Annual Report 2008

Corporate profile

Founded in 1967 as a family controlled business with 4 small stores in the Western Cape, Pick n Pay listed on The JSE Limited (JSE) Securities Exchange the following year, and grew into a leading retail group. Concentrating on food, clothing and general merchandise, the Pick n Pay Group is managed through 3 divisions; each with their own management boards. These divisions are the Pick n Pay Retail Division; the Group Enterprises Division; and Franklins Australia.

Evolution of an icon

Our Pick n Pay logo's transformation has been slow and steady over the years, but it has now evolved into a more contemporary brand icon whilst still communicating the same values. With this new look, comes a renewed responsibility to achieve consistency. There is only one brand – Pick n Pay.

Contents

www.picknpay.co.za

Key values

We nurture leadership and vision, and reward innovation

We are passionate about our customers and will fight for their rights

We care for, and respect each other

We take individual responsibility

We foster personal growth and opportunity

We support and participate in our communities

We are all accountable

We live by honesty and integrity

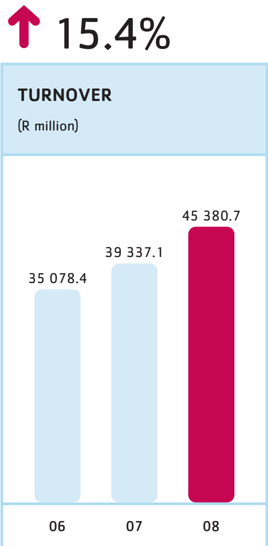
Mission

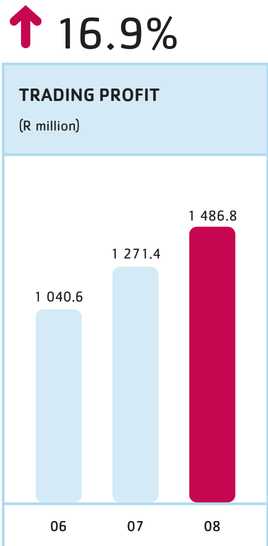
We serve

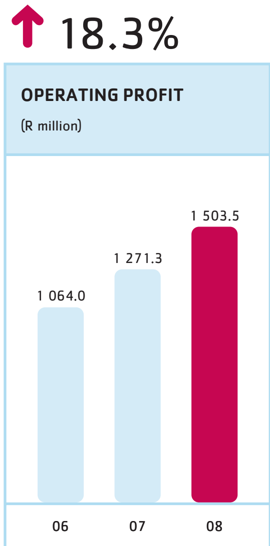
With our hearts we create a great place to be

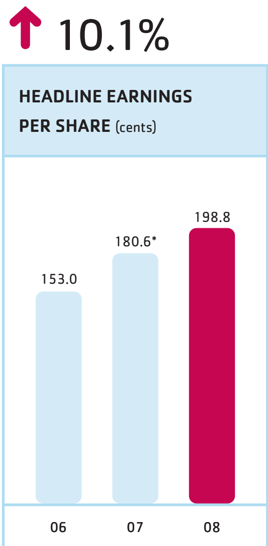
With our minds we create an excellent place to shop

Financial Highlights

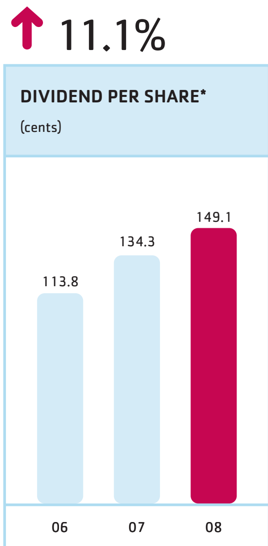








*Before the reversal of a deferred tax asset (note 6).



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

Stakeholders

Communities

Our Communities will keep on benefiting from our ongoing investment in social upliftment programmes such as housing, education and literacy, self-help, feeding schemes and child welfare. Pick n Pay is also a keen patron of environmental, cultural, arts and sports initiatives.

Customers

Our Customers will select from a variety of products offering an optimal mix of quality, price and service, supported by ethical and informative marketing practices.

Employees

Our Employees will work for the most sought-after employer in retail, with access to recognition, opportunities, working conditions, competitive pay and benefits.

Shareholders

Our Shareholders can expect us to continue generating consistent profits in a long-term, sustainable manner that is the mark of a well-established business, operating according to tried and tested principles.

Suppliers

Our Suppliers can rely on a continual drive toward ever more efficient and mutually beneficial business relationships, while we continue to pursue new products that fulfil evolving customer needs.

Value Added Statement

for the year ended 29 February 2008

	FEB 2008 Rm	FEB 2008 % of turnover	FEB 2008 %	FEB 2007 Rm	FEB 2007 % of turnover	FEB 2007 %
Turnover	**45 380.7**			39 337.1		
Amounts paid for merchandise and expenses	**(38 943.3)**			(33 913.2)		
Interest and dividends received	**48.9**			41.6		
Share of associate's profit	**—**			26.1		
Value added	**6 486.3**	**14.3**	**100.0**	5 491.6	14.0	100.0
Utilised						
Employee salaries, wages and other benefits	**4 364.5**		**67.3**	3 810.6		69.4
Investors: Dividends and interest paid	**694.1**		**10.7**	573.1		10.4
Taxation	**557.6**		**8.6**	529.7		9.6
Retained for – Replacement of assets	**548.2**		**8.4**	426.4		7.8
– Growth	**321.9**		**5.0**	151.8		2.8
	6 486.3		**100.0**	5 491.6		100.0

Our success is based on seven principles:

- Consumer sovereignty
- A flat organisational structure
- Where appropriate, maximising decentralisation of authority to enable local control
- Promoting from within, recruiting from outside only as an exception when specialist skills are required
- Maintaining a discount image
- Fighting collusion amongst suppliers, and rejecting collusion between retailers
- Maintaining strong cash balances, buying forward on a rising market

Number of stores

	2006	2007	**2008**	Projected 2009
Pick n Pay Retail Division				
Hypermarkets	14	16	**18**	20
Supermarkets	152	160	**162**	165
Franchise	179	190	**206**	256
Clothing	18	24	**31**	33
Liquor stores	22	36	**54**	74
Pharmacies	6	10	**14**	18
Score				
Supermarkets	126	127	**118**	78
Boxer				
Supermarkets	54	60	**64**	78
Hardware stores	3	6	**6**	6
Franklins				
Supermarkets	79	76	**74**	77
Franchise	—	2	**6**	11
Total stores	653	707	**753**	816
Corporate	474	515	**541**	549
Franchise	179	192	**212**	267
Associate				
TM Supermarkets	54	56	**56**	56

Chairman's Statement

for the year ended 29 February 2008

"I am particularly pleased with the acceptance by customers of our Pick n Pay brand refresh"

Raymond Ackerman
Chairman

This year was characterised by a number of key investments in the business and in improvements in the way the Company does business. We believe this high level of investment to be prudent to grow the business in the next 40 years.

Particular focus this year has been the start of a programme for the conversion of our Score stores to the Pick n Pay Family Franchise format, our very exciting brand refresh, the implementation of SAP, which is now well advanced, and the development of our distribution capacity. We are confident that these investments will bear fruit in the coming years.

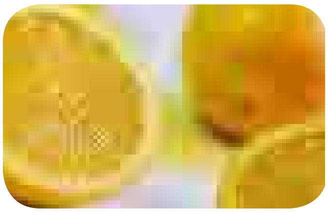
Our South African operation performed well in an environment of rapidly rising food prices, interest rate increases, petrol price hikes and various other challenges. Focus for the year ahead will be on expanding our footprint in those areas where we currently do not enjoy a high brand presence, and our Score conversion process will markedly assist in achieving this goal.

I am particularly pleased with the acceptance by customers of our Pick n Pay brand refresh as well as the high level of adoption of the new "fresh" product offering, including the innovative range of convenience foods.

Franklins in Australia showed good turnover growth for the year of 1.7%, despite the sale of two stores, and achieved an operating profit of AUD1.2 million in the second half of the year, which is a great achievement. The sales growth expected from the refurbishment of key stores and the continued roll-out of franchising provides positive future operating profit prospects.

We have made considerable progress in our continuing commitment to sustainable development practices and initiatives and refer you to the sustainability report update later in this report.

In the coming year, our main strategic focus will include the continued conversions of Score stores to Pick n Pay Family stores, the enhancement of efficiencies at our new distribution centre at Longmeadow and further additions to our Fresh food offer.



The Score process is a particularly exciting one: we underestimated the degree to which the Pick n Pay brand was admired and aspired to, and this is showing very clearly in the turnover growth of those stores already converted. The ultimate conversion of over 80 Score stores into Pick n Pay Franchise Family Stores over the next two years, which transfers the trading assets into the hands of historically disadvantaged owners under the Pick n Pay brand, a considerable investment in black economic empowerment.

Of particular concern for the foreseeable future, is the growing global food crisis and the popular protests in many developing countries against the rising price of basic foodstuffs. This has been caused by a number of factors, including growing demand by the economies of China and India, the switch to biofuels and soaring commodity prices.

At home, where we are not immune to international trends, the situation has been aggravated by continuous interest rate increases and the rapidly escalating price of fuel. An alarming consequence of this is that many countries have halted food exports in order to meet domestic demand, while others have lifted import duties on basic foodstuffs. These actions further skew the supply and demand imbalance.

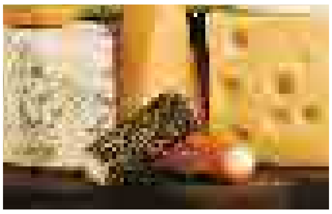
As part of our strategy to help customers, Pick n Pay has recommitted to sell certain basic foodlines at cost. While this subsidy will naturally have an impact on the Company, I have no doubt it is the right thing to do.

We strive to extend the lag of price increases by buying forward, although this has its own challenges with suppliers struggling to meet demand and negatively impacts our working capital.

Nick Badminton, in his first year as CEO, has overseen a considerable number of changes and improvements to the business and has shown a quality of leadership that bodes well for the future prosperity and growth of the Group. Nick heads a team of managers and employees whose loyalty to Pick n Pay and its values should be seen as an example to any corporation in the world. We thank them for their commitment, devotion and their readiness to make the Pick n Pay shopping experience a memorable and rewarding one for all our customers.

Chairman's Statement continued

for the year ended 29 February 2008



As part of our strategy to help customers, Pick n Pay has recommitted to sell certain basic foodlines at cost.

At the end of April 2008 René de Wet and David Nurek retired from the Board and to both of them we extend our gratitude for many years of valued guidance and leadership. We also thank Hugh Bland, who has retired as Managing Director of Boxer, for his leadership and contribution in building Boxer into a great business.

Despite the various challenges our country faces, we remain resolutely confident of South Africa's future and will continue to invest with confidence in what I believe to be a remarkably resilient and exceptionally well-managed economy. The social energy and capital investment that have been unleashed by the approaching 2010 World Cup demonstrate how ably our country and its people can rise to difficult challenges.

As we enter the new financial year, I remain confident that we will fully realise the benefits of our investments by the 2010 financial year and in the years thereafter and will achieve an acceptable growth in headline earnings for 2009. However, we expect difficult trading conditions as customers' disposable income comes under pressure and food-pricing poses significant challenges not only to Pick n Pay, but to the country as a whole.

As we confront these challenges – most of which are imposed by international rather than domestic economic conditions – we will not lose sight of our insistence on quality, price and an unwavering commitment to the community we are proud to serve.

We thank Nick and his entire team for the insight and energy put into reshaping the business and for putting us on a firm platform for future growth.

Raymond Ackerman

Chairman


Pick n Pay

Boards of Directors

Pick n Pay Stores Limited

EXECUTIVE DIRECTORS

1. Raymond Ackerman •‡ (77)
Chairman
Nominations Committee and Corporate Governance Committee Chairman
Appointed 1967
Years of Service 41

Raymond Ackerman founded Pick n Pay in 1967 and has been its Chairman ever since. He was also CEO of the Group until 1999 when the responsibilities of Chairman and CEO were separated. He has won many accolades during the years as a leader, a businessman and as the champion of the consumer. Other directorships: Pick n Pay Holdings Limited

2. Nick Badminton (46)
CEO
Appointed 1 March 2007
Years of Service 29

Nick Badminton joined the Western Cape region of Pick n Pay in 1979, and after working his way up the ranks was appointed General Manager of the Western Cape region in 1994. While GM of the Western Cape he was appointed to the Retail Division Management Board and became its Managing Director in May 2001. Effective March 2007 Nick was appointed Chief Executive Officer of the Group and a member of the Board.

3. David Robins ** (54)
Deputy Chairman
Appointed 2002
Years of Service 14

David Robins joined the Group in 1994 and was appointed to the Group Enterprises Management Board in 2005 as the executive responsible for expansion outside South African borders. In 2002 David was appointed Deputy Chairman of the Group and also as an executive director of the Company.

4. Wendy Ackerman
Employee Liaison & Benefits
Appointed 1981
Years of Service 41

Wendy Ackerman was one of the founding executives when the Pick n Pay business was purchased in 1967. She was appointed to the Board in 1981 and is responsible for Employee Liaison and Benefits where her passion for people in the business is unwavering. This includes the management of our large internal and external bursary funds.

Other directorships: Pick n Pay Holdings Limited

5. Dennis Cope (57)

Group Finance Director
Appointed 1997
Years of Service 30

Dennis Cope has been with the Group for over 30 years, initially joining the Pick n Pay Butcheries division as the accountant and then Finance Director. In 1986 Dennis joined the Pick n Pay Corporate Finance Division, was appointed Finance Director of the Group Enterprises division in 1995 and then in 1997 he was appointed Group Finance Director and a member of the Board.

NON-EXECUTIVE DIRECTOR

6. Gareth Ackerman *†•‡ (50)

Appointed 1990

Gareth Ackerman was an executive director at Pick n Pay for 15 years before becoming the non-executive Deputy Chairman of the Company in 1999. Gareth ran many different divisions of the Company and was appointed Joint Managing Director in 1993 and as Managing Director of the Group Enterprises Division in 1995. Gareth was appointed to the Board in 1990 and in 2002 he was appointed as Chairman of Pick n Pay Holdings Limited.

Other directorships: Pick n Pay Holdings Limited (Chairman)

INDEPENDENT NON-EXECUTIVE DIRECTORS

7. René de Wet †•‡ (65)

Appointed 1975
Retired 30 April 2008

René de Wet was an executive at Pick n Pay for 29 years, and was appointed to the Board in 1975. He was appointed Joint Managing Director in 1993 and Deputy Chairman in 1995. René retired as an executive director in 1999 but remained on the Board as a non-executive director.

Other directorships: Pick n Pay Holdings Limited

8. Hugh Herman *† (67)

Appointed 1976

Hugh Herman was Managing Director of Pick n Pay for many years, having joined the Group from our main legal advisory firm and was appointed as a member of the Board in 1976. He left Pick n Pay in 1993 when he joined Investec Bank, where he still serves as Chairman of the Group.

Other directorships: Investec Bank Limited (Chairman), Growthpoint Properties Limited, Pick n Pay Holdings Limited

Boards of Directors continued

Pick n Pay Stores Limited continued

9. Colin Hultzer *†•‡ (71)

Appointed 1991
Retired 14 June 2007
Colin Hultzer was a valued member of the Board for many years and served as the Chairman of the Audit, Risk and Compliance Committee.

10. Constance Nkosi •

Appointed 1996

Constance Nkosi is Chairperson of Lidonga Group Holdings (Pty) Limited. Connie has been a member of the Company's Board since 1996 and also serves on the Board's Nominations Committee.

Other directorships: Non-executive Chairman of First Technology (Pty) Limited, director of Protech Khuthele Holdings Limited.

11. David Nurek *† (57)

Remuneration Committee Chairman
Lead Non-executive Director
Appointed 1999
Retired 30 April 2008
David Nurek has been a Group director since 1995, initially as the Group's legal advisor. He was Pick n Pay's lead non-executive director and served on Pick n Pay's Board committees including as Chairman of the Remuneration Committee. David is currently an executive of Investec Bank Limited. Other retail listed company directorships: Foschini Limited, Lewis Group Limited, New Clicks Holdings Limited.

12. Ben van der Ross *‡ (60)

Appointed 2000

Ben van der Ross is a director of companies. Ben qualified as an attorney, was admitted to the Cape Side Bar and was in private practice for 16 years.

Other listed company directorships: Bonatla Property Holdings Limited (Chairman), FirstRand Limited, Lewis Group Limited, Makalani Holdings Limited, Naspers Limited.

13. Jeff van Rooyen * (58)

Audit, Risk and Compliance Committee Chairman
Appointed 5 March 2007

Jeff van Rooyen is a chartered accountant and is the founder and Chief Executive of Uranus Investment Holdings (Pty) Limited. He is a founder member and former President of the Association for the Advancement of Black Accountants (ABASA) and was Chairperson of the Public Accountants and Auditors Board (PAAB) in 1995. He is also a former CEO of the Financial Services Board.

Jeff is a trustee of the International Accounting Standards Committee Foundation.

Other public company directorships: MTN Group Limited, SAB&T Ubuntu Holdings Limited.

COMPANY SECRETARY

14. Gary Lea (42)

Appointed 2002
Years of Service 11

Pick n Pay Holdings Limited

NON-EXECUTIVE DIRECTORS

Gareth Ackerman (50)
Chairman
Appointed 1987

Raymond Ackerman (77)
Appointed 1981

Wendy Ackerman
Appointed 1981

INDEPENDENT NON-EXECUTIVE DIRECTORS

René de Wet* (65)
Appointed 1981

Hugh Herman* (67)
Appointed 1981

Colin Hultzer (71)
Appointed 1993
Retired 14 June 2007

COMPANY SECRETARY

Gary Lea (42)
Appointed 2002

* Member of the Audit, Risk and Compliance Committee
† Member of the Remuneration Committee
• Member of the Nominations Committee
‡ Member of the Corporate Governance Committee
** German

Chief Executive Officer's Report

for the year ended 29 February 2008

We are confident that the significant investment undertaken during the year will reap substantial financial benefits in the future.

Nick Badminton
Chief Executive Officer

Group overview

This result must be viewed in the context of the significant investment we are making to implement our strategy. The Pick n Pay brand relaunch, the development of the new convenience food range, the continued implementation of SAP and the opening of our new distribution facility at Longmeadow in Gauteng have had a material cost impact on this result. We have made these investments for the sole purpose of improving our customers' experience at Pick n Pay. We remain very confident that this investment will reap substantial financial benefits in the future.

Turnover

Group turnover at R45.4 billion shows strong growth of 15.4% above last year. This growth comprises 15.2% in the Southern African business segment and 16.4% in Australia. The Franklins increase in Australian dollars is 1.7%, despite the sale of 2 stores.

Trading profit

The trading profit increased by 16.9% with trading profit margin increasing from 3.2% last year to 3.3% in the 2008 year.

Interest paid

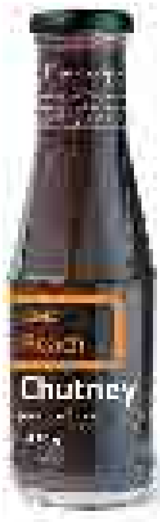
Interest paid has increased during the year due to a subsidiary company raising a R500 million five-year term, fixed-interest rate loan to fund property development.

Headline earnings per share

Headline earnings per share at 198.82 cents is 10.1% above last year, before considering last year's write-off of Score's deferred tax asset of R46.4 million. As disclosed last year, we consider a headline earnings per share calculation excluding this charge to more fairly reflect the Group's result for that year.

Dividends per share

We have increased the final dividend to 118.00 cents per share for Pick n Pay Stores Limited and to 57.65 cents per share for Pick n Pay Holdings Limited, both a 10.0% increase over last year. The total dividend payable by both companies is up 11.1% on last year.



Food price increases

We are very aware of the inflationary pressure on basic foods and are doing everything we can to minimise its impact on customers. Every month we check our pricing against our competitors and in every region for every month for the last 6 months, we have been the lowest priced retailer across a basket of 1 000 lines. We will continue to do everything we can to ensure customers are aware of this.

Pick n Pay Retail Division

Overall the core retail business performed well, in a year that was exceptionally busy with the relaunch of our brand and the introduction of a new convenience food range, both of which received good customer response. Another highlight of the division was the opening of our Longmeadow Distribution Centre in Gauteng, which will give us greater operating efficiencies and flexibility.

Supermarkets

We opened 7 new corporate stores during the year and converted 6 corporate stores to Family franchise stores. In the year ahead we plan to open a further 6 new corporate supermarkets and look forward to the re-opening of new flagship stores in Claremont, Cape Town and Benmore, Johannesburg.

Family franchise

We continued to expand this successful format opening a further 20 new stores during the year including 6 conversions from corporate stores and 2 Score conversions. Next year is exceptionally exciting as we plan to open a further 50 new Family stores, including 3 corporate conversions and 31 Score conversions.

Hypermarkets

During the year we opened the Greenstone Mall Hypermarket in Edenvale and our first Pick n Pay store (a Hyper) in Soweto, as well as re-opening the revamped Norwood Hypermarket, all of which are trading well. These new-generation Hypers are all performing ahead of our expectations and are proving popular with a broad spectrum of customers.

However, the cost pressures of opening these stores, along with other refurbished new format stores, did lead to a profit contribution for the year below expectations. We expect a much better performance next year.

Chief Executive Officer's Report continued

for the year ended 29 February 2008

The conversion of Score stores to the Pick n Pay Family format is an extremely exciting development for the Group.

Liquor and clothing stores

During the year, the division opened 18 new liquor stores and 7 new clothing stores. In the year ahead we will further expand these formats with 20 more liquor and 2 clothing stores.

Group Enterprises

During the year Adrian Naudé was appointed Managing Director of Group Enterprises. We wish him lots of future success with this well-deserved appointment.

Score

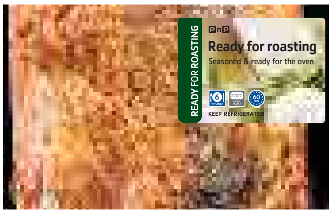
The operating performance of Score was in line with last year. The conversion of Score stores to the Pick n Pay Family format is an extremely exciting development for the Group, as we are able to expand the Pick n Pay brand into this market as well as create a franchise opportunity for historically disadvantaged entrepreneurs. To date we have converted 7 stores, all of which are trading well, and by the end of the 2009 financial year we expect to have 36 converted stores.

Boxer

Boxer had another excellent year. During the year Boxer opened 5 new stores and next year will open a further 14 stores, including 9 Score conversions. After many successful years as Managing Director of Boxer, Hugh Bland decided to retire effective 1 March 2008. We thank Hugh for his years of dedication and for building Boxer into the formidable business it is today. Eugene Stoop has been appointed as the new MD. Eugene has been the merchandise director at Boxer for many years, which makes him well placed for the position and we wish him all the very best in his new role.

TM

TM continues to trade under exceptionally difficult economic conditions with the procurement of stock being their biggest challenge. We continue to support our colleagues and hope for economic and social stability in the near future. In the current year we have impaired our remaining investment in TM by R9.1 million, to a carrying value of Rnil.



Franklins Australia

Turnover for the year at AUD820.8 million showed an increase of 1.7% over last year. This is despite the fact that we sold 2 stores to a franchisee early in the year. Due to the weakening of the SA rand relative to the Australian dollar, turnover for the period at nearly R5.0 billion showed an increase of 16.4%.

Franklins produced an operating profit before interest of AUD2.3 million for the year which included a profit on the sale of 2 corporate stores to a franchisee of AUD7.9 million as part of our planned strategic franchise roll-out. We are exceptionally pleased with this result as it is underpinned by an operating profit before interest of AUD1.2 million in the second half of the financial year. We are confident that this is the turning point for the operation.

The decision to invest a further AUD50.0 million (AUD20.0 million already remitted) to fund the refurbishment of 30 Franklins stores will have a significant impact on sales growth over the next few years. To date we have completed refurbishments in 5 stores which are already showing an average sales growth of more than 15%. Plans are in place to refurbish a further 10 stores in the coming year.

Our decision to implement the unique Franklins franchise concept has been very positively received with 6 franchise stores currently operating, all of which are performing strongly. Our intention is to have at least 10 franchise stores by the end of this year.

The significant changes made in the Franklins business in the last three years, together with the continued roll-out of our franchise business, the refurbishment of key stores and the opening of 3 new stores next year provide a strong platform for earnings growth.

Systems

The conversion of our accounting systems to SAP throughout the Group is ongoing with the conversion of the Western Cape, Eastern Cape and KwaZulu-Natal regions, together with the corporate accounting office, now complete. The remainder of the Pick n Pay Retail divisions are due for conversion over the next 18 months. Those regions that have now run with the system for a full financial year are seeing considerable benefits from the discipline that SAP brings to our business.

Chief Executive Officer's Report continued

for the year ended 29 February 2008

Our Strategy

South Africa's favourite and most admired grocery retailer

Customers		Operations		People	Sustainability
Defend and grow leadership in LSM 8 – 10 heartland	Bring the best of Pick n Pay to LSM 4 – 7	Invest to improve operating model	Continue to deliver operating efficiencies	Build world class retail capabilities	Create a sustainable future

Sustainability and transformation

Sustainable business practices and transformation continue to be an important focus of the business and I encourage you to review the sustainability report update presented later in this annual report.

Strategy

We have made more changes to our business during the past year than we have during any other period in our history. The management of the business are delivering our strategy with commitment and energy.

We have added a sixth pillar on sustainability to our strategy. Pick n Pay has always been extremely conscious of its impact on the environment, South Africa and the local communities. We have therefore explicitly recognised this in our strategy.

We have made considerable progress on the customer pillars. The brand refresh which took place in November affects all our customers. This is an important signal, both internally and externally, that we are moving forward. We are recommitting to our customers with the brandline "Inspired by You". Put simply, we are determined to make positive changes to our customers' lives and shopping experience because they inspire us to do so. The brand changes have been very well received by our customers.

We are unique in that we appeal to almost every South African shopper. We therefore have a responsibility to these customers to deliver to them the best quality product, at the lowest prices we can afford, in great stores, served with courtesy and competence.

We have therefore spent considerable time and effort upgrading our Fresh products. Across all departments of fruit and veg, meat, deli, fish, bakery and convenience food we have made improvements. The fresh division has outgrown the rest of the Pick n Pay retail business in both volume and sales. We have made great strides forward with innovation, including the launch of an exciting range of convenience meals, with quality and with presentation. The focus on fresh is a never-ending journey for us.

As mentioned above perhaps the most exciting development at Pick n Pay is the conversion of over 80 former Score stores to Pick n Pay franchise stores. To date we have converted 7 stores. The customer reaction has been overwhelming, demonstrating the power of the Pick n Pay brand to reach every household. We have seen

substantial sales uplifts in these stores from day one. As a result of the success of this initiative we have decided to accelerate these conversions. Our aim is to have them completed by February 2010.

Our major investments in the operating model are in supply chain and systems. During the year we opened our state of the art distribution centre at Longmeadow. Our goal is to be centrally distributing 60% of our sales value within the next 5 years. This will enable us to improve our availability, remove congestion from our stores and extract savings from the total supply chain which we can then pass on to our customers.

Longmeadow is already having a positive impact on our business. The quality of fresh food is significantly improved – with customer complaints down 28% and our operations are becoming more efficient.

Over the course of the 2009 financial year we will focus on improving our Fresh operation, continuing the brand roll-out and Score conversions, optimising Longmeadow, and increasing the efficiency of our organisation.

The 2009 financial year will be another year of significant investment in the business. At the heart of all the change is a determination to put our customers first.

General comments and prospects

We are extremely conscious of the pressure on our customers as they face high interest rates, rising fuel and food prices, and power shortages. We are committed to doing everything in our power to work with our suppliers to minimise price increases.

I wish to thank all employees for their dedication and support over the past year and look forward to another exciting year ahead.

We are confident that the Group will achieve an acceptable growth in headline earnings for the 2009 financial year and, with the significant investment taking place, strong growth for the years thereafter.

Nick Badminton

Chief Executive Officer

Sustainability Report

Integrating sustainability into our business strategy is a key focus.

Message from Nick Badminton – CEO

This is the fifth annual review of the Group's sustainable development performance and the first year we are reporting on the implementation of our sustainability strategy developed in 2007. We have included a summarised review of our performance for the annual report and a more comprehensive sustainable development report will be published on our website.

It is a pleasure to share my reflections on the progress we have made and to provide an outlook on the future as we strive towards achieving the five-year sustainability vision we developed in 2007. This year we have refined our approach around the concept of "four-pillars", focusing on four priority areas: economic growth, transformation of our value chain, social development and sustainable environment.

In line with increasing concern around environmental issues, locally and internationally, particularly on climate change, a key focus has been on further improving our environmental performance. As a business that depends on the agricultural sector, we recognise the particular impacts that climate change will have on the way we operate. We have benchmarked best practice climate response strategies within the international retail sector, to assist us with setting internal goals. This year I have enjoyed greater participation in discussions on this global challenge, including participating in the initial dialogue between government and business leaders on South Africa's long-term mitigation scenario (LTMS) study. We were pleased to be ranked in the top ten companies in the Carbon Disclosure Project's assessment of climate change disclosure practices. Last year we provided a partial disclosure of our CO_2 emissions, focusing on our energy usage and commercial transport. This year we have expanded this to include all our travel impacts and the use of diesel from our generators.

In response to the national energy crisis, we launched a campaign to help conserve electricity usage in South Africa. This includes a commitment to an electricity usage reduction of 20% by 2012 and various initiatives to encourage our customers and staff to save electricity. We are also pleased with the steps we have taken to improve our waste management practices. These included a waste minimisation study and waste measurement study at several of our stores and the introduction of a system to measure and analyse all our packaging material, with the aim of implementing appropriate strategies to reduce the environmental impacts of our packaging. At our KwaZulu-Natal stores we have implemented a waste management

programme that includes the separation of all waste generated and the recycling of a proportion of this.

We are encouraged by the increasing demand from our customers for our organic products, the turnover of which has increased enormously this year. Towards the end of 2007 we launched a new range of organic products and we will continue to expand our range, in line with the interest expressed by our customers. Building on some of our existing successful partnerships relating to organic produce and sustainable fishing, we are currently investigating new opportunities to pursue strategic alliances to meet our sustainability objectives.

Apart from our environmental activities, we continue to maintain our long history of being active in our communities and in protecting the interests of our customers. Promoting transformation remains at the heart of our approach to sustainable development. We are encouraged by our progress in providing diverse opportunities for training and development of historically disadvantaged individuals, promoting preferential procurement and investing in enterprise development and related initiatives. Our contribution this year towards social initiatives was R60 million, which represents a 6.4% of post-tax profit commitment to community upliftment.

Engaging with our stakeholders helps us identify the issues that we need to report on and respond to, and to assess levels of awareness and interest in sustainability.
This year we conducted a second, structured independent stakeholder engagement process as a follow-up to an initial process undertaken in 2006. The feedback was mixed, with some stakeholder groups demonstrating a keener awareness and interest in sustainability than others. Concern around environmental performance was widely felt across the stakeholders.

Looking ahead, our General Manager, Tessa Chamberlain, will continue to head up and drive our sustainability strategy and oversee the implementation, measuring and monitoring of our activities. Pick n Pay strives to be at the forefront of the retail sector's efforts to make a positive contribution to South Africa, leading by example. We believe that, through our vast network of stakeholders, small steps can lead to great things.

I encourage you to read our full length report which will be available online and to share your thoughts on our performance, to assist us in being more effective.

We have committed to an electricity usage reduction of 20% by 2012.

Statement by Tessa Chamberlain, General Manager Sustainable Development

This summary review of the Group's sustainable development performance covers the economic, social and environmental activities of the Pick n Pay Group for the financial year ending 29 February 2008. The review outlines key performance data, progress against the "four-pillars" of our sustainability strategy, and a brief overview of the stakeholder engagement process we undertook this year.

The "four-pillars" of our sustainability strategy and the focus areas within each of these are as follows:

- **Economic growth:** sustainable company profits, sound corporate governance, stakeholder engagement and partnerships.
- **Transformation of our value chain:** employment equity, employee ownership schemes, transformation of our suppliers, and affirmative procurement policies.
- **Social development:** corporate social investment plan focusing on various funds across the Pick n Pay Group, and investment in community-owned projects.
- **Sustainable environment:** preserving the environment and limiting our impact, eco-friendly stores and distribution centres, development of natural farming methods, minimising waste, reducing carbon emissions, and maintaining sound animal welfare practices.

Some of our key areas of focus for the coming year within the economic growth criterion are: to respond to the outcomes of our stakeholder engagement process, continue to listen to our stakeholders and further develop partnerships to promote more sustainable practices.

In terms of transformation of our value chain, we will proactively work towards ambitious BEE targets looking ahead to 2017, expand our Franchise Academy and launch our Retail Academy to fast-track executive management development.

Our commitment to social development will focus on our continued investment in the upliftment of local communities, aligning our funds to focus on specific social issues: welfare, education, enterprise development projects that will supply products to our stores, skills development and job creation, and sports development.

Jack Hochfeld

In promoting a sustainable environment, our areas of focus are: to improve energy and water efficiency in our operations and reduce our emissions, roll out the recommendations from the pilot waste minimisation study across our stores, introduce a waste-oil-to-biodiesel initiative across all regions and limit the impacts of our packaging. We will also develop a natural farming and animal welfare programme and continue to build on our eco-store initiatives.

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Our sustainable development key performance indicators

The following table summarises our performance against our sustainable development key performance indicators (KPI's). These indicators are a sub-set of a more comprehensive sustainability information management system.

Pick n Pay's sustainable development key performance indicators	2008 KPI performance	2007 KPI performance
Economic and related core baseline indicators		
Turnover	R45.4 billion (15.4% increase)	R39.3 billion (12.1% increase)
Trading profit	R1 486.8 million (16.9% increase)	R1 271.4 million (22.2% increase)
Operating profit	R1 503.5 million (18.3% increase)	R1 271.3 million (19.5% increase)
Headline earnings per share	198.8 cents (10.1% increase)	180.6 cents (18.0% increase)
Dividends paid per share	149.1 cents (11.1% increase)	134.3 cents (18.0% increase)
Total number of stores and distribution centres	See page 4 for store numbers	See page 4 for store numbers
Number of environmental, health and safety and/or governance legal incidents*	None	None
Employee issues*		
Total number of employees	36 541	35 063
New jobs created (direct employment only)	1 478	579
Employee turnover	14%	10%
Employment equity targets by occupational levels	See table on page 27	See online report
Work-related fatalities	None	1
Number of classified injuries	442 injuries requiring time off work and 1 258 injuries requiring minor attention	1 054 injuries requiring time off work 491 injuries requiring minor attention
Investment in employee training and development	R40.0 million	R32.0 million
Number of lost workdays due to industrial action	0.01 man days	141.25 man days (0.002% of our trading days)
Environmental issues*		
Energy usage (stores, distribution centres, offices)	601 million kWh	563 million kWh (excluding offices)
Energy usage – per m² per annum	538 Kwh	525 kWh (excluding offices)**
Water consumption (stores, distribution centres, offices)	2.04 million kilolitres	1.7 million kilolitres
Water consumption – per m² per annum	2 kilolitres	1.93 kilolitres
Waste	Reliable data not available	Reliable data not available
Fuel usage (commercial fleet, company vehicles and generators)	5 768 740 litres (diesel) 3 198 121 litres (petrol)	5 480 396 litres (diesel)** Reliable data not available
Carbon footprint***	744 462 CO_2 equivalent metric tonnes	565 606 CO_2 equivalent metric tonnes**
Corporate social investment		
CSI total spend	R60 million – 6.4% of post-tax profit	R46 million – 7% of post-tax profit

*These performance indicators relate only to the operations of Pick n Pay Holdings Limited, Pick n Pay Stores Limited and Pick n Pay Retailers (Pty) Limited, our main operating company.

**Figure revised to reflect more accurate data.

***Pick n Pay's reported carbon footprint in 2007 was calculated on the basis of fuel usage for our commercial fleet (product distribution and home shopping fleets) and on electricity usage in our stores. Emissions from fuel usage were calculated using the following conversion factors: 2.3 kg of CO_2 per litre of petrol and 2.63 kg of CO_2 per litre of diesel (using the World Business Council for Sustainable Development (WBCSD) greenhouse gas emissions reporting protocol). Emissions from electricity usage are calculated using the Eskom conversion factor of 1.2 tonnes of CO_2 per MWh of Eskom electricity. Calculations for 2008 include data on the carbon footprint associated with business air-travel and our corporate fleet (company cars), and the use of diesel from our generators.

Our sustainability performance at a glance

The following tables provide a summary of the progress we have made this year across the "four-pillars" of our sustainability strategy and vision, and a review of our commitments going forward.

ECONOMIC GROWTH

Key focus areas: Sustainable company profits; sound corporate governance; stakeholder engagement and partnerships

What have we done?	What will we do?
Sustainable company profits ■ Continued to invest in the South African economy through a commitment to grow our brand, provide employment, support our suppliers, pay taxes and promote social initiatives. **Corporate governance** ■ Maintained long-standing structures to ensure that the highest ethical standards of corporate governance are being maintained. **Stakeholder engagement** ■ Commissioned external consultants to conduct a structured independent stakeholder engagement process. **Partnerships** ■ Partnered as a major investor in the Organic Freedom Project, an enterprise development initiative aimed at promoting greater production of organic products. Increased our range of organic produce by 24.85% and sales by 62.21%. ■ Completed a partnership audit across the Company, as part of the process of seeking opportunities for successful alliances.	**Sustainable company profits** ■ Continue commitment to South African economy and social goals through opening new stores, investing in new markets, converting Score stores to Pick n Pay Family franchise format and develop a clear format strategy for continued growth. ■ Continue investment in our employees and activities to promote sound health and safety practices in the workplace, including management of HIV/Aids. **Corporate governance** ■ Continue to ensure corporate governance standards are maintained in line with the Corporate Laws Amendment Act. **Stakeholder engagement** ■ Respond to the outcomes of our 2007 stakeholder engagement process and continue to engage with our stakeholders. **Partnerships** ■ Continue to grow the local organic market in a range of merchandise categories. ■ Partnership development for our Natural Farming initiative.

TRANSFORMATION OF OUR VALUE CHAIN

Key focus areas: Ownership; management; employment equity; skills development; preferential procurement; enterprise development

What have we done?

Ownership

Through our broad-based employee share ownership scheme, over 13 000 Pick n Pay employees own shares or share options in the Company.

Management

- Conceptualised a Retail Academy for the rapid growth and development of middle management.

Employment equity

- For the fourth year achieved most and exceeded some targets. Reviewed current EE plan and set targets for year ahead.

Skills development

- Partnered with the Wholesale & Retail Skills Education Training Authorities (SETA) on a project to develop skills that are considered scarce.

Preferential procurement

- Maintained our preferential procurement policy aimed at generating business for local suppliers and service providers, with an additional focus on BEE.
- Started working with our suppliers to assist them with their transformation process.

Enterprise development

- Committed R30 million for the period 2007 to 2010 to enterprise development projects that will become part of our supply chain.
- Started the process of converting Score stores to Pick n Pay franchise formats.
- Invested R3 million in our franchise Academy. Eight trainees graduated in 2008 financial year.
- Our Support Bakery initiative has expanded, ending 2008 with 6 Close Corporations employing a total of 181 employees.

What will we do?

Ownership

- Continue to promote our share ownership scheme.

Management

- Identify and nurture HDI (historically disadvantaged individuals) through the establishment of a Retail Academy and fast-track individuals (25 candidates).

Employment equity

- Focus on following targets for 2017:

– Black disabled employees across all levels.

– Black employees in middle and senior management.

– Female employees in middle and senior management.

Skills development

- Identify target categories and address their needs accordingly.
- External recruitment of specialist Category Managers whilst maintaining our commitment to "promote from within".

Preferential procurement

- Continue to increase affirmative procurement practices, with the longer term aim of ensuring our entire supplier base is BEE compliant, and increasing our "black owned" and "black female owned" supplier base.

Enterprise development

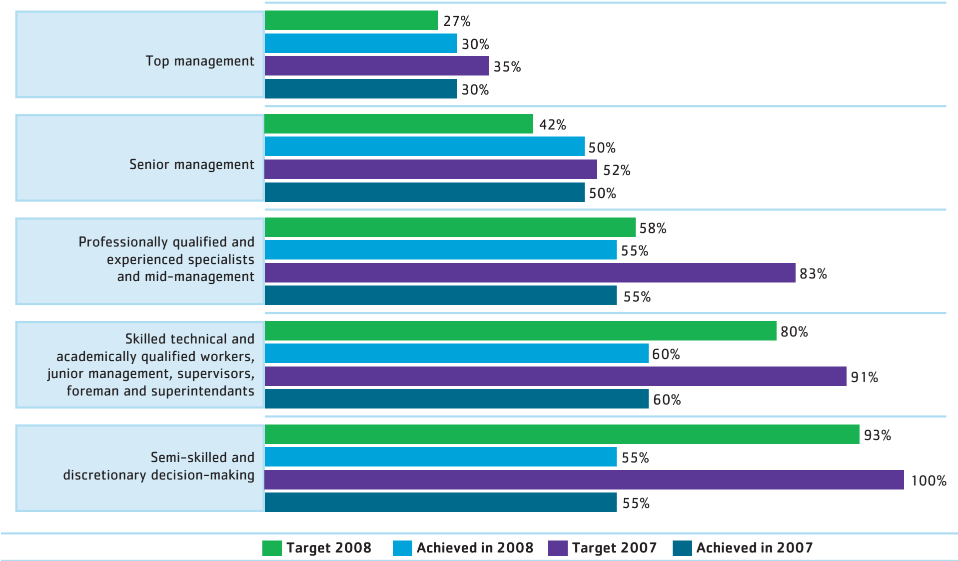
- Maintain a focus on identifying opportunities for promoting BEE enterprises.
- Expand our Franchise Academy over the next five years to create 100 new entrepreneurs.
- Convert 83 Score stores to independent black owned Pick n Pay franchise formats over the next two years.
- In the year ahead expand our Support Bakery with an additional 3 Close Corporations, creating further employment. This model will also be rolled out to the Western Cape, early in 2009.

Promoting equity and diversity in the workplace

We have an employment equity strategy and a clearly defined policy aimed at ensuring that the individual talents of each member of staff are identified and promoted and that no job applicant, employee or customer receives less favourable treatment on the grounds of race, gender, disability or age. Our black economic empowerment committee oversees the advancement of empowerment within Pick 'n Pay.

Employment equity targets are set each year, which we often achieve and in certain areas exceed.

Employment equity targets by occupational levels



SOCIAL DEVELOPMENT

Key focus areas: Corporate social investment plan; community-owned projects

What have we done?

Corporate social investment plan

Our corporate social investment (CSI) plan has been finalised and focuses on the various funds across the Pick n Pay Group, which include:

- The Pick n Pay Fund with a focus on welfare issues; the Ackerman Pick n Pay Foundation with a focus on skills development and job creation in communities; the Enterprise Development Fund with a focus on commercial BEE initiatives to supply our stores; a new Development Fund with a focus on sports development; the Boxer Fund with a focus on welfare issues.
- Allocated 104 bursaries (R5 000 – R10 000) for the development of our employees and their respective families at secondary and tertiary level.
- Funded applications to our HIV/Aids Trust Fund for children of our employees orphaned through HIV/Aids.

Community-owned projects

- OFP (Organic Freedom Project) increased the number of organic farming enterprises supplying our stores.
- Our enterprise development bakery initiative (Support Bakery) achieved 53% sales growth.
- At the Winterveldt urban settlement, 8 out of 15 farms supported have had electricity and irrigation implemented.
- The Bethlehem Farmers Trust increased supplies of apples to our stores from 11 000 cases in 2006 to 42 000 cases in 2007.

What will we do?

Corporate social investment plan

Consolidate our investment in communities, aligning projects within each fund. Focus on refining our reporting structures across all funds.

Community-owned projects

Increase our commitment to community-owned enterprise development projects:

- Expand the range of organic merchandise categories and the local organic market.
- Extend the model of the Support Bakery to the Western Cape early in 2009.
- Further develop the farms of Winterveldt so that all 15 original farms have electricity and irrigation.
- Continue to support the Bethlehem Farmers Trust initiative through Pick n Pay stores procurement.
- Initiate a project with the Weskus Ubuntu Farmers Union "Wekufu", funding five farms to start up a farming project.

SUSTAINABLE ENVIRONMENT

Key focus areas: Preserve the environment and limit our impact; eco-friendly stores and distribution centres; minimise waste; reduce carbon emissions; animal welfare and development of natural farming

What have we done?	What will we do?
Preserve the environment and limit our impact • Implementation of our sustainable development strategy with a focus on sharing our vision with our employees. • Maintained our long-standing engagement with the WWF's Southern African Sustainable Seafood Initiative (SASSI); we are now fully compliant regarding endangered fish. • Developed a partnership framework with the aim of launching a natural farming initiative.	**Preserve the environment and limit our impact** • Consolidate the "four-pillar" approach to our strategy and integrate this into our business practices. • Develop a green procurement guideline.
Eco-friendly stores and distribution centres • Since 2000 we have implemented a number of initiatives to develop stores and distribution centres which are more eco-friendly (e.g. heat reclaim, air-cooled towers, upright refrigeration, Demand Side Management lighting).	**Eco-friendly stores and distribution centres** • As we refurbish stores, new developments will be implemented. Continue to review technology and business practices to achieve stores which have a far lower impact on the environment. Develop design criteria for eco-effective stores.
Efforts to minimise waste • Detailed waste measurement study completed in 9 stores, across all regions. • A waste management plan has been implemented in all our KwaZulu-Natal stores; this includes the separation of all waste generated, and the recycling of a proportion of this. • E-waste development project launched November 2007. • Completed a packaging study on Pick n Pay branded products and developed and populated an internal data management tool to enable accurate measuring and analysis of all our packaging material, with the aim of implementing appropriate strategies to reduce the environmental impacts of our packaging. • Reviewed waste-oil-to-biodiesel opportunities.	**Efforts to minimise waste** • Roll-out of pilot programme for 2008. • Waste minimisation plan and targets to be set for KwaZulu-Natal stores. • Support e-waste project and develop e-waste strategy and procurement plan for Pick n Pay. • Identify and implement innovative packaging solution. • Introduce a waste-oil-to-biodiesel initiative across all regions.
Reduce carbon emissions • Expanded the calculation of our carbon emissions to include all our travel impacts and the use of diesel from our generators (partial disclosure last year focused on energy usage and commercial transport). • Completed a benchmark of the climate response strategies within the retail sector, which will be used to set internal goals and targets. • Sponsored 3 250 trees for the Greening of Soweto Project 2010, operated by Food & Trees for Africa (FTFA), to offset the carbon emissions from our Hypermarket launched in Soweto.	**Reduce carbon emissions** • Set base data on all areas of our carbon footprint (energy, travel, transport, diesel and petrol usage). Set internal goals based on the carbon benchmark study for the retail sector. • Tree-planting initiatives focused on specific areas of the business to reduce emissions (see page 131 as an example).

SUSTAINABLE ENVIRONMENT	
What have we done?	**What will we do?**
Conserve electricity and water • Launched a national campaign to our staff and customers aimed at encouraging a reduction in electricity usage. Approximately 180 000 of our customers and staff have signed up to the "power pledge", through a number of initiatives. • Issued a public commitment to an electricity usage reduction of 20% by 2012. Short-term measures introduced in the Company include lower levels of light illumination, circuit management, reducing geyser temperatures, and heat reclaim.	**Conserve electricity and water** • Continue to educate staff and customers on ways to reduce energy usage. • Review new technologies. Implement pilot programmes to manage water and energy on a store-by-store basis. Investigate feasibility and benefits of purchase of green energy.
Animal welfare • Sponsored Landmark Foundation's initiative to assist farmers with predator management and preservation. Initiated planning for a second project. • Reviewed global practices and achievements on animal welfare management.	**Animal welfare** • Continue to support the predator management programme. Develop an action plan for a second programme. • Research possible animal welfare opportunities for South African market.

Responding to stakeholder interests

Engaging with our stakeholders provides us with a valuable insight into stakeholder perceptions and expectations regarding our performance, and gives guidance on the issues they would like us to report on. Towards the end of 2007 we commissioned a second structured independent stakeholder engagement process as a follow-up to an initial process undertaken in 2006.

We engaged with the following groups: financial analysts and business and environmental media; customers; government departments and parastatals and business, NGOs and other associations. Contacts for government, business and customers, were identified internally. An online customer questionnaire was distributed as part of the Company Pick n Pay Part of your Life newsletter and subsequent e-mail sent to a segment of customers on Pick n Pay's online database. Questionnaires were e-mailed to the other stakeholder groups, and in most instances these were followed up with individual interviews.

Responding to stakeholder interests *continued*

The following table summarises the main issues identified by each group. A review of our performance on most of these issues is provided earlier in this report. Issues which are material to our business and which may not have been dealt with will be addressed in the year ahead.

Financial analysts and business and environmental media

- Promote employee participation in a Black Economic Empowerment equity process.
- Identify and implement energy security strategies.
- Management of corporate governance issues.
- Demonstrate greater commitment to environmental issues.
- Management of carbon dioxide and potential carbon tax.
- Reduce packaging and promote recycling – internally and externally.
- Provide more informative product labelling, including product origins.
- Increase organic product offering.
- Improve customer education and communication on sustainable development.

Customers

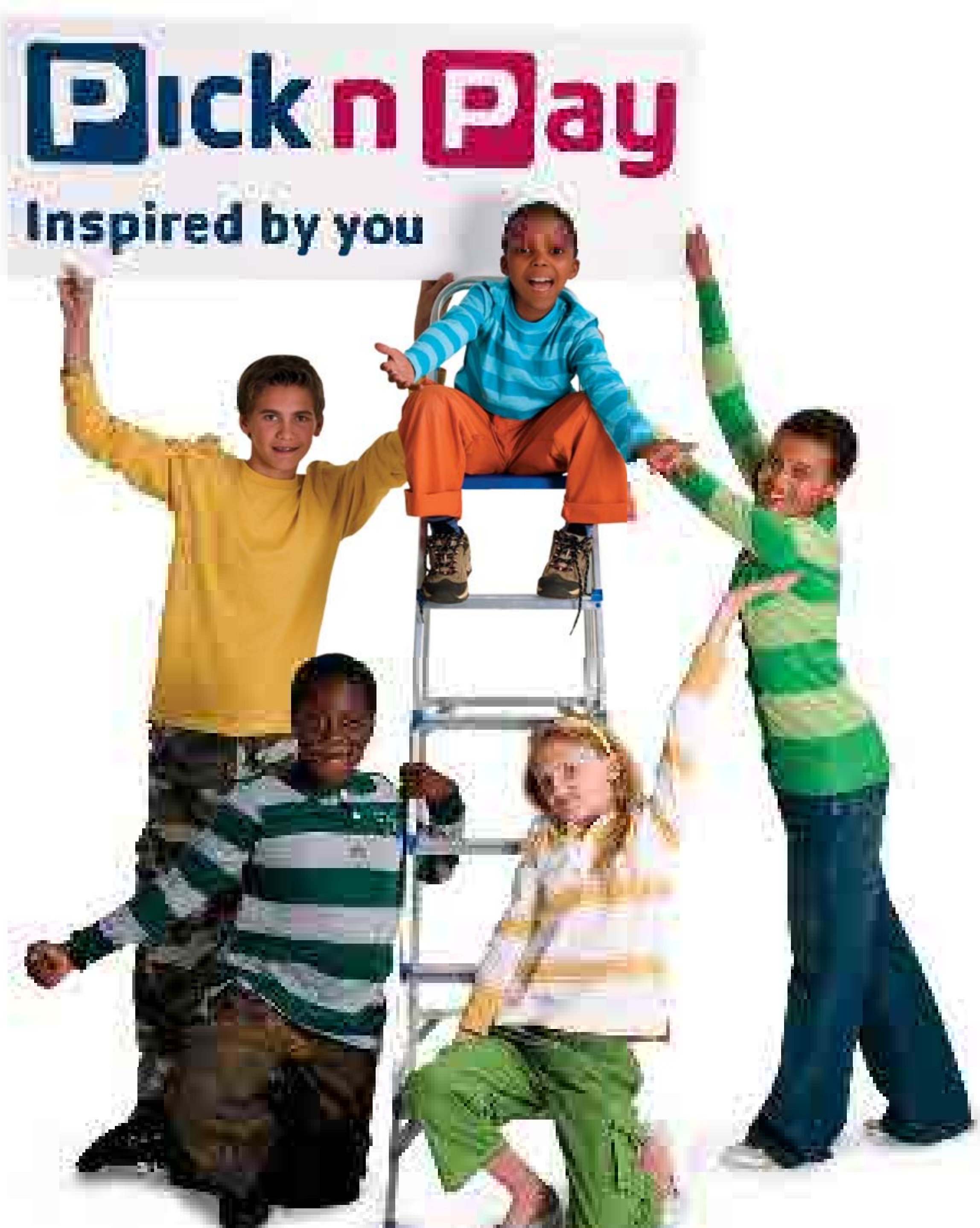
- Management of corporate governance.
- Climate change.
- Identify and implement energy efficiency strategies.
- Demonstrate greater commitment to environmental issues.
- Provide in-store recycling facilities and education around recycling.
- Reduce packaging and promote recycling.
- Need to focus more on food safety, customer service and respect for employees.
- Increase organic product range.
- Poverty alleviation.

Government and parastatals

- Lead by example, providing safe, quality goods at more affordable prices to more widespread customer base.
- Reduce packaging and provide recycling facilities.
- Manage energy requirements and energy in order to reduce carbon footprint.
- Collaborate with government on climate change initiatives.
- Reduce food related risks and increase levels of compliance with food regulatory frameworks.
- Support organic food production.
- Provide more informative product labelling.
- Improve efforts to educate and communicate with stakeholders on environmental issues.

Business, NGOs and other associations

- Lead by example, demonstrate commitment to sustainable development (reduce packaging, organic products etc.).
- Improve education and communication on sustainable development.
- Promote responsible behaviour, especially on environmental issues.
- Focus on risk awareness around consumer satisfaction.
- Proactive efforts to address climate change, internally and in collaboration with government.
- Poverty alleviation and price affordability.


Pick n Pay
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Ten-year Review

R million unless otherwise stated	10-year compound annual growth	2008	2007	2006	2005	2004	2003*	2002*	2001*	2000*	1999*
OPERATING RESULTS											
Turnover	15%	**45 380.7**	39 337.1	35 078.4	31 885.0	29 276.1	26 194.2	18 817.5	15 126.1	13 606.7	12 353.7
Trading profit	26%	**1 486.8**	1 271.4	1 040.6	917.2	721.3	638.6	446.4	349.3	275.2	173.6
Operating profit	21%	**1 503.5**	1 271.3	1 064.0	965.7	756.6	697.8	491.6	411.7	355.6	269.5
Headline earnings	20%	**903.3**	823.5**	705.6	612.5	511.9	457.0	357.3	300.4	243.4	175.2
CONSOLIDATED BALANCE SHEETS											
Assets											
Non-current assets											
Goodwill		**857.5**	714.3	634.9	634.2	687.6	742.1	704.1	—	—	—
Intangible assets		**329.8**	190.3	110.9	25.3	—	—	—	—	—	—
Property		**848.6**	752.2	499.0	251.6	182.3	110.9	95.4	70.3	119.6	129.5
Equipment and vehicles		**1 922.5**	1 773.0	1 374.7	1 159.3	1 045.4	877.2	855.1	817.2	818.1	661.3
Investments		**0.2**	0.2	9.3	3.6	2.7	176.4	195.5	195.5	181.5	97.5
Investment in associate		**—**	9.1	47.0	23.6	15.0	12.6	11.0	9.5	8.0	6.5
Loans		**120.7**	108.8	96.7	95.8	89.6	97.5	89.2	135.8	105.0	101.9
Operating lease asset		**10.9**	5.9	4.8	3.7	2.5	2.1	2.0	2.0	1.8	1.8
Participation in export partnerships		**61.5**	67.8	71.8	102.7	127.6	143.3	149.3	166.2	183.4	194.6
Deferred tax		**143.6**	151.2	238.3	209.7	94.1	32.7	(18.1)	(40.8)	(50.3)	(104.2)
		4 295.3	3 772.8	3 087.4	2 509.5	2 246.8	2 194.8	2 083.5	1 355.7	1 367.1	1 088.9
Current assets											
Inventory	18%	**3 101.4**	2 367.4	1 984.2	1 858.6	1 563.1	1 507.3	1 265.2	864.8	728.9	714.3
Trade and other receivables		**1 243.9**	943.7	750.7	634.5	628.1	495.7	357.5	287.1	301.6	165.4
Cash and cash equivalents		**663.2**	709.1	944.6	1 329.0	1 502.5	1 035.6	986.5	1 085.3	773.3	907.2
		5 008.5	4 020.2	3 679.5	3 822.1	3 693.7	3 038.6	2 609.2	2 237.2	1 803.8	1 786.9
Total assets		**9 303.8**	7 793.0	6 766.9	6 331.6	5 940.5	5 233.4	4 692.7	3 592.9	3 170.9	2 875.8
Equity and liabilities											
Ordinary shareholders' equity		**1 433.7**	1 015.4	854.9	704.4	774.0	644.3	786.6	494.3	352.6	216.2
Minority interest		**—**	—	—	—	—	—	—	19.6	18.4	14.0
Non-current liabilities											
Long-term debt		**681.3**	181.8	192.9	199.2	188.2	243.3	241.3	242.3	89.4	98.9
Retirement scheme obligations		**49.0**	129.0	194.8	189.8	145.0	125.9	123.5	109.2	113.4	120.6
Operating lease liability		**626.9**	584.3	554.4	505.5	430.8	428.9	391.0	314.4	300.5	284.0
		1 357.2	895.1	942.1	894.5	764.0	798.1	755.8	665.9	503.3	503.5
Current liabilities											
Short-term debt		**36.4**	51.6	79.5	61.7	159.9	186.7	17.2	15.3	13.1	95.3
Trade and other payables	15%	**6 209.2**	5 605.4	4 654.1	4 282.3	3 972.0	3 394.9	2 897.1	2 184.6	2 045.8	1 917.8
Tax		**267.3**	225.5	236.3	388.7	270.6	209.4	236.0	213.2	237.7	129.0
		6 512.9	5 882.5	4 969.9	4 732.7	4 402.5	3 791.0	3 150.3	2 413.1	2 296.6	2 142.1
Total equity and liabilities		**9 303.8**	7 793.0	6 766.9	6 331.6	5 940.5	5 233.4	4 692.7	3 592.9	3 170.9	2 875.8
Directors' valuation – Property		**1 230.6**	1 077.9	831.2	476.6	365.5	247.4	223.0	232.4	291.0	270.4
– Investments		**1.4**	0.2	9.3	3.6	2.7	176.4	195.5	195.5	181.5	97.5
STATISTICS											
Number of outlets – Corporate (excluding pharmacies)		**527**	505	468	446	438	396	332	221	224	234
– Franchise		**212**	192	179	172	162	157	139	193	176	185
Total selling area – Corporate	000 m^2	**893**	875	803	790	800	748	678	503	492	497
– Franchise	000 m^2	**254**	224	215	205	198	187	173	206	187	162
Number of TM Supermarkets		**56**	56	54	54	53	53	53	50	49	48
Number of Auto Centres		**5**	5	5	5	5	5	10	9	14	14
Total number of employees***	000's	**54.7**	49.2	47.0	47.7	44.7	31.0	27.3	24.5	24.7	25.2

*The Group adopted International Financial Reporting Standards (IFRS) in the 2006 financial year. The results presented above for the years after February 2004 are fully IFRS compliant and have been audited. The impact of IFRS for all years preceding February 2004 has been accounted for based on estimates, has not been audited and has only been presented to assist users with further comparative information.

**Before deferred tax adjustment.

***Prior to 2004 all casual employees were included as a one third equivalent of full time employees in this total. From 2004 these employees have been fully accounted for in the total number of employees, as they now receive full proportional Company benefits as variable time employees.

		10-year compound annual growth	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
PERFORMANCE MEASURES												
Turnover growth	%	15	**15.4**	12.1	10.0	8.9	11.8	39.2	24.4	11.2	10.1	12.6
Trading profit growth	%	26	**16.9**	22.2	13.5	27.2	13.0	43.1	27.8	26.9	58.5	17.8
Operating profit growth	%	21	**18.3**	19.5	10.2	27.6	8.4	41.9	19.4	15.8	31.9	22.1
Headline earnings growth	%	20	**9.7**	16.7	15.2	19.7	12.0	27.9	18.9	23.4	38.9	19.1
Trading profit on turnover	%		**3.3**	3.2	3.0	2.9	2.5	2.4	2.4	2.3	2.0	1.4
Operating profit on turnover	%		**3.3**	3.2	3.0	3.0	2.6	2.7	2.6	2.7	2.6	2.2
Headline earnings on turnover	%		**2.0**	2.1	2.0	1.9	1.7	1.7	1.9	2.0	1.8	1.4
Return on shareholders' equity	%		**73.8**	88.1	90.5	82.9	72.2	63.9	55.8	70.9	85.6	86.0
Return on total assets	%		**10.6**	11.3	10.8	10.0	9.2	9.2	8.6	8.9	8.1	6.5
Headline earnings per share	cents	20%	**198.8**	180.6	153.0	130.7	108.7	94.5	71.6	61.4	50.1	36.6
Headline earnings per share growth	%		**10.1**	18.0	17.1	20.2	15.1	32.0	16.5	22.5	37.1	17.1
Net asset value per share	cents	18%	**374.7**	283.4	247.1	200.9	203.1	165.9	189.0	134.4	107.6	74.3
JSE LIMITED INFORMATION												
Pick n Pay Stores Limited (PICKNPAY)												
Number of shares in issue (*)	millions		**506.1**	486.1	486.1	486.1	483.4	483.4	497.1	501.3	494.8	486.9
Market capitalisation	Rm	15%	**15 690.2**	15 974.4	14 729.9	11 229.7	8 508.6	6 018.9	4 896.9	6 040.3	5 319.4	3 634.1
Price-earnings ratio	times		**15.6**	18.2	19.8	17.7	16.2	13.2	13.8	19.6	21.4	17.1
Dividend per share	cents	21%	**149.1**	134.3	113.8	96.5	80.0	69.0	51.8	42.9	34.8	27.6
Dividend cover	times		**1.3**	1.3	1.3	1.4	1.4	1.4	1.4	1.4	1.4	1.3
PICKNPAY ordinary shares												
Volume of shares traded (*)	millions		**239.7**	255.0	147.9	140.2	133.7	171.6	191.4	128.9	130.2	97.2
Percentage of shares traded	%		**47.4**	52.5	30.4	28.8	27.7	35.5	38.5	25.7	26.3	20.0
Share price – High	cents		**3 880**	3 631	3 200	2 494	1 850	1 500	1 350	1 400	1 195	1 010
Share price – Low	cents		**2 826**	2 580	2 150	1 630	1 160	900	900	850	700	330
Share price – Year-end	cents	14%	**3 100**	3 286	3 030	2 310	1 760	1 245	985	1205	1075	781
Pick n Pay Holdings Limited (PIKWIK)												
Number of shares in issue	millions		**527.2**	527.2	527.2	527.2	527.2	527.2	527.2	522.6	516.3	508.5
Headline earnings per share	cents	19%	**97.9**	91.0	77.9	67.4	56.4	49.8	38.2	32.2	26.5	19.3
Dividend per share	cents	21%	**72.8**	65.5	55.0	47.1	39.1	33.7	25.3	20.9	17.0	13.6
PIKWIK ordinary shares												
Volume of shares traded (*)	millions		**86.2**	76.0	39.9	61.1	49.9	72.5	90.4	108.9	115.0	101.8
Percentage of shares traded	%		**16.4**	14.4	7.6	11.6	9.5	13.8	17.1	20.8	22.3	20.0
Share price – High	cents		**1 603**	1 570	1 420	1 135	814	610	540	580	445	430
Share price – Low	cents		**1 205**	1 170	1 040	760	490	385	381	335	260	150
Share price – Year-end	cents		**1 290**	1 484	1 355	1 125	800	520	420	490	400	310

*N ordinary shares were in issue during 1997 to 2000 and share volumes and number of shares include N ordinary shares in these years.

DEFINITIONS

Headline earnings — Profit for the year adjusted for the after tax effect of certain capital items.

Return on shareholders' equity — Headline earnings expressed as a percentage of the average ordinary shareholders' equity for the year.

Return on total assets — Headline earnings expressed as a percentage of the average total assets for the year.

Headline earnings per share — Headline earnings divided by the weighted average number of shares in issue for the year.

Dividend cover — Headline earnings per share divided by the dividends per share which relate to those earnings.

Net asset value per share — Total value of net assets at year-end, adjusted for the directors' valuation of property, divided by the number of shares in issue at year-end, held outside the Group.

Market capitalisation — The price per share at year-end multiplied by the number of shares in issue at year-end.

Price-earnings ratio — The price per share at year-end divided by headline earnings per share.

Dividends per share — The interim dividend declared during the current financial year and the final dividend declared after year-end, in respect of the current financial year.

Corporate Governance

The Board of directors and senior management are committed to the highest standards of corporate governance and take pride in our high moral and ethical business standards. The Group is committed to sound and transparent business practices. The Board is committed to complying, in all material respects, with the principles contained in the King Code of Corporate Practices and Conduct (King II), as well as to the additional requirements for good corporate governance stipulated in the JSE SRI Index. An overview of the Group's corporate governance framework is provided in this section.

A more comprehensive review – with details of all Board and committee charters, and on the roles and responsibilities of the Chairman, CEO and Managing Directors – is available in the Investor Relations section of our website.

Group structure

The Group has a flat organisational structure. Overall responsibility lies with the Pick n Pay Stores Limited Board. Operational responsibility for the Group is vested in three divisions: the Retail Division, the Group Enterprises Division and Franklins Australia. Each division has its own management board, with each Managing Director of those boards reporting directly to the CEO. This flat Group structure enables local operations to take ownership of decision-making and to assume individual responsibility for their actions and success. The structure encourages personal growth and achievement, ensuring that initiative is enabled, identified and rewarded.

The Board

The Board comprises seven non-executive directors and five executive directors. It is responsible for selecting a successful management team, approving corporate strategy, monitoring and assessing performance, and acting as a resource for management in matters of planning and policy. The Board is responsible for setting the governance policy and practices for the Group, and for appointing the Chairman and CEO, whose roles are separate. The Board meets four times a year to monitor the performance of the Group, its executive directors and senior management.

The Board performs an annual self-assessment of its performance and the results of this review are made available to the external auditors.

Enduring principles of Pick n Pay

The Board has a responsibility to ensure that the CEO and management do not depart from the following enduring principles that were applied by Raymond Ackerman while building the Group and which ensure that the spirit of Pick n Pay remains intact:

- Consumer sovereignty
- Striving for a flat organisational structure
- Where appropriate, maximising decentralisation of authority to enable local control
- Promoting from within, recruiting from outside only as an exception when specialist skills are required
- Maintaining a discount image
- Fighting collusion amongst suppliers, and rejecting collusion between retailers
- Maintaining strong cash balances for buying forward on a rising market

Leadership development

The Chairman evaluates the performance of the CEO annually, which is then discussed with the non-executive directors. The evaluation is based on objective criteria including performance of the business, accomplishment of long-term strategic objectives and management development. The CEO reports to the Board on succession planning, with a defined succession plan in place should the CEO, MDs or any of the senior management personnel need to be replaced. The CEO's recommendation for his successor is known by the Board at all times, should the CEO be unexpectedly incapacitated. Succession planning is also performed across the Group to ensure continuity of the business. The CEO also reports annually to the Board on the Group's programme and performance in respect of management development and employment equity.

Board committees

The Board is assisted by the following specialised committees: Audit, Risk and Compliance; Remuneration; Nominations; and Corporate Governance. Each committee has a formal charter which is reviewed annually by the Board. Detailed information on each of the committees is available to download through our website. A brief outline of the role and responsibility of each committee is provided below:

Audit, Risk and Compliance committee

This committee is chaired by and comprises only independent non-executive directors. In accordance with the requirements of the Corporate Laws Amendment Act 24 of 2006, members of the committee are appointed annually by the Board for the ensuing financial year.

The committee's responsibilities are varied and include:

- performing certain risk management responsibilities on behalf of the Board;
- ensuring that necessary risk management strategies and internal controls are in place (through consultation with internal and external auditors);
- establishing that management is adhering to and continually improving these controls;
- acting as a liaison between the external auditors and the Board;
- the annual nomination of the external auditor for approval at the AGM, annual determination of the scope of audit and non-audit services and approval of the remuneration of the external auditors and assessment of their performance; and
- an annual assessment of the independence of the external auditors. The committee confirms that it is satisfied with the independence of the Group's external auditors and the respective audit partners.

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. These review findings are then reported to the Board at the next meeting which is always held within a week of the respective committee meeting. The committee also meets separately with the internal and external auditors to confirm that they are receiving the full cooperation of management. The committee chairman also 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 a financial review committee, chaired by the Group Finance Director, reviews in detail the results of all material operating subsidiary companies with the external auditors and management of the respective subsidiary. This review committee reports its findings to the Group Audit, Risk and Compliance committee.

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

Corporate Governance continued

Remuneration committee

The Remuneration committee, which meets at least twice a year, is chaired by an independent non-executive director and comprises only non-executive directors. The committee is responsible for reviewing and approving the remuneration of executive and non-executive directors and senior management. The Group's philosophy is to remunerate its employees fairly in relation to the nature of the services they provide. The Group aims to remunerate all its employees in the upper quartile of their peer group in the retail industry and, for senior executives, to ensure that an appropriate proportion of their total package is performance related. In addition to cash remuneration, employees are afforded the opportunity to participate in Group share schemes, which align the interests of management to that of shareholders.

Nominations committee

The Nominations committee is chaired by the Chairman and members are only non-executive directors. The committee identifies and evaluates potential candidates for appointment to the Board and has strict guidelines on the qualities required of directors. These qualities include being tough-minded, independent and objective, as well as being loyal to the principles and values upon which the Group is built.

Corporate Governance committee

The Corporate Governance committee is chaired by the Chairman and remaining members comprise non-executive directors and the Company Secretary. The committee ensures that corporate governance structures are in line with national and international standards, and are both appropriate and effective.

Accountability

The CEO is responsible and accountable to the Board for all Group operations. He has a formal role description (with limits of authority) from the Board, which is reviewed and reaffirmed annually. The CEO, who manages the Retail Management Board, has appointed a managing director (MD) of Franklins and Group Enterprises to assist in discharging this responsibility. The duties and responsibilities of the MDs are also detailed in a formal role description, together with limits of authority, and these are approved and reviewed annually by the CEO.

The Chairman's Executive Committee (Exco), which comprises top management, helps the Board assess strategic opportunities and guides the management boards on principles of strategy and policy.

The Company's policy of decentralisation and flat organisational structure means that each region is managed autonomously. Each region has its own management team that manages operational, marketing and social responsibility budgets. Each store is responsible for its own results and responds individually to customer needs and in its choice of social responsibility programmes.

Risk management

The Board is responsible and accountable for ensuring that adequate procedures and processes are in place to identify, assess, manage and monitor key business risks. Operational and financial risks are managed through the implementation and maintenance of a system of internal and financial controls which are regularly monitored, reviewed and improved by management and Group Audit Services (internal audit).

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

Code of conduct

The Group has endorsed a comprehensive code of conduct founded on the highest levels of honesty, integrity and respect. All employees are expected to comply with the code at all times. The Board confirms that systems and procedures have been implemented to entrench the values and ethics laid down in the code of conduct, and to monitor compliance with the code.

All new staff members receive training on the code of conduct at induction. These values are continuously instilled through ongoing communication and training. A function of Human Resources is to monitor compliance with the code across the Group, to follow up complaints, to review disciplinary measures and the outcomes thereof, and to ensure the consistent application of disciplinary measures.

Further information on our code is available through our website.

Dealing in Group company shares

All dealings in Pick n Pay Holdings Limited and Pick n Pay Stores Limited shares by both company and subsidiary company directors (where required by the JSE) and the Company Secretary are reported on the JSE Limited Securities Exchange News Service (SENS) within 48 hours of the trade having been made. Before these trades are entered into they must be pre-approved by duly authorised directors of the Company concerned.

In addition to the above JSE regulated approval process, all sales of Pick n Pay Group shares must be approved internally as follows:

- The Chairman by the lead non-executive director.
- The CEO and other directors of the Board by the Chairman.
- Exco members by the Chairman and the CEO.
- Management board members and other senior executives by the CEO.

All employees and Group entities are not permitted to trade in the Group's shares during "closed periods" which start on the day after the interim and final stock counts (occurring in mid-August and mid-February, respectively) and end with the publication of the respective result on SENS.

Party political support

While it is our policy to support social initiatives across party lines, we do not support any individual political party, financially or otherwise.

Directors' attendance at meetings

Pick n Pay Stores Limited Board meetings

Director	23 April 2007	14 June 2007	15 Oct 2007	22 Feb 2008	AGM 14 June 2007
R D Ackerman *(Chairman)*	P	P	P	P	P
D Robins *(Deputy Chairman)*	P	P	P	P	P
N P Badminton *(CEO)*	P	P	P	P	P
G M Ackerman	P	P	P	P	P
W Ackerman	P	P	P	P	P
D G Cope	P	P	P	P	P
R P de Wet	P	P	P	A	P
H S Herman	P	A	P	P	A
C Hultzer	P	R	R	R	R
D M Nurek	P	P	P	P	P
C Nkosi	P	P	P	P	P
B J van der Ross	P	P	P	P	P
J van Rooyen	P	P	P	P	P

Corporate Governance continued

Pick n Pay Holdings Limited Board meetings

Director	23 April 2007	15 Oct 2007	22 Feb 2008	AGM 14 June 2007
G M Ackerman *(Chairman)*	P	P	P	P
R D Ackerman	P	P	P	P
W Ackerman	P	P	P	P
R P de Wet	P	P	A	P
H S Herman	P	P	P	A
C Hultzer	P	R	R	R

Audit, Risk and Compliance committee meetings

Director	20 April 2007	12 Oct 2007
C Hultzer *(Chairman until 14 June 2007)*	P	R
J van Rooyen *(Chairman from 14 June 2007)*	P	P
G M Ackerman	P	P
H S Herman	P	P
D M Nurek	P	P
B J van der Ross	P	P

Remuneration committee meetings

Director	26 April 2007	8 Oct 2007
D M Nurek *(Chairman)*	P	P
G M Ackerman	P	P
R P de Wet	P	P
H S Herman	P	P
C Hultzer	P	R

P = Present A = Apology R = Retired

Directors' remuneration

Directors are remunerated for various services rendered on behalf of the Board, as indicated in the table below:

Director remuneration	**2009 proposed R**	**2008 R**	2007 R
Chairman of the Board	**1 500**	**1 500**	1 500
Lead director	**80 000**	**80 000**	80 000
Member of the Board	**240 000**	**240 000**	240 000
Chairman of the Audit, Risk and Compliance committee	**200 000**	**200 000**	150 000
Member of the Audit, Risk and Compliance committee	**80 000**	**80 000**	60 000
Chairman of the Remuneration committee	**100 000**	**100 000**	80 000
Member of Remuneration committee	**50 000**	**50 000**	40 000
Member of Nominations committee	**50 000**	**50 000**	40 000

Analysis of Shareholders

as at 29 February 2008

Pick n Pay Stores Limited

SHAREHOLDER SPREAD No. of shares held	No. of share-holders	%	No. of shares millions	%
1 – 1 000	3 733	49.9	1.5	0.3
1 001 – 10 000	2 829	37.8	9.4	1.9
10 001 – 100 000	705	9.4	21.6	4.3
100 001 – 1 000 000	189	2.5	56.2	11.1
1 000 001 and over	30	0.4	417.4	82.4
	7 486	**100.0**	**506.1**	**100.0**

DISTRIBUTION OF SHAREHOLDERS				
Holding company	1	—	257.3	50.8
Banks	102	1.4	30.5	6.0
Close corporations	77	1.0	0.4	0.1
Endowment funds	58	0.8	1.1	0.2
Individuals	5 558	74.2	25.5	5.0
Insurance companies	36	0.5	44.5	8.8
Investment companies	20	0.3	2.3	0.5
Medical aid schemes	11	0.1	0.7	0.1
Mutual funds	161	2.2	62.9	12.3
Nominees and trusts	1 038	13.8	12.1	2.4
Other corporations	72	1.0	0.8	0.2
Pension funds	180	2.4	28.6	5.7
Private companies	162	2.2	29.3	5.8
Public companies	9	0.1	0.4	0.1
Pick n Pay Employee Share Trust	1	—	9.7	2.0
	7 486	**100.0**	**506.1**	**100.0**

PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public shareholders	8	0.1	294.7	58.3
Directors and their associates	5	0.1	2.0	0.4
Pick n Pay Holdings Limited	1	—	257.3	50.8
Pick n Pay Retailers (Pty) Limited	1	—	25.7	5.1
Pick n Pay Employee Share Trust	1	—	9.7	2.0
Public shareholders	7 478	99.9	211.4	41.7
	7 486	**100.0**	**506.1**	**100.0**

Beneficial shareholders holding 1% or more		
Pick n Pay Holdings Limited	257.3	50.8
Public Investment Corporation	39.2	7.8
Liberty Group	26.9	5.3
Pick n Pay Retailers (Pty) Limited	25.7	5.1
Sanlam	10.3	2.0
Pick n Pay Employee Share Trust	9.7	2.0
Old Mutual Group	6.7	1.3
Barclays	6.6	1.3
Genesis	5.9	1.2
Sasol	5.2	1.0
Momentum	5.0	1.0

Pick n Pay Holdings Limited

SHAREHOLDER SPREAD No. of shares held	No. of share-holders	%	No. of shares millions	%
1 – 1 000	2 488	22.6	1.4	0.3
1 001 – 10 000	6 389	58.2	26.5	5.0
10 001 – 100 000	1 830	16.6	51.6	9.8
100 001 – 1 000 000	244	2.2	73.8	14.0
1 000 001 and over	40	0.4	373.9	70.9
	10 991	**100.0**	**527.2**	**100.0**

DISTRIBUTION OF SHAREHOLDERS				
Banks	39	0.4	5.1	1.0
Close corporations	91	0.8	1.3	0.2
Endowment funds	143	1.3	4.3	0.8
Individuals	7 717	70.3	57.0	10.8
Insurance companies	12	0.1	8.1	1.5
Investment companies	14	0.1	16.3	3.1
Medical aid schemes	4	—	0.4	0.1
Mutual funds	119	1.1	77.9	14.8
Nominees and trusts	2 335	21.2	298.3	56.6
Other corporations	110	1.0	0.7	0.1
Pension funds	123	1.1	27.4	5.2
Pick n Pay Employee Share Trust	5	—	16.2	3.1
Private companies	249	2.3	10.5	2.0
Public companies	30	0.3	3.7	0.7
	10 991	**100.0**	**527.2**	**100.0**

PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public shareholders	11	0.1	285.7	54.2
Directors and their associates	7	0.1	12.4	2.4
Ackerman Family Trust	1	—	254.9	48.3
Group pension scheme	1	—	0.5	0.1
Pick n Pay Employee Share Trust	1	—	16.2	3.1
The Blue Ribbon Meat Corporation (Pty) Limited	1	—	1.7	0.3
Public shareholders	10 980	99.9	241.5	45.8
	10 991	**100.0**	**527.2**	**100.0**

Beneficial shareholders holding 1% or more		
Ackerman Family Trust	254.9	48.3
Pick n Pay Employee Share Trust	16.2	3.1
Liberty Group	15.1	2.9
Old Mutual Group	13.2	2.5
Investment Solutions	11.9	2.3
Investec	10.9	2.1
Nedbank Group	10.5	2.0
Allan Gray	5.2	1.0

Shareholders' Information

Annual General Meetings ("AGMs") – 11 June 2008

Registration commences at 08h30 for the AGMs of Pick n Pay Stores Limited and Pick n Pay Holdings Limited, to be held at 09h00 and 09h30, respectively. The venue for the AGMs will be the conference centre at the registered office, Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town.

The minutes of the previous AGMs held on 14 June 2007 are available on our website.

Dividends

	Pick n Pay Stores Limited		Pick n Pay Holdings Limited			
	Share code: PIK		Share code: PWK			
	ISIN code: ZAE000005443		ISIN code: ZAE000005724			
	Number	Amount (cents)	Number	Amount (cents)	Last date of trade	Date of Payment
Interim	77	27.00	50	13.17	1 Dec 2006	11 Dec 2006
Final	78	107.25	51	52.35	1 June 2007	11 June 2007
Interim	79	31.10	52	15.18	7 Dec 2007	18 Dec 2007
Final	80	118.00	53	57.65	6 June 2008	17 June 2008
Interim	81		54		5 Dec 2008	17 Dec 2008
Final	82		55		5 June 2009	15 June 2009

Preliminary profit announcements

Interim to 31 August 2008: about 14 October 2008

Final to 28 February 2009: about 21 April 2009

Publication of 2009 annual report

Mid-May 2009

Registered office

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Kenilworth, Cape Town, 7708

Company Secretary

Gary Lea

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Auditors

KPMG Inc. – Group and Southern African operations

Ernst & Young – Australia

Attorneys

Edward Nathan Sonnenbergs Inc.

Principal bankers

ABSA Limited
First National Bank of Southern Africa Limited

JSE Limited sponsor

Investec Bank Limited, 100 Grayston Drive, Sandton, 2196

Group 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

Pick n Pay Holdings Limited and its subsidiaries

Reg. No. 1981/009610/06
Share code: PIK ISIN code: ZAE 000005724

Other information

Directors' Responsibility for the Company and Group Annual Financial Statements

Pick n Pay Stores Limited and its subsidiaries

The directors are responsible for the preparation and fair presentation of the Company and Group annual financial statements, comprising the directors' report, balance sheets at 29 February 2008, and the income statements, the statements of changes in equity and cash flow statements for the year then ended, a summary of significant accounting policies and the notes to the financial statements, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors responsibility also includes 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 Company and Group's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

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

Directors' Approval and Company Secretary's Certificate

Pick n Pay Stores Limited and its subsidiaries

DIRECTORS' APPROVAL

The directors acknowledge and accept full responsibility for the preparation and integrity of the information presented in the Company and Group annual financial statements.

These Company and Group annual financial statements of Pick n Pay Stores Limited, which have been prepared in accordance with the Companies Act of South Africa and comply with International Financial Reporting Standards, were approved by the Board of directors on 5 May 2008 and are signed on their behalf by:

Raymond Ackerman
Chairman

Nick Badminton
Chief Executive Officer

Dennis Cope
Group Finance Director

COMPANY SECRETARY'S CERTIFICATE

In terms of section 268G(d) of the Companies Act 61 of 1973, as amended, I certify that Pick n Pay Stores Limited has lodged with the Registrar of Companies all such returns as are required by the Companies Act, and that all such returns are true, correct and up to date.

Gary Lea
Company Secretary

5 May 2008

Independent Auditor's Report

Pick n Pay Stores Limited and its subsidiaries

to the members of
PICK N PAY STORES LIMITED

We have audited the Company and Group annual financial statements of Pick n Pay Stores Limited, which comprise the balance sheets at 29 February 2008, and the income statements, the statements of changes in equity and cash flow statements for the year then ended, and 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 45 to 92.

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 in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Pick n Pay Stores Limited at 29 February 2008, 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 in the manner required by the Companies Act of South Africa.

KPMG Inc.

Registered Auditor

Per **David Friedland**

Chartered Accountant (SA)

Registered Auditor

Director

5 May 2008
MSC House
Mediterranean Street
Cape Town
8001

Directors' Report

for the year ended 29 February 2008

Pick n Pay Stores Limited and its subsidiaries

NATURE OF BUSINESS

The Company, which is domiciled and incorporated in the Republic of South Africa and listed on the JSE Limited, the recognised securities exchange in South Africa, is an investment holding company. The Group comprises trading subsidiaries that retail food, clothing and general merchandise throughout Southern Africa and in New South Wales, Australia, both on an owned and franchise basis. Subsidiary companies also on occasion acquire and develop strategic retail and distribution sites.

GENERAL REVIEW

The Group income statement is presented on page 47 and reflects the Group's operational results.

The Group's headline earnings and dividends paid for the year are as follows:

Per share – cents	2008	% increase	2007
Headline earnings (note 6)	**198.82**	10.1	180.55*
Dividends**	**149.10**	11.1	134.25

*Headline earnings per share presented before the reversal of a deferred tax asset of R46.4 million. As the reversal did not arise from trading activity, the Group considered a headline earnings calculation excluding this charge to more fairly reflect its result for that year.

**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 PAID AND DECLARED

A cash dividend (number 78) of 107.25 cents per share was paid to shareholders on 11 June 2007.

A cash dividend (number 79) of 31.10 cents per share was paid to shareholders on 18 December 2007.

For further detail refer to note 7.

The directors have declared a cash dividend (number 80) of 118.00 cents per share. The last day of trade in order to participate in the dividend (CUM dividend) will be Friday, 6 June 2008. Shares will trade EX dividend from the commencement of business on Monday, 9 June 2008 and the record date is Friday, 13 June 2008. The dividend will be paid on Tuesday, 17 June 2008. Share certificates may not be dematerialised or rematerialised between Monday, 9 June 2008 and Friday, 13 June 2008, both dates inclusive.

As dividend number 80 was declared on 21 April 2008 it will only be accounted for in the 2009 financial year.

The declaration of this dividend will result in a charge for Secondary Tax on Companies of R55.6 million, which will be accounted for in the 2009 financial year.

SHARE CAPITAL

The movement in the number of issued ordinary shares during the year was as follows:

1 March 2007	486 133 882
Issued during the year on the conversion of debentures	20 000 000
29 February 2008	506 133 882

At year-end a subsidiary company held 25 736 561 (2007: 25 736 561) treasury shares in the Company. These repurchases were implemented in accordance with a general authority granted by shareholders.

In addition to the above, as at year-end, the Pick n Pay Employee Share Purchase Trust held 9 723 673 (2007: 4 401 561) shares in the Company and 11 228 333 (2007: 14 780 363) shares in Pick n Pay Holdings Limited, which are accounted for as treasury shares. These shares are held to meet obligations of options granted. A second subsidiary company also holds 1 680 303 (2007: 1 520 103) shares in Pick n Pay Holdings Limited, which are also accounted for as treasury shares.

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.

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 the Group.

SPECIAL RESOLUTIONS

On 14 June 2007 the Company's shareholders approved the following special resolution:

General authority to repurchase Company shares

It was resolved that the Company or any of its subsidiaries may, in accordance with sections 85 and 89 of the Companies Act, acquire issued shares of the Company or its

Pick n Pay Stores Limited and its subsidiaries

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 Articles of Association of the Company, the provisions of the Companies Act 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.

Subsidiary companies special resolutions

No special resolutions were passed by subsidiary companies during the year.

DIRECTORS AND SECRETARY

In terms of the Company's Articles of Association the directors listed on page 116 retire by rotation and they offer themselves for re-election. Information pertaining to the directors and the Company Secretary appear on pages 10 to 12.

HOLDING COMPANY

The holding company is Pick n Pay Holdings Limited.

DIRECTORS' INTEREST IN SHARES

	2008 %	2007 %
Beneficial	**0.7**	0.2
Non-beneficial	**27.3**	28.1
	28.0	28.3

The directors' interest in shares takes cognisance of their direct shareholding in the Company and their indirect shareholding in Pick n Pay Holdings Limited.

SUBSIDIARY COMPANIES

Details of subsidiary companies are presented in note 31.

BORROWINGS

The Group's overall level of debt increased from R233.4 million to R717.7 million during the year. A fixed-interest, five-year term bank loan of R500 million was raised in order to fund property development.

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.

Pick n Pay
Inspired by you

Income Statements

for the year ended 29 February 2008

Pick n Pay Stores Limited and its subsidiaries

		GROUP		COMPANY	
	Notes	**2008 Rm**	2007 Rm	**2008 Rm**	2007 Rm
Revenue	1	**47 466.5**	41 128.1	**672.3**	573.5
Turnover		**45 380.7**	39 337.1	**—**	—
Cost of merchandise sold		**(37 411.0)**	(32 443.2)	**—**	—
Gross profit		**7 969.7**	6 893.9	**—**	—
Other trading income	1	**2 036.9**	1 749.4	**—**	0.1
Trading expenses		**(8 515.4)**	(7 354.9)	**(2.0)**	(1.2)
Employee costs		**(4 364.5)**	(3 810.6)	**—**	—
Occupancy		**(1 140.3)**	(992.1)	**—**	—
Operations		**(1 363.7)**	(1 130.3)	**—**	—
Merchandising and administration		**(1 646.9)**	(1 421.9)	**(2.0)**	(1.2)
Loss on sale of property, equipment and vehicles		**(4.4)**	(17.0)	**—**	—
Trading profit/(loss)	2	**1 486.8**	1 271.4	**(2.0)**	(1.1)
Interest received		**48.9**	41.6	**1.3**	3.2
Interest paid		**(79.2)**	(49.3)	**(1.6)**	(3.2)
Profit on sale of stores		**47.0**	7.6	**—**	—
Operating profit/(loss)		**1 503.5**	1 271.3	**(2.3)**	(1.1)
Dividends received		**—**	—	**671.0**	570.2
Share of associate's profit	12	**—**	26.1	**—**	—
Impairment of investment in associate	12	**(9.1)**	(64.0)	**—**	—
Impairment of goodwill	8	**—**	(36.3)	**—**	—
Profit on sale of investments		**—**	8.2	**—**	—
Profit before tax		**1 494.4**	1 205.3	**668.7**	569.1
Tax	5	**(557.6)**	(529.7)	**(1.9)**	—
Profit for the year		**936.8**	675.6	**666.8**	569.1
Earnings per share – cents					
Basic	6	**206.19**	148.13		
Diluted basic	6	**196.47**	139.86		

Balance Sheets

as at 29 February 2008

Pick n Pay Stores Limited and its subsidiaries

	Notes	GROUP 2008 Rm	GROUP 2007 Rm	COMPANY 2008 Rm	COMPANY 2007 Rm Restated
Assets					
Non-current assets					
Goodwill	8	**857.5**	714.3	**—**	—
Intangible assets	9	**329.8**	190.3	**—**	—
Property, equipment and vehicles	10	**2 771.1**	2 525.2	**—**	—
Investments	11	**0.2**	0.2	**0.2**	0.2
Investment in subsidiaries	31	**—**	—	**38.3**	38.3
Investment in associate	12	**—**	9.1	**—**	—
Amount owed by a subsidiary company	21	**—**	—	**224.9**	161.8
Loans	13	**120.7**	108.8	**—**	—
Operating lease asset	24	**10.9**	5.9	**—**	—
Participation in export partnerships	14	**61.5**	67.8	**—**	—
Deferred tax	15	**143.6**	151.2	**—**	—
		4 295.3	3 772.8	**263.4**	200.3
Current assets					
Inventory	16	**3 101.4**	2 367.4	**—**	—
Trade and other receivables	29	**1 243.9**	943.7	**0.1**	0.3
Tax	5	**—**	—	**1.9**	2.6
Cash and cash equivalents		**663.2**	709.1	**—**	—
		5 008.5	4 020.2	**2.0**	2.9
Total assets		**9 303.8**	7 793.0	**265.4**	203.2
Equity and liabilities					
Capital and reserves					
Share capital	17	**6.3**	6.1	**6.3**	6.1
Share premium	18	**121.7**	26.0	**121.7**	26.0
Equity element of convertible debentures	19	**—**	16.0	**—**	16.0
Treasury shares	20	**(814.3)**	(630.2)	**—**	—
Share-based payment reserve	4	**113.2**	68.0	**—**	—
Accumulated profits		**1 594.6**	1 342.4	**135.6**	141.4
Foreign currency translation reserve		**412.2**	187.1	**—**	—
Total shareholders' equity		**1 433.7**	1 015.4	**263.6**	189.5
Non-current liabilities					
Long-term debt	22	**681.3**	181.8	**—**	—
Retirement scheme obligations	23	**49.0**	129.0	**—**	—
Operating lease liability	24	**626.9**	584.3	**—**	—
		1 357.2	895.1	**—**	—
Current liabilities					
Short-term debt	22	**36.4**	51.6	**—**	11.6
Trade and other payables	25	**6 209.2**	5 605.4	**1.8**	2.1
Tax	5	**267.3**	225.5	**—**	—
		6 512.9	5 882.5	**1.8**	13.7
Total equity and liabilities		**9 303.8**	7 793.0	**265.4**	203.2

Statements of Changes in Equity

for the year ended 29 February 2008

Pick n Pay Stores Limited and its subsidiaries

	Notes	Share capital Rm	Share premium Rm	Equity element of convertible debentures Rm	Treasury shares Rm	Share-based payment reserve Rm	Accumulated profits Rm	Valuation reserve Rm	Foreign currency translation reserve Rm	**Total Rm**
GROUP										
At 1 March 2006		6.1	26.0	16.0	(509.9)	38.8	1 248.1	8.2	21.6	**854.9**
Total recognised income and expense for the year							675.6	(8.2)	165.5	**832.9**
Profit for the year							675.6			**675.6**
Gains and losses recognised directly in equity:										
Change in fair value of listed investment transferred to the income statement								(8.2)		**(8.2)**
Foreign currency translation									165.5	**165.5**
Dividends paid	7						(523.8)			**(523.8)**
Share repurchases	20				(221.2)					**(221.2)**
Take-up of share options	20				100.9		(57.5)			**43.4**
Share options expense	4					29.2				**29.2**
At 28 February 2007		**6.1**	**26.0**	**16.0**	**(630.2)**	**68.0**	**1 342.4**	**—**	**187.1**	**1 015.4**
Total recognised income and expense for the year							936.8		225.1	**1 161.9**
Profit for the year							936.8			**936.8**
Gains and losses recognised directly in equity:										
Foreign currency translation									225.1	**225.1**
Dividends paid	7						(614.9)			**(614.9)**
Issue of share capital	17; 18; 19	0.2	95.7	(16.0)						**79.9**
Share repurchases	20				(299.6)					**(299.6)**
Take-up of share options	20				115.5		(69.7)			**45.8**
Share options expense	4					45.2				**45.2**
At 29 February 2008		**6.3**	**121.7**	**—**	**(814.3)**	**113.2**	**1 594.6**	**—**	**412.2**	**1 433.7**
COMPANY										
At 1 March 2006		6.1	26.0	16.0	—	—	143.5	—	—	**191.6**
Total recognised income and expense for the year										
– Profit for the year							569.1			**569.1**
Dividends paid	7						(571.2)			**(571.2)**
At 28 February 2007		**6.1**	**26.0**	**16.0**	**—**	**—**	**141.4**	**—**	**—**	**189.5**
Total recognised income and expense for the year										
– Profit for the year							666.8			**666.8**
Dividends paid	7						(672.6)			**(672.6)**
Issue of share capital	17; 18; 19	0.2	95.7	(16.0)						**79.9**
At 29 February 2008		**6.3**	**121.7**	**—**	**—**	**—**	**135.6**	**—**	**—**	**263.6**

Cash Flow Statements

for the year ended 29 February 2008

Pick n Pay Stores Limited and its subsidiaries

	Notes	GROUP 2008 Rm	GROUP 2007 Rm	COMPANY 2008 Rm	COMPANY 2007 Rm Restated
Cash flows from operating activities					
Trading profit/(loss)		**1 486.8**	1 271.4	**(2.0)**	(1.1)
Loss on sale of property, equipment and vehicles		**4.4**	17.0	**—**	—
Depreciation and amortisation	2	**548.2**	426.4	**—**	—
Share options expense	4	**45.2**	29.2	**—**	—
Net accrual for future lease expenditure	24	**37.6**	28.8	**—**	—
Increase/(decrease) in trade and other payables		**501.4**	868.1	**(0.3)**	0.3
Increase in inventory		**(734.0)**	(383.2)	**—**	—
(Increase)/decrease in trade and other receivables		**(293.9)**	(189.1)	**0.2**	(0.3)
Amounts (advanced to)/received from a subsidiary company	21	**—**	—	**(63.1)**	13.6
Cash generated by/(utilised in) trading activities		**1 595.7**	2 068.6	**(65.2)**	12.5
Interest received		**48.9**	41.6	**1.3**	3.2
Interest paid		**(79.2)**	(49.3)	**(1.6)**	(3.2)
Cash generated by/(utilised in) operations		**1 565.4**	2 060.9	**(65.5)**	12.5
Dividends received		**—**	—	**671.0**	570.2
Dividends paid	7	**(614.9)**	(523.8)	**(672.6)**	(571.2)
Tax paid	5	**(504.7)**	(449.9)	**(1.2)**	(1.8)
Net cash from/(used in) operating activities		**445.8**	1 087.2	**(68.3)**	9.7
Cash flows from investing activities					
Acquisition of stores	8	**—**	(2.2)	**—**	—
Intangible asset additions	9	**(163.0)**	(79.8)	**—**	—
Property additions	10	**(107.5)**	(280.3)	**—**	—
Proceeds on disposal of stores		**50.6**	29.2	**—**	—
Equipment and vehicle additions	10	**(559.8)**	(743.3)	**—**	—
Leased equipment and vehicle additions	10	**(30.9)**	(23.4)	**—**	—
Proceeds on sale of investments		**—**	9.1	**—**	—
Loans advanced		**(11.9)**	(12.1)	**—**	—
Net cash used in investing activities		**(822.5)**	(1 102.8)	**—**	—
Cash flows from financing activities					
Debt raised/(repaid)		**484.2**	(38.9)	**(11.6)**	(9.7)
Issue of shares		**79.9**	—	**79.9**	—
Share repurchases	20	**(299.6)**	(221.2)	**—**	—
Proceeds from employees on take-up of share options		**45.8**	43.4	**—**	—
Net cash from/(used in) financing activities		**310.3**	(216.7)	**68.3**	(9.7)
Net decrease in cash and cash equivalents		**(66.4)**	(232.3)	**—**	—
Cash and cash equivalents at 1 March		**709.1**	944.6	**—**	—
Effect of exchange rate fluctuations on cash and cash equivalents		**20.5**	(3.2)	**—**	—
Cash and cash equivalents at 29 February		**663.2**	709.1	**—**	—

Accounting Policies

Pick n Pay Stores Limited and its subsidiaries

Pick n Pay Stores Limited is domiciled in South Africa. The consolidated financial statements of the Company for the year ended 29 February 2008 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 5 May 2008.

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

They are prepared on the historical cost basis.

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 consolidated and separate financial statements have been prepared in accordance with IFRS and its interpretations adopted by the International Accounting Standards Board (IASB).

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of 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 most 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 – measurement of the recoverable amounts of cash-generating units containing goodwill

Note 10 – estimates of useful lives of property, equipment and vehicles

Note 23 – measurement of defined benefit obligations

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

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 an investee enterprise 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.

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

Pick n Pay Stores Limited and its subsidiaries

Investment in associates *(continued)*

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 purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is stated at cost less any accumulated impairment losses. For the purposes of annual impairment testing, goodwill is allocated to the Group's subsidiaries (cash-generating units) which represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

The underlying key assumptions of the tests of impairment include, but are not limited to, profit and cash flow forecasts and multiples of weekly turnover. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate. Negative goodwill arising on an acquisition is charged directly to the income statement.

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. Other development expenditure is recognised in the income statement when incurred.

Intangible assets acquired and subsequent expenditure

Intangible assets that are acquired by the Group are stated at cost 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 trademarks or brand names. Expenditure incurred to maintain trademarks or brand names is expensed in full in the income statement.

Amortisation

Intangible assets are amortised over their anticipated useful lives from the date that the assets are available for use.

The current estimated useful life of development costs in respect of SAP software is seven years.

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

PROPERTY, EQUIPMENT AND VEHICLES

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

Equipment and vehicles 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.

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 the income statement as an expense as incurred.

Depreciation is recognised in the income statement 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 or 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
Major aircraft components	7 to 20 years
Equipment and vehicles – owned	5 to 10 years
Equipment and vehicles – leased	4 to 5 years
Computers and accessories	2 to 7 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 the income statement.

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 income on a straight-line basis over the term of the relevant lease.

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 specific asset, the arrangement is treated as a lease. Recognition criteria in terms of IAS 17: Leases are applied to determine whether the arrangement should be treated as a finance lease or an operating lease.

Pick n Pay Stores Limited and its subsidiaries

INVENTORY

Inventory comprises merchandise for resale and consumables. Inventory is measured at the lower of cost and net realisable value. Cost is calculated on a first-in first-out basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition and is stated net of relevant purchase incentives. The cost of merchandise sold includes shrinkage, waste and other inventory losses. 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 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. Provisions are reviewed at each balance sheet 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 as defined in IFRS 4: 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 balance sheet 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 expected contractual cash flows and compares this amount to the carrying value of the liability. Where a shortfall is identified, an additional provision is made.

FINANCIAL INSTRUMENTS

Non-derivative financial instruments comprise cash and cash equivalents, investments, trade receivables and 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 recognised initially at fair value. For instruments not at fair value through the income statement, 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 fair value. 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

Investments are classified as available-for-sale assets. 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 balance sheet 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 less impairment losses.

Participation in export partnerships

Participation in export partnerships is a financial asset that is best classified as receivables originated by the Group and was initially measured at the fair value of the consideration given. Subsequent to initial measurement, the participation in export partnerships is measured at amortised cost using the effective interest rate method. All gains and losses on subsequent measurement are recognised in the income statement.

Trade and other payables

Trade and other payables are recognised at amortised cost.

Interest-bearing debt

Interest-bearing debt is carried at amortised cost. Convertible debentures, that can be converted to share capital where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments. The equity element of convertible debentures, shown as a reserve in equity, is calculated as the excess of the issue proceeds over the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The interest expense recognised in the income statement is calculated using the effective interest rate method.

IMPAIRMENT OF ASSETS

Financial assets

The carrying amounts of 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.

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. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Impairment losses are recognised in the income statement. 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 the income statement. The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in the income statement.

Non-financial assets

The carrying amounts of 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 balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units (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 cash-generating unit 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 cash-generating unit 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

Pick n Pay Stores Limited and its subsidiaries

Reversals of impairment *(continued)*

financial assets that are debt securities, the reversal is recognised in the income statement. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

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

SHARE CAPITAL

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

TREASURY SHARES

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

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

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

TURNOVER

Turnover comprises retail sales to consumers and merchandise purchased by 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 any profits or losses on the sale of investments and stores.

OPERATING PROFIT

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

REVENUE RECOGNITION

Turnover

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Interest income

Interest income is recognised on a time basis, 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/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 are recognised as incurred as an expense in the income statement and are accrued on a time basis by reference to the principal amounts outstanding and at the interest rate applicable.

TAX

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised 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 balance sheet date and any adjustment of tax payable for previous years.

Deferred tax

Deferred tax is recognised using the balance sheet method, providing for 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 balance sheet date.

Deferred tax is charged to the income statement, except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition. The effect on deferred tax of any changes in tax rates is recognised in the income statement, 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 balance sheet date and are expensed 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. To the extent that it is probable that STC credits will be utilised, a deferred tax asset is raised.

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 the income statement on settlement date or balance sheet date, whichever is the earlier.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet 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.

The net effect of unrealised exchange rate differences is recognised in the income statement in the period in which they occur, except for differences arising on the translation of available-for-sale equity instruments, which are recognised directly in equity.

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 balance sheet 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 taken directly to equity and shown separately in a foreign currency translation reserve.

TM Supermarkets (Pvt) Limited is operating in a hyper-inflationary economy in Zimbabwe. Prior to translating and equity accounting the financial statements of this associate, the financial statements are restated to account for changes

Pick n Pay Stores Limited and its subsidiaries

Foreign operations *(continued)*

in the general purchasing power of the Zimbabwean Dollar. The restatement is based on relevant price indices at the balance sheet date.

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 sick leave represent the amount which the Group has a present obligation to pay as a result of employee services provided to the balance sheet date.

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

Obligations for contributions to defined contribution retirement plans are recognised as an expense in the income statement as incurred.

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.

Defined benefit plans

The Group's net obligation in respect of the defined benefit element 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 the income statement 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 the income statement.

Actuarial gains and losses are recognised in the income statement 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. 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 convertible notes and share options granted to employees.

SEGMENTAL REPORTING

A segment is a distinguishable component of the Group that is engaged in providing related products (business segment), or in providing products within a particular economic environment (geographic segment), which is subject to risks and rewards that are different from those other segments. The Group's primary format for segment reporting is based on geographic segments.

Notes to the Annual Financial Statements

for the year ended 29 February 2008

Pick n Pay Stores Limited and its subsidiaries

	GROUP 2008 Rm	GROUP 2007 Rm	COMPANY 2008 Rm	COMPANY 2007 Rm
1. REVENUE				
Revenue comprises:				
Turnover	**45 380.7**	39 337.1	**—**	—
Interest received	**48.9**	41.6	**1.3**	3.2
Dividends received	**—**	—	**671.0**	570.2
Other trading income	**2 036.9**	1 749.4	**—**	0.1
Incentive fee income*	**1 879.0**	1 625.5	**—**	—
Franchise fee income	**120.6**	94.6	**—**	—
Property lease income	**37.3**	29.3	**—**	—
Administration fee income	**—**	—	**—**	0.1
	47 466.5	41 128.1	**672.3**	573.5
*Incentive fee income is income received from suppliers in respect of the advertising and promoting of merchandise.				
2. TRADING PROFIT				
Trading profit is stated after taking into account the following expenses:				
Auditors' remuneration	**8.9**	9.1		
Audit	**6.9**	7.6		
Other	**2.0**	1.5		
Amortisation of intangible assets (note 9)	**32.7**	7.8		
Depreciation (note 10)	**515.5**	418.6		
Property	**23.8**	11.9		
Equipment and vehicles – owned	**466.7**	384.9		
Equipment and vehicles – leased	**25.0**	21.8		
Operating lease charges	**833.0**	706.2		
Property – minimum lease payments	**809.9**	688.6		
– turnover clause payments	**23.1**	17.6		
Operating lease charges				
Leases contained within service agreements	**54.5**	54.4		
Contributions to defined contribution plans (note 23)	**217.3**	205.4		

Pick n Pay Stores Limited and its subsidiaries

3. DIRECTORS' REMUNERATION AND INTEREST IN SHARES

3.1 Directors' remuneration

GROUP

Directors' remuneration was paid by a subsidiary company.

	Fees for board meetings R'000	Fees for committee and other work R'000	Remune-ration R'000	Retirement and medical contri-butions R'000	Perfor-mance bonus* R'000	Fringe and other benefits R'000	Total R'000	IFRS 2: expense relating to share options granted R'000
2008								
Non-executive directors								
Gareth Ackerman**	**240.0**	**330.0**					**570.0**	
René de Wet**	**240.0**	**190.0**					**430.0**	
Hugh Herman**	**240.0**	**190.0**					**430.0**	
Constance Nkosi	**240.0**	**50.0**					**290.0**	
David Nurek	**240.0**	**320.0**					**560.0**	
Ben van der Ross	**240.0**	**140.0**					**380.0**	
Jeff van Rooyen	**240.0**	**200.0**					**440.0**	
	1 680.0	**1 420.0**	**—**	**—**	**—**	**—**	**3 100.0**	**—**
Executive directors								
Raymond Ackerman**	**1.5**	**—**	**2 655.5**	**27.8**	**—**	**235.2**	**2 920.0**	**—**
Wendy Ackerman**	**1.5**	**—**	**557.6**	**—**	**150.0**	**102.1**	**811.2**	**—**
Nick Badminton	**1.5**	**—**	**2 670.0**	**572.7**	**300.0**	**278.1**	**3 822.3**	**3 293.0**
Dennis Cope	**1.5**	**—**	**1 522.5**	**351.8**	**250.0**	**214.1**	**2 339.9**	**763.7**
David Robins	**1.5**	**—**	**1 416.0**	**334.3**	**240.0**	**211.3**	**2 203.1**	**560.5**
	7.5	**—**	**8 821.6**	**1 286.6**	**940.0**	**1 040.8**	**12 096.5**	**4 617.2**
Total remuneration	**1 687.5**	**1 420.0**	**8 821.6**	**1 286.6**	**940.0**	**1 040.8**	**15 196.5**	**4 617.2**
2007								
Non-executive directors								
Gareth Ackerman**	240.0	240.0					480.0	
René de Wet**	240.0	180.0					420.0	
Hugh Herman**	240.0	100.0					340.0	
Colin Hultzer**	240.0	330.0					570.0	
Constance Nkosi	240.0	40.0					280.0	
David Nurek	240.0	220.0					460.0	
Ben van der Ross	240.0	60.0					300.0	
	1 680.0	1 170.0	—	—	—	—	2 850.0	—
Executive directors								
Raymond Ackerman**	1.5	—	2 490.0	25.9	2 500.0	248.8	5 266.2	—
Wendy Ackerman**	1.5	—	522.9	—	700.0	111.0	1 335.4	—
Dennis Cope	1.5	—	1 429.5	332.1	2 000.0	191.6	3 954.7	829.1
David Robins	1.5	—	1 329.0	313.4	1 200.0	234.2	3 078.1	624.9
Sean Summers***	1.5	—	3 304.2	720.8	—	5 822.0	9 848.5	768.1
	7.5	—	9 075.6	1 392.2	6 400.0	6 607.6	23 482.9	2 222.1
Total remuneration	1 687.5	1 170.0	9 075.6	1 392.2	6 400.0	6 607.6	26 332.9	2 222.1

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

**Also directors of Pick n Pay Holdings Limited.

***Fringe benefits include an amount of R5.4 million in respect of early retirement.

Pick n Pay Stores Limited and its subsidiaries

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

3.2 Share options held by directors

1997 Share Option Scheme

	Year granted	Option grant (strike) price R	Balance held at 1 March 2007	Granted during the year	Taken up in year at grant price	Forfeited during the year	**Balance held at 29 February 2008**	Value of options exercised* Rm	Available for take-up
Nick Badminton	2002	10.00	100 000		(100 000)		**—**	2.6	—
	2002	10.00	100 000				**100 000**		Now
	2002	10.00	100 000				**100 000**		May 2009
	2004	16.00	75 000				**75 000**		Now
	2005	20.70	40 257				**40 257**		Now
	2005	20.70	40 258				**40 258**		Now
	2005	20.70	40 258				**40 258**		May 2008
	2005	22.30	500 000**				**500 000**		June 2010
	2006	28.00	32 143				**32 143**		April 2008
	2006	28.00	24 107				**24 107**		April 2009
	2006	28.00	24 107				**24 107**		April 2010
	2007	29.95	200 000				**200 000**		Jan 2010
	2007	29.95	150 000				**150 000**		Jan 2012
	2007	29.95	150 000				**150 000**		Jan 2014
	2007	29.95	500 000**				**500 000**		Jan 2012
	2007	31.15		32 103			**32 103**		April 2009
	2007	31.15		24 077			**24 077**		April 2010
	2007	31.15		24 077			**24 077**		April 2011
			2 076 130	80 257	(100 000)	—	**2 056 387**	2.6	
Dennis Cope	2003	12.00	30 000				**30 000**		Now
	2003	12.00	22 500				**22 500**		Now
	2003	12.00	97 500		(75 000)		**22 500**	1.9	Now
	2003	12.00	75 000				**75 000**		April 2008
	2003	12.00	100 000				**100 000**		April 2010
	2004	16.00	16 250				**16 250**		Now
	2004	16.00	12 188				**12 188**		Now
	2004	16.00	12 187				**12 187**		Now
	2005	20.70	16 103				**16 103**		Now
	2005	20.70	16 103				**16 103**		Now
	2005	20.70	16 103				**16 103**		May 2008
	2005	22.30	250 000**				**250 000**		June 2010
	2006	28.00	12 857				**12 857**		April 2008
	2006	28.00	9 643				**9 643**		April 2009
	2006	28.00	9 643				**9 643**		April 2010
	2007	31.15		12 841			**12 841**		April 2009
	2007	31.15		9 631			**9 631**		April 2010
	2007	31.15		9 631			**9 631**		April 2011
			696 077	32 103	(75 000)	—	**653 180**	1.9	

*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.

Pick n Pay Stores Limited and its subsidiaries

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

3.2 Share options held by directors

1997 Share Option Scheme *(continued)*

	Year granted	Option grant (strike) price R	Balance held at 1 March 2007	Granted during the year	Taken up in year at grant price	Forfeited during the year	**Balance held at 29 February 2008**	Available for take-up
David Robins	2003	12.00	16 667				**16 667**	Now
	2003	12.00	12 500				**12 500**	Now
	2003	12.00	12 500				**12 500**	Now
	2004	16.00	10 000				**10 000**	Now
	2004	16.00	7 500				**7 500**	Now
	2004	16.00	7 500				**7 500**	Now
	2005	20.70	9 662				**9 662**	Now
	2005	20.70	9 662				**9 662**	Now
	2005	20.70	9 662				**9 662**	May 2008
	2005	22.30	200 000*				**200 000**	June 2010
	2006	28.00	7 857				**7 857**	April 2008
	2006	28.00	5 893				**5 893**	April 2009
	2006	28.00	5 893				**5 893**	April 2010
	2007	31.15		7 705			**7 705**	April 2009
	2007	31.15		5 778			**5 778**	April 2010
	2007	31.15		5 779			**5 779**	April 2011
			315 296	19 262	—	—	**334 558**	

*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.

For directors' share options in Pick n Pay Holdings Limited refer to page 102.

3.3 1997 Executive Share Incentive Scheme*

GROUP

	Balance held at 1 March 2007	Average purchase price per share R	Shares granted during the year	Purchase price per share	Taken up in year at grant price	**Number of shares at 29 February 2008**	Value of shares purchased** Rm
Nick Badminton	1 112 012	9.57	—	—	(1 112 012)	**—**	30.4
Dennis Cope	1 112 013	5.67	—	—	(1 112 013)	**—**	34.7
David Robins	333 604	6.35	—	—	(333 604)	**—**	10.4

*Granted on 31 December 1997 (not accounted for as a share-based payment).

**The value of shares purchased is equal to the market value of the shares on the date of purchase less the purchase price of those shares.

Pick n Pay Stores Limited and its subsidiaries

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

3.4 Directors' direct interest in shares – all held beneficially

	Balance held at 1 March 2007	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 2008**
Gareth Ackerman	43	—	—	—	—	**43**
Raymond Ackerman	43	—	—	—	—	**43**
Wendy Ackerman	43	—	—	—	—	**43**
Nick Badminton	—	1 212 012	9.60	(333 604)*	35.23	**878 408**
Dennis Cope	200 071	1 187 013	6.07	(558 604)*	35.23	**828 480**
David Robins	—	333 604	6.35	—	—	**333 604**

*Proceeds from the sale of these shares were utilised to pay for the purchase of shares committed under the 10-year Executive Share Incentive Scheme (including financing costs) which became due on 31 December 2007. Refer to note 3.3.

Except for the indirect interest in the shares of the Company through Pick n Pay Holdings Limited (see page 103) no other directors have either a direct beneficial or non-beneficial interest in the shares of the Company.

4. SHARE-BASED PAYMENTS

The Group operates the 1997 Employee Share Option Scheme ("the Scheme") in order to facilitate broad-based employee share ownership and to foster trust and loyalty amongst employees. 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 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 a 10% discount to the volume-weighted average market price (VWAP) for the 20 trading days preceding the option grant date.

All vested share options have to be exercised, paid for 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.

Status Share Options – are granted to employees who attain floor manager status and further options are granted at each promotion to higher levels of management.

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

40% after 3 years

30% after 5 years

30% after 7 years

Further share allocations are also made for the retention of key executives, with longer vesting dates of up to ten years.

Executive Share Options – are granted to senior executives. These five-year 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.

Pick n Pay Stores Limited and its subsidiaries

		GROUP	
		2008 Number of options 000's	2007 Number of options 000's
4.	**SHARE-BASED PAYMENTS** *(continued)*		
	Outstanding share options		
	Movement in the total number of share options granted is as follows:		
	At 1 March	**29 478.4**	27 963.2
	New options granted*	**7 201.7**	5 866.5
	Options taken up**	**(3 042.8)**	(2 703.3)
	Options forfeited	**(745.8)**	(1 648.0)
	At 29 February	**32 891.5**	29 478.4
	Percentage of issued shares	**6.5%**	6.1%
	Options available for granting under current authorisation	**34 424.3**	35 177.4
	*Average grant price of options granted during the year	**R30.96**	R27.79
	**Average grant price of options taken up during the year	**R10.85**	R10.50
	Outstanding options may be taken up during the following financial years:		
	Year — **Average grant price**		
	2009 — R16.08	**11 630.3**	
	2010 — R24.00	**13 184.5**	
	2011 — R26.38	**1 736.9**	
	2012 — R29.50	**3 139.4**	
	2013 and thereafter — R30.04	**3 200.4**	
		32 891.5	

For the movement in the number of Pick n Pay Holdings Limited (PIKWIK) share options granted, please refer to note 6 of the Pick n Pay Holdings Limited financial statements on page 106.

For details of share options held by directors refer to note 3.

	2008 Number of shares 000's	2007 Number of shares 000's
The Employee Share Purchase Trust, which administers the 1997 Employee Share Option Scheme, holds the following number of ordinary shares:		
As a hedge against share options granted or to be granted by that Scheme, reflected as treasury shares	**9 723.7**	4 401.6
On behalf of share purchase scheme participants	**223.4**	252.9
	9 947.1	4 654.5

4. SHARE-BASED PAYMENTS *(continued)*

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 the income statement 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	PIKWIK	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	PIKWIK	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	PIKWIK	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

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.

Share-based payment reserve	GROUP 2008 Rm	GROUP 2007 Rm
The movement in the share-based payment reserve is as follows:		
At 1 March	**68.0**	38.8
Share options expense for the year	**45.2**	29.2
At 29 February	**113.2**	68.0

Pick n Pay Stores Limited and its subsidiaries

	GROUP		COMPANY	
	2008 Rm	2007 Rm	**2008 Rm**	2007 Rm
5. TAX				
Tax comprises:				
South African normal tax				
– current year	**471.9**	393.0	**—**	—
– prior year underprovision	**1.9**	—	**1.9**	—
Deferred tax (note 15)				
– current year	**11.1**	71.3	**—**	—
Secondary tax on companies				
– current	**72.7**	46.1	**—**	—
– deferred (note 15)	**—**	19.3	**—**	—
Total tax charge	**557.6**	529.7	**1.9**	—
	%	%	**%**	%
Statutory tax rate	**29.0**	29.0	**29.0**	29.0
Exempt income	**(1.4)**	(0.3)	**(29.1)**	(29.1)
Secondary tax on companies	**4.9**	5.4	**—**	—
Non-deductible share options expense	**0.9**	0.7	**—**	—
Other non-deductible expenditure	**0.8**	1.1	**0.1**	0.1
Share of associate's profit	**—**	(0.6)	**—**	—
Impairment of investment	**0.2**	1.5	**—**	—
Impairment of goodwill	**—**	0.9	**—**	—
Reversal of previously recognised deferred tax asset	**—**	3.8	**—**	—
Tax losses not utilised	**1.6**	2.1	**—**	—
Change in future tax rate	**0.3**	—	**—**	—
Net prior year underprovisions	**0.1**	—	**0.3**	—
Other	**0.9**	0.3	**—**	—
Effective tax rate	**37.3**	43.9	**0.3**	—
	Rm	Rm	**Rm**	Rm
Tax paid comprises:				
Owing to/(due from) – 1 March	**225.5**	236.3	**(2.6)**	(0.8)
Current tax charge	**473.8**	393.0	**1.9**	—
Secondary Tax on Companies	**72.7**	46.1	**—**	—
(Owing to)/due from – 29 February	**(267.3)**	(225.5)	**1.9**	2.6
Total tax paid	**504.7**	449.9	**1.2**	1.8

Pick n Pay Stores Limited and its subsidiaries

	GROUP 2008 Cents per share	GROUP 2007 Cents per share
6. BASIC, HEADLINE AND DILUTED EARNINGS PER SHARE		
Basic (note 6.1)	**206.19**	148.13
Headline – before deferred tax asset reversal (note 6.1)	**198.82**	180.55*
Headline (note 6.1)	**198.82**	170.38
Diluted basic (note 6.2)	**196.47**	139.86
Diluted headline (note 6.2)	**189.45**	160.79

*As the reversal of the deferred tax asset did not arise from trading activity the Group considered a headline earnings calculation excluding this charge to more fairly reflect its result for that year.

6.1 BASIC AND HEADLINE EARNINGS PER SHARE	**Rm**	Rm
The calculation of basic earnings (profit for the year) per share and headline earnings per share is based on:		
Basic earnings (profit for the year)	**936.8**	675.6
Headline earnings before deferred tax reversal	**903.3**	823.5
Headline earnings	**903.3**	777.1
and:	**Number of shares 000's**	Number of shares 000's
The weighted average number of ordinary shares in issue during the year:	**454 369.2**	456 137.4
Reconciliation between basic and headline earnings:	**Rm**	Rm
Basic earnings (profit for the year)	**936.8**	675.6
Adjustments:	**(33.5)**	101.5
Loss on sale of property, equipment and vehicles	**4.4**	17.0
Profit on sale of stores	**(47.0)**	(7.6)
Impairment of investment in associate	**9.1**	64.0
Impairment of Score goodwill	**—**	36.3
Profit on sale of investments	**—**	(8.2)
Headline earnings	**903.3**	777.1
Reversal of deferred tax asset	**—**	46.4
Headline earnings before deferred tax reversal	**903.3**	823.5
	Number of shares 000's	Number of shares 000's
Movement in the weighted average number of ordinary shares in issue comprises:		
At 1 March	**456 137.4**	461 072.2
Effect of current year share issue	**3 287.7**	—
Effect of current year net share repurchases by a subsidiary company	**(4 914.2)**	(4 128.9)
Prior year share repurchases now fully weighted	**(1 356.4)**	(971.9)
Prior year sale of treasury shares by the share trust, now fully weighted	**1 214.7**	166.0
At 29 February	**454 369.2**	456 137.4

Pick n Pay Stores Limited and its subsidiaries

	GROUP 2008 Rm	GROUP 2007 Rm
6. BASIC, HEADLINE AND DILUTED EARNINGS PER SHARE *(continued)*		
6.2 DILUTED BASIC AND HEADLINE EARNINGS PER SHARE		
The calculation of diluted basic earnings per share and diluted headline earnings per share is based on:		
Diluted basic earnings	**937.8**	677.9
Diluted headline earnings	**904.3**	779.4
	Number of shares 000's	Number of shares 000's
and:		
The diluted weighted average number of ordinary shares in issue during the year:	**477 305.8**	484 717.2
	Rm	Rm
Reconciliation between basic and diluted basic earnings:		
Basic earnings (profit for the year)	**936.8**	675.6
Debenture interest after tax	**1.0**	2.3
Diluted basic earnings	**937.8**	677.9
Headline earnings adjustments (note 6.1)	**(33.5)**	101.5
Diluted headline earnings	**904.3**	779.4
	No. of shares 000's	No. of shares 000's
Reconciliation of the weighted average number of ordinary shares in issue for diluted earnings per share:		
Weighted average number of ordinary shares in issue (note 6.1)	**454 369.2**	456 137.4
Shares issued/to be issued on conversion of debentures	**16 712.3**	20 000.0
Dilutive effect of share options	**6 224.3**	8 579.8
Weighted average number of ordinary shares in issue for purposes of calculating diluted earnings per share	**477 305.8**	484 717.2

Refer to note 17 for the number of shares in issue.

	GROUP AND COMPANY 2008 Cents per share	GROUP AND COMPANY 2007 Cents per share
7. DIVIDENDS		
Number 78 – declared 23 April 2007 – paid 11 June 2007	**107.25**	90.50
Number 79 – declared 15 October 2007 – paid 18 December 2007	**31.10**	27.00
Total dividends for the year	**138.35**	117.50
	Rm	Rm
Total value of dividends paid by the Company	**672.6**	571.2
Dividends paid to Group entities	**(57.7)**	(47.4)
Total value of dividends paid by the Group	**614.9**	523.8

For further details, including dividends declared after 29 February 2008, refer to the directors' report on page 45 and shareholders' information on page 40.

Pick n Pay Stores Limited and its subsidiaries

	GROUP 2008 Rm	GROUP 2007 Rm
8. GOODWILL		
At 1 March	**714.3**	634.9
Acquisition of stores	**—**	2.2
Foreign currency translation	**143.2**	113.5
	857.5	750.6
Impairment – Score Supermarkets Operating Limited Group	**—**	(36.3)
Carrying value at 29 February	**857.5**	714.3
Comprising:		
Boxer group	**137.1**	137.1
Franklins group	**720.4**	577.2

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 as subsidiaries.

The recoverable amount of the Boxer group was based on the value in use.

The recoverable amount of the Franklins group was based on fair value less costs to sell.

No impairment in goodwill was identified.

In 2007, the tests performed identified an impairment in the goodwill carried in respect of the Score group, which was written down to a carrying value of Rnil.

	GROUP 2008 Rm	GROUP 2007 Rm
9. INTANGIBLE ASSETS		
Software development		
Cost		
At 1 March	**204.0**	115.4
Additions	**163.0**	79.8
Foreign currency translation	**13.5**	8.8
At 29 February	**380.5**	204.0
Accumulated amortisation		
At 1 March	**13.7**	4.5
Amortisation charge for the year	**32.7**	7.8
Foreign currency translation	**4.3**	1.4
At 29 February	**50.7**	13.7
Carrying value at 29 February	**329.8**	190.3

Pick n Pay Stores Limited and its subsidiaries

	GROUP			
	Property owned Rm	Equipment and vehicles owned* Rm	Equipment and vehicles leased** Rm	**Total 2008 Rm**
10. PROPERTY, EQUIPMENT AND VEHICLES				
2008				
Cost				
At 1 March 2007	817.8	3 653.4	170.7	**4 641.9**
Additions	107.5	559.8	30.9	**698.2**
Disposals	—	(98.5)	(15.7)	**(114.2)**
Foreign currency translation	12.7	114.0	10.0	**136.7**
At 29 February 2008	**938.0**	**4 228.7**	**195.9**	**5 362.6**
Accumulated depreciation				
At 1 March 2007	65.6	2 006.6	44.5	**2 116.7**
Disposals	—	(90.4)	(15.7)	**(106.1)**
Depreciation charge for the year	23.8	466.7	25.0	**515.5**
Foreign currency translation	—	59.9	5.5	**65.4**
At 29 February 2008	**89.4**	**2 442.8**	**59.3**	**2 591.5**
Carrying value at 29 February 2008	**848.6**	**1 785.9**	**136.6**	**2 771.1**
Directors' valuation of property at 29 February 2008	**1 230.6**			

	GROUP			
	Property owned Rm	Equipment and vehicles owned* Rm	Equipment and vehicles leased** Rm	**Total 2007 Rm**
2007				
Cost				
At 1 March 2006	552.7	2 994.8	139.7	**3 687.2**
Additions	280.3	743.3	23.4	**1 047.0**
Disposals	(29.2)	(161.4)	—	**(190.6)**
Foreign currency translation	14.0	76.7	7.6	**98.3**
At 28 February 2007	817.8	3 653.4	170.7	**4 641.9**
Accumulated depreciation				
At 1 March 2006	53.7	1 738.5	21.3	**1 813.5**
Disposals	—	(152.0)	—	**(152.0)**
Depreciation charge for the year	11.9	384.9	21.8	**418.6**
Foreign currency translation	—	35.2	1.4	**36.6**
At 28 February 2007	65.6	2 006.6	44.5	**2 116.7**
Carrying value at 28 February 2007	752.2	1 646.8	126.2	**2 525.2**
Directors' valuation of property at 28 February 2007	1 077.9			

Property with a carrying value of R595.0 million (directors' valuation – R700.3 million) is provided as security for long-term borrowings (refer to note 22).

Registers of all properties containing statutory information are available for inspection at the registered office of the Company.

*Equipment and vehicles include fixtures, store automation delivery vehicles and aircraft.
**Leased equipment and vehicles secure lease liabilities disclosed in note 22.

Pick n Pay Stores Limited and its subsidiaries

	GROUP 2008 Rm	GROUP 2007 Rm	COMPANY 2008 Rm	COMPANY 2007 Rm
11. INVESTMENTS				
Reconciliation of carrying amounts of listed shares:				
At 1 March	—	9.1		
Sale of Prism Holdings Limited	—	(8.7)		
Sale of Mobile Industries Limited	—	(0.4)		
At 29 February	—	—	—	—
Unlisted shares at fair value				
Business Partners Limited	**0.2**	0.2	**0.2**	0.2
Total investments at 29 February	**0.2**	0.2	**0.2**	0.2
Directors' valuation of unlisted investments	**1.4**	0.2	**1.4**	0.2

	Country	Ownership	Ownership
12. INVESTMENT IN ASSOCIATE			
The Group has the following investment in an associate:			
TM Supermarkets (Pvt) Limited	Zimbabwe	**25%**	25%
		Rm	Rm
At 1 March		**9.1**	47.0
Current share of profit		—	26.1
Impairment recognised		**(9.1)**	(64.0)
At 29 February		—	9.1
Comprising:			
Cost of investment		**5.0**	5.0
Share of post-acquisition profits		**68.1**	68.1
Impairment recognised		**(73.1)**	(64.0)
Summary hyperinflated financial information of TM Supermarkets (Pvt) Limited – translated at a closing rate of Z$3 million to R1:		**100%**	100%
		Rm	Rm
Assets		**49.3**	53.9
Liabilities		**31.7**	34.1
Equity		**17.6**	19.8
Turnover		**285.8**	216.3
Profit for the year		**0.4**	7.9

An impairment review has been performed on the value of the Group's investment in TM Supermarkets (Pvt) Limited. Due to the uncertain economic and social climate in Zimbabwe, we have written down the investment by R9.1 million, to a carrying value of Rnil. We continue to be unable to remit any dividends from Zimbabwe due to the lack of available foreign exchange.

Pick n Pay Stores Limited and its subsidiaries

	GROUP 2008 Rm	2007 Rm
13. LOANS		
The following loans have been advanced by subsidiary companies:		
Employees		
Executive directors		
At 1 March	**0.8**	1.3
Advanced	**0.6**	—
Repaid	**(0.2)**	(0.5)
At 29 February	**1.2**	0.8
Other employees	**119.1**	105.0
Loans to participants of the share purchase scheme	**1.3**	2.7
Total employee loans	**121.6**	108.5
Trading loans	**—**	0.6
Holding company loan	**(0.9)**	(0.3)
Total loans at 29 February	**120.7**	108.8

Loans to directors and employees are secured, bear interest at varying rates subject to a maximum rate of 8% (2007: 8%) per annum and have varying repayment terms. Loans to employees from the Employee Share Purchase Trust are payable within ten years from the date of advance.

In the prior year, a loan of R260.7 million between the Company and a subsidiary company, Pick n Pay Retailers (Pty) Limited, was incorrectly disclosed as a loan to the Employee Share Purchase Trust. This has been corrected and the loan is now disclosed under note 21 – "Amount owed by a subsidiary company".

	GROUP 2008 Rm	2007 Rm
14. PARTICIPATION IN EXPORT PARTNERSHIPS		
A subsidiary company 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.	**61.5**	67.8

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

For fair presentation 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 income statement of the Group.

Pick n Pay Stores Limited and its subsidiaries

	GROUP	
	2008 Rm	2007 Rm
15. DEFERRED TAX		
The movement in deferred tax is as follows:		
At 1 March	**151.2**	238.3
Recognised in the income statement	**(11.1)**	(71.3)
Export partnerships	**4.7**	4.9
Property, equipment and vehicles	**(2.3)**	(8.0)
Operating leases	**7.6**	6.5
Retirement benefits	**(23.2)**	(19.1)
Prepayments	**10.0**	(1.2)
Allowance for impairment losses	**(3.8)**	0.2
Income and expense accruals	**0.3**	(8.2)
Reversal of a deferred tax asset – Score Supermarkets	**—**	(46.4)
Effect of change in tax rate	**(4.4)**	—
Secondary tax on companies	**—**	(19.3)
Recognised in equity		
Foreign currency translation	**3.5**	3.5
At 29 February	**143.6**	151.2
Comprising:		
Export partnerships	**(63.7)**	(70.7)
Property, equipment and vehicles	**(20.8)**	(19.2)
Operating leases	**149.6**	147.4
Retirement benefits	**13.7**	37.4
Prepayments	**(4.8)**	(15.0)
Allowance for impairment losses	**1.6**	5.4
Income and expense accruals	**68.0**	65.9
Total deferred tax asset	**143.6**	151.2
In respect of Score Supermarkets Operating Limited Group and Interfrank Group Holdings Pty Limited (Franklins) in Australia, there are approximately R133.2 million and R512.5 million respectively, of computed tax losses available for set-off against future taxable income, for which no deferred tax assets have been raised.		
16. INVENTORY		
Inventory comprises:		
Merchandise for resale	**3 091.6**	2 351.2
Consumables	**9.8**	16.2
	3 101.4	2 367.4

Pick n Pay Stores Limited and its subsidiaries

	GROUP AND COMPANY 2008 Rm	2007 Rm
17. SHARE CAPITAL		
Authorised		
800 000 000 ordinary shares of 1.25 cents each	**10.0**	10.0
Issued		
506 133 882 ordinary shares of 1.25 cents each (2007: 486 133 882 ordinary shares of 1.25 cents each)	**6.3**	6.1
The movement in the number of shares in issue during the year is as follows:	**Number of shares 000's**	Number of shares 000's
At 1 March	**486 133.8**	486 133.8
Shares issued on conversion of debentures (refer to note 19)	**20 000.0**	—
At 29 February	**506 133.8**	486 133.8
Number of shares in issue at 29 February is made up as follows:		
Treasury shares held in the share trust (note 20)	**9 723.7**	4 401.6
Treasury shares held in a subsidiary company (note 20)	**25 736.6**	25 736.6
	35 460.3	30 138.2
Shares held outside the Group	**470 673.5**	455 995.6
At 29 February	**506 133.8**	486 133.8

88 million of the unissued shares remain under the control of the directors until the next annual general meeting.

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 for details of share options granted by the Group.

For directors' interests in shares, refer to note 3.4.

	2008 Rm	2007 Rm
18. SHARE PREMIUM		
The movement in share premium during the year is as follows:		
At 1 March	**26.0**	26.0
Share premium on issue of 20 million ordinary shares at R4.00 (refer to note 19)	**80.0**	—
Transferred from equity element and unissued debentures (note 19)	**16.0**	—
Share issue expenses	**(0.3)**	—
At 29 February	**121.7**	26.0
19. EQUITY ELEMENT OF UNISSUED DEBENTURES		
The movement in the equity element of unissued debentures is as follows:		
At 1 March	**16.0**	16.0
Transferred to share premium on the conversion of debentures (note 18)	**(16.0)**	—
At 29 February	**—**	16.0

20 million unissued ordinary shares were allocated to the Executive Share Incentive Scheme to be issued at R4.00 each on the conversion of the compulsory convertible debentures. This amount (being 80 cents per share) represented the value attributable to the conversion rights of the debentures purchased by participants at the time of issue.

The debentures were converted into ordinary shares and issued to holders on 31 December 2007.

Pick n Pay Stores Limited and its subsidiaries

	GROUP 2008 Rm	GROUP 2007 Rm
20. TREASURY SHARES		
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	**630.2**	509.9
Share repurchases	**299.6**	221.2
Take-up of share options by employees	**(115.5)**	(100.9)
At 29 February	**814.3**	630.2
Comprises:		
Pick n Pay Stores Limited shares	**759.9**	569.6
Pick n Pay Holdings Limited shares	**54.4**	60.6
The movement in the number of treasury shares held is as follows:	**Number of shares 000's**	Number of shares 000's
Pick n Pay Stores Limited		
At 1 March	**30 138.2**	25 867.6
Shares purchased during the year	**8 336.4**	6 928.4
Shares sold during the year pursuant to the take-up of share options by employees	**(3 014.3)**	(2 657.8)
At 29 February	**35 460.3**	30 138.2
Comprises:		
Shares held by share trust	**9 723.7**	4 401.6
Shares held by a subsidiary company	**25 736.6**	25 736.6
Average purchase price of shares purchased during the year	**R35.09**	R30.84
Average purchase price of shares held at year-end	**R21.43**	R18.90
Pick n Pay Holdings Limited		
At 1 March	**16 300.5**	20 857.2
Shares purchased during the year	**650.6**	595.8
Shares sold during the year, pursuant to the take-up of share options by employees	**(4 042.5)**	(5 152.5)
At 29 February	**12 908.6**	16 300.5
Comprises:		
Shares held by share trust	**11 228.3**	14 780.4
Shares held by a subsidiary company	**1 680.3**	1 520.1
Average purchase price of shares purchased during the year	**R15.02**	R13.38
Average purchase price of shares held at year-end	**R4.21**	R3.72

	COMPANY 2008 Rm	COMPANY 2007 Rm
21. AMOUNT OWED BY A SUBSIDIARY COMPANY		
At 1 March	**161.8**	354.8
Advances made/(payments received) during the year	**63.1**	(193.0)
At 29 February	**224.9**	161.8

The loan is unsecured, bears interest at rates determined from time to time and is repayable on 13 month's notice.

In the prior year, a loan of R260.7 million between the Company and a subsidiary company, Pick n Pay Retailers (Pty) Limited, was incorrectly disclosed as being between the Company and the Employee Share Purchase Trust. This has been corrected and the opening balance in 2007 has been restated accordingly.

Pick n Pay Stores Limited and its subsidiaries

	GROUP 2008 Rm	GROUP 2007 Rm	COMPANY 2008 Rm	COMPANY 2007 Rm
22. INTEREST-BEARING DEBT				
Finance leases	**132.1**	126.6	—	—
Secured loans in respect of leased vehicles with a carrying value of R117.5 million (note 10) held under finance lease agreements bearing interest at prime bank rate less 2% and payable monthly in arrears over a four-year period.	**113.0**	103.0	—	—
Secured loans in respect of leased equipment with a carrying value of R19.1 million (note 10) held under finance lease agreements bearing interest at a current average rate of 10.99% and payable monthly in arrears over a five-year period.	**19.1**	23.6	—	—
Other debt	**585.6**	106.8	—	11.6
Promissory notes issued by the Company in respect of the debt element of the convertible debentures, redeemable in 20 bi-annual instalments at a coupon rate of 10.67%, ending on 31 December 2007.	—	11.6	—	11.6
Short-term loan facility guaranteed by the Company and a subsidiary company bearing interest at an average rate of 3.69%.	—	5.7	—	—
Secured loan in respect of property with a book value of R85.9 million (note 10) bearing interest at a fixed rate of 11.4% and payable monthly in arrears over a 15-year period.	**85.6**	89.5	—	—
Secured loan raised to fund property development. The loan is secured by property with a book value of R509.1 million (note 10) bearing interest at a fixed rate of 8.8%. Interest is payable every six months in arrears. The capital is repayable at the end of five years.	**250.0**	—	—	—
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 at the end of five years.	**250.0**	—	—	—
Total interest-bearing debt at 29 February	**717.7**	233.4	—	11.6
Less: Amount repayable within one year	**(36.4)**	(51.6)	—	(11.6)
Amount repayable after one year	**681.3**	181.8	—	—

Pick n Pay Stores Limited and its subsidiaries

	GROUP 2008 Rm	GROUP 2007 Rm
22. INTEREST-BEARING DEBT *(continued)*		
At 29 February 2008 finance lease rentals are payable as follows:		
Within 1 year		
Capital repayments	**32.1**	30.4
Interest	**14.3**	11.7
Cash flows	**46.4**	42.1
Within 2 to 5 years		
Capital repayments	**100.0**	96.2
Interest	**19.4**	15.4
Cash flows	**119.4**	111.6
Total cash flows	**165.8**	153.7
Comprising:		
Capital	**132.1**	126.6
Interest	**33.7**	27.1

23. RETIREMENT BENEFITS

The Group has four retirement schemes, covering:
Score Supermarkets Trading (Pty) Limited
Boxer Superstores (Pty) Limited
Interfrank Group Holdings Pty Limited
Pick n Pay Retailers (Pty) Limited

23.1 SCORE SUPERMARKETS TRADING (PTY) LIMITED

Score Supermarkets has its own defined contribution provident funds, one for Botswana employees and the South African fund for all other employees. Employees who are union members have the choice to join the SACCAWU National Provident Fund.

Membership of Score provident funds 2 417
Membership of SACCAWU National Provident Fund 708

The Score provident funds are administered by Alexander Forbes Consultants and Actuaries, who also provide consulting and actuarial services. All the Score South African fund assets are managed by Investment Solutions and the Botswana assets by Investec Asset Management (Botswana).

23.2 BOXER SUPERSTORES (PTY) LIMITED

Employees of Boxer are members of their own provident funds.

A Name of fund Boxer Superstores (Pty) Limited Provident Fund
Number of members 3 198
Administrator Old Mutual

This is the main Boxer retirement plan and is a defined contribution contributory provident fund.

B Name of fund SACCAWU National Provident Fund
Number of members 300
Administrator Old Mutual

This is a defined contribution contributory provident fund. Union members may elect to join this fund on commencement of working at Boxer.

C Name of fund Personal Provident Fund
Number of members 47
Administrator Momentum Administration Services

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

23. RETIREMENT BENEFITS *(continued)*

23.3 INTERFRANK GROUP HOLDINGS PTY LIMITED (FRANKLINS)

In terms of Australian legislation, employers are required to contribute 9% of employees' gross salaries to a superannuation fund of each employee's choice. If employees do not specify a superannuation fund of choice contributions must be made on behalf of the employee to a fund selected by the company. Franklins provides its employees with a choice of two funds:

A The Interfrank Superannuation Fund

This fund is for all corporate, head office and other non-retail employees. It is underwritten by AMP Life Limited as part of their Custom Super Plan. Approximately 270 employees are members of this scheme.

B The Retail Industry Superannuation Fund

This fund is for all employees covered by the Enterprise Bargaining Agreement. Approximately 3 700 employees are members of this fund.

Both funds are defined contribution and non-contributory.

Twelve Employees have opted for their contributions to be made by Franklins on their behalf to complying superannuation funds of their choice.

Franklins has no other liability as regards retirement funding and there is no medical aid nor post-retirement medical aid liability. Medical aid is taken care of by the Federal Government Medicare Scheme and personal compulsory top-up arrangements.

23.4 PICK N PAY RETAILERS (PTY) LIMITED

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.

There are 17 135 members of the Pick n Pay Retirement Scheme and 1 111 pensioners.

The Financial Services Board (FSB) has approved all the transfers of the members between various funds as a result of the amalgamation of the former provident, pension and retirement funds into the Pick n Pay Non-contributory Provident Fund and the Senior Provident Fund into the Pick n Pay Paid-up Pension Fund. A transfer of the investment reserve has also been approved, but the physical transfer of the assets has not yet taken place.

All the rule amendments pertaining to the transfer have been registered by the FSB and approved by the South African Revenue Service. The funds have also drafted new rules which have been registered with the FSB and approved by the South African Revenue Service. The new rules contain amendments subsequent to the amalgamation date.

The Pick n Pay Retirement Scheme is defined contribution in nature. However, as part of the amalgamation, certain members were guaranteed that they would not be worse off and hence they retain their previous defined benefit guarantee.

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.

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.

Benefit fund

There is a separate benefit fund to pay any disability benefit sanctioned by the trustees. The fund has been reinsured on a 100% profit share basis and hence the employer is required to make additional contributions to ensure this fund is fully funded at all times.

Advisors

The Pick n Pay Retirement Scheme is administered by NMG Consultants and Actuaries Administrators. The consultants and actuaries are NMG Consultants and Actuaries. The investment advisor is Fifth Quadrant Actuaries and Consultants.

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 17 521 employees who have elected to join this fund.

Pick n Pay Stores Limited and its subsidiaries

23. RETIREMENT BENEFITS (*continued*)	Pensioners' defined benefit guarantee Rm	Retirement defined benefit guarantee Rm	Post-retirement medical guarantee Rm	Benefit fund Rm	**GROUP** **Total obligation 2008 Rm**	Total obligation 2007 Rm
23.4 The Pick n Pay Retirement Scheme defined benefit obligations						
The amount recognised in the balance sheet is as follows:						
Present value of funded obligations	216.9	534.2	191.4	26.4	**968.9**	850.4
Fair value of assets	(216.9)	(491.4)	(191.4)	(45.6)	**(945.3)**	(730.9)
Funded position	—	42.8	—	(19.2)	**23.6**	119.5
Unrecognised actuarial gain	—	6.2	—	19.2	**25.4**	9.5
	—	49.0	—	—	**49.0**	129.0
Amounts recognised in the income statement are as follows:						
Current service cost	32.8	22.4	1.7	5.8	**62.7**	64.6
Interest on the obligation	17.5	43.3	12.9	2.1	**75.8**	72.8
Expected return on the plan assets	(17.2)	(35.0)	(11.9)	(2.9)	**(67.0)**	(53.5)
Net actuarial (gains)/losses recognised	(6.9)	(51.3)	10.9	1.2	**(46.1)**	(56.5)
Total included in employee costs	26.2	(20.6)	13.6	6.2	**25.4**	27.4
Cumulative unrecognised gains/(losses):						
Net cumulative unrecognised gain/(loss) – 1 March	—	—	—	9.5	**9.5**	(14.2)
Actuarial gain/(loss) – obligation	2.2	(22.1)	(37.6)	(0.4)	**(57.9)**	(57.6)
Actuarial gain – assets	4.7	79.6	26.7	8.9	**119.9**	137.8
Actuarial gain/(loss) to be recognised	(6.9)	(51.3)	10.9	1.2	**(46.1)**	(56.5)
Net cumulative unrecognised gain – 29 February	—	6.2	—	19.2	**25.4**	9.5
In terms of IAS 19, the Group has not recognised the excess assets in the benefit fund.						
Movement in the liability recognised on the balance sheet is as follows:						
Net liability – 1 March	—	94.0	35.0	—	**129.0**	194.8
Net expense in the income statement	26.2	(20.6)	13.6	6.2	**25.4**	27.4
Contributions	(26.2)	(24.4)	(48.6)	(6.2)	**(105.4)**	(93.2)
Net liability – 29 February	—	49.0	—	—	**49.0**	129.0

Pick n Pay Stores Limited and its subsidiaries

23. RETIREMENT BENEFITS (*continued*)	Pensioners' defined benefit guarantee Rm	Retirement defined benefit guarantee Rm	Post-retirement medical guarantee Rm	Benefit fund Rm	GROUP **Total obligation 2008 Rm**	Total obligation 2007 Rm
23.4 The Pick n Pay Retirement Scheme defined benefit obligations (*continued*)						
Movement in the fund's obligations and plan assets recognised on the balance sheet is as follows:						
Change in liability						
Liability – 1 March	187.3	495.3	145.5	22.3	**850.4**	736.8
Service cost	32.8	22.4	1.7	5.8	**62.7**	64.6
Interest cost	17.5	43.3	12.9	2.1	**75.8**	72.8
Actuarial (gain)/loss	(2.2)	22.1	37.6	0.4	**57.9**	57.6
Benefits paid	(18.5)	(48.9)	(6.3)	(4.2)	**(77.9)**	(81.4)
Liability – 29 February	216.9	534.2	191.4	26.4	**968.9**	850.4
Change in plan assets						
Plan assets – 1 March	187.3	401.3	110.5	31.8	**730.9**	527.8
Expected return	17.2	35.0	11.9	2.9	**67.0**	53.5
Actuarial gain	4.7	79.6	26.7	8.9	**119.9**	137.8
Contributions by employer	26.2	24.4	48.6	6.2	**105.4**	93.2
Benefits paid	(18.5)	(48.9)	(6.3)	(4.2)	**(77.9)**	(81.4)
Plan assets – 29 February	216.9	491.4	191.4	45.6	**945.3**	730.9
	%	%	%	%	**%**	%
Actuarial return on plan assets	11.7	28.6	34.9	37.2	**35.6**	36.2
Asset mix						
Equity	71.0	71.0	71.0	71.0	**71.0**	66.1
Fixed interest	21.4	21.4	21.4	21.4	**21.4**	33.5
Property	7.6	7.6	7.6	7.6	**7.6**	0.4
	100.0	100.0	100.0	100.0	**100.0**	100.0

The principal actuarial assumptions at the last valuation date are:	1 June 2007 % per annum	1 June 2006 % per annum
Discount rate	9.00	9.00
Future salary increases	6.32	6.36
Future pension increases	5.00	5.00
Annual increase in health care costs	8.30	7.33
Expected rate of return*	10.50	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%, with a further 2% risk premium applied to the equities and property, giving a weighted average return of 10.5% based on the current asset allocation.

	2008 Defined contribution benefits Rm	2007 Defined contribution benefits Rm
Current contributions	**217.3**	205.4

Pick n Pay Stores Limited and its subsidiaries

	GROUP	
	2008 Rm	2007 Rm
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 additional payments based on turnover levels. Turnover rentals, where applicable, average 1.5% of turnover. Rental escalations vary but average 6.5% per annum.		
In terms of IAS 17, operating leases with fixed rental escalations are charged to the income statement on a straight-line basis. This results in the raising of a liability for future lease expenses and an asset for future lease income on the balance sheet. This liability and asset is reversed during the latter part of each lease term when the actual cash flow exceeds the income statement amounts.		
Operating lease asset		
At 1 March	**5.9**	4.8
Accrual for future lease income	**5.0**	1.1
At 29 February	**10.9**	5.9
Operating lease liability		
At 1 March	**584.3**	554.4
Accrual for future lease expenditure	**42.6**	29.9
At 29 February	**626.9**	584.3
At 29 February future non-cancellable minimum lease rentals are payable during the following financial years:		
Cash flow due in 2009	**772.2**	690.8
Creation of lease liability	**25.5**	33.9
Income statement expense	**797.7**	724.7
Cash flow due in 2010 – 2013	**2 957.8**	2 447.0
Reversal of lease liability	**(112.8)**	(77.2)
Income statement expense	**2 845.0**	2 369.8
Cash flow due after 2013	**3 529.2**	3 134.9
Reversal of lease liability	**(539.6)**	(541.0)
Income statement expense	**2 989.6**	2 593.9
Total operating lease commitments	**6 632.3**	5 688.4
Comprising:		
Total future cash flows	**7 259.2**	6 272.7
Operating lease liability	**(626.9)**	(584.3)
At 29 February future minimum rentals receivable from non-cancellable sublease contracts amount to:		
Total future cash flows	**248.0**	113.3
Operating lease asset	**(10.9)**	(5.9)
Total operating lease income receivable	**237.1**	107.4

Pick n Pay Stores Limited and its subsidiaries

	GROUP 2008 Rm	GROUP 2007 Rm	COMPANY 2008 Rm	COMPANY 2007 Rm
25. TRADE AND OTHER PAYABLES				
Trade and other payables comprise:				
Leave pay obligations	**265.1**	220.5	**—**	—
Trade and other creditors	**5 944.1**	5 384.9	**1.8**	2.1
	6 209.2	5 605.4	**1.8**	2.1
26. 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				
Property	**187.0**	228.6		
Equipment and vehicles	**224.8**	32.2		
Intangible assets	**36.3**	39.7		
Not contracted for				
Property	**—**	6.0		
Equipment and vehicles	**835.7**	868.3		
Total commitments	**1 283.8**	1 174.8		

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27. SEGMENTAL REPORT

GROUP

The Group is organised into two geographic segments, which is the basis on which primary segment information is reported.

The segments are as follows:

Southern African operations

Australian operations

Financial information pertaining to the geographic segments is as follows:

	Southern Africa		Australia		Total	
	2008 Rm	2007 Rm	**2008 Rm**	2007 Rm	**2008 Rm**	2007 Rm
Segment revenue	**42 110.8**	36 527.2	**5 355.7**	4 600.9	**47 466.5**	41 128.1
Turnover	**40 413.3**	35 067.9	**4 967.4**	4 269.2	**45 380.7**	39 337.1
– Australian dollars			**820.8**	807.2		
Segment result						
Operating profit/(loss) before interest	**1 519.7**	1 325.4	**14.1***	(46.4)	**1 533.8**	1 279.0
– Australian dollars			**2.3***	(8.8)		
Included in segment result:						
Depreciation and amortisation	**(471.1)**	(365.5)	**(77.1)**	(60.9)	**(548.2)**	(426.4)
Share options expense	**(45.2)**	(29.2)	**—**	—	**(45.2)**	(29.2)
Net accrual for future lease expenditure	**(37.6)**	(28.8)	**—**	—	**(37.6)**	(28.8)
Impairment of goodwill	**—**	(36.3)	**—**	—	**—**	(36.3)
Goodwill, included in total assets	**137.1**	137.1	**720.4**	577.2	**857.5**	714.3
Total assets, net of deferred tax	**7 285.8**	6 310.8	**1 874.4**	1 331.0	**9 160.2**	7 641.8
Total liabilities, net of tax	**6 867.7**	6 010.4	**735.1**	541.7	**7 602.8**	6 552.1
Capital expenditure	**778.8**	1 073.4	**82.4**	55.6	**861.2**	1 129.0

*Includes a profit on sale of stores of R47.0 million (AUD7.9 million).

28. RELATED PARTY TRANSACTIONS

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.

Directors

A number of directors of the Company hold positions in related entities where they may have significant influence over the financial or operating policies of those entities. The following are considered to be such entities:

Director	Entity	Position held in entity
Dennis Cope	Pick n Pay Retirement Scheme	Trustee
	Pick n Pay Medical Scheme	Trustee
René de Wet	Pick n Pay Retirement Scheme	Chairman
	Pick n Pay Medical Scheme	Chairman
Hugh Herman	Investec Asset Management Limited	Non-executive chairman
	Investec Bank Limited	Non-executive chairman
David Nurek	Investec Bank Limited	Senior executive
	Trencor Limited	Non-executive director

28. RELATED PARTY TRANSACTIONS *(continued)*

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.

Related party transactions include:

i) The Pick n Pay Retirement and Medical schemes administer the Company's retirement and medical plans respectively.
ii) Investec Bank Limited manages cash resources and assets on behalf of Group companies, the Pick n Pay Retirement Scheme and the Pick n Pay Medical Scheme.
iii) Investec Asset Management Limited manages a portion of the Pick n Pay Retirement Scheme's assets.
iv) A subsidiary company participates in export partnerships with Trencor Limited group entities (note 14).

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.

Shares held by directors

The percentage shares held by directors of the Company at the balance sheet date is disclosed in the Directors' Report on page 46. For further information refer to note 3.4.

Loans to executive directors

Loans to executive directors amount to R1.2 million at 29 February 2008, are secured and bear interest at varying interest rates. For further information refer to note 13.

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	
	2008 R'000	2007 R'000
Directors' fees	**3 107.5**	2 857.5
Remuneration for management services	**18 164.2**	17 592.6
Retirement and medical aid contributions	**3 031.9**	3 161.3
Performance bonus	**4 855.0**	15 900.0
Fringe and other benefits	**1 419.5**	6 919.2
	30 578.1	46 430.6
Expense relating to share options granted	**8 501.0**	6 590.0
Total cost to company	**39 079.1**	53 020.6

The Company has the following related party transactions:

i) Dividends received from subsidiary companies and paid to its holding company.
ii) Interest received from a subsidiary company.
iii) Loan advanced to a subsidiary company.

29. FINANCIAL INSTRUMENTS

Overview

The Company and Pick n Pay Holdings Limited have no exposure to risk in respect of financial instruments, as their only financial asset is a loan to a subsidiary company.

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, Risk and Compliance 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 training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit, Risk and Compliance 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 Audit Services (internal audit). Group Audit Services undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit, Risk and Compliance committee.

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29. FINANCIAL INSTRUMENTS *(continued)*

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 trade receivables, investments, employee loans and participation in export partnerships.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 29 February was:

	GROUP	
	2008 Rm	2007 Rm
Investments (note 11)	**0.2**	0.2
Loans (note 13)	**120.7**	108.8
Participation in export partnerships (note 14)	**61.5**	67.8
Trade receivables	**1 170.7**	870.8
Cash and cash equivalents	**663.2**	709.1
	2 016.3	1 756.7

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 size 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.

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 (refer to note 14). The Group's directors have considered the credit risk relating to these aspects warranted and have satisfied themselves as to the creditworthiness of the warrantor company.

Trade and other receivables

Trade and other receivables, which are predominantly amounts owing by franchisees, 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 amongst the individual franchisees and across different geographic areas. Accordingly, the Group has no significant concentration of credit risk.

29. FINANCIAL INSTRUMENTS *(continued)*

Credit risk *(continued)*

	GROUP	
	2008 Rm	2007 Rm
The ageing of trade receivables at 29 February was:		
Trade receivables not impaired		
Within payment terms	**935.6**	714.1
Exceeding payment terms by less than 14 days	**216.0**	132.0
Exceeding payment terms by more than 14 days	**1.5**	0.7
	1 153.1	846.8
Trade receivables with impairments		
Within payment terms	**13.5**	35.0
Exceeding payment terms by less than 14 days	**5.6**	4.8
Exceeding payment terms by more than 14 days	**6.1**	9.1
	25.2	48.9
Total trade receivables	**1 178.3**	895.7
Allowance for impairment losses	**(7.6)**	(24.9)
Total trade receivables net of allowance for impairment	**1 170.7**	870.8
Prepayments and other short-term receivables	**73.2**	72.9
Total trade and other receivables	**1 243.9**	943.7
The movement in the allowance for impairment of trade receivables during the year was as follows:		
At 1 March	**24.9**	23.8
Irrecoverable debts written off	**(4.5)**	(1.6)
Additional impairment losses recognised	**6.2**	4.1
Prior allowances for impairment reversed	**(19.0)**	(1.4)
At 29 February	**7.6**	24.9

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

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

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

Cash and cash equivalents

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. For this reason the Group does not consider there to be any significant exposure to credit risk.

29. FINANCIAL INSTRUMENTS *(continued)*

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 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 articles of association, the Company's borrowing powers are unlimited. However, the Treasury committee maintains strict control over the acceptance and draw-down of any loan facility.

At 29 February the Group's loan facilities comprised:

	GROUP	
	2008 Rm	2007 Rm
Total borrowing facilities granted by financial institutions	**4 096.2**	3 581.2
Total actual borrowings and utilisation of facilities	**(935.6)**	(298.1)
Unutilised borrowing facilities	**3 160.6**	3 283.1

On average trade receivables and inventory are realised within 30 days, and trade payables are settled within 45 days. To the extent that the Group requires short-term funds, it utilises the banking facilities available.

For further information on the remaining maturities of the Group's financial liabilities, please refer to the table set out under "Interest rate risk" which analyses the interest rates underlying the Group's various financial assets and liabilities, and their terms to maturity.

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.

Currency risk

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

The fair value of foreign exchange contracts at 29 February 2008 was R7.2 million.The adjustments to fair value have been recognised in the income statement.

A decrease or increase of up to 5% in the exchange rate between the Rand and the Dollar or the Euro would not have a material impact on the Group.

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

29. FINANCIAL INSTRUMENTS *(continued)*

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.

The effective rates on financial instruments at 29 February 2008 are:

	Maturity of interest-bearing assets/liabilities					
	Weighted average interest rate %	1 year or less Rm	2 to 5 years Rm	Over 5 years Rm	Non-interest-bearing Rm	**Total Rm**
Financial assets						
Cash and cash equivalents	8.7	663.2				**663.2**
Trade receivables					1 170.7	**1 170.7**
Participation in export partnerships					61.5	**61.5**
Loans	3.3	12.5	50.1	58.1		**120.7**
Investments					0.2	**0.2**
Total financial assets		675.7	50.1	58.1	1 232.4	**2 016.3**
Financial liabilities						
Trade and other creditors (excluding leave pay obligations)					5 944.1	**5 944.1**
Fixed-rate interest-bearing debt						
Bank loans	9.5	4.3	523.5	57.8		**585.6**
Variable-rate interest-bearing debt						
Finance leases	12.3	32.1	100.0			**132.1**
Total financial liabilities		36.4	623.5	57.8	5 944.1	**6 661.8**

At 29 February 2008, if interest rates at that date had been 100 basis points higher or lower, with all other variables held constant, profits would have decreased or increased by R1.3 million. A change in interest rates does not have a direct impact on equity.

At 29 February 2008 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 balance sheet.

Participation in export partnerships – refer to note 14.

Market price risk

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

Capital management

The Board considers working capital management critical to the business, and in doing so, manages the balance between current assets and current liabilities.

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

From time to time the Group purchases its own shares on the market, the timing of these purchases depends on market prices. 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.

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

International Financial Reporting Standards (IFRS)

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 29 February 2008, and have not been applied in preparing these consolidated financial statements. Those standards and interpretations which are applicable to the Group are presented below.

IAS 1: Presentation of Financial Statements

This standard introduces new requirements in respect of the presentation of financial statements.

All non-owner changes in equity will be presented in a single statement of comprehensive income (which will include the current income statement) and owner changes in equity in the statement of changes in equity.

Reclassification adjustments and income tax relating to each component of other comprehensive income will be disclosed on the face of the statement of comprehensive income. Currently these components are the valuation reserve and the foreign currency translation reserve.

This standard becomes mandatory for the Group's 2010 financial statements, where disclosures will change accordingly.

IAS 23: Borrowing Costs

This standard requires a change in the accounting for borrowing costs.

All borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets must be capitalised to the cost of the asset. Currently these borrowing costs are expensed. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. The Group's existing accounting policy on borrowing costs will change as a result of the adoption of the revised IAS23.

This standard becomes mandatory for the Group's 2010 financial statements. The impact is not likely to be material.

IAS 27 amendment: Consolidated and Separate Financial Statements

In accordance with the amendments to IAS 27, acquisitions of additional non-controlling equity interests in subsidiaries have to be accounted for as equity transactions. Disposals of equity interests while retaining control are also accounted for as equity transactions. When control of an investee is lost, the resulting gain or loss relating to the transaction will be recognised in profit and loss.

The amendments to IAS 27 also require that losses (including negative "other comprehensive income" as detailed in the revised IAS 1) have to be allocated to the non-controlling interest, even if doing so causes the non-controlling interest to be in a deficit position. The Group will in future change its accounting policies on the allocation of losses to non-controlling interests. In the past, losses would only have been allocated until the non-controlling interest had a zero balance (if applicable).

This statement becomes mandatory for the Group's 2011 financial statements.

IFRS 2 amendment: Share-based Payments

The amendments apply to equity-settled share-based payment transactions and clarify what are "vesting" and "non-vesting conditions". Vesting conditions are now limited to service conditions (as defined in the current IFRS 2) and performance conditions. Non-vesting conditions are conditions that do not determine whether the entity receives the services that entitles the counterparty to a share-based payment. Non-vesting conditions are taken into account in measuring the grant date fair value and thereafter there is no "true-up" for differences between expected and actual outcomes.

These changes will have no impact on the Group's financial statements as the treatment of "non-vesting conditions" is consistent with the Group's current accounting policies. The changes to IFRS 2 become mandatory for the Group's 2010 financial statements.

IFRS 3: Business Combinations

IFRS 3 applies to all new business combinations that occur after 1 January 2010. For these future business combinations, the Group will change its accounting policies to be in line with the revised IFRS 3. In future all transaction costs will be expensed and any contingent purchase consideration will be recognised at fair value at acquisition date. For successive share purchases, any gain or loss for the difference between the fair value and the carrying amount of the previously held equity interest in the acquiree will be recognised in profit and loss.

The revised IFRS 3 becomes mandatory for the Group's 2011 financial statements.

IFRS 8: Operating Segments

This standard introduces the "management approach" to segment reporting, significantly extending the scope of segmental reporting, to bring it in line with key segmented management information, used by key executives in the decision-making of the Group. Currently the Group presents segment information in respect of geographic segments only. This standard becomes mandatory for the Group's 2010 financial statements.

Pick n Pay Stores Limited and its subsidiaries

	COMPANY 2008 Rm	COMPANY 2007 Rm
31. INVESTMENT IN SUBSIDIARIES		
Shares at cost		
Trading	**37.5**	37.5
Guardrisk Insurance Company Limited "A122 ordinary shares"		
Pick n Pay Retailers (Pty) Limited		
Pick n Pay Garages (Pty) Limited		
The Blue Ribbon Meat Corporation (Pty) Limited		
Pick n Pay Franchise Financing (Pty) Limited		
The Pick n Pay Employee Share Purchase Trust		
Raymond Ackerman Holdings Limited		
Property owning	**0.5**	0.5
Alstar (Pty) Limited		
Bedworth Sentrum (Pty) Limited		
Carrefour (Pty) Limited		
Pick n Pay (Bellville) (Pty) Limited		
Pick n Pay (Mitchells Plain) Limited		
Pick n Pay (Newton Park) (Pty) Limited		
Pick n Pay (Steelpark) (Pty) Limited		
Pick n Pay Wholesalers (Pty) Limited		
Pick n Pay Wholesalers (Transvaal) (Pty) Limited		
Dormant companies	**0.3**	0.3
	38.3	38.3
Held by other Group trading subsidiaries:		
Pick n Pay (Gabriel Road) (Pty) Limited		
Pick n Pay Insurance Company Limited		
Pick n Pay Namibia (Pty) Limited (registered in Namibia)		
Pick n Pay (Steeledale) (Pty) Limited		
Boxer Holdings (Pty) Limited		
Boxer Superstores (Pty) Limited		
Boxer Fresh Meats (Pty) Limited		
Mfolozi Properties (Pty) Limited		
KwaZulu Cash & Carry (Pty) Limited		
InterFrank Group Holdings Pty Limited (registered in Australia)		
Franklins Pty Limited (registered in Australia)		
Franklins Supermarkets Pty Limited (registered in Australia)		
Fresco Supermarket Holdings Pty Limited (registered in Australia)		
Score Supermarkets Operating Limited		
Score Supermarkets (Trading) (Pty) Limited		
Score Supermarkets (Botswana) (Pty) Limited (registered in Botswana)		
Score Supermarkets (Southern Africa) (Pty) 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	**971.3**	851.7
The attributable losses of subsidiaries	**30.9**	136.9

Pick n Pay Holdings Limited and its Subsidiaries

The directors are responsible for the preparation and fair presentation of the Company and Group annual financial statements, comprising the directors' report, balance sheets at 29 February 2008, and the income statements, the statements of changes in equity and cash flow statements for the year then ended, a summary of significant accounting policies and the notes to the financial statements, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

The directors responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes 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 Company and Group's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

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

Directors' Approval and Company Secretary's Certificate

Pick n Pay Holdings Limited and its subsidiaries

DIRECTORS' APPROVAL

The directors acknowledge and accept full responsibility for the preparation and integrity of the information presented in the Company and Group annual financial statements.

The Company and Group annual financial statements of Pick n Pay Holdings Limited, which have been prepared in accordance with the Companies Act of South Africa and comply with International Financial Reporting Standards, were approved by the Board of directors on 5 May 2008 and are signed on their behalf by:

Gareth Ackerman
Chairman

Raymond Ackerman
Director

COMPANY SECRETARY'S CERTIFICATE

In terms of section 268G(d) of the Companies Act 61 of 1973, as amended, I certify that Pick n Pay Holdings Limited has lodged with the Registrar of Companies all such returns as are required by the Companies Act, and that all such returns are true, correct and up to date.

Gary Lea
Company Secretary

5 May 2008

Independent Auditor's Report

Pick n Pay Holdings Limited and its subsidiaries

to the members of
PICK N PAY HOLDINGS LIMITED

We have audited the Company and Group annual financial statements and of Pick n Pay Holdings Limited, which comprise the balance sheets at 29 February 2008, and the income statements, the statements of changes in equity and cash flow statements for the year then ended, and 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 96 to 109.

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 in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Pick n Pay Holdings Limited at 29 February 2008, 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 in the manner required by the Companies Act of South Africa.

KPMG Inc.

Registered Auditor

Per **David Friedland**

Chartered Accountant (SA)

Registered Auditor

Director

5 May 2008
MSC House
Mediterranean Street
Cape Town
8001

Directors' Report

for the year ended 29 February 2008

Pick n Pay Holdings Limited and its subsidiaries

STRUCTURE AND FUNCTION

The Company, which is domiciled and incorporated in the Republic of South Africa and listed on the JSE Limited ("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 income statement is presented on page 98 and reflects the Group's operational results.

The Group's headline earnings and dividends paid for the year are as follows:

Per share – cents	2008	% increase	2007
Headline earnings (note 3)	**97.92**	7.6	90.94*
Dividends**	**72.83**	11.1	65.52

*Headline earnings per share presented before the reversal of a deferred tax asset of R26.1 million. As the reversal did not arise from trading activity, the Group considered a headline earnings calculation excluding this charge to more fairly reflect its result for that year.

**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.

RELATIVE SHARE VALUE

The directors consider that the ratio of the dividend paid per share for the year of Pick n Pay Holdings Limited (PIKWIK) of 67.53 cents, to that of Pick n Pay Stores Limited (PICKNPAY), 138.35 cents, determines the relative value of a Pick n Pay Holdings Limited share, which, based on these figures, is 48.8% (2007: 48.8%) of a Pick n Pay Stores Limited share.

INVESTMENT

The Company's sole asset is its 50.8% (2007: 52.9%) direct shareholding in its subsidiary, Pick n Pay Stores Limited, and its main 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 54.7% (2007: 56.4%).

DIVIDENDS PAID AND DECLARED

A cash dividend (number 51) of 52.35 cents per share was paid to shareholders on 11 June 2007.

A cash dividend (number 52) of 15.18 cents per share was paid to shareholders on 18 December 2007.

For further detail, refer to note 4.

The directors have declared a cash dividend (number 53) of 57.65 cents per share. The last day of trade in order to participate in the dividend (CUM dividend) will be Friday, 6 June 2008. Shares will trade EX dividend from the commencement of business on Monday, 9 June 2008 and the record date is Friday, 13 June 2008. The dividend will be paid on Tuesday, 17 June 2008. Share certificates may not be dematerialised or rematerialised between Monday, 9 June 2008 and Friday, 13 June 2008, both dates inclusive.

As dividend number 53 was declared on 21 April 2008 it will only be accounted for in the 2009 financial year. No liability for Secondary Tax on Companies (STC) will be payable on this dividend as the Company will have sufficient STC credits to offset any liability.

SHARE CAPITAL

There was no movement in the number of issued ordinary shares during the year, which remains at 527 249 082.

As at year-end, the Pick n Pay Employee Share Purchase Trust and a subsidiary company held 11 228 333 (2007: 14 780 363) and 1 680 303 (2007: 1 520 103) shares in the Company, respectively. These shares are reflected as treasury shares in the annual financial statements.

GOING CONCERN

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

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

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

Pick n Pay Holdings Limited and its subsidiaries

SPECIAL RESOLUTIONS

On 14 June 2007, the Company's shareholders approved the following special resolution.

General authority to repurchase Company shares

It was resolved that the Company and any of its subsidiaries may, in accordance with sections 85 and 89 of the Companies Act, acquire issued shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may determine from time to time. Acquisition of such shares is subject to the Articles of Association of the Company, the provisions of the Companies Act and the Listings Requirements of the JSE Limited ("JSE"), and provided further that acquisitions by the Company may not, in the aggregate, exceed in any one financial year 5% of the Company's issued share capital.

Subsidiary company special resolution

On 14 June 2007, Pick n Pay Stores Limited passed the same special resolution as the Company.

DIRECTORS AND SECRETARY

In terms of the Company's Articles of Association the directors listed on page 121 retire by rotation and they offer themselves for re-election. Information pertaining to the directors and the secretary appears on page 13.

DIRECTORS' INTEREST IN SHARES

	2008 %	2007 %
Beneficial	**0.5**	0.2
Non-beneficial	**49.9**	49.8
	50.4	50.0

BORROWINGS

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

CORPORATE GOVERNANCE

All corporate governance structures referred to on pages 34 to 38 also apply to Pick n Pay Holdings Limited.

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.

Income Statements

for the year ended 29 February 2008

Pick n Pay Holdings Limited and its subsidiaries

	Notes	GROUP 2008 Rm	GROUP 2007 Rm	COMPANY 2008 Rm	COMPANY 2007 Rm
Revenue	1	**47 466.9**	41 128.1	**356.4**	302.4
Turnover		**45 380.7**	39 337.1	**—**	—
Cost of merchandise sold		**(37 411.0)**	(32 443.2)	**—**	—
Gross profit		**7 969.7**	6 893.9	**—**	—
Other trading income	1	**2 037.3**	1 749.4	**0.4**	—
Trading expenses		**(8 515.4)**	(7 354.9)	**—**	—
Employee costs		**(4 364.5)**	(3 810.6)	**—**	—
Occupancy		**(1 140.3)**	(992.1)	**—**	—
Operations		**(1 363.7)**	(1 130.3)	**—**	—
Merchandising and administration		**(1 646.9)**	(1 421.9)	**—**	—
Loss on sale of property, equipment and vehicles		**(4.4)**	(17.0)	**—**	—
Trading profit		**1 487.2**	1 271.4	**0.4**	—
Interest received		**48.9**	41.6	**—**	—
Interest paid		**(79.2)**	(49.3)	**—**	—
Profit on sale of stores		**47.0**	7.6	**—**	—
Operating profit		**1 503.9**	1 271.3	**0.4**	—
Dividends received		**—**	—	**356.0**	302.4
Share of associate's profit		**—**	26.1	**—**	—
Impairment of investment in associate		**(9.1)**	(64.0)	**—**	—
Impairment of goodwill		**—**	(36.3)	**—**	—
Profit on sale of investments		**—**	8.2	**—**	—
Profit before tax		**1 494.8**	1 205.3	**356.4**	302.4
Tax		**(557.7)**	(529.7)	**(0.1)**	—
Profit for the year		**937.1**	675.6	**356.3**	302.4
Profit for the year attributable to:					
Equity holders of the Company		**520.6**	379.5	**356.3**	302.4
Minority shareholders		**416.5**	296.1	**—**	—
		937.1	675.6	**356.3**	302.4
Earnings per share – cents					
Basic	3	**101.55**	74.61		
Diluted basic	3	**96.93**	69.14		

Balance Sheets

as at 29 February 2008

Pick n Pay Holdings Limited and its subsidiaries

	Notes	GROUP 2008 Rm	GROUP 2007 Rm restated	COMPANY 2008 Rm	COMPANY 2007 Rm restated*
Assets					
Non-current assets					
Goodwill		**857.5**	714.3	**—**	—
Intangible assets		**329.8**	190.3	**—**	—
Property, equipment and vehicles		**2 771.1**	2 525.2	**—**	—
Investments	5	**0.2**	0.2	**128.0**	128.0
Investment in associate		**—**	9.1	**—**	—
Loans		**121.6**	109.1	**0.9**	0.3
Operating lease asset		**10.9**	5.9	**—**	—
Participation in export partnerships		**61.5**	67.8	**—**	—
Deferred tax		**143.6**	151.2	**—**	—
		4 296.2	3 773.1	**128.9**	128.3
Current assets					
Inventory		**3 101.4**	2 367.4	**—**	—
Trade and other receivables		**1 243.9**	943.7	**—**	—
Cash and cash equivalents		**663.2**	709.1	**—**	—
		5 008.5	4 020.2	**—**	—
Total assets		**9 304.7**	7 793.3	**128.9**	128.3
Equity and liabilities					
Capital and reserves					
Share capital	6	**6.6**	6.6	**6.6**	6.6
Share premium		**120.8**	120.8	**120.8**	120.8
Treasury shares	7	**(54.4)**	(60.6)	**—**	—
Share-based payment reserve		**61.7**	38.4	**—**	—
Accumulated profits		**399.2**	326.8	**0.2**	—
Foreign currency translation reserve		**225.4**	105.6	**—**	—
Attributable to equity holders of the Company		**759.3**	537.6	**127.6**	127.4
Minority interest		**674.7**	477.8	**—**	—
Total shareholders' interest		**1 434.0**	1 015.4	**127.6**	127.4
Non-current liabilities					
Long-term debt		**681.3**	181.8	**—**	—
Retirement scheme obligations		**49.0**	129.0	**—**	—
Operating lease liability		**626.9**	584.3	**—**	—
		1 357.2	895.1	**—**	—
Current liabilities					
Short-term debt		**36.4**	51.6	**—**	—
Trade and other payables		**6 209.7**	5 605.7	**1.2**	0.9
Tax		**267.4**	225.5	**0.1**	—
		6 513.5	5 882.8	**1.3**	0.9
Total equity and liabilities		**9 304.7**	7 793.3	**128.9**	128.3

*An amount of R0.3 million classified as trade and other receivables in the prior year has been reclassified as loans, under non-current assets.

Statements of Changes in Equity

for the year ended 29 February 2008

Pick n Pay Holdings Limited and its subsidiaries

	Notes	Share capital Rm	Share premium Rm	Treasury shares Rm	Share-based payment reserve Rm	Accumulated profits Rm	Valuation reserve Rm	Foreign currency translation reserve Rm	Minority interest Rm	Total Rm
GROUP										
At 1 March 2006 – restated		6.6	120.8	(71.5)	21.7	310.9	4.3	19.3	442.8	**854.9**
Total recognised income and expense for the year						379.5	(4.3)	93.0	364.7	**832.9**
Profit for the year						379.5			296.1	**675.6**
Gains and losses recognised directly in equity:										
Revaluation of listed investments recycled to the income statement							(4.3)		(3.9)	**(8.2)**
Foreign currency translation								93.0	72.5	**165.5**
Dividends paid	4					(302.4)				**(302.4)**
Dividends paid by subsidiary to minorities									(221.4)	**(221.4)**
Share repurchases	7			(8.0)						**(8.0)**
Subsidiary's share repurchases						(119.8)			(93.4)	**(213.2)**
Take-up of share options	7			18.9		(3.0)				**15.9**
Take-up of subsidiary's share options						15.4			12.1	**27.5**
Share options expense					16.4				12.8	**29.2**
Impact of movement in treasury shares					0.3	46.2		(6.7)	(39.8)	**—**
At 28 February 2007		**6.6**	**120.8**	**(60.6)**	**38.4**	**326.8**	**—**	**105.6**	**477.8**	**1 015.4**
Issue of share capital – Pick n Pay Stores Limited					(1.7)	40.0		(4.5)	46.1	**79.9**
Total recognised income and expense for the year						520.6		125.0	516.6	**1 162.2**
Profit for the year						520.6			416.5	**937.1**
Gains and losses recognised directly in equity:										
Foreign currency translation								125.0	100.1	**225.1**
Dividends paid	4					(356.1)				**(356.1)**
Dividends paid by subsidiary to minorities									(258.8)	**(258.8)**
Share repurchases	7			(9.9)						**(9.9)**
Subsidiary's share repurchases						(161.0)			(128.7)	**(289.7)**
Take-up of share options	7			16.1		(1.0)				**15.1**
Take-up of subsidiary's share options						17.1			13.6	**30.7**
Share options expense					25.1				20.1	**45.2**
Impact of movement in treasury shares					(0.1)	12.8		(0.7)	(12.0)	**—**
At 29 February 2008		**6.6**	**120.8**	**(54.4)**	**61.7**	**399.2**	**—**	**225.4**	**674.7**	**1 434.0**

The comparative information presented above has been restated to correct a prior year error in the consolidation of the Pick n Pay Holdings Limited Group. The restatement has resulted in reallocations between the various equity accounts and minority interests. Please refer to note 8.

	Notes	Share capital Rm	Share premium Rm	Treasury shares Rm	Share-based payment reserve Rm	Accumulated profits Rm	Valuation reserve Rm	Foreign currency translation reserve Rm	Minority interest Rm	Total Rm
COMPANY										
At 1 March 2006		6.6	120.8	—	—	—	—	—	—	**127.4**
Profit for the year						302.4				**302.4**
Dividends paid	4					(302.4)				**(302.4)**
At 28 February 2007		**6.6**	**120.8**	**—**	**—**	**—**	**—**	**—**	**—**	**127.4**
Profit for the year						356.3				**356.3**
Dividends paid	4					(356.1)				**(356.1)**
At 29 February 2008		**6.6**	**120.8**	**—**	**—**	**0.2**	**—**	**—**	**—**	**127.6**

Cash Flow Statements

for the year ended 29 February 2008

Pick n Pay Holdings Limited and its subsidiaries

	Notes	GROUP 2008 Rm	GROUP 2007 Rm	COMPANY 2008 Rm	COMPANY 2007 Rm restated
Cash flows from operating activities					
Trading profit		**1 487.2**	1 271.4	**0.4**	—
Loss on sale of property, equipment and vehicles		**4.4**	17.0	**—**	—
Depreciation and amortisation		**548.2**	426.4	**—**	—
Share options expense		**45.2**	29.2	**—**	—
Net accrual for lease expenditure		**37.6**	28.8	**—**	—
Increase in trade and other payables		**501.6**	868.1	**0.3**	—
Increase in inventory		**(734.0)**	(383.2)	**—**	—
Increase in trade and other receivables		**(293.9)**	(189.1)	**—**	—
Cash generated by trading activities		**1 596.3**	2 068.6	**0.7**	—
Interest received		**48.9**	41.6	**—**	—
Interest paid		**(79.2)**	(49.3)	**—**	—
Cash generated by operations		**1 566.0**	2 060.9	**0.7**	—
Dividends received		**—**	—	**356.0**	302.4
Dividends paid by Company	4	**(356.1)**	(302.4)	**(356.1)**	(302.4)
Dividends paid to minorities		**(258.8)**	(221.4)	**—**	—
Tax paid		**(504.7)**	(449.9)	**—**	—
Net cash from operating activities		**446.4**	1 087.2	**0.6**	—
Cash flows from investing activities					
Acquisition of stores		**—**	(2.2)	**—**	—
Intangible asset additions		**(163.0)**	(79.8)	**—**	—
Property additions		**(107.5)**	(280.3)	**—**	—
Proceeds on disposal of stores		**50.6**	29.2	**—**	—
Equipment and vehicle additions		**(559.8)**	(743.3)	**—**	—
Leased equipment and vehicle additions		**(30.9)**	(23.4)	**—**	—
Proceeds on sale of investments		**—**	9.1	**—**	—
Loans advanced		**(12.5)**	(12.1)	**(0.6)**	—
Net cash used in investing activities		**(823.1)**	(1 102.8)	**(0.6)**	—
Cash flows from financing activities					
Debt raised/(repaid)		**484.2**	(38.9)	**—**	—
Issue of shares		**79.9**	—		
Share repurchases		**(299.6)**	(221.2)	**—**	—
Proceeds from employees on take-up of share options		**45.8**	43.4	**—**	—
Net cash from/(used in) financing activities		**310.3**	(216.7)	**—**	—
Net decrease in cash and cash equivalents		**(66.4)**	(232.3)	**—**	—
Cash and cash equivalents at 1 March		**709.1**	944.6	**—**	—
Effect of exchange rate fluctuations on cash and cash equivalents		**20.5**	(3.2)	**—**	—
Cash and cash equivalents at 29 February		**663.2**	709.1	**—**	—

Notes to the Annual Financial Statements

for the year ended 29 February 2008

Pick n Pay Holdings Limited and its subsidiaries

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 51 to 92.

	GROUP		COMPANY	
	2008 Rm	2007 Rm	**2008 Rm**	2007 Rm
1. REVENUE				
Revenue comprises:				
Turnover	**45 380.7**	39 337.1	**—**	—
Interest received	**48.9**	41.6	**—**	—
Dividends received	**—**	—	**356.0**	302.4
Other trading income	**2 037.3**	1 749.4	**0.4**	—
Incentive fee income*	**1 879.0**	1 625.5	**—**	—
Franchise fee income	**120.6**	94.6	**—**	—
Property lease income	**37.3**	29.3	**—**	—
Administration fee income	**0.4**	—	**0.4**	—
	47 466.9	41 128.1	**356.4**	302.4

*Incentive fee income is income received from suppliers in respect of the advertising and promoting of merchandise.

2. DIRECTORS' EMOLUMENTS AND DIRECTORS' INTEREST IN SHARES

For emoluments paid to directors, refer to note 3.1 of the Pick n Pay Stores Limited annual financial statements on page 61.

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

1997 Share Option Scheme

	Year granted	Option grant price R	Balance held at 1 March 2007	Granted during the year	Taken up in year at grant price	**Balance held at 29 February 2008**	Value of options exercised* Rm	Available for take-up
Directors – Pick n Pay Stores Limited								
Nick Badminton	2002	3.80	800	—	—	**800**	—	Now
			800	—	—	**800**	—	
Dennis Cope	2001	3.80	33 000	—	(33 000)	**—**	0.4	—
	2002	4.50	72 300	—	(72 300)	**—**	0.8	—
	2002	3.80	800	—	(800)	**—**	—	—
			106 100	—	(106 100)	**—**	1.2	
David Robins	1999	2.00	200 000	—	(200 000)	**—**	2.6	—
	1999	2.50	100 000	—	(100 000)	**—**	1.3	—
	2000	3.25	95 000	—	(95 000)	**—**	1.1	—
	2001	3.80	39 500	—	(39 500)	**—**	0.4	—
	2002	4.50	55 600	—	(55 600)	**—**	0.6	—
	2003	5.10	180 000	—	(180 000)	**—**	1.8	—
	2003	5.10	180 000	—	—	**180 000**	—	April 2008
	2003	5.10	240 000	—	—	**240 000**	—	April 2010
	2005	8.30	400	—	—	**400**	—	Now
			1 090 500	—	(670 100)	**420 400**	7.8	

*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.

Pick n Pay Holdings Limited and its subsidiaries

2. DIRECTORS' EMOLUMENTS AND DIRECTORS' INTEREST IN SHARES *(continued)*

Directors' direct interest in shares

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

	Balance held at 1 March 2007 000's	Additions during the year 000's	Average purchase price per share R	Disposals during the year 000's	Average selling price per share R	**Balance held at 29 February 2008 000's**	Beneficial/ non-beneficial interest
Directors – Pick n Pay Holdings Limited							
Raymond Ackerman*	658.4	—	—	(23.2)	—	**635.2**	Beneficial
Gareth Ackerman**	2 856.4	62.9	15.06	—	—	**2 919.3**	Non-beneficial
Raymond Ackerman/ Wendy Ackerman/ Gareth Ackerman***	259 756.0	240.0	14.63	—	—	**259 996.0**	Non-beneficial
Hugh Herman	130.0	—	—	—	—	**130.0**	Beneficial
Directors – Pick n Pay Stores Limited							
Nick Badminton	880.6	—	—	—	—	**880.6**	Beneficial
Dennis Cope	200.0	106.1	4.28	(106.1)	15.61	**200.0**	Beneficial
David Nurek	40.0	—	—	—	—	**40.0**	Non-beneficial
David Robins	36.2	670.1	3.40	—	—	**706.3**	Beneficial

*The disposal for the year was a donation for no consideration.

**The non-beneficial interest represents the holding by the Burrumbuck Trust of which Gareth Ackerman is a trustee.

***The non-beneficial interest represents the holding by the Ackerman Family Trust of 254.9 million shares and 5.1 million shares held by the Mistral Trust, of which these directors are trustees.

Pick n Pay Holdings Limited and its subsidiaries

	GROUP 2008 Cents per share	2007 Cents per share
3. BASIC, HEADLINE AND DILUTED EARNINGS PER SHARE		
Basic (note 3.1)	**101.55**	74.61
Headline – before deferred tax reversal (note 3.1)	**97.92**	90.94*
Headline (note 3.1)	**97.92**	85.81
Diluted basic (note 3.2)	**96.93**	69.14
Diluted headline (note 3.2)	**93.49**	79.50
*As the reversal of the deferred tax asset did not arise from trading activity, the Group considered a headline earnings calculation excluding this charge to more fairly reflect its result for that year.		
	Rm	Rm
3.1 Basic and headline earnings per share		
The calculation of basic earnings (profit for the year) per share and headline earnings per share is based on:		
Basic earnings (profit for the year)	**520.6**	379.5
Headline earnings before deferred tax reversal	**502.0**	462.6
Headline earnings	**502.0**	436.5
and:	**No. of shares 000's**	No. of shares 000's
The weighted average number of ordinary shares in issue during the year:	**512 644.5**	508 670.3
	Rm	Rm
Reconciliation between basic and headline earnings:		
Basic earnings (profit for the year)	**520.6**	379.5
Adjustments:	**(18.6)**	57.0
Loss on sale of property, equipment and vehicles	**2.4**	9.5
Profit on sale of stores	**(26.1)**	(4.3)
Impairment of investment in associate	**5.1**	36.0
Impairment of Score goodwill	**—**	20.4
Profit on sale of investments	**—**	(4.6)
Headline earnings	**502.0**	436.5
Reversal of deferred tax asset	**—**	26.1
Headline earnings before deferred tax reversal	**502.0**	462.6
and:	**No. of shares 000's**	No. of shares 000's
Movement in the weighted average number of ordinary shares in issue comprises:		
At 1 March	**508 670.3**	505 367.9
Net sale of treasury shares by the share trust, pursuant to the take-up of share options	**3 974.2**	3 302.4
At 29 February	**512 644.5**	508 670.3

Pick n Pay Holdings Limited and its subsidiaries

	GROUP	
	2008 Rm	2007 Rm
3. BASIC, HEADLINE AND DILUTED EARNINGS PER SHARE *(continued)*		
3.2 Diluted basic and headline earnings per share		
The calculation of diluted basic earnings per share and diluted headline earnings per share is based on:		
Diluted basic earnings	**503.4**	358.4
Diluted headline earnings	**485.5**	412.1
and:	**Number of shares 000's**	Number of shares 000's
The diluted weighted average number of ordinary shares in issue during the year:	**519 331.9**	518 383.3
	Rm	Rm
Reconciliation between basic earnings and diluted basic earnings:		
Basic earnings (profit for the year)	**520.6**	379.5
Debenture interest after tax	**0.5**	1.2
Pick n Pay Stores Limited's dilution effect	**(17.7)**	(22.3)
Diluted basic earnings	**503.4**	358.4
Diluted headline earnings adjustments	**(18.6)**	57.0
Pick n Pay Stores Limited's dilution effect	**0.7**	(3.3)
Diluted headline earnings	**485.5**	412.1
and:	**Number of shares 000's**	Number of shares 000's
Reconciliation of the weighted average number of ordinary shares in issue for diluted earnings per share:		
Weighted average number of ordinary shares in issue	**512 644.5**	508 670.3
Dilutive effect of share options	**6 687.4**	9 713.0
Weighted average number of ordinary shares in issue for purposes of calculating diluted earnings per share	**519 331.9**	518 383.3

	COMPANY	
	2008 Cents	2007 Cents
4. DIVIDENDS		
Number 51 – declared 23 April 2007 – paid 11 June 2007	**52.35**	44.18
Number 52 – declared 15 October 2007 – paid 18 December 2007	**15.18**	13.17
Total dividends paid for the year	**67.53**	57.35
	Rm	Rm
Total value of dividends paid by the Company	**356.1**	302.4

For further details, including dividends declared after 29 February 2008, refer to the directors' report on page 96 and shareholders' information on page 40.

Pick n Pay Holdings Limited and its subsidiaries

	COMPANY 2008 Rm	COMPANY 2007 Rm
5. INVESTMENT IN SUBSIDIARY		
Pick n Pay Stores Limited		
257 345 334 (2007: 257 345 334) ordinary shares		
Initial investment	**24.7**	24.7
Capitalisation share awards received	**103.3**	103.3
Total investment at cost	**128.0**	128.0
Market value	**7 977.7**	8 456.4
6. 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 29 February is made up as follows:		
Treasury shares held in the share trust (note 7)	**11 228.3**	14 780.4
Treasury shares held in a subsidiary company (note 7)	**1 680.3**	1 520.1
	12 908.6	16 300.5
Shares held outside the Holdings Group	**514 340.5**	510 948.6
At 29 February	**527 249.1**	527 249.1
118 million of the unissued shares remain under the control of the directors until the next annual general meeting.		
Share Incentive Scheme		
The directors are authorised to utilise up to 17.5% of the issued share capital for the scheme.		
	Number of options 000's	Number of options 000's
Movement in the number of shares granted but not taken up are as follows:		
At 1 March	**15 210.0**	19 581.5
New options granted*	**708.8**	860.8
Options taken up**	**(4 115.4)**	(5 232.3)
Options forfeited	**—**	—
At 29 February	**11 803.4**	15 210.0
Percentage of issued shares	**2.2%**	2.9%
Options available for granting under current authorisation	**80 465.2**	77 058.6
*Average price of options granted during the year	**R 13.25**	R 12.15
**Average price of options taken up during the year	**R 3.69**	R 3.09

Pick n Pay Holdings Limited and its subsidiaries

		COMPANY	
		2008 Number of options 000's	2007 Number of options 000's
6. SHARE CAPITAL *(continued)*			
Options granted may be taken up during the following financial years:			
Year	Average grant price		
2009	R5.43	**11 563.4**	
2010	R5.10	**240.0**	
		11 803.4	
		Number of shares 000's	Number of shares 000's
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		**11 228.3**	14 780.4
On behalf of share purchase scheme participants		**546.9**	627.6
		11 775.2	15 408.0

Pick n Pay Holdings Limited and its subsidiaries

	GROUP 2008 Rm	2007 Rm
7. TREASURY SHARES		
Treasury shares comprise Pick n Pay Holdings Limited shares held by a subsidiary company and the share trust		
At 1 March	**60.6**	71.5
Share repurchases	**9.9**	8.0
Take-up of share options	**(16.1)**	(18.9)
At 29 February	**54.4**	60.6
	Number of shares 000's	Number of shares 000's
The movement in the number of treasury shares is as follows:		
At 1 March	**16 300.5**	20 857.2
Shares purchased during the year	**650.6**	595.8
Shares sold during the year, pursuant to the take-up of share options	**(4 042.5)**	(5 152.5)
At 29 February	**12 908.6**	16 300.5
Comprises:		
Shares held by share trust	**11 228.3**	14 780.4
Shares held by a subsidiary company	**1 680.3**	1 520.1
Average purchase price of shares purchased during the year	**R15.02**	R13.38
Average purchase price of shares held at year-end	**R4.21**	R3.72

Pick n Pay Holdings Limited and its subsidiaries

8. CORRECTION OF PRIOR YEAR ERROR

In prior years, the consolidation of the Pick n Pay Holdings Limited Group did not take into account the Pick n Pay Stores Limited ("Stores") treasury shares held by a subsidiary company and the share trust. The Stores shares held by subsidiaries should be treated as cancelled for the purposes of consolidation, thereby increasing Pick n Pay Holdings Limited's effective control of Stores and decreasing the effective holding of minorities. The correction of this error has resulted in various reallocations in equity between the Company's share of equity and minority interests. The restatements are presented below.

This adjustment has had no impact on the total equity or the cash flows of the Company. There is no effect on the shareholders of the Company, as all income earned by the Company is paid out to shareholders in the form of dividends.

	Share-based payment reserve	Accumulated profits	Foreign currency translation reserve	Minority interest
At 1 March 2006 – as restated	**21.7**	**310.9**	**19.3**	**442.8**
At 1 March 2006 – as previously stated	20.5	281.5	13.4	479.3
Correction of prior year error	1.2	29.4	5.9	(36.5)
Movement in equity in the prior year:				
Total recognised income and expense for the year	**—**	**379.5**	**93.0**	**364.7**
As previously stated	—	357.6	87.6	392.0
Correction of prior year error	—	21.9	5.4	(27.3)
Dividends paid		(302.4)		
Dividends paid by subsidiary to minorities				(221.4)
Take-up of share options		(3.0)		
Subsidiary's share repurchases	**—**	**(119.8)**	**—**	**(93.4)**
As previously stated	—	(112.9)	—	(100.3)
Correction of prior year error	—	(6.9)	—	6.9
Take-up of subsidiary's share options	**—**	**15.4**	**—**	**12.1**
As previously stated	—	14.6	—	12.9
Correction of prior year error	—	0.8	—	(0.8)
Share options expense	**16.4**	**—**	**—**	**12.8**
As previously stated	15.5	—	—	13.7
Correction of prior year error	0.9	—	—	(0.9)
Impact of movements in treasury shares	0.3	46.2	(6.7)	(39.8)
At 28 February 2007 – as restated	**38.4**	**326.8**	**105.6**	**477.8**

Divisional Directors

The following Executives are Divisional Directors of our main operating companies:

CHAIRMAN'S EXECUTIVE COMMITTEE (EXCO)

Raymond Ackerman

Wendy Ackerman

Nick Badminton

Suzanne Ackerman-Berman

Dennis Cope

Isaac Motaung

Adrian Naudé

David Robins

Aubrey Zelinsky

RETAIL DIVISION MANAGEMENT BOARD

Nick Badminton (46)
CEO
Years of Service 29

Jonathan Ackerman (41)
Marketing
Years of Service 17

Suzanne Ackerman-Berman (45)
Transformation
Years of Service 13

Dennis Cope (57)
Group Finance
Years of Service 30

Paul Connellan (53)
Foods
Years of Service 30

Harold Dawson (49)
Technology & Systems
Years of Service 18

Bakar Jakoet (52)
Group Finance Controller
Years of Service 23

Izak Joubert (38)
Property & Operations
Years of Service 15

Dallas Langman (38)
Stores
Years of Service 18

Isaac Motaung (53)
Human Resources
Years of Service 32

Neal Quirk (52)
Franchise
Years of Service 26

Bronwen Rohland (44)
Group Services
Years of Service 22

Linda Saacks (52)
Employee Training & Development
Years of Service 28

Chris van Rooyen (50)
Project Inland Region
Years of Service 28

GROUP ENTERPRISES MANAGEMENT BOARD

Nick Badminton (46)
CEO
Years of Service 29

Adrian Naudé (37)
Managing Director
Years of Service 10

Hugh Bland (53)
Boxer
Years of Service 20
Retired 1 March 2008

Dennis Cope (57)
Group Finance
Years of Service 30

Chris Reed (47)
Score
Years of Service 23

Eugene Stoop (53)
Boxer
Years of Service 16
Appointed 1 March 2008

Frans van der Colff (49)
Score conversions
Years of Service 20

FRANKLINS AUSTRALIA DIRECTORS AND MANAGEMENT BOARD

Nick Badminton (46)
CEO
Years of Service 29

Aubrey Zelinsky (58)
Managing Director
Years of Service 38

Dennis Cope (57)
Group Finance
Years of Service 30

Roni Perlov (45)
Finance
Years of Service 9

David Robins (54)
Deputy Chairman
Years of Service 14

PICK N PAY RETAILERS (PTY) LIMITED

Hypermarket General Managers

Duncan Pentz (51)
Head of Hypermarkets
Years of Service 27

Mark Bishop (45)
Wonderpark
Years of Service 25

Jan de Beer (35)
Brackenfell
Years of Service 10

Hoosain Hansrod (55)
Princess Crossing
Years of Service 28

Ian Hughes (41)
Moffett Park
Years of Service 21

Patrick Kgengwenyane (36)
Northgate
Years of Service 10

Johannes Letswalo (48)
Soweto
Years of Service 24

Steve Longmore (34)
Faerie Glen
Years of Service 13

Piet Lubbe (45)
Norwood
Years of Service 23

Nigel Money (37)
Woodmead
Years of Service 13

Ravi Naidoo (39)
Durban
Years of Service (20)

Luis Nunes (41)
Ottery
Years of Service 19

Folkers Oosthuizen (42)
Bedworth Park
Years of Service 20

Devin Richter (34)
Bloemfontein
Years of Service 15

Jeff Ramoroto (43)
Steeledale
Years of Service 18

Craig Tapping (35)
Boksburg
Years of Service 16

Gamieda Tim (42)
Centurion
Years of Service 19

Warren van der Vlies (38)
Greenstone
Years of Service 13

Michael van Niekerk (38)
Klerksdorp
Years of Service 18

Jacques van Rooyen (48)
Montana
Years of Service 21

Supermarket General Managers

Dion Blom (41)
KwaZulu-Natal
Years of Service 18

Anil Gopichund (39)
Gauteng – Corporate
Years of Service 21

Abdurahman Hamdulay (36)
Western Cape
Years of Service 15

Kevin Korb (48)
Gauteng
Years of Service 26

Luke Louw (50)
Northern Region
Years of Service 26

Wim Theron (40)
Eastern Cape
Years of Service 10

Jarett van Vuuren (34)
Western Cape – Corporate
Years of Service 15

Johan van Zyl (37)
Northern Region – Corporate
Years of Service 16

Dirk Venter (54)
Free State
Years of Service 27

Corporate General Managers

Rowan Armstrong (44)
General Merchandise
Years of Service 23

Michael Anderson (42)
Food Distribution – Gauteng
Years of Service 5

Peter Arnold (46)
Fresh Foods
Years of Service 24

Cobus Barnard (43)
Convenience Strategy
Years of Service 1

George Barry (50)
Franchise – KZN
Years of Service 17

Malcolm Baxter (60)
Store Planning
Years of Service 39
Retired 1 April 2008

Solly Bendrau (52)
General Merchandise
Years of Service 30

Gigi Bisogno (52)
National Perishable Buyer
Years of Service 31

Anthony Brown (39)
Corporate Foods – Gauteng
Years of Service 14

Tessa Chamberlain (48)
Sustainable Development
Years of Service 9

Rob Clifford (59)
National Operations
Years of Service 14

Michael Coles (53)
Clothing
Years of Service 13

Charl Cowley (36)
Group Audit Services
Years of Service 8

David Crewe (44)
Fresh Foods – Hypers
Years of Service 20

Dharmalingum Dass (50)
General Merchandise
Years of Service 30

Divisional Directors continued

Louis de Beer (51)
Bakeries
Years of Service 29

Leon de Lange (41)
Clothing Store Operations
Years of Service 20

Helen de Light (52)
Industrial Relations
Years of Service 21

Ivan Diepraam (54)
Franchise – Merchandise
Years of Service 27

Stuart Duffield (50)
General Merchandise
Years of Service 30

Brian Gregson (48)
Operations – Gauteng
Years of Service 20

Malcolm Green (47)
Supply Chain
Years of Service 1

Steven Hoban (39)
International Procurement
Appointed 1 May 2008

Cindy Jenks (38)
Corporate Brands
Years of Service 17

George Jones (60)
Employee Benefits
Years of Service 20

Kobus Kuyler (49)
Safety & Security
Years of Service 5

Gary Lea (42)
Group Finance
Company Secretary
Years of Service 11

Pearly Ling (43)
National Operations
Years of Service 11

John Lucas (54)
Receiving Co-ordinator – Hypers
Years of Service 29

Warren Lupke (35)
National Produce
Years of Service 15

Warren Marsden (53)
E-Commerce
Years of Service 30

Rodney Mundell (51)
General Merchandise
Years of Service 26

Ray Murray (59)
Corporate
Years of Service 33

Malcolm Mycroft (51)
Marketing
Years of Service 30

Simone Parry (40)
Health & Beauty
Years of Service 2

Kader Patel (47)
Hypermarkets – Foods
Years of Service 25

Hennie Roets (38)
General Merchandise
Years of Service 18

Cedric Ross (47)
Hypermarkets – Foods
Years of Service 25

Dave Rappoport (57)
Hypermarkets
– General Merchandise
Years of Service 37

Andre Siebrits (51)
Pick n Pay Go Banking
Years of Service 30

Anton Smith (41)
Franchise
Years of Service 11

David Smith (53)
Supermarkets – National Foods
Years of Service 33

Rob Speedy (38)
Business Systems
Years of Service 16

Andrew Sutherland (37)
General Merchandise
Years of Service 16

Dalene van Aswegen (57)
Property
Years of Service 27

Lyndsay Webster-Rozon (37)
Marketing/Strategy
Years of Service 8

Leon Wilkisky (61)
Systems – Store Automation
Years of Service 36
Retired 1 April 2008

Kevin Wynne (49)
Human Resources
Years of Service 27

Buyers

Grant Barkhuizen (50)
Senior Buyer – Eastern Cape
Years of Service 26

Roy Campbell (52)
General Merchandise
Years of Service 31

Neil Cooke (50)
Corporate Brands
Years of Service 28

Llywellyn Dyer (44)
Corporate Brands
Years of Service 22

Shane Green (41)
Senior Buyer – Western Cape
Years of Service 25

Geoff Kahn (59)
Hypermarkets
Years of Service 38

Des Moodley (53)
Senior Buyer – KwaZulu-Natal
Years of Service 33

Alan van den Berg (41)
Senior Buyer – Gauteng
Years of Service 21

Naas van Poucke (50)
Western Cape – Distribution
Years of Service 25

Administration

Julian Adriaans (46)
Information Services
Years of Service 8

David Braun (55)
Corporate Assignments
Years of Service 30

Liza de Freitas (35)
Northern Region – Chief Accountant
Years of Service 12

Graeme Gathmann (37)
Hypermarkets – Chief Accountant
Years of Service 12

Cindy Hoffmann (48)
Human Resources – Gauteng
Years of Service 19

Mike Horney (40)
Human Resources – Hypermarkets
Years of Service 5

Christine Janse van Rensburg (49)
National Human Resources
Years of Service 19

Loretta Kelly (53)
Corporate Accountant
Years of Service 37

Henry Lefevre (60)
Group Audit Services
Years of Service 36
Retired 1 April 2008

Karyn Leibbrandt (48)
KwaZulu-Natal – Chief Accountant
Years of Service 23

Vaughn Linden (48)
Franchise
Years of Service 16

Jacque Lombard (38)
Western Cape – Franchise
Years of Service 14

Jonathan MacMillan (38)
Western Cape – Chief Accountant
Years of Service 16

Morag Magnussen (58)
Employee Benefits
Years of Service 13

Beverley Marks (51)
SAP
Years of Service 20

Chris Mawhinney (34)
Gauteng – Franchise
Years of Service 8

Yacoob Mola (53)
Human Resources
Years of Service 19

Petrus Steyn (38)
Gauteng – Chief Accountant
Years of Service 13

Brian Strydom (53)
Eastern Cape – Chief Accountant
Years of Service 24

Mohammed Vally (54)
FDC – Chief Accountant
Years of Service 35

Vaughan Veale (54)
Franchise
Years of Service 26

SCORE SUPERMARKETS

General Managers

Gerhard Booyse (47)
Operations
Years of Service 26

Ralene Livingstone (39)
Finance
Years of Service 6

David Ramsden (48)
Merchandise
Years of Service 26

Anderson Tshaya (58)
Human Resources
Years of Service 18

Divisional Directors continued

BLUE RIBBON MEAT

Operational Directors

Ian Crook (50)
General Manager
Years of Service 26

Tracey Wellington (41)
Finance
Years of Service 15

General Managers

Peter Elliot (53)
Gauteng
Years of Service 32

Zoran Endekovski (42)
Gauteng
Years of Service 13

Donavan Hayes (45)
Western Cape
Years of Service 25

Josiah Mokgoloboto (49)
Gauteng
Years of Service 29

Mandy van Zyl (35)
Eastern Cape
Years of Service 17

BOXER SUPERSTORES

Directors

Pat Goss (59)
Non-executive
Years of Service 19

Hugh Bland (53)
Managing Director
Years of Service 20
Resigned 1 March 2008

Eugene Stoop (53)
Managing Director
Years of Service 16
Appointed 1 March 2008

Rod Bell (55)
Operations
Years of Service 25

Iain Bromage (36)
Merchandise
Years of Service 3

Marek Masojada (42)
Finance
Years of Service 14

Ian Bamber (40)
Human Resources
Years of Service 12

FRANKLINS AUSTRALIA

General Managers

Graham Gardener (52)
Property
Years of Service 6

Johan Grobler (42)
Finance
Years of Service 17

Bill Morgan (63)
Franchise
Years of Service 9

Stan Srage (43)
Merchandise
Years of Service 18

TM SUPERMARKETS

Executive Directors

Mike Oakley (59)
Managing Director
Years of Service 38

Graham Jacobs (63)
Finance
Years of Service 22

Notice to Annual General Meeting

Pick n Pay Stores Limited and its subsidiaries

The 40th annual general meeting ("AGM") of shareholders of Pick n Pay Stores Limited ("the Company") for the year ended 29 February 2008 will be held at 09h00 on Wednesday, 11 June 2008. To ensure that registration procedures are completed by 09h00, please register for the AGM from 08h30.

The venue will be the conference centre at the registered office, Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708.

The following business will be transacted and resolutions proposed, with or without amendment:

1. Ordinary resolution number 1

Approval of annual financial statements

"Resolved that the annual financial statements of the Company and its subsidiaries, for the year ended 29 February 2008, are hereby adopted."

2. Ordinary resolution number 2

Appointment of auditors

"Resolved that KPMG Inc. are hereby reappointed as the auditors of the Company for the ensuing year."

Please note that the Audit, Risk and Compliance Committee have recommended the reappointment of KPMG Inc. as auditors of the Company.

3. Ordinary resolution number 3

Reappointment of directors

Wendy Ackerman, Gareth Mark Ackerman, Hugh Sidney Herman and Connie Nkosi retire in accordance with the Company's articles of association and, being eligible, offer themselves for re-election. Curricula vitae of those directors standing for re-election are presented on pages 10 to 12.

Accordingly, to consider and, if deemed fit, to re-elect those directors by way of passing the separate ordinary resolutions set out below:

Ordinary resolution number 3.1

Appointment of Wendy Ackerman as director

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

Ordinary resolution number 3.2

Appointment of Gareth Mark Ackerman as director

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

Ordinary resolution number 3.3

Appointment of Hugh Sidney Herman as director

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

Ordinary resolution number 3.4

Appointment of Constance Nkosi as director

"Resolved that Constance Nkosi be and is hereby elected as a director of the Company."

4. Ordinary resolution number 4

Directors' fees for the year ended 29 February 2008 and housing loans

"Resolved that the directors' fees paid and housing loans granted to the Company's directors for the year ended 29 February 2008, as set out in the financial statements accompanying this notice of annual general meeting, are hereby approved and ratified insofar as may be necessary."

5. Ordinary resolution number 5

Directors' fees for the year ending 28 February 2009

"Resolved that the directors' fees for the year ending 28 February 2009 be as follows:

- Executive directors, unchanged at R1 500.
- Non-executive directors, unchanged at R240 000.
- Chairman of the Audit, Risk and Compliance committee, unchanged at R200 000.
- Chairman of the Remuneration committee, unchanged at R100 000.
- Member of the Audit, Risk and Compliance committee, unchanged at R80 000.
- Member of the Remuneration and Nominations committees, unchanged at R50 000."

6. Special resolution number 1

General approval to repurchase Company shares

"Resolved that the Company hereby approves, as a general approval contemplated in sections 85 and 89 of the Companies Act 61 of 1973 (as amended) ("the Companies

Act"), the acquisition by the Company or any of its subsidiaries from time to time of the issued shares of the Company or its holding company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the articles of association of the Company, the provisions of the Companies Act and the JSE Limited ("JSE") Listings Requirements ("JSE Listings Requirements") as presently constituted and which may be amended from time to time, and provided that acquisitions by the Company and its subsidiaries, of shares in the capital of the Company or its holding company may not, in the aggregate, exceed in any one financial year 5% (five percent) of the Company's issued share capital of the class of repurchased shares from the date of the grant of this general approval.

Additional information required by the JSE Listings Requirements

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

a. any such acquisition of shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty or other manner approved by the JSE;

b. the general approval shall only be valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;

c. a paid press announcement will be published as soon as the Company and/or its subsidiaries has/have acquired shares constituting, on a cumulative basis, 3% (three percent) of the number of shares of the class of shares acquired in issue at the time of granting of this general approval and for each 3% (three percent) in aggregate of the initial number of that class of shares acquired thereafter, which announcement shall contain full details of such acquisitions;

d. in determining the price at which the Company's shares are acquired by the Company or its subsidiaries in terms of this general approval, the maximum price at which such shares may be acquired may not be greater than 10% (ten percent) above the weighted average of the market value at which such shares are traded on the JSE, as determined over the five (five) business days immediately preceding the date of the acquisition of such shares by the Company or its subsidiaries; and

e. in the case of a derivative (as contemplated in the JSE Listings Requirements), the price of the derivative shall be subject to the limitations set out in section 5.84(a) of the JSE Listings Requirements."

Statement by the Board of directors of the Company

Pursuant to, and in terms of, the JSE Listings Requirements the Board of directors of the Company hereby state that:

a. the intention of the directors of the Company is to utilise the general approval to repurchase shares in the capital of the Company if at some future date the cash resources of the Company are in excess of its requirements or there are other good grounds for doing so. In this regard the directors will take account of, inter alia, an appropriate capitalisation structure for the Company, the long-term cash needs of the Company and the interests of the Company;

b. in determining the method by which the Company intends to repurchase its securities, the maximum number of securities to be repurchased and the date on which such repurchase will take place, the directors of the Company will only make repurchases if at the time of the repurchase they are of the opinion that:

- **b.1** the Company and its subsidiaries will, after the repurchase, be able to pay their debts as they become due in the ordinary course of business for the 12 (twelve) month period following the date of this notice of the annual general meeting;
- **b.2** the consolidated assets of the Company and its subsidiaries, fairly valued and recognised and measured in accordance with the accounting policies used in the latest audited financial statements, will, after the repurchase, be in excess of the consolidated liabilities of the Company and its subsidiaries for the 12 (twelve) month period following the date of this notice of the annual general meeting;
- **b.3** the issued share capital and reserves of the Company and its subsidiaries will, after the repurchase, be adequate for the ordinary business purposes of the Company and its subsidiaries for the 12 (twelve) month period following the date of this notice of the annual general meeting; and
- **b.4** the working capital available to the Company and its subsidiaries will, after the repurchase, be adequate for the ordinary business requirements of the Company and its subsidiaries for the 12 (twelve) month period following the date of this notice of the annual general meeting.

Pick n Pay Stores Limited and its subsidiaries

Reason for and effect of special resolution number 1

The reason for special resolution number 1 is to grant the Company a general authority in terms of the Companies Act for the acquisition by the Company or any of its subsidiaries of shares issued by the Company or its holding company, which authority shall be valid until the earlier of the next annual general meeting of the Company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the Company, provided that the general authority shall not extend beyond 15 (fifteen) months from the date of this annual general meeting. The passing and registration of this special resolution will have the effect of authorising the Company or any of its subsidiaries to acquire shares issued by the Company or its holding company.

7. Ordinary resolution number 6

General authority over unissued shares

"Resolved that 25.3 million (5% of issued share capital) of the unissued authorised ordinary shares in the Company (which for the purposes of the JSE Listings Requirements and these resolutions shall include treasury shares) and, in addition, the 67.4 million unissued authorised ordinary shares specifically approved for issue in terms of the Company's share incentive schemes, be and are hereby placed under the control of the directors until the next annual general meeting, subject to the provisions of the Companies Act and the JSE Listings Requirements and the condition that no issue of these shares will be made if it could have the effect of changing control of the Company."

Except for the shares previously allocated to the Company's share incentive schemes, no issue of these shares is contemplated at the present time and no issue will be made that could effectively change the control of the Company without the prior approval of shareholders in a general meeting.

8. Ordinary resolution number 7

General authority to issue shares for cash

"Resolved that, subject to not less than 75% (seventy-five percent) of the votes cast by those shareholders of the Company present in person or represented by proxy to vote at this annual general meeting voting in favour of this ordinary resolution, the directors of the Company be and are hereby authorised by way of a general authority to issue (which shall for the purposes of the JSE Listings Requirements include the sale of treasury shares) for cash (as contemplated in the JSE Listings Requirements) all or any of the authorised but unissued shares in the capital of the Company, including options, as and when they in their discretion deem fit, subject to the Companies Act, the articles of association of the Company and the JSE Listings Requirements as presently constituted and which may be amended from time to time and, provided that such issues for cash may not, in the aggregate, in any 1 (one) financial year, exceed 5% (five percent) of the number of shares of the relevant class of shares issued prior to such issue.

Additional information required by the JSE Listings Requirements

It is recorded that the Company may only make an issue of shares (as defined in the JSE Listings Requirements) for cash under the above general authority if the following JSE Listings Requirements are met:

- **a.** the shares which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such equity securities or rights that are convertible into a class already in issue;
- **b.** the general authority shall only be valid until the Company's next annual general meeting provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this ordinary resolution;
- **c.** a paid press announcement will be published giving full details, including the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 days prior to the date that the price of the issue was determined or agreed by the directors of the Company and the expected effect on the net asset value per share, net tangible asset value per share and earnings per share and headline earnings per share at the time of any issue representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) of the number of shares in issue prior to the issue;
- **d.** that issues in the aggregate in any 1 (one) financial year may not exceed 15% (fifteen percent) of the number of the shares of the Company in issue of that class of shares before such issue, taking into account the dilution effect of convertible equity securities and options in accordance with the JSE Listings Requirements;
- **e.** in determining the price at which an issue of shares may be made in terms of this general authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of those shares measured over the 30 (thirty) business days prior

to the date that the price of the issue is determined or agreed by the directors of the Company; and

f. any issue will only be made to "public shareholders" as defined by the JSE Listings Requirements and not to related parties."

9. Ordinary resolution number 8

Amendments to the 1997 Share Option Scheme

"Resolved that:

(i) the terms of the Pick n Pay 1997 Share Option Scheme Agreement (the "Scheme Agreement"), to which the Company is a party, be and it is amended upon the terms set out on pages 125 and 126 of this notice of annual general meeting, the terms of which amendments have been tabled at this meeting and initialled by the Chairman for purposes of identification; and

(ii) any director of the Company and/or the Company Secretary of the Company from time to time be and is hereby authorised to sign all such documents and do all such things as may be necessary to give effect to the aforegoing from time to time."

10. Ordinary resolution number 9

Directors' authority to implement Company resolutions

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

11. To transact such other business that may be transacted at an annual general meeting

General instructions and information

The annual report to which this notice of this annual general meeting is attached provides details of:

- the directors and managers of the Company on pages 10 to 12 and 110 to 115;
- the major shareholders of the Company on page 39;
- the directors' shareholding in the Company on page 64; and
- the share capital of the Company in note 17 on page 75 and an analysis of the shareholders on page 39.

There are no material changes to the Group's financial or trading position, nor are there any material, legal or arbitration proceedings (pending or threatened) that may affect the financial position of the Group between 29 February 2008 and the reporting date.

The directors, whose names are given on pages 10 to 12 of the annual report, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the annual report and this notice contains all information required by law and the JSE Listings Requirements.

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

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

- you may attend and vote at the annual general meeting; alternatively
- you may appoint a proxy to represent you at the annual general meeting by completing the attached form of proxy and returning it to the registered office of the Company or to the transfer secretaries, Computershare Investor Services (Proprietary) Limited, the details of which are set out on page 40 of the annual report, by no later than 09h00 on Tuesday, 10 June 2008, being 24 hours prior to the time appointed for the holding of the annual general meeting.

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

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

- if you wish to attend the annual general meeting you must contact your CSDP or broker, as the case may be, and obtain the relevant letter of representation from it; alternatively
- if you are unable to attend the annual general meeting but wish to be represented at the meeting, you must

Pick n Pay Stores Limited and its subsidiaries

contact your CSDP or broker, as the case may be, and furnish it with your voting instructions in respect of the annual general meeting and/or request it to appoint a proxy. You must not complete the attached form of proxy. The instructions must be provided in accordance with the mandate between yourself and your CSDP or broker, as the case may be, within the time period required by your CSDP or broker, as the case may be.

CSDPs, brokers or their nominees, as the case may be, recorded in the Company's subregister as holders of dematerialised shares held on behalf of an investor/ beneficial owner in terms of STRATE should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares in the Company, vote by either appointing a duly authorised representative to attend and vote at the annual general meeting or by completing the attached form of proxy in accordance with the instructions thereon and returning it to the registered office of the Company or to the transfer secretaries, Computershare Investor Services (Proprietary) Limited, the details of which are set out on page 40 of the annual report, by no later than 09h00 on Tuesday, 10 June 2008, being 24 hours prior to the time appointed for the holding of the annual general meeting.

By order of the Board

G F Lea

Company Secretary

Cape Town

5 May 2008

Pick n Pay Holdings Limited and its subsidiaries

The 27th annual general meeting ("AGM") of shareholders of Pick n Pay Holdings Limited ("the Company") for the year ended 29 February 2008 will be held at 09h30, or as soon as the annual general meeting for Pick n Pay Stores Limited is completed, on Wednesday, 11 June 2007. Registration for attendance at the AGM will commence at 08h30.

The venue will be the conference centre at the registered office, Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708.

The following business will be transacted and resolutions proposed, with or without amendment:

1. Ordinary resolution number 1

Approval of annual financial statements

"Resolved that the annual financial statements of the Company and its subsidiaries, for the year ended 29 February 2008, are hereby adopted."

2. Ordinary resolution number 2

Appointment of auditors

"Resolved that KPMG Inc. are hereby reappointed as the auditors of the Company for the ensuing year."

3. Ordinary resolution number 3

Reappointment of directors

Wendy Ackerman and René Pieter de Wet retire in accordance with the Company's articles of association, and, being eligible, offer themselves for re-election. Curricula vitae of those directors standing for re-election are presented on pages 10 and 11.

Accordingly, to consider and, if deemed fit, to re-elect those directors by way of passing the separate ordinary resolutions set out below:

Ordinary resolution number 3.1

Appointment of Wendy Ackerman as director

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

Ordinary resolution number 3.2

Appointment of René Pieter de Wet as director

"Resolved that René Pieter de Wet be and is hereby elected as a director of the Company."

4. Special resolution number 1

General approval to repurchase Company shares

"Resolved that the Company hereby approves, as a general approval contemplated in sections 85 and 89 of the Companies Act 61 of 1973 (as amended) ("Companies Act"), the acquisition by the Company or any of its subsidiaries from time to time of the issued shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the articles of association of the Company, the provisions of the Companies Act and the JSE Limited ("JSE") Listings Requirements ("JSE Listings Requirements") as presently constituted and which may be amended from time to time, and provided that acquisitions by the Company and its subsidiaries of shares in the capital of the Company may not, in the aggregate, exceed in any one financial year 5% (five percent) of the Company's issued share capital of the class of shares acquired from the date of the grant of this general approval.

Additional information required by the JSE Listings Requirements

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

a. any such acquisition of shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty or other manner approved by the JSE;

b. the general approval shall only be valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;

c. a paid press announcement will be published as soon as the Company and/or its subsidiaries has/have acquired shares constituting, on a cumulative basis, 3% (three percent) of the number of shares of the class of shares acquired in issue at the time of granting of this general approval and for each 3% (three percent) in aggregate of the initial number of that class of shares acquired thereafter, which announcement(s) shall contain full details of such acquisitions;

d. in determining the price at which the Company's shares are acquired by the Company or its subsidiaries in terms of this general approval, the maximum price at which such shares may be acquired may not be greater than 10% (ten percent) above the weighted average of the

Pick n Pay Holdings Limited and its subsidiaries

market value at which such shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date of acquisition of such shares by the Company or its subsidiaries; and

e. in the case of a derivative (as contemplated in the JSE Listings Requirements), the price of the derivative shall be subject to the limitations set out in section 5.84(a) of the JSE Listings Requirements."

Statement by the Board of directors of the Company

Pursuant to, and in terms of, the JSE Listings Requirements, the Board of directors of the Company hereby state that:

a. the intention of the directors of the Company is to utilise the general authority to acquire shares in the capital of the Company if at some future date the cash resources of the Company are in excess of its requirements or there are other good grounds for doing so. In this regard the directors will take account of, inter alia, an appropriate capitalisation structure for the Company, the long-term cash needs of the Company and the interests of the Company;

b. in determining the method by which the Company intends to repurchase its securities, the maximum number of securities to be repurchased and the date on which such repurchase will take place, the directors of the Company will only make repurchases if at the time of the repurchase they are of the opinion that:

b.1 the Company and its subsidiaries will, after the repurchase, be able to pay their debts as they become due in the ordinary course of business for the 12 (twelve) month period following the date of this notice of the annual general meeting;

b.2 the consolidated assets of the Company and its subsidiaries, fairly valued and recognised and measured in accordance with the accounting policies used in the latest audited financial statements, will, after the repurchase, be in excess of the consolidated liabilities of the Company and its subsidiaries for the 12 (twelve) month period following the date of this notice of the annual general meeting;

b.3 the issued share capital and reserves of the Company and its subsidiaries will, after the repurchase, be adequate for the ordinary business purposes of the Company and its subsidiaries for the 12 (twelve) month period following the date of this notice of the annual general meeting; and

b.4 the working capital available to the Company and its subsidiaries will, after the repurchase, be adequate for the ordinary business requirements of the Company and its subsidiaries for the 12 (twelve) month period following the date of this notice of the annual general meeting.

Reason and effect of special resolution number 1

The reason for special resolution number 1 is to grant the Company a general authority in terms of the Companies Act for the acquisition by the Company or any of its subsidiaries of shares issued by the Company, which authority shall be valid until the earlier of the next annual general meeting of the Company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the Company, provided that the general authority shall not extend beyond 15 (fifteen) months from the date of this annual general meeting. The passing and registration of this special resolution will have the effect of authorising the Company and/or any of its subsidiaries to acquire shares issued by the Company.

5. Ordinary resolution number 4

General authority over unissued shares

"Resolved that 26.4 million (5% of issued share capital) of the unissued authorised ordinary shares in the Company (which for the purposes of the JSE Listings Requirements and these resolutions shall include treasury shares) and, in addition, the 92.3 million unissued authorised ordinary shares specifically approved for issue in terms of the Company's share incentive schemes, be and are hereby placed under the control of the directors until the next annual general meeting, subject to the provisions of the Companies Act and the JSE Listings Requirements and the condition that no issue of these shares will be made if it could have the effect of changing control of the Company."

Except for the shares previously allocated to the Company's share incentive schemes, no issue of these shares is contemplated at the present time and no issue will be made that could effectively change the control of the Company without the prior approval of shareholders in a general meeting.

6. Ordinary resolution number 5

General authority to issue shares or other equities for cash

"Resolved that, subject to not less than 75% (seventy-five percent) of the votes cast by those shareholders of the Company present in person or represented by proxy to vote at this annual general meeting voting in favour of this ordinary resolution, the directors of the Company be and are hereby authorised by way of a general authority to issue (which shall for the purpose of the JSE Listings Requirements include the sale of treasury shares) for cash (as contemplated in the JSE Listings Requirements) all or any of the authorised but unissued shares in the capital of the Company, including options and convertible securities, as and when they in their discretion deem fit, subject to the Companies Act, the articles of association of the Company and the JSE Listings Requirements as presently constituted and which may be amended from time to time, and provided that such issues for cash may not, in the aggregate, in any 1 (one) financial year, exceed 5% (five percent) of the number of the shares of the relevant class of shares issued prior to such issue.

Additional information required by the JSE Listings Requirements

It is recorded that the Company may only make an issue of shares for cash if the following JSE Listings Requirements are met:

a. the shares which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such shares or rights that are convertible into a class already in issue;

b. the general authority shall only be valid until the Company's next annual general meeting provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this ordinary resolution;

c. a paid press announcement will be published giving full details, including the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 days prior to the date that the price of the issue was determined or agreed by the directors of the Company and the expected effect on the net asset value per share, net tangible asset value per share, earnings per share and headline earnings per share, at the time of any issue representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) or more of the number of shares in issue prior to the issue in accordance with the JSE Listings Requirements;

d. that issues in the aggregate in any 1 (one) financial year may not exceed 15% (fifteen percent) of the number of the shares of the Company in issue of that class of equity securities before such issue, taking into account the dilution effect of convertible equity securities and options in accordance with the JSE Listings Requirements;

e. in determining the price at which an issue of shares may be made in terms of this general authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of those shares measured over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the directors of the Company; and

f. any issue will only be made to "public shareholders" as defined by the JSE Listings Requirements and not to related parties."

7. Ordinary resolution number 6

Amendments to the 1997 Share Option Scheme

"Resolved that:

(i) the terms of the Pick n Pay 1997 Share Option Scheme Agreement (the "Scheme Agreement"), to which the Company is a party, be and it is amended upon the terms set out on pages 125 and 126 of this notice of annual general meeting, the terms of which amendments have been tabled at this meeting and initialled by the Chairman for purposes of identification; and

(ii) that any director of the Company and/or the Company Secretary of the Company from time to time be and is hereby authorised to sign all such documents and do all such things as may be necessary to give effect to the aforegoing from time to time."

8. Ordinary resolution number 7

Directors' authority to implement Company resolutions

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

Pick n Pay Holdings Limited and its subsidiaries

9. To transact such other business that may be transacted at an annual general meeting

General instructions and information

The annual report to which this notice of this annual general meeting is attached provides details of:

- the directors and managers of the Company on page 13;
- the major shareholders of the Company on page 39;
- the directors' shareholding in the Company on page 103; and
- the share capital of the Company in note 6 on page 106, and an analysis of the shareholders on page 39.

There are no material changes to the Group's financial or trading position, nor are there any material, legal or arbitration proceedings (pending or threatened) that may affect the financial position of the Group between 29 February 2008 and the reporting date.

The directors, whose names are given on page 13 of the annual report, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the annual report and this notice contains all information required by law and the JSE Listings Requirements.

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

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

- you may attend and vote at the annual general meeting; alternatively
- you may appoint a proxy to represent you at the annual general meeting by completing the attached form of proxy and returning it to the registered office of the Company or to the transfer secretaries, Computershare Investor Services (Proprietary) Limited, the details of which are set out on page 40 of the annual report, by no later than 09h30 on Monday, 9 June 2008, being 48 hours prior to the time appointed for the holding of the annual general meeting.

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

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

CSDPs, brokers or their nominees, as the case may be, recorded in the Company's subregister as holders of dematerialised shares held on behalf of an investor/ beneficial owner in terms of STRATE should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares in the Company, vote by either appointing a duly authorised representative to attend and vote at the annual general meeting or by completing the attached form of proxy in accordance with the instructions thereon and returning it to the registered office of the Company or to the transfer secretaries, Computershare Investor Services (Proprietary) Limited, the details of which are set out on page 40 of the annual report, by no later than 09h30 on Monday, 9 June 2008, being 48 hours prior to the time appointed for the holding of the annual general meeting.

By order of the Board

G F Lea

Company Secretary

Cape Town

5 May 2008

Amendments to the Pick n Pay 1997 Share Option Scheme Agreement:

The Pick n Pay 1997 Share Option Scheme Agreement was entered into on 22 September 1997, and amended on 9 May 2003, 11 November 2003 and 10 June 2005 (the "Scheme Agreement").

It is proposed that further amendments are made to the Scheme Agreement, as set out below.

1. A definition of "Employer Company" is inserted into the Scheme Agreement, to refer to members of the Pick n Pay Group which agree to be bound by the terms of the Scheme Agreement and sign it as a party to the agreement, from time to time.
2. A new clause, (clause 7A), is inserted into the Scheme Agreement, after the existing clause 7 of the Scheme Agreement. This new clause 7A will provide for the net settlement of options granted in terms of the Scheme Agreement. This means that, at the time of the exercise of an option, the employee, will receive only so many shares (at current value) as represents the gain in value of the option.

   A participant who exercises options in terms of the net settlement provisions (clause 7A) will not be required to pay for the shares acquired on exercise of the option.

   For example, if a participant holds options over 100 (one hundred) shares for a grant price of R20 (twenty rand) each and on the date of exercise of the options the market price of the shares is R40 (forty rand), that represents a gain of R2 000 (two thousand rand). Instead of the participant paying the option price of R2 000 (two thousand rand) to receive 100 (one hundred) shares the participant will simply acquire 50 (fifty) shares for nil consideration, which equates to the value of their gain (R2 000) at the price of the share on date of exercise, being R40 (forty rand) per share.

   It is proposed that the net settlement provisions referred to above will apply to all options granted after 12 June 2008. Any fractions of shares to which a participant becomes entitled to will be rounded up to the next whole share. The Employer Company of the participant will be obliged to issue or deliver the shares to the participant concerned at its own cost.
3. Amendments are required to the Scheme Agreement so as to accommodate those subsidiaries of the Company which will now become Employer Companies for purposes of the Scheme Agreement.
4. The discount at which options will be granted on or after 12 June 2008 is reduced from 10% (ten percent) to 5% (five percent).
5. If employees are transferred between group companies, then the Group company where the participant is employed at the time an option is exercised, is obliged to carry out the obligations of an Employer Company and bear the costs of this incentivisation themselves.
6. Options granted on or after 12 June 2008 may only be exercised in terms of the new clause 7A of the Scheme Agreement so that, in respect of all options granted on or after that date, only the "net settlement" provisions will apply.
7. A procedural change is being made so as to require all options to be exercised in the form required by the Company from time to time. This will facilitate recordkeeping and administration.
8. Any participant who exercises options in terms of the new clause 7A of the Scheme Agreement, agrees that shares to which the participant becomes entitled as a result of exercise of the options may be sold to pay for the employee's tax liability resulting from the scheme.
9. The implementation of 2 above ("net settlement" provisions) necessitates certain consequential amendments to the Scheme Agreement.

Reasons for the proposed amendments to this Scheme Agreement:

1. It is proposed that the several employer companies who actually employ participants who participate under the Scheme Agreement, become parties to the Scheme Agreement. This amendment will enable the Group to allocate share option costs to the relevant operating companies within the Group. The main purpose of the Scheme Agreement continues to be the facilitation of share ownership by employees, thereby aligning their interests with all shareholders. This incentivises employees to promote growth in profits and

simultaneously encourages employee retention. It is appropriate that the cost of this incentivisation be directly charged to the relevant Employer Company within the Group which actually employs the participant. This cost will include the cost of the options granted to employees (the cost being actuarially valued and calculated according to accounting standards). As no amount is payable by a participant who "net settles", the Employer Company which employs the participant concerned will be required to make any payments necessary for the shares to be acquired by the participant.

2. It is proposed that there is "net settlement" for the participants who exercise options under the Scheme Agreement. This will reduce the dilutionary effect of granting options to employees of the Group, as a lesser number of shares in the Company will be delivered to participants who exercise their options. The number of shares to which the participants will become entitled is determined according to a formula.

3. It is proposed that the discount at which options are granted is reduced from a discount of 10% (ten percent) to a discount of 5% (five percent) to the middle market price of the Company shares upon the granting of the options. This amendment is proposed so as to reduce the cost to the Employer Companies of incentivising their employees through share options.

4. It is also considered prudent that employees who "net settle" their options upon exercise, authorise, in terms of the scheme, sufficient shares resulting from that exercise to be sold to cover their tax liability so that this tax liability is paid to the authorities.

5. The remaining amendments proposed to the Scheme Agreement are consequential upon those amendments referred to above.

6. A copy of the unsigned "Deed of Amendment to the Agreement establishing the Pick n Pay "1997 Share Option Scheme" is available for inspection at the registered office of the Company, care of the Company Secretary.

Form of Proxy

Pick n Pay Stores Limited and its subsidiaries

For use at the annual general meeting of Pick n Pay Stores Limited ("the Company") to be held at the registered office of the Company, Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, in the conference centre at 09h00 on Wednesday, 11 June 2008 (the "annual general meeting").

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

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

Each shareholder entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies (none of whom need be a shareholder of the Company) to attend, speak and vote in place of that member at the annual general meeting, and at any adjournment thereafter.

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

I/We (block letters) ____________________

of ____________________

Telephone: Work ( ) ____________________ Telephone: Home ( ) ____________________

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

1. ____________________ or failing him/her,

2. ____________________ or failing him/her,

3. the Chairperson of the annual general meeting,

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

		Number of votes (one vote per ordinary share)		
		For	Against	Abstain
Ordinary resolution no. 1:	Approval of annual financial statements			
Ordinary resolution no. 2:	Appointment of the auditors			
Ordinary resolution no. 3.1:	Election of Mrs W Ackerman as director			
Ordinary resolution no. 3.2:	Election of Mr G M Ackerman as director			
Ordinary resolution no. 3.3:	Election of Mr H S Herman as director			
Ordinary resolution no. 3.4:	Election of Ms C Nkosi as director			
Ordinary resolution no. 4:	Approval of 2008 directors' fees and housing loans			
Ordinary resolution no. 5:	Approval of 2009 directors' fees			
Special resolution no. 1:	General approval to repurchase Company shares			
Ordinary resolution no. 6:	General authority over unissued shares			
Ordinary resolution no. 7:	General authority to issue shares for cash			
Ordinary resolution no. 8:	Amendments to the 1997 Share Option Scheme			
Ordinary resolution no. 9:	Directors' authority to implement Company resolutions			

Insert an "X" in the relevant spaces above according to how you wish your votes to be cast. If you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of shares held in respect of which you desire to vote (see note 2).

Signed at ____________________ on ____________________ 2008

Signature ____________________

(Authority of signatory to be attached if applicable – see note 4)

Assisted by me (where applicable – see note 6) ____________________ Telephone number ____________________

Please read the notes overleaf.

Notes

Pick n Pay Stores Limited and its subsidiaries

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

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

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

   A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.

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

   Forms of proxy must be received or lodged by no later than 09h00 on Tuesday, 10 June 2008, being 24 hours before the annual general meeting to be held at 09h00 on Wednesday, 11 June 2008.

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

5. Any alteration or correction made to this proxy form must be initialled by the signatory/ies, but may not be accepted by the Chairperson.

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

Form of Proxy

Pick n Pay Holdings Limited and its subsidiaries

For use at the annual general meeting of Pick n Pay Holdings Limited ("the Company") to be held at the registered office of the Company, Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, in the conference centre at 09h30 or as soon as the annual general meeting of Pick n Pay Stores Limited is completed, on Wednesday, 11 June 2008 (the "annual general meeting").

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

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

Each shareholder entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies (none of whom need be a shareholder of the Company) to attend, speak and vote in place of that member at the annual general meeting, and at any adjournment thereafter.

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

I/We (block letters) ______________________________

of ______________________________

Telephone: Work (   ) ____________________ Telephone: Home (   ) ____________________

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

1. ______________________________ or failing him/her,

2. ______________________________ or failing him/her,

3. the Chairperson of the annual general meeting,

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

		Number of votes (one vote per ordinary share)		
		For	Against	Abstain
Ordinary resolution no. 1:	Approval of annual financial statements			
Ordinary resolution no. 2:	Appointment of the auditors			
Ordinary resolution no. 3.1:	Election of Mrs W Ackerman as director			
Ordinary resolution no. 3.2:	Election of Mr R P de Wet as director			
Special resolution no. 1:	General approval to repurchase Company shares			
Ordinary resolution no. 4:	General authority over unissued shares			
Ordinary resolution no. 5:	General authority to issue shares for cash			
Ordinary resolution no. 6:	Amendments to the 1997 Share Option Scheme			
Ordinary resolution no. 7:	Directors' authority to implement Company resolutions			

Insert an "X" in the relevant spaces above according to how you wish your votes to be cast. If you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of shares held in respect of which you desire to vote (see note 2).

Signed at ____________________ on ____________________ 2008

Signature ______________________________

(Authority of signatory to be attached if applicable – see note 4)

Assisted by me (where applicable – see note 6) ____________________ Telephone number ____________________

Please read the notes overleaf.

Notes

Pick n Pay Holdings Limited and its subsidiaries

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

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

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

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

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

   Forms of proxy must be received or lodged by no later than 09h30 on Monday, 9 June 2008, being no later than 48 hours before the annual general meeting to be held at 09h30 on Wednesday, 11 June 2008.

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

5. Any alteration or correction made to this proxy form must be initialled by the signatory/ies, but may not be accepted by the Chairperson.

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

Pick n Pay

Inspired by you

Pick n Pay Stores Limited and Pick n Pay Holdings Limited

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If you would prefer to receive the reports electronically, rather than in hard copy format, please will you complete this form either online through our website www.picknpay.co.za or fax this page to Computershare, as set out below.

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Please complete this form online at www.picknpay.co.za or fax this page to Computershare on +27(0)11 688-5248 or mail it to PO Box 61051, Marshalltown, 2107 South Africa

Your personal details

Name of shareholder	
Name of broker	
Account number	

Indicate your preference below by placing an "X" in the appropriate box and countersigning your selection in the column adjacent to the option elected:

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Option 2: I would like you to cease providing me with copies of the Reports, whether in hard copy or in electronic format		

In the event that you elect Option 1 above (receipt of the Reports in electronic format), please provide us with the following information:

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