



Pick n Play

Annual Financial Statements 2012



Annual Financial Statements and other information

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Pick n Pay Stores Limited and its subsidiaries

Reg. No. 1968/008034/06

Share code: PIK

ISIN code: ZAE 000005443

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Reg. No. 1981/009610/06

Share code: PWK

ISIN code: ZAE 000005724

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

Directors' responsibility statement for the Company and Group annual financial statements

The directors are responsible for the preparation and fair presentation of the Company (separate) and Group (consolidated) annual financial statements of Pick n Pay Stores Limited, comprising the directors' report, the statements of financial position at 29 February 2012, and the statements of comprehensive income, changes in equity and cash flows for the year 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.

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 a going concern and have no reason to believe that the businesses will not be going concerns in the year ahead.

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

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The Company and Group annual financial statements of Pick n Pay Stores Limited, as identified above, were approved by the Board of directors on 10 May 2012 and signed on their behalf by:



Gareth Ackerman
Executive Chairman and acting Chief Executive Officer



Aboubakar (Bakar) Jakoet
Chief Finance Officer

Company Secretary's certificate

In terms of Section 88(2)(e) of the Companies Act no. 71 of 2008, as amended, I certify that Pick n Pay Stores Limited has lodged with the Companies and Intellectual Property Commission of South Africa all the returns required of a public company by the Companies Act, and that all such returns appear to be true, correct and up to date.



Debra Muller
Company Secretary

10 May 2012

Independent auditor's report

for the year ended 29 February 2012

TO THE SHAREHOLDERS OF PICK N PAY STORES LIMITED

Report on the annual financial statements

We have audited the Company and Group annual financial statements of Pick n Pay Stores Limited, which comprise the statements of financial position at 29 February 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 5 to 63.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures

that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Pick n Pay Stores Limited at 29 February 2012 and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

KPMG Inc.
Registered Auditor



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

10 May 2012

MSC House
Mediterranean Street
Cape Town
8001

Audit committee report

for the year ended 29 February 2012

The audit committee is pleased to present this report as required by the Companies Act of South Africa ("the Companies Act").

The audit committee is a formal committee of the Board and functions within an approved charter and complies with all relevant legislation, regulation and governance codes.

ROLE OF THE COMMITTEE

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

The committee's main responsibilities are as follows:

Integrated and financial reporting

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

Finance function

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

Internal audit

- Review and approve the internal audit charter and audit plans;
- Evaluate the independence, effectiveness and performance of the internal audit function and compliance with its mandate;

- Review the Group's systems of internal control, including financial controls, ensuring that management is adhering to and continually improving these controls;
- Review significant issues raised by the internal audit process; and
- Review policies and procedures for preventing and detecting fraud.

External audit

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

Risk management

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

General

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

Composition of the committee

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

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

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

Committee member	Qualification	Date appointed	14 April 2011	17 October 2011
Jeff van Rooyen (Chairman)	CA(SA)	June 2007	P	P
Hugh Herman	Attorney	June 2011	–	P
Alex Mathole	Attorney	November 2010	P	P
Richard van Rensburg*	CA(SA)	June 2009	P	–
Ben van der Ross	Attorney	June 2003	P	P

*On appointment as executive deputy CEO on 1 October 2011, Richard van Rensburg resigned as a member of the audit committee.

P = Present

Audit committee report continued

for the year ended 29 February 2012

The committee discharges its Board responsibilities by:

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

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

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

INDEPENDENCE OF EXTERNAL AUDITORS

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

EXPERTISE AND EXPERIENCE OF CHIEF FINANCE OFFICER AND FINANCE FUNCTION

The audit committee is satisfied that Mr Bakar Jakoet has the appropriate expertise and experience for his position of Chief Finance Officer of the Group. In addition, the committee is also satisfied that the composition, experience and skills of the finance function meet the Group's requirements.

APPROVAL OF THE AUDIT COMMITTEE REPORT

The committee confirms that it has functioned in accordance with its charter for the 2012 financial year and that its report to shareholders has been approved by the Board.



Jeff van Rooyen
Chairman: Audit committee

10 May 2012

Directors' report

for the year ended 29 February 2012

NATURE OF BUSINESS

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

GENERAL REVIEW

	6 months to August 2011 Rm	% growth	6 months to February 2012 Rm	% growth	12 months to February 2012 Rm	% growth
Turnover	26 723.2	7.6	28 607.3	8.6	55 330.5	8.1
Trading profit	492.2	(31.7)	775.3	11.2	1 267.5	(10.6)
EBITDA	882.4	(17.8)	1 191.3	9.6	2 073.7	(4.0)
	Cents	% growth	Cents	% growth	Cents	% growth
Headline earnings per share	54.73	(39.3)	105.98	6.7	160.78	(15.1)
Dividend per share	22.50	(39.2)	108.35	2.7	130.85	(8.2)
	Interim		Final		Total	

We are encouraged by the Group's improved performance over the past six months, after a tough interim result, with the first clear indications that our investments are starting to yield real benefits.

Significant investment costs have had an impact on profit growth for the year, most notably the upfront launch costs of Smartshopper, the implementation of specialist category buying and the continued investment in our central distribution capability, all of which will improve future operating efficiencies and enable us to serve our customers better.

Strategic update

We remain focused on improving our customer offer and streamlining our operations. We are in the process of consolidating and upgrading our support functions so that we are better positioned to deliver outstanding products and services in world-class stores.

The first steps in this consolidation are the set-up of a specialist category buying function and the centralisation of our supply chain. At the same time, our customer offer has been significantly enhanced by the launch of our Smartshopper loyalty programme. Looking ahead, we will be optimising our regional and store management structures and our administration functions.

Smartshopper – We launched our Smartshopper loyalty programme in March 2011. Customer acceptance of the programme has far exceeded our expectations and we currently have in excess of five million active cardholders

on the programme, against a first year target of three million. It will take a number of years before the benefits of the programme are fully realised, however we believe the encouraging growth in turnover this year is due in part to Smartshopper. Set-up costs have impacted the earnings of the Group, but we expect the programme to drive turnover growth now and into the future and generate additional value as we understand our customers better and can market more effectively to them.

Specialised category buying – We have successfully completed the transformation of our regional buying teams into a single, specialised category buying division. This is a complete overhaul of buying at Pick n Pay and marks a significant shift in the way in which we engage with suppliers. The division has already delivered improved performance through the reduced cost of goods and a scientific approach to ranging and pricing. With specialised category buying we will be better placed in negotiations with suppliers, will rationalise our product range and will optimise our product display. Our key focus is on delivering an improved selection of high quality products and better value to customers.

Centralised distribution – Operational improvements at Longmeadow, our central distribution centre in Gauteng, include reduced labour and distribution costs per case on last year. We continue to focus on this facility to ensure that the supply channel is fully optimised. We are due to open our new Western Cape distribution centre in May 2012, which will benefit from our learnings at Longmeadow.

Directors' report continued

for the year ended 29 February 2012

Labour costs and expense control – General expense control remains a high priority and management is focused on eliminating inefficiencies, improving productivity and reducing controllable costs, especially in light of the extraordinary increases in property rates and electricity tariffs over the year. In December 2011 we negotiated a new agreement with the union, which affords us much more flexibility and will enable us to staff our stores more efficiently. We expect the benefits of this agreement to start flowing in the 2013 financial year.

Franklins, Australia – In September 2011, after a lengthy dispute with the Australian Competition and Consumer Commission, we sold our Franklins business to Metcash Limited for R1.2 billion, net of fees. We are now able to focus our teams and capital entirely on our core southern African retail operations.

Franklins continues to be disclosed as a discontinued operation, with its results from operations for the seven months to 30 September 2011 and the subsequent profit on sale of the business being disclosed separately from continuing operations.

FINANCIAL HIGHLIGHTS

Group turnover at R55.3 billion for the year is 8.1% above last year (8.6% for the six months ended 29 February 2012), with pleasing like-for-like growth. This turnover growth is encouraging in a highly competitive environment and is the result of a number of factors, including the positive effect of our Smartshopper programme. While our own internal selling price inflation remains below CPI, South African consumers are facing inflationary increases across the board, which when combined with continued economic uncertainty is leading them to exercise caution in their spending.

Gross profit margin for the year is 18.0% (2011: 17.8%). This improvement in margin is due to the initial benefits of specialised category buying, which more than offsets the cost of the Smartshopper points. We believe that we will be able to strengthen margins further over the coming years while maintaining our competitive price position through further category buying and supply chain improvements.

Trading profit growth in the six months to February 2012 is 11.2% on the same period last year, a marked improvement on the first half. Trading profit for the year of R1 267.5 million (2011: R1 417.7 million), at a margin of 2.3% (2011: 2.8%) is 10.6% down on last year, most significantly due to costs relating to our strategic transformation initiatives.

EBITDA (earnings before interest, tax, depreciation and amortisation) is up 9.6% for the second six-month trading period, but is down 4.0% for the year to R2 073.7 million. This illustrates how our operations continue to generate strong cash returns with a comfortable coverage of tax and interest.

Net cash from operating activities at R1 558.8 million is up from R3.5 million last year, due to significant improvements in working capital management. We are focused, in particular, on reducing and managing optimum stock levels in store, and we are pleased with the progress made in this area, with like-for-like stock holdings reducing by 5.3% on last year.

Headline earnings per share for the six months to 29 February 2012 is up 6.7% on the same period last year, to 105.98 cents per share. Headline earnings per share for the year is down 15.1% to 160.78 cents per share.

The final dividend per share of 108.35 cents includes an additional amount to be paid to shareholders in respect of the 10% secondary tax on companies (STC) no longer payable by the Group. This brings the total dividend per share for the year to 130.85 cents (8.2% down on last year).

The Group intends to maintain its dividend cover at 1.33, however with the additional dividend declared to shareholders referred to above; the dividend cover for the current year is 1.23 times.

OPERATIONAL HIGHLIGHTS

Turnover growth is encouraging, with the most significant growth coming from the LSM 4 – 7 market, with Boxer a strong competitor in this arena, and from our smaller format stores.

In addition, our private label, clothing, pharmacy and liquor divisions also delivered strong turnover growth.

Pick n Pay owned stores (corporate) – During the year we opened 9 new supermarkets, closed 3 and converted 5 franchise supermarkets to corporate stores. In addition, we opened 34 liquor stores and 15 clothing stores. We intend to open at least 9 new supermarkets next year, 20 liquor stores and 15 clothing stores.

Pick n Pay franchised stores – During the year we opened 9 new supermarkets, closed 5 supermarkets and converted 5 franchise supermarkets to corporate stores. In addition, we opened 19 liquor stores, 2 clothing stores and closed 2 mini markets during the year. We intend to open at least 7 new supermarkets and 15 liquor stores in South Africa next year.

Boxer – We opened 10 Boxer superstores during the year, closed 4 and opened 8 new Punch stores. Boxer also opened 4 liquor stores and 2 Boxer Builds. We intend to open 22 superstores, 9 Punch supermarkets, 4 Boxer Builds and 10 liquor stores next year.

Africa – We continue our steady growth outside of South Africa and at 29 February 2012, the total number of stores outside South Africa (both owned and franchised) was 94. We opened 3 new stores in Zambia during the year, all of which are trading well, and we continue to explore opportunities in the region. We also opened our first store

in Mozambique and our first 2 stores in Mauritius. We have 3 openings planned for 2013 (excluding TM Supermarkets in Zimbabwe), in Mozambique, Zambia and Mauritius.

In February 2012 we purchased an additional 24% stake in our associate TM Supermarkets in Zimbabwe for R102.5 million (US\$13 million), taking our total investment to 49%. The business is currently incurring losses, our share being R1.9 million for the year. However we are confident of its future prospects and are looking forward to playing a part in growing the business in Zimbabwe.

GENERAL COMMENTS

We would like to thank Nick Badminton, our outgoing CEO, for the integral role he played in transforming the business and for the dedicated service he has given over the last 33 years. We wish him well for his future.

Gareth Ackerman (formerly our non-executive Chairman) has assumed an executive role as Chairman and acting CEO in the interim, supported by Richard van Rensburg, our deputy CEO. We are currently looking both locally and internationally for the best candidate to fill the CEO position.

DIVIDENDS DECLARED

The directors declared the following cash dividends during the year:

	2012 Cents per share	% growth	2011 Cents per share
Interim dividend – number 87	22.50	(39.2)	37.00
Final dividend – number 88	108.35	2.7	105.50
Normal dividend	98.50	(6.6)	105.50
Additional dividend in respect of STC no longer payable	9.85		–
Total dividend	130.85	(8.2)	142.50
Normal dividend	121.00	(15.1)	142.50
Additional dividend in respect of STC no longer payable	9.85		–

The directors have declared a final dividend (number 88) of 108.35 cents per share out of income reserves. The dividend declared is subject to dividend withholding tax at 15%.

The final dividend per share of 108.35 cents, includes an additional amount to be paid to shareholders in respect of the 10% secondary tax on companies (STC) no longer payable.

The total STC utilised as part of this declaration amounts to R216 474. The number of ordinary shares in issue at the date of this declaration is 480 397 321 and consequently the STC credits utilised per share amount to 0.05 cents per share.

In determining the dividends tax to withhold, STC credits must be taken into account. Accordingly, the dividend to use for determining the dividend tax is 108.30 cents per

share. Despite a challenging year, our improved performance over the last six months gives us confidence in the work that we have done in repositioning the Group for the future, and gives us good momentum into the 2013 financial year.

A significant portion of our transformation strategy has been implemented. There is still much work to be done in seeing the strategy through to completion; however we have reached the point where the benefits of the changes to date are starting to be felt and are expected to accelerate in the year ahead.

Please refer to the reports from our Chairman, deputy CEO and CFO and our Strategy Update, contained within the Pick n Pay Integrated Annual Report for further information.

AUDIT COMMITTEE

We draw your attention to the audit committee report on page 3 where we set out the responsibilities of the committee and how it has discharged these responsibilities during the year.

share. The tax payable is 16.25 cents per share, leaving shareholders who are not exempt from dividends tax with a net dividend of 92.10 cents per share.

The last day of trade in order to participate in the dividend (CUM dividend) will be Friday, 1 June 2012. The shares will trade EX dividend from the commencement of business on Monday, 4 June 2012 and the record date will be Friday, 8 June 2012.

The dividend will be paid on Monday, 11 June 2012.

Share certificates may not be dematerialised or re-materialised between Monday, 4 June 2012 and Friday, 8 June 2012, both dates inclusive.

As dividend number 88 was declared on 17 April 2012, it will only be accounted for in the 2013 financial year.

Directors' report continued

for the year ended 29 February 2012

SHARE CAPITAL

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

At year end, the Pick n Pay Employee Share Purchase Trust held 2 482 193 (2011: 3 411 620) shares in the Company and 9 011 002 (2011: 9 103 871) shares in Pick n Pay Holdings Limited and a subsidiary company held 1 845 103 (2011: 1 817 003) shares in Pick n Pay Holdings Limited, all of which are accounted for as treasury shares. These shares are held to meet obligations of options granted.

GOING CONCERN

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

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

LEGAL PROCEEDINGS

There are no pending or threatened legal or arbitration proceedings which have had or may have a material effect on the financial position of the Company or Group.

SPECIAL RESOLUTIONS

On 10 June 2011 the Company's shareholders approved the following special resolutions as tabled in the notice to the annual general meeting:

Directors' fees for the year ended 29 February 2012

Shareholders approved the directors' fees, which were unchanged from the previous year.

Amendment to the Memorandum of Incorporation of the Company

Shareholders approved the amendment to the Memorandum of Incorporation of the Company, removing any borrowing restrictions and providing the Company with unlimited borrowing powers.

General approval to repurchase Company shares

Shareholders resolved that the Company or any of its subsidiaries may acquire issued shares of the Company or its holding company, upon such terms and conditions and in such amounts as the directors of the Company may determine from time to time. Acquisition of such shares is subject to the Memorandum of Incorporation of the Company, the provisions of the Companies Act no. 71 of

2008, as amended and the Listings Requirements of the JSE Limited (JSE), and is further subject to the provision that acquisitions by the Company and its subsidiaries of shares in the Company may not, in the aggregate, exceed in any one financial year 5% of the Company's issued share capital.

On 15 December 2011 the Company's shareholders approved the following special resolution:

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

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

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. Information pertaining to the directors and the Company Secretary appear below. For detailed CVs see pages 14 and 15 of the 2012 Integrated Annual Report.

Executive directors

Gareth Ackerman
Chairman and acting Chief Executive Officer
Corporate governance committee and nominations committee Chairman

Nick Badminton
Chief Executive Officer (Resigned 29 February 2012)

Richard van Rensburg*
Deputy Chief Executive Officer (Appointed October 2011)

Bakar Jakoet
Chief Finance Officer (Appointed 29 April 2011)

Dennis Cope
Chief Finance Officer (Retired 29 April 2011)

Suzanne Ackerman-Berman
Social and ethics committee Chairperson

Jonathan Ackerman

**Director to retire in accordance with the Company's MOI and to offer himself for re-election.*

Non-executive director

Dave Robins*

Independent non-executive directors

Hugh Herman

Lead non-executive director

Remuneration committee Chairman

Lorato Phalatse

Alex Mathole

Ben van der Ross*

Jeff van Rooyen*

Audit committee Chairman

Corporate finance committee Chairman

Company Secretary

Debra Muller

* Director to retire in accordance with the Company's MOI and to offer himself for re-election.

HOLDING COMPANY

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

DIRECTORS' INTEREST IN SHARES

	2012 %	2011 %
Beneficial	1.3	1.4
Non-beneficial	27.6	27.6
Total	28.9	29.0

The directors' interest in shares is their effective direct shareholding in the Company (excluding treasury shares) and their effective indirect shareholding through Pick n Pay Holdings Limited (excluding treasury shares).

SUBSIDIARY COMPANIES

Details of subsidiary companies are presented in note 21.

BORROWINGS

The Group's overall level of debt (including bank overdrafts and overnight borrowings) decreased from R1 939.7 million to R1 464.5 million during the year.

SUBSEQUENT EVENTS

There have been no facts or circumstances of a material nature that have arisen between the financial year-end and the date of this report.

Statements of comprehensive income

for the year ended 29 February 2012

	Notes	GROUP		COMPANY	
		2012 Rm	2011 Rm	2012 Rm	2011 Rm
CONTINUING OPERATIONS					
Revenue	1,30	55 634.4	51 455.9	863.9	810.4
Turnover	30	55 330.5	51 185.0	—	—
Cost of merchandise sold	30	(45 350.0)	(42 098.8)	—	—
Gross profit		9 980.5	9 086.2	—	—
Other trading income	1	264.4	231.4	—	—
Trading expenses		(8 969.8)	(7 899.9)	(11.2)	(1.1)
Employee costs	2.2	(4 658.5)	(4 319.8)	—	—
Occupancy		(1 302.1)	(1 114.7)	—	—
Operations		(2 149.4)	(1 642.8)	(0.6)	—
Merchandising and administration		(859.8)	(822.6)	(10.6)	(1.1)
Loss on sale of property, equipment and vehicles and intangible assets		(7.6)	—	—	—
Trading profit/(loss)		1 267.5	1 417.7	(11.2)	(1.1)
Interest received	2.1	39.5	39.5	16.5	—
Interest paid	2.1	(135.1)	(111.0)	(16.5)	—
Gain on recognition of investment in associate	11	—	7.5	—	—
Share of associate's (loss)/income	11	(1.9)	2.4	—	—
Operating profit/(loss)	2.1	1 170.0	1 356.1	(11.2)	(1.1)
Dividends received		—	—	847.4	810.4
Profit before tax		1 170.0	1 356.1	836.2	809.3
Tax	5.1	(407.7)	(447.8)	—	(0.1)
Profit for the year from continuing operations		762.3	908.3	836.2	809.2
Profit/(loss) for the year from discontinued operation		351.2	(123.4)	—	—
Profit on sale of discontinued operation	18	438.4	—	—	—
Loss from discontinued operation	18	(87.2)	(123.4)	—	—
Profit for the year		1 113.5	784.9	836.2	809.2
Other comprehensive loss (net of tax)		(358.3)	(14.6)	—	—
Exchange rate differences on translating foreign operations		224.1	50.1	—	—
Net loss on hedge of net investment in foreign operation	29.3.1a	(49.9)	(52.2)	—	—
Foreign currency translation reserve realised on sale of discontinued operation	18	(539.8)	—	—	—
Retirement benefit actuarial gain/(loss)		7.3	(12.5)	—	—
Total comprehensive income for the year		755.2	770.3	836.2	809.2
Earnings/(loss) per share – cents					
Basic	6	233.21	164.99		
Continuing operations		159.64	190.92		
Discontinued operation		73.57	(25.93)		
Diluted	6	228.69	162.20		
Continuing operations		156.55	187.68		
Discontinued operation		72.14	(25.48)		

Statements of financial position

as at end February 2012

	Notes	GROUP		COMPANY	
		2012 Rm	2011 Rm	2012 Rm	2011 Rm
ASSETS					
Non-current assets					
Intangible assets	8	799.6	404.5	—	—
Interest in subsidiaries	21.2	—	—	763.7	136.7
Property, equipment and vehicles	9	3 863.9	3 401.8	—	—
Operating lease asset	24.1	84.8	37.7	—	—
Participation in export partnerships	13	41.5	48.2	—	—
Deferred tax	14	116.5	85.8	—	—
Investment in associate	11	110.5	9.9	—	—
Loans	12	80.8	90.2	—	—
Investment	10	0.2	0.2	0.2	0.2
		5 097.8	4 078.3	763.9	136.9
Current assets					
Assets held for sale – discontinued operation		—	2 120.1	—	—
Inventory	15	3 334.9	3 162.7	—	—
Trade and other receivables	16	2 113.9	1 739.2	—	3.2
Cash and cash equivalents	17	1 271.7	—	—	—
		6 720.5	7 022.0	—	3.2
Total assets		11 818.3	11 100.3	763.9	140.1
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	19	6.0	6.0	6.0	6.0
Treasury shares	20.1	(142.8)	(172.0)	—	—
Accumulated profits		2 559.2	1 977.5	353.4	132.1
Foreign currency translation reserve		(18.3)	347.3	—	—
Total shareholders' equity		2 404.1	2 158.8	359.4	138.1
Non-current liabilities					
Long-term debt	22	771.2	626.9	—	—
Retirement scheme obligations	23.4	9.0	27.1	—	—
Operating lease liability	24.2	829.1	729.3	—	—
		1 609.3	1 383.3	—	—
Current liabilities					
Liabilities held for sale – discontinued operation		—	826.6	—	—
Cash and cash equivalents	17	—	547.4	—	—
Short-term debt	22	693.3	50.2	400.0	—
Tax	5.4	99.6	96.2	—	—
Trade and other payables	25	7 012.0	6 037.8	4.5	2.0
		7 804.9	7 558.2	404.5	2.0
Total equity and liabilities		11 818.3	11 100.3	763.9	140.1

Statements of changes in equity

for the year ended 29 February 2012

	Notes	Share capital Rm	Treasury shares Rm	Accumulated profits Rm	Foreign currency translation reserve Rm	Total Rm
GROUP						
At 1 March 2010		6.0	(261.2)	2 050.4	349.4	2 144.6
Total comprehensive income for the year		—	—	772.4	(2.1)	770.3
Profit for the year				784.9		784.9
Exchange rate differences on translating foreign operations					50.1	50.1
Net loss on hedge of net investment in foreign operation					(52.2)	(52.2)
Retirement benefit actuarial loss				(12.5)		(12.5)
Transactions with owners		—	89.2	(845.3)	—	(756.1)
Dividends paid	7.1			(808.0)		(808.0)
Share repurchases	20.1		(90.2)			(90.2)
Net effect of settlement of employee share options	20.1		179.4	(111.1)		68.3
Share options expense	4.3			73.8		73.8
At 28 February 2011		6.0	(172.0)	1 977.5	347.3	2 158.8
Total comprehensive income for the year		—	—	1 120.8	(365.6)	755.2
Profit for the year				1 113.5		1 113.5
Exchange rate differences on translating foreign operations					224.1	224.1
Net loss on hedge of net investment in foreign operation					(49.9)	(49.9)
Foreign currency translation reserve realised on sale of discontinued operation	18				(539.8)	(539.8)
Retirement benefit actuarial gain				7.3		7.3
Transactions with owners		—	29.2	(539.1)	—	(509.9)
Dividends paid	7.1			(605.4)		(605.4)
Share repurchases	20.1		(42.7)			(42.7)
Net effect of settlement of employee share options	20.1		71.9	(29.4)		42.5
Share options expense	4.3			95.7		95.7
At 29 February 2012		6.0	(142.8)	2 559.2	(18.3)	2 404.1
COMPANY						
At 1 March 2010		6.0	—	147.9	—	153.9
Total comprehensive income for the year		—	—	809.2	—	809.2
Profit for the year				809.2		809.2
Transactions with owners		—	—	(825.0)	—	(825.0)
Dividends paid	7.1			(825.0)		(825.0)
At 28 February 2011		6.0	—	132.1	—	138.1
Total comprehensive income for the year		—	—	836.2	—	836.2
Profit for the year				836.2		836.2
Transactions with owners		—	—	(614.9)	—	(614.9)
Dividends paid	7.1			(614.9)		(614.9)
At 29 February 2012		6.0	—	353.4	—	359.4

Cash flow statements

for the year ended 29 February 2012

	Notes	GROUP		COMPANY	
		2012 Rm	2011 Rm	2012 Rm	2011 Rm
Cash flows from operating activities					
Trading profit/(loss)		1 267.5	1 417.7	(11.2)	(1.1)
Depreciation and amortisation	2.1	808.1	733.3	—	—
Loss on sale of property, equipment and vehicles and intangible assets		7.6	—	—	—
Share options expense	4.3	95.7	73.8	—	—
Net operating lease liability		52.7	29.3	—	—
Cash generated/(utilised) before movements in working capital					
		2 231.6	2 254.1	(11.2)	(1.1)
Movements in working capital					
Increase/(decrease) in trade and other payables		1 030.4	(678.1)	2.5	(3.5)
Increase in inventory		(172.2)	(349.1)	—	—
(Increase)/decrease in trade and other receivables		(367.9)	182.4	3.2	(3.2)
Cash generated by/(utilised in) trading activities					
		2 721.9	1 409.3	(5.5)	(7.8)
Interest received	2.1	39.5	39.5	16.5	—
Interest paid	2.1	(135.1)	(111.0)	(16.5)	—
Cash generated by/(utilised in) operations					
		2 626.3	1 337.8	(5.5)	(7.8)
Dividends received		—	—	847.4	810.4
Dividends paid	7.1	(605.4)	(808.0)	(614.9)	(825.0)
Tax paid	5.4	(462.1)	(526.3)	—	(0.1)
Net cash generated by/(utilised in) operating activities – continuing operations					
		1 558.8	3.5	227.0	(22.5)
Net cash (utilised in)/generated by operating activities – discontinued operation					
	18	(330.4)	13.9	—	—
Total net cash generated by/(utilised in) operating activities					
		1 228.4	17.4	227.0	(22.5)
Cash flows from investing activities					
Investment in property, equipment and vehicles and intangible assets					
		(1 611.0)	(1 245.7)	—	—
Intangible asset additions	8.1, 8.2	(271.7)	(82.5)	—	—
Property additions	9	(446.8)	(289.2)	—	—
Equipment and vehicle additions	9	(889.9)	(874.0)	—	—
Aircraft additions	9	(2.6)	—	—	—
Increase in investment in associate	11	(102.5)	—	—	—
Purchase of operations	8.1, 8.2, 9	(106.4)	—	—	—
Proceeds on disposal of property, equipment and vehicles and intangible assets		44.5	21.9	—	—
Loans repaid/(advanced)		9.4	34.5	(627.0)	22.5
Net cash (utilised in)/generated by investing activities – continuing operations					
		(1 766.0)	(1 189.3)	(627.0)	22.5
Net cash generated by/(utilised in) investing activities – discontinued operation					
	18	1 459.6	(151.4)	—	—
Total net cash (utilised in)/generated by investing activities					
		(306.4)	(1 340.7)	(627.0)	22.5
Cash flows from financing activities					
Debt raised/(repaid)		787.5	(32.5)	400.0	—
Share repurchases	20.1	(42.7)	(90.2)	—	—
Proceeds from employees on settlement of share options		31.1	25.1	—	—
Net cash generated by/(utilised in) financing activities – continuing operations					
		775.9	(97.6)	400.0	—
Net cash generated by financing activities – discontinued operation					
	18	—	10.0	—	—
Total net cash generated by/(utilised in) financing activities					
		775.9	(87.6)	400.0	—
Net increase/(decrease) in cash and cash equivalents					
		1 697.9	(1 410.9)	—	—
Cash and cash equivalents at 1 March		(431.8)	1 055.3	—	—
Effect of exchange rate fluctuations on cash and cash equivalents		5.6	(76.2)	—	—
Cash and cash equivalents at end February					
		1 271.7	(431.8)	—	—
Continuing operations	17	1 271.7	(547.4)	—	—
Discontinued operation		—	115.6	—	—

Accounting policies

Pick n Pay Stores Limited is domiciled in South Africa. The consolidated financial statements of the Company for the year ended 29 February 2012 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in its associate, TM Supermarkets (Pvt) Limited.

The financial statements were approved by the directors and authorised for issue on 10 May 2012.

These consolidated 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. Where reference is made to "the Group" in the accounting policies, it should be interpreted as referring to the Company where the context requires, and unless otherwise noted.

They are prepared on the historical-cost basis except for:

- assets held for sale measured at fair value less disposal costs.
- derivative financial instruments at fair value through profit or loss.
- defined benefit obligations are measured at the present value of the future benefit to employees, net of the fair value of fund assets.
- share-based payments and investments held at fair value.

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

Non-current assets and asset disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Group (consolidated) and Company (separate) financial statements have been prepared in accordance with IFRS and its interpretations adopted by the International Accounting Standards Board (IASB), as well as the AC500 Standards as issued by the Accounting Practices Board and the Companies Act of South Africa.

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

estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

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

Note 4	measurement of share-based payments
Note 8.1	measurement of the recoverable amounts of cash-generating units containing goodwill
Note 8.2	estimates of useful lives and residual values of intangible assets
Note 9	estimates of useful lives and residual values of property, equipment and vehicles
Note 11	the impairment review undertaken in respect of our foreign associate in Zimbabwe
Note 14	the recognition of deferred tax assets
Note 16	the estimation of the impairment allowance for trade receivables
Note 22	classification of finance leases
Note 23.4	measurement of defined benefit obligations
Note 24	classification of operating leases
Note 25	recognition of deferred revenue in respect of customer loyalty programme

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements. The Group has reviewed the terms of its franchise agreements in Botswana, Lesotho and Swaziland, and the interpretation of its role in the supply of stock to those franchisees. This review has resulted in an equal prior year adjustment to turnover and cost of sales, with no impact on earnings. Please refer to note 30 for further information.

BASIS OF CONSOLIDATION Investment in subsidiaries

The Group financial statements include the financial statements of the Company and the entities that it controls. Control is achieved where the Company has the power directly or indirectly to govern the financial and operating policies of a Group entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements of the Group, from the date that control commences until the date that control ceases.

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

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

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

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

Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Associates are accounted for using the equity method and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses.

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

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

Transactions eliminated on consolidation

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

INTANGIBLE ASSETS

Goodwill

All business combinations are accounted for by applying the acquisition method of accounting. Goodwill is measured as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Goodwill is stated at cost less any accumulated impairment losses. For the purposes of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs). Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

In respect of acquisitions prior to 1 March 2004, goodwill is included on the basis of its deemed cost, which represents the amount recorded under SA GAAP.

Development costs

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

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

Intangible assets acquired and subsequent expenditure

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

Where payments are made for the acquisition of trademarks or brand names, the amounts are capitalised and amortised over their anticipated useful lives. Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. No valuation is made of internally developed and maintained

Accounting policies continued

trademarks or brand names. Expenditure incurred to maintain trademarks or brand names are expensed in full in profit or loss.

Amortisation

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

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

The current estimated useful life of systems development costs is seven years.

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

Intangible assets with an indefinite useful life and intangible assets not yet brought into use are systematically tested for impairment at each reporting date.

PROPERTY, EQUIPMENT AND VEHICLES

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

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

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

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

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

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, equipment and vehicles. Leased assets are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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

The estimated useful lives for the current and comparative years 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

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

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

ASSETS HELD FOR SALE

Assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter, the assets (or disposal group) are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets which continue to be measured in accordance with the Group's accounting policies.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

LEASES

Finance leases

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

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

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

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

Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. This results in the raising of a liability for future lease expenses and an asset for future lease income on the statement of financial position.

This liability and asset is reversed during the latter part of each lease term when the actual cash flow exceeds the statement of comprehensive income amounts.

Service contracts dependent on specific underlying assets

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

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

INVENTORY

Inventory comprises merchandise for resale and consumables. Inventory is measured at the lower of cost and net realisable value. Cost is calculated on the weighted-average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition, including distribution

costs, and is stated net of relevant purchase incentives. The cost of merchandise sold includes shrinkage and normal levels of waste.

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

PROVISIONS

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

GUARANTEES

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

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

Where the effect of discounting is material, the liability is discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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

Accounting policies continued

FINANCIAL INSTRUMENTS

Non-derivative financial instruments

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

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

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

Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

The subsequent measurement of financial instruments is stated below:

Cash and cash equivalents

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

Investments

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

Trade receivables and loans

Trade receivables and loans are measured at amortised cost, using the effective interest method, less impairment losses.

Participation in export partnerships

The participation in export partnerships is measured at amortised cost using the effective interest method. Amortised cost is the cost of the original participation less subsequent principle repayments received, plus the cumulative amortisation of the difference between the initial amount, and the maturity amount less any write down for impairment or uncollectability.

For fair value purposes, any impairment in the amounts due to the Group by virtue of its participation in export partnerships would result in a corresponding reduction in

the carrying value of the related deferred tax liability. Consequently, such impairment would have no impact on profit or loss of the Group.

Trade and other payables

Trade and other payables are carried at amortised cost.

Debt

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

Derivative financial instruments

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

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

Off-set

Financial assets and financial liabilities are off-set and the net amount reported in the statement of financial position, when the Group has a legal enforceable right to set-off the recognised amounts, and intends either to settle on a net basis, or to realise the net assets and settle the liability simultaneously.

HEDGE OF A NET INVESTMENT IN FOREIGN OPERATIONS

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

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

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

IMPAIRMENT OF ASSETS

Financial assets

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

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. All individually significant loans not specifically impaired and the remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of the asset. When a decline in the fair value of an available-for-sale asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is transferred to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised.

Non-financial assets

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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

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

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

Calculation of recoverable amount

The recoverable amount of an asset or CGU is the greater of its fair value less costs to sell and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

Reversals of impairment

An impairment loss for a financial asset is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity through other comprehensive income.

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

An impairment loss for a non-financial asset is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Impairment losses in respect of goodwill are not reversed.

SHARE CAPITAL

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

Accounting policies continued

TREASURY SHARES

Shares in the Company held by Group entities are classified as treasury shares. These shares are treated as a deduction from the weighted average number of shares in issue and the cost price of the shares is deducted from equity in the statement of changes in equity. The Pick n Pay Holdings Limited shares held by Group entities are treated as treasury shares.

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

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

TURNOVER

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

TRADING PROFIT

Trading profit is net income and expenditure from trading operations, excluding interest received, interest paid and our share of our associate's income or loss.

OPERATING PROFIT

Operating profit is trading profit, including interest received, interest paid and any profits or losses on the sale of investments, property and stores.

REVENUE RECOGNITION

Turnover

Revenue from the sale of goods is measured at the fair value of consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Loyalty programme

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

1 000 points equate to R10 back on future purchases. Bonus points are issued on promotions.

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

Interest income

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

Dividend income

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

Incentive income

Incentive income and franchise fee income is recognised when the purchase or sale which gives rise to the income takes place.

Lease income

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

BORROWING COSTS

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

General borrowing costs are capitalised by calculating the weighted average expenditure on the qualifying asset and applying a weighted average borrowing rate to the expenditure. Specific borrowing costs are capitalised according to the borrowing costs incurred on the specific borrowing provided the borrowing facility is utilised specifically for the qualifying asset less any investment income on the temporary investment of these funds. All other borrowing costs incurred are recognised as an expense in profit or loss and are accrued on an effective interest basis by reference to the principal amounts outstanding and at the interest rate applicable.

INCOME TAX

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

Current tax

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

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 taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill and the initial recognition of assets or liabilities in a transaction that is not a business combination and that neither affects accounting nor taxable profit.

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

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

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

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

Secondary tax on companies

Secondary tax on companies (STC) on net dividends paid is recognised as a tax charge in the year it is incurred. Effective 1 April 2012, STC has been replaced by dividends withholding tax.

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency

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

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the rates of exchange ruling at that date.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and amortised cost in foreign currency translated at the exchange rate at the end of the period.

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

Foreign operations

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

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

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

Accounting policies continued

EMPLOYEE BENEFITS

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

Liabilities for employee entitlements to wages, salaries, annual and all leave represent the amount which the Group has a present obligation as a result of employee services provided to the reporting date to the extent that such obligation can be reliably estimated.

The accruals have been calculated at undiscounted amounts based on current wage and salary rates.

Share-based payment transactions

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

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

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

Retirement benefits

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

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

Defined-contribution plans

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

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

Where the Group is responsible for providing retirement benefits to employees with a retirement scheme outside the Group, contributions are made on behalf of the employee and the cost is accounted for in the year in which the payment is made.

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

Defined-benefit plans

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

The Group's net obligation in respect of the defined benefit is calculated separately by estimating the amount of future benefit that qualifying employees have earned in respect of their service to date; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The calculation is performed by an actuary using the projected unit credit method.

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

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

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

ONEROUS CONTRACTS

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

CAPITALISATION SHARE AWARDS AND CASH DIVIDENDS

The full value of capitalisation share awards and cash dividends are recorded as a deduction from accumulated profits in the statement of changes in equity. Upon allotment of shares in terms of a capitalisation share award, the share election amounts are transferred to the share capital account and share premium account. Cash dividends and the related STC charge are accounted for in the year of declaration.

EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) information for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

DISCONTINUED OPERATIONS

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

OPERATING SEGMENTS

The Group discloses segment financial information which is being used internally by the entity's Chief Operating Decision Maker (CODM) in order to assess performance and allocate resources.

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

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

Notes to the annual financial statements

for the year ended 29 February 2012

	GROUP		COMPANY	
	2012 Rm	2011 Rm	2012 Rm	2011 Rm
1. REVENUE – CONTINUING OPERATIONS				
Turnover (note 30)	55 330.5	51 185.0	—	—
Interest received (note 2.1)	39.5	39.5	16.5	—
Dividends received	—	—	847.4	810.4
Other trading income	264.4	231.4	—	—
Franchise fee income	234.3	203.6	—	—
Property lease income	30.1	27.8	—	—
	55 634.4	51 455.9	863.9	810.4
<p>The Group has a customer loyalty programme, Smartshopper, in which customers are rewarded with Smartshopper points (reward credits) which are effectively redeemed as cash against future purchases. At 29 February 2012 the Group has deferred revenue of R142.0 million which represents the fair value of the Smartshopper points granted and yet to be redeemed, adjusted for an expected forfeiture rate of 22% (refer note 25).</p>				
2. OPERATING PROFIT/(LOSS) – CONTINUING OPERATIONS				
2.1 Operating profit/(loss) is stated after taking into account the following expenses/(income):				
Auditor's remuneration	5.9	5.0	0.1	0.1
Audit	5.6	4.8	0.1	0.1
Other	0.3	0.2	—	—
Amortisation (note 8.2)	101.0	67.5	—	—
Depreciation (note 9)	707.1	665.8	—	—
Interest received	(39.5)	(39.5)	(16.5)	—
Bank balances and investments	(30.4)	(31.2)	(16.5)	—
Debtors	(4.9)	(1.2)	—	—
Receiver of revenue	(0.7)	(2.9)	—	—
Staff loans	(3.5)	(4.2)	—	—
Interest paid	135.1	111.0	16.5	—
Finance leases	7.4	13.9	—	—
Overdrafts	52.1	51.6	—	—
Borrowings	75.6	43.2	16.5	—
Other	—	2.3	—	—
Operating lease charges	1 058.9	913.5	—	—
Property – minimum lease payments	1 024.9	884.4	—	—
– turnover contingent payments	34.0	29.1	—	—
Leases contained within service agreements	170.6	137.3	—	—
2.2 Employee costs – continuing operations				
Salaries and wages	4 010.5	3 747.9	—	—
Staff benefits and training	269.1	233.0	—	—
Contributions to defined contribution plans (note 23.5)	261.8	250.1	—	—
Share-based payments expense (note 4.3)	95.7	73.8	—	—
Net expense recognised on defined benefit plan (note 23.4)	19.4	12.8	—	—
Leave pay	2.0	2.2	—	—
	4 658.5	4 319.8	—	—

3. DIRECTORS' REMUNERATION AND INTEREST IN SHARES

3.1 Directors' remuneration

Non-executive directors paid by the Company (2011: paid by a subsidiary company) and executive directors paid by a subsidiary company as detailed below:

	Fees for board meetings R'000	Fees for committee and other work R'000	Remuneration R'000	Retirement and medical contributions R'000	Performance bonus* R'000	Fringe and other benefits R'000	Cash total R'000	Expense relating to share options granted R'000
2012								
Non-executive directors								
Gareth Ackerman**	3 000.0	—	—	—	—	—	3 000.0	—
Hugh Herman**	280.0	336.5	—	—	—	—	616.5	—
Alex Mathole	280.0	145.0	—	—	—	—	425.0	—
Lorato Phalatse	280.0	116.3	—	—	—	—	396.3	—
David Robins	280.0	—	—	—	—	—	280.0	—
Ben van der Ross	280.0	181.5	—	—	—	—	461.5	—
Richard van Rensburg***	220.2	—	—	—	—	—	220.2	—
Jeff van Rooyen**	280.0	285.0	—	—	—	—	565.0	—
	4 900.2	1 064.3	—	—	—	—	5 964.5	—
Executive directors								
Jonathan Ackerman	1.5	—	1 715.0	311.7	153.2	252.8	2 434.2	985.5
Suzanne Ackerman-Berman	1.5	—	1 858.5	298.6	147.9	29.2	2 335.7	1 190.2
Nick Badminton [^]	1.5	—	3 919.6	646.3	—	10 392.3	14 959.7	3 683.7
Dennis Cope [#]	1.5	—	400.0	—	—	30.6	432.1	77.1
Bakar Jakoet ⁺	1.5	—	1 761.7	311.1	186.2	732.7	2 993.2	1 233.1
Richard van Rensburg***	—	—	1 250.0	—	150.0	—	1 400.0	1 900.0
	7.5	—	10 904.8	1 567.7	637.3	11 437.6	24 554.9	9 069.6
Total remuneration	4 907.7	1 064.3	10 904.8	1 567.7	637.3	11 437.6	30 519.4	9 069.6
2011								
Non-executive directors								
Gareth Ackerman	3 000.0	—	—	—	—	—	3 000.0	—
Hugh Herman	280.0	336.5	—	—	—	—	616.5	—
Alex Mathole	70.0	—	—	—	—	—	70.0	—
Constance Nkosi	280.0	79.5	—	—	—	—	359.5	—
Lorato Phalatse	70.0	—	—	—	—	—	70.0	—
David Robins	280.0	—	—	—	—	—	280.0	—
Ben van der Ross	280.0	155.0	—	—	—	—	435.0	—
Richard van Rensburg	280.0	445.0	—	—	—	—	725.0	—
Jeff van Rooyen	280.0	235.0	—	—	—	—	515.0	—
	4 820.0	1 251.0	—	—	—	—	6 071.0	—
Executive directors								
Jonathan Ackerman	1.5	—	1 509.0	264.1	—	192.6	1 967.2	1 059.7
Suzanne Ackerman-Berman	1.5	—	1 443.0	244.0	—	142.5	1 831.0	1 239.8
Nick Badminton	1.5	—	3 543.0	549.8	—	311.1	4 405.4	4 123.0
Dennis Cope	1.5	—	1 930.2	328.8	—	1 699.0	3 959.5	277.9
	6.0	—	8 425.2	1 386.7	—	2 345.2	12 163.1	6 700.4
Total remuneration	4 826.0	1 251.0	8 425.2	1 386.7	—	2 345.2	18 234.1	6 700.4

* The performance bonus relates to the amount provided for in the current financial year.

** Also directors of Pick n Pay Holdings Limited.

*** Appointed as deputy CEO effective 1 October 2011 – received remuneration as an executive director from this date.

[^] Resigned 29 February 2012. Fringe and other benefits include a restraint of trade payment of R10.1 million.

[#] Retired from Pick n Pay Stores Limited Board effective 29 April 2011.

⁺ Appointed to Pick n Pay Stores Limited Board on 29 April 2011 – remuneration included from this date.

Notes to the annual financial statements continued

for the year ended 29 February 2012

3. DIRECTORS' REMUNERATION AND INTEREST IN SHARES *(continued)*

3.2 Share options in the Company held by directors

1997 Share Option Scheme

	Calendar year granted	Option grant price R	Balance held at 1 March 2011	Granted during the year	Taken up in year at grant price	Forfeited during the year	Balance held at 29 February 2012	Value of options exercised* R'000	Available for take-up
Jonathan Ackerman	2005	20.70	6 441				6 441		Now
	2005	22.30	150 000**			(150 000)	—		
	2006	28.00	4 286				4 286		Now
	2006	28.00	4 286				4 286		Now
	2006	28.00	5 714				5 714		Now
	2007	31.15	5 778				5 778		Now
	2007	31.15	4 334				4 334		Now
	2007	31.15	4 334				4 334		Now
	2008	26.56	3 765				3 765		Now
	2008	26.56	2 824				2 824		Now
	2008	26.56	2 825				2 825		May 2012
	2008	26.14	25 000				25 000		August 2015
	2008	26.14	25 000				25 000		August 2016
	2008	26.14	25 000				25 000		August 2017
	2008	26.14	25 000				25 000		August 2018
	2009	28.20	3 547				3 547		Now
	2009	28.20	2 660				2 660		Now
	2009	28.20	2 660				2 660		April 2013
	2010	42.27	624				624		Now
	2010	42.27	468				468		April 2013
2010	42.27	468				468		April 2014	
2010	41.23	400 000**				400 000		May 2014	
			705 014	—	—	(150 000)	555 014	—	
Suzanne Ackerman-Berman	2004	21.00	10 000				10 000		Now
	2006	31.15	60 000				60 000		Now
	2006	31.15	60 000				60 000		April 2014
	2007	31.15	2 408				2 408		Now
	2008	26.56	2 259				2 259		Now
	2008	26.56	2 260				2 260		May 2012
	2008	26.14	25 000				25 000		August 2015
	2008	26.14	25 000				25 000		August 2016
	2008	26.14	25 000				25 000		August 2017
	2008	26.14	25 000				25 000		August 2018
	2009	28.20	3 547				3 547		Now
	2009	28.20	2 660				2 660		Now
	2009	28.20	2 660				2 660		April 2013
	2010	42.27	569				569		Now
	2010	42.27	426				426		April 2013
	2010	42.27	426				426		April 2014
2010	41.23	400 000**				400 000		May 2014	
			647 215	—	—	—	647 215	—	

* The value of options exercised is equal to the market value of the shares on the date taken up less the purchase price of those options.

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

3. DIRECTORS' REMUNERATION AND INTEREST IN SHARES (continued)
3.2 Share options in the Company held by directors (continued)
 1997 Share Option Scheme (continued)

	Calendar year granted	Option grant price R	Balance held at 1 March 2011	Granted during the year	Taken up in year at grant price	Forfeited during the year	Balance held at 29 February 2012	Value of options exercised* R'000	Available for take-up
Nick Badminton***	2002	10.00	200 000		(200 000)		—	6 592.0	
	2004	16.00	75 000		(75 000)		—	2 022.0	
	2005	20.70	120 773		(120 773)		—	2 688.4	
	2006	28.00	56 250		(56 250)		—	841.5	
	2006	28.00	24 107		(24 107)		—	360.6	
	2007	29.95	200 000				200 000		Now
	2007	29.95	150 000				150 000		Now
	2007	29.95	150 000				150 000		Now
	2007	29.95	500 000**			(500 000)	—		Now
	2007	31.15	32 103		(32 103)		—	379.1	
	2007	31.15	24 077		(24 077)		—	284.3	
	2007	31.15	24 077		(24 077)		—	284.3	
	2008	26.56	4 519		(4 519)		—	74.1	
	2008	26.56	3 389		(3 389)		—	55.6	
	2008	26.56	3 388				3 388		Now
	2008	26.84	250 000				250 000		Now
	2008	26.84	250 000				250 000		Now
	2008	26.84	250 000				250 000		Now
	2009	28.20	21 280		(21 280)		—	314.1	
	2009	28.20	15 960				15 960		Now
	2009	28.20	15 960				15 960		Now
	2010	42.27	1 413				1 413		Now
	2010	42.27	1 061				1 061		Now
	2010	42.27	1 061				1 061		Now
	2010	41.23	700 000**			(500 000)	200 000		May 2014
				3 074 418	—	(585 575)	(1 000 000)	1 488 843	13 896.0
Dennis Cope	2005	20.70	48 309				48 309		Now
	2006	28.00	22 500				22 500		Now
	2006	28.00	9 643				9 643		Now
	2007	31.15	12 841				12 841		Now
	2007	31.15	9 631				9 631		Now
	2007	31.15	9 631				9 631		Now
	2008	26.56	6 025				6 025		Now
	2008	26.56	4 519				4 519		Now
	2008	26.56	4 518				4 518		Now
	2009	28.20	11 349				11 349		Now
	2009	28.20	8 512				8 512		Now
	2009	28.20	8 512				8 512		Now
	2010	42.27	764				764		Now
	2010	42.27	574				574		Now
	2010	42.27	574				574		Now
			157 902	—	—	—	157 902	—	

* The value of options exercised is equal to the market value of the shares on the date taken up less the purchase price of those options.

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

*** In accordance with his restraint of trade agreement, all share options due to Nick Badminton vested on 29 February 2012. In April 2012, subsequent to financial year-end, Nick Badminton exercised all available options due to him (value of options exercised: R20.4 million).

Notes to the annual financial statements continued

for the year ended 29 February 2012

3. DIRECTORS' REMUNERATION AND INTEREST IN SHARES *(continued)*

3.2 Share options in the Company held by directors *(continued)*

1997 Share Option Scheme *(continued)*

	Calendar year granted	Option grant price R	Balance held at 1 March 2011	Granted during the year	Taken up in year at grant price	Forfeited during the year	Balance held at 29 February 2012	Value of options exercised* R'000	Available for take-up
Bakar Jakoet	2003	12.00	75 000				75 000		Now
	2003	12.00	75 000				75 000		Now
	2003	12.00	100 000				100 000		Now
	2007	31.15	5 779				5 779		Now
	2008	26.55	3 954				3 954		Now
	2008	26.55	3 953				3 953		May 2012
	2008	26.14	60 000				60 000		Now
	2008	26.14	45 000				45 000		August 2013
	2008	26.14	45 000				45 000		August 2015
	2009	28.20	4 965				4 965		Now
	2009	28.20	3 724				3 724		Now
	2009	28.20	3 724				3 724		April 2013
	2010	42.28	719				719		Now
	2010	42.28	540				540		April 2013
	2010	42.28	540				540		April 2014
	2010	41.23	500 000**				500 000		May 2014
	2011	41.70			200 000		200 000		April 2014
2011	41.70			300 000		300 000		April 2016	
			927 898	500 000	—	—	1 427 898	—	
Richard van Rensburg	2011	36.55	—	400 000**			400 000		May 2015

* The value of options exercised is equal to the market value of the shares on the date taken up less the purchase price of those options.

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

For directors' share options in Pick n Pay Holdings Limited refer to note 3.2 on page 74.

3. DIRECTORS' REMUNERATION AND INTEREST IN SHARES (continued)

3.3 Directors' interest in shares – all held beneficially

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

Except for the indirect interest in the shares of the Company through Pick n Pay Holdings Limited, no other directors have either a beneficial or non-beneficial interest in the shares of the Company.

All share options granted prior to 11 June 2008 can either be gross-settled or net-settled at the request of the employee (please refer to note 4). The total share options taken-up during the year per note 3.2, may therefore not correspond to share additions during the year where net-settled.

* 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.

4. SHARE-BASED PAYMENTS

The Group operates the 1997 Employee Share Option Scheme (the Scheme) in order to facilitate broad-based employee share ownership. The Scheme incentivises key management and staff by providing them with an opportunity to acquire shares in the Group, thereby aligning their interests with shareholders' and at the same time encouraging employee retention.

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

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

Following the AGM on 11 June 2008, the Share Trust implemented the net-settling of share options. All share options granted after 11 June 2008 will, at the time of exercise by the employee, be automatically net-settled by the Company. This means that at the time of the exercise of an option, the employee will receive the amount of shares (at current value) equal to the gain in the value of the option. For all options granted prior to 11 June 2008, the employee can choose whether to net-settle the options, or whether to pay the purchase price in full to take-up the total allotment of shares (gross-settle).

All vested share options have to be exercised, paid for (or net-settled) and taken up within 10 years of the grant date. The directors are authorised to utilise up to 13.3% of the issued share capital for the Scheme.

The Scheme grants the following options to employees:

Service share options – are granted to all permanent employees who have been with the Group for five years and further options are granted every five years thereafter.

Service share options may be taken up immediately on granting.

Notes to the annual financial statements continued

for the year ended 29 February 2012

4. SHARE-BASED PAYMENTS *(continued)*

Status share options – are granted to employees who attain manager status and further options are granted at each promotion to more senior levels of management.

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

40% after three years

30% after five years

30% after seven years

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

Executive share options – are granted to senior executives. These options may only be taken up when prescribed performance conditions linked to the growth of the Company's share price are met. If the conditions are not met, these options are automatically forfeited. Should further performance hurdles be achieved, discounted grant prices may apply.

4.1 Outstanding share options

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

At 1 March

New options granted*

Options taken up**

Options forfeited

At end February

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

Year	Average grant price		
2013	R27.75	19 590.7	
2014	R39.56	19 535.8	
2015	R29.99	5 022.0	
2016	R34.70	5 153.8	
2017 and thereafter	R32.93	4 942.6	
		54 244.9	

Percentage of issued shares

Options available for granting under current authorisation

* Average grant price of options granted during the year

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

For the movement in the number of Pick n Pay Holdings Limited (PWK) share options granted, please refer to note 8 on page 78 of the Pick n Pay Holdings Limited financial statements.

For details of share options held by directors refer to note 3.2.

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

As a hedge against share options granted or to be granted by the Scheme, reflected as treasury shares

On behalf of share purchase scheme participants

GROUP

2012 Number of options 000's	2011 Number of options 000's
53 148.8	48 371.7
6 287.5	17 425.6
(2 442.5)	(8 763.1)
(2 748.9)	(3 885.4)
54 244.9	53 148.8
11.3%	11.1%
9 647.9	10 744.0
R41.58	R41.14
R24.48	R21.84
2 482.2	3 411.6
144.3	145.6
2 626.5	3 557.2

4. SHARE-BASED PAYMENTS (continued)

4.2 Fair value

The Group accounts for share option expenses in accordance with IFRS 2: *Share-based Payments*, which requires the fair value of share options granted to employees to be valued at the grant date and expensed through profit or loss over the vesting period of the option.

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

Financial year of grant	Options granted	Number of options granted 000's	Expected life of options years	Share price at grant date	Grant price	Expected volatility ^a	Expected dividend yield ^b	Risk-free rate ^c
2003	PIK	617.6	4 – 8	R12.15 – R13.90	R11.00 – R12.50	39.74 – 39.78	3.32 – 3.70	9.88 – 10.52
2004	PWK	862.4	1 – 8	R5.43 – R5.85	R5.10 – R5.25	19.34 – 41.65	3.24 – 5.66	9.67 – 10.96
2004	PIK	5 232.3	2 – 8	R11.67 – R16.35	R10.50 – R14.85	30.66 – 39.78	3.79 – 3.86	8.70 – 10.62
2005	PIK	4 381.5	2 – 8	R17.16 – R23.10	R16.00 – R21.00	28.48 – 39.33	3.76 – 4.32	7.58 – 9.95
2006	PIK	12 969.7	2 – 8	R23.25 – R31.00	R21.00 – R27.90	22.61 – 35.94	3.80 – 4.23	7.15 – 8.01
2007	PWK	860.8	1	R14.84	R13.25	18.94	3.98	8.37
2007	PIK	5 866.5	2 – 7	R25.80 – R34.10	R25.00 – R29.75	22.35 – 35.50	3.65 – 4.34	6.97 – 8.70
2008	PWK	708.8	1	R14.84	R13.25	19.41	3.98	8.37
2008	PIK	7 201.7	2 – 8	R32.15 – R38.22	R29.75 – R33.95	23.00 – 39.78	3.61 – 3.70	7.40 – 8.86
2009	PWK	787.0	1	R12.90	R11.33	20.56	4.31	9.94
2009	PIK	15 969.8	2 – 10	R26.00 – R38.05	R24.15 – R33.95	22.78 – 42.29	3.10 – 4.35	7.16 – 13.46
2010	PWK	655.8	1	R13.10	R12.20	30.81	5.07	6.52
2010	PIK	8 366.8	2 – 7	R29.50 – R41.60	R28.20 – R39.19	25.40 – 27.37	4.39 – 4.82	7.27 – 9.19
2011	PWK	1 893.0	1	R16.00	R16.91	21.91	5.51	7.13
2011	PIK	17 425.6	2 – 7	R38.00 – R49.41	R40.00 – R46.10	24.44 – 27.36	4.41 – 4.82	6.67 – 9.05
2012	PWK	2 230.4	1	R16.50	R16.50	20.66	4.49	5.60
2012	PIK	6 287.5	3 – 7	R37.36 – R47.23	R37.29 – R47.10	R24.24 – R25.72	3.68 – 4.16	6.40 – 8.38

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

b The expected dividend yield is the best estimate of the forward-looking dividend yield over the expected life of the option. This has been estimated by reference to the historical average dividend yield during the period preceding the grant, equal to the vesting period of the grant.

c The risk-free rate is the yield on zero-coupon South African Government bonds of a term consistent with the estimated option term.

4.3 Share-based payment expense

Total expensed to date – 1 March

Share options expense for the year

Total expensed to date – end February

At end February, the share options expense to be recognised in future financial years, in respect of all options granted since 2003, is:

Within 1 year

Within 2 to 5 years

After 5 years

Total expense to be recognised

Total current and future share-based payment expense

GROUP

2012 2011
Rm Rm

312.1 238.3

95.7 73.8

407.8 312.1

75.5 78.8

110.0 150.1

3.9 7.7

189.4 236.6

597.2 548.7

Notes to the annual financial statements continued

for the year ended 29 February 2012

	GROUP		COMPANY	
	2012 Rm	2011 Rm	2012 Rm	2011 Rm
5. TAX				
5.1 Tax recognised in the statement of comprehensive income				
South African normal tax	359.0	358.1	—	0.1
– current year	360.7	359.5	—	0.1
– prior year overprovision	(1.7)	(1.4)	—	—
Deferred tax (note 14)	(11.9)	10.4	—	—
– current year	(12.8)	6.9	—	—
– prior year under provision	0.9	3.5	—	—
Secondary tax on companies – current year	60.6	79.3	—	—
Total tax charge	407.7	447.8	—	0.1
Tax charge relating to the sale of discontinued operation (note 18)	55.0	—	—	—
5.2 Tax recognised directly in equity				
Tax effect of share incentive transactions recorded directly in equity	(11.4)	(43.1)	—	—
Tax effect of forward exchange contracts realised directly in equity	2.3	(2.3)	—	—
Total recognised directly in equity	(9.1)	(45.4)	—	—
5.3 Statutory tax rate reconciliation	%	%	%	%
Statutory tax rate	28.0	28.0	28.0	28.0
Exempt income	(1.6)	(1.6)	(28.4)	(28.0)
Secondary tax on companies	5.2	5.8	—	—
Non-deductible share options expense	2.2	1.5	—	—
Other non-deductible expenditure	1.1	1.0	0.4	—
Net prior year (over)/under provision	(0.1)	0.2	—	—
Other	0.1	(1.9)	—	—
Effective tax rate	34.9	33.0	—	—

	GROUP		COMPANY	
	2012 Rm	2011 Rm	2012 Rm	2011 Rm
5. TAX (continued)				
5.4 Tax paid comprises:				
Owing – 1 March	96.2	230.5	—	—
Movement through statement of comprehensive income				
Current tax charge – continuing operations	359.0	358.1	—	0.1
Secondary tax on companies	60.6	79.3	—	—
Tax relating to the sale of discontinued operation (note 18)	55.0	—	—	—
Movement through equity	(9.1)	(45.4)	—	—
Owing – end February	(99.6)	(96.2)	—	—
Total tax paid	462.1	526.3	—	0.1

	GROUP	
	2012 Cents per share	2011 Cents per share
6. BASIC, HEADLINE AND DILUTED EARNINGS/(LOSS) PER SHARE		
Basic	233.21	164.99
Continuing operations	159.64	190.92
Discontinued operation	73.57	(25.93)
Diluted basic	228.69	162.20
Continuing operations	156.55	187.68
Discontinued operation	72.14	(25.48)
Headline	142.69	164.90
Continuing operations	160.78	189.35
Discontinued operation	(18.09)	(24.45)
Diluted headline	139.92	162.10
Continuing operations	157.67	186.14
Discontinued operation	(17.75)	(24.04)

Notes to the annual financial statements continued

for the year ended 29 February 2012

		GROUP	
		2012 Rm	2011 Rm
6.	BASIC, HEADLINE AND DILUTED EARNINGS/(LOSS) PER SHARE <i>(continued)</i>		
6.1	Basic and headline earnings		
	Reconciliation between basic and headline earnings:		
	Basic earnings (profit for the year)	1 113.5	784.9
	Continuing operations	762.3	908.3
	Discontinued operation	351.2	(123.4)
	Adjustments:		
	Continuing operations	5.5	(7.5)
	Loss on sale of property, equipment and vehicles and intangible assets	7.6	—
	Tax effect of loss on sale of property, equipment and vehicles and intangible assets	(2.1)	—
	Fair value gain on recognition of investment in associate	—	(7.5)
	Discontinued operation	(437.6)	7.0
	Loss on sale of property, equipment and vehicles and intangible assets	0.8	7.0
	Profit on sale of discontinued operation (note 18)	(493.4)	—
	Tax effect relating to sale of discontinued operation (note 18)	55.0	—
	Headline earnings	681.4	784.4
	Continuing operations	767.8	900.8
	Discontinued operation	(86.4)	(116.4)
		Number of shares 000's	Number of shares 000's
6.2	Number of shares		
	Movement in the weighted average number of ordinary shares in issue comprises:		
	At 1 March	475 770.3	473 199.8
	Effect of current year share repurchases by the share trust	(478.7)	(885.3)
	Effect of share sales on the take-up of share options	943.5	3 038.8
	Prior year net share sales/repurchases now fully weighted	1 215.3	417.0
	At end February	477 450.4	475 770.3
	Dilutive effect of share options	9 434.2	8 210.3
	Weighted average number of ordinary shares in issue for purposes of calculating diluted earnings per share	486 884.6	483 980.6
	Refer to note 19 for the number of shares in issue.		

		GROUP AND COMPANY	
		2012 Cents per share	2011 Cents per share
7. DIVIDENDS			
7.1 Dividends paid			
	Number 86 – declared 15 April 2011 – paid 13 June 2011	105.50	134.75
	Number 87 – declared 18 October 2011 – paid 12 December 2011	22.50	37.00
	Total dividends for the year – Company	128.00	171.75
		Rm	Rm
	Total value of dividends paid by the Company	614.9	825.0
	Dividends paid to Group entities	(9.5)	(17.0)
	Total dividends paid outside the Group	605.4	808.0
		Cents per share	Cents per share
7.2 Dividends declared			
	Interim dividend — number 87 (declared 18 October 2011 — paid 12 December 2011)	22.50	37.00
	Final dividend — number 88 (declared 17 April 2012 — payable 11 June 2012)	108.35	105.50
	Normal dividend	98.50	105.50
	Additional dividend in respect of STC no longer payable (refer to directors' report)	9.85	—
		130.85	142.50

The directors have declared a final dividend of 108.35 cents per share out of 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, 1 June 2012. The shares will trade ex dividend from the commencement of business on Monday, 4 June 2012 and the record date will be Friday, 8 June 2012. The dividends will be paid on Monday, 11 June 2012.

Notes to the annual financial statements continued

for the year ended 29 February 2012

		GROUP	
		2012 Rm	2011 Rm
8. INTANGIBLE ASSETS			
8.1 Goodwill			
Carrying value		201.5	142.4
Cost		222.4	163.3
Accumulated amortisation		(20.9)	(20.9)
Reconciliation of carrying value			
Carrying value at beginning of year		142.4	837.5
Additions		—	15.1
Expansion of operations		—	5.2
Discontinued operation		—	9.9
Foreign currency translation effect		—	34.6
Purchase of operations		59.1	—
Transferred to assets held for sale – discontinued operation		—	(744.8)
Carrying value at end of year		201.5	142.4
<p>In accordance with the Group's accounting policies, an impairment test of goodwill has been performed. The cash-generating units to which goodwill has been allocated have been identified.</p> <p>The recoverable amount for the cash-generating units was based on the value in use. The results of a detailed five-year cash flow forecast, together with a terminal cash flow estimate, discounted at appropriate market rates pre tax, did not identify any impairment in goodwill.</p>			
8.2 Systems development			
Carrying value		598.1	262.1
Cost		913.1	457.6
Accumulated amortisation		(315.0)	(195.5)
Reconciliation of carrying value			
Carrying value at beginning of year		262.1	289.2
Additions		271.7	79.1
Expansion of operations		240.8	56.0
Maintaining operations		30.9	21.3
Discontinued operation		—	1.8
Amortisation		(101.0)	(73.3)
Continuing operations		(101.0)	(67.5)
Discontinued operation		—	(5.8)
Disposals		(4.3)	—
Foreign currency translation effect		—	1.7
Purchase of operations		30.5	—
Reclassification from property, equipment and vehicles		139.1	—
Transferred to assets held for sale – discontinued operation		—	(34.6)
Carrying value at end of year		598.1	262.1
Total carrying value of intangible assets		799.6	404.5

		GROUP			
		Property Rm	Furniture, fittings, equipment and vehicles Rm	Aircraft Rm	Total Rm
9.	PROPERTY, EQUIPMENT AND VEHICLES				
	2012				
	Carrying value	1 560.3	2 276.6	27.0	3 863.9
	Cost	1 722.9	5 459.6	73.7	7 256.2
	Accumulated depreciation	(162.6)	(3 183.0)	(46.7)	(3 392.3)
	Reconciliation of carrying value				
	Carrying value at beginning of year	1 149.0	2 222.8	30.0	3 401.8
	Additions	439.5	889.9	2.6	1 332.0
	Expansion of operations	428.2	298.2	—	726.4
	Maintaining operations	11.3	591.7	2.6	605.6
	Borrowing costs capitalised ⁺	7.3	—	—	7.3
	Depreciation	(34.9)	(666.6)	(5.6)	(707.1)
	Disposals	(0.6)	(47.2)	—	(47.8)
	Purchase of operations	—	16.8	—	16.8
	Reclassification to intangible assets	—	(139.1)	—	(139.1)
	Carrying value at end of year*	1 560.3	2 276.6	27.0	3 863.9
	Directors' valuation of property at 29 February 2012	1 807.6			
	2011				
	Carrying value	1 149.0	2 222.8	30.0	3 401.8
	Cost	1 276.7	4 924.0	71.1	6 271.8
	Accumulated depreciation	(127.7)	(2 701.2)	(41.1)	(2 870.0)
	Reconciliation of carrying value				
	Carrying value at beginning of year	977.8	2 401.9	35.8	3 415.5
	Additions	289.2	1 006.6	—	1 295.8
	Expansion of operations	225.4	200.9	—	426.3
	Maintaining operations	63.8	673.1	—	736.9
	Discontinued operation	—	132.6	—	132.6
	Borrowing costs capitalised ⁺	6.8	—	—	6.8
	Depreciation	(29.6)	(653.2)	(5.8)	(688.6)
	Continuing operations	(29.6)	(630.4)	(5.8)	(665.8)
	Discontinued operation	—	(22.8)	—	(22.8)
	Disposals	—	(28.9)	—	(28.9)
	Foreign currency translation	4.7	24.7	—	29.4
	Transferred to assets held for sale	(99.9)	(528.3)	—	(628.2)
	Carrying value at end of year*	1 149.0	2 222.8	30.0	3 401.8
	Directors' valuation of property at 28 February 2011				
	– continuing operations	1 425.7			

Property with a carrying value of R670.2 million (2011: R671.3 million) (directors' valuation – R1 138.0 million (2011: R983.2 million)) is provided as security for long-term borrowings (refer to note 22).

A register of all properties is available for inspection at the registered office of the Company.

* Included in the carrying value of property, equipment and vehicles is leased vehicles with a carrying value of R101.7 million (2011: R108.8 million) secured by lease liabilities (note 22).

+ Borrowing costs are capitalised on qualifying assets. The weighted average expenditure incurred on qualifying assets was R223.4 million (2011: R153.7 million) and the weighted average borrowing rate was 5.78% (2011: 7.09%).

Notes to the annual financial statements continued

for the year ended 29 February 2012

		GROUP AND COMPANY	
		2012 Rm	2011 Rm
10. INVESTMENT			
	Shares at fair value – Business Partners Limited	0.2	0.2
	Directors' valuation of unlisted investments	2.7	2.5
		GROUP	
		2012	2011
11. INVESTMENT IN ASSOCIATE		Ownership	Ownership
	The Group has the following investment in an associate: TM Supermarkets (Pvt) Limited – Zimbabwe	49%	25%
		Rm	Rm
	At 1 March	9.9	—
	Gain on recognition of investment	—	7.5
	Share of associate's (loss)/income	(1.9)	2.4
	Subscription for additional 24% interest*	102.5	—
	At end February	110.5	9.9
	Comprising:		
	Cost of investment	102.5	—
	Gain on recognition of investment	7.5	7.5
	Share of post-acquisition profits	0.5	2.4
	Summary financial information of TM Supermarkets (Pvt) Limited – presented in US Dollars (the associate's functional currency)	100%	100%
		US\$m	US\$m
	Statement of comprehensive income		
	Turnover	291.6	225.6
	(Loss)/profit for the year	(0.9)	1.7
	Statement of financial position		
	Assets	53.3	44.8
	Liabilities	35.5	38.4
	Equity – non-distributable reserves	21.1	9.0
	– distributable reserves	(3.3)	(2.4)

* In February 2012, the Group subscribed for a further 24% stake in TM Supermarkets (Pvt) Limited (TM) for US\$13 million (R102.5 million), taking its total investment in TM to 49%, being the maximum foreign shareholding allowed in terms of Zimbabwean legislation. TM will use the proceeds received to refurbish existing stores and to develop local procurement processes. The Group has great confidence in TM's management team and in its business model and with the guidance from Pick n Pay, they are well placed to help grow the business and to expand their footprint in Zimbabwe. The economic environment has stabilised somewhat in Zimbabwe and although TM is currently incurring operating losses, our share for the year being R1.9 million, detailed five-year turnover and cash flow forecasts do not indicate any impairment in the value of our investment.

		GROUP	
		2012 Rm	2011 Rm
12. LOANS			
	The following loans have been advanced by subsidiary companies:		
	Employees		
	Executive directors		
	At 1 March	0.5	0.8
	Advanced*	0.4	—
	Repaid	(0.5)	(0.3)
	At end February	0.4	0.5
	Other employees	78.2	86.9
	Amounts owing to participants of the share purchase scheme	(1.4)	(0.8)
	Total employee loans	77.2	86.6
	Other loans	4.0	4.0
	Holding company loan	(0.4)	(0.4)
	Total loans at end February	80.8	90.2

Loans to directors and employees are secured, bear interest at varying rates subject to a maximum rate of 8% (2011: 8%) per annum and have varying repayment terms. Loans to employees from the Employee Share Purchase Trust are payable within 10 years from the date of advance.

The trading loan is secured, bears interest at the prime bank rate and is repayable after one year.

* Loan advanced to senior executive prior to appointment as director.

		GROUP	
		2012 Rm	2011 Rm
13. PARTICIPATION IN EXPORT PARTNERSHIPS		41.5	48.2
	The Group participated in various export partnerships, whose business was the purchase and export sale of marine containers. The partnerships bought and sold such containers in terms of long-term suspensive purchase and credit sale agreements respectively, with repayment terms usually over a 10 to 15-year period.		
	The last trade took place in the 1999 financial year. The current balance disclosed in respect of participation in export partnerships is the remaining long-term debtor.		
	For fair value purposes, any impairment in the amounts due to the Group by virtue of its participation in export partnerships would result in a corresponding reduction in the carrying value of the related deferred tax liability. Consequently, such impairment would have no impact on the statement of comprehensive income of the Group.		

Notes to the annual financial statements continued

for the year ended 29 February 2012

		GROUP	
		2012 Rm	2011 Rm
14. DEFERRED TAX			
	The movement in deferred tax is as follows:		
	At 1 March	85.8	98.1
	Recognised in the statement of comprehensive income (note 5.1)	11.9	(10.4)
	Participation in export partnerships	6.9	2.7
	Property, equipment and vehicles and intangible assets	(7.1)	(22.0)
	Operating lease accruals	13.7	8.5
	Retirement benefits	(2.2)	(4.2)
	Prepayments	(0.2)	(0.2)
	Allowance for impairment losses	(4.6)	7.1
	Income and expense accruals	5.4	(2.3)
	Recognised in equity		
	Foreign currency translations	39.7	(3.4)
	Actuarial (gains)/losses	(2.9)	4.8
	Forward exchange contract unrealised loss	(18.0)	18.0
	At end February	116.5	107.1
	Comprising:		
	Participation in export partnerships	(42.0)	(48.9)
	Property, equipment and vehicles and intangible assets	(128.2)	(121.1)
	Operating lease accruals	186.6	172.9
	Retirement benefits and actuarial (gains)/losses	2.5	7.6
	Prepayments	(4.7)	(4.5)
	Allowance for impairment losses	33.9	38.5
	Income and expense accruals	68.4	79.6
	Continuing operations	68.4	63.0
	Discontinued operation	—	16.6
	Foreign currency translation	—	(35.0)
	Continuing operations	—	(39.7)
	Discontinued operation	—	4.7
	Forward exchange contract	—	18.0
	Total deferred tax asset	116.5	107.1
	Transferred to assets held for sale	—	(21.3)
		116.5	85.8

In respect of Score Supermarkets Operating Limited Group, there are approximately R157.2 million (2011: R204.9 million) of estimated tax losses available for set-off against future taxable income, for which no deferred tax assets have been raised.

	GROUP		COMPANY	
	2012 Rm	2011 Rm	2012 Rm	2011 Rm
15. INVENTORY				
Merchandise for resale	3 311.0	3 143.8	—	—
Consumables	23.9	18.9	—	—
	3 334.9	3 162.7	—	—

	GROUP		COMPANY	
	2012 Rm	2011 Rm	2012 Rm	2011 Rm
16. TRADE AND OTHER RECEIVABLES				
Trade and other receivables	2 275.3	1 922.4	—	3.2
Allowance for impairment losses (note 29.1)	(161.4)	(183.2)	—	—
	2 113.9	1 739.2	—	3.2

	GROUP		COMPANY	
	2012 Rm	2011 Rm	2012 Rm	2011 Rm
17. CASH AND CASH EQUIVALENTS				
Cash at bank and cash on hand	271.7	715.2	—	—
Bank overdraft	—	(362.6)	—	—
Cash investments	1 000.0	—	—	—
Overnight bank borrowings	—	(900.0)	—	—
	1 271.7	(547.4)	—	—

Cash at bank and cash on hand

Cash at bank and cash on hand includes cash floats at stores as well as the Group's current account balance. Interest rates earned on current account balances are linked to the South African prime rate.

Bank overdraft

The Group utilised its bank overdraft facility during the year. The Group did not reflect an overdraft at 29 February 2012. The interest rate on the overdraft was 7.5% throughout the year.

Cash investments

The Group invests surplus cash throughout the year in highly liquid money market funds. The funds are exposed primarily to the top four South African banks and have a minimum-rating requirement of AA. Nominal returns on the funds varied between 5.58% and 5.67% during the year.

Overnight bank borrowings

The Group utilised overnight bank borrowings during the year. Interest rates varied between 5.75% and 5.80%. There were no overnight borrowings outstanding as at 29 February 2012 (2011: R900 million).

Notes to the annual financial statements continued

for the year ended 29 February 2012

18. DISCONTINUED OPERATIONS

Interfrank Group Holdings Pty Ltd (Franklins)

In September 2011, after a lengthy legal dispute with the Australian Competition and Consumer Commission, the Group sold its Australian business, Franklins, to Metcash Limited for R1.2 billion, net of fees. The sale of Franklins has enabled us to focus entirely on our southern African operations, with the cash proceeds being utilised directly in these core retail operations. Franklins is disclosed as a discontinued operation, with its results from operations for the previous year and for the seven months to 30 September 2011 and the subsequent profit on sale of the business being disclosed separately from continuing operations.

	GROUP	
	2012	2011
	Rm	Rm
Results of discontinued operation		
Revenue	3 389.3	5 617.4
Expenses	(3 476.5)	(5 740.8)
Loss from operating activities	(87.2)	(123.4)
Tax	—	—
Loss from discontinued operation	(87.2)	(123.4)
Profit on sale of discontinued operation	493.4	—
Tax on sale transaction	(55.0)	—
Profit/(loss) for the year	351.2	(123.4)
Cash flows generated by/(utilised in) discontinued operation		
Net cash (utilised in)/generated by operating activities	(330.4)	13.9
Net cash generated by/(utilised in) investing activities	1 459.6	(151.4)
Net cash sale proceeds	1 244.9	
Cash and cash equivalents disposed of	214.7	
Net cash generated by financing activities	—	10.0
Net cash flows for the year	1 129.2	(127.5)
Effect of disposal on the financial position of the Group		
Net cash proceeds received	1 244.9	
Realisation of foreign currency translation reserve	539.8	
Less: net assets sold	(1 291.3)	
Intangible assets	(837.2)	
Property, plant and equipment	(697.2)	
Deferred tax	(22.9)	
Inventory	(570.1)	
Trade and other receivables	(67.4)	
Cash and cash equivalents	214.7	
Short-term debt	10.2	
Trade and other payables	678.6	
Profit on sale of discontinued operation	493.4	
Tax on sale transaction	(55.0)	
Profit on sale of discontinued operation, net of tax	438.4	

		GROUP AND COMPANY	
		2012 Rm	2011 Rm
19. SHARE CAPITAL			
Authorised			
800 000 000 ordinary shares of 1.25 cents each		10.0	10.0
Issued			
480 397 321 ordinary shares of 1.25 cents each		6.0	6.0
		Number of shares 000's	Number of shares 000's
The number of shares in issue at end February is made up as follows:			
Treasury shares held in the share trust (note 20.2)		2 482.2	3 411.6
Shares held outside the Group		477 915.1	476 985.7
Total shares in issue at end February		480 397.3	480 397.3

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

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

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

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

For directors' interest in shares, refer to note 3.3.

Notes to the annual financial statements continued

for the year ended 29 February 2012

		GROUP	
		2012 Rm	2011 Rm
20. TREASURY SHARES			
20.1 Treasury shares comprise Pick n Pay Stores Limited and Pick n Pay Holdings Limited shares held by subsidiary companies and the share trust			
At 1 March		172.0	261.2
Share repurchases		42.7	90.2
Take-up of share options by employees		(71.9)	(179.4)
At end February		142.8	172.0
Comprises:			
Pick n Pay Stores Limited shares		60.4	94.3
Pick n Pay Holdings Limited shares		82.4	77.7
		Number of shares 000's	Number of shares 000's
20.2 The movement in the number of treasury shares held is as follows:			
Pick n Pay Stores Limited			
At 1 March		3 411.6	6 780.5
Shares purchased during the year		957.5	1 770.5
Shares sold during the year pursuant to the take-up of share options by employees		(1 886.9)	(5 139.4)
At end February		2 482.2	3 411.6
Comprises:			
Shares held by the Share Trust		2 482.2	3 411.6
Average purchase price of shares purchased during the year		R42.25	R44.57
Average purchase price of shares held at year-end		R24.33	R27.64
		Number of shares 000's	Number of shares 000's
Pick n Pay Holdings Limited			
At 1 March		10 920.8	11 861.9
Shares purchased during the year		653.2	1 620.9
Shares sold during the year pursuant to the take-up of share options by employees		(717.9)	(2 562.0)
At end February		10 856.1	10 920.8
Comprises:			
Shares held by the Share Trust		9 011.0	9 103.8
Shares held by a subsidiary company		1 845.1	1 817.0
Average purchase price of shares purchased during the year		R18.37	R18.63
Average purchase price of shares held at year-end		R7.59	R7.11

		COMPANY	
		2012 Rm	2011 Rm
21. INTEREST IN SUBSIDIARIES			
21.1 Investment in subsidiaries			
Shares at cost			
Trading		37.5	37.5
Guardrisk Insurance Company Limited			
Pick n Pay Garages Proprietary Limited			
Pick n Pay Retailers Proprietary Limited			
Pick n Pay Franchise Financing Proprietary Limited			
Raymond Ackerman Holdings Limited			
Property owning		0.5	0.5
Pick n Pay (Newton Park) Proprietary Limited			
Pick n Pay Wholesalers Proprietary Limited			
Pick n Pay Wholesalers (Transvaal) Proprietary Limited			
Dormant companies		0.3	0.3
Total investment in subsidiaries		38.3	38.3
21.2 Amount owing by subsidiary companies			
At 1 March		98.4	120.9
Amounts advanced/(received) during the year		627.0	(22.5)
At end February		725.4	98.4
The loans are unsecured and bear interest at rates determined from time to time and are repayable on 13 months' notice.			
Total interest in subsidiaries		763.7	136.7
Investments held by other Group subsidiaries:			
Pick n Pay (Gabriel Road) Proprietary Limited			
Pick n Pay Namibia Proprietary Limited (registered in Namibia)			
Pick n Pay Zambia Proprietary Limited (registered in Zambia)			
Boxer Holdings Proprietary Limited			
Boxer Superstores Proprietary Limited			
Boxer Fresh Meats Proprietary Limited			
Mfolozi Properties Proprietary Limited			
KwaZulu Cash & Carry Proprietary Limited			
Score Supermarkets Operating Limited			
Score Supermarkets (Trading) Proprietary Limited			
Score Supermarkets (Botswana) Proprietary Limited (registered in Botswana)			
Score Supermarkets (Southern Africa) Proprietary Limited (registered in Botswana)			
Score Supermarkets (Swaziland) Limited (registered in Swaziland)			
All companies are 100% held and incorporated in South Africa except where indicated.			
A comprehensive list of Group subsidiaries is available on request at the registered office of the Company.			
The attributable earnings of subsidiaries, excluding inter-company dividends		775.3	899.5
Profit on sale of discontinued operation		438.4	—
The attributable losses of discontinued operation		(87.2)	(123.4)

Notes to the annual financial statements continued

for the year ended 29 February 2012

	GROUP		COMPANY	
	2012 Rm	2011 Rm	2012 Rm	2011 Rm
22. LONG-TERM DEBT				
Finance leases	99.7	106.1	—	—
Secured loans in respect of leased vehicles with a carrying value of R101.7 million (2011: R108.8 million) (note 9) held under finance lease agreements bearing interest at prime bank rate less 2% and payable monthly in arrears over a four-year period. At the end of the lease period the Group has the option to refinance the lease or settle the lease and take ownership of the asset. Lease agreements do not contain any escalation or penalty clauses.				
Other debt	1 364.8	571.0	400.0	—
Three-month corporate paper , issued under our Domestic Medium Term Note Programme to fund property development. The notes are repayable on 21 May 2012 and carry a variable interest rate linked to the three-month Jibar, which averaged 5.8% p.a.	400.0	—	400.0	—
Secured loan in respect of property with a carrying value of R72.3 million (2011: R75.7 million) (note 9) bearing interest at a fixed rate of 11.4% and payable monthly in arrears over a 15-year period, ending on 28 October 2018.	64.8	71.0	—	—
Secured loan raised to fund property development. The loan is secured by property with a carrying value of R597.9 million (2011: R595.6 million) (note 9). The directors' valuation of the property at 29 February 2012 is R963.2 million (2011: R821.6 million). Interest is payable every six months in arrears at a fixed rate of 8.8% p.a. The capital is repayable on 29 June 2015.	250.0	250.0	—	—
Secured loan raised to fund property development. The loan is secured by property with a carrying value of R597.9 million (note 9). The directors' valuation of the property at 29 February 2012 is R963.2 million. Interest is payable every six months in arrears at a fixed rate of 8.9% p.a. The capital is repayable on 18 August 2016.	400.0	—	—	—
Unsecured loan raised to fund property development. The loan bears interest at a fixed rate of 9.6%. Interest is payable every six months in arrears. The capital is repayable on 1 June 2012.	250.0	250.0	—	—
Total debt at end February	1 464.5	677.1	400.0	—
Less: Short-term debt (repayable within one year)	(693.3)	(50.2)	(400.0)	—
Long-term debt (repayable after one year)	771.2	626.9	—	—
At end February, finance lease rentals are payable as follows:				
Within 1 year				
Capital repayments	36.5	44.0	—	—
Interest	5.5	6.6	—	—
Cash flows	42.0	50.6	—	—
Within 2 to 5 years				
Capital repayments	63.2	62.1	—	—
Interest	4.4	4.4	—	—
Cash flows	67.6	66.5	—	—
Total cash flows	109.6	117.1	—	—
Capital repayments	99.7	106.1	—	—
Interest	9.9	11.0	—	—

23. RETIREMENT BENEFITS

The Group has three retirement schemes, covering:

Score Supermarkets Trading Proprietary Limited

Boxer Superstores Proprietary Limited

Pick n Pay Retailers Proprietary Limited

23.1 Score Supermarkets Trading Proprietary Limited (Score)

The Score defined contribution provident fund is administered by Alexander Forbes Consultants and Actuaries, who also provide consulting and actuarial services. The Section 14 transfer of the last members (all pensioners) to the Pick n Pay Non-contributory Provident Fund is being finalised by the administrators.

Membership of Score provident funds	103
Disability members	12

23.2 Boxer Superstores Proprietary Limited (Boxer)

Employees of Boxer are members of their own provident funds.

A. Name of fund	NMG Umbrella Provident Fund
Number of members	4 568
Administrator	NMG Consultants and Actuaries

This is the main Boxer retirement plan and is a defined contribution contributory provident fund. During the second half of the reporting period, the trustees took a decision to change the structure of the fund from being a standalone fund to an umbrella fund, by transferring into the NMG Umbrella Fund. Substantial cost savings will be achieved and with professional and independent trustees under the Umbrella Fund, compliance with FSB rules and regulations will become less onerous for the Company and Employee representatives. A Section 14 transfer is underway to transfer existing investments into the new scheme, although at this stage there is no change in the underlying investment strategy or fund investments, which are catered for within the Umbrella Fund. There are also no changes to fund benefits which include Group Life and Disability cover.

B. Name of fund	SACCAWU National Provident Fund
Number of members	984
Administrator	Old Mutual

This is a defined contribution contributory provident fund. Union members may elect to join this fund on commencement of employment at Boxer. The Company does not play any role in the running or administration of this fund, or the election of Trustees.

C. Name of fund	NMG Umbrella Provident Fund
Number of members	62
Administrator	NMG Consultants and Actuaries

This is a defined contribution contributory provident fund for senior management of the Company.

During the 2012 financial year, following an extensive evaluation, the members of the fund elected to switch their provident fund and administrators to a new service provider, NMG Consultants and Actuaries. In addition, the risk assurance benefits provided to members of the fund were changed to a new service provider, Discovery Life. The above changes resulted in improved benefits and cost reductions for members. The NMG Umbrella Provident Fund is an umbrella fund with independently appointed Trustees. An internal Boxer Superstores Advisory Committee comprising of two member-elected and two company-appointed participants meets quarterly to review all matters pertaining to retirement benefits of the members. A section 14 transfer of member investments into the new fund has been approved.

Notes to the annual financial statements continued

for the year ended 29 February 2012

23. RETIREMENT BENEFITS *(continued)*

23.3 Pick n Pay Retailers Proprietary Limited (Pick n Pay)

The Pick n Pay Retirement Scheme comprises two separate funds, the Pick n Pay Non-contributory Provident Fund and the Pick n Pay Paid-up Pension Fund.

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

Pick n Pay contributes a total of 17.35% of salary towards the defined contribution benefits offered to the members of the scheme. Out of this, 12.77% is allocated towards retirement savings and the balance, 3.72%, is allocated towards the reinsurance of death benefits, disability benefits and fund expenses. A further 0.86% of salary is contributed towards funding the guarantees outlined above.

There are 17 754 members of the Pick n Pay Retirement Scheme and 1 252 pensioners.

Retirement defined benefit

Executive members of the previous Pick n Pay Retirement Fund are guaranteed that the capital value of their benefit at normal retirement date will not be less than that which they enjoyed under that fund. A defined benefit obligation arises in this regard.

Post-retirement medical benefits

Members who joined the Pick n Pay Medical Scheme prior to 1 January 1997 will receive an additional pension on retirement to assist with post-retirement medical scheme contributions. Some of the members have already retired and are in receipt of a post-retirement medical pension. The full obligation for both active members and retirees is provided for in the financial statements. There is no subsidy for members who joined the Pick n Pay Medical Scheme after 1 January 1997.

Advisers

The Pick n Pay Retirement Scheme is administered by NMG Consultants and Actuaries Administrators (NMGA). The consultants and actuaries are NMG Employee benefits. The investment adviser is Towers Watson.

SACCAWU National Provident Fund

The SACCAWU Fund is administered by Old Mutual and is currently under curatorship. Employees who are union members have a choice of joining this fund instead of the Pick n Pay Retirement Scheme when they commence employment. There are 19 472 employees who have elected to join this fund.

		GROUP				
		Pensioners' defined-benefit guarantee Rm	Retirement defined-benefit guarantee Rm	Post-retirement medical guarantee Rm	Total obligation 2012 Rm	Total obligation 2011 Rm
23.	RETIREMENT BENEFITS <i>(continued)</i>					
23.4	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	360.5	547.1	85.8	993.4	996.4
	Fair value of assets	(360.5)	(545.9)	(78.0)	(984.4)	(969.3)
	Funded position	—	1.2	7.8	9.0	27.1
	Amounts recognised in the statement of comprehensive income are as follows:					
	Current service cost	—	22.8	3.7	26.5	24.3
	Interest on the obligation	30.7	49.5	8.0	88.2	82.6
	Expected return on the plan assets	(34.1)	(53.7)	(7.5)	(95.3)	(94.1)
	Total included in employee costs	(3.4)	18.6	4.2	19.4	12.8
	Cumulative unrecognised gains					
	Net cumulative unrecognised gain – 1 March	—	—	—	—	—
	Actuarial gain/(loss) – obligation	(2.4)	52.9	6.2	56.7	(54.3)
	Actuarial (gain)/loss – assets	(1.0)	(47.3)	1.8	(46.5)	36.9
	Actuarial (gain)/loss to be recognised before tax	3.4	(5.6)	(8.0)	(10.2)	17.4
	Net cumulative unrecognised gain – end February	—	—	—	—	—

Notes to the annual financial statements continued

for the year ended 29 February 2012

		GROUP				
		Pensioners' defined- benefit guarantee Rm	Retirement defined- benefit guarantee Rm	Post- retirement medical guarantee Rm	Total obligation 2012 Rm	Total obligation 2011 Rm
23.	RETIREMENT BENEFITS <i>(continued)</i>					
23.4	The Pick n Pay Retirement Scheme <i>(continued)</i>					
	Movement in the liability recognised on the statement of financial position is as follows:					
	Net liability – 1 March	—	14.2	12.9	27.1	24.7
	Total included in employee costs in statement of comprehensive income	(3.4)	18.6	4.2	19.4	12.8
	Amount recognised in other comprehensive income (before tax)	3.4	(5.6)	(8.0)	(10.2)	17.4
	Contributions	—	(26.0)	(1.3)	(27.3)	(27.8)
	Net liability – end February	—	1.2	7.8	9.0	27.1
	Movement in the fund's obligations and plan assets recognised on the statement of financial position is as follows:					
	Change in liability					
	Liability – 1 March	353.8	549.6	93.0	996.4	973.3
	Service cost	—	22.8	3.7	26.5	24.3
	Interest cost	30.7	49.5	8.0	88.2	82.6
	Actuarial (gain)/loss	2.4	(52.9)	(6.2)	(56.7)	54.3
	Benefits paid	(26.4)	(21.9)	(12.7)	(61.0)	(138.1)
	Liability – end February	360.5	547.1	85.8	993.4	996.4
	Change in plan assets					
	Plan assets – 1 March	353.8	535.4	80.1	969.3	948.6
	Expected return	34.1	53.7	7.5	95.3	94.1
	Actuarial (gain)/loss	(1.0)	(47.3)	1.8	(46.5)	36.9
	Contributions by employer	—	26.0	1.3	27.3	27.8
	Benefits paid	(26.4)	(21.9)	(12.7)	(61.0)	(138.1)
	Plan assets – end February	360.5	545.9	78.0	984.4	969.3
	Actuarial return on plan assets	9.3	1.2	11.7	5.0	13.6
	Asset mix					
	Equity	21.7	66.4	66.4	50.1	50.6
	Fixed interest	76.9	29.5	29.5	46.9	44.6
	Property	1.4	4.1	4.1	3.0	4.8
		100.0	100.0	100.0	100.0	100.0

		GROUP	
		November 2011 % per annum	November 2010 % per annum
23.	RETIREMENT BENEFITS <i>(continued)</i>		
23.4	The Pick n Pay Retirement Scheme <i>(continued)</i>		
	The principal actuarial assumptions at the last valuation date are:		
	Discount rate	9.50	9.00
	Future salary increases	6.71	6.51
	Future pension increases	6.00	5.00
	Annual increase in healthcare costs	7.50	8.00
	Expected rate of return [^]	10.00	10.00

[^] The expected rate of return on plan assets was determined by assuming that the fixed interest assets would earn a return equal to the discount rate of 9.5%, with a further 0.5% risk premium applied to the equities and property, giving a weighted average return of 10.0% based on the current asset allocation.

At 29 February 2012, if the discount rate had been 1% higher or 1% lower (with all other variables held constant), the impact on the financial statements would have been as follows:

	As reported		
	8.5% Rm	9.5% Rm	10.5% Rm
Statement of comprehensive income			
Expense included in employee costs	21.4	19.4	17.4
Statement of financial position			
Obligation at end February 2012	9.9	9.0	8.1

23.5 Defined current contribution benefits

	2012 Rm	2011 Rm
Current contributions	295.6	308.0
Continuing operations	261.8	250.1
Discontinued operation	33.8	57.9

24. OPERATING LEASES

The Group has entered into various operating lease agreements in respect of premises. Leases on premises are contracted for periods of between 10 and 20 years with renewal options for a further 10 to 20 years. Rentals comprise minimum monthly payments and contingent payments based on turnover levels. Turnover contingent rentals, where applicable, average 1.5% of turnover. Rental escalations vary but average 6.5% per annum.

Operating leases with fixed rental escalations are charged to the statement of comprehensive income on a straight-line basis. This results in the recognition of a liability for future lease expenses and an asset for future lease income. This liability and asset is realised during the latter part of each lease term when the actual cash flow exceeds the amount recognised in the statement of comprehensive income.

Notes to the annual financial statements continued

for the year ended 29 February 2012

		GROUP	
		2012 Rm	2011 Rm
24. OPERATING LEASES	<i>(continued)</i>		
24.1 Operating lease asset			
At 1 March		37.7	33.5
Accrual for future lease income		47.1	4.2
At end February		84.8	37.7
At end February future minimum rentals receivable from non-cancellable sublease contracts amount to:			
Cash flow due in 2013		241.8	132.3
Cash flow due in 2014 – 2017		655.6	437.3
Cash flow due after 2017		789.1	360.0
Total future cash flows		1 686.5	929.6
Less: Operating lease asset		(84.8)	(37.7)
Total operating lease income receivable		1 601.7	891.9
24.2 Operating lease liability			
At 1 March		729.3	695.9
Accrual for future lease expenditure		99.8	33.4
At end February		829.1	729.3
At end February future non-cancellable minimum lease rentals are payable during the following financial years:			
Cash flow due in 2013		1 089.6	872.3
Cash flow due in 2014 – 2017		3 909.4	3 234.2
Cash flow due after 2017		5 058.3	3 626.0
Total future cash flows		10 057.3	7 732.5
Less: Operating lease liability		(829.1)	(729.3)
Total operating lease commitments		9 228.2	7 003.2

	GROUP		COMPANY	
	2012 Rm	2011 Rm	2012 Rm	2011 Rm
25. TRADE AND OTHER PAYABLES				
Trade and other payables	6 691.5	5 807.1	4.5	2.0
Leave pay obligations	172.8	173.3	—	—
Deferred revenue – customer loyalty programme (note 1)	142.0	—	—	—
Non-derivative trade and other payables	7 006.3	5 980.4	4.5	2.0
Forward exchange contracts	5.7	57.4	—	—
	7 012.0	6 037.8	4.5	2.0

		GROUP	
		2012 Rm	2011 Rm
26. CAPITAL COMMITMENTS			
	All capital expenditure will be funded from internal cash flow and through non-specific borrowing facilities obtained from various financial institutions.		
	Authorised capital expenditure Contracted for	378.2	700.3
	Property	260.2	427.6
	Equipment and vehicles	103.4	232.7
	Intangible assets	14.6	40.0
	Not contracted for	1 271.2	1 737.5
	Equipment and vehicles	1 214.4	1 737.5
	Intangible assets	56.8	—
	Total commitments	1 649.4	2 437.8

27. OPERATING SEGMENTS

Group

Operating segments are identified based on financial information regularly reviewed by the Pick n Pay Stores Limited Board (identified as the Chief Operating Decision Maker (CODM) of the Group) for performance assessments and resource allocations.

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

Pick n Pay – all retail operations, retailing food, clothing, general merchandise, pharmaceuticals and liquor under the Pick n Pay brand throughout southern Africa.

Boxer – all retail operations, retailing food, general merchandise and liquor in southern Africa under the Boxer brand.

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

Insurance cell captive – the insurance cell captive provides insurance services, from insurance cover to claims administration for Group entities.

The African operating segments are mainly retail operations (with the exclusion of the insurance cell captive) which are reviewed independently of each other by the CODM of the Group, due to the individual operations being operated through separate subsidiary companies under the management and guidance of separate management boards. The Australian retail business, sold during the year, operated in a completely different market from other Group operations and thus faced different risks and economic conditions while serving a different customer base.

As the Pick n Pay and Boxer operating segments have demonstrated similar economic characteristics, they have been aggregated.

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

Notes to the annual financial statements continued

for the year ended 29 February 2012

	Pick n Pay and Boxer Rm	Insurance cell captive Rm	Total continuing operations Rm	Discon- tinued operation Franklins Rm	Total operations Rm
27. OPERATING SEGMENTS <i>(continued)</i>					
2012					
External revenue	55 631.5	2.9	55 634.4	3 389.3	59 023.7
Inter-segment revenue	—	14.7	14.7	—	14.7
External turnover	55 330.5	—	55 330.5	3 389.2	58 719.7
Interest income	36.6	2.9	39.5	0.2	39.7
Interest expense	135.1	—	135.1	6.0	141.1
Depreciation and amortisation	808.1	—	808.1	—	808.1
Profit/(loss) before tax	1 152.4	17.6	1 170.0	(87.2)	1 082.8
Profit on sale of Franklins (after tax)	—	—	—	438.4	438.4
Total assets	11 744.5	73.8	11 818.3	—	11 818.3
Total liabilities	9 369.8	44.4	9 414.2	—	9 414.2
2011					
External revenue*	51 453.2	2.7	51 455.9	5 617.4	57 073.3
Inter-segment revenue	—	12.9	12.9	—	12.9
External turnover*	51 185.0	—	51 185.0	5 613.0	56 798.0
Interest income	36.8	2.7	39.5	4.4	43.9
Interest expense	111.0	—	111.0	4.5	115.5
Depreciation and amortisation	733.3	—	733.3	28.6	761.9
Profit/(loss) before tax	1 340.6	15.5	1 356.1	(123.4)	1 232.7
Total assets	8 922.2	58.0	8 980.2	2 120.1	11 100.3
Total liabilities	8 071.8	43.1	8 114.9	826.6	8 941.5

* Restated refer note 30.

28. RELATED PARTY TRANSACTIONS**28.1 Group****Transactions between Group subsidiaries**

During the year, 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.

Director

A director of the Company held a position in a related entity where he may have had significant influence over the financial or operating policies of that entity.

Director	Entity	Position held in entity
Hugh Herman	Investec Limited	Non-executive chairman (retired November 2011)

Related party transactions include:

- The Pick n Pay Retirement and Medical Schemes administer the Company's retirement and medical plans respectively.
- Subsidiary companies of Investec Limited manage cash resources and assets on behalf of Group companies, the Pick n Pay Retirement Scheme and the Pick n Pay Medical Scheme.

Except for certain administrative costs carried by a subsidiary company on behalf of the Pick n Pay Retirement Scheme and the Pick n Pay Medical Scheme, transactions between the Group and these entities have occurred under terms and conditions that are no more favourable than those entered into with third parties in arm's length transactions.

Certain non-executive directors of the Group are also non-executive directors of other public companies which may transact with the Group. Except as disclosed above, the relevant directors do not believe they have significant influence over the financial or operating policies of those companies. Those entities are not disclosed above.

28. RELATED PARTY TRANSACTIONS (continued)

28.1 Group

Shares held by directors

The percentage of shares held by directors of the Company at the reporting date is disclosed in the Directors' Report on page 9. For further information refer to note 3.3.

Loans to executive directors

Loans to directors amount to R0.4 million at 29 February 2012, are secured and bear interest at varying interest rates. For further information refer to note 12.

Key management personnel

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

Key management personnel remuneration comprises:

	GROUP	
	2012 R'000	2011 R'000
Directors' fees	5 972.0	6 077.0
Remuneration for management services	27 306.8	26 182.3
Retirement and medical aid contributions	3 893.8	4 097.7
Performance bonus	1 972.3	1 481.0
Fringe and other benefits*	13 015.4	5 218.7
	52 160.3	43 056.7
Expense relating to share options granted	18 580.4	18 738.9
Total cost to company	70 740.7	61 795.6

*Includes a restraint of trade payment of R10.1 million paid to Nick Badminton (refer note 3.1).

28.2 Company

The Company has the following related party transactions:

28.2.1 Dividends received from subsidiary companies and paid to its holding company

Dividends received

	2012 Rm	2011 Rm
Pick n Pay Retailers Proprietary Limited	605.4	403.4
Pick n Pay Employee Share Purchase Trust	9.4	17.0
Carrefour Proprietary Limited	102.9	—
Pick n Pay (Steelpark) Proprietary Limited	1.9	—
Pick n Pay (Steeledale) Proprietary Limited	63.4	—
Bedworth Sentrum Proprietary Limited	57.7	—
Pick n Pay (Mitchells Plain) Limited	6.7	—
Pick n Pay Franchise Financing Proprietary Limited	—	390.0
Total dividends received from related parties	847.4	810.4

Dividends paid to holding company

Pick n Pay Holdings Limited	329.4	442.0
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28.2.2 Interest received from a subsidiary company

Pick n Pay Retailers Proprietary Limited	16.5	—
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28.2.3 Loans to/(from) subsidiary companies

Pick n Pay Retailers Proprietary Limited	483.4	81.4
Pick n Pay Employee Share Purchase Trust	9.4	17.0
Carrefour Proprietary Limited	102.9	—
Pick n Pay (Steelpark) Proprietary Limited	1.9	—
Pick n Pay (Steeledale) Proprietary Limited	63.4	—
Bedworth Sentrum Proprietary Limited	57.7	—
Pick n Pay (Mitchells Plain) Limited	6.7	—
Total	725.4	98.4

Notes to the annual financial statements continued

for the year ended 29 February 2012

29. FINANCIAL INSTRUMENTS

OVERVIEW

Company

Pick n Pay Stores Limited and Pick n Pay Holdings Limited have limited exposure to risk in respect of financial instruments. There is minimal credit risk relating to this as it is payable by the main operating company within the Group. Liquidity risk is further mitigated as the only financial liability is an immaterial trade and other payable which is funded by unlimited access to Group funds. Market risk is effectively negated as the financial asset and financial liability has no exposure to changes in exchange rates and very limited exposure to changes in interest rates.

Group

The Group has exposure to the following risks arising from its financial instruments:

Credit risk

Liquidity risk

Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Group's objective is to effectively manage each of the above risks associated with its financial instruments, in order to limit the Group's exposure as far as possible to any financial loss associated with these risks.

The Board is ultimately responsible and accountable for ensuring that adequate procedures and processes are in place to identify, assess, manage and monitor key business risks. The Board has established the audit committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its management standards and procedures and related training, aims to develop a disciplined and constructive control environment in which all employees understand their roles and responsibilities.

The audit committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The committee is assisted in this regard by Group Risk and Assurance Services (internal audit). Group Risk and Assurance Services undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

29.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Financial assets, which potentially subject the Group to concentrations of credit risk, consist principally of loans, participation in export partnerships, trade receivables and cash and cash equivalents.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at end February was:

	GROUP	
	2012	2011
	Rm	Rm
Loans (note 12)	80.8	90.2
Participation in export partnerships (note 13)	41.5	48.2
Trade receivables (note 16)	2 113.9	1 739.2
Cash and cash equivalents (note 17)	1 271.7	715.2
	3 507.9	2 592.8

29. FINANCIAL INSTRUMENTS (continued)

29.1 Credit risk (continued)

Investments

The Group has no material investments and therefore there is currently no significant credit risk from these instruments.

Loans

Loans to employees are granted and managed in accordance with strict regulations laid down by the Human Resources Division, governing the amount of the loan which may be granted and the associated interest rate and repayment terms. Before a loan is granted, it is first established that the employee is able to afford the monthly repayment terms. Where appropriate, the Group obtains suitable forms of security when granting loans. Repayments are deducted directly from the employee's monthly salary. There are no loan balances which exceed repayment terms. The Group considers all loan balances to be recoverable and therefore no impairment provision is required.

Participation in export partnerships

A company listed on the JSE Limited has warranted certain important 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 credit worthiness of the warrantor company.

Trade receivables

Trade receivables are amounts owing by franchisees and are presented net of impairment losses.

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. Accordingly, the Group has no significant concentration of credit risk.

	GROUP	
	2012	2011
	Rm	Rm
The ageing of trade and other receivables at end February was:		
Trade and other receivables not impaired		
Within payment terms	1 760.1	1 392.5
Exceeding payment terms by less than 14 days	78.6	79.5
Exceeding payment terms by more than 14 days	6.6	4.6
	1 845.3	1 476.6
Trade and other receivables with impairments		
Within payment terms	217.4	215.3
Exceeding payment terms by less than 14 days	21.1	97.8
Exceeding payment terms by more than 14 days	191.5	132.7
	430.0	445.8
Total trade and other receivables	2 275.3	1 922.4
Allowance for impairment losses	(161.4)	(183.2)
Total trade and other receivables net of allowance for impairment losses	2 113.9	1 739.2
The movement in the allowance for impairment of trade receivables during the year was as follows:		
At 1 March	183.2	149.5
Irrecoverable debts written off	(76.1)	(62.6)
Additional impairment losses recognised	68.5	108.3
Prior allowances for impairment reversed	(14.2)	(12.0)
At end February	161.4	183.2

Notes to the annual financial statements continued

for the year ended 29 February 2012

29. FINANCIAL INSTRUMENTS *(continued)*

29.1 Credit risk *(continued)*

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

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

There is currently no allowance for impairment against any other class of financial asset.

Cash balances

The Group's cash is placed with major South African and international financial institutions of high credit standing and within specific guidelines laid down by the Group's treasury committee and approved by the Board. The treasury committee is appointed by the Board and comprises executive directors and senior executives. Consequently, the Group does not consider there to be any significant exposure to credit risk.

29.2 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's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

One of the core founding principles of the Group is to maintain strong cash balances, not only to meet current financial obligations, but in order to be able to buy inventory forward on a rising market.

Adequate liquidity is further managed through the use of cash flow forecasts and by the maintenance of adequate borrowing facilities. In terms of its Memorandum of Incorporation, the Company's borrowing powers are unlimited. However, the treasury committee maintains strict control over the acceptance and drawdown of any loan facility.

At end February the Group's available borrowing facilities comprised:

	GROUP	
	2012	2011
	Rm	Rm
Total borrowing facilities granted by financial institutions	5 739.7	5 799.3
Total actual borrowings and utilisation of facilities	(1 840.2)	(2 321.2)
Unutilised borrowing facilities	3 899.5	3 478.1

On average, trade receivables and inventory are realised within 30 days and trade payables are settled within 60 days. To the extent that the Group requires short-term funds, it utilises the banking facilities available.

29. FINANCIAL INSTRUMENTS (continued)

29.2 Liquidity risk (continued)

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

GROUP – 2012	Carrying amount Rm	Contractual cash flows Rm	Within 1 year Rm	2 to 5 years Rm	Over 5 years Rm
Non-derivative financial liabilities					
Secured bank loans (note 22)	714.8	968.1	72.6	872.3	23.2
Unsecured bank loans (note 22)	250.0	262.1	262.1	—	—
Three-month corporate paper (note 22)	400.0	405.7	405.7	—	—
Finance lease liabilities (note 22)	99.7	109.6	42.0	67.6	—
Trade and other payables (note 25)	6 691.5	6 691.5	6 691.5	—	—
Derivative financial liabilities					
Forward exchange contracts (note 25)	5.7	5.7	5.7	—	—
Total financial obligations	8 161.7	8 442.7	7 479.6	939.9	23.2
To be settled through the management of:					
Inventory (note 15)	3 311.0	3 311.0	3 311.0	—	—
Trade and other receivables (note 16)	2 113.9	2 113.9	2 113.9	—	—
Cash and cash equivalents (note 17)	1 271.7	1 271.7	1 271.7	—	—
Net liability*	1 465.1	1 746.1	783.0	939.9	23.2
GROUP – 2011					
Non-derivative financial liabilities					
Secured bank loans (note 22)	321.0	375.9	36.0	302.8	37.1
Unsecured bank loans (note 22)	250.0	286.2	24.1	262.1	—
Finance lease liabilities (note 22)	106.1	117.1	50.6	66.5	—
Trade and other payables (note 25)	5 807.1	5 807.1	5 807.1	—	—
Bank overdraft (note 17)	362.6	362.6	362.6	—	—
Overnight bank borrowings (note 17)	900.0	900.0	900.0	—	—
Derivative financial liabilities					
Forward exchange contracts (note 25)	57.4	57.4	57.4	—	—
Total financial obligations	7 804.2	7 906.3	7 237.8	631.4	37.1
To be settled through the management of:					
Inventory (note 15)	3 143.8	3 143.8	3 143.8	—	—
Trade and other receivables (note 16)	1 739.2	1 739.2	1 739.2	—	—
Cash balances (note 17)	715.2	715.2	715.2	—	—
Net liability*	2 206.0	2 308.1	1 639.6	631.4	37.1

* As disclosed on page 58, the Group has adequate borrowing facilities to meet these current financial obligations.

Notes to the annual financial statements continued

for the year ended 29 February 2012

29. FINANCIAL INSTRUMENTS *(continued)*

29.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on the risk.

29.3.1 Currency risk

Derivatives held for risk management

a. *Net investment hedge*

The Group used forward exchange contracts (FECs) to hedge the foreign currency translation risk on its net investment in its foreign subsidiary Interfrank Group Holdings Pty Limited (Franklins). The Group recognised a total after tax fair value loss on these designated instruments of R49.9 million (2011: R52.2 million) directly in the foreign currency translation reserve. Franklins was sold on 30 September 2011 and the foreign currency translation reserve in respect of this investment (including the fair value losses on net investment hedges recognised to date) was realised through other comprehensive income. There are no net investment hedges at 29 February 2012.

b. *Operational currency risk*

The Group is exposed to foreign currency risk through the importation of merchandise. This risk is covered by entering into FECs. These contracts are matched with anticipated future cash outflows in foreign currencies. FECs are taken out when an order is placed with a foreign supplier. The Group does not use FECs for speculative purposes and does not apply cash flow hedge accounting.

The fair value of forward exchange derivative contracts at 29 February 2012 is a liability of R5.7 million (2011: R57.4 million). This has been recognised as an expense in the statement of comprehensive income and is reflected as a part of fair value of outstanding forward exchange contracts in trade and other payables.

The Group's exposure to foreign exchange risk, if exchange rates were to increase/decrease by 1%, with respect to the FECs is as follows:

	2012		2011	
	1% increase Rm	1% decrease Rm	1% increase Rm	1% decrease Rm
Effect on trade and other payables	(1.1)	1.1	(12.8)	12.8
Effect on net profit before tax	1.1	(1.1)	12.8	(12.8)

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

The exchange rate sensitivity overleaf, reflects the sensitivity of the assets, liabilities and net profit of foreign operations to changes in exchange rates. There is very little exchange rate risk with regards to the import of goods to South Africa as FECs are in place which hedge the risk. The Group uses a 1% change in foreign currency exchange rates as a measure of sensitivity. The financial effect of a change in exchange rates in the case of a foreign operation will affect the carrying value of the foreign currency translation reserve which is a component of equity.

29. FINANCIAL INSTRUMENTS *(continued)*
29.3 Market risk *(continued)*
29.3.1 Currency risk *(continued)*

	Exchange rate sensitivity			
	2012		2011	
	1% increase Rm	1% decrease Rm	1% increase Rm	1% decrease Rm
Foreign operations				
Assets				
Intangible assets	0.1	(0.1)	7.3	(7.3)
Property, equipment and vehicles	0.6	(0.6)	5.6	(5.6)
Inventory	0.3	(0.3)	5.3	(5.3)
Trade and other receivables	—	—	0.3	(0.3)
Cash and cash equivalents	0.2	(0.2)	1.2	(1.2)
Total effect on assets	1.2	(1.2)	19.7	(19.7)
Liabilities				
Long-term debt	—	—	(7.1)	7.1
Trade and other payables	(1.0)	1.0	(8.1)	8.1
Total effect on liabilities	(1.0)	1.0	(15.2)	15.2
Effect on foreign currency translation reserve	0.2	(0.2)	4.5	(4.5)

29.3.2 Interest rate risk

The Group manages the interest rate risk on long-term borrowings by fixing the interest rate with the relevant financial institution, wherever possible. We disclose below the information relating to variable interest financial instruments.

	Maturity of variable interest-bearing assets/liabilities				
	Weighted average interest rate %	1 year or less Rm	2 to 5 years Rm	Over 5 years Rm	Total Rm
GROUP 2012					
Financial assets					
Cash at bank and cash on hand (note 17)	4.8	271.7	—	—	271.7
Cash investments (note 17)	5.6	1 000.0	—	—	1 000.0
Loans (note 12)	4.7	11.2	44.7	24.9	80.8
Total financial assets		1 282.9	44.7	24.9	1 352.5
Financial liabilities					
Finance leases (note 22)	7.0	36.5	63.2	—	99.7
Three-month corporate paper (note 22)	5.8	400.0	—	—	400.0
Total financial liabilities		436.5	63.2	—	499.7
GROUP 2011					
Financial assets					
Cash and cash equivalents (note 17)	4.4	352.6	—	—	352.6
Loans (note 12)	4.7	12.5	49.9	27.8	90.2
Total financial assets		365.1	49.9	27.8	442.8
Financial liabilities					
Finance leases (note 22)	10.4	44.0	62.1	—	106.1
Overnight bank borrowings (note 17)	5.8	900.0	—	—	900.0
Total financial liabilities		944.0	62.1	—	1 006.1

Notes to the annual financial statements continued

for the year ended 29 February 2012

29. FINANCIAL INSTRUMENTS *(continued)*

29.3.2 Interest rate risk *(continued)*

Sensitivity analysis

The analysis below reflects the sensitivity of profit for the year and headline earnings per share to variations in the interest rate. Such variations affect the carrying values of financial assets and liabilities as well profit for the year and headline earnings per share. The variation is reflected in Rand terms and represents the increase or decrease in the value of the assets, liabilities and profit/equity. The Group uses a 1% change in interest rates as a measure of interest rate sensitivity.

	Interest rate sensitivity			
	2012 1% increase Rm	2012 1% decrease Rm	2011 1% increase Rm	2011 1% decrease Rm
Financial assets				
Cash at bank and cash on hand	4.1	(4.1)	7.2	(7.2)
Cash investments	10.0	(10.0)	—	—
Loans	0.8	(0.8)	0.9	(0.9)
Total effect on financial assets	14.9	(14.9)	8.1	(8.1)
Financial liabilities				
Bank overdraft	(1.4)	1.4	(3.6)	3.6
Overnight bank borrowings	—	—	(9.0)	9.0
Finance leases	(1.0)	1.0	(1.1)	1.1
Short-term borrowings	(4.0)	4.0	(0.5)	0.5
Total effect on financial liabilities	(6.4)	6.4	(14.2)	14.2
Effect on profit before tax	8.5	(8.5)	(6.1)	6.1
Effect on profit after tax	6.1	(6.1)	(4.4)	4.4
Effect on headline earnings per share	1.3c	(1.3c)	(0.9c)	0.9c

29.3.3 Market price risk

The Group has no material investment in equity securities and therefore has limited exposure to market price risk.

Fair value

At end February 2012, the carrying amounts of cash and cash equivalents, trade receivables and trade and other payables approximate their fair values due to their short-term maturities. Trade receivables and payables will mature within 30 to 60 days. The fair value of loans, investments and interest-bearing debt approximate their carrying value as disclosed on the statement of financial position.

BASIS FOR DETERMINING FAIR VALUES

Financial liabilities

Fair value is determined by calculating the present value of future cash outflows discounted at a market interest rate at the reporting date. With regards to retirement benefit obligations, fair value is determined by a qualified actuary using actuarial assumptions.

Trade and other receivables

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

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.

Participation in export partnerships – refer to note 13.

29. FINANCIAL INSTRUMENTS (continued)

29.4 Capital management

The Board considers working capital management critical to the success and sustainability of the business, and in doing so, manages optimal ratios between current assets and current liabilities.

One of the core principles of the Group is to maintain strong cash balances in order to buy inventory forward on a rising market.

From time to time, the Group purchases its own shares on the market. All share purchases are intended to cover the issue of shares under the Group's share option schemes.

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

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements, but in relation to certain borrowings the Group must comply with certain financial covenants. All covenants were met by the Group in the year under review.

30. PRIOR YEAR ADJUSTMENT

The Group has reviewed the terms of its franchise agreements in Botswana, Lesotho and Swaziland, and the interpretation of its role in the supply of inventory to those franchisees.

In the past, Pick n Pay purchased inventory on behalf of its franchisees and sold this onto the franchisees at no margin. As such, the accounting treatment of the transaction was to recognise the purchases as part of Group cost of merchandise sold and the sales as part of Group turnover, with no impact on gross profit.

The substance of the relationship has changed over time, with the franchisees ordering and receiving directly from suppliers, albeit facilitated through the Pick n Pay supply chain.

We believe it more appropriate therefore, to reflect Pick n Pay's role in the transaction as that of an agent, earning a franchise fee only. Therefore we will no longer be recognising the turnover and corresponding cost of merchandise sold in the Group statement of comprehensive income. Prior year disclosures have been adjusted accordingly as follows:

	GROUP		
	As previously stated 2011 Rm	Prior year adjustment 2011 Rm	As restated 2011 Rm
Revenue	52 216.7	(760.8)	51 455.9
Turnover	51 945.8	(760.8)	51 185.0
Cost of merchandise sold	(42 859.6)	760.8	(42 098.8)
Gross profit	9 086.2	—	9 086.2

No restatement of the prior year statement of financial position is required as the prior year adjustment has had no impact on earnings.

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

International Financial Reporting Standards (IFRS)

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 29 February 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS 9: *Financial Instruments*, which becomes mandatory for the Group's 2014 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

Directors' responsibility statement for the Company and Group annual financial statements

The directors are responsible for the preparation and fair presentation of the Company (separate) and Group (consolidated) annual financial statements of Pick n Pay Holdings Limited, comprising the directors' report, the statements of financial position at 29 February 2012, the statements of comprehensive income, the changes in equity and cash flows for the year 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.

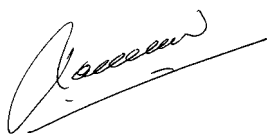
The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk 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 a going concern and have no reason to believe that the businesses will not be going concerns in the year ahead.

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

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The Company and Group annual financial statements of Pick n Pay Holdings Limited, as identified above, were approved by the Board of directors on 10 May 2012 and signed on their behalf by:



Raymond Ackerman
Chairman



Gareth Ackerman
Director

Company Secretary's certificate

In terms of Section 88(2)(e) of the Companies Act no. 71 of 2008, as amended, I certify that Pick n Pay Holdings Limited has lodged with the Companies and Intellectual Property Commission of South Africa all the returns required of a public company by the Companies Act, and that all such returns appear to be true, correct and up to date.



Debra Muller
Company Secretary

10 May 2012

Independent auditor's report

for the year ended 29 February 2012

TO THE SHAREHOLDERS OF PICK N PAY HOLDINGS LIMITED

Report on the annual financial statements

We have audited the Company and Group annual financial statements of Pick n Pay Holdings Limited, which comprise the statements of financial position at 29 February 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 66 to 79.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the

purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Pick n Pay Holdings Limited at 29 February 2012 and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

KPMG Inc.
Registered Auditor



Per Patrick Farrand
Chartered Accountant (SA)
Registered Auditor
Director

10 May 2012

MSC House
Mediterranean Street
Cape Town
8001

Directors' report

for the year ended 29 February 2012

NATURE OF BUSINESS

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

GENERAL REVIEW

The Group statement of comprehensive income is presented on page 68 and reflects the Group's operational results.

For a more detailed review of operations for the 2012 financial year, please refer to the review of operations contained within the Pick n Pay Stores Limited's directors' report on page 5.

The Group's headline earnings from continuing operations for the year is as follows:

Per share – cents	2012	% change	2011
Headline earnings	79.81	(15.4)	94.29
Dividends	63.48	(8.4)	69.28

The dividend per share presented is the interim dividend paid in the current year and the final dividend declared after year-end, but in respect of current year profit.

DIVIDENDS DECLARED

The directors have declared the following cash dividends during the year:

	2012 Cents per share	% growth	2011 Cents per share
Interim dividend – number 60	10.91	(39.2)	17.94
Final dividend – number 61	52.57	2.4	51.34
Normal dividend	47.79	(6.9)	51.34
Additional dividend in respect of STC no longer payable	4.78	—	—
Total dividend	63.48	(8.4)	69.28
Normal dividend	58.70	(15.3)	69.28
Additional dividend in respect of STC no longer payable	4.78	—	—

In determining the dividends tax to withhold, STC credits must be taken into account. Accordingly, the dividend to use for determining the dividend tax is 49.81 cents per share. The tax payable is 7.47 cents per share, leaving shareholders who are not exempt from dividends tax with a net dividend of 45.10 cents per share.

The last day of trade in order to participate in the dividend (CUM dividend) will be Friday, 1 June 2012. The shares will trade EX dividend from the commencement of business on Monday, 4 June 2012 and the record date will be Friday, 8 June 2012.

The dividends will be paid on Monday, 11 June 2012.

The final dividend per share of 52.57 cents includes an additional amount to be paid to shareholders in respect of the 10% secondary tax on companies (STC) no longer payable by the Company. This brings the total dividend per share for the year to 63.48 cents, 8.4% down on last year.

The directors consider that the ratio of the dividend paid per share for the year of Pick n Pay Holdings Limited (PWK) of 63.48 cents, to that of Pick n Pay Stores Limited (PIK), 130.85 cents, determines the relative value of a Pick n Pay Holdings Limited share, which, based on these figures, is 48.5% (2011: 48.6%) of a Pick n Pay Stores Limited share.

The final dividend per share of 52.57 cents, includes an additional amount to be paid to shareholders in respect of the 10% STC no longer payable.

The directors have declared a final dividend (number 61) of 52.57 cents per share out of income reserves. The dividend declared is subject to dividend withholding tax at 15%.

The total STC utilised as part of this declaration amounts to R14 525 753. The number of ordinary shares in issue at the date of this declaration is 527 249 082 and consequently the STC credits utilised per share amount to 2.76 cents per share.

Share certificates may not be dematerialised or re-materialised between Monday, 4 June 2012 and Friday, 8 June 2012, both dates inclusive.

As dividend number 61 was declared on 17 April 2012, it will only be accounted for in the 2012 financial year.

INVESTMENT

The Company's sole asset is its 53.6% (2011: 53.6%) direct shareholding in its subsidiary, Pick n Pay Stores Limited, and its only source of income is the dividend received from Pick n Pay Stores Limited. After taking into account the Pick n Pay Stores Limited treasury shares held by the Group, the Company's effective holding in Pick n Pay Stores Limited at year-end is 53.8% (2011: 53.9%).

SHARE CAPITAL

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

As at year-end, the Pick n Pay Employee Share Purchase Trust and a subsidiary company held 9 011 002 (2011: 9 103 871) and 1 845 103 (2011: 1 817 003) shares in the Company, respectively. These shares are reflected as treasury shares in the annual financial statements.

GOING CONCERN

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

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

LEGAL PROCEEDINGS

There are no pending or threatened legal or arbitration proceedings which have had or may have a material effect on the financial position of the Company or Group.

SPECIAL RESOLUTIONS

On 10 June 2011 the Company's shareholders approved the following special resolutions as tabled in the notice to the annual general meeting:

Directors' fees for the year ended 29 February 2012

Shareholders approved the directors' fees, which were unchanged from the previous year.

General approval to repurchase Company shares

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

Acquisition of such shares is subject to the Memorandum of Incorporation of the Company, the provisions of the Companies Act no. 71 of 2008, as amended and the Listings Requirements of the JSE Limited (JSE), and provided further that acquisitions by the Company and its subsidiaries of shares in the Company may not, in the aggregate, exceed in any one financial year 5% of the Company's issued share capital.

Amendment to the Memorandum of Incorporation of the Company

Shareholders approved the amendment to the Memorandum of Incorporation of the Company, removing any borrowing restrictions and providing the Company with unlimited borrowing powers.

On 15 December 2011 the Company's shareholders approved the following special resolution:

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

The shareholders resolved, in terms of the provisions of Section 45 of the Companies Act, that the Company may

from time to time provide direct or indirect financial assistance to any director, prescribed officer, related company, inter-related company or member of a related or inter-related company on such terms and conditions as determined by the Board.

For all special resolutions passed by subsidiary companies refer to page 8 of Pick n Pay Stores Limited directors' report.

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. Information pertaining to the directors and the Company Secretary appears below. For detailed CVs see pages 14 to 16 of the 2012 Integrated Annual Report.

Non-executive directors

Raymond Ackerman* – *Chairman*

Gareth Ackerman

Wendy Ackerman

René de Wet* – *Audit committee Chairman*

Hugh Herman

Jeff van Rooyen (Appointed 1 May 2011)

Alternate directors

Suzanne Ackerman-Berman

Dave Robins

Jonathan Ackerman

Company Secretary

Debra Muller

**Director to retire in accordance with the Company's MOI and to offer himself for re-election.*

DIRECTORS' INTEREST IN SHARES

	2012 %	2011 %
Beneficial	0.9	0.8
Non-beneficial	50.4	50.4
Total	51.3	51.2

The directors' interest in shares is their effective direct shareholding in the Company, excluding treasury shares.

BORROWINGS

The Group's overall level of borrowings is unchanged from the prior year.

CORPORATE GOVERNANCE AND AUDIT COMMITTEE

We refer you to pages 77 and 78 of the 2012 Integrated Annual Report for the Company's corporate governance processes.

SUBSEQUENT EVENTS

There have been no facts or circumstances of a material nature that have arisen between the financial year-end and the date of this report.

Statements of comprehensive income

for the year ended 29 February 2012

	Notes	GROUP		COMPANY	
		2012 Rm	2011 Rm	2012 Rm	2011 Rm
CONTINUING OPERATIONS					
Revenue*	1	55 634.4	51 455.9	329.4	442.0
Turnover*		55 330.5	51 185.0	—	—
Cost of merchandise sold*		(45 350.0)	(42 098.8)	—	—
Gross profit		9 980.5	9 086.2	—	—
Other trading income	1	264.4	231.4	—	—
Trading expenses		(8 971.4)	(7 901.3)	(1.6)	(1.4)
Employee costs	2.2	(4 658.5)	(4 319.8)	—	—
Occupancy		(1 302.1)	(1 114.7)	—	—
Operations		(2 149.4)	(1 642.8)	—	—
Merchandising and administration		(861.4)	(824.0)	(1.6)	(1.4)
Loss on sale of property, equipment and vehicles and intangible assets		(7.6)	—	—	—
Trading profit/(loss)		1 265.9	1 416.3	(1.6)	(1.4)
Interest received		39.5	39.5	—	—
Interest paid		(135.1)	(111.0)	—	—
Gain on recognition of investment in associate		—	7.5	—	—
Share of associate's (loss)/income		(1.9)	2.4	—	—
Operating profit/(loss)	2.1	1 168.4	1 354.7	(1.6)	(1.4)
Dividends received		—	—	329.4	442.0
Profit before tax		1 168.4	1 354.7	327.8	440.6
Tax	4	(407.7)	(447.8)	—	—
Profit for the year from continuing operations		760.7	906.9	327.8	440.6
Profit/(loss) from discontinued operation		351.2	(123.4)	—	—
Profit on sale of discontinued operation		438.4	—	—	—
Loss for the year from discontinued operation		(87.2)	(123.4)	—	—
Profit for the year		1 111.9	783.5	327.8	440.6
Equity holders of the Company		598.6	423.7	327.8	440.6
Non-controlling interest		513.3	359.8	—	—
Other comprehensive loss (net of tax)		(358.3)	(14.6)	—	—
Exchange rate differences on translating foreign operations		224.1	50.1	—	—
Net loss on hedge of net investment in foreign operation		(49.9)	(52.2)	—	—
Foreign currency translation reserve realised on sale of discontinued operation		(539.8)	—	—	—
Retirement benefit actuarial gain/(loss)		7.3	(12.5)	—	—
Total comprehensive income for the year		753.6	768.9	327.8	440.6
Comprehensive income for the year attributable to:					
Equity holders of the Company		405.4	415.7	327.8	440.6
Non-controlling interest		348.2	353.2	—	—
		753.6	768.9	327.8	440.6
Earnings/(loss) per share – cents					
Basic	5	115.91	82.13		
Continuing operations		79.24	95.07		
Discontinued operation		36.67	(12.94)		
Diluted	5	112.48	79.73		
Continuing operations		76.16	92.56		
Discontinued operation		36.32	(12.83)		

*Restated – Refer note 30 of Pick n Pay Stores Limited's Annual Financial Statements.

Statements of financial position

as at end February 2012

	Notes	GROUP		COMPANY	
		2012 Rm	2011 Rm	2012 Rm	2011 Rm
ASSETS					
Non-current assets					
Intangible assets		799.6	404.5	—	—
Investment in subsidiary	7	—	—	128.0	128.0
Property, equipment and vehicles		3 863.9	3 401.8	—	—
Operating lease asset		84.8	37.7	—	—
Participation in export partnerships		41.5	48.2	—	—
Deferred tax		116.5	85.8	—	—
Investment in associate		110.5	9.9	—	—
Loans		81.2	90.6	0.4	0.4
Investment		0.2	0.2	—	—
		5 098.2	4 078.7	128.4	128.4
Current assets					
Assets held for sale – discontinued operation		—	2 120.1	—	—
Inventory		3 334.9	3 162.7	—	—
Trade and other receivables		2 113.9	1 739.2	1.6	1.1
Cash and cash equivalents		1 271.7	—	—	—
		6 720.5	7 022.0	1.6	1.1
Total assets		11 818.7	11 100.7	130.0	129.5
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	8	6.6	6.6	6.6	6.6
Share premium		120.8	120.8	120.8	120.8
Treasury shares	9	(82.4)	(77.7)	—	—
Accumulated profits		1 218.2	890.1	(0.5)	(0.1)
Foreign currency translation reserve		(9.9)	187.4	—	—
Attributable to equity holders of the Company		1 253.3	1 127.2	126.9	127.3
Non-controlling interest		1 147.5	1 029.9	—	—
Total shareholders' interest		2 400.8	2 157.1	126.9	127.3
Non-current liabilities					
Long-term debt		771.2	626.9	—	—
Retirement scheme obligations		9.0	27.1	—	—
Operating lease liability		829.1	729.3	—	—
		1 609.3	1 383.3	—	—
Current liabilities					
Liabilities held for sale – discontinued operation		—	826.6	—	—
Cash and cash equivalents		—	547.4	—	—
Short-term debt		693.3	50.2	—	—
Tax		99.6	96.2	—	—
Trade and other payables		7 015.7	6 039.9	3.1	2.2
		7 808.6	7 560.3	3.1	2.2
Total equity and liabilities		11 818.7	11 100.7	130.0	129.5

Statements of changes in equity

for the year ended 29 February 2012

	Notes	Share capital Rm	Share premium Rm	Treasury shares Rm	Accumulated profits Rm	Foreign currency translation reserve Rm	Non-controlling interest Rm	Total Rm
GROUP								
At 1 March 2010		6.6	120.8	(62.8)	881.9	189.9	1 007.9	2 144.3
Total comprehensive income for the year		—	—	—	416.9	(1.2)	353.2	768.9
Profit for the year					423.7		359.8	783.5
Foreign currency translation differences						27.1	23.0	50.1
Net loss on hedge of net investment in foreign operation						(28.3)	(23.9)	(52.2)
Retirement benefit actuarial loss					(6.8)		(5.7)	(12.5)
Transactions with owners		—	—	(14.9)	(408.7)	(1.3)	(331.2)	(756.1)
Dividends paid	6.1				(440.6)			(440.6)
Dividends paid by subsidiary to non-controlling shareholders							(367.4)	(367.4)
Share repurchases	9			(30.2)				(30.2)
Subsidiary's share repurchases					(32.4)		(27.6)	(60.0)
Net effect of settlement of employee share options	9			15.3				15.3
Net effect of settlement of subsidiary's share options					28.6		24.4	53.0
Share options expense					40.0		33.8	73.8
Impact of movement in treasury shares					(4.3)	(1.3)	5.6	—
At 28 February 2011		6.6	120.8	(77.7)	890.1	187.4	1 029.9	2 157.1
Total comprehensive income for the year		—	—	—	602.5	(197.1)	348.2	753.6
Profit for the year					598.6		513.3	1 111.9
Exchange rate differences on translating foreign operations						120.8	103.3	224.1
Net loss on hedge of net investment in foreign operation						(26.9)	(23.0)	(49.9)
Foreign currency translation reserve realised on sale of discontinued operation						(291.0)	(248.8)	(539.8)
Retirement benefit actuarial gain					3.9		3.4	7.3
Transactions with owners		—	—	(4.7)	(274.4)	(0.2)	(230.6)	(509.9)
Dividends paid	6.1				(328.2)			(328.2)
Dividends paid by subsidiary to non-controlling shareholders							(277.2)	(277.2)
Share repurchases	9			(12.0)				(12.0)
Subsidiary's share repurchases					(16.5)		(14.2)	(30.7)
Net effect of settlement of employee share options	9			7.3				7.3
Net effect of settlement of subsidiary's share options					19.0		16.2	35.2
Share options expense					51.6		44.1	95.7
Impact of movement in treasury shares					(0.3)	(0.2)	0.5	—
At 29 February 2012		6.6	120.8	(82.4)	1 218.2	(9.9)	1 147.5	2 400.8
COMPANY								
At 1 March 2010		6.6	120.8	—	(0.1)	—	—	127.3
Total comprehensive income for the year		—	—	—	440.6	—	—	440.6
Profit for the year					440.6			440.6
Transactions with owners		—	—	—	(440.6)	—	—	(440.6)
Dividends paid	6.1				(440.6)			(440.6)
At 28 February 2011		6.6	120.8	—	(0.1)	—	—	127.3
Total comprehensive income for the year		—	—	—	327.8	—	—	327.8
Profit for the year					327.8			327.8
Transactions with owners		—	—	—	(328.2)	—	—	(328.2)
Dividends paid	6.1				(328.2)			(328.2)
At 29 February 2012		6.6	120.8	—	(0.5)	—	—	126.9

Cash flow statements

for the year ended 29 February 2012

Notes	GROUP		COMPANY	
	2012 Rm	2011 Rm	2012 Rm	2011 Rm
Cash flows from operating activities				
Trading profit/(loss)	1 265.9	1 416.3	(1.6)	(1.4)
Depreciation and amortisation	808.1	733.3	—	—
Loss on sale of property, equipment and vehicles and intangible assets	7.6	—	—	—
Share options expense	95.7	73.8	—	—
Net operating lease obligations	52.7	29.3	—	—
Cash generated/(utilised) before movements in working capital				
	2 230.0	2 252.7	(1.6)	(1.4)
Movements in working capital				
Increase/(decrease) in trade and other payables	1 032.0	(677.2)	0.9	(0.5)
Increase in inventory	(172.2)	(349.1)	—	—
(Increase)/decrease in trade and other receivables	(367.9)	182.9	(0.5)	0.5
Cash generated by/(utilised in) trading activities				
	2 721.9	1 409.3	(1.2)	(1.4)
Interest received	39.5	39.5	—	—
Interest paid	(135.1)	(111.0)	—	—
Cash generated by/(utilised in) operations				
	2 626.3	1 337.8	(1.2)	(1.4)
Dividends received	—	—	329.4	442.0
Dividends paid	(605.4)	(808.0)	(328.2)	(440.6)
Tax paid	(462.1)	(526.3)	—	—
Net cash generated by operating activities – continuing operations				
	1 558.8	3.5	—	—
Net cash (utilised in)/generated by operating activities – discontinued operation				
	(330.4)	13.9	—	—
Total net cash generated by operating activities				
	1 228.4	17.4	—	—
Cash flows from investing activities				
Investment in property, equipment and vehicles and intangible assets	(1 611.0)	(1 245.7)	—	—
Intangible asset additions	(271.7)	(82.5)	—	—
Property additions	(446.8)	(289.2)	—	—
Equipment and vehicle additions	(889.9)	(874.0)	—	—
Aircraft additions	(2.6)	—	—	—
Increase in investment in associate	(102.5)	—	—	—
Purchase of operations	(106.4)	—	—	—
Proceeds on disposal of property, equipment and vehicles and intangible assets	44.5	21.9	—	—
Loans repaid	9.4	34.5	—	—
Net cash utilised in investing activities – continuing operations				
	(1 766.0)	(1 189.3)	—	—
Net cash generated by/(utilised in) investing activities – discontinued operation				
	1 459.6	(151.4)	—	—
Total net cash utilised in investing activities				
	(306.4)	(1 340.7)	—	—
Cash flows from financing activities				
Debt raised/(repaid)	787.5	(32.5)	—	—
Share repurchases	(42.7)	(90.2)	—	—
Proceeds from employees on settlement of share options	31.1	25.1	—	—
Net cash generated by/(utilised in) financing activities – continuing operations				
	775.9	(97.6)	—	—
Net cash generated by financing activities – discontinued operation				
	—	10.0	—	—
Total net cash generated by/(utilised in) financing activities				
	775.9	(87.6)	—	—
Net increase/(decrease) in cash and cash equivalents				
	1 697.9	(1 410.9)	—	—
Cash and cash equivalents at 1 March	(431.8)	1 055.3	—	—
Effect of exchange rate fluctuations on cash and cash equivalents	5.6	(76.2)	—	—
Cash and cash equivalents at end February				
	1 271.7	(431.8)	—	—
Continuing operations	1 271.7	(547.4)	—	—
Discontinued operation	—	115.6	—	—

Notes to the annual financial statements

for the year ended 29 February 2012

Except as presented below, the accounting policies and notes to the annual financial statements and consolidated annual financial statements for Pick n Pay Holdings Limited are identical to those disclosed for Pick n Pay Stores Limited on pages 14 to 63.

	GROUP		COMPANY	
	2012 Rm	2011 Rm	2012 Rm	2011 Rm
1. REVENUE				
Turnover*	55 330.5	51 185.0	—	—
Interest received	39.5	39.5	—	—
Dividends received	—	—	329.4	442.0
Other trading income	264.4	231.4	—	—
Franchise fee income	234.3	203.6	—	—
Property lease income	30.1	27.8	—	—
	55 634.4	51 455.9	329.4	442.0

* Restated – refer note 30 of Pick n Pay Stores Limited's annual financial statements.

	GROUP		COMPANY	
	2012 Rm	2011 Rm	2012 Rm	2011 Rm
2. OPERATING PROFIT/(LOSS) – CONTINUING OPERATIONS				
2.1 Operating profit/(loss) is stated after taking into account the following expenses/(income):				
Auditor's remuneration	6.0	5.1	0.1	0.1
Audit	5.7	4.9	0.1	0.1
Other	0.3	0.2	—	—
Amortisation	101.0	67.5		
Depreciation	707.1	665.8		
Interest received	(39.5)	(39.5)		
Bank balances and investments	(30.4)	(31.2)		
Debtors	(4.9)	(1.2)		
Receiver of revenue	(0.7)	(2.9)		
Staff loans	(3.5)	(4.2)		
Interest paid	135.1	111.0		
Finance leases	7.4	13.9		
Overdrafts	52.1	51.6		
Borrowings	75.6	43.2		
Other	—	2.3		
Operating lease changes	1 058.9	913.5		
Property – minimum lease payments	1 024.9	884.4		
– turnover clause payments	34.0	29.1		
Leases contained within service agreements	170.6	137.3		

		GROUP	
		2012 Rm	2011 Rm
2.	OPERATING PROFIT/(LOSS) – CONTINUING OPERATIONS <i>(continued)</i>		
2.2	Employee costs – continuing operations		
	Salaries and wages	4 010.5	3 747.9
	Staff benefits and training	269.1	233.0
	Contributions to defined contribution plans	261.8	250.1
	Share-based payments expense	95.7	73.8
	Net expense recognised on defined benefit plan	19.4	12.8
	Leave pay	2.0	2.2
		4 658.5	4 319.8

3. DIRECTORS' REMUNERATION AND DIRECTORS' INTEREST IN SHARES

3.1 Directors' remuneration

Directors' remuneration paid by the Company (2011: paid by a subsidiary company) is detailed below. Note that directors of Pick n Pay Stores Limited who are also directors of Pick n Pay Holdings Limited do not receive directors' remuneration for services rendered as a director of this company.

	Fees for board meetings R'000	Remuneration R'000	Fringe and other benefits R'000	Cash total R'000
2012				
Non-executive directors				
Raymond Ackerman	53.0			53.0
Wendy Ackerman	53.0			53.0
René de Wet	53.0			53.0
	159.0	—	—	159.0
Wendy Ackerman [^]	—	440.0	95.4	535.4
2011				
Non-executive directors				
Raymond Ackerman	53.0			53.0
Wendy Ackerman	53.0			53.0
René de Wet	53.0			53.0
	159.0	—	—	159.0
Wendy Ackerman [^]	—	440.0	62.6	502.6

[^]Remuneration earned while working as an executive of a subsidiary company and paid by the subsidiary company.

Notes to the annual financial statements continued

for the year ended 29 February 2012

3. DIRECTORS' REMUNERATION AND DIRECTORS' INTEREST IN SHARES *(continued)*

3.2 Share options in the Company held by directors

No share options are held by directors. The following share options in the Company are held by directors of Pick n Pay Stores Limited:

1997 Share Option Scheme

	Calendar year granted	Option grant price R	Balance held at 1 March 2011	Granted during the year	Balance held at 29 February 2012	Available for take-up
Directors – Pick n Pay Stores Limited						
Nick Badminton*	2002	3.80	800		800	Now
	2011	16.00	800		800	Now
			1 600	—	1 600	
Bakar Jakoet	2006	11.50	400		400	Now
	2009	11.33	600		600	Now
	2010	16.00	400		400	Now
			1 400	—	1 400	
Jonathan Ackerman (alternate director of Pick n Pay Holdings Limited)	2010	16.00	1 000		1 000	Now
			1 000	—	1 000	
Richard van Rensburg	2011	15.18	—	1 000 000	1 000 000	October 2014
			—	1 000 000	1 000 000	
Suzanne Ackerman-Berman (alternate director of Pick n Pay Holdings Limited)	2011	15.35	—	400	400	Now
			—	400	400	

*In accordance with his restraint of trade agreement with Pick n Pay Stores Limited on his resignation, all share options due to Nick Badminton vested on 29 February 2012. In April 2012, subsequent to financial year-end, Nick Badminton exercised all available options due to him.

3. DIRECTORS' REMUNERATION AND DIRECTORS' INTEREST IN SHARES (continued)

3.3 Directors' interest in shares

The following shares are held by directors of the Company and of Pick n Pay Stores Limited:

How held*	Balance held at 1 March 2011 000's	Additions during the year 000's	Average purchase price per share R	Balance held at 29 February 2012 000's	Beneficial/ non- beneficial interest
Directors – Pick n Pay Holdings Limited					
Raymond Ackerman – direct	1 019.4	250.0	17.37	1 269.4	Beneficial
Gareth Ackerman – direct	0.5			0.5	Beneficial
– indirect	3 072.0	81.0	17.77	3 153.0	Beneficial
Raymond Ackerman/ Wendy Ackerman/Gareth Ackerman/ Jonathan Ackerman (Alt)/Suzanne Ackerman-Berman (Alt)**	260 097.5	106.7	17.25	260 204.2	Non- beneficial
Hugh Herman – direct	62.5	17.5	16.09	80.0	Beneficial
– indirect	65.0			65.0	Beneficial
Jonathan Ackerman (Alt) – direct	252.0			252.0	Beneficial
– indirect	1 089.6			1 089.6	Beneficial
Suzanne Ackerman- Berman (Alt) – direct	242.1			242.1	Beneficial
– indirect	781.2	30.1	16.38	811.3	Beneficial
David Robins (Alt) – direct	886.7			886.7	Beneficial
Directors – Pick n Pay Stores Limited					
Nick Badminton – direct	880.6			880.6	Beneficial
Bakar Jakoet – direct	250.0			250.0	Beneficial

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

** The non-beneficial interest represents the holding by the Ackerman Family Trust of 254.9 million shares (through its wholly owned subsidiary Ackerman Investment Holdings Proprietary Limited) and 5.3 million shares held by the Mistral Trust, of which these directors are trustees.

	GROUP		COMPANY	
	2012 Rm	2011 Rm	2012 Rm	2011 Rm
4. TAX				
Statutory tax rate reconciliation				
Statutory tax rate	28.0	28.0	28.0	28.0
Exempt income	(1.6)	(1.6)	(28.1)	(28.0)
Secondary tax on companies	5.2	5.8	—	—
Non-deductible share options expense	2.2	1.5	—	—
Other non-deductible expenditure	1.1	1.0	0.1	—
Net prior year under provisions	(0.1)	0.2	—	—
Other	0.1	(1.9)	—	—
Effective tax rate	34.9	33.0	—	—

Notes to the annual financial statements continued

for the year ended 29 February 2012

		GROUP	
		2012 Cents per share	2011 Cents per share
5.	BASIC, HEADLINE AND DILUTED EARNINGS/(LOSS) PER SHARE		
	Basic	115.91	82.13
	Continuing operations	79.24	95.07
	Discontinued operation	36.67	(12.94)
	Diluted basic	112.48	79.73
	Continuing operations	76.16	92.56
	Discontinued operation	36.32	(12.83)
	Headline	70.79	82.08
	Continuing operations	79.81	94.29
	Discontinued operation	(9.02)	(12.21)
	Diluted headline	68.69	79.68
	Continuing operations	77.63	91.78
	Discontinued operation	(8.94)	(12.10)
		Rm	Rm
5.1	Basic and headline earnings		
	Reconciliation between basic and headline earnings:		
	Basic earnings (profit for the year)	598.6	423.7
	Continuing operations	409.2	490.4
	Discontinued operation	189.4	(66.7)
	Adjustments:		
	Continuing operations	2.9	(4.0)
	Loss on sale of property, equipment and vehicles and intangible assets	4.0	—
	Tax effect of loss on sale of property, equipment and vehicles and intangible assets	(1.1)	—
	Fair value gain on recognition of investment in associate	—	(4.0)
	Discontinued operation	(236.0)	3.7
	Loss on sale of property, equipment and vehicles and intangible assets	0.3	3.7
	Profit on sale of discontinued operation	(265.9)	—
	Tax effect relating to sale of discontinued operation	29.6	—
	Headline earnings	365.5	423.4
	Continuing operations	412.1	486.4
	Discontinued operation	(46.6)	(63.0)
		Number of shares 000's	Number of shares 000's
5.2	Number of shares		
	Movement in the weighted average number of ordinary shares in issue comprises:		
	At 1 March	515 857.7	515 255.4
	Net sale of treasury shares by the share trust, pursuant to the take-up of share options	502.8	602.3
	At end February	516 360.5	515 857.7
	Outstanding options	4 895.6	4 662.3
	Weighted average number of ordinary shares in issue for purposes of calculating diluted earnings per share	521 256.1	520 520.0
	Refer to note 8 for the number of shares in issue.		

		GROUP AND COMPANY	
		2012 Cents per share	2011 Cents per share
6. DIVIDENDS			
6.1 Dividends paid			
Number 59 – declared 15 April 2011 – paid 13 June 2011		51.34	65.63
Number 60 – declared 18 October 2011 – paid 12 December 2011		10.91	17.94
Total dividends paid for the year – Company		62.25	83.57
		Rm	Rm
Total value of dividends paid by the Company		328.2	440.6
Dividends paid by a subsidiary to non-controlling shareholders		277.2	367.4
Total dividends paid by the Group		605.4	808.0
For further details refer to the directors' report and shareholders' information.			
		Cents per share	Cents per share
6.2 Dividends declared			
Interim dividend – number 60 (declared 18 October 2011 – paid 12 December 2011)		10.91	17.94
Final dividend – number 61 (declared 17 April 2012 – payable 11 June 2012)		52.57	51.34
Normal dividend		47.79	51.34
Additional dividend in respect of STC no longer payable (refer to directors' report)		4.78	–
		63.48	69.28

The directors have declared a final dividend of 52.57 cents per share out of 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, 1 June 2012. The shares will trade ex dividend from the commencement of business on Monday, 4 June 2012 and the record date will be Friday, 8 June 2012. The dividends will be paid on Monday, 11 June 2012.

		COMPANY	
		2012 Rm	2011 Rm
7. INVESTMENT IN SUBSIDIARY			
Pick n Pay Stores Limited			
257 345 334 (2011: 257 345 334) ordinary shares			
Comprising:			
Initial investment		24.7	24.7
Capitalisation share awards received		103.3	103.3
Total investment at cost		128.0	128.0
Market value		11 083.9	11 951.1

Notes to the annual financial statements continued

for the year ended 29 February 2012

		GROUP AND COMPANY	
		2012 Rm	2011 Rm
8. SHARE CAPITAL			
Authorised			
800 000 000 ordinary shares of 1.25 cents each		10.0	10.0
Issued			
527 249 082 ordinary shares of 1.25 cents each		6.6	6.6
		000's	000's
Number of shares in issue at end February is made up as follows:			
Treasury shares held by the share trust (note 9)		9 011.0	9 103.8
Treasury shares held by a subsidiary company (note 9)		1 845.1	1 817.0
		10 856.1	10 920.8
Shares held outside the Group		516 393.0	516 328.3
Total shares in issue at end February		527 249.1	527 249.1
Under a general authority 26.4 million of the unissued shares remain under the control of the directors until the next annual general meeting.			
1997 Employee Share Option Scheme			
In addition to the general authority above, 92.3 million unissued shares (17.5% of the issued shares) remain under the control of the directors to implement the terms and provisions of the Pick n Pay 1997 Share Option Scheme.			
		Number of options 000's	Number of options 000's
Movement in the number of share options is as follows:			
At 1 March		9 824.6	10 970.8
New options granted*		2 230.4	1 893.0
Options taken up**		(918.8)	(3 039.2)
Options forfeited		(28.8)	—
At end February		11 107.4	9 824.6
Options granted may be taken up during the following financial years:			
Year	Average grant price		
2013	R10.40	11 107.4	
Percentage of issued shares		2.1%	1.9%
Options available for granting under current authorisation		81 161.2	82 443.9
*Average price of options granted during the year		R15.35	R16.00
**Average price of options taken up during the year		R10.93	R4.77
The Employee Share Purchase Trust, which administers the 1997 Share Option Scheme, holds the following number of ordinary shares:			
As a hedge against shares granted or to be granted by that scheme reflected as treasury shares		9 011.0	9 103.8
On behalf of share purchase scheme participants		426.2	436.3
		9 437.2	9 540.1

		GROUP	
		2012 Rm	2011 Rm
9. TREASURY SHARES			
Treasury shares comprise Pick n Pay Holdings Limited shares held by a subsidiary company and the share trust			
At 1 March			
Share repurchases		12.0	30.2
Take-up of share options by employees		(7.3)	(15.3)
At end February		82.4	77.7
		Number of shares 000's	Number of shares 000's
The movement in the number of treasury shares is as follows:			
At 1 March			
Shares purchased during the year		10 920.8	11 861.9
Shares sold during the year pursuant to the take-up of share options		653.2	1 620.9
		(717.9)	(2 562.0)
At end February		10 856.1	10 920.8
Comprises:			
Shares held by share trust		9 011.0	9 103.8
Shares held by a subsidiary company		1 845.1	1 817.0
Average purchase price of shares purchased during the year		R18.37	R18.63
Average purchase price of shares held at year-end		R7.59	R7.11

Analysis of shareholders

SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares millions	%
1 – 1 000 shares	5 066	57.5	1.9	0.4
1 001 – 10 000 shares	2 903	32.9	9.5	2.0
10 001 – 100 000 shares	663	7.5	21.0	4.4
100 001 – 1 000 000 shares	150	1.7	44.1	9.2
1 000 001 shares and over	35	0.4	403.9	84.0
Total	8 817	100.0	480.4	100.0

DISTRIBUTION OF SHAREHOLDERS	Number of shareholders	%	Number of shares millions	%
Banks	94	1.1	55.2	11.4
Brokers	52	0.6	8.2	1.7
Close corporations	89	1.0	0.2	0.0
Endowment funds	50	0.6	1.2	0.2
Holding company – Pick n Pay Holdings Limited	1	0.0	257.3	53.6
Individuals	6 862	77.8	19.3	4.0
Insurance companies	38	0.4	21.4	4.5
Investment companies	10	0.1	7.1	1.5
Medical aid schemes	13	0.1	0.4	0.1
Mutual funds	171	1.9	32.7	6.8
Nominees and trusts	1 054	12.1	10.1	2.1
Other corporations	77	0.9	0.4	0.1
Pension funds	169	1.9	62.8	13.1
Pick n Pay Employee Share Purchase Trust	1	0.0	2.5	0.5
Private companies	127	1.4	1.3	0.3
Public companies	9	0.1	0.3	0.1
Total	8 817	100.0	480.4	100.0

PUBLIC/NON-PUBLIC SHAREHOLDERS	Number of shareholders	%	Number of shares millions	%
Non-public shareholders	8	0.1	261.6	54.4
Directors and associates	6	0.1	1.8	0.3
Pick n Pay Holdings Limited	1	—	257.3	53.6
Pick n Pay Employee Share Purchase Trust	1	—	2.5	0.5
Public shareholders	8 809	99.9	218.8	45.6
Total	8 817	100.0	480.4	100.0

BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE	Number of shares	%
Pick n Pay Holdings Limited	257.3	53.6
Government Employees Pension Fund	51.2	10.7
Old Mutual Life Assurance Company SA Limited	8.4	1.8
Liberty Life Assurance of Africa Limited	6.8	1.4
Genesis Emerging Markets Investment Company	5.0	1.1

Analysis of shareholders

SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares millions	%
1 – 1 000 shares	2 695	28.2	1.5	0.3
1 001 – 10 000 shares	5 133	53.6	20.1	3.8
10 001 – 100 000 shares	1 452	15.2	39.8	7.6
100 001 – 1 000 000 shares	242	2.5	75.0	14.2
1 000 001 shares and over	48	0.5	390.8	74.1
Total	9 570	100.0	527.2	100.0

DISTRIBUTION OF SHAREHOLDERS	Number of shareholders	%	Number of shares millions	%
Banks	31	0.3	9.1	1.7
Brokers	34	0.4	19.1	3.6
Close corporations	55	0.6	1.9	0.4
Endowment funds	94	1.0	4.4	0.8
Individuals	7 125	74.4	49.4	9.4
Insurance companies	17	0.2	11.7	2.2
Investment companies	9	0.1	11.6	2.2
Medical aid schemes	7	0.1	0.3	0.1
Mutual funds	124	1.3	76.3	14.5
Nominees and trusts	1 715	17.9	34.5	6.5
Other corporations	72	0.8	0.6	0.1
Pension funds	139	1.4	38.1	7.3
Pick n Pay Employee Share Purchase Trust	1	0.0	9.0	1.7
Blue Ribbon Meat Corporation (Pty) Ltd	1	0.0	1.8	0.3
Private companies	139	1.4	258.8	49.1
Public companies	7	0.1	0.6	0.1
Total	9 570	100.0	527.2	100.0

PUBLIC/NON-PUBLIC SHAREHOLDERS	Number of shareholders	%	Number of shares millions	%
Non-public shareholders	10	0.1	271.7	51.5
Directors and associates	8	0.1	7.8	1.5
Ackerman Investment Holdings (Pty) Ltd	1	0.0	254.9	48.3
Pick n Pay Employee Share Purchase Trust	1	0.0	9.0	1.7
Public shareholders	9 560	99.9	255.5	48.5
Total	9 570	100.0	527.2	100.0

BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE	Number of shares millions	%
Ackerman Investment Holdings (Pty) Ltd	254.9	48.3
Investec Opportunity Fund	15.9	3.0
Sanlam Life Assurance Limited	10.2	1.9
Pick n Pay Employee Share Purchase Trust	9.0	1.7
Nedgroup Investments Value Fund	7.1	1.3
Mistral's Trust	5.3	1.0
Eskom Pension and Provident Fund	5.3	1.0

Shareholders' information

ANNUAL GENERAL MEETINGS ("AGMs") – 15 JUNE 2012

The 44th 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 Friday, 15 June 2012 at 08:30.

The 31st annual general meeting of shareholders of Pick n Pay Holdings Limited will be held at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708 on Friday, 15 June 2012 at 09:30, or as soon as the Stores AGM is complete.

Registration for both AGMs will commence at 08:00.

The minutes of the previous year's AGMs held on 10 June 2011 are available on our Pick n Pay investor relations website at www.picknpay-ir.co.za.

DIVIDENDS

	Pick n Pay Stores Limited Share code: PIK ISIN code: ZAE000005443		Pick n Pay Holdings Limited Share code: PWK ISIN code: ZAE000005724		Last day of trade	Date of payment
	Number	Amount (cents)	Number	Amount (cents)		
Interim	85	37.00	58	17.94	3 December 2010	13 December 2010
Final	86	105.50	59	51.34	3 June 2011	13 June 2011
Interim	87	22.50	60	10.91	2 December 2011	12 December 2011
Final	88	108.35	61	52.57	1 June 2012	11 June 2012
Interim	89		62		7 December 2012	18 December 2012
Final	90		63		7 June 2013	18 June 2013

Administration

PRELIMINARY RESULT ANNOUNCEMENTS

Interim to 31 August 2012: about 24 October 2012
Final to 28 February 2013: about 17 April 2013

PUBLICATION OF 2013 INTEGRATED ANNUAL REPORT

Mid-May 2013

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Edward Nathan Sonnenbergs

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The 2012 Integrated Annual Report is available online at **www.picknpay-ir.co.za**

The full sustainability report (published every two years) is available at www.picknpay-ir.co.za/sustainability-reports.php



For further information, feedback or assistance please contact us at demuller@pnp.co.za





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