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

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

Retailer of choice

- Employing a multi-format, omni-channel model, our retail presence ranges from large hypermarkets and supermarkets to specialised outlets and small convenience stores, as well as online
- We strive to operate in locations that are close to our customers and to give them a shopping experience that is the most convenient, affordable and relevant to their needs and expectations
- 699 owned and 490 franchised retail stores. Our Zimbabwean associate, TM Supermarkets, operates 53 stores, with eight trading as Pick n Pay
- We source products from more than 5,000 trade suppliers using a centralised logistics function with 10 distribution centres supplying 1,189 stores across South Africa and six southern African countries
- We research our customers’ needs and expectations informed by our loyalty programme
- We work with suppliers and partners to give customers innovative products and services and market these extensively
- Groceries are sold under branded and our own private labels, ensuring that we offer customers what they need
- Safety, choice, reliability and the best possible prices are derived from our business principles and inform everything we do
- We have dedicated ourselves in the upliftment of communities by creating local jobs both at our stores and at our suppliers, by encouraging local investment and by supporting and empowering community structures

External environment

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

Human capital
- 4,700 employees at owned stores and operations
- 23,000 employees at franchise stores

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

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

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

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

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

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

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

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

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

Natural capital
- R76 million invested in energy efficiency since 2012
- Recycled 45% of Pick n Pay store waste
- R13.5 million invested in The World Wide Fund for Nature (WWF) sustainable fisheries programme since 2010
The Group has a total of 1,242 stores across all formats and across seven countries, including its investment in TM Supermarkets in Zimbabwe.
Pick n Pay stores

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

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

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

Pick n Pay Supermarkets

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

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

Pick n Pay Online

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

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

Pick n Pay Liquor

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

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

Pick n Pay Hypermarkets

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

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

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

Pick n Pay Clothing

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

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

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

Pick n Pay Express

Pick n Pay’s partnership with BP, one of the world's leading international oil and gas companies, provides small 24-hour franchised Pick n Pay Express convenience stores on BP service station forecourts in South Africa. This is our smallest format store, offering a targeted convenience range that satisfies an immediate "top-up" shop or a quick meal solution.

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

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

Pick n Pay Pharmacy

Pick n Pay operates 26 pharmacies in-store, with three standalone pharmacies. We are committed to giving our customers convenient and affordable healthcare, providing a wide range of vitamins, supplements, sports nutrition, self-medication, medical services, clinics and dispensaries.

Pick n Pay stores

Boxer stores

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

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

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

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

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

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

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

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

TM Supermarkets

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

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

TM Supermarkets in Zimbabwe. The supermarket chain comprises a branch network of 53 stores country-wide, including eight Pick n Pay branded stores.

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STRATEGIC FOCUS

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

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

Stage 1 Stabilise the business
Stage 2 Changing the trajectory
Stage 3 Sustainable long-term growth

Stage 1 Stabilise the business

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

• stringent financial control and a resolute focus on reducing both capital and operating spend;
• tightening working capital management, strengthening cash balances and reducing the need for debt;
• improving the store economic model, driving efficiency and productivity throughout the business;
• strengthening the senior management team to deliver these priorities.

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

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

The end of the 2015 financial year marks the completion of Stage 1 of our strategic long-term recovery plan. Pick n Pay is a more stable business than it was two years ago. We have achieved the goals we set ourselves — having improved gross profit and trading profit margins and strengthened the balance sheet with more cash and less debt. As this report makes clear, our improved financial performance has enabled us to invest more not only in our business but also in our people and in our communities.

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

Stage 2 Changing the trajectory

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

Business acceleration pillars

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<th>Better for customers</th>
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<td>Continued innovation, better availability, improved fresh produce and private label and investment in pricing and promotions</td>
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<th>A flexible and winning estate</th>
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<td>Strong new space and refit programme, leveraging an improved operating model</td>
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<th>Efficient and effective operations</th>
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<td>Unlock savings in operating costs and improve customer service</td>
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<th>Every product, every day</th>
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<td>Centralise supply chain with every product, delivered every day</td>
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<th>A winning team</th>
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<tr>
<td>The right skills and the right team throughout the organisation</td>
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<table>
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<tr>
<th>Boxer – a national brand</th>
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<tbody>
<tr>
<td>A national brand securing value leadership and double-digit annual sales growth</td>
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<tr>
<th>Rest of Africa – second engine of growth</th>
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<tbody>
<tr>
<td>A second engine of growth, extending the customer offer to markets outside South Africa</td>
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</table>
Stage 2 Changing the trajectory continued

Business acceleration pillar: Better for customers

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

Focus areas for Stage 2 include:
• Better on-shelf availability — We will harness the benefits of central distribution and the progress achieved across our supply chain to deliver to our stores the products they need, at the right time.
• Sharper prices and promotions — We will continue to innovate on price and promotions, always looking to improve the value and relevance of our offer to customers. We will continue to strengthen our Smart Shopper programme, building on its strong foundation as South Africa’s favourite loyalty programme.
• We will invest in fresh, especially produce — We will focus on improving our range of fresh and perishable produce, including convenience meals. Customers are shopping more frequently — often daily — for fresh and healthy produce. We will strengthen our offer to meet their needs.
• Private label — Through a strategic partnership with Daymon Worldwide we will expand our range of private label products. This will not only offer our customers more value and more choice but will enable Pick n Pay to support even more small local suppliers by giving them access to a national market.
• Continued innovation through category reviews — We will improve the relevance and consistency of our ranges to better appeal to the customers we serve across different communities.
• Customer service — We will focus on offering our customers a quick, courteous and consistent frontline experience.

Achievements in 2015:
- Provide solid foundation for growth:
  • We increased the number of customers through sharper pricing and deeper promotions and strengthened our in-store execution of promotional offers. This includes our successful “Super 6” campaign which provides customers with high-quality fruit and vegetable staples at competitive prices.
  • We launched Brand Match which is convincing customers that they do not need to shop around for lower prices and this is building confidence in the competitiveness of Pick n Pay’s pricing.
  • We have provided more to our customers adding more value-added benefits to our Smart Shopper programme and saw the number of vouchers redeemed increase by 68% over the year.
  • We launched Mobile Money in partnership with MTN, which provides more than 1 million customers access to free money transfers and other low-cost banking services from their mobile phones.
  • We now accept Buy Aid into all our stores. This has attracted more customers to Pick n Pay.
  • We continue to focus on making our stores more sustainable and our offer more relevant to our customers adding more competitiveness of Pick n Pay’s pricing.
  • We charge too much for our customers want – and don’t want – and to respond immediately.
  • We have stringent management control over capital spend and certain of satisfactory returns.
  • We miss out on the best locations for new stores.

How we are mitigating the risks

<table>
<thead>
<tr>
<th>Material risks</th>
<th>How we are mitigating the risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-delivery from suppliers or breakdowns in our internal distribution processes cause out-of-stocks for customers</td>
<td>• Improved communication with all suppliers and improved internal distribution capability</td>
</tr>
<tr>
<td>We don’t stock the products our customers want</td>
<td>• We improved our automatic forecast and replenishment system to track what customers want – and don’t want – and to respond immediately.</td>
</tr>
<tr>
<td>We charge too much</td>
<td>• Performed in-depth category reviews informed by Smart Shopper customer data.</td>
</tr>
<tr>
<td>Unsafe food which could cause harm to customers</td>
<td>• Brand Match tells customers – and ourselves – how competitive our pricing is.</td>
</tr>
<tr>
<td>• All suppliers are subject to an audit of their safety standards by a third-party auditing company. Non-compliance results in termination of supply agreement until compliance is restored.</td>
<td></td>
</tr>
</tbody>
</table>

Focus areas for Stage 2 include:
• Accelerate our opening programme — We will take advantage of our new lower-cost operating model to bring more Pick n Pay and Boxer stores to communities where we are under-represented.
• Grow our convenience offer — Our customers have demonstrated a growing demand for more convenience and smaller neighbourhood stores — and we will meet this need by growing our Local and Express formats.
• More franchise stores — We will continue to grow our franchise business, for example the roll-out of Pick n Pay Express stores on BP forecourts. Our franchisees are strategic partners to Pick n Pay. Franchisees give tremendous reach to our footprint and we benefit from their retail experience and their commitment to the Pick n Pay brand.
• Double the number of store refurbishments — We will improve the quality of our estate by accelerating the refurbishment programme which began in 2015. We will target key stores with refurbishments that add value to the customer and deliver improved turnover growth and return on investment.
• Accelerate our online business — We will continue to respond to the growing need for online retail by investing and innovating in systems and our offer.

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

How we are mitigating the risks

<table>
<thead>
<tr>
<th>Material risks</th>
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</tr>
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<tbody>
<tr>
<td>We miss out on the best locations for new stores</td>
<td>• We maintain regular contact with developers and landlords. Our lower-cost operating model means we can open in more locations in future.</td>
</tr>
<tr>
<td>We open or refurbish stores that do not deliver sustainable returns</td>
<td>• Our store-opening programme has been prudent, favouring only sites where we are certain of satisfactory returns.</td>
</tr>
<tr>
<td>Loss of existing franchises or new franchise opportunities to competing retailers</td>
<td>• We have stringent management control over capital spend.</td>
</tr>
<tr>
<td>Regular engagement with franchisees and review of our franchise model to ensure value creation for all</td>
<td></td>
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Stage 2 Changing the trajectory continued

Business acceleration pillar: A flexible and winning estate

Pick n Pay is a much loved brand with an extensive retail presence in South Africa and southern Africa. However, there are many communities across the country where we are under-represented, particularly outside urban centres. There is opportunity for Pick n Pay to extend its reach across the countries it trades in, including through smaller stores which focus on the growing demand for convenience.
Stage 2 Changing the trajectory continued

Business acceleration pillar: Efficient and effective operations

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

Focus areas for Stage 2 include:

• Less cost more efficiency – We will continue to improve the efficiency of our business through the centralisation of supply, procurement and administration, the effective use of systems, the removal of duplication and the simplification of processes.

• Backdoor productivity – The acceleration of centralised supply means more deliveries from our central distribution centre and fewer direct deliveries from suppliers. This makes the process more efficient and accurate, cuts administration on the back door and enables us to shift focus and resources to the front of the store.

• Improved product flow and replenishment – Increased productivity at back door receiving will lead to improved product flow and a quicker and more effective in-store replenishment system.

• Sharper execution of sales floor and improved frontline service – Streamlined and simplified processes in-store, particularly in receiving and administration, allowing our staff to focus their efforts on the sales floor and tills on the frontline. We will provide our staff on the shop floor and frontline with the necessary technology and training to do their jobs effectively and efficiently.

Achievements in 2015:

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

• Provide a solid foundation for growth

Material risks

<table>
<thead>
<tr>
<th>Disruption to trade as a result of loss of or damage to assets or stores</th>
</tr>
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<tbody>
<tr>
<td>If we fail to remove cost from the business</td>
</tr>
<tr>
<td>Interrupted electricity supply</td>
</tr>
<tr>
<td>Reliance on IT systems</td>
</tr>
</tbody>
</table>

How we are mitigating the risks

• We have a detailed enterprise-wide risk management programme in place and it is reviewed annually.
• Established the specialist Retail Office to drive efficient and effective processes across all store formats.
• Generators kept all stores running during load shedding while our new stores are 40% more energy efficient than those opened five years ago.
• Pick n Pay’s Information Services (IS) division has implemented a formal disaster recovery strategy for all critical IT systems. IS interruption and recovery plans are tested and updated on an ongoing basis.

Stage 2 Changing the trajectory continued

Business acceleration pillar: Every product, every day

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

Achievements in 2015:

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

Focus areas for Stage 2 include:

• More suppliers centralised – We are committed to accelerating the centralisation of supply and are working closely with suppliers in this regard. The supply of Pick n Pay branded stores is currently 45% centrally distributed, we aim to increase this to over 60% by the close of the 2016 financial year.

• Higher distribution centre productivity – We are focused on improving pick rates in our two main facilities, Phalaborwa and Longmeadow, and in improving strike rates to stores.

• Focus on fresh supply chain – We have achieved the greatest progress to date in the central supply of groceries, with particular success from our Phalaborwa distribution centre in the Western Cape. We plan to improve our distribution of fresh and perishable goods, with a particular focus on maintaining the cold chain and increasing produce shelf life.

• Fewer, more efficient deliveries – As we centralise more, our stores will benefit from a reduced number of direct-to-store deliveries from suppliers. Our distribution centre will send fewer trucks – but more frequently – with automatic green-light receiving.

• New distribution centre capacity – Phalaborwa and Longmeadow provide us with sufficient supply chain capacity in the Western Cape and Gauteng regions. We are now ready to explore opportunities to build our capacity in KwaZulu-Natal and the Eastern Cape.

Material risks

<table>
<thead>
<tr>
<th>Loss of major suppliers and/or product ranges</th>
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<tbody>
<tr>
<td>Material damage to or loss of distribution centre, as a result of natural or other disaster and the subsequent impact on stores</td>
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</table>

How we are mitigating the risks

• Increased level of constructive engagement with all major suppliers, increasing the level of central supply.
• Effective utilisation of automatic, central forecast and replenishment system.
• Comprehensive facilities risk management programme aimed at securing distribution centres and related assets in the event of a natural or other disaster.
• Our focus on fresh is leading to an improvement in shelf life of fresh and perishable product.

Material risk

| Reliance on IT systems |

How we are mitigating the risks

• We have a detailed enterprise-wide risk management programme in place and it is reviewed annually.
• Established the specialist Retail Office to drive efficient and effective processes across all store formats.
• Generators kept all stores running during load shedding while our new stores are 40% more energy efficient than those opened five years ago.
• Pick n Pay’s Information Services (IS) division has implemented a formal disaster recovery strategy for all critical IT systems. IS interruption and recovery plans are tested and updated on an ongoing basis.
Stage 2 Changing the trajectory continued

Business acceleration pillar: A winning team

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

Focus areas for Stage 2 include:

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

Achievements in 2015:

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

Material risks

- We fail to attract and retain the right staff
- Insufficient skills or experience across all employee demographics
- An increasing cost of labour, without a commensurate increase in return
- Labour strike

How we are mitigating the risks

- In line with our remuneration philosophy, we offer competitive remuneration
- Strong focus on career advancement, training and incentivisation
- Strong commitment to upskilling our employees
- The new labour time and attendance schedule focuses on optimisation of staff numbers in stores
- A focus on maintaining open and constructive relationships with our labour unions and putting in place a process that enables us to proactively manage critical issues.

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Stage 2 Changing the trajectory continued

Business acceleration pillar: Boxer – a national brand

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

Focus areas for Stage 2 include:

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

Achievements in 2015:

- Provide solid foundation for growth
  - Grown the business in a competitive environment against the backdrop of exceedingly challenging market conditions, including strikes in the mining sector and civil protests surrounding the lack of service delivery from government. Boxer opened 14 new stores over the period, bringing the total to 189.
  - Grown value-added services for customers, including the sale of lottery tickets, pre-paid electricity and bus tickets.
  - Boxer is currently a 100% direct-to-store delivery business.
  - Improved DC capacity – Boxer is currently a 100% direct-to-store delivery business. We will begin to explore the centralisation of its distribution channel and are well placed to provide distribution centre capability through the Group’s supply chain.

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Material risks

- Low-price environments erode margins to unsustainable levels
- Store operations grow ahead of the capacity of systems and administrative support structures
- Prudent selection of sites with sufficient traffic to justify overheads and very low margins
- Leverage off Group systems and support, including integration with the Group supply chain where appropriate
Stage 2 Changing the trajectory continued

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

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

Achievements in 2015:

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

Focus areas for Stage 2 include:

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

Material risks

- Economic or political instability
- Lack of understanding of local markets

How we are mitigating the risks

- We only enter markets that are stable or where we are able to manage upheaval while trading profitably
- Formal and robust investigations into new markets, including a team on the ground to explore opportunities for Pick n Pay in Nigeria

Stage 3 Sustainable long-term growth

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

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

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

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

Our values of consumer sovereignty, business efficiency and doing good is good business have
endured and continue to guide our progress, and as we grow so will our contribution to society.
Our ability to create long-term sustainable value depends on open, meaningful and constructive relationships with all our stakeholders.

Stakeholders are those parties who can affect or be affected by our activities, objectives and policies. The Group identifies its key stakeholders through ongoing engagement with individuals, groups and organisations. Engagement enables us to identify and act upon the issues that affect our business, improves our understanding of stakeholders’ expectations, aspirations and interests, and strengthens the transparency and accountability through which we have established valued relationships.

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

**CUSTOMERS**

- We had more than 790 million interactions with customers in our stores this year.

- The Group is a major employer, directly employing 48 700 people and, indirectly, approximately 235 000 through our franchise business.

**COMMUNITY**

- We are focused on community development and upliftment, including employing and buying from local communities whenever possible.

- We support farmers and local businesses that engage with them, promoting the sustainability of both.

- We get the best out of our team and in turn be able to deliver the best to our customers.

- We identify and recognise good performance, to provide training and development and to hold all team members accountable for the job they do.

**EMPLOYEES**

- Listening and responding to customer feedback, both positive and negative, helps us to improve our customer offer.

- More than 84% of our staff are able to provide them with research to show how this supports sustainable revenue growth.

- Efficient and fair organisational structure

- Advise employee opportunity and diversity

**FRANCHISEES**

- Four hundred and thirty-six of our stores are owned and managed by franchisees.

- Our franchise stores are an important part of the Pick n Pay business, adding significantly to our scale and brand trust.

- We ensure that new or under-performing stores deliver on our franchise model, so our franchisees have opportunities to succeed and have an active voice in the business.

**SHAREHOLDERS**

- Our major shareholders are Pick n Pay Holdings Limited (share code: PWK) and Pick n Pay Holdings Limited RF (share code: PKN).

- Both Pick n Pay Stores Limited (share code: PIK) and Pick n Pay Holdings Limited RF (share code: PKN) are listed on the JSE Limited.

**SUPPLIERS**

- The Group has more than 7 000 suppliers and service providers.

- To ensure that we are able to source a leading range of high quality produce and merchandise at the best possible price, we can connect to an established range of sustainability and ethical business practices.
Our trading results make it clear that we have substantially completed the first stage of our turnaround strategy. This achievement is a tribute to the leadership of Richard Brasher and the dedication and loyalty of Pick n Pay’s management and staff.

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

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

Over the past five years, we have invested over R8 billion in our business infrastructure, largely from our own cash generation. This benefits all who live and work in the areas where we trade. Through our investment we are contributing to the success of the countries in which we trade and their economies.

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

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

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

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

In the period under review, implementation of the Reserve Bank’s charges to card interchange rates has been a welcome advance. It will benefit consumers who ultimately pay the price for excessive interchange fees. However, we believe the recent changes should be only a first step: the South African consumer is still paying interchange fees that are considerably higher than those charged in Europe and other comparable markets.

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

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

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

I would also like to congratulate our founder, Mr Raymond Ackerman, on receiving the 2015 hall of fame award from the Franchise Association of South Africa. The award recognises unique individuals who inspire others and set a great example to all in South Africa. The award was given to Mr Ackerman in recognition of his role as an entrepreneur who changed retailing in South Africa for the lasting benefit of all consumers. Mr Ackerman is now the seventh person to receive the FMA award and we are extremely proud of his achievements and his lasting contribution to free enterprise in South Africa.

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

Gareth Ackerman
Chairman
Cape Town
20 April 2015
The end of the 2015 financial year marks a significant milestone in Pick n Pay’s strategic long-term recovery.

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

Stage 1 – Stabilise the business

Stage 2 – Changing the trajectory

Stage 3 – Sustainable long-term growth

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

Greater stability has been achieved through strong financial control and working capital management, which resulted in consistently stronger cash balances throughout the year and enabled the business to repay a significant proportion of its debt. Operating efficiency has improved with the business becoming increasingly effective in managing its costs. We have improved both our gross profit margin and our trading profit margin. Our headline earnings per share increased 28.8% on the previous year.

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

A FLEXIBLE AND WINNING ESTATE

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

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

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

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

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

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

EFFICIENT AND EFFECTIVE OPERATIONS

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

EVERY PRODUCT, EVERY DAY

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

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

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

A WINNING TEAM

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

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

BOXER – A NATIONAL BRAND

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

We will harness the synergies between the Pick n Pay and Boxer businesses and, wherever appropriate, Pick n Pay will provide the systems and supply chain support that Boxer needs to grow.

REST OF AFRICA – SECOND ENGINE OF GROWTH

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

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

MORE TO COME – THE NEXT STAGE IN THE STRATEGIC JOURNEY

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

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

Richard Brasher
Chief Executive Officer

cape Town
20 April 2015

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

We are committed to building a high-performance team of well-managed, trained and skilled employees who are empowered to build careers at Pick n Pay and are motivated to contribute to the success of the business. Reflecting our commitment to empowering our people, this year our investment in skills training and bursaries is up 16.7% on that of last year.
The business delivered a 30-basis point improvement in gross profit margin, from 17.5% to 17.8%, alongside continued investment in price through Brand Match and Smart Shopper.

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

OVERTVIEW OF FINANCIAL RESULT

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

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

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

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

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

DETAILED REVIEW OF FINANCIAL RESULT

Turnover

<table>
<thead>
<tr>
<th></th>
<th>52 weeks to</th>
<th>52 weeks to</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 March 2015</td>
<td>2 March 2014</td>
<td></td>
</tr>
<tr>
<td>Group turnover</td>
<td>R66.9 billion</td>
<td>R63.1 billion</td>
<td>6.1</td>
</tr>
<tr>
<td>South Africa division</td>
<td>R1 240.1 million</td>
<td>R1 010.3 million</td>
<td>22.7</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>R1 205.2 million</td>
<td>R833.1 million</td>
<td>44.7</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>178.79 cents</td>
<td>122.01 cents</td>
<td>46.5</td>
</tr>
<tr>
<td>Headline earnings per share</td>
<td>177.26 cents</td>
<td>138.51 cents</td>
<td>28.0</td>
</tr>
<tr>
<td>Total annual dividend per share</td>
<td>118.10 cents</td>
<td>92.30 cents</td>
<td>28.0</td>
</tr>
</tbody>
</table>

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

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

The Group opened 127 stores during the year across all Pick n Pay and Boxer formats, including 36 new supermarkets. The 113 net new stores added 5.2% to space. The retail market is increasingly competitive with a number of our competitors undertaking accelerated store opening programmes. Pick n Pay’s cautious approach to new space growth meant that we lagged the market over the past year. This was a particularly challenging year for our Boxer business which operates in the lower-income, emerging-market communities of South Africa. The business faced increased competition from both formal retailers and informal traders, against the backdrop of mining and industrial strikes, power cuts and service delivery protests. We were, however, pleased with the efforts of our Boxer team, who continue to drive tremendous cost efficiency across the business, in order to deliver competitive prices to those customers who need it the most.

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

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

Rigorous control of capital and operating spend, combined with concerted action to strengthen the business for the long term, drove headline earnings per share up 28.0% on last year.
The Rest of Africa division delivered good growth with segmental turnover and segmental revenue growth (including direct supplier deliveries) up 10.7% and 13.6% respectively, notwithstanding the weakening of the Zambian kwacha against the South African rand and the closure of our franchise operations in Mozambique and Mauritius in the previous year. Segmental revenue growth in constant currency terms was 16.6%. We continued to expand and improve our operations outside South Africa, opening two stores in Zambia during the year and eight in Namibia while closing three under-performing stores in that country. We continued with the sizeable store refit programme in Zimbabwe over the year, refurbishing four TM Supermarkets and rebranding a further three stores to the Pick n Pay brand. The opening of two new stores in Zimbabwe and the closure of one store during the year brought the total number of TM Supermarkets to 53, of which eight trade strongly under the Pick n Pay banner.

Trading expenses
Trading expenses, at 16.9% of turnover, increased by 7.4% in total and by 3.8% on a like-for-like basis. Employee costs increased 6.1%. On a like-for-like basis, the growth in employee costs was contained at 3.5%, notwithstanding a first time charge of R67.3 million in respect of the new employee fortable share plan, which was implemented in August 2014, and an annual wage rate increase which was more in line with CPI. This is evidence of the tangible progress achieved in improving labour productivity and efficiency throughout the Group, through the centralisation and simplification of business processes and systems. Occupancy costs, which include rent, rates, security and insurance expenditure, increased by 15.7%. Rent paid rose by 18.1% year-on-year, reflecting our space growth over the last year, with like-for-like rental expenses up 7.0%, in line with average annual escalations. Total like-for-like occupancy cost increases were contained at 6.9%, despite regulated increases in rates and property taxes of up to 20%.

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

Gross profit

<table>
<thead>
<tr>
<th></th>
<th>52 weeks to 1 March 2015</th>
<th>52 weeks to 2 March 2014</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>52 449.1</td>
<td>48 838.2</td>
<td>7.0</td>
</tr>
<tr>
<td>Cost</td>
<td>40 540.0</td>
<td>38 308.0</td>
<td>6.0</td>
</tr>
<tr>
<td>Gross profit</td>
<td>11 909.1</td>
<td>10 530.2</td>
<td>16.7</td>
</tr>
</tbody>
</table>

Operating lease income (rental income) decreased by 13.5% mainly as a result of the cancellation of a substantial head lease, with a corresponding decrease in related rentals paid. Commissions and other income rose 11.6% as a result of a renewed focus on optimising existing value-added services, including financial services such as mobile money, third-party bill payments, and the sale of gift cards, pre-paid electricity, lottery and travel and event tickets. We will continue to focus on this area, providing our customers with increased convenience and innovation.

Trading expenses, at 16.9% of turnover, increased by 7.4% in total and by 3.8% on a like-for-like basis. Employee costs increased 6.1%. On a like-for-like basis, the growth in employee costs was contained at 3.5%, notwithstanding a first time charge of R67.3 million in respect of the new employee fortable share plan, which was implemented in August 2014, and an annual wage rate increase which was more in line with CPI. This is evidence of the tangible progress achieved in improving labour productivity and efficiency throughout the Group, through the centralisation and simplification of business processes and systems. Occupancy costs, which include rent, rates, security and insurance expenditure, increased by 15.7%. Rent paid rose by 18.1% year-on-year, reflecting our space growth over the last year, with like-for-like rental expenses up 7.0%, in line with average annual escalations. Total like-for-like occupancy cost increases were contained at 6.9%, despite regulated increases in rates and property taxes of up to 20%.

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

Profit/loss on capital items
In 2014 the Group completed the centralisation of its buying, operational and financial support functions. As a result, systems and reporting tools previously developed to support the decentralised business operation became obsolete indicating that certain intangible assets had to be assessed for impairment. Management estimated the recoverable amount as zero and an impairment of R104.1 million was recognised in the previous reporting period. The Group realised a gain of R10.4 million on the sale of assets in the current year, against losses of R5.5 million in the prior year.

Net finance costs
The net finance cost of R59.6 million was 40.2% down on last year. The net finance cost of R59.6 million was 40.2% down on last year. The net finance cost of R59.6 million was 40.2% down on last year. The net finance cost of R59.6 million was 40.2% down on last year. The net finance cost of R59.6 million was 40.2% down on last year. The net finance cost of R59.6 million was 40.2% down on last year. The net finance cost of R59.6 million was 40.2% down on last year. The net finance cost of R59.6 million was 40.2% down on last year. The net finance cost of R59.6 million was 40.2% down on last year. The net finance cost of R59.6 million was 40.2% down on last year. The net finance cost of R59.6 million was 40.2% down on last year. The net finance cost of R59.6 million was 40.2% down on last year. The net finance cost of R59.6 million was 40.2% down on last year. The net finance cost of R59.6 million was 40.2% down on last year. The net finance cost of R59.6 million was 40.2% down on last year.
**CHIEF FINANCE OFFICER’S REPORT CONTINUED**

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

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

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

The significant difference in the growth in headline earnings per share against basic earnings per share relates to the add-back of profits and losses of a capital nature in the calculation of headline earnings. The profit on the sale of assets, net of tax, of R87.4 million was taken into account in the calculation of headline earnings in the current period, against the add-back of capital losses in the prior year of R78.9 million net of tax. The capital loss in the previous year related mainly to the impairment of obsolete IT systems.

**Financial position**

<table>
<thead>
<tr>
<th></th>
<th>Sunday 1 March 2015</th>
<th>Sunday 2 March 2014</th>
<th>Sunday 2 March 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>Inventory</td>
<td>4 654.5</td>
<td>3 979.8</td>
<td>1 642.4</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>2 956.7</td>
<td>2 841.1</td>
<td>1 840.3</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1 173.8</td>
<td>1 540.3</td>
<td></td>
</tr>
<tr>
<td>Bank overdraft and overnight borrowings</td>
<td>(500.0)</td>
<td>(670.0)</td>
<td>(700.0)</td>
</tr>
<tr>
<td>Medium-term borrowings – DMTN Programme</td>
<td>—</td>
<td>—</td>
<td>(700.0)</td>
</tr>
<tr>
<td>Other current liabilities*</td>
<td>(9 153.6)</td>
<td>(6 204.4)</td>
<td></td>
</tr>
<tr>
<td>Net working capital</td>
<td>(868.6)</td>
<td>(1 213.2)</td>
<td></td>
</tr>
</tbody>
</table>

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

**Inventory**
Overall, we made good strides in removing excess inventory from the business. However, inventory increased by R874.7 million or 17.0% on last year. This reflected the new stores opened during the course of the year as well as an increase in the centralisation of suppliers over the period, which resulted in elevated inventory levels in the short term. In addition, labour disruption at our Longmeadow Distribution Centre, although quickly resolved, led to increased inventory levels at the facility over year-end.

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

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

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

**Capital expenditure for the year**

<table>
<thead>
<tr>
<th></th>
<th>52 weeks to 1 March 2015</th>
<th>52 weeks to 2 March 2014</th>
<th>% change</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
<td></td>
</tr>
<tr>
<td>Expansion into new stores</td>
<td>377.7</td>
<td>592.4</td>
<td></td>
</tr>
<tr>
<td>Improving existing stores</td>
<td>438.5</td>
<td>319.3</td>
<td></td>
</tr>
<tr>
<td>Improving the customer experience</td>
<td>816.2</td>
<td>911.7</td>
<td></td>
</tr>
<tr>
<td>Investing in future infrastructure</td>
<td>130.6</td>
<td>157.8</td>
<td></td>
</tr>
<tr>
<td>Maintaining current infrastructure</td>
<td>158.5</td>
<td>190.5</td>
<td></td>
</tr>
<tr>
<td>Total capital investment</td>
<td>1 105.3</td>
<td>1 260.0</td>
<td></td>
</tr>
</tbody>
</table>

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

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

**KEY FINANCIAL INDICATORS**

<table>
<thead>
<tr>
<th></th>
<th>52 weeks to 1 March 2015</th>
<th>52 weeks to 2 March 2014</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>R66.9 billion</td>
<td>R63.1 billion</td>
<td>6.1</td>
</tr>
<tr>
<td>Gross profit margin</td>
<td>17.8%</td>
<td>17.5%</td>
<td></td>
</tr>
<tr>
<td>Trading profit</td>
<td>R1 238.6 million</td>
<td>R1 008.1 million</td>
<td>22.9</td>
</tr>
<tr>
<td>Trading profit margin</td>
<td>1.9%</td>
<td>1.6%</td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>R1 203.7 million</td>
<td>R880.9 million</td>
<td>44.7</td>
</tr>
<tr>
<td>Profit before tax margin</td>
<td>1.8%</td>
<td>1.3%</td>
<td></td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>88.78 cents</td>
<td>60.61 cents</td>
<td>46.5</td>
</tr>
<tr>
<td>Headline earnings per share</td>
<td>88.01 cents</td>
<td>66.83 cents</td>
<td>27.9</td>
</tr>
<tr>
<td>Annual dividend per share</td>
<td>57.25 cents</td>
<td>44.30 cents</td>
<td>29.2</td>
</tr>
</tbody>
</table>

**PICK n PAY STORES LIMITED AND PICK n PAY HOLDINGS LIMITED RF SHAREHOLDER DISTRIBUTION**
The Board of Pick n Pay Stores Limited has maintained its dividend cover of 1.5 times headline earnings per share. Pick n Pay Holdings Limited RF’s dividend policy is to pay out all profits for the year.

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

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

Bakar Jakoet
Chief Finance Officer

Cape Town
20 April 2015
### Pick n Pay Stores Limited

#### PERFORMANCE MEASURES

<table>
<thead>
<tr>
<th>Period</th>
<th>Turnover (Rbn)</th>
<th>Profit before tax (Rm)</th>
<th>Trading profit margin (%)</th>
<th>EBITDA growth %</th>
<th>Return on shareholders’ equity (%)</th>
<th>WACC %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>59.3</td>
<td>55.2</td>
<td>9.3</td>
<td>18.5</td>
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<tr>
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<td>2013</td>
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<tr>
<td>2014</td>
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<td>63.3</td>
<td>9.2</td>
<td>25.9</td>
<td>29.1</td>
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<td>2015</td>
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<td>66.9</td>
<td>9.0</td>
<td>30.6</td>
<td>30.8</td>
<td>12.5</td>
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#### CONSOLIDATED STATMENTS OF COMPREHENSIVE INCOME

<table>
<thead>
<tr>
<th>Period</th>
<th>Turnover (Rmb)</th>
<th>Profit before tax (Rm)</th>
<th>Trading profit margin (%)</th>
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#### CONSOLIDATED STATMENTS OF FINANCIAL POSITION

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<tr>
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<th>Turnover (Rmb)</th>
<th>Profit before tax (Rm)</th>
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</tr>
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</table>

#### STOCK EXCHANGE (JSE LIMITED)

<table>
<thead>
<tr>
<th>Period</th>
<th>Turnover (Rmb)</th>
<th>Profit before tax (Rm)</th>
<th>Trading profit margin (%)</th>
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<td>12.5</td>
</tr>
</tbody>
</table>

#### DEFINITIONS

- **Headline earnings**: Net profit for the period adjusted for the after tax effect of certain capital items.
- **Return on shareholders’ equity**: Headline earnings expressed as a percentage of the average ordinary shareholders’ equity for the period.
- **Return on capital employed (ROCE)**: Headline earnings divided by average shareholders equity plus non-current borrowings.
- **Return on total assets**: Headline earnings expressed as a percentage of the average total assets for the period.
- **Dividend cover**: Dividends paid divided by the earnings per share.
- **WACC**: Weighted average cost of capital, which includes both debt and equity cost of capital.

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**Turnover (Rbn)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>59.3</td>
</tr>
<tr>
<td>2012</td>
<td>63.3</td>
</tr>
<tr>
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<tr>
<td>2015</td>
<td>78.4</td>
</tr>
</tbody>
</table>

**Return on capital employed (%)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Return on Capital Employed (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>9.3</td>
</tr>
<tr>
<td>2012</td>
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</tr>
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<td>2014</td>
<td>9.2</td>
</tr>
<tr>
<td>2015</td>
<td>9.0</td>
</tr>
</tbody>
</table>
Value added is the value that the Group has added to pay for merchandise and other costs, and to sell goods and services. This statement shows how the value added has been distributed over the financial period.

<table>
<thead>
<tr>
<th>Turnover</th>
<th>52 weeks 1 March 2015</th>
<th>52 weeks 2 March 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rm</td>
<td>%</td>
<td>Rm</td>
</tr>
<tr>
<td>66 940.8</td>
<td>63 117.0</td>
<td>(59 152.7)</td>
</tr>
<tr>
<td>Amounts paid for merchandise and expenses</td>
<td>72%</td>
<td>73.5</td>
</tr>
<tr>
<td>Finance income</td>
<td>5.4</td>
<td>7.5</td>
</tr>
<tr>
<td>Total value inputs</td>
<td>7 847.5</td>
<td>7 251.7</td>
</tr>
</tbody>
</table>

Distributed as follows:
- Employees:
  - Salaries, wages and other benefits | 5 653.8 | 5 326.3 |
  - To providers of capital | 580.8 | 542.3 |
- Distributions to shareholders | 461.8 | 398.4 |
- Finance costs | 119.0 | 143.9 |
- Government:
  - Tax expense | 343.5 | 249.4 |
  - Profit for the period after distributions to shareholders | 399.9 | 185.3 |

Total value outputs | 7 847.5 | 7 251.7 |

Adding value to stakeholders

- Retained for growth (Rm):
  - 2015: 1 162.2
  - 2014: 1 248.4
- Employee costs (Rm):
  - 2015: 3 821.8
  - 2014: 3 653.8
- Government taxes (Rm):
  - 2015: 0 | 2014: 1 932.3
OUR SOCIAL IMPACT

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

Wider social impact

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

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

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

Empowering small black business

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

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

National impact, local focus

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

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

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

We have stores in the hearts of many communities, and seek to play a positive role whenever we have a presence. This can take various forms, including supporting local charities, volunteering, donating goods or services and helping local people during crises or emergencies. In the year reviewed, there were a number of key CSR projects where being part of the community helps the communities we serve.

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

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

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

For more on our social value creation, see our 2015 Sustainable Living Report on our website, www.picknpay.co.za
Our aim is to be the retail employer of choice in South Africa and in each of the markets in which we operate. In pursuit of this aim we offer a variety of jobs in a growing and dynamic sector, competitive remuneration and benefits, training to develop our people, a positive working environment and outstanding opportunities for career progression. In addition, our priorities include the development of small businesses and creating more opportunities for entrepreneurs, particularly by empowering black- and women-owned businesses.

### OUR HUMAN IMPACT

#### Embracing the challenge of change

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

We were pleased to have improved our broad-based black economic empowerment (BBBEE) score from level 6 to level 4. We tripled our expenditure on black women-owned businesses, and improved our preferential procurement score by 26.4%. BEE businesses increased by 39.2% in 2015, reaching R33.4 billion. Our total CSR contribution, and significant improvements in our socio-economic development and bursaries increased by 16.7% on the previous year. Eighty-five percent of this spend was on historically disadvantaged South Africans (HDSAs) and employees below junior level.

### Making good people great

Making good people great

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

Our key employee objectives are:

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

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

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

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

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

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

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

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

We are pleased that our climate change strategy has been recognised both locally through our inclusion in the Socially Responsible Investment Index of the JSE, and internationally through our inclusion in the Dow Jones Sustainability Index.

In 2014 we achieved one of the leading retailer scores in the world, scoring 98A in the Carbon Disclosure Project, and were the only South African retailer to be included in both the Carbon Disclosure Leadership Index (CDLI) and Carbon Disclosure Performance Leadership Index (CPLI).

Doing more with less

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

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

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

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

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

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

We provide a nationwide network of collection points for consumers wanting to recycle light bulbs, batteries, plastic bags and ink cartridges, and we continue to introduce enterprise recycling initiatives, many of which create job opportunities.

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

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

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

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

Our carbon footprint

Information contained in this report relates to Pick n Pay-owned stores only.
**BOARD OF DIRECTORS**

**Chairman**

Gareth Ackerman (57)  
BSocSci, CMS (Oxon)  
Member of social and ethics committee  
Alternate director of Pick n Pay Holdings Limited

**Executive directors**

Jonathan Ackerman (47)  
Art. Fellow, Aspen Institute Africa Trustee  
Social and ethics committee chairman  
Appointed 2013  
Years of service: 8  
Jonathan has extensive experience in the development of democratic South Africa after the fall of apartheid. He is currently the CEO of the International Business Forum. He is also a non-executive director of Pick n Pay Holdings Limited.

Richard Broacher (56)  
Art. Fellow  
Chief Executive Officer  
Appointed 2013  
Years of service: 13  
Richard joined the Group in 1990. He became Executive Director in 1995. He was Group Chief Executive Officer from 1999 to 2013, before becoming Executive Chairman. He is also a non-executive director of Woolworths Limited, Massmart Holdings Limited and Investec Group Limited. He is a member of the governing board of the University of Cape Town Council, Chairman of the University of Cape Town Alumni Association and Honorary President of the African Leadership Initiative.

Richard van Rensburg (53)  
CAGA  
Deputy Chief Executive Officer  
Appointed 2016  
Years of service: 6  
Richard has extensive experience in retail and financial services, particularly in strategy formulation and implementation. He was appointed Divisional manager in 1993 and served on the board based at Chief Financial Officer of the Group, where he was responsible for the provision of financial services to senior management. He was appointed as CAGA and a member of the board of directors of the Woolworths Group in 2011. In addition to his responsibilities at Pick n Pay, Richard is a member of the Board of Directors of the UCT Finance Committee and a Council member of the University of Cape Town.

Abubaker (Bokah) Jusab (50)  
CAGA  
Chief Financial Officer  
Appointed 2017  
Years of service: 29  
Bokah joined the Group in 1989, working in General Merchandise, Marketing and Financial Services. He was appointed Divisional manager in 1993 and on the board of directors based at Chief Financial Officer of the Group. Bokah was appointed as CAGA and a member of the board of directors of the Woolworths Group in 2011. In addition to his responsibilities at Pick n Pay, Bokah is a member of the Board of Directors of the UCT Finance Committee and a Council member of the University of Cape Town.

**Non-executive directors**

David Friedland (57)  
CAGA  
Appointed 2012  
Years of service: 5  
David joined the Group in 1998 and was a non-executive director on the boards of companies such as Telkom, Newstar and Standard Bank. He served on the board of directors of the University of Cape Town Foundation and as a governor of the African Leadership Institute. He is a partner of the law firm, Webber Richards.

Hugh Herman (54)  
CAGA  
Appointed 2013  
Years of service: 2  
Hugh has many years of experience in retail, media and communications. He served as CEO of Carphone Warehouse PLC for 23 years as an executive Director. He has also served as the CEO of Yahoo! and Murdoch Media Group. He has also served on boards of The Telegraph Media Group, The Bidvest Group, The Sunday Times, Holiday Inn and The Investment Fund. He is also an independent member of the Board of Directors of The Standard Bank Group Limited, The Standard Bank UK PLC, The Standard Bank PLC, The Standard Bank of South Africa, and a director of Standard Chartered Bank PLC.

Leeto Phakathi (54)  
CAGA  
Appointed 2013  
Years of service: 1  
Leeto joined the Group in 2012 and is the executive director responsible for Executive Engagement and Talent. He served as the Chief Financial Officer at Absa Bank. He was the Director of Finance and Administration for the University of Johannesburg. He is also a Trustee of the University of Johannesburg. He has been a Governance Committee Member of the African Leadership Institute.

Ben van der Riet (52)  
CAGA  
Appointed 2002  
Years of service: 11  
Ben joined the Group in 2002 and was appointed as the Group General Manager in 2005. He was appointed as the Group Chief Executive Officer in 2013. He is a non-executive director of Pick n Pay Stores Limited, the Woolworths Group Limited and the Williams Containers Group Limited.

Jeffrey Snyman (60)  
CAGA  
Appointed 2013  
Years of service: 1  
Jeffrey is a CA (SA) and a director of the Williams Containers Group Limited, Exxaro Resources Limited. He is a director of the National Business Chamber and the National Foundation for Corporate Governance and is a member of the Board of Directors of the AIG Foundation. He is the founder of the Snyman Group and is a member of the South African National Business Council.

**Company Secretary**

Debra Hulme (52)  
CAGA  
Appointed 2013  
Years of service: 5  
Debra was appointed as an attorney in 1998 and was appointed in 2006 as an associate legal director, working with shareholders and compliance issues. She is also a member of the board of directors of the University of Cape Town Alumni Association, serving as a Council member of the University of Cape Town, as well as a Council member of the University of the Western Cape. Prior to joining the Group, Debra was a partner from 2000 to 2007.

**Independent non-executive directors**

Hugh Herman (54)  
Director  
Appointed 2013  
Hugh has many years of experience in retail, media and communications. He served as CEO of Carphone Warehouse PLC for 23 years as an executive Director. He has also served as the CEO of Yahoo! and Murdoch Media Group. He has also served on boards of The Telegraph Media Group, The Bidvest Group, The Sunday Times, Holiday Inn and The Investment Fund. He is also an independent member of the Board of Directors of The Standard Bank Group Limited, The Standard Bank UK PLC, The Standard Bank PLC, The Standard Bank of South Africa, and a director of Standard Chartered Bank PLC.

Hadjigeorgiou (57)  
Attorney  
Appointed 2013  
Hadjigeorgiou has many years of experience in retail, media and communications. He served as CEO of Carphone Warehouse PLC for 23 years as an executive Director. He has also served as the CEO of Yahoo! and Murdoch Media Group. He has also served on boards of The Telegraph Media Group, The Bidvest Group, The Sunday Times, Holiday Inn and The Investment Fund. He is also an independent member of the Board of Directors of The Standard Bank Group Limited, The Standard Bank UK PLC, The Standard Bank PLC, The Standard Bank of South Africa, and a director of Standard Chartered Bank PLC.

**Alternate director**

John Gildersleeve  
Alternate director  
Appointed 2013  
John has many years of experience in retail, media and communications. He served as CEO of Carphone Warehouse PLC for 23 years as an executive Director. He has also served as the CEO of Yahoo! and Murdoch Media Group. He has also served on boards of The Telegraph Media Group, The Bidvest Group, The Sunday Times, Holiday Inn and The Investment Fund. He is also an independent member of the Board of Directors of The Standard Bank Group Limited, The Standard Bank UK PLC, The Standard Bank PLC, The Standard Bank of South Africa, and a director of Standard Chartered Bank PLC.

Lorato Phalatse  
Alternate director  
Appointed 2013  
Years of service: 1  
Lorato joined the Group in 2012 and is the executive director responsible for Executive Engagement and Talent. She served as the Chief Financial Officer at Absa Bank. She was the Director of Finance and Administration for the University of Johannesburg. She has been a Governance Committee Member of the African Leadership Institute.

**Ex-officio**

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

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

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

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

With the aim of achieving a balanced economic, social and environmental performance, the Board supports efforts to ensure the long-term sustainability of the business. Legitimate stakeholder involvement is kept in mind at all times and the Board fully supports the materiality approach, which emphasises integrated measurement of corporate governance best practice.

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

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

The Group has made progress in identifying and managing key risk metrics and measures have been developed with risk indicators clearly defined.

SUMMARY OF THE APPLICATION OF KING III PRINCIPLES

The table below explains King III’s recommendations that are effecitively applied by the Group.

<table>
<thead>
<tr>
<th>Chapter and principle</th>
<th>Comments for 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter 2 – Board and directors</td>
<td></td>
</tr>
<tr>
<td>Principle 2.16 The Board should elect a Chairman of the Board who is an independent non-executive director.</td>
<td>King III acknowledges that there may be sound reasons for a company to appoint a chairman who does not meet all the criteria for independence, but requires such a company to justify this decision and to put further checks in place to ensure no real or perceived conflicts of interest arise.</td>
</tr>
<tr>
<td>Principle 2.22 The evaluation of the Board, its committees and the individual directors should be performed every year.</td>
<td>It had been anticipated that an external assessment of the Board would be conducted during the 2015 financial year. However, the Board unanimously resolved that such assessment was unnecessary, given the comprehensive internal assessment that is conducted annually. Individual performance evaluations of directors as well as of the effectiveness of the Board are undertaken annually by the Chairman of the Board. The evaluation of the effectiveness of the Board’s committees is undertaken regularly, but not necessarily annually. The results allow the Board to determine whether or not it has delivered on its mandate. It also measures, and where possible, enhances, the Board’s overall efficiency and each director’s individual contribution to the Board. If improvements are indicated, the necessary measures are implemented.</td>
</tr>
<tr>
<td>Principle 3.5 The audit committee should ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities.</td>
<td>The Board and audit and risk committee continue to develop and implement a comprehensive combined assurance approach to ensure the integrity of the financial and non-financial data contained within the report.</td>
</tr>
<tr>
<td>Principle 9.3 Sustainability reporting and disclosure should be independently assured.</td>
<td>The Board and audit and risk committee continue to develop and implement a comprehensive combined assurance approach to ensure the integrity of the financial and non-financial data contained within the report.</td>
</tr>
</tbody>
</table>
BOARD GOVERNANCE

Board composition

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

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

Board function

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

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

Controlling shareholder representation on the Board

As representatives of the controlling shareholder, Gareth Ackerman, Suzanne Ackerman-Berman, Jonathan Ackerman and David Robins were nominated and elected by shareholders to the Board. Between them they have 64 years’ executive experience in the Group. Suzanne Ackerman-Berman and Jonathan Ackerman are executive directors, while David Robins was an executive director for 14 years and has been a non-executive director since 2008. The Chairman, Gareth Ackerman, has been with the Group for 31 years, the last 16 years (other than an 11-month period during the 2013 financial year) in a non-executive capacity. Their experience, as well as their strategic overview, assists the Group in making long-term decisions for the benefit of all stakeholders in the Group.

Executive representation on the Board

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

Annual assessment of independence

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

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

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

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

Length of service

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

Conclusion as to independence

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

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

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

Board committees

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

Company Secretary

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

OPERATIONAL GOVERNANCE

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

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

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

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

Compliance with statutory, legislative and regulatory requirements is managed through an integrated compliance framework. The compliance monitoring plan is approved on an annual basis. The plan provides independent objective assurance that material legislation applicable to the business has been monitored and ensures that processes and compliance controls are in place to manage compliance risk.
BOARD GOVERNANCE STRUCTURE
The Board governs decision-making and gives leadership through its committee structure. The committees operate within Board mandates, ensuring that strategy is implemented through the operations of the Group. Progress is reported to the Board.

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

1. Pick n Pay Holdings Limited RF
   - Six directors and three alternate directors
   - Audit and risk committee
     - Three directors

2. Pick n Pay Stores Limited
   - Fourteen directors
   - Audit and risk committee
     - Four directors
   - Remuneration committee
     - Three directors
   - Nominations committee
     - Three directors
   - Corporate governance committee
     - Two directors
   - Corporate finance committee
     - All non-executive directors
   - Social and ethics committee
     - Two directors

3. Pick n Pay Holdings Limited RF
   - Six directors and three alternate directors
   - Audit and risk committee
     - Three directors

4. Pick n Pay Stores Limited
   - Fourteen directors
   - Audit and risk committee
     - Four directors
   - Remuneration committee
     - Three directors
   - Nominations committee
     - Three directors
   - Corporate governance committee
     - Two directors
   - Corporate finance committee
     - All non-executive directors
   - Social and ethics committee
     - Two directors

5. Group executive committee

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

<table>
<thead>
<tr>
<th>Director</th>
<th>Board and AGM attendance</th>
<th>Activities 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gareth Ackerman (Chairman)</td>
<td>5/5</td>
<td>Reviewed and approved the Group strategy</td>
</tr>
<tr>
<td>Richard Brasher (CEO)</td>
<td>5/5</td>
<td>Reviewed and approved the three-year financial plan and the 2015 budget</td>
</tr>
<tr>
<td>Richard van Rensburg (deputy CEO)</td>
<td>5/5</td>
<td>Approved the interim and year-end financial results, and the JSE SENS announcements</td>
</tr>
<tr>
<td>Bakar Jakoet (CFO)</td>
<td>5/5</td>
<td>Approved the integrated annual report</td>
</tr>
<tr>
<td>Suzanne Ackerman-Berman</td>
<td>5/5</td>
<td>Discussed and considered material issues relating to execution of strategy</td>
</tr>
<tr>
<td>Jonathan Ackerman</td>
<td>5/5</td>
<td>Reviewed and approved the cash flow reports</td>
</tr>
<tr>
<td>Hugh Herman (LD)</td>
<td>5/5</td>
<td>Reviewed and approved the capital expenditure budget</td>
</tr>
<tr>
<td>Ben van der Ross</td>
<td>5/5</td>
<td>Reviewed and approved the property strategy</td>
</tr>
<tr>
<td>Jeff van Rooyen</td>
<td>5/5</td>
<td>Approved the operating model strategy</td>
</tr>
<tr>
<td>Lorato Phalatse</td>
<td>5/5</td>
<td>Approved the expansion of the Group into Ghana</td>
</tr>
<tr>
<td>David Robins</td>
<td>5/5</td>
<td>Approved the extension of tenure for current non-executive directors</td>
</tr>
<tr>
<td>John Gildersleeve</td>
<td>5/5</td>
<td>Approved the non-executive directors’ fees for tabling at the annual general meeting</td>
</tr>
<tr>
<td>Audrey Motlhupi</td>
<td>5/5</td>
<td>Considered the declaration of directors’ personal financial interests at each meeting</td>
</tr>
<tr>
<td>David Friedland</td>
<td>5/5</td>
<td>Resolved to put the external audit out for tender</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Reviewed the corporate governance charter</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Approved the notice and proxy of the annual general meeting (AGM)</td>
</tr>
</tbody>
</table>

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

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

Refer to the Pick n Pay Holdings Limited RF corporate governance report on pages 86 to 89 and Board of directors on page 85.
Refer to the Pick n Pay Stores Limited corporate governance report on pages 54 to 59.
Refer to the audit and risk committee report on pages 77 to 79.
Refer to the remuneration committee report on pages 60 to 76.
Refer to the nominations committee report on page 80.
Refer to the corporate finance committee report on page 82.
Refer to the corporate governance committee report on page 81.
Refer to the social and ethics committee report on page 83.
The Group executive committee comprises Richard Brasher, Richard van Rensburg and Bakar Jakoet.
achieved over the year include the implementation of a new performance management system for senior management and the implementation of the new forfeitable share plan, both closely aligning rewards with the objectives of our long-term strategy. At the same time the Group strengthened its management team through key external appointments and strong internal promotions. The Group improved its BBBEE performance from level 6 to level 4 over the year, reflecting our commitment to transformation at Pick n Pay, including in the area of employment equity.

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

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

Hugh Herman
Chairman: remuneration committee
Cape Town
20 April 2015

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

Section 1 - Remuneration philosophy and supporting policies, including:
- Alignment with strategic objectives
- Role and mandate of remuneration committee
- Remuneration structure
  - Executive directors and employees
  - Non-executive directors

Section 2 - Implementation of remuneration policies during the 2015 financial year, including:
- Work performed and decisions taken by remuneration committee
- Payments, accruals and awards to executive directors
- Payments, accruals and awards to non-executive directors
- Directors’ interests in shares

Section 1

REMUNERATION PHILOSOPHY AND SUPPORTING POLICIES

The Group’s remuneration philosophy is aimed at attracting, retaining and motivating employees and executives, while aligning their remuneration with shareholder interests and best practice. Pick n Pay is managed on a balanced scorecard approach, led by the Pick n Pay steering wheel. The steering wheel acknowledges the five key performance areas of our business which have a material impact on our stakeholders and ultimately our performance. Please see page 7 for more information. One of these key performance areas is “People”, recognising the integral role that the Pick n Pay team plays in achieving long-term strategic objectives.

The Group remuneration philosophy reflects the principles of the “People” section of the Pick n Pay steering wheel:
- Meritocracy – people will be recognised and advanced based on merit.
- Most talented SA retail business – we will attract, retain and develop the most talented retail staff in the industry.
- Effective lean organisation structure – we will create and reward a culture of productivity and efficiency.
- Diversity management – we will ensure Pick n Pay offers equal opportunities to people from all walks of life.

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

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

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

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

The Group remuneration philosophy and underlying policies are aligned with the long-term strategic objectives of the Group, with short-term and long-term incentives linked to the achievement of key performance indicators, and will contribute to building a winning team and building long-term, sustainable value creation in the business.
The Group structures its remuneration across three broad categories: Executive directors and employees, Fixed base salary and benefits, and Long-term incentives.

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

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

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

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

Fixed base salary

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

13th cheque

Paid to qualifying employees in November each year. Variable-time employees1 participate based on the average number of hours worked in a month. Employees must have been in the employ of the Group for at least three months to be eligible. The 13th cheque encourages short-term retention.

Retirement funding

It is a condition of employment that all employees participate in a retirement fund. All employees, including variable-time employees2, are required to join one of the retirement funds provided by the Group when commencing employment. The Group contributes up to 16.9% of salary expenditure towards retirement funding, depending on the fund and the terms and conditions of employment.

Medical aid

Medical aid provisions are in place for all full-time1, part-time2 and variable-time employees3. The Group provides a number of medical aid schemes and membership is compulsory for all Pick n Pay employees on G-grade and above, unless they are covered by a third-party medical aid. Membership of the medical aids provided is optional for NMBU4 employees. Pick n Pay contributes 51% of the medical aid contributions on behalf of employees.

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

Car benefit

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

Low-interest loans

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

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1 Full-time employees have a fixed contract with the Group, and work either 40 or 45 hours per week.
2 Part-time employees have a fixed contract with the Group, and work a maximum of 25 hours per week.
3 Variable-time employees have a variable contract with the Group, which guarantees either 85 hours per month, or a maximum of 40 hours per week.
4 Non-management bargaining unit.
Loan values are capped at varying amounts, depending on the employee’s position in the Group. Affordability tests are performed before any loan is granted, to ensure the employee does not experience financial strain.

All housing loans are secured against the employee’s retirement funding. No financial assistance is provided for the purpose of assisting employees to buy shares in the Group. For further details please refer to note 15 of the financial statements where employee loans are disclosed.

Variable short-term and long-term incentives

<table>
<thead>
<tr>
<th>Employees</th>
<th>Share options</th>
<th>Incentive bonus</th>
<th>Service</th>
<th>Status</th>
<th>Performance</th>
<th>Retention and binary</th>
<th>Forfeitable shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>A &amp; B</td>
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<td>C &amp; D</td>
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<tr>
<td>NM/BLU</td>
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<td>✓</td>
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</table>

Short-term incentive bonus

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

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

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

Variable long-term incentives

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

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

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

Funding of share plans and dilution

The directors have received approval to utilise up to 63 892 444 shares of the issued share capital of Pick n Pay Stores Limited and 92 268 590 shares of the issued share capital of Pick n Pay Holdings Limited RF for the purpose of managing the Group’s share schemes. Both the Group’s share schemes fall within the limits detailed above, which means the aggregate of instruments awarded under both schemes cannot exceed the authorised limits.

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

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

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

1. The 1997 Employee Share Option Scheme

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

Pick n Pay Holdings Limited RF (PPK)

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

Long-service share options – no conditions attached

Long-service share options are granted to all long-serving employees at all levels, including full-time1  part-time2 and variable-time3 employees. Share options are granted on each employee’s five-year service anniversary, with further options granted every five years thereafter. No other service or performance conditions are attached – long-service option shares may be taken up immediately on granting.

Pick n Pay Stores Limited (PnPS)

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

Status share options – service conditions attached

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

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

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

Performance share options – service conditions attached

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

Retention share options – extended service conditions attached

These share options specifically encourage the retention of key individuals and have varying vesting periods that can be up to 10 years. A detailed review was done by the remuneration committee of all share options held by executive directors in the interest of achieving fair and balanced reward. As a result, it was agreed to amend the vesting period of performance share options issued to Richard Brasher during November 2012. The vesting period has been adjusted from three equal instalments vesting after three, five and seven years, to one instalment vesting after five years.

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

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

3 Variable-time employees have a variable contract with the Group, which guarantees either 85 hours per month, or a maximum of 40 hours per week.
**Binary share options – service and performance conditions attached**

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

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

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

The salient features of the issue are summarised below:

<table>
<thead>
<tr>
<th>Hurdles</th>
<th>Share price May 2014</th>
<th>Annual compound growth rate</th>
<th>Exercise price May 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligibility</td>
<td>R65.28</td>
<td>12% R41.23</td>
<td></td>
</tr>
<tr>
<td>Performance</td>
<td>R87.87</td>
<td>18% R20.62</td>
<td>Performance hurdle 1</td>
</tr>
<tr>
<td>Performance</td>
<td>R97.25</td>
<td>25% R1.00</td>
<td>Performance hurdle 2</td>
</tr>
</tbody>
</table>

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

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

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

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

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

Richard van Rensburg did not participate in the October 2010 binary issue that was forfeited in May 2014.

c. **Binary share option issue to CEO Richard Brasher**

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

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

The salient features are summarised below:

<table>
<thead>
<tr>
<th>Hurdles</th>
<th>Share price November 2017</th>
<th>Annual compound growth rate</th>
<th>Exercise price November 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligibility</td>
<td>R68.03</td>
<td>10% R42.24</td>
<td></td>
</tr>
<tr>
<td>Performance</td>
<td>R84.96</td>
<td>15% R21.12</td>
<td>Performance hurdle 1</td>
</tr>
<tr>
<td>Performance</td>
<td>R128.91</td>
<td>25% R1.00</td>
<td>Performance hurdle 2</td>
</tr>
</tbody>
</table>

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

2. **The forfeitable share plan (FSP)**

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

The award of shares under the FSP recognises the valuable contribution of qualifying employees, and through the attachment of performance conditions, incentivises these employees to deliver earnings growth in the future. An award of shares may also be used to attract talented prospective employees.

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

Delivered growth in headline earnings per share of 28.0% in the time of the publication of the 2017 financial result. The Group (and thus the level of performance condition met) will be known at the time of the completion of the vesting period (other than on normal retirement, disability or death) and the role and performance of each individual executive director.

However, the three-year compound annual growth rate of HEPS after the completion of a prescribed three-year service period. Forfeitable shares are performance shares. Shares awarded under the FSP will always have performance conditions attached. If the performance conditions are not met within the specified time period (the vesting period), the employee will forfeit the shares. The remuneration committee awards shares to participants. The actual number of shares awarded takes into account recognised market benchmarks, as well as each participant’s individual performance.

The following performance conditions apply:

<table>
<thead>
<tr>
<th>52 weeks to 2 March 2014 baseline HEPS cents</th>
<th>Three-year compound annual growth rate %</th>
<th>52 weeks to 26 February 2017 HEPS cents</th>
<th>Cumulative HEPS over three years</th>
<th>Portion of shares which vest %</th>
<th>Number of shares which vest</th>
<th>Net realisable value* (Rm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>138.51</td>
<td>&lt; 10%</td>
<td>&lt; 184.36</td>
<td>&lt; 504.32</td>
<td>All forfeited</td>
<td></td>
<td></td>
</tr>
<tr>
<td>138.51</td>
<td>10%</td>
<td>184.36</td>
<td>504.32</td>
<td>30%</td>
<td>2,077.5</td>
<td>109.7</td>
</tr>
<tr>
<td>138.51</td>
<td>12%</td>
<td>194.60</td>
<td>523.48</td>
<td>65%</td>
<td>4,501.2</td>
<td>237.8</td>
</tr>
<tr>
<td>138.51</td>
<td>15%</td>
<td>210.66</td>
<td>553.13</td>
<td>100%</td>
<td>6,925.0</td>
<td>365.8</td>
</tr>
</tbody>
</table>

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

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

It is important to note that the growth thresholds detailed above are after recognising the applicable IFRS 2 expense, which is charged to the income statement over the vesting term of the forfeitable shares. The scheme is therefore self-funding. The 2015 financial year includes a charge of R67.3 million in employee costs in respect of the FSP, representing just over six months of straight-line expense. The shares will vest in August 2017 after the completion of a prescribed three-year service period. However, the three-year compound annual growth rate of HEPS and (thus the level of performance condition met) will be known at the time of the publication of the 2017 financial result. The Group delivered growth in headline earnings per share of 28.0% in the 2015 financial year, with a ROCE of 18.3% and a WACC of 9.5%. Please refer to the five-year review on pages 42 and 43 for detail on the calculation of both ROCE and WACC.

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

Service contracts

Executive directors and senior management are employed in terms of the Group’s standard contract of employment and are not employed under fixed-term contracts. Senior management (grades A and B) are required to give a reasonable notice period of their intention to terminate their services, which varies from one to 12 calendar months. The retirement age is 60 years, which applies to all employees. Employment contracts do not provide for any exceptional benefits or compensation on the termination of employment. Certain managers who are considered key in carrying out the Group’s strategy are subject to contractual restraint of trade provisions and discretionary termination or restraint of trade payments may be made in this regard.

Remuneration structure

Non-executive directors

In respect of non-executive directors, the remuneration committee proposes fees to be paid for the membership of the Board and Board committees. Such fees are market-related, commensurate with the time required for directors to undertake their duties, and must be approved by the Board and shareholders. Approved fees are set for the financial period. Fees are not subject to attendance at meetings as attendance at Board meetings is generally good. Remuneration is not linked to the performance of the Group or the Group’s share performance. Non-executive directors do not receive performance-related bonuses and are not granted forfeitable shares or share options. The fees for the 2015 financial period were approved by shareholders at the AGM held on 2 June 2014. The proposed fees for the 2016 financial period will be submitted to shareholders for approval at the AGM to be held on 27 July 2015.

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

Section two

IMPLEMENTATION OF REMUNERATION POLICY DURING THE 2015 FINANCIAL YEAR

1. Work performed and decisions taken by remuneration committee

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

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

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

b. Reviewing and setting the annual compensation for the CEO

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

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

c. Annual increases in fixed remuneration for executive directors

The increase in total fixed base salary and benefits paid to executive directors is 5.6%, with a base salary average increase of 6.9%, against an average for the Group of 6.5% to 7.0%, excluding employees governed by a labour union agreement (NMU). The average annual increase for NMU employees was between 7.0% and 8.0%. Increases are determined after detailed performance reviews undertaken in April each year. Annual increases are determined with reference to the scope of executives’ roles, their performance against key performance indicators, as well as comparable increases in the general and retail market and the projected consumer price index.

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

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

The remuneration committee sets annual performance targets (threshold, target and stretch) that must be achieved before a short-term incentive bonus will be payable. The targets are based on profit before tax and exceptional items (PBTAE), which is inclusive of the cost of the short-term incentive.
The business has completed Stage 1 of its recovery plan – Stabilising the business – demonstrating a sound improvement in all key underlying financial metrics. The Group delivered growth in PBTAE ahead of the remuneration committee’s threshold level of 12% and its target of 23%, with the Group achieving PBTAE of R1.205.2 million (28.6% growth). The search target of 33% was not met. As a result, a bonus was agreed to by the remuneration committee.

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

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

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

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

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

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

The remuneration committee set the financial performance conditions to be attached to the debut issue (unsubscribed) with particular focus on the allocations to executive directors. For further information refer to pages 67 and 68 of this report.

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

In setting the Chairman’s proposed annual fee of R8.7 million, the remuneration committee (with Gareth Ackerman recused from discussion) considered the active role he plays in the corporate governance of Pick n Pay and in formulating overarching strategy for the individual companies within the Group. Gareth does not play a day-to-day role in the executive management and administration of the business, but he does make himself available to the executive team in a valuable advisory capacity.

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

Fees for the current and proposed periods are as follows:

<table>
<thead>
<tr>
<th>Proposed 2016</th>
<th>Actual 2015</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman of the Board</td>
<td>3 657 000</td>
<td>3 450 000</td>
</tr>
<tr>
<td>Lead independent non-executive director of the Board</td>
<td>114 000</td>
<td>107 000</td>
</tr>
<tr>
<td>Non-executive director of the Board</td>
<td>280 000</td>
<td>265 000</td>
</tr>
<tr>
<td>Member of the audit committee</td>
<td>114 000</td>
<td>107 000</td>
</tr>
<tr>
<td>Chairman of the remuneration committee</td>
<td>150 000</td>
<td>140 000</td>
</tr>
<tr>
<td>Member of the nomination committee</td>
<td>75 000</td>
<td>70 000</td>
</tr>
<tr>
<td>Member of the nominations committee</td>
<td>70 000</td>
<td>65 000</td>
</tr>
<tr>
<td>Member of the social and ethics committee</td>
<td>75 000</td>
<td>70 000</td>
</tr>
<tr>
<td>Chairman of the corporate finance committee</td>
<td>160 000</td>
<td>—</td>
</tr>
<tr>
<td>Member of the corporate finance committee</td>
<td>107 000</td>
<td>—</td>
</tr>
<tr>
<td>Trustee of the employee share purchase trust</td>
<td>33 000</td>
<td>31 000</td>
</tr>
</tbody>
</table>

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

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

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

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

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

This report and the recommendations of the remuneration committee have been approved by the Board and will be submitted to shareholders for consideration at the annual general meeting to be held on 27 July 2015.
## Share awards granted to executive directors – PIK

### Calendar year granted

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

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

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

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

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

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### Share awards granted to executive directors – PIK (continued)

<table>
<thead>
<tr>
<th>Calendar year granted</th>
<th>Award grant price</th>
<th>Balance held at 3 March 2014</th>
<th>Granted during the period</th>
<th>Forfeited during the period</th>
<th>Balance held at 1 March 2015</th>
<th>Available for take-up</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jonathan Ackerman</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share options</td>
<td>2005</td>
<td>20.7</td>
<td>6 441</td>
<td>—</td>
<td>6 441</td>
<td>Now</td>
</tr>
<tr>
<td></td>
<td>2006</td>
<td>28.00</td>
<td>14 286</td>
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<td>554 814</td>
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<tr>
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<td>41.23</td>
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<td>647 215</td>
<td>150 000</td>
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<td>397 215</td>
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*The exercising of these forfeitable shares is subject to performance criteria related to the growth in HEPS of Pick n Pay Stores Limited. If the performance hurdles are not met, the shares will be forfeited. These shares are held in a CSDP account on behalf of the director until the vesting conditions have been met. For further details on the forfeitable share plan, refer to pages 67 and 68 of this report.

**Binary options granted under the May 2010 binary scheme were forfeited in May 2014 due the performance criteria not having been met.
Share awards granted to executive directors – PWK

<table>
<thead>
<tr>
<th>Calendar year granted</th>
<th>Award grant price R</th>
<th>Balance held at 3 March 2014</th>
<th>Granted during the period</th>
<th>Balance held at 1 March 2015</th>
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<tr>
<td>Bakar Jakoet</td>
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</tr>
<tr>
<td>Jonathan Ackerman</td>
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<td>2012</td>
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</tr>
<tr>
<td>Suzanne Ackerman-Berman</td>
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3. Payments, accruals and awards to non-executive directors

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<thead>
<tr>
<th>Directors' fees R’000</th>
<th>Lead director R’000</th>
<th>Audit committee R’000</th>
<th>Remuneration committee R’000</th>
<th>Nominations committee R’000</th>
<th>Corporate finance committee R’000</th>
<th>Social and ethics committee R’000</th>
<th>Employee share trust R’000</th>
<th>Total R’000</th>
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<tr>
<td>Gareth Ackerman*</td>
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<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>3 450.0</td>
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<tr>
<td>John Gelderskev</td>
<td>320.0</td>
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<td>70.0</td>
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<td>—</td>
<td>—</td>
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<tr>
<td>David Friedland**</td>
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<td>—</td>
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<td>320.0</td>
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<tr>
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<td>107.0</td>
<td>70.0</td>
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<td>—</td>
<td>—</td>
<td>593.0</td>
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<tr>
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<td>—</td>
<td>—</td>
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<td>586.0</td>
<td>280.0</td>
<td>195.0</td>
<td>70.0</td>
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<td>Gareth Ackerman*</td>
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<td>—</td>
<td>—</td>
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<td>—</td>
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<td>300.0</td>
<td>—</td>
<td>300.0</td>
</tr>
<tr>
<td>Ben van der Ross</td>
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<td>100.0</td>
<td>29.0</td>
<td>594.0</td>
</tr>
<tr>
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<td>250.0</td>
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<td>—</td>
<td>—</td>
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<tr>
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<td>107.0</td>
<td>450.0</td>
<td>195.0</td>
<td>30.0</td>
<td>450.0</td>
<td>65.0</td>
<td>6 533.9</td>
</tr>
</tbody>
</table>

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

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

---

** David Friedland received consultancy fees of R107 000 in the current period for services rendered to the audit and risk committee.
3. Remuneration report continued

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

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>How held</th>
<th>Balance held 2014</th>
<th>Additions during the period</th>
<th>Beneficial ownership on issue of forfeitable shares</th>
<th>Average purchase price per share R</th>
<th>Average selling price per share R</th>
<th>Balance held 2015</th>
<th>Beneficial/ non-beneficial interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gareth Ackerman</td>
<td>direct</td>
<td>43</td>
<td>30 000</td>
<td>58.09</td>
<td>30 000</td>
<td>58.66</td>
<td>71 900</td>
<td>Beneficial/ non-beneficial</td>
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<tr>
<td>indirect</td>
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<td></td>
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</tr>
<tr>
<td>Richard Brasher</td>
<td>direct</td>
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<td></td>
<td></td>
<td></td>
<td>800 000</td>
<td>Beneficial</td>
</tr>
<tr>
<td>Richard van Rensburg</td>
<td>direct</td>
<td></td>
<td>250 000</td>
<td></td>
<td></td>
<td></td>
<td>250 000</td>
<td>Beneficial</td>
</tr>
<tr>
<td>Bakar Jakoet</td>
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<td>500 000</td>
<td>250 000</td>
<td></td>
<td></td>
<td></td>
<td>750 000</td>
<td>Beneficial/ non-beneficial</td>
</tr>
<tr>
<td>Suzanne Ackerman-Berman</td>
<td>direct</td>
<td>43</td>
<td>150 000</td>
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<td></td>
<td></td>
<td>150 043</td>
<td>Beneficial</td>
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<td>indirect</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jeff van Rooyen</td>
<td>direct</td>
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<td>3 800</td>
<td>59.00</td>
<td>3 800</td>
<td>59.00</td>
<td>3 800</td>
<td>Beneficial</td>
</tr>
</tbody>
</table>

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

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

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

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>How held</th>
<th>Balance held 2014</th>
<th>Additions during the period</th>
<th>Beneficial ownership on issue of forfeitable shares</th>
<th>Average purchase price per share R</th>
<th>Average selling price per share R</th>
<th>Balance held 2015</th>
<th>Beneficial/ non-beneficial interest</th>
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<tr>
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<td>43</td>
<td>30 000</td>
<td>58.09</td>
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<td>58.66</td>
<td>71 900</td>
<td>Beneficial/ non-beneficial</td>
</tr>
<tr>
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</tr>
<tr>
<td>Richard Brasher</td>
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<td>800 000</td>
<td></td>
<td></td>
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<td>800 000</td>
<td>Beneficial</td>
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<td>Jeff van Rooyen</td>
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<td>3 800</td>
<td>59.00</td>
<td>3 800</td>
<td>59.00</td>
<td>3 800</td>
<td>Beneficial</td>
</tr>
</tbody>
</table>

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

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

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

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

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

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

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

ROLE OF THE COMMITTEE

The audit and risk committee has an independent role with accountability both to the Board and to shareholders. The committee’s responsibilities include the statutory duties prescribed by the Companies Act, activities recommended by King IV and the responsibilities assigned by the Board. The committee’s ongoing main responsibilities are as follows:

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

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

- **Internal audit**
  - Review and approve the internal audit charter and audit plans;
  - Evaluate the independence, effectiveness and performance of the internal audit function and compliance with its mandate;
  - Review the Group’s system of internal control, including financial controls, ensuring that management is adhering to and continually improving these controls;
  - Review significant issues raised by the internal audit process; and
  - Review policies and procedures for preventing and detecting fraud.
External audit
• Act as a liaison between the external auditors and the Board;
• Nominate the external auditor for appointment by shareholders;
• Determine annually the scope of audit and non-audit services which the external auditors may provide to the Group;
• Approve the remuneration of the external auditors and assess their performance; and
• Assess annually the independence of the external auditors.

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

General
• Receive and deal appropriately with any complaint relating to the accounting practices and internal audit of the Group or to any related matter; and
• Perform other functions as determined by the Board.

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

<table>
<thead>
<tr>
<th>Members</th>
<th>Attendance</th>
<th>Objectives and activities 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jeff van Rooyen (Chairman)</td>
<td>2/2</td>
<td>• Reviewed and recommended the interim and full-year financial results, financial statements and integrated annual report to the Board for approval</td>
</tr>
<tr>
<td>Hugh Herman</td>
<td>2/2</td>
<td>• Reviewed the internal audit coverage plan and ensured continued progress in integrating with the combined assurance model</td>
</tr>
<tr>
<td>Ben van der Ross</td>
<td>8/2</td>
<td>• Reviewed and approved the accounting and disclosure policies and the effectiveness of internal financial controls</td>
</tr>
<tr>
<td>Audrey Motloung</td>
<td>2/2</td>
<td>• Reviewed the external audit coverage plan</td>
</tr>
</tbody>
</table>

• Pre-approved all non-audit services provided by the Group’s external auditors  |
• Met separately with the internal auditors and the external auditors to confirm that they received the full co-operation of management |
• Met with management to review their progress on identifying and addressing material risk areas within the business  |
• Reviewed the sustainability disclosure in the integrated annual report and ensured that it was consistent with financial information reported  |
• Chairman met regularly with key management to keep abreast of emerging issues  |
• Discharged all audit committee responsibilities to all the subsidiary companies within the Group  |
• Reviewed the findings of the financial review committees of all the material operating subsidiary companies: the financial review committees are chaired by the CFO and, together with the external auditors and management of the respective subsidiary, review in detail the results of the material operating subsidiary companies  |
• Reviewed and considered representations by management on the going-concern statement for the Group and recommended the adoption of the going-concern concept to the board.

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

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

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

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

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

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

APPROVAL OF THE AUDIT AND RISK COMMITTEE REPORT
The committee confirms that it functioned in accordance with its charter for the 2015 financial year and that its report to shareholders was approved by the Board.

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

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

Jeff van Rooyen
Chairman: audit and risk committee
Cape Town
20 April 2015
NOMINATIONS COMMITTEE REPORT

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

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

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

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

<table>
<thead>
<tr>
<th>Members</th>
<th>Attendance</th>
<th>Objectives and activities 2015</th>
</tr>
</thead>
</table>
| Gareth Ackerman (Chairman) | Informal ad hoc meetings held as required | • Objective to ensure proper succession planning for the Board, the CEO and the senior management positions, with the aim of ensuring that the Group’s long-term strategy is well executed  
• Recommended that directors who had served for more than nine years continue on the Board for continuity and experience  
• Reviewed the key performance indicators and objectives of the Group Chief Executive Officer  
• Assessed the competence and expertise of the Company Secretary |
| Lorato Phalatse |                                  |                                                                                                 |
| Ben van der Ross |                                  |                                                                                                 |
| David Friedland |                                  |                                                                                                 |

Gareth Ackerman
Chairman: nominations committee
Cape Town
20 April 2015

CORPORATE GOVERNANCE COMMITTEE REPORT

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

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

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

<table>
<thead>
<tr>
<th>Members</th>
<th>Attendance</th>
<th>Objectives and activities 2015</th>
</tr>
</thead>
</table>
| Gareth Ackerman (Chairman) | Informal ad hoc meetings held as required | • Recommended to the Board that Mrs Wendy Ackerman be appointed to the position of Honorary Life President of Pick n Pay Stores Limited in recognition of her life-long dedicated service to the Group  
• Reviewed remuneration committee charter and recommended amendment for adoption by the Board  
• Reviewed share trust charter  
• Reviewed treasury charter  
• Reviewed corporate governance charter and recommended amendments for adoption by the Board  
• Reviewed Companies Act s45 requirements  
• Evaluated survey used to establish independence of non-executive directors  
• Evaluated survey used to establish competence of Company Secretary  
• Reviewed and evaluated Group governance policies |
| Jeff van Rooyen |                                  |                                                                                                 |

Gareth Ackerman
Chairman: corporate governance committee
Cape Town
20 April 2015
CORPORATE FINANCE COMMITTEE REPORT

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

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

COMPOSITION OF THE COMMITTEE
Chaired by Jeff van Rooyen, the committee comprises the independent non-executive directors.

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

Jeff van Rooyen
Chairman: corporate finance committee
Cape Town
20 April 2015

SOCIAL AND ETHICS COMMITTEE REPORT

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

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

ROLE OF THE COMMITTEE
The committee oversees the monitoring, assessment and measurement of the Group’s activities in the following areas:

- Ethics and code of conduct compliance
- Environmental, social and governance issues, including human rights, corruption, employment equity and transformation
- Social and economic development
- Relevant stakeholder relations
- Empowerment and transformation
- Enterprise development
- Corporate social investment
- Ethical treatment of animals
- Local, ethical and sustainable procurement
- Integrity of food products and ingredients
- Relevant regulatory, statutory and legislative compliance

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

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

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

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

<table>
<thead>
<tr>
<th>Members</th>
<th>Attendance</th>
<th>Objectives and activities 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suzanne Ackerman-Berman</td>
<td>4/4</td>
<td>• Presented its report to shareholders at the AGM held on 2 June 2014</td>
</tr>
<tr>
<td>(Chairman)</td>
<td></td>
<td>• Approved the external BBBEE verification agency</td>
</tr>
<tr>
<td>Lorato Phalatse</td>
<td>4/4</td>
<td>• Assessed the BBBEE contributor status and strategy, plans and progress made in improving from level 6 to the targeted level 4 status</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Reviewed plans and social responsibility structures in order to align with the revised BBBEE codes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Continued to review relevant policies across all operating divisions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Reviewed the published code of ethics</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Reviewed the Group policy on the humane treatment of animals</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Reviewed the employee whistle-blowing facility</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Reviewed the elements of reputational risk arising from marketing and from marketing to children</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Reviewed mechanisms to encourage ethical behaviour</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Regularly reviewed consumer complaints, which were also monitored by senior management, in line with the Consumer Protection Act</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Reviewed the activities of the Ackerman Pick n Pay Enterprise Development Fund and its development of sustainable small businesses</td>
</tr>
</tbody>
</table>

Suzanne Ackerman-Berman
Chairman: social and ethics committee
Cape Town
20 April 2015
The statutes were reported.

March 2015, and no incidents of contravention of the policies or regulations. The most recent declarations were completed in during the period under review.

Each year, the executive directors and relevant members of senior management at the company in the Group, or against any director, officer or employee with any legislation were recorded and/or levied against any employees and companies in the Group are obliged to comply with any legislation. Employees are trained in sessions dealing with important legal issues arising from statutory provisions, such as the Consumer Protection Act and the Competition Act.

Compliance questionnaires form the dual function of monitoring statutory and regulatory compliance in the retail sector. Employees and the Competition Act, the Competition Act and the Consumer Protection Act.

Statutory developments are regularly monitored to establish the set of policies, which are regularly updated to reflect governance and the environmental laws.

Compliance questionnaires are distributed bi-annually to relevant employees and companies in the Group to ensure the accuracy of all information and explanations requested.

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

All matters under investigation in regard to supermarket retailers were concluded with a notice of non-referral of complaint, confirming the Group’s belief that no anti-competitive behaviour existed in the grocery retail sector. Despite this notice of non-referral, it was reported in the media that various property associations had lodged complaints against the long-term exclusive lease agreements that they entered into over the years with retailers, and that Massmart Holdings Limited had also lodged a complaint.

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

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

LITIGATION MATTERS

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

COMPETITION COMMISSION

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

In June 2010, the Competition Commission decided not to refer the case to the Competition Tribunal but would conduct a market inquiry into long-term exclusive lease agreements.

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

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The terms of the market inquiry have, at the time of writing, not been finalised. We remain of the firm belief that no anti-competitive behaviour exists in relation to long-term exclusive lease agreements, or indeed in the grocery retail sector.
This report deals with the corporate governance of Pick n Pay Holdings Limited RF, the investment holding company of Pick n Pay Stores Limited. Pick n Pay Holdings Limited RF’s sole purpose is the holding of the controlling shareholding in Pick n Pay Stores Limited and the Company has minimal operating activities. Only principles specific to Pick n Pay Holdings Limited RF are included in this report as most principles have been addressed in the Pick n Pay Stores Limited corporate governance report (see pages 54 to 59).

DIRECTORS
The Board comprises six non-executive directors of whom three are independent. In addition, there are three alternate directors who are available to step in for a non-executive director should the need arise. The alternate directors have a standing invitation to attend all Board meetings, but only vote in the absence of the director for whom they act. As the Chairman, Raymond Ackerman, is non-independent, Hugh Herman has been appointed as the lead independent director (LID). All members of the Board have unfettered access to the LID when required. The Company has an exemption from the JSE Listings Requirement to have executive directors meet the criteria for independence as established by King III, the Companies Act and the JSE Listings Requirements. Directors who are members of the Ackerman family are not independent given their indirect controlling shareholding of the Group.

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

RENUMERATION REPORT
No separate remuneration report is presented as the only remuneration paid by the Company is non-executive directors’ remuneration which is approved by the Board as a whole. Fees proposed for next year, for Board members not serving on the Pick n Pay Stores Board, are as follows:

<table>
<thead>
<tr>
<th>Proposed</th>
<th>R</th>
<th>2015 R</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total fee</td>
<td>65 000</td>
<td>60 000</td>
</tr>
</tbody>
</table>

Directors’ Interest in shares – Pick n Pay Holdings Limited RF

<table>
<thead>
<tr>
<th>Name</th>
<th>Holding of Pick n Pay Stores Limited</th>
<th>Beneficial/ non-beneficial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raymond Ackerman</td>
<td>direct 1 269.4</td>
<td>Beneficial</td>
</tr>
<tr>
<td>Gareth Ackerman</td>
<td>indirect 3 225.0</td>
<td>Non-beneficial</td>
</tr>
<tr>
<td>Hugh Herman</td>
<td>direct 255 736.9</td>
<td>Non-beneficial</td>
</tr>
<tr>
<td>Moira Tuin</td>
<td>indirect 5 415.2</td>
<td>Non-beneficial</td>
</tr>
<tr>
<td>Jonathan Ackerman</td>
<td>direct 252.0</td>
<td>Beneficial</td>
</tr>
<tr>
<td>Suzanne Ackerman-Berman</td>
<td>direct 242.1</td>
<td>Beneficial</td>
</tr>
<tr>
<td>David Robins</td>
<td>indirect 191.3</td>
<td>Non-beneficial</td>
</tr>
</tbody>
</table>

Directors of Pick n Pay Stores Limited

<table>
<thead>
<tr>
<th>Name</th>
<th>Holding of Pick n Pay Stores Limited</th>
<th>Beneficial/ non-beneficial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bakar Jakob</td>
<td>direct 250.0</td>
<td>Beneficial</td>
</tr>
<tr>
<td>David Friedland</td>
<td>indirect 20.0</td>
<td>Beneficial</td>
</tr>
</tbody>
</table>

Directors’ holdings

<table>
<thead>
<tr>
<th>Name</th>
<th>Holding of Pick n Pay Holdings Limited RF</th>
<th>Beneficial/ non-beneficial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raymond Ackerman</td>
<td>direct 1 269.4</td>
<td>Beneficial</td>
</tr>
<tr>
<td>Gareth Ackerman</td>
<td>indirect 3 225.0</td>
<td>Non-beneficial</td>
</tr>
<tr>
<td>Hugh Herman</td>
<td>direct 255 736.9</td>
<td>Non-beneficial</td>
</tr>
<tr>
<td>Moira Tuin</td>
<td>indirect 5 415.2</td>
<td>Non-beneficial</td>
</tr>
<tr>
<td>Jonathan Ackerman</td>
<td>direct 252.0</td>
<td>Beneficial</td>
</tr>
<tr>
<td>Suzanne Ackerman-Berman</td>
<td>direct 242.1</td>
<td>Beneficial</td>
</tr>
<tr>
<td>David Robins</td>
<td>indirect 191.3</td>
<td>Non-beneficial</td>
</tr>
</tbody>
</table>

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

Directors are elected for three-year terms.

Raymond Ackerman

Cape Town

20 April 2015
Directors’ Interest in shares – Pick n Pay Holdings Limited RF

<table>
<thead>
<tr>
<th>2014</th>
<th>How held*</th>
<th>Balance hold 2013 000's</th>
<th>Additions during the period 000's</th>
<th>Average price per share R</th>
<th>Disposals and other movements during the period 000's</th>
<th>Average selling price per share R</th>
<th>Balance hold 2014 000's</th>
<th>Beneficial/ non-beneficial interest</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Directors’ holdings</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raymond Ackerman</td>
<td>direct</td>
<td>1 269.4</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1 269.4</td>
<td>Beneficial</td>
</tr>
<tr>
<td></td>
<td>indirect</td>
<td>0.5</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>0.5</td>
<td>Beneficial</td>
</tr>
<tr>
<td></td>
<td>indirect</td>
<td>3 153.0</td>
<td>72</td>
<td>17.64</td>
<td>—</td>
<td>—</td>
<td>3 225.0</td>
<td>Non-beneficial</td>
</tr>
<tr>
<td></td>
<td>indirect</td>
<td>40.5</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>40.5</td>
<td>Non-beneficial</td>
</tr>
<tr>
<td>David Robins</td>
<td>direct</td>
<td>886.7</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>886.7</td>
<td>Non-beneficial</td>
</tr>
<tr>
<td></td>
<td>indirect</td>
<td>886.7</td>
<td>—</td>
<td>(886.7)</td>
<td>17.54</td>
<td>—</td>
<td>1 138.0</td>
<td>Non-beneficial</td>
</tr>
<tr>
<td></td>
<td>indirect</td>
<td>199.8</td>
<td>—</td>
<td>(8.5)</td>
<td>—</td>
<td>—</td>
<td>191.3</td>
<td>Beneficial</td>
</tr>
<tr>
<td><strong>Alternate directors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jonathan Ackerman</td>
<td>direct</td>
<td>252.0</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>252.0</td>
<td>Beneficial</td>
</tr>
<tr>
<td></td>
<td>indirect</td>
<td>1 089.6</td>
<td>48.4</td>
<td>20.42</td>
<td>—</td>
<td>—</td>
<td>1 138.0</td>
<td>Beneficial</td>
</tr>
<tr>
<td></td>
<td>indirect</td>
<td>46.1</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>46.1</td>
<td>Non-beneficial</td>
</tr>
<tr>
<td>Suzanne Ackerman-Berman</td>
<td>direct</td>
<td>242.1</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>242.1</td>
<td>Beneficial</td>
</tr>
<tr>
<td></td>
<td>indirect</td>
<td>811.3</td>
<td>55.0</td>
<td>18.30</td>
<td>—</td>
<td>—</td>
<td>866.3</td>
<td>Beneficial</td>
</tr>
<tr>
<td></td>
<td>indirect</td>
<td>6.0</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>6.0</td>
<td>Non-beneficial</td>
</tr>
<tr>
<td>David Robins</td>
<td>direct</td>
<td>886.7</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>886.7</td>
<td>Beneficial</td>
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<tr>
<td></td>
<td>indirect</td>
<td>199.8</td>
<td>—</td>
<td>(8.5)</td>
<td>—</td>
<td>—</td>
<td>191.3</td>
<td>Non-beneficial</td>
</tr>
<tr>
<td><strong>Directors of Pick n Pay Stores Limited</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bakar Jakoet</td>
<td>direct</td>
<td>250.0</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>250.0</td>
<td>Beneficial</td>
</tr>
<tr>
<td></td>
<td>indirect</td>
<td>25.7</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>25.7</td>
<td>Non-beneficial</td>
</tr>
</tbody>
</table>

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

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

ASPECTS OF KING III

Dispensation by JSE

• The Pick n Pay Holdings Limited RF Board of directors currently does not comply with the King III requirement to have a minimum of two executive directors. The Company has been exempted by the JSE from the requirement to have executive directors, as it is acknowledged that the Company has no material operating activities other than the receipt of and payment of dividends, and the assessment of the carrying value of its only investment, being its shareholding in Pick n Pay Stores Limited.

• Pick n Pay Holdings Limited RF has been granted a dispensation from the JSE Listings Requirements of having remuneration, risk, nomination and corporate governance committees, as these functions are fulfilled by the Group by the Board committees formed by Pick n Pay Stores Limited.

ASPECTS OF KING III REVIEWED

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

DIRECTORS’ ATTENDANCE AND ACTIVITIES AT MEETINGS

Board meetings

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

<table>
<thead>
<tr>
<th>Director</th>
<th>Board and AGM attendance</th>
<th>Objectives and activities 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raymond Ackerman (Chairman)</td>
<td>4/4</td>
<td>• Approved the interim and year-end financial results and the JSE SENS announcements • Approved the integrated annual report • Approved the notice and proxy of the annual general meeting • Approved the distribution of the dividend • Approved the non-executive directors’ fees for tabling at the annual general meeting • Considered the declaration of directors’ personal financial interests at each meeting • Approved the extension of tenure for current directors</td>
</tr>
<tr>
<td>Gareth Ackerman</td>
<td>4/4</td>
<td></td>
</tr>
<tr>
<td>Wendy Ackerman</td>
<td>4/4</td>
<td></td>
</tr>
<tr>
<td>René de Wet</td>
<td>4/4</td>
<td></td>
</tr>
<tr>
<td>Hugh Herman (LLD)</td>
<td>4/4</td>
<td></td>
</tr>
<tr>
<td>Jeff van Rooyen</td>
<td>4/4</td>
<td></td>
</tr>
<tr>
<td>Jonathan Ackerman (alternate director)</td>
<td>4/4</td>
<td></td>
</tr>
<tr>
<td>Suzanne Ackerman-Berman (alternate director)</td>
<td>4/4</td>
<td></td>
</tr>
<tr>
<td>David Robins (alternate director)</td>
<td>4/4</td>
<td></td>
</tr>
</tbody>
</table>
The audit and risk committee is a statutory committee, required by the Companies Act, and functions within a charter approved by the Board. The committee members were confirmed for appointment at the AGM on 2 June 2014.

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

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

<table>
<thead>
<tr>
<th>Director</th>
<th>Attendance</th>
<th>Objectives and activities 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>René de Wet</td>
<td>2/2</td>
<td>Reviewed and recommended the interim and full-year financial results, financial statements and integrated annual report to the Board for approval</td>
</tr>
<tr>
<td>Hugh Herman</td>
<td>2/2</td>
<td>Reviewed and approved the accounting and disclosure policies</td>
</tr>
<tr>
<td>Jeff van Rooyen</td>
<td>2/2</td>
<td>Received and reviewed the report from the audit and risk committee of Pick n Pay Stores Limited</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Assessed the carrying value of the Company’s investment in Pick n Pay Stores Limited</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Discharged all audit and risk committee responsibilities to all the subsidiary companies within the Group</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Received and reviewed reports from both the internal and external auditors</td>
</tr>
</tbody>
</table>

INDEPENDENCE OF EXTERNAL AUDITORS
The audit and risk committee is satisfied as to the independence of the Group’s external auditors, KPMG Inc. and its respective audit partners.

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

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

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

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

EXPERTISE AND EXPERIENCE OF CHIEF FINANCE OFFICER AND FINANCE FUNCTION OF PICK N PAY STORES LIMITED GROUP
The audit and risk committee has considered and confirmed the composition, experience, resources and skills of the finance function of the Pick n Pay Stores Limited Group. The audit and risk committee is satisfied that Bakar Jakoet has the appropriate expertise and experience for his position of Chief Finance Officer of the Pick n Pay Stores Limited Group.

APPROVAL OF THE AUDIT AND RISK COMMITTEE REPORT
The committee confirms that it has functioned in accordance with its charter for the 2015 financial year and that its report to shareholders has been approved by the Board.

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

René de Wet
Chairman: audit and risk committee
Cape Town
20 April 2015
DIRECTORS’ RESPONSIBILITY STATEMENT

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

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

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

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

APPROVAL OF GROUP FINANCIAL STATEMENTS AND FINANCIAL STATEMENTS

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

Gareth Ackerman
Chairman
Cape Town
20 April 2015

Richard Brasher
Chief Executive Officer

Debra Muller
Company Secretary
Cape Town
20 April 2015

COMPANY SECRETARY’S CERTIFICATE

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

Debra Muller
Company Secretary
Cape Town
20 April 2015
As a result of the new share issue, subsidiary companies now also hold 6 925 000 Company shares to meet obligations under the Group’s new forfeitable share plan. Participants to the forfeitable share plan (FSP) have non-forfeitable rights to the dividends on these shares. Refer to the remuneration report on pages 60 to 76 of the integrated annual report for details on the FSP.

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

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

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

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

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

- Directors’ fees for the 2016 financial period
  Shareholders approved the directors’ fees.

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

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

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

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

David Robins
Hugh Herman
Jeff van Rooyen

Information pertaining to the directors and the Company Secretary appear on page 72.
TO THE SHAREHOLDERS OF PICK N PAY STORES LIMITED

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

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

Auditor’s responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

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.

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

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

KPMG Inc.
Registered Auditor

Per Patrick Farrand
Chartered Accountant (SA)
Registered Auditor
Director
20 April 2015
MSC House
Mediterranean Street
Cape Town
8001

DIRECTORS’ RESPONSIBILITY STATEMENT

PICK N PAY HOLDINGS LIMITED RF AND ITS SUBSIDIARIES

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

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

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

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

APPROVAL OF GROUP FINANCIAL STATEMENTS AND FINANCIAL STATEMENTS

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

Raymond Ackerman
Chairman
Cape Town
20 April 2015

COMPANY SECRETARY’S CERTIFICATE

PICK N PAY HOLDINGS LIMITED RF AND ITS SUBSIDIARIES

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

Debra Muller
Company Secretary
Cape Town
20 April 2015

INDEPENDENT AUDITOR’S REPORT

for the period ended 1 March 2015

Directors’ responsibility

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 accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

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.

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

Other reports required by the Companies Act

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

KPMG Inc.
Registered Auditor

Per Patrick Farrand
Chartered Accountant (SA)
Registered Auditor
Director
20 April 2015
MSC House
Mediterranean Street
Cape Town
8001
Pick n Pay Holdings Group

DIRECTORS’ REPORT CONTINUED
for the period ended 1 March 2015

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

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

Directors and secretary
In terms of the Company’s Memorandum of Incorporation the directors listed below retire by rotation and they offer themselves for re-election:
Raymond Ackerman
René de Wet

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

Directors’ interest in shares

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficial</td>
<td>0.9</td>
<td>0.9</td>
</tr>
<tr>
<td>Non-beneficial</td>
<td>50.6</td>
<td>50.6</td>
</tr>
<tr>
<td>Total</td>
<td>51.5</td>
<td>51.5</td>
</tr>
</tbody>
</table>

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

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Pick n Pay Holdings Group

DIRECTORS’ REPORT
for the period ended 1 March 2015

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

Overview of financial results, activities and borrowings
The reviews of financial results, activities and borrowings of the Pick n Pay Stores Limited Group are contained in the Chief Finance Officer’s report on pages 38 to 41 of the integrated annual report.

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

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

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

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

TO THE SHAREHOLDERS OF PICK n PAY HOLDINGS LIMITED RF

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

Directors’ responsibility for the financial statements

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

Auditor’s responsibility

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

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

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

Opinion

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

Other reports required by the Companies Act

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

KPMG Inc.
Registered Auditor

Per Patrick Harrand
Chartered Accountant (SA)
Registered Auditor
Director
20 April 2015
MSC House
Mediterranean Street
Cape Town
8001

DIVIDEND DECLARATION

Pick n Pay Stores Limited
Tax reference number: 9275/141/71/2
Number of shares in issue: 487 322 321

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

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

The tax payable is 14.775 cents per share, leaving shareholders who are not exempt from dividends tax with a net dividend of 83.7250 cents per share.

Dividend dates

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

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

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

On behalf of the Board of directors

Debra Muller
Company Secretary
Cape Town
20 April 2015

Pick n Pay Holdings Limited RF
Tax reference number: 9050/141/71/3
Number of shares in issue: 527 249 082

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

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

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

Dividend dates

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

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

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

On behalf of the Board of directors

Debra Muller
Company Secretary
Cape Town
20 April 2015
## STATEMENTS OF COMPREHENSIVE INCOME
for the period ended

<table>
<thead>
<tr>
<th>Pick n Pay Stores Group</th>
<th>Pick n Pay Holdings Group</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2015</td>
</tr>
<tr>
<td></td>
<td>Rm</td>
</tr>
<tr>
<td>52 weeks</td>
<td>67 603.1</td>
</tr>
<tr>
<td>2</td>
<td>67 603.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pick n Pay Stores Group</th>
<th>Pick n Pay Holdings Group</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost of merchandise sold</strong></td>
<td>56 994.3</td>
</tr>
<tr>
<td></td>
<td>2015</td>
</tr>
<tr>
<td></td>
<td>Rm</td>
</tr>
<tr>
<td>52 weeks</td>
<td>56 994.3</td>
</tr>
<tr>
<td>2</td>
<td>56 994.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pick n Pay Stores Group</th>
<th>Pick n Pay Holdings Group</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross profit</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2015</td>
</tr>
<tr>
<td></td>
<td>Rm</td>
</tr>
<tr>
<td>52 weeks</td>
<td>11 946.5</td>
</tr>
<tr>
<td>2</td>
<td>11 946.5</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Pick n Pay Stores Group</th>
<th>Pick n Pay Holdings Group</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trading expenses</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2015</td>
</tr>
<tr>
<td></td>
<td>Rm</td>
</tr>
<tr>
<td>52 weeks</td>
<td>(1 351.3)</td>
</tr>
<tr>
<td>2</td>
<td>(1 351.3)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pick n Pay Stores Group</th>
<th>Pick n Pay Holdings Group</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Other trading income</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2015</td>
</tr>
<tr>
<td></td>
<td>Rm</td>
</tr>
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<td>52 weeks</td>
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## STATEMENTS OF FINANCIAL POSITION

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## Pick n Pay Stores Group

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<th>Retained earnings Rm</th>
<th>Foreign currency translation reserve Rm</th>
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## Pick n Pay Holdings Group

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Pick n Pay Group of Companies financial statements

STATEMENTS OF CASH FLOWS
for the period ended

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Cash flows from operating activities

Trading profit 1 2 416.2
Amortisation 9 155.0
Depreciation 10 714.5
Share-based payments expense 5 139.9
Movement in net operating lease liabilities 78.8
Movement in provisions (7.1)
Fair value adjustments 2.1
Dividends paid 8 1 010.3
Cash generated from operations 1 238.6
Tax paid 6 1 008.1
Movements in working capital 78.8
Fair value adjustments (7.1)
71.5
71.9
71.5
78.8
90.8
(7.1)
(0.9)
(0.9)
(6.3)
(6.3)
Trading profit
Amortisation
Depreciation
Share-based payments expense
Movement in net operating lease liabilities
Movement in provisions
Fair value adjustments
Dividends paid
Cash generated from operations
Tax paid
Movements in working capital
Fair value adjustments

Cash flows from investing activities

Investment in intangible assets 9
Investment in property, plant and equipment 10
Purchase of operations 9
Proceeds on disposal of intangible assets 4.7
Proceeds on disposal of property, plant and equipment 57.3
Loans (advanced)/repaid 8.4
Participation in export partnership 1.7
Retirement obligation 60.0
Cash utilised in investing activities (991.4)

Cash flows from investing activities

Investment in intangible assets 9
Investment in property, plant and equipment 10
Purchase of operations 9
Proceeds on disposal of intangible assets 4.7
Proceeds on disposal of property, plant and equipment 57.3
Loans (advanced)/repaid 8.4
Participation in export partnership 1.7
Retirement obligation 60.0
Cash utilised in investing activities (991.4)

Cash flows from financing activities

Proceeds from borrowings 400.0
Repayment of borrowings 3 100.0
Share repurchases (177.9)
Proceeds from employees on settlement of share options 1.0
Cash (utilised in)/generated from financing activities (877.5)

Net (decrease)/increase in cash and cash equivalents (199.5)
Cash and cash equivalents at beginning of period 870.3
Effect of exchange rate fluctuations on cash and cash equivalents 2.5
Cash and cash equivalents at end of period 870.3
Consisting of:
Cash and cash equivalents 870.3
Bank overdraft and overnight borrowings 1174.6

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Reporting entities

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

1.2 Statement of compliance

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

1.3 Basis of preparation

The consolidated financial statements are prepared on the historical cost basis except for:
• derivative financial instruments at fair value through profit or loss, and
• defined-benefit obligations measured at the present value of the future benefit to employees, net of the fair value of fund assets.

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

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

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

Foreign currency transactions and translations

Functional and presentation currency

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

Transactions and balances

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

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the respective functional currency of Group entities at the exchange rate ruling 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.
1.4 Foreign currency transactions and translations continued
Foreign operations continued
When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains or losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity in the consolidated financial statements.

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

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

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

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

- Measured share-based payments
- Various assumptions are applied in determining the fair value of share awards granted to employees such as anticipated volatility, expected dividend yield and the expected life of the option.
- Reference 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 limited to, profit and cash forecasts discounted at an appropriate rate.
- Refer to note 9.
- Estimates of useful lives and residual values of intangible assets
- Intangible assets are amortised over their useful lives taking into account applicable residual values. Useful lives and residual values are reviewed at each reporting date taking into account factors such as the manner of recovery and relevant market information.
- Refer to note 9.

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

Property, plant and equipment are amortised over their useful lives taking into account applicable residual values. Useful lives and residual lives are reviewed at each reporting date taking into account such factors 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 are transferred in order to classify leases as either a finance lease or an operating lease. Refer to notes 11 and 21.

The recognition of deferred tax assets

Deferred tax assets for unused tax losses are reviewed at each reporting date and reduced to the extent that it is more likely than not 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 (Pty) Limited. Control is achieved when the Company has exposure or rights to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee. The existence of a 51% investment in TM Supermarkets (Pty) Limited by an entity outside of the Group, which also controls the majority of the decision-making rights, has resulted in the Group’s 49% investment being classified as an equity-accounted investee. Refer to note 14.

The impairment reviews undertaken in respect of equity-accounted investees

The recoverable amount of all equity-accounted investees is determined as the higher of the fair value less costs of disposal and value in use. Judgement is required in the estimation of the future cash inflows used in the value in use calculation.

The estimation of the impairment allowance for trade receivables

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

Measurements of post-retirement defined-benefit obligations

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

Recognition of deferred revenue in respect of customer loyalty programme

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

Consolidation of the Group’s share trust

The Group operates an employee share option scheme through the Employee Share Purchase Trust. The trust is consolidated into the Group’s results so the Group has exposure or rights to variable returns from its involvement with the investee, and it uses its power to affect its returns from the trust. Refer to notes 19 and 20.

1.6 Basis of consolidation

Investment in subsidiaries

The Group controls an entity when it exposes or, 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. Certain interests are measured at their proportionate share of the subsidiaries’ identifiable net assets at the acquisition date. Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Interest in equity-accounted investees

The Group’s interest in equity-accounted investees comprises its interests in associates.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method. Those of the Group, from the date that significant influence commences until the date that significant influence ceases.

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

Transactions eliminated on consolidation

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

Property, plant and equipment

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

Cost

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

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

Depreciation

Depreciation is based on the cost of an asset less its residual value over its useful life. The useful life is the period during which the asset is expected to provide revenue. Depreciation is provided on a straight-line basis in respect of each Reporting Period and thereafter.

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 revisions to depreciation are accounted for prospectively as a change in estimate.
Pick n Pay Group of Companies financial statements
NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.7 Property, plant and equipment continued

Depreciation continued
Depreciation is recognised as an expense in profit or loss, within operational expenses, on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment from the date that they are available for use. Leasehold improvements are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Where significant components of an item of property, plant, and equipment have different useful lives they are depreciated separately.

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

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

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

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

1.8 Intangible assets
Intangible assets are held by the Group for fair use in the supply of goods or administrative purposes and are expected to be used for more than one financial period. Intangible assets are initially recognised at cost, if the cost can be measured reliably, the intangible assets are technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete the development. If not, then the development expenses are recognised in profit or loss when they are incurred.

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

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

Cost
The cost of intangible assets includes expenditure that is incurred in acquiring the intangible asset, direct labour and any overhead costs directly attributable to the development of the intangible asset.

Buildings
Useful lives

- Vehicles
- Aircraft and major components
- Leasehold improvements

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

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

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

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

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

Finance lease assets are 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 current liabilities.

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

Operating leases
Leases where the lessee retains the risks and rewards of ownership of the underlying asset are classified as operating leases. The Group acts as both lessor and lessee. 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 recognition of a liability for future lease expenses and an asset for future lease income on the statement of financial position. These operating lease assets and liabilities are classified as non-current assets or liabilities, with the exception of the portion with a maturity date of less than 12 months of the reporting date which are disclosed as current assets or liabilities and are included under trade and other receivables and trade and other payables respectively.

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

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

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

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

1.11 Provisions continued

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

1.12 Financial instruments

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

A financial instrument is recognised on trade date when the Group becomes a party to the contractual provisions of the instrument. These financial instruments are initially recognised at fair value, plus transaction costs for financial instruments not measured at fair value through profit or loss. The fair values of financial instruments in an active market are determined with reference to quoted market bid and ask prices. Where there is no active market, fair value is determined using valuation techniques. Such valuation techniques include the use of 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 amount, unless the impact of interest is significant.

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

All financial instruments are classified as current unless they mature later than 12 months after the reporting date. Financial assets and financial liabilities are off-set and the Group revalues the assets associated with that contract.

Cash and cash equivalents and bank overdrafts

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

Trade and other receivables and loans

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

Participation in export partnerships

Participation in export partnerships is a financial asset that is best classified as receivables originated by the enterprise and was initially measured at the fair value of the consideration given. Subsequent to initial measurement, the participation in export partnerships is measured at amortised cost using the effective interest method. Any gains or losses on subsequent measurement are recognised in income. The maturity date is more than 12 months after the reporting date.

Derivative financial instruments

Derivative financial instruments, being forward foreign exchange rate contracts (FFCs) and commodity hedges are measured at fair value and changes in fair value are recognised in profit or loss. The fair value of FFCs 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.

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 inflows, forecasted, 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. An impairment loss for a financial asset is reversed if the carrying amount of the asset is subsequently recoverable. The reversal is recognised in profit or loss. Impairment losses for financial assets recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

Non-financial assets

The carrying amounts of non-financial assets (other than inventory, defined-benefit assets and deferred tax assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated. For non-financial assets, such as goodwill, which have indefinite useful lives and are not subject to depreciation or amortisation, or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the smallest identifiable cash-generating unit (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 other similar 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 when 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 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.

Financial guarantee contracts

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

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

Borrowings

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

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
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.

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 resold, 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 prior to 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 shares no longer 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.

1.14 Revenue

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

Turnover

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

The Group has a customer loyalty programme in South Africa, Smart Shopper, whereby customers are rewarded with Smart Shopper points (reward credits) which are effectively used as cash back against future purchases. For every rand spent, our customers earn 1 Smart Shopper point. 1 000 points equal 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 defined 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.

1.15 Borrowing costs

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

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

1.16 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.

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 the 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 liabilities and assets 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 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 withheld tax is a tax on shareholders and is applicable on all dividends declared on or after 1 April 2012.

The Companies withhold dividends tax on behalf of their shareholders at a rate of 15% on dividends declared. The resultant expense and liability has been transferred to the Companies’ shareholders and is no longer accounted for as part of the tax charge of the Companies.

1.17 Operating lease income

The Group’s operating lease income is calculated based on the contractually agreed contractual term. The related lease receivable is recognised in profit or loss. Leases are either all revenue leases or all finance leases.

Leases

Leases arise on the grant of a licence to use assets only if the underlying asset is controlled by the Group; that is, if the Group is the owner, or in control of the underlying asset. Leases are defined as a contractual arrangement entitling the Group to control the use of an identified asset for a period of time in exchange for consideration.

The Group has, during the reporting period, entered into a lease agreement to lease a property for the next 7 years. The lease agreement includes an initial lease term of 5 years with an option to extend the lease for a further 2 years at the end of the initial term. The lease agreement is classified as an operating lease.
Defined-benefit plans

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

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

1.20 Expenses

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

1.21 Earnings per share

The Group presents basic and diluted earnings per share (EPS) and headline earnings per share (HEPS) information for its ordinary shares. Basic EPS and HEPS are calculated by dividing the profit or loss attributable to ordinary shareholders of the Companies or headline earnings respectively by the weighted-average number of ordinary shares outstanding during the period, adjusted for own shares sold. The profit or loss or headline earnings attributable to ordinary shareholders exclude the profit for the period attributable to shares issued to meet obligations under the Group’s employee forfeitable share plan (FSP). Diluted EPS and HEPS are determined by adjusting the weighted-average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees. Headline earnings 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 whose operating results are regularly reviewed by the entity’s CODM and for which discrete financial information is available. The CODM evaluates segmental performance based on profit before tax as management believes that such information is most relevant in evaluating the results of the segments against each other and other entities that operate within the retail industry. Operating segments that display similar economic characteristics are aggregated for reporting purposes.

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

Segmental profit before tax is the reported measure used for evaluating the Group’s operating segments’ performance. On an overall basis the segmental profit before tax is equal to the Group’s reported profit before tax. The Rest of Africa segment’s segmental profit before tax comprises the segment’s trading result and directly attributable costs only. No allocations are made for indirect or incremental cost incurred by the South African segment relating to the Rest of Africa segment.

1.24 Net asset value per share

Net asset value per share is calculated as follows: The total equity value of the Group, adjusted with the differential between the carrying value and market value of property, plant and equipment, is divided by the shares held outside the Group as per note 19.
NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

2. REVENUE

Turnover

Finance income
Bank balances and investments
Trade and other receivables
Staff benefits and training
Net expense recognised on defined-benefit plan (note 22.1)
Contributions to defined-contribution plans (note 22.2)
Share-based payments expense (note 5.4)
Leave pay
67 603.1

Other trading income
Franchise fee income
Operating lease income (note 11)
Trade and other receivables

Finance leases
Bank overdrafts
Borrowings

67 603.1
294.4
67.3
241.2

602.9
5 653.8
4 851.5
294.4

63 117.0
311.2
77.8
111.6

4. DIRECTORS' REMUNERATION

For full disclosure of directors' remuneration, directors' interest in shares and share options held by directors refer to the remuneration report on pages 60 to 76.

EXECUTIVE DIRECTORS

Non-executive directors** 5 356.9 1 348.0 — — — — 6 704.9 —
Non-executive directors* 6 010.0 1 300.0 — — — — 7 310.0 —
Executive directors 7.5 — 17 827.1 3 060.9 2 699.1 14 200.0 37 794.6 22 148.6
Total remuneration 6 017.5 1 300.0 17 827.1 3 060.9 2 699.1 14 200.0 45 104.6 22 148.6

EXECUTIVE DIRECTORS

Non-executive directors** 5 364.4 1 348.0 16 673.6 2 677.6 2 992.2 7 850.0 36 905.8 8 550.4
Non-executive directors* 5 193.4 1 348.0 16 673.6 2 677.6 2 992.2 7 850.0 36 734.8 8 550.4
Executive directors 7.5 — 16 673.6 2 677.6 2 992.2 7 850.0 30 200.9 8 550.4
Total remuneration 5 193.4 1 348.0 16 673.6 2 677.6 2 992.2 7 850.0 36 734.8 8 550.4

Non-executive directors* 5 193.4 1 348.0 16 673.6 2 677.6 2 992.2 7 850.0 36 734.8 8 550.4
Executive directors 7.5 — 16 673.6 2 677.6 2 992.2 7 850.0 30 200.9 8 550.4
Total remuneration 5 193.4 1 348.0 16 673.6 2 677.6 2 992.2 7 850.0 36 734.8 8 550.4

The Group has a customer loyalty programme, Smart Shopper, whereby customers are rewarded with Smart Shopper points (reward credits) which are effectively redeemed as cash against future purchases. At period end the Group has deferred revenue of R46.2 million (2014: R92.3 million) which represents the fair value of the Smart Shopper points granted and yet to be redeemed, adjusted for an expected forfeiture rate of 23.2% (2014: 25.0%) (refer to note 23).
5. SHARE-BASED PAYMENTS

The Group operates two employee share incentive schemes for the benefit of its executive directors, senior management and employees. These are the 1997 Employee Share Option Scheme and the Pick n Pay Stores Limited Forfeitable Share Plan. Both schemes incentivise executive directors, senior management and employees by providing them with an opportunity to acquire shares in the Group, thereby aligning interests with shareholders and encouraging employee retention.

THE 1997 EMPLOYEE SHARE OPTION SCHEME (THE SCHEME)

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

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

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

Pick n Pay Holdings Limited RF (PHK) 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 (PK) shares

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

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

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

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

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

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

FORFEITABLE SHARE PLAN FOR TOP EXECUTIVES (FSP)

The FSP recognises those key senior management who have a significant role to play in delivering the Group’s strategy and ensuring the growth and sustainability of the business in the future.

Forfeitable shares are performance shares. Shares awarded under the FSP will always have performance conditions attached. If the performance conditions are not met within the specified time period (the vesting period), the employee will forfeit the shares.

Refer to pages 61 to 68 of the remuneration report for more information on the FSP.

For details of share options held by directors and forfeiture share plan shares issued to directors refer to the remuneration report on pages 72 to 74.

The directors have received approval to utilise up to 63 892 844 shares of the issued share capital of Pick n Pay Stores Limited and 92 268 589 shares of the issued share capital of Pick n Pay Holdings Limited RF for the purpose of managing both employee share schemes.

5. SHARE-BASED PAYMENTS continued

5.1 Outstanding share options

Movement in the total number of share options granted is as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Pick n Pay Stores Group</th>
<th>Pick n Pay Holdings Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>13 955.3</td>
<td>2 818.1</td>
</tr>
<tr>
<td>2015</td>
<td>15 264.6</td>
<td>3 208.1</td>
</tr>
<tr>
<td>2016</td>
<td>17 710.2</td>
<td>28 400.7</td>
</tr>
<tr>
<td>2017</td>
<td>5 577.0</td>
<td>6 199.5</td>
</tr>
<tr>
<td>2018</td>
<td>5 386.4</td>
<td>5 440.6</td>
</tr>
<tr>
<td>2019</td>
<td>2 869.5</td>
<td>4 514.1</td>
</tr>
<tr>
<td>2020 and thereafter</td>
<td>3 391.5</td>
<td>5 601.1</td>
</tr>
</tbody>
</table>

At end of period

<table>
<thead>
<tr>
<th>Year</th>
<th>Pick n Pay Stores Group</th>
<th>Pick n Pay Holdings Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>33 874.6</td>
<td>61 635.5</td>
</tr>
<tr>
<td>2016</td>
<td>16 635.5</td>
<td>15 264.6</td>
</tr>
<tr>
<td>2017</td>
<td>16 635.5</td>
<td>15 264.6</td>
</tr>
<tr>
<td>2018</td>
<td>16 635.5</td>
<td>15 264.6</td>
</tr>
<tr>
<td>2019</td>
<td>16 635.5</td>
<td>15 264.6</td>
</tr>
<tr>
<td>2020 and thereafter</td>
<td>16 635.5</td>
<td>15 264.6</td>
</tr>
</tbody>
</table>

Percentage of issued shares

<table>
<thead>
<tr>
<th>Year</th>
<th>Pick n Pay Stores Group</th>
<th>Pick n Pay Holdings Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>7.0%</td>
<td>3.2%</td>
</tr>
<tr>
<td>2015</td>
<td>10.4%</td>
<td>2.9%</td>
</tr>
<tr>
<td>2016</td>
<td>14.1%</td>
<td>3.2%</td>
</tr>
<tr>
<td>2017</td>
<td>16.3%</td>
<td>2.9%</td>
</tr>
<tr>
<td>2018</td>
<td>16.3%</td>
<td>2.9%</td>
</tr>
<tr>
<td>2019</td>
<td>16.3%</td>
<td>2.9%</td>
</tr>
<tr>
<td>2020</td>
<td>16.3%</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

* Average grant price of options granted during the period

** Average grant price of options taken up during the period

The Employee Share Purchase Trust, which administers the 1997 Employee Share Option Schemes, holds the following number of ordinary shares:

<table>
<thead>
<tr>
<th>Year</th>
<th>Pick n Pay Stores Group</th>
<th>Pick n Pay Holdings Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1 746.9</td>
<td>1 974.5</td>
</tr>
<tr>
<td>2015</td>
<td>1 253.5</td>
<td>9 257.8</td>
</tr>
<tr>
<td>2016</td>
<td>1 872.2</td>
<td>9 602.4</td>
</tr>
</tbody>
</table>

On behalf of share purchase scheme participants

<table>
<thead>
<tr>
<th>Year</th>
<th>Pick n Pay Stores Group</th>
<th>Pick n Pay Holdings Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1 746.9</td>
<td>1 974.5</td>
</tr>
<tr>
<td>2015</td>
<td>1 253.5</td>
<td>9 257.8</td>
</tr>
<tr>
<td>2016</td>
<td>1 872.2</td>
<td>9 602.4</td>
</tr>
</tbody>
</table>
5. SHARE-BASED PAYMENTS

5.2 Outstanding forfeitable shares

Movement in the total number of forfeitable shares granted is as follows:

- **At beginning of period**
  - Pick n Pay Stores Group: 6,925.0
  - Pick n Pay Holdings Group: 40,799.6

- **New shares granted**
  - Average grant price of options granted during the period: 1.4%

- **At end of period**
  - Percentage of issued shares: 1.4%

- **Outstanding forfeitable shares may be taken up during the following financial periods:**
  - Average grant price

5.3 Total outstanding share awards

- **Share options**
  - Number of options granted: 33,874.6
  - Expected life of options: 13.7364

- **Forfeitable shares**
  - Total share awards for management of share schemes: 63,892.4

- **Total**
  - Total share awards available for management of share schemes: 92,268.6

For details of share options held by directors and forfeitable share plan shares issued to directors refer to the remuneration report on pages 72 to 74.

5.4 Fair value – share options

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

The fair value of rights granted in the financial period are as follows:

- **Expected dividend yield**
- **Risk-free rate**

5.5 Fair value – forfeitable share plan

Shares granted to employees under the forfeitable share plan were valued on 22 August 2014 (the acceptance date) and will be expensed through profit or loss over the vesting period of the share.

The fair value of rights to shares granted under the forfeitable share plan has been estimated using an actuarial binomial option pricing model. The assumptions used in determining the fair value of the rights granted in the financial period are as follows:

5.6 Share-based payment expense

Total expensed to date – beginning of period

Share options expense to be recognised in future financial periods, in respect of all outstanding options that have not yet completed the vesting period

Within one year

After five years

Total expense to be recognised

Total current and future share-based payment expense

**The expected volatility is determined based on the rolling historical volatility over the expected option term that prevailed at the grant date.**

**The expected dividend yield is the best estimate of the forward looking dividend yield over the expected life of the option. This has been estimated by reference to the historical average dividend yield during the period preceding the grant, equal to the vesting period of the grant. For the forfeitable share plan the expected dividend yield is zero as all participants have an unforfeitable right to future dividends.**

**The risk-free rate is the yield on zero coupon South African government bonds of a term consistent with the estimated option term.**
6. TAX

6.1 Tax recognised in profit or loss

- Normal tax
  - current period
  - prior period under provision
- Deferred tax (note 13)

Deferred tax (note 13) 0.4

6.2 Tax recognised directly in statement of changes in equity

Tax effect of share incentive transactions recorded directly in equity

Recognised in profit or loss

Recognised in statement of changes in equity

Owing – end of period (126.8)

Total tax paid 284.5

6.3 Tax paid

Owing – beginning of period 111.2

Recognised in profit or loss 343.1

Recognised in statement of changes in equity (43.0)

Owing – end of period (126.8)

Total tax paid 284.5

6.4 Reconciliation of effective tax rate

South African statutory tax rate 28.0

Exempt income (1.0)

Non-deductible share options expense 1.8

Other non-deductible expenditure 0.3

Net prior year own-provisions (0.6)

Effective tax rate 28.5

7. EARNINGS PER SHARE

7.1 Basic and headline earnings

Reconciliation between basic and headline earnings:

<table>
<thead>
<tr>
<th></th>
<th>Basic earnings for the period</th>
<th>Diluted basic earnings</th>
<th>Headline earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the period</td>
<td>861.7 (6.5)</td>
<td>—</td>
<td>855.2 (6.8)</td>
</tr>
<tr>
<td>Profit attributable to forfeitable share plan shares</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Adjustments:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Profit)/loss on sale of property, plant and equipment</td>
<td>(7.4)</td>
<td>(6.9)</td>
<td>—</td>
</tr>
<tr>
<td>Tax effect of profit/(loss) on sale of property, plant and equipment</td>
<td>3.0</td>
<td>1.6</td>
<td>—</td>
</tr>
<tr>
<td>Impairment of intangible assets</td>
<td>—</td>
<td>(4.7)</td>
<td>—</td>
</tr>
<tr>
<td>Tax effect of impairment of intangible assets</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Adjustments attributable to forfeitable share plan</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

Basic earnings for the period 855.2

Dilutive effect of share options

Diluted basic earnings 855.2

Dilutive effect of share options

Diluted headline earnings 847.8

Number of shares

Reconciliation of number of shares in issue to weighted-average number of shares:

| Shares issued under forfeitable share plan (note 5) | 480.397.3 | 527.249.1 | 527.249.1 |
| Shares issued under forfeitable share plan (note 5) | — | — | — |
| Effect of current period share repurchases by the share trust | 15.662.5 | 431.4 | 287.5 |
| Effect of share sales on the take up of share options | 1452.4 | 463.4 | 246.4 |
| Prior period net repurchases now fully weighted | 1.974.5 | 11.042.5 | 10.961.5 |
| Weighted-average number of shares | 547.386.8 | 516.238.6 | 516.247.1 |
| Dilutive effect of share options | 1452.4 | 463.4 | 246.4 |
| Diluted weighted-average number of shares in issue | 5.719.0 | 5.472.8 | 5.248.2 |
| Diluted weighted-average number of ordinary shares in issue | 15.662.5 | 431.4 | 287.5 |
8. DIVIDENDS

8.1 Dividends paid


Total dividends per share for the period

<table>
<thead>
<tr>
<th>Pick n Pay Stores Group</th>
<th>52 weeks</th>
<th>1 March 2015</th>
<th>2 March 2014</th>
<th>Cents per share</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2015</td>
<td>2014</td>
<td></td>
</tr>
<tr>
<td>Dividends paid</td>
<td></td>
<td>77.50</td>
<td>69.25</td>
<td></td>
</tr>
</tbody>
</table>

Total value of dividends paid by the Company

Dividends paid on treasury shares

Total dividends paid outside the Pick n Pay Stores Group

<table>
<thead>
<tr>
<th>Pick n Pay Stores Group</th>
<th>52 weeks</th>
<th>1 March 2015</th>
<th>2 March 2014</th>
<th>Cents per share</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2015</td>
<td>2014</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>467.8</td>
<td>403.8</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(6.0)</td>
<td>(5.4)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>461.8</td>
<td>398.4</td>
<td></td>
</tr>
</tbody>
</table>

8.2 Dividends declared

Interim dividend – number 93 (2014: number 91)

Final dividend – number 94 (2014: number 92)

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

Interim dividend – number 66 (2014: number 64)

Final dividend – number 67 (2014: number 65)

The directors have declared a final dividend (dividend 67) of 47.85 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 15%. The last day to trade in order to participate in the dividend (CUM dividend) will be Friday, 5 June 2015. The shares will trade EX dividend from the commencement of business on Monday, 8 June 2015 and the record date will be Friday, 12 June 2015. The dividends will be paid on Monday, 15 June 2015.

9. INTANGIBLE ASSETS

The carrying value of intangible assets as at 31 March 2015 comprises:

<table>
<thead>
<tr>
<th>Pick n Pay Stores Group</th>
<th>Goodwill</th>
<th>Systems development</th>
<th>Licences</th>
<th>Total</th>
<th>Pick n Pay Holdings Group</th>
<th>Goodwill</th>
<th>Systems development</th>
<th>Licences</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td></td>
<td>313.5</td>
<td>625.9</td>
<td>70.8</td>
<td>1 010.2</td>
<td>313.5</td>
<td>625.9</td>
<td>70.8</td>
<td>1 010.2</td>
<td></td>
</tr>
</tbody>
</table>

Amortisation

- 2013: (132.4) (22.6) (155.0)
- 2014: 2015: (132.4) (22.6) (155.0)

Carrying value at end of period

<table>
<thead>
<tr>
<th>Pick n Pay Stores Group</th>
<th>52 weeks</th>
<th>1 March 2015</th>
<th>2 March 2014</th>
<th>Cents per share</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2015</td>
<td>2014</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>313.5</td>
<td>625.9</td>
<td>70.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>313.5</td>
<td>625.9</td>
<td>70.8</td>
</tr>
</tbody>
</table>
NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

9. INTANGIBLE ASSETS

continued

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

* Included in the carrying value of property, plant and equipment is leased vehicles with a carrying value of R103.6 million (2014: R93.9 million) secured by finance lease liabilities (refer to note 21).

** Property with a carrying value of R609.1 million (2014: R624.9 million) is provided as security for long-term borrowings (refer to note 21).

**129**
11. OPERATING LEASES
The Group has entered into various operating lease agreements as the lessee of premises. Leases on premises are contracted for periods of between five and 20 years (2014: five and 20 years) with renewal options for a further five to 20 years (2014: five and 20 years). Rentals comprise minimum monthly payments and additional payments based on turnover levels. Turnover rentals, where applicable, vary, averaging 6.5% (2014: 1.5%) of turnover. Rental escalations vary, averaging 6.5% (2014: 6.5%) per annum.

Operating lease charges
Property – minimum lease payments
- turnover clause payments
1 341.4 1 133.7 1 341.4 1 133.7
13.7 14.1 13.7 14.1
1 355.1 1 147.8 1 355.1 1 147.8

Leases contained within service agreements
The Group has entered into various operating lease agreements as the lessee of premises. Leases on premises are contracted for periods of between three and 15 years (2014: three and 15 years). Rentals comprise mainly minimum monthly payments. Rental escalations vary between 6.5% and 10.0% (2014: 6.5% and 8.0%) per annum.

Operating lease income
67.3 77.8 67.3 77.8

11.1 Operating lease assets
At beginning of period
132.8 105.5 132.8 105.5
17.0 27.3 17.0 27.3
At end of period
149.8 132.8 149.8 132.8

At end of the period, future minimum rentals receivable from non-cancellable sublease contracts amount to:
Cash flow due in 2016
238.8 280.3 238.8 280.3
Cash flow due in 2017 to 2020
855.7 870.9 855.7 870.9
Cash flow due after 2020
1 246.3 1 072.7 1 246.3 1 072.7
Total future cash flows
2 340.8 2 233.9 2 340.8 2 233.9
Less: Operating lease assets
149.8 (132.8) 149.8 (132.8)
Total operating lease receivables still to be recognised
2 191.0 2 091.1 2 191.0 2 091.1

11.2 Operating lease liabilities
At beginning of period
1 042.7 934.6 1 042.7 934.6
Accrual
95.8 118.1 95.8 118.1
At end of period
1 138.5 1 042.7 1 138.5 1 042.7

At end of the period, future non-cancellable minimum lease rentals are payable during the following financial periods:
Cash flow due in 2016
1 510.7 1 402.2 1 510.7 1 402.2
Cash flow due in 2017 to 2020
5 631.1 5 020.5 5 631.1 5 020.5
Cash flow due after 2020
7 022.3 6 109.7 7 022.3 6 109.7
Total future cash flows
14 164.1 12 534.2 14 164.1 12 534.2
Less: Operating lease liabilities
(1 138.5) (1 042.7) (1 138.5) (1 042.7)
Total operating lease commitments still to be recognised
13 025.6 11 489.7 13 025.6 11 489.7

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

The participation in export partnerships is measured at amortised cost using the effective interest method. Amortised cost for the Group’s participation in export partnerships is the Group’s cost of original participation less principal subsequent repayments received, plus the cumulative amortisation of the difference between the initial amount and the maturity amount, less any write down for impairment or uncollectability.

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

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

13. DEFERRED TAX ASSETS
The movement in deferred tax assets is as follows:
At beginning of period
212.1 174.4 212.1 174.4
Recognised in profit or loss (note 6)
(0.4) 59.9 (0.4) 59.9
Participation in export partnerships
6.6 4.9 6.6 4.9
Property, plant and equipment and intangible assets
(24.9) 17.3 (24.9) 17.3
Net operating lease liabilities
19.5 25.6 19.5 25.6
Retirement benefits and actuarial gains
17.1 (1.1) 17.1 (1.1)
Prepayments
0.2 (0.3) 0.2 (0.3)
Allowance for impairment losses
(11.3) 8.3 (11.3) 8.3
Income and expense accruals
(7.2) 5.2 (7.2) 5.2
Recognised in other comprehensive income (note 6)
(12.9) (22.2) (12.9) (22.2)
At end of period
198.8 212.1 198.8 212.1

Comprising:
Participation in export partnerships
(23.8) (30.4) (23.8) (30.4)
Property, plant and equipment and intangible assets
(148.2) (123.3) (148.2) (123.3)
Net operating lease liabilities
251.3 231.8 251.3 231.8
Retirement benefits and actuarial gains
(19.7) (23.9) (19.7) (23.9)
Prepayments
(5.4) (5.2) (5.4) (5.2)
Allowance for impairment losses
44.5 55.8 44.5 55.8
Income and expense accruals
100.1 107.3 100.1 107.3
198.8 212.1 198.8 212.1

The Group has approximately R80.0 million (2014: R120.0 million) of estimated tax losses available for set-off against future taxable income, for which no deferred tax assets have been raised.
14. INVESTMENT IN ASSOCIATE

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

At beginning of period

<table>
<thead>
<tr>
<th></th>
<th>Pick n Pay Stores Group</th>
<th>Pick n Pay Holdings Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares of associate’s income for the period</td>
<td>165.9</td>
<td>133.9</td>
</tr>
<tr>
<td>Shares of associate’s income for the period</td>
<td>14.3</td>
<td>32.0</td>
</tr>
<tr>
<td>At end of period</td>
<td>180.2</td>
<td>165.9</td>
</tr>
</tbody>
</table>

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

During the financial year the Group sold inventory to its associate. These purchases are on the same terms and conditions as those entered into by other Group customers.

Trade receivable balances outstanding at the end of the period

The outstanding balances are priced on an arm’s-length basis and are to be settled in cash. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owing by the associate.

Fair value of financial guarantee (note 2B)

During the prior period, the Group entered into a financial guarantee contract that provides security for an overdraft facility of its associate. The purpose of the facility is to finance its refurbishment programmes.

<table>
<thead>
<tr>
<th></th>
<th>US$m</th>
<th>US$m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of financial guarantee (note 2B)</td>
<td>7.2</td>
<td>7.2</td>
</tr>
</tbody>
</table>

14.2 Summary financial information of associate

The summary financial information has been presented in US dollars (the associate’s functional currency).

Statement of comprehensive income

<table>
<thead>
<tr>
<th></th>
<th>355.9</th>
<th>335.8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (100%)</td>
<td>355.9</td>
<td>335.8</td>
</tr>
<tr>
<td>Profit for the period (100%)</td>
<td>2.7</td>
<td>6.5</td>
</tr>
</tbody>
</table>

Statement of financial position

<table>
<thead>
<tr>
<th></th>
<th>52 weeks 1 March 2015</th>
<th>52 weeks 2 March 2014</th>
<th>52 weeks 1 March 2015</th>
<th>52 weeks 2 March 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>78.3</td>
<td>76.9</td>
<td>78.3</td>
<td>76.9</td>
</tr>
<tr>
<td>Current assets</td>
<td>35.8</td>
<td>47.3</td>
<td>35.8</td>
<td>47.3</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>42.5</td>
<td>29.6</td>
<td>42.5</td>
<td>29.6</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>47.8</td>
<td>49.1</td>
<td>47.8</td>
<td>49.1</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>38.9</td>
<td>32.5</td>
<td>38.9</td>
<td>32.5</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>8.9</td>
<td>16.6</td>
<td>8.9</td>
<td>16.6</td>
</tr>
<tr>
<td>Net assets (100%)</td>
<td>30.5</td>
<td>27.8</td>
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</tr>
<tr>
<td>Percentage ownership interest</td>
<td>49%</td>
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</tr>
<tr>
<td>Group’s share of net assets USD (49%)</td>
<td>14.9</td>
<td>13.6</td>
<td></td>
<td></td>
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<tr>
<td>Group’s share of net assets ZAR (49%)</td>
<td>180.2</td>
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15. LOANS

Employees

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<tr>
<th></th>
<th>Pick n Pay Stores Group</th>
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<tbody>
<tr>
<td>Executive directors</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>Other employees</td>
<td>100.2</td>
<td>91.6</td>
</tr>
<tr>
<td>At year-end</td>
<td>100.6</td>
<td>92.0</td>
</tr>
</tbody>
</table>

Loans to directors and employees bear interest at varying rates averaging at a rate of 4.2% (2014: 3.4%) per annum and have varying repayment terms. At year-end, R72.6 million (2014: R70.5 million) of loans were secured.

Loans to employees from the Employee Share Purchase Trust are payable within 10 years from the date of advance.

16. INVENTORY

Merchandise for resale

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During the period an amount of R2.1 million (2014: R14.9 million) was acquired as a result of the purchase of operations (refer to note 9).

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

At beginning of period

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During the period an amount of R2.1 million (2014: R14.9 million) was acquired as a result of the purchase of operations (refer to note 9).
Cash and cash equivalents
Cash and cash equivalents include cash floats at stores as well as the Group’s current account balance. The Group’s primary banker, which has a long-term credit rating of AAA (ZAF), facilitates the collection of cash at stores, provides general banking facilities and facilitates the payment of suppliers via an electronic banking platform. The interest rate on the current account varied between 4.8% and 5.1% per annum (2014: 4.8% per annum). The interest rate on cash invested in money market accounts varied between 5.9% and 6.5% per annum (2014: 4.8% to 5.8% per annum) (refer to note 28.3).

Bank overdraft
The Group utilised its bank overdraft during the period. The overdraft rate varied between 7.5% and 7.8% per annum (2014: 7.5% per annum).

Overnight bank borrowings
The Group utilised overnight bank borrowings during the period. Interest rates varied between 6.0% and 6.6% per annum (2014: varied between 5.4% and 6.3% per annum).

The carrying value of trade and other receivables approximate their fair value due to the short-term nature of the receivables.

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

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

The Group makes allowance for specific trade debtors that have clearly indicated financial difficulty and the likelihood of repayment has become impaired. More than 76% (2014: 74%) of the balance relates to customers that have not been impaired and meet their obligations within the Group’s payment terms.

Impairment losses are recorded in the allowance account until the Group is satisfied that no recovery of the amount owing is possible, at which point the amount is considered irrecoverable and is written off against the financial asset directly. Impairment losses have been included in merchandise and administration in profit or loss.
19. SHARE CAPITAL

**Authorised**
- 800 000 000 (2014: 800 000 000) ordinary shares of 1.25 cents each
- 487 322 321 (2014: 480 397 321) ordinary shares of 1.25 cents each

**Issued**
- 527 249 082 (2014: 527 249 082) ordinary shares of 1.25 cents each

**Treasury shares held in the share trust (note 20)**
- The number of shares in issue at end of period is made up as follows:
  - Treasury shares held by share trust and subsidiary (note 20)
    - 11 106.5
  - Shares issued under the forfeitable share plan (note 5.3)
    - 6 925.0
  - Shares held outside the Group
    - 11 042.5
  - Shares held outside the Group
    - 516 142.6

**Shares issued under the forfeitable share plan (note 5.3)**
- The number of treasury shares held in the share trust (note 20) is as follows:
  - Treasury shares held in the share trust (note 20)
    - 1 974.5
  - Shares issued under the forfeitable share plan (note 5.3)
    - 6 925.0

**Take-up of share options by employees (154.5)**
- Shares issued under forfeitable share plan (issued for no value)
- At end of period
  - 169.1

**Comprises:**
- Pick n Pay Stores Limited shares
  - 60.1
- Pick n Pay Holdings Limited RF shares
  - 109.0
- Pick n Pay Holdings Limited RF shares
  - 109.0

**The movement in the number of treasury shares held is as follows:**
- At beginning of period
  - 000’s
- At end of period
  - 8 671.9

20. TREASURY SHARES

**At beginning of period**
- 145.7
- 177.9
- (154.5)

**Shares issued during the period pursuant to the take-up of share options by employees (1 332.3)**
- Shares sold during the period
  - 2 046.6
  - 1 974.5
  - 1 974.5

**At end of period**
- 8 621.9

**Comprises:**
- Shares issued under forfeitable share plan
  - 6 925.0
- Shares held by share trust and subsidiary (note 5)
  - 1 974.5

**Average price of forfeitable share plan shares held at period end**
- 55.59

**Average purchase price of share options purchased during the period**
- 57.53

**Average purchase price of share options held at period end**
- 58.73

---

**Notes to the Group Financial Statements Continued**

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## Pick n Pay Group of Companies financial statements

### NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

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<thead>
<tr>
<th>21.1 Secured and unsecured borrowings</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Secured, in respect of property with a carrying value of R$44.6 million (2014: R$55.7 million) (note 10), bearing interest at a fixed rate of 8.9% per annum and repayable on 7 June 2016</td>
<td></td>
</tr>
<tr>
<td>Non-current portion (repayable after one year)</td>
<td>492.8</td>
</tr>
<tr>
<td>Consisting of:</td>
<td></td>
</tr>
<tr>
<td>Capital repayments</td>
<td>60.8</td>
</tr>
<tr>
<td>Interest</td>
<td>4.0</td>
</tr>
<tr>
<td>Total cash flows</td>
<td>748.6</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Unsecured, in respect of property with a carrying value of R$544.6 million (2014: R$559.3 million) (note 10), interest payable every six months in arrears at a fixed rate of 8.8% per annum</td>
<td></td>
</tr>
<tr>
<td>Current portion (repayable within one year)</td>
<td>235.0</td>
</tr>
<tr>
<td>Consisting of:</td>
<td></td>
</tr>
<tr>
<td>Capital repayments</td>
<td>56.8</td>
</tr>
<tr>
<td>Interest</td>
<td>4.0</td>
</tr>
<tr>
<td>Total cash flows</td>
<td>337.8</td>
</tr>
</tbody>
</table>

#### 22. RETIREMENT BENEFITS

The Group, through its trading and employing subsidiaries, provides post-retirement benefits to its employees in accordance with local benchmarks in the countries that it operates in. These benefits are mainly provided through the Pick n Pay Retirement Scheme which incorporates the Pick n Pay Pensions Fund and the Pick n Pay Non-Contributory Provident Fund defined-contribution plans.

The Group’s largest defined-contribution fund is the Pick n Pay Non-Contributory Provident Fund. Certain members of this fund were guaranteed that should their defined-contribution benefit be less than their previous defined-benefit guarantee (under the previous Pick n Pay Retirement Scheme) they would retain the former. Due to this guarantee, and the fact that the pensions are paid by the Pick n Pay Pensions Fund, the retirement scheme’s liabilities may be broken down between those which are defined contribution in nature and those which are defined benefit in nature and for which the employer has an obligation to make additional contributions to ensure this element of the scheme is fully funded. The defined-benefit and defined-contribution plans are regulated by the Pensions Funds Act, 1956 (of South Africa) and is governed by a board of trustees of the Pick n Pay Non-Contributory Provident Fund and Pick n Pay Pensions Fund, in line with governance policies set in terms of the PF130 circulars. The board of trustees of the Pick n Pay Non-Contributory Provident Fund comprises seven employer-appointed and seven member-elected trustees and for the Pick n Pay Pensions Fund it comprises two employer-appointed and two member-elected trustees.

#### 22.1 The Pick n Pay Retirement Scheme Defined-benefit obligations

The amount recognised in the statement of financial position is as follows:

| Present value of funded obligations | 522.6 | 554.9 |
| Funded position | 4.3 | 4.3 |
| Total obligation | 1081.8 | 1081.8 |

#### 22.2 Post-retirement medical benefits

The amount recognised in the statement of comprehensive income are as follows:

| Amount recognised in the statement of comprehensive income | 21.3 | 21.3 |
| Net interest on the obligation | 4.5 | 4.5 |
| Total included in employee costs | 26 | 26 |
| Asset ceiling | 70.1 | 70.1 |
| Refund (employer surplus account) | 70.1 | 70.1 |
| Effect of asset capping (at 21.3%) | 23.6 | 23.6 |
| Interest cost | 2.0 | 2.0 |
| Remeasurement | 33.3 | 33.3 |
| Effect of asset capping (at 21.3%) | 58.9 | 58.9 |

#### 22.3 Net asset (at 21.3%)

| Net asset (at 21.3%) | (85.1) | (85.1) |
| Total included in employee costs in profit or loss (note 3.3) | 16.8 | 16.8 |
| Amount recognised in other comprehensive income | 44.1 | 44.1 |
| Remeasurement | 26 | 26 |
| Net asset (at 21.3%) | 70.1 | 70.1 |
### 22. RETIREMENT BENEFITS continued

#### 22.1 The Pick n Pay Retirement Scheme continued

**Remeasurement recognised in other comprehensive income**
- Actuarial gain/(loss) as a result of changes in financial assumptions – assets: 2014: (13.3) Rm, 2013: 13.3 Rm
- Actuarial gain/(loss) as a result of changes in financial assumptions – obligations: 2014: 7.1 Rm, 2013: 7.1 Rm
- Effect of asset ceiling: 2014: — Rm, 2013: — Rm

**Remeasurement recognised in other comprehensive income (before tax)**
- 2014: — Rm, 2013: — Rm

**Movement in the fund’s obligations and plan assets recognised on the statement of financial position is as follows:**

<table>
<thead>
<tr>
<th>Liability – beginning of period</th>
<th>500.8</th>
<th>603.2</th>
<th>42.3</th>
<th>1 146.3</th>
<th>1 047.9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost</td>
<td>—</td>
<td>21.3</td>
<td>—</td>
<td>21.3</td>
<td>22.3</td>
</tr>
<tr>
<td>Interest cost</td>
<td>41.2</td>
<td>46.9</td>
<td>2.0</td>
<td>90.1</td>
<td>92.6</td>
</tr>
<tr>
<td>Actuarial gain/(loss) as a result of changes in financial assumptions</td>
<td>13.3</td>
<td>7.1</td>
<td>(1.9)</td>
<td>18.5</td>
<td>97.6</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(32.7)</td>
<td>(123.6)</td>
<td>(38.1)</td>
<td>(194.4)</td>
<td>(114.1)</td>
</tr>
<tr>
<td>Liability – end of period</td>
<td>522.6</td>
<td>554.9</td>
<td>4.3</td>
<td>1 081.8</td>
<td>1 146.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Plan assets – beginning of period</th>
<th>500.8</th>
<th>711.9</th>
<th>42.3</th>
<th>1 255.0</th>
<th>1 049.7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>41.2</td>
<td>53.4</td>
<td>2.0</td>
<td>96.6</td>
<td>93.0</td>
</tr>
<tr>
<td>Actuarial gain/(loss) as a result of changes in financial assumptions</td>
<td>13.3</td>
<td>86.3</td>
<td>(1.9)</td>
<td>97.7</td>
<td>200.4</td>
</tr>
<tr>
<td>(Contributions)/refund</td>
<td>—</td>
<td>(44.1)</td>
<td>—</td>
<td>(44.1)</td>
<td>26.0</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(32.7)</td>
<td>(123.6)</td>
<td>(38.1)</td>
<td>(194.4)</td>
<td>(114.1)</td>
</tr>
<tr>
<td>Plan assets – end of period</td>
<td>522.6</td>
<td>683.9</td>
<td>4.3</td>
<td>1 210.8</td>
<td>1 255.0</td>
</tr>
</tbody>
</table>

**Actuarial return on plan assets**
- 2014: 8.2%, 2013: 8.6%

**Composition of plan assets**

<table>
<thead>
<tr>
<th>Equities</th>
<th>4.3</th>
<th>48.1</th>
<th>48.1</th>
<th>29.2</th>
<th>36.8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed interest – bonds</td>
<td>40.3</td>
<td>12.4</td>
<td>12.4</td>
<td>24.4</td>
<td>13.7</td>
</tr>
<tr>
<td>Fixed interest – cash</td>
<td>2.1</td>
<td>0.7</td>
<td>0.7</td>
<td>1.3</td>
<td>1.0</td>
</tr>
<tr>
<td>Property</td>
<td>—</td>
<td>4.0</td>
<td>4.0</td>
<td>2.3</td>
<td>3.1</td>
</tr>
<tr>
<td>Offshore equities</td>
<td>15.1</td>
<td>14.0</td>
<td>14.0</td>
<td>14.5</td>
<td>21.3</td>
</tr>
<tr>
<td>Offshore bonds</td>
<td>0.8</td>
<td>20.8</td>
<td>20.8</td>
<td>12.2</td>
<td>7.9</td>
</tr>
<tr>
<td>Structured deposit</td>
<td>37.4</td>
<td>—</td>
<td>—</td>
<td>16.1</td>
<td>16.2</td>
</tr>
</tbody>
</table>

**Statement of comprehensive income**
- 2014: 17.5 Rm, 2013: 16.7 Rm

**Statement of financial position**
- 2014: (70.1) Rm, 2013: (70.1) Rm

**Movement in the fund’s obligations and plan assets recognised on the statement of financial position is as follows:**

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

### 22.2 Defined current contribution benefits

**Current contributions (note 3.1)**
- 2015: 325.8 Rm, 2014: 325.7 Rm
NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

25. COMMITMENTS

25.1 Capital commitments

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

Authorised capital expenditure

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracted for</td>
<td>213.1</td>
<td>123.5</td>
</tr>
<tr>
<td>Furniture, fittings, and equipment vehicles</td>
<td>123.1</td>
<td>95.4</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>90.0</td>
<td>28.1</td>
</tr>
<tr>
<td>Not contracted for</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Property</td>
<td>1 839.3</td>
<td>1 490.9</td>
</tr>
<tr>
<td>Furniture, fittings, and equipment vehicles</td>
<td>1 518.8</td>
<td>1 288.6</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>140.5</td>
<td>151.3</td>
</tr>
<tr>
<td>Total commitments</td>
<td>2 052.4</td>
<td>1 614.4</td>
</tr>
</tbody>
</table>

25.2 Operating lease commitments

Refer to note 11

25.3 Finance lease commitments

Refer to note 21.2

24. PROVISIONS

Onerous leases

Balance at beginning of period | 8.1 | 9.0 |
Provisions raised | — | — |
Provisions utilised | (7.1) | (7.6) |
Balance at end of period | 1.0 | 1.0 |

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

26. OPERATING SEGMENTS

Operating segments are identified based on financial information regularly reviewed by the Chief Operating Decision Maker (CODM) of the Group, being the Group Executive as detailed on page 52, for performance assessments and resource allocations. The Group annually performs a detailed review of the executives, or group of executives, that could be considered the appropriate and relevant CODM of the Group.

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

South Africa – operates in various formats under the Pick n Pay and Boxer brands in South Africa. For a detailed list of formats refer to page 13 of the integrated annual report.

Rest of Africa – responsible for the Group’s expansion into the rest of Africa under the Pick n Pay and Boxer brands.

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

<table>
<thead>
<tr>
<th>Segment</th>
<th>Total segment revenue</th>
<th>External revenue</th>
<th>Direct deliveries</th>
<th>Segment external turnover</th>
<th>Profit before tax**</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>64 574.2</td>
<td>3 681.9</td>
<td>67 603.1</td>
<td>63 911.9</td>
<td>1 016.2</td>
</tr>
<tr>
<td>Rest of Africa</td>
<td>1 614.4</td>
<td>1 288.6</td>
<td>66 940.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total operations</td>
<td>66 188.6</td>
<td>4 969.5</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

** Segmental profit before tax is equal to the Group’s reported profit before tax. The Rest of Africa segment’s segmental profit before tax comprises the segment’s trading margin and directly attributable costs only. No allocations are made for indirect or incremental cost incurred by the South Africa segment relating to the Rest of Africa segment.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

23. TRADE AND OTHER PAYABLES

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

25.2 Operating lease commitments

Refer to note 11

25.3 Finance lease commitments

Refer to note 21.2
27. RELATED PARTY TRANSACTIONS

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

27.2 Loans to executive directors
Loans to directors amount to R0.4 million at end of period (2014: R0.4 million), are secured and bear interest at varying interest rates. For further information refer to note 15.

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

---

### Key management personnel remuneration comprises:
- Directors’ fees
- Remuneration for management services
- Retirement and medical aid contributions
- Performance bonus
- Fringe and other benefits
- Share-based payment expense

---

### Operating segments

#### South Africa
- Total segment revenue: R64,574.2
- External revenue: R64,574.2
- Direct deliveries: R3,681.9
- Segment external turnover: R63,911.9
- Profit before tax: R1,014.7

### Rest of Africa
- Total segment revenue: R3,681.9
- External revenue: R3,628.9
- Direct deliveries: R653.0
- Segment external turnover: R3,028.9
- Profit before tax: R189.0

#### Total operations
- Total segment revenue: R68,256.1
- External revenue: R68,256.1
- Direct deliveries: R63,644.9
- Segment external turnover: R66,940.8
- Profit before tax: R1,203.7

---

### Statement of comprehensive income
- Finance income: R54.3
- Depreciation and amortisation: R845.2
- Share of associates’ income: —

#### Total liabilities
- Total liabilities: R11,308.7
- Additions to non-current assets: R1,061.8
- Total segment revenue: R13,673.5
- External revenue: R12,715.7
- Direct deliveries: —
- Segment external turnover: R63,911.9
- Profit before tax: R1,014.7

### Other information
- Statement of financial position
- Total segment revenue: R60,925.9
- External revenue: R60,925.9
- Direct deliveries: —
- Segment external turnover: R63,911.9
- Profit before tax: R690.5

---

### Key management personnel remuneration comprises:
- Directors’ fees
- Remuneration for management services
- Retirement and medical aid contributions
- Performance bonus
- Fringe and other benefits
- Share-based payment expense

---

### Statement of comprehensive income
- Finance income: R40.1
- Depreciation and amortisation: R923.1
- Impairment loss on intangible assets: R104.1
- Share of associates’ income: —
- Total assets: R12,995.6
- Total liabilities: R11,070.3
- Additions to non-current assets: R1,233.8

---

* Direct deliveries are issues to franchisees directly by Group suppliers; these are not included in revenue on the statement of comprehensive income.

** Segmental profit before tax is the reported measure used for evaluating the Group’s operating segments’ performance. On an overall basis the segmental profit before tax is equal to the Group’s reported profit before tax. The Rest of Africa segment’s segmental profit before tax comprises the segment’s trading result and directly attributable costs only. No allocations are made for indirect or incremental cost incurred by the South Africa segment relating to the Rest of Africa segment.
28. **FINANCIAL INSTRUMENTS**

**Overview**

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

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

**28.1 Credit risk**

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

The Group’s cash is placed with major South African and international financial institutions of high credit standing with a long-term rating of Aa+ (aff) (refer to note 18).

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

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

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

The Group is exposed to a 49% share of a financial guarantee over a US$25 million term loan granted to our associate in Zimbabwe.

The guarantee is linked to the creditworthiness of our associate. Management is confident in the future prospects of our associate, and has no reason to believe that associate will default on its loan commitments or that the guarantee will be called upon.

**28.2 Liquidity risk**

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

On average, trade and other receivables and inventory are realised within 45 days, inventory within 37 days and trade and other payables within 80 days.

The Group does not consider there to be any significant concentration or exposure to credit risk.

**28.2 Liquidity risk continued**

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

<table>
<thead>
<tr>
<th>Pick n Pay Stores Group</th>
<th>Carrying amount Rm</th>
<th>Contractual cash flows Rm</th>
<th>Within 1 year Rm</th>
<th>2 to 5 years Rm</th>
<th>Over 5 years Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secured loans – note 21.1</td>
<td>784.3</td>
<td>854.2</td>
<td>339.3</td>
<td>514.9</td>
<td></td>
</tr>
<tr>
<td>Trade and other payables – note 23</td>
<td>8 781.9</td>
<td>8 781.9</td>
<td>8 781.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank overdraft and overnight borrowings – note 18</td>
<td>500.0</td>
<td>500.0</td>
<td>500.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total financial obligations</td>
<td>10 066.2</td>
<td>10 136.1</td>
<td>9 621.2</td>
<td>514.9</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secured loans – note 21.1</td>
<td>784.9</td>
<td>925.3</td>
<td>103.8</td>
<td>821.5</td>
<td></td>
</tr>
<tr>
<td>Unsecured loans – note 21.1</td>
<td>700.0</td>
<td>710.1</td>
<td>710.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables – note 23</td>
<td>7 805.1</td>
<td>7 805.1</td>
<td>7 805.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank overdraft and overnight borrowings – note 18</td>
<td>670.0</td>
<td>670.0</td>
<td>670.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total financial obligations</td>
<td>9 960.0</td>
<td>10 110.5</td>
<td>9 289.0</td>
<td>821.5</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pick n Pay Holdings Group</th>
<th>Carrying amount Rm</th>
<th>Contractual cash flows Rm</th>
<th>Within 1 year Rm</th>
<th>2 to 5 years Rm</th>
<th>Over 5 years Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secured loans – note 21.1</td>
<td>784.3</td>
<td>854.2</td>
<td>339.3</td>
<td>514.9</td>
<td></td>
</tr>
<tr>
<td>Trade and other payables – note 23</td>
<td>8 785.6</td>
<td>8 785.6</td>
<td>8 785.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank overdraft and overnight borrowings – note 18</td>
<td>500.0</td>
<td>500.0</td>
<td>500.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total financial obligations</td>
<td>10 069.9</td>
<td>10 139.8</td>
<td>9 624.9</td>
<td>514.9</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secured loans – note 21.1</td>
<td>784.9</td>
<td>925.3</td>
<td>103.8</td>
<td>821.5</td>
<td></td>
</tr>
<tr>
<td>Unsecured loans – note 21.1</td>
<td>700.0</td>
<td>710.1</td>
<td>710.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables – note 23</td>
<td>7 811.3</td>
<td>7 811.3</td>
<td>7 811.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank overdraft and overnight borrowings – note 18</td>
<td>670.0</td>
<td>670.0</td>
<td>670.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total financial obligations</td>
<td>9 966.2</td>
<td>10 116.7</td>
<td>9 295.2</td>
<td>821.5</td>
<td></td>
</tr>
</tbody>
</table>
28.3 Market risk management

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

28.3.1 Currency risk management

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:

<table>
<thead>
<tr>
<th>Currency Pair</th>
<th>Average Rate</th>
<th>Closing Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD/ZAR</td>
<td>11.17</td>
<td>11.62</td>
</tr>
<tr>
<td>Euro/ZAR</td>
<td>13.92</td>
<td>13.05</td>
</tr>
<tr>
<td>GBP/ZAR</td>
<td>17.92</td>
<td>17.93</td>
</tr>
</tbody>
</table>

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

The effective rates on financial instruments at end of period are:

<table>
<thead>
<tr>
<th>Financial Asset</th>
<th>Interest Rate</th>
<th>Effect on Finance Income (Rm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>4.2</td>
<td>52.1</td>
</tr>
<tr>
<td>Loans (note 15)</td>
<td>3.9</td>
<td>62.7</td>
</tr>
</tbody>
</table>

Sensitivity of the Group's exposure to interest rate risk is estimated by assessing the impact of a reasonable expected movement in the relevant interest rates on the profit before tax of the Group based on the period end closing balances. Interest rates are expected to rise in the range of 1% to 2% during the 2015 calendar year and we have used this range in our sensitivity analysis.

Net effect on profit before tax 5.8 11.6
28. FINANCIAL INSTRUMENTS

28.4 Fair value of financial instruments

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

- **Level 1** – quoted prices (unadjusted) in an active market for identical assets or liabilities.
- **Level 2** – inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3** – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

**Financial liabilities**

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

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

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

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

<table>
<thead>
<tr>
<th>Commodity hedge</th>
<th>Maturity date</th>
<th>Strike price hedge level rand/litre</th>
<th>Fair value Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2015</strong> GASOL – Asian call option</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>March 2015</td>
<td>7.54</td>
<td>0.1</td>
<td>1.3</td>
</tr>
<tr>
<td>April 2015</td>
<td>7.54</td>
<td>0.1</td>
<td>1.3</td>
</tr>
<tr>
<td>May 2015</td>
<td>7.54</td>
<td>0.1</td>
<td>1.3</td>
</tr>
<tr>
<td>June 2015</td>
<td>7.32</td>
<td>0.1</td>
<td>1.4</td>
</tr>
<tr>
<td>July 2015</td>
<td>7.32</td>
<td>0.1</td>
<td>1.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Commodity hedge</th>
<th>Maturity date</th>
<th>Strike price hedge level rand/litre</th>
<th>Fair value Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2014</strong> GASOL – Asian call option</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>April 2014</td>
<td>8.50</td>
<td>0.1</td>
<td>0.1</td>
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<tr>
<td>May 2014</td>
<td>8.50</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>June 2014</td>
<td>8.50</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>July 2014</td>
<td>8.40</td>
<td>0.3</td>
<td>0.3</td>
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<tr>
<td>August 2014</td>
<td>8.40</td>
<td>0.4</td>
<td>0.4</td>
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<tr>
<td>September 2014</td>
<td>8.40</td>
<td>0.4</td>
<td>0.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Commodity hedge</th>
<th>Maturity date</th>
<th>Strike price hedge level rand/litre</th>
<th>Fair value Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2013</strong> GASOL – Asian call option</td>
<td></td>
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<td>8.50</td>
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<tr>
<td>May 2013</td>
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<tr>
<td>June 2013</td>
<td>8.50</td>
<td>0.3</td>
<td>0.3</td>
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<tr>
<td>July 2013</td>
<td>8.40</td>
<td>0.3</td>
<td>0.3</td>
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<tr>
<td>August 2013</td>
<td>8.40</td>
<td>0.4</td>
<td>0.4</td>
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<tr>
<td>September 2013</td>
<td>8.40</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Commodity hedge</th>
<th>Maturity date</th>
<th>Strike price hedge level rand/litre</th>
<th>Fair value Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2012</strong> GASOL – Asian call option</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>April 2012</td>
<td>8.50</td>
<td>0.1</td>
<td>0.1</td>
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<tr>
<td>May 2012</td>
<td>8.50</td>
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<tr>
<td>June 2012</td>
<td>8.50</td>
<td>0.3</td>
<td>0.3</td>
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<tr>
<td>July 2012</td>
<td>8.40</td>
<td>0.3</td>
<td>0.3</td>
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<tr>
<td>August 2012</td>
<td>8.40</td>
<td>0.4</td>
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</tr>
<tr>
<td>September 2012</td>
<td>8.40</td>
<td>0.4</td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Commodity hedge</th>
<th>Maturity date</th>
<th>Strike price hedge level rand/litre</th>
<th>Fair value Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2011</strong> GASOL – Asian call option</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>April 2011</td>
<td>8.50</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>May 2011</td>
<td>8.50</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>June 2011</td>
<td>8.50</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>July 2011</td>
<td>8.40</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>August 2011</td>
<td>8.40</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>September 2011</td>
<td>8.40</td>
<td>0.4</td>
<td>0.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Commodity hedge</th>
<th>Maturity date</th>
<th>Strike price hedge level rand/litre</th>
<th>Fair value Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2010</strong> GASOL – Asian call option</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>April 2010</td>
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<td>0.1</td>
</tr>
<tr>
<td>May 2010</td>
<td>8.50</td>
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<td>0.2</td>
</tr>
<tr>
<td>June 2010</td>
<td>8.50</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>July 2010</td>
<td>8.40</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>August 2010</td>
<td>8.40</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>September 2010</td>
<td>8.40</td>
<td>0.4</td>
<td>0.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Commodity hedge</th>
<th>Maturity date</th>
<th>Strike price hedge level rand/litre</th>
<th>Fair value Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2009</strong> GASOL – Asian call option</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>April 2009</td>
<td>8.50</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>May 2009</td>
<td>8.50</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>June 2009</td>
<td>8.50</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>July 2009</td>
<td>8.40</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>August 2009</td>
<td>8.40</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>September 2009</td>
<td>8.40</td>
<td>0.4</td>
<td>0.4</td>
</tr>
</tbody>
</table>

**Financial assets measured at fair value**

- Forward exchange contracts
- Commodity hedge
- Trade and other payables – financial guarantee – note 14.1

**Financial liabilities measured at fair value**

- Trade and other payables – financial guarantee – note 14.1

**Financial assets not measured at fair value**

- Trade and other receivables – note 17
- Cash and cash equivalents – note 18
- Loans – note 15
- Participation in export partnerships – note 12

**Financial liabilities not measured at fair value**

- Secured loans – note 21.1
- Trade and other payables – note 23
- Bank overdraft and overnight borrowings – note 18

*Fair value not disclosed as carrying value is a reasonable approximation of fair value.
28.4 Fair value of financial instruments continued

<table>
<thead>
<tr>
<th>Derivatives</th>
<th>Loans and receivables</th>
<th>Financial liabilities</th>
<th>Total</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets measured at fair value</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forward exchange contracts</td>
<td>1.3</td>
<td>1.3</td>
<td>1.3</td>
<td>1.3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commodity hedge</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1.4</td>
<td>1.4</td>
<td>1.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Financial liabilities measured at fair value |
| Trade and other payables – financial guarantee – note 14.1 | 7.2 | 7.2 | 7.2 |
| Total | 7.2 | 7.2 |

| Financial assets not measured at fair value* |
| Trade and other receivables – note 17 | 2 956.7 | 2 956.7 |
| Cash and cash equivalents – note 18 | 1 174.6 | 1 174.6 |
| Loans – note 15 | 100.6 | 100.6 |
| Participation in export partnerships – note 12 | 23.4 | 23.4 |
| Total | 4 255.3 | 4 255.3 |

| Financial liabilities not measured at fair value* |
| Secured loans – note 21.1 | 784.3 | 784.3 |
| Trade and other payables – note 23 | 8 778.4 | 8 778.4 |
| Bank overdraft and overnight borrowings – note 18 | 500.0 | 500.0 |
| Total | 10 062.7 | 10 062.7 |

* 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 is ultimately responsible for capital management and has the following responsibilities in this regard:

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

The Group assesses the effectiveness of the use of capital in providing a return to shareholders using the ratio of return on shareholders’ equity which is calculated as headline earnings divided by average shareholders’ equity:

| 52 weeks | 52 weeks |
| March 2015 | March 2014 |
| 29.1% | 25.9% |

Return on shareholders’ equity

The Group maintains a dividend cover based on headline earning per share of 1.5 times (2014: 1.5 times) to ensure that sufficient capital is retained for expansion of the business.

The Group’s secured long-term borrowings have financial covenants attached which the lender uses as a measure of the Group’s ability to repay the debt. The covenants are based on the level of total debt in the business as a ratio of EBITDA (earnings before interest, tax, depreciation and amortisation), as well as the adequacy of EBITAR (earnings before interest and operating rentals) to cover total net interest and operating lease rentals payable. The Group complied with all financial covenants during the period and does not foresee any difficulty in meeting the covenants in the foreseeable future.

Should the financial covenants not be met for any reason, the Group would need to inform the lender and the lender would be entitled to take remedial action in the form of an increase in the rate of interest on the secured loan, or early repayment terms. However, should the Group’s financial position diminish further such that the lender believes the Group will not be able to repay its debt in the ordinary course of business, then the loan can be immediately recalled by the lender.

The Group received shareholder approval in February 2014 to utilise up to 5% of the issued share capital of Pick n Pay Stores Limited (PPK) and Pick n Pay Holdings Limited (PWK) in respect of the amount of new shares that can be issued to cover obligations under its employee share schemes. The Group issued 6.9 million new PPK shares during the year to fund the first allocation of forfeitable shares under its new forfeitable share plan (FSP), which had a dilutive effect of 1.4%. It is anticipated that the Group will issue a further 1.1 million PPK shares (0.2% of issued share capital) in respect of its FSP.

There were no changes in the Group’s approach to capital management during the period.
29. NON-CONTROLLING INTEREST
All of the non-controlling interest in Pick n Pay Holdings Group relates to its subsidiary Pick n Pay Stores Limited. Non-controlling shareholders control 46.2% (2014: 46.0%) of the issued share capital of the subsidiary.

<table>
<thead>
<tr>
<th>Pick n Pay Holdings Group</th>
<th>52 weeks</th>
<th>52 weeks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 March 2015</td>
<td>2 March 2014</td>
</tr>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>1 499.2</td>
<td>1 290.6</td>
</tr>
</tbody>
</table>

30. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED
International Financial Reporting Standards (IFRS)
A number of new standards, amendments to standards and interpretations that are applicable to the Group with an effective date after the date of these financial statements, have not been applied in preparing these consolidated financial statements. These include:

**IFRS 9 Financial Instruments**
IFRS 9 replaces existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment losses on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its Group financial statements regarding the application of IFRS 9.

**IFRS 15 Revenue from Contracts with Customers**
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods on or after 1 January 2017, with early adoption permitted. The Group is assessing the potential impact on its Group financial statements regarding the application of IFRS 15.

**Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)**
These amendments require a bearer plant, defined as a living plant, to be accounted for as property, plant, and equipment and included in the scope of IAS 16 Property, Plant, and Equipment, instead of IAS 41 Agriculture. The amendments are effective for annual reporting periods beginning on or after 1 January 2016, with early adoption permitted. This does not impact the Group financial statements as the Group does not have any bearer plants.

The following new or amended standards are not expected to have a significant impact on the Group’s financial statements:
- IFRS 14 Regulatory Deferral Accounts
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- Defined-Benefit Plans: Employee Contributions (Amendments to IAS 19)
- Annual improvements to IFRS 2010 – 2012 Cycle
- Annual Improvements to IFRS 2011 – 2013 Cycle
Company financial statements

STATEMENTS OF COMPREHENSIVE INCOME

for the period ended

<table>
<thead>
<tr>
<th>Pick n Pay Stores Limited</th>
<th>Pick n Pay Holdings Limited RF</th>
</tr>
</thead>
<tbody>
<tr>
<td>52 weeks</td>
<td>52 weeks</td>
</tr>
<tr>
<td>1 March 2015 (Rm)</td>
<td>2 March 2014 (Rm)</td>
</tr>
<tr>
<td>52 weeks</td>
<td>52 weeks</td>
</tr>
<tr>
<td>1 March 2015 (Rm)</td>
<td>2 March 2014 (Rm)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Notes</th>
<th>Pick n Pay Stores Limited</th>
<th>Pick n Pay Holdings Limited RF</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10.8</td>
<td>486.3</td>
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<tr>
<td></td>
<td>38.3</td>
<td>97.4</td>
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<tr>
<td>Revenue</td>
<td></td>
<td>As at</td>
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<tr>
<td>Financial income</td>
<td>410.6</td>
<td>249.9</td>
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<tr>
<td>Dividend income</td>
<td>485.4</td>
<td>249.9</td>
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<tr>
<td>Administration expenses</td>
<td>2</td>
<td>(14.9)</td>
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<tr>
<td>Profit</td>
<td>471.4</td>
<td>436.2</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(10.8)</td>
<td>(38.3)</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>460.6</td>
<td>397.9</td>
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<tr>
<td>Tax</td>
<td>3</td>
<td>—</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>460.6</td>
<td>397.9</td>
</tr>
<tr>
<td>Other comprehensive income for the period, net of tax</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total comprehensive income for the period</td>
<td>460.6</td>
<td>397.9</td>
</tr>
</tbody>
</table>

Company financial statements

STATEMENTS OF FINANCIAL POSITION

<table>
<thead>
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<th>Pick n Pay Holdings Limited RF</th>
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</thead>
<tbody>
<tr>
<td>As at</td>
<td>As at</td>
</tr>
<tr>
<td>1 March 2015 (Rm)</td>
<td>2 March 2014 (Rm)</td>
</tr>
<tr>
<td>As at</td>
<td>As at</td>
</tr>
<tr>
<td>1 March 2015 (Rm)</td>
<td>2 March 2014 (Rm)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Notes</th>
<th>Pick n Pay Stores Limited</th>
<th>Pick n Pay Holdings Limited RF</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>586.3</td>
<td>97.4</td>
</tr>
<tr>
<td>ASSETS Non-current assets</td>
<td>Investments in subsidiaries and trust</td>
<td>5</td>
</tr>
<tr>
<td>Current assets</td>
<td>Investments in subsidiaries and trust</td>
<td>5</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>6</td>
<td>0.2</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
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<td>1.0</td>
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<tr>
<td>Total assets</td>
<td>1.2</td>
<td>700.2</td>
</tr>
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<td>EQUITY AND LIABILITIES Equity</td>
<td>Share capital</td>
<td>7</td>
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<tr>
<td>Share premium</td>
<td>396.8</td>
<td>—</td>
</tr>
<tr>
<td>Retained earnings/(accumulated losses)</td>
<td>77.4</td>
<td>84.6</td>
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<tr>
<td>Total equity</td>
<td>480.3</td>
<td>90.6</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>Borrowings</td>
<td>8</td>
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<tr>
<td>Trade and other payables</td>
<td>7.2</td>
<td>7.0</td>
</tr>
<tr>
<td>Total equity and liabilities</td>
<td>407.5</td>
<td>797.6</td>
</tr>
</tbody>
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Notes

As at
1 March 2015
2 March 2014
1 March 2015
2 March 2014
### STATEMENT OF CHANGES IN EQUITY

**for the period ended**

#### Pick n Pay Stores Limited

<table>
<thead>
<tr>
<th>Notes</th>
<th>Share capital Rm</th>
<th>Share premium Rm</th>
<th>Retained earnings Rm</th>
<th>Total equity Rm</th>
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</thead>
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<tr>
<td>At 3 March 2013</td>
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<td>—</td>
<td>90.5</td>
<td>96.5</td>
</tr>
<tr>
<td>Total comprehensive income for the period</td>
<td>—</td>
<td>—</td>
<td>397.9</td>
<td>397.9</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>—</td>
<td>—</td>
<td>397.9</td>
<td>397.9</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>4.1</td>
<td>—</td>
<td>(403.8)</td>
<td>(403.8)</td>
</tr>
<tr>
<td>At 2 March 2014</td>
<td>6.0</td>
<td>—</td>
<td>84.6</td>
<td>90.6</td>
</tr>
<tr>
<td>Total comprehensive income for the period</td>
<td>—</td>
<td>—</td>
<td>460.6</td>
<td>460.6</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>—</td>
<td>—</td>
<td>460.6</td>
<td>460.6</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Shares issued</td>
<td>7.1</td>
<td>0.1</td>
<td>396.8</td>
<td>396.9</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>4.1</td>
<td>—</td>
<td>(467.8)</td>
<td>(467.8)</td>
</tr>
<tr>
<td>At 1 March 2015</td>
<td>6.1</td>
<td>396.8</td>
<td>77.4</td>
<td>480.3</td>
</tr>
</tbody>
</table>

#### Pick n Pay Holdings Limited RF

<table>
<thead>
<tr>
<th>Notes</th>
<th>Share capital Rm</th>
<th>Share premium Rm</th>
<th>(Accumulated loss)/retained earnings Rm</th>
<th>Total equity Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 3 March 2013</td>
<td>6.6</td>
<td>120.8</td>
<td>(0.6)</td>
<td>126.8</td>
</tr>
<tr>
<td>Total comprehensive income for the period</td>
<td>—</td>
<td>—</td>
<td>214.5</td>
<td>214.5</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>—</td>
<td>—</td>
<td>214.5</td>
<td>214.5</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>4.1</td>
<td>—</td>
<td>(215.2)</td>
<td>(215.2)</td>
</tr>
<tr>
<td>At 2 March 2014</td>
<td>6.6</td>
<td>120.8</td>
<td>(1.3)</td>
<td>126.1</td>
</tr>
<tr>
<td>Total comprehensive income for the period</td>
<td>—</td>
<td>—</td>
<td>248.4</td>
<td>248.4</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>—</td>
<td>—</td>
<td>248.4</td>
<td>248.4</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>4.1</td>
<td>—</td>
<td>(245.2)</td>
<td>(245.2)</td>
</tr>
<tr>
<td>At 1 March 2015</td>
<td>6.6</td>
<td>120.8</td>
<td>1.9</td>
<td>129.3</td>
</tr>
</tbody>
</table>

### STATEMENTS OF CASH FLOWS

**for the period ended**

#### Pick n Pay Stores Limited

**52 weeks 1 March 2015**

<table>
<thead>
<tr>
<th>Cash flows from operating activities</th>
<th>Profit</th>
<th>471.4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash generated before movements in working capital</td>
<td>471.4</td>
<td>436.2</td>
</tr>
<tr>
<td>Movements in working capital</td>
<td>0.2</td>
<td>1.4</td>
</tr>
<tr>
<td>Movements in trade and other payables</td>
<td>0.2</td>
<td>1.4</td>
</tr>
<tr>
<td>Movements in trade and other receivables</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Cash generated by trading activities</td>
<td>471.6</td>
<td>437.6</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(10.8)</td>
<td>(38.3)</td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>460.8</td>
<td>399.3</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>467.8</td>
<td>(245.2)</td>
</tr>
<tr>
<td>Cash (utilised in)/generated from operating activities</td>
<td>(7.0)</td>
<td>(4.5)</td>
</tr>
</tbody>
</table>

**52 weeks 2 March 2014**

<table>
<thead>
<tr>
<th>Cash flows from investing activities</th>
<th>Investment in subsidiaries</th>
<th>—</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans repaid/(advanced)</td>
<td>311.1</td>
<td>(295.2)</td>
</tr>
<tr>
<td>Cash generated from/(utilised in) investing activities</td>
<td>311.1</td>
<td>(295.5)</td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td>Proceeds from borrowings</td>
<td>8</td>
</tr>
<tr>
<td>Repayment of borrowings</td>
<td>8</td>
<td>(700.0)</td>
</tr>
<tr>
<td>Net proceeds from share issue</td>
<td>7</td>
<td>396.9</td>
</tr>
<tr>
<td>Cash (utilised in)/generated from financing activities</td>
<td>303.1</td>
<td>300.0</td>
</tr>
<tr>
<td>Net movement in cash and cash equivalents</td>
<td>—</td>
<td>0.8</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period</td>
<td>6</td>
<td>1.0</td>
</tr>
</tbody>
</table>

#### Pick n Pay Holdings Limited RF

**52 weeks 1 March 2015**

<table>
<thead>
<tr>
<th>Cash flows from operating activities</th>
<th>Profit</th>
<th>471.4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash generated before movements in working capital</td>
<td>471.4</td>
<td>436.2</td>
</tr>
<tr>
<td>Movements in working capital</td>
<td>0.2</td>
<td>1.4</td>
</tr>
<tr>
<td>Movements in trade and other payables</td>
<td>0.2</td>
<td>1.4</td>
</tr>
<tr>
<td>Movements in trade and other receivables</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Cash generated by trading activities</td>
<td>471.6</td>
<td>437.6</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(10.8)</td>
<td>(38.3)</td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>460.8</td>
<td>399.3</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>467.8</td>
<td>(245.2)</td>
</tr>
<tr>
<td>Cash (utilised in)/generated from operating activities</td>
<td>(7.0)</td>
<td>(4.5)</td>
</tr>
</tbody>
</table>

**52 weeks 2 March 2014**

<table>
<thead>
<tr>
<th>Cash flows from investing activities</th>
<th>Investment in subsidiaries</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans repaid/(advanced)</td>
<td>311.1</td>
<td>(295.2)</td>
</tr>
<tr>
<td>Cash generated from/(utilised in) investing activities</td>
<td>311.1</td>
<td>(295.5)</td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td>Proceeds from borrowings</td>
<td>8</td>
</tr>
<tr>
<td>Repayment of borrowings</td>
<td>8</td>
<td>(700.0)</td>
</tr>
<tr>
<td>Net proceeds from share issue</td>
<td>7</td>
<td>396.9</td>
</tr>
<tr>
<td>Cash (utilised in)/generated from financing activities</td>
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<td>300.0</td>
</tr>
<tr>
<td>Net movement in cash and cash equivalents</td>
<td>—</td>
<td>0.8</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period</td>
<td>6</td>
<td>1.0</td>
</tr>
</tbody>
</table>
NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1 Investments in subsidiaries
The Companies carry their investments in subsidiaries at cost less impairment losses.

1.2 Foreign currency transactions and translations
The financial statements are presented in South African rand, which is the Companies’ functional currency. All transactions are in South African rand.

1.3 Basis of consolidation
The Companies’ financial statements are presented as separate financial statements. The Companies’ financial statements have been prepared in accordance with IFRS and its interpretations and amendments. These interpretations and amendments had no material impact on the reported results. Where applicable, additional disclosures for the current and comparative periods were provided.

1.4 Basis of preparation
The Companies’ financial statements are prepared on the historical cost basis.

The accounting policies have been consistently applied to all periods presented in these financial statements except where the Companies have adopted the IFRS and IFRIC interpretations and amendments. These interpretations and amendments had no material impact on the reported results. Where applicable, additional disclosures for the current and comparative periods were provided.

1.5 Property, plant and equipment
No property, plant and equipment are held by the Companies.

1.6 Intangible assets
No intangible assets are held by the Companies.

1.7 Leases
No lease arrangements are held by the Companies.

1.8 Inventory
No inventory is held by the Companies.

1.9 Treasury shares
No treasury shares are held by the Companies.

1.10 Borrowing costs
No property, plant, equipment and intangible assets are held by the Companies thus no borrowing costs will occur.

1.11 Employee benefits
No employee benefits are recognised by the Companies.

1.12 Operating segments
No segmental financial information is required for the separate financials of the Companies.

1.13 Basis of preparation
The Companies’ financial statements are presented as separate financial statements. The Companies’ financial statements have been prepared in accordance with IFRS and its interpretations and amendments. These interpretations and amendments had no material impact on the reported results. Where applicable, additional disclosures for the current and comparative periods were provided.

1.14 Basis of preparation
The Companies’ financial statements are prepared on the historical cost basis.

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1.15 Property, plant and equipment
No property, plant and equipment are held by the Companies.

1.16 Intangible assets
No intangible assets are held by the Companies.

1.17 Leases
No lease arrangements are held by the Companies.

1.18 Inventory
No inventory is held by the Companies.

1.19 Treasury shares
No treasury shares are held by the Companies.

1.20 Borrowing costs
No property, plant, equipment and intangible assets are held by the Companies thus no borrowing costs will occur.

1.21 Employee benefits
No employee benefits are recognised by the Companies.

2. ADMINISTRATION EXPENSES

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

2.1 Directors’ remuneration

Directors’ remuneration paid by Pick n Pay Stores Limited and Pick n Pay Holdings Limited RF is detailed below. Refer to pages 60 to 76 of the remuneration report for details of the directors’ remuneration and directors’ interest in shares.

<table>
<thead>
<tr>
<th>Pick n Pay Stores Limited</th>
<th>Pick n Pay Holdings Limited RF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees for Board meetings R’000</td>
<td>Fees for Board meetings R’000</td>
</tr>
<tr>
<td>6 010.0</td>
<td>6 185.9</td>
</tr>
<tr>
<td>Cash total R’000</td>
<td>Cash total R’000</td>
</tr>
<tr>
<td>1 300.0</td>
<td>1 348.0</td>
</tr>
<tr>
<td>7 310.0</td>
<td>6 533.9</td>
</tr>
<tr>
<td>180.0</td>
<td>171.0</td>
</tr>
<tr>
<td>180.0</td>
<td>171.0</td>
</tr>
</tbody>
</table>

* 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.

3. TAX

3.1 Reconciliation of effective tax rate

<table>
<thead>
<tr>
<th>South African statutory tax rate</th>
<th>Exempt income – dividend income</th>
</tr>
</thead>
<tbody>
<tr>
<td>28.0%</td>
<td>(28.8)%</td>
</tr>
</tbody>
</table>

4. DIVIDENDS

4.1 Dividends paid

<table>
<thead>
<tr>
<th>Number</th>
<th>Declared Date</th>
<th>Paid Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>92</td>
<td>14 April 2014</td>
<td>17 June 2014</td>
</tr>
<tr>
<td>65</td>
<td>14 October 2014</td>
<td>15 December 2014</td>
</tr>
<tr>
<td>93</td>
<td>21 October 2013</td>
<td>17 December 2013</td>
</tr>
</tbody>
</table>

Total dividends per share for the period

Total value of dividends paid by the Company

52 weeks 1 March 2015

Pick n Pay Stores Limited

<table>
<thead>
<tr>
<th>Cents per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>77.50</td>
</tr>
<tr>
<td>19.60</td>
</tr>
<tr>
<td>97.10</td>
</tr>
<tr>
<td>37.10</td>
</tr>
<tr>
<td>46.50</td>
</tr>
<tr>
<td>3.10</td>
</tr>
<tr>
<td>467.8</td>
</tr>
<tr>
<td>403.8</td>
</tr>
<tr>
<td>245.2</td>
</tr>
<tr>
<td>215.2</td>
</tr>
</tbody>
</table>

Pick n Pay Holdings Limited RF

<table>
<thead>
<tr>
<th>Cents per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>69.25</td>
</tr>
<tr>
<td>14.80</td>
</tr>
<tr>
<td>84.05</td>
</tr>
<tr>
<td>7.20</td>
</tr>
<tr>
<td>40.81</td>
</tr>
<tr>
<td>33.61</td>
</tr>
<tr>
<td>215.2</td>
</tr>
</tbody>
</table>

52 weeks 2 March 2014
4. DIVIDENDS

4.2 Dividends declared

Interim dividend – number 93 (2014: number 91)
Final dividend – number 94 (2014: number 92)

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

5. INVESTMENTS IN SUBSIDIARIES AND TRUST

5.1 Pick n Pay Stores Limited

Amounts owing by subsidiary companies

<table>
<thead>
<tr>
<th>Shares at cost</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares at cost</td>
<td>98.50</td>
<td>118.10</td>
</tr>
<tr>
<td>Trust</td>
<td>91.70</td>
<td>118.10</td>
</tr>
</tbody>
</table>

The directors have declared a final dividend (dividend 67) of 47.85 cents per share out of income reserves. The dividend is subject to dividend withholding tax at 15%, where shareholders are subject to this tax. The last day to trade in order to participate in the dividend will be Friday, 5 June 2015. The shares will trade EX dividend from the commencement of business on Monday, 8 June 2015 and the record date will be Friday, 12 June 2015. The dividends will be paid on Monday, 15 June 2015.

5.2 Pick n Pay Holdings Limited RF

5.2.1 Investment in subsidiary

Pick n Pay Stores Limited
25/0 345 334 (2014: 257 345 334) ordinary shares

Comprising:
Initial investment
Capitalisation share awards received
Total investment in subsidiary

Total investment in subsidiary

5.2.2 Amount owing by subsidiary companies

Refer to note 5.2.1 for a detailed analysis.

Cash and cash equivalents

Cash and cash equivalents represents a current bank account for operational purposes.

7. SHARE CAPITAL

7.1 Pick n Pay Stores Limited

Authorized

800 000 000 (2014: 800 000 000) ordinary shares of 1.25 cents each

Issued

487 322 321 (2014: 480 397 321) ordinary shares of 1.25 cents each

The Company can issue new shares to settle its obligation under its employee share schemes, but any issues in this regard are limited in the aggregate, to 5% of total issued share capital (currently 24 019 866 shares). To date, 9,615 000 shares have been issued, resulting in 14 751 116 shares remaining for this purpose.

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

The movement in the number of shares in issue in the current period for Pick n Pay Stores Limited was as a result of 6 925 000 shares issued in June 2014, at an issue price of R57.31 per share to various trading subsidiaries. The subsidiaries then used these shares, during August 2014, in order to meet share obligations under the Group’s new employee forfeitable share plan (595), as approved by the shareholders in February 2014. These shares are now held in a nominees account on behalf of the participants.

The participants, although benefiting from full voting rights and full rights to any dividends declared, cannot dispose of their shares during a three-year employment period. In addition, the shares are subject to further performance conditions linked to the Pick n Pay Stores Group’s compound annual growth in headline earnings per share. Should the employment conditions or performance conditions not be met, the shares (or portion thereof) are forfeited. The fair value of the shares awarded to participants was R55.59 per share.
Company financial statements
NOTES TO THE COMPANY FINANCIAL STATEMENTS

Pick n Pay Holdings Limited RF

52 weeks 52 weeks
1 March 2 March 2015 2014
Rm  Rm

7. SHARE CAPITAL continued

7.2 Pick n Pay Holding Limited RF

Authorised
800 000 000 (2014: 800 000 000) ordinary shares of 1.25 cents each
10.0 10.0

Issued
527 249 082 (2014: 527 249 082) ordinary shares of 1.25 cents each
6.6 6.6

The Company can issue new shares to settle its obligations under its employee share schemes, but any issues in this regard are
limited, in the aggregate, to 5% of total share capital.

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

Pick n Pay Stores Limited

52 weeks 52 weeks
1 March 2 March 2015 2014
Rm  Rm

8. BORROWINGS

Unsecured three-month corporate paper, issued under our Domestic Medium Term Note Programme, to fund capital projects. The notes were repaid on 29 June 2014 and carried variable
interest rates of 17 to 22 basis points above the three-month Jibar rate which averaged 5.7% per annum (2014: three-month Jibar averaged 5.7% per annum).

9. RELATED PARTY TRANSACTIONS

9.2 Pick n Pay Holding Limited RF

9.2.1 Dividends received from subsidiary company

Pick n Pay Stores Limited

249.9 216.3

9.2.2 Amount owing by Group companies

Loan to subsidiary company
Pick n Pay Stores Limited
2.2 1.4

Loan to company within the Group
Pick n Pay Retailers Proprietary Limited
2.6 0.5

Total amount owing by Group companies

4.8 1.9

9.3 Shares held by directors

The percentage of shares held by directors of Pick n Pay Stores Limited and Pick n Pay Holdings Limited RF at the reporting date are
disclosed in the directors' reports on pages 95 and 99. For further information refer to the remuneration report on pages 60 to 76.

10. FINANCIAL INSTRUMENTS

Overview

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

10.1 Liquidity risk

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

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

Pick n Pay Stores Limited

<table>
<thead>
<tr>
<th>Carrying amount</th>
<th>Contractual cash flows</th>
<th>Within 1 year</th>
<th>Within 1 year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pick n Pay Stores Limited</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-derivative financial liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>7.2</td>
<td>7.2</td>
<td>4.3</td>
</tr>
<tr>
<td>Total financial obligations</td>
<td>7.2</td>
<td>7.2</td>
<td>7.2</td>
</tr>
</tbody>
</table>

Pick n Pay Holdings Limited RF

<table>
<thead>
<tr>
<th>Carrying amount</th>
<th>Contractual cash flows</th>
<th>Within 1 year</th>
<th>Within 1 year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pick n Pay Holdings Limited RF</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-derivative financial liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Three-month corporate paper</td>
<td>700.0</td>
<td>710.1</td>
<td>710.1</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>7.0</td>
<td>7.0</td>
<td>7.0</td>
</tr>
<tr>
<td>Total financial obligations</td>
<td>707.0</td>
<td>717.1</td>
<td>717.1</td>
</tr>
</tbody>
</table>

10.2 Capital management

The Companies consider the management of capital with reference to the Group policy which can be found on page 153 of the
Group financial statements.
Pick n Pay Holdings Limited RF
ANALYSIS OF SHAREHOLDERS

SHAREHOLDER SPREAD

<table>
<thead>
<tr>
<th>Number of shareholders</th>
<th>Number of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 1,000 shares</td>
<td>6,160</td>
</tr>
<tr>
<td>1,001 – 10,000 shares</td>
<td>3,254</td>
</tr>
<tr>
<td>10,001 – 100,000 shares</td>
<td>633</td>
</tr>
<tr>
<td>100,001 – 1,000,000 shares</td>
<td>170</td>
</tr>
<tr>
<td>1,000,001 shares and over</td>
<td>96</td>
</tr>
<tr>
<td>Total</td>
<td>10,253</td>
</tr>
</tbody>
</table>

Geographical spread of shareholders

<table>
<thead>
<tr>
<th>Geographical Spread</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>81.9%</td>
<td>81.7%</td>
</tr>
<tr>
<td>United States of America</td>
<td>10.2%</td>
<td>9.7%</td>
</tr>
<tr>
<td>Great Britain</td>
<td>5.9%</td>
<td>10.2%</td>
</tr>
<tr>
<td>Other countries</td>
<td>2.3%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Geographical spread of non-controlling shareholders

<table>
<thead>
<tr>
<th>Geographical Spread</th>
<th>2015 (%)</th>
<th>2014 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>85.5</td>
<td>82.0</td>
</tr>
<tr>
<td>United States of America</td>
<td>11.9</td>
<td>8.3</td>
</tr>
<tr>
<td>Great Britain</td>
<td>13.5</td>
<td>8.3</td>
</tr>
<tr>
<td>Other countries</td>
<td>3.5</td>
<td>3.4</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

PUBLIC/NON-PUBLIC SHAREHOLDERS

Non-public shareholders

<table>
<thead>
<tr>
<th>Number of shareholders</th>
<th>Number of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 1,000 shares</td>
<td>2,242</td>
</tr>
<tr>
<td>1,001 – 10,000 shares</td>
<td>3,442</td>
</tr>
<tr>
<td>10,001 – 100,000 shares</td>
<td>1,068</td>
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<tr>
<td>100,001 – 1,000,000 shares</td>
<td>243</td>
</tr>
<tr>
<td>1,000,001 shares and over</td>
<td>54</td>
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<tr>
<td>Total</td>
<td>7,049</td>
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Geographical spread of non-controlling shareholders

<table>
<thead>
<tr>
<th>Geographical Spread</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>82.0</td>
<td>96.9</td>
</tr>
<tr>
<td>United States of America</td>
<td>4.1</td>
<td>3.9</td>
</tr>
<tr>
<td>Great Britain</td>
<td>6.3</td>
<td>3.6</td>
</tr>
<tr>
<td>Other countries</td>
<td>2.7</td>
<td>1.7</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE

Ackerman Investment Holdings Proprietary Limited 255,736,850 48.50
Government Employees Pension Fund 9,552,636 1.81
Pick n Pay Holdings Employee Share Purchase Trust 9,602,475 1.82
Allen Gray Equity Fund 8,084,400 1.53
Allan Gray Balanced Fund 5,772,469 1.06
The Mistral Trust 5,485,200 1.04
ANNUAL GENERAL MEETINGS (AGMs) – 27 JULY 2015

The 47th annual general meeting of shareholders of Pick n Pay Stores Limited (Stores AGM) will be held at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708 on Monday, 27 July 2015 at 08:30.

The 34th annual general meeting of shareholders of Pick n Pay Holdings Limited RF (Holdings AGM) will be held at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708 on Monday, 27 July 2015 at 09:00, or as soon as the Stores AGM is completed.

Registration for both AGMs will commence at 08:00.

The minutes of the previous year’s AGM held on 2 June 2014 are available on our Pick n Pay investor relations website at www.picknpayinvestor.co.za.

DIVIDENDS

<table>
<thead>
<tr>
<th></th>
<th>Pick n Pay Stores Limited JSE share code: PIK ISIN code: ZAE00005443</th>
<th>Pick n Pay Holdings Limited RF JSE share code: PWK ISIN code: ZAE000005724</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>Amount (cents)</td>
<td>Number</td>
</tr>
<tr>
<td>Interim</td>
<td>91</td>
<td>14.80</td>
</tr>
<tr>
<td>Final</td>
<td>92</td>
<td>77.50</td>
</tr>
<tr>
<td>Interim</td>
<td>93</td>
<td>19.60</td>
</tr>
<tr>
<td>Final</td>
<td>94</td>
<td>98.50</td>
</tr>
<tr>
<td>Interim</td>
<td>95</td>
<td>—</td>
</tr>
<tr>
<td>Final</td>
<td>96</td>
<td>—</td>
</tr>
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RESULT ANNOUNCEMENTS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interim to 31 August 2014</td>
<td>16 October 2014</td>
<td>21 April 2015</td>
</tr>
<tr>
<td>Interim to 30 August 2015</td>
<td>13 October 2015</td>
<td>26 April 2016</td>
</tr>
</tbody>
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PUBLICATION OF INTEGRATED ANNUAL REPORTS

2015: May/June 2015
2016: May/June 2016

* Estimated
NOTICE OF ANNUAL GENERAL MEETING

The 47th annual general meeting (annual general meeting) of shareholders of Pick n Pay Stores Limited (the Company) for the 2015 annual financial period will be held at 08:30 on Monday, 27 July 2015. Shareholders, or their proxies, are invited to attend the annual general meeting at the registered office of the Company, situated at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708. To ensure that registration procedures are completed by 08:30, please register for the annual general meeting from 08:00.

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

The board of directors of the Company has determined that the record date for the purpose of determining which shareholders of the Company are entitled to receive notice of the 47th annual general meeting is Friday, 26 June 2015 and the record date for purposes of determining which shareholders of the Company are entitled to participate in and vote at the annual general meeting is Friday, 17 July 2015. Accordingly, only shareholders who are registered in the register of members of the Company on Friday, 17 July 2015 will be entitled to participate in and vote at the annual general meeting.

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

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

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


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

2. ORDINARY RESOLUTION NUMBER 1

Appointment of external auditors

“RESOLVED that Ernst & Young Inc. are hereby appointed as the external auditors of the Company.”

After conducting a comprehensive tender process, the audit committee has recommended the appointment of Ernst & Young Inc. as external auditors of the Company.

3. ORDINARY RESOLUTION NUMBER 2

Reappointment of directors

Curricula vitae of directors to be elected are presented on page 176.

Hugh Herman, David Robins, Ben van der Ross and Jeff van Rooyen retire in accordance with the Company’s Memorandum of Incorporation. Hugh Herman, David Robins and Jeff van Rooyen, being eligible, offer themselves for re-election as non-executive directors of the Company. The board of directors of the Company has recommended the re-election of the above directors. Shareholders are requested to consider and, if deemed fit, to re-elect Hugh Herman, David Robins and Jeff van Rooyen by way of passing the separate ordinary resolutions set out below:

ORDINARY RESOLUTION 2.1

Appointment of Hugh Herman as director

“RESOLVED that Hugh Herman be and is hereby elected as a director of the Company.”

ORDINARY RESOLUTION 2.2

Appointment of David Robins as director

“RESOLVED that David Robins be and is hereby elected as a director of the Company.”

ORDINARY RESOLUTION 2.3

Appointment of Jeff van Rooyen as director

“RESOLVED that Jeff van Rooyen be and is hereby elected as a director of the Company.”

4. ORDINARY RESOLUTION NUMBER 3

Appointment of audit committee members for the 2016 annual financial period

Curricula vitae are presented on page 176.

ORDINARY RESOLUTION NUMBER 3.1

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

“RESOLVED that Jeff van Rooyen be and is hereby elected as a member of the audit committee of the Company for the 2016 annual financial period, subject to his re-election as a director of the Company in terms of ordinary resolution 2.3.”

ORDINARY RESOLUTION NUMBER 3.2

Appointment of Hugh Herman as a member of the audit committee

“Resolved that Hugh Herman be and is hereby elected as a member of the audit committee of the Company for the 2016 annual financial period, subject to his re-election as a director of the Company in terms of ordinary resolution 2.1.”

ORDINARY RESOLUTION NUMBER 3.3

Appointment of Audrey Motshupi as a member of the audit committee

“Resolved that Audrey Motshupi be and is hereby elected as a member of the audit committee of the Company for the 2016 annual financial period.”

5. ADVISORY VOTE

Remuneration report for the 2015 annual financial period

The directors table the remuneration report for the 2015 annual financial period. The remuneration policy and report is set out in the corporate governance section of the integrated annual report, to be found on our website, www.picknpayinvestor.co.za, on pages 60 to 76.

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

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

6. SPECIAL RESOLUTION NUMBER 1

Directors’ fees for the 2016 and 2017 annual financial periods

“RESOLVED, AS A SPECIAL RESOLUTION, that the directors’ fees, to be paid to the directors in their capacity as directors only, for the 2016 annual financial period, and to be increased by CPI for the 2017 annual financial period, be as follows:

Executive directors: unchanged at R1 500

- Chairman: R3 657 000 (previously R3 450 000)
- Lead non-executive director: R114 000 (previously R107 000)

Non-executive directors: R340 000 (previously R320 000)

- Chairman of the audit committee: R280 000 (previously R265 000)
- Chairman of the remuneration committee: R150 000 (previously R140 000)
- Chairman of the corporate finance committee: unchanged at R160 000
- Member of the audit committee: R114 000 (previously R107 000)
- Member of the remuneration committee: R75 000 (previously R70 000)
- Member of the nominations committee: R70 000 (previously R85 000)
- Member of the social and ethics committee: R75 000 (previously R70 000)
- Member of the corporate finance committee: unchanged at R107 000

Reason for and effect of special resolution number 1

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

This authority will be in place for a period of two years from the date of adoption of this special resolution number 1 or until superseded by another special resolution, whichever is the shorter period of time.
7. SPECIAL RESOLUTION NUMBER 2
Provision of financial assistance to related or inter-related companies and others

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

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

SPECIAL RESOLUTION NUMBER 2.1
Provision of financial assistance to related or inter-related companies

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

NOTES ON THE INTERPRETATION OF SPECIAL RESOLUTION NUMBER 2.1

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

Reason for and effect of special resolution number 2.1

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

SPECIAL RESOLUTION NUMBER 2.2
Provision of financial assistance to persons

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

NOTES ON THE INTERPRETATION OF SPECIAL RESOLUTION NUMBER 2.2

This special resolution allows the Company to continue with its existing policy of providing financial assistance to employees. The policy will continue to be limited to housing loans that may be extended to executives and management of the Group. In terms of this policy, no loans are extended to non-executive directors or to related parties. All loans are secured against the employee's retirement funding. All loans bear interest at varying rates, subject to a maximum rate of 8% (eight percent), and have varying repayment terms.

The Company does not intend to amend this policy in the foreseeable future.

Reason for and effect of special resolution number 2.2

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

8. SPECIAL RESOLUTION NUMBER 3
General approval to repurchase Company shares

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

Additional requirements imposed by the JSE Listings Requirements

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

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

Statement by the Board of directors of the Company

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

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

Directors’ responsibility statement
The directors, whose names appear on pages 52 and 53 of the integrated annual report, available on our website at www.picknpayinvestor.co.za, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that would make any statements false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this special resolution contains all information required by law and the JSE Listings Requirements.

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

Major shareholders
Shareholders are referred to page 166.

Share capital
Shareholders are referred to page 136.

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

The Board will exercise this resolution to buy back shares from employees who are exercising their share options, and to cover share scheme obligations, including the forfeitable share plan.

Other than as set out above, the Board has no specific intention, at present, for the Company to repurchase any of its shares, but consider that such a general authority should be put in place should an opportunity present itself to do so during the year, which the Board deems to be in the best interests of the Company and its shareholders, taking prevailing market conditions and other factors into account.

9. ORDINARY RESOLUTION NUMBER 4
Directors’ authority to implement special and ordinary resolutions
“RESOLVED that each and every director of the Company be and is hereby authorised to do all such things and sign all such documents as may be necessary for, or incidental to, the implementation of the resolutions passed at this meeting.”

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

GENERAL INSTRUCTIONS AND INFORMATION
In addition to the notice and proxy, this document contains:
• details of the directors of the Company on pages 52 and 53;
• the curricula vitae of directors up for re-election on page 176;
• the curricula vitae of directors nominated for election as members of the audit committee on page 176;
• the remuneration policy on pages 60 to 76; and
• the directors’ interest in shares on page 76.

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

There are no material changes to the Group’s financial or trading position, nor are there any material legal or arbitration proceedings (pending or threatened) that may affect the financial position of the Group between the 2015 financial period and 26 June 2015.

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

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

ENTITLEMENT TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IN PERSON OR BY PROXY
If you hold certificated shares (i.e. have not dematerialised your shares in the Company) or are registered as an own-name dematerialised shareholder (i.e. have specifically instructed your Central Securities Depository Participant (CSDP) to hold your shares in your own name in the Company sub-register) then:
• you may attend and vote at the annual general meeting; alternatively
• you may appoint an individual as a proxy (who need not be a shareholder of the Company) to attend, participate in and speak and vote in your place at the annual general meeting by completing the attached form of proxy and returning it to the registered office of the Company or to the transfer secretaries, Computershare Investor Services Proprietary Limited (Computershare), the details of which are set out on the IBC, by no later than 08:30 on Thursday, 23 July 2015, being 2 (two) business days prior to the time appointed for the holding of the annual general meeting, for administrative reasons only. Please note that your proxy may delegate his/her authority to act on your behalf to another person, subject to the restrictions set out in the attached form of proxy. Please also note that the attached form of proxy must be delivered to the registered office of the Company or to the transfer secretaries, Computershare as aforesaid, before your proxy may exercise any of your rights as a shareholder at the annual general meeting. The contact details of Computershare are in note 5 to the form of proxy.

Unless revoked before then, a signed proxy form shall remain valid at any adjournment or postponement of the annual general meeting and the proxy so appointed shall be entitled to vote, as indicated on the proxy form, on any resolution (including any resolution which is amended or modified) at such annual general meeting or any adjournment or postponement thereof. Shareholders of the Company who wish to participate in the annual general meeting should please note that any shareholder of the Company that is a company may authorise any person to act as its representative at the annual general meeting. Please also note that section 63(1) of the Companies Act requires that persons wishing to participate in the annual general meeting (including the aforementioned representative) must provide reasonably satisfactory identification before they may so participate.

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

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

CSDPs, brokers or their nominees recorded in the Company’s sub-register as holders of dematerialised shares held on behalf of an investor/ beneficial owner in terms of STRATE should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares in the Company, vote by either appointing a duly authorised representative to attend and vote at the annual general meeting or by completing the attached form of proxy in accordance with the instructions thereon and returning it to the registered office of the Company or to the transfer secretaries, Computershare Investor Services Proprietary Limited, the details of which are set out in the Shareholder information section of the integrated annual report, by no later than 08:30 on Thursday, 23 July 2015, being 2 (two) business days prior to the time appointed for the holding of the annual general meeting, for administrative reasons only.

By order of the Board

Debra Muller
Company Secretary
Cape Town
20 April 2015
Other listed company directorships: MTN Group Limited, Pick n Pay Holdings Limited RF.

Chairman of various subsidiary companies in the Investec Group. Hugh presently serves as a member of the Advisory Committee, Faculty of Economics and Management Sciences, University of Pretoria.

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

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

Hugh Herman
Attorney, BA LLB, LLD (hc)
Lead non-executive director
Remuneration committee chairman
Hugh was a partner at law firm Sonnenberg Hoffmann Galombik before joining Pick n Pay in 1976. He was Managing Director of Pick n Pay from 1986, before joining Investec Bank in 1993. Hugh was appointed Group Chairman of Investec Bank Limited in 1994, a position from which he retired in 2011. Hugh was appointed as honorary life president of the Investec Group and remains Chairman of various subsidiary companies in the Investec Group.

Jeff van Rooyen
Please see curriculum vitae above
Hugh Herman
Please see curriculum vitae above
Audrey Mthuphi
BA (Hons)
Audrey held various positions as a management consultant before being appointed as head of strategy at SABC for two years for the Public Broadcasting Service. Audrey then joined Liberty Life, within the Standard Bank Group, where she held the position of Chief Executive: Group Strategic Services, before moving to Standard Bank. At Standard Bank, Audrey was head of inclusive banking, taking responsibility for the provision of banking services to the unbanked communities. Audrey has recently joined Systemic Logic Group, an advisory/innovation company, as the Chief Executive Officer. She is also a Fellow of the African Leadership Initiative as part of the Aspen Leadership Network. Audrey is active in charities assisting education and vulnerable children.

For use at the annual general meeting of Pick n Pay Stores Limited (the Company) to be held at the registered office of the Company, situated at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town at 08:30 on Monday, 27 July 2015.

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

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

Please note the following:
• The appointment of your proxy may be suspended at any time at the request of (or at the discretion of) the Company, the Chairman or any director for any reason, in the interests of the Company.
• The Company is not responsible for any action taken by its proxy or any action or inaction resulting from it.

Please note that any shareholder of the Company that is a company may authorise any person to act as its representative at the annual general meeting. Please also note that section 219 of the Companies Act, No 71 of 2008, as amended (the “Companies Act”), requires that persons wishing to participate in the annual general meeting (including the aforementioned representative) must provide reasonably satisfactory justification before they may participate.

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

I (the beneficial shareholder) hereby authorise the following persons to act as my proxy at the annual general meeting:

Telephone: Work (   ) Telephone: Home (   )
Address: (one vote per ordinary share)

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

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

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

Please see curriculum vitae above

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

Hugh Herman
Attorney, BA LLB, LLD (hc)
Lead non-executive director
Remuneration committee chairman
Hugh was a partner at law firm Sonnenberg Hoffmann Galombik before joining Pick n Pay in 1976. He was Managing Director of Pick n Pay from 1986, before joining Investec Bank in 1993. Hugh was appointed Group Chairman of Investec Bank Limited in 1994, a position from which he retired in 2011. Hugh was appointed as honorary life president of the Investec Group and remains Chairman of various subsidiary companies in the Investec Group.

Jeff van Rooyen
Please see curriculum vitae above
Hugh Herman
Please see curriculum vitae above
Audrey Mthuphi
BA (Hons)
Audrey held various positions as a management consultant before being appointed as head of strategy at SABC for two years for the Public Broadcasting Service. Audrey then joined Liberty Life, within the Standard Bank Group, where she held the position of Chief Executive: Group Strategic Services, before moving to Standard Bank. At Standard Bank, Audrey was head of inclusive banking, taking responsibility for the provision of banking services to the unbanked communities. Audrey has recently joined Systemic Logic Group, an advisory/innovation company, as the Chief Executive Officer. She is also a Fellow of the African Leadership Initiative as part of the Aspen Leadership Network. Audrey is active in charities assisting education and vulnerable children.

For use at the annual general meeting of Pick n Pay Stores Limited (the Company) to be held at the registered office of the Company, situated at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town at 08:30 on Monday, 27 July 2015.

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

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

Please note the following:
• The appointment of your proxy may be suspended at any time at the request of (or at the discretion of) the Company, the Chairman or any director for any reason, in the interests of the Company.
• The Company is not responsible for any action taken by its proxy or any action or inaction resulting from it.

Please note that any shareholder of the Company that is a company may authorise any person to act as its representative at the annual general meeting. Please also note that section 219 of the Companies Act, No 71 of 2008, as amended (the “Companies Act”), requires that persons wishing to participate in the annual general meeting (including the aforementioned representative) must provide reasonably satisfactory justification before they may participate.

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

I (the beneficial shareholder) hereby authorise the following persons to act as my proxy at the annual general meeting:

Telephone: Work (   ) Telephone: Home (   )
Address: (one vote per ordinary share)
NOTICE OF ANNUAL GENERAL MEETING

The 34th annual general meeting (annual general meeting) of shareholders of Pick n Pay Holdings Limited RF (the Company) for the 2015 annual financial period will be held at 09:00, or as soon as the annual general meeting for Pick n Pay Stores Limited is completed, on Monday, 27 July 2015. Shareholders, or their proxies, are invited to attend the annual general meeting at the registered office of the Company, situated at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708. Registration for attendance at the annual general meeting will commence at 08:00.

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

The board of directors of the Company has determined that the record date for the purpose of determining which shareholders of the Company are entitled to receive notice of the 34th annual general meeting is Friday, 26 June 2015 and the record date for purposes of determining which shareholders of the Company are entitled to participate in and vote at the annual general meeting is Friday, 17 July 2015.

Accordingly, only shareholders who are registered in the register of members of the Company on Friday, 17 July 2015 will be entitled to participate in and vote at the annual general meeting.

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

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

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


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

2. ORDINARY RESOLUTION NUMBER 1

Appointment of external auditors

“Resolved that Ernst & Young Inc. are hereby appointed as the external auditors of the Company.”

After conducting a comprehensive tender process, the audit committee has recommended the appointment of Ernst & Young Inc. as external auditors of the Company.

3. ORDINARY RESOLUTION NUMBER 2

Reappointment and appointment of directors

Curricula vitae of directors to be elected are presented on page 186. Raymond Ackerman and René de Wet retire in accordance with the Company’s Memorandum of Incorporation and, being eligible, offer themselves for re-election.

The Board recommends the re-election of the above directors. Shareholders are requested to consider and, if deemed fit, to re-elect Raymond Ackerman and René de Wet as directors by way of passing the resolutions set out below:

ORDINARY RESOLUTION NUMBER 2.1

Appointment of Raymond Ackerman as director

“Resolved that Raymond Ackerman be and is hereby elected as a director of the Company.”

ORDINARY RESOLUTION NUMBER 2.2

Appointment of René de Wet as director

“Resolved that René de Wet be and is hereby elected as a director of the Company.”
NOTICE OF ANNUAL GENERAL MEETING CONTINUED

4. ORDINARY RESOLUTION NUMBER 3
Appointment of audit committee members for the 2016 annual financial period
Curricula vitae are presented on page 186.

ORDINARY RESOLUTION NUMBER 3.1
Appointment of René de Wet as a member of the audit committee

ORDINARY RESOLUTION NUMBER 3.2
Appointment of Jeff van Rooyen as a member of the audit committee

ORDINARY RESOLUTION NUMBER 3.3
Appointment of Hugh Herman as a member of the audit committee

5. ADVISORY VOTE
Remuneration report for the 2015 annual financial period
The directors table the remuneration report for the 2015 annual financial period. The remuneration policy and report is set out in the corporate governance section of the integrated annual report, to be found on our website, www.picknpayinvestor.co.za, on pages 60 to 76.

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

As this is not a matter that is required to be resolved or approved by shareholders, no minimum voting threshold is required.

6. SPECIAL RESOLUTION NUMBER 1
Directors’ fees for the 2016 and 2017 annual financial periods
Resolved, as a special resolution, that the fees, to be paid to the directors in their capacity as directors only, for the 2016 annual financial period, and to be increased by CPI for the 2017 annual financial period, be as follows:
- Non-executive Chairman: R65 000 (previously R60 000)
- Non-executive directors not serving on the Pick n Pay Stores Limited Board: R65 000 (previously R60 000)

NOTES ON SPECIAL RESOLUTION NUMBER 1
As a holding company, the Company has no material operating activities other than the receipt and payment of dividends and assessment of the carrying value. Accordingly, the Company has been granted an exemption from the JSE Listings Requirements regarding the King IV requirement to have executive directors.

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

If, in addition to serving on the Board of the Company, directors serve on the Board of Pick n Pay Stores Limited, they do not receive an additional fee for serving on the Board of the Company.

7. SPECIAL RESOLUTION NUMBER 2
Provision of financial assistance to related or inter-related companies

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

NOTES ON SPECIAL RESOLUTION NUMBER 2:
This authority is required in order to grant the board of directors the authority to provide inter-group loans and other financial assistance for the purpose of funding the day-to-day operational decisions of the Group.

The Board undertakes that it shall not adopt any resolution to authorise such financial assistance as contemplated in this special resolution unless the board of directors of the Company:
- is satisfied that immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act; and
- is satisfied that the terms under which such financial assistance is proposed to be given are fair and reasonable to the Company as contemplated in section 45(3)(b)(ii) of the Companies Act; and
- has ensured that, to the extent which may be applicable, any conditions or restrictions in respect of the granting of financial assistance set out in the Company’s Memorandum of Incorporation have been satisfied as contemplated in section 45(4) of the Companies Act.

Reason for and effect of special resolution number 2
This resolution is necessary to allow the Company to provide direct and indirect financial assistance to any company or corporation forming part of the Group, by way of loan, guarantee, the provision of security or otherwise. This authority will be in place for a period of two years from the date of adoption of this special resolution number 2, or until superseded by another special resolution, whichever is the shorter period of time.

8. SPECIAL RESOLUTION NUMBER 3
General approval to repurchase Company shares

RESOLVED, AS A SPECIAL RESOLUTION, that the Company hereby approves, as a general approval, the acquisition by the Company or any of its subsidiaries from time to time of the issued shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the Memorandum of Incorporation of the Company, the provisions of the Companies Act, and the JSE Listings Requirements as presently constituted and which may be amended from time to time, and provided that acquisitions by the Company for the purpose of cancelling or transferring the shares to the Company shall be at such prices as are fair and reasonable to the Company, and at any time, subject to the memorandum of the Company’s issued share capital of the class of shares acquired from the date of the grant of this general approval.”
Additional requirements imposed by the JSE Listings Requirements

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

• Any such acquisition of shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company or its subsidiaries and the counterparty or other manner approved by the JSE.

• The general approval shall only be valid until the Company’s next annual general meeting or for 15 (fifteen) months from the date of passing of this special resolution, whichever period is shorter.

• An announcement will be made as soon as the Company and/or its subsidiaries have acquired shares in terms of this authority constituting, on a cumulative basis, 3% (three percent) of the number of shares of the class of shares acquired in issue at the time of granting of this general approval and for each 3% (three percent) in aggregate of the initial number of that class of shares acquired thereafter, which announcement shall contain full details of such acquisitions as required by paragraph 11.27 of the JSE Listings Requirements.

• In determining the price at which the Company’s shares are acquired by the Company or its subsidiaries in terms of this general approval, the maximum price at which such shares may be acquired may not be greater than 10% (ten percent) above the weighted average of the market value at which such shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date of the acquisition of such shares by the Company or its subsidiaries;

• A resolution by the board of directors of the Company that they authorised the repurchase, that the Company passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial or trading position of the Company;

• The Company and/or its subsidiaries may not repurchase any shares in terms of this authority during a prohibited period, as defined in the JSE Listings Requirements, unless the Company and/or its subsidiaries has in place a repurchase programme, where dates and quantities of shares to be traded during the prohibited period are fixed and full details of the programme have been submitted to the JSE prior to the commencement of the prohibited period.

Statement by the Board of directors of the Company

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

• the intention of the directors of the Company is to utilise the general authority to acquire shares in the capital of the Company if at some future date the cash resources of the Company are in excess of its requirements or there are other good grounds for doing so.

In this regard, the directors will take account of, inter alia, an appropriate capitalisation structure for the Company, the long-term cash needs of the Company and the interests of the Company;

• in determining the method by which the Company intends to repurchase its securities, the maximum number of securities to be repurchased and the date on which such repurchase will take place, the directors of the Company will only make repurchases if, at the time of the repurchase, they are of the opinion that:

  – the Company and its subsidiaries will, after the repurchase, be able to pay their debts as they become due in the ordinary course of business for the 12 (twelve) month period following the date of the repurchase;

  – the consolidated assets of the Company and its subsidiaries, fairly valued and recognised and measured in accordance with the accounting policies used in the latest audited financial statements, will, after the repurchase, be in excess of the consolidated liabilities of the Company and its subsidiaries for the 12 (twelve) month period following the date of the repurchase;

  – the issued share capital and reserves of the Company and its subsidiaries will, after the repurchase, be adequate for the ordinary business purposes of the Company and its subsidiaries for the 12 (twelve) month period following the date of the repurchase;

  – the working capital available to the Company and its subsidiaries will, after the repurchase, be adequate for the ordinary business requirements of the Company and its subsidiaries for the 12 (twelve) month period following the date of the repurchase;

• the repurchase shall only be effected if the board of directors has, at the time of the repurchase, passed a resolution authorising the repurchase in terms of sections 48 and 46 of the Companies Act and it reasonably appears that the Company and its subsidiaries have satisfied the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the Company and its subsidiaries.

Directors’ responsibility statement

The directors, whose names appear on page 85 of the integrated annual report, available on our website at www.picknpayinvestor.co.za, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted that would make any statements false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this special resolution contains all information required by law and the JSE Listings Requirements.

Material changes

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

Major shareholders

Shareholders are referred to page 167.

Share capital

Shareholders are referred to page 136.

Reason for and effect of special resolution number 3

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

The Board will exercise this resolution to buy back shares from employees who are exercising their share options, and to cover share scheme obligations.

Other than as set out above, the Board has no specific intention, at present, for the Company to repurchase any of its shares, but consider that such a general authority should be put in place should an opportunity present itself to do so during the year, which the Board deems to be in the best interests of the Company and its shareholders, taking prevailing market conditions and other factors into account.

9. ORDINARY RESOLUTION NUMBER 4

Directors’ authority to implement special and ordinary resolutions

“Resolved that each and every director of the Company be and is hereby authorised to do all such things and sign all such documents as may be necessary for, or incidental to, the implementation of the resolutions passed at this meeting.”
The integrated annual report, incorporating the annual financial statements, is published on the Pick n Pay website, www.picknpayinvestor.co.za, or can be requested from the Company Secretary at demuller@ppp.co.za.

There are no material changes to the Group’s financial or trading position, nor are there any material, legal or arbitration proceedings (pending or threatened) that may affect the financial position of the Group between the end of the 2015 financial period and 26 June 2015.

The directors, whose names are given on page 85 of the integrated annual report, collectively and individually accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted that would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the integrated annual report and this document contain all information required by law and the JSE Listings Requirements.

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

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

• you may attend and vote at the annual general meeting, alternatively
• you may appoint an individual as a proxy (who need not be a shareholder of the Company) to attend, participate in and speak and vote in your place at the annual general meeting by completing the attached form of proxy and returning it to the registered office of the Company or to the transfer secretaries, Computershare Investor Services Proprietary Limited (Computershare), the details of which are set out on the IBC, by no later than 09:00 on Thursday, 23 July 2015 being 2 (two) business days prior to the time appointed for the holding of the annual general meeting, for administrative reasons only. Please note that your proxy may delegate his/her authority to act on your behalf to another person, subject to the restrictions set out in the form of proxy.

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

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

• if you wish to attend the annual general meeting, you must contact your CSDP or broker (or their nominee) and obtain the relevant letter of representation from it; alternatively

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

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

• if you wish to attend the annual general meeting, you must contact your CSDP or broker (or their nominees) and obtain the relevant letter of representation from it; alternatively
• if you are unable to attend the annual general meeting but wish to be represented at the meeting, you must contact your CSDP or broker (or their nominees), and furnish it with your voting instructions in respect of the annual general meeting and/or request it to appoint a proxy.
For use at the annual general meeting of Pick n Pay Holdings LimitedRF (the Company) to be held at the registered office of the Company, situated at Pick n Pay Office Park, 101 Rosmead Avenue, Johannesburg, CAPE TOWN in the conference centre on 09 00 for so as the annual general meeting for Pick n Pay Stores Limited is completed, on Monday, 27 July 2015.

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

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

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

Please note the following:

- The appointment of your proxy may be suspended at any time to the extent that you choose to act directly and in person of the exercise of your rights as a shareholder at the annual general meeting.
- The appointment of your proxy is non-transferable.
- The appointment of your proxy appointment by (a) cancelling it in writing, or making express irrevocable appointment of a proxy and (b) delivering a copy of the revocation instrument to the proxy and to the Company, and
- Should you wish to appoint a new proxy or replace an existing proxy, you must deliver a copy of the revocation instrument to the Company at least 48 hours before you wish to vote.

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

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

Signature (block letters)

Pick n Pay Holdings Limited RF

FORM OF PROXY

Pick n Pay Holdings Limited RF

CURRICULA VITAE OF DIRECTORS TO BE ELECTED

Curricula vitae of all directors are to be found in the board of directors section of the integrated annual report, which is published on the Pick n Pay website, www.picknpayinvestor.co.za, or which can be requested from the Company Secretary at demuir@picknp.co.za.

Curricula vitae of all directors are to be found at the board of directors, and to the audit committee, for the year ended 30 June 2015.

BOARD OF DIRECTORS

Reappointment of directors:

Raymond Ackerman
Chairman

Mr Ackerman founded Pick n Pay in 1967. He was CEO of the Pick n Pay Group until 1999, when the roles of Chairman and CEO were split. Mr Ackerman remained Chairman until 2002, at which time Gareth Ackerman was appointed in his stead. In 2010 he was reappointed as Chairman of Pick n Pay Holdings LimitedRF and retired from the Pick n Pay Stores Limited Board. In recognition of his role as founder of the Pick n Pay Group of companies, the Board of Pick n Pay Stores Limited appointed Mr Ackerman as Honorary Life President. The role is ambassadorial in nature, and recognises his integrity and experience in contributing to the business, growth, innovation, leadership, social responsibility and entrepreneurship of the Group. He has won many accolades over the years both nationally and internationally as a leader, a businessman, a humanitarian and as the champion of the consumer.

René de Wet
CASA

Audit committee chairman

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

AUDIT COMMITTEE

Election of audit committee members

René de Wet
CASA

Please see curriculum vitae above

Jeff van Rooyen
BCom (SA), Hons BCompt (SA, CASA)

Audit and risk committee and corporate finance committee chairman

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


Hugh Herman
Admitted attorney, RA WLB, LLB (hC)

Lead non-executive director

Hugh was a partner at attorneys Sonnenberg Hoffmann Gallabick before joining Pick n Pay in 1976. He was managing director of Pick n Pay from 1986, before joining Investec Bank in 1993. Hugh was appointed Group Chairman of Investec Bank Limited in 1994, a position from which he retired in 2011. Hugh was appointed as chairman of the Board of Directors of Exxaro Resources Limited, Pick n Pay Stores Limited.

Other listed company directorships: Growthpoint Properties Limited, Pick n Pay Stores Limited.
SUMMARY OF SHAREHOLDER’S RIGHTS IN RESPECT OF PROXY APPOINTMENTS AS CONTAINED IN SECTION 58 OF THE COMPANIES ACT

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

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

The proxy form shall be valid and shall apply to any adjournment or postponed meeting of the annual general meeting to which the proxy relates, unless the proxy is revoked before the adjourned or postponed meeting.

NOTES

1. The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as a proxy to the exclusion of those whose names follow thereafter.
2. If no proxy is inserted in the spaces provided, then the Chairman shall be deemed to be appointed as the proxy to vote or abstain as the Chairman deems fit.
3. A shareholder’s instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. If there is no clear indication as to the voting instructions to the proxy, the proxy form will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder’s votes exercisable at the annual general meeting.
4. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy. A proxy shall be entitled to demand that voting take place on a poll.
5. Proxy forms must be lodged at the registered office of the Company, Pick n Pay Office Park, 101 Roosenad Avenue, Kenilworth, Cape Town, 7708, or posted to the Company Secretary at PO Box 23087, Claremont, 7735, or lodged with or posted to the transfer secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107, South Africa).
6. Forms of proxy must be received or lodged by no later than 09:00 on Thursday, 23 July 2015, being 2 (two) business days before the annual general meeting to be held at 09:00 on Monday, 27 July 2015, for administrative reasons only.
7. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the Company Secretary or waived by the Chairman of the annual general meeting if he/she is reasonably satisfied that the right of the representative to participate and vote has been reasonably verified. CDS investors or brokers registered in the Company’s sub-register voting on instructions from beneficial owners of shares registered in the Company’s sub-register are requested that they identify the beneficial owner in the sub-register on whose behalf they are voting and return a copy of the instruction from such owner to the Company Secretary or to the transfer secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107, South Africa), together with this form of proxy.
8. Any alteration or correction made to this proxy form must be re-stamped by the signatory, but will only be validly made if such alteration or correction is accepted by the Chairman.
9. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company Secretary.