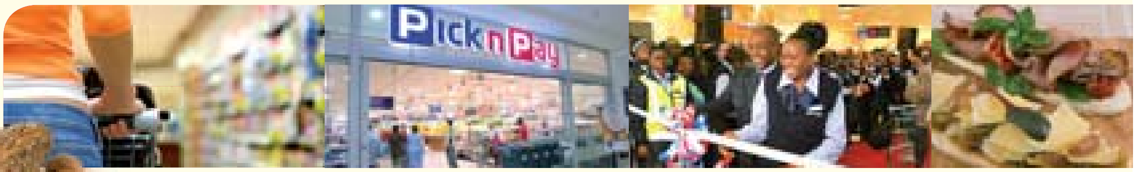
Integrated Annual Report 2011

Pick n Pay

Inspired by you



Our mission:

> We serve

> With our hearts we create a great place to be

> With our minds we create an excellent place to shop

Our values:

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

> We care for, and respect each other

> We foster personal growth and opportunity

> We nurture leadership and vision, and reward innovation

> We live by honesty and integrity

> We support and participate in our communities

> We take individual responsibility

> We are all accountable

Integrated Reporting

This is our first Integrated Report in line with the requirements of the King Code and Report on Governance for South Africa (King III). We applaud the principles of King III and believe that it has enabled us to improve our reporting. For a long time we have reported along the traditional "triple bottom line", reporting separately on our financial, social and environmental performance. We recognise, in line with the principles of King III, that these issues are fully integrated in the operations of our business and therefore should not be separately reported. Although we still have some work to do, we believe that our 2011 report gives a more balanced and integrated picture of the performance of the Group as a whole. We are committed to working towards best practice in reporting and would appreciate your feedback on this report – any comments can be emailed to Debra Muller, our Company Secretary, at demuller@pnp.co.za.

As the new Companies Act allows for the distribution of a summarised report to shareholders, this will be our last full print run of the complete integrated annual report. In accordance with the provisions of the new Companies Act, we will make the complete integrated annual report available on our website (as we do currently) and printed copies will be available on request. In future, we will send all shareholders printed copies of the Notices of the AGMs together with a summarised copy of the annual financial statements, unless shareholders elect to receive electronic versions. To the extent that our stakeholders support this initiative, it will result both in an improved environmental impact and cost savings.

Contents

Pick n Pay at a glance

Reports to stakeholders

Annual financial statements

Other information, notices of AGM and proxies

At Pick n Pay we strive to put the needs of our customers first

Group profile

Pick n Pay is a family-controlled business. Four small stores were purchased in 1967 and the Group was listed on the JSE Limited, the recognised stock exchange in South Africa, in 1968 as Pick n Pay Stores Limited.

Over four decades we have built a well-respected business. The growth and success of Pick n Pay is attributable to basic fundamental principles – an unwavering belief in consumer sovereignty by the application of the "four legs of the table" principle to maximise business efficiency and the principle of "doing good is good business".

These principles were put into practice at inception, and continue to be the cornerstone of our business. We believe that the application of these fundamentals gives a solid platform for a truly sustainable business.

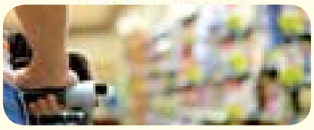
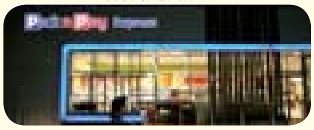
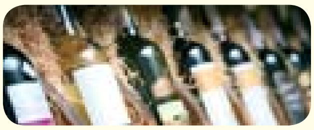
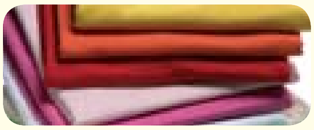
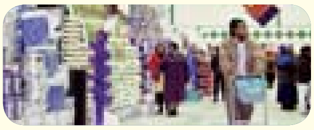
The "four legs of the table" principle follows a simple analogy. The business is a table supported by four legs on top of which the consumer sits. Each leg needs to be equally strong in order for the table to remain balanced and upright. The four legs of the table are:

- Administration
- Merchandise
- Sales promotion and social responsibility
- People

Each leg is equally important to the success and continued sustainability of the business. Each requires and receives equal focus and management support.

The Pick n Pay Group is one of Africa's largest and most consistently successful retailers, with 869 stores (500 corporate, 379 franchise), excluding in-store pharmacies and our 25% investment in TM in Zimbabwe. A summary is presented on page 3.

Number of stores at 28 February 2011

Formats	Stores and outlets		Product description and services	Trading area 000 m²	
Pick n Pay Hyper 	20 corporate		Food, wine, clothing, with full range of general merchandise and home improvement supplies	181.1 corporate	
Supermarket 	160 corporate	285 franchise	Food, wine, clothing, with limited range of general merchandise	364.1 corporate	340.9 franchise
Express 		8 franchise	Food		1.2 franchise
Liquor 	83 corporate	66 franchise	Beer, wine and liquor	8.0 corporate	4.9 franchise
Pharmacy 	1 corporate stand-alone	18 corporate in-store	Pharmaceutical, health and beauty	0.1 corporate stand-alone	1.9 corporate in-store
Clothing 	47 corporate	10 franchise	Clothing and homeware	19.5 corporate	4.2 franchise
Boxer 	93 supermarkets; 4 liquor (corporate)	11 hardware; 1 Punch (corporate)	Food, wine, clothing and general merchandise	126.2 corporate	
Franklins – Australia 	80 corporate	10 franchise	Food and general merchandise	134.8 corporate	11.7 franchise
TM – Zimbabwe 	51 corporate		Food and general merchandise	54.0 corporate	

Performance highlights – continuing operations

The 2011 financial year was the toughest trading year in our Group's history. We undertook a number of significant and challenging steps to transform the business, at the same time facing an exceedingly difficult trading environment.

Turnover
R51.9 billion
+5.9%

EBITDA
R2 160.9 million
–4.9%

The launch of our flagship green store, Pick n Pay on Nicol, in October 2010

HEPS
189.35 cents
–18.3%

Total dividend per share
142.50 cents
–18.3%

Winner of top sustainability awards from the *Sunday Times* and *Mail & Guardian*

A significant decrease in both year-on-year energy consumption and waste to landfill

Value added statement

	February 2011			February 2010		
	Rm	**% of turnover**	**%**	Rm	% of turnover	%
Turnover	**51 945.8**			49 068.6		
Amounts paid for merchandise and expenses	**(45 410.7)**			(42 421.8)		
Interest and dividends received	**39.5**			68.7		
Value added	**6 574.6**	**12.6**	**100.0**	6 715.5	13.7	100.0
Utilised						
Employee salaries, wages and other benefits	**4 319.8**		**65.7**	4 123.6		61.4
Investors: dividends and interest paid	**919.0**		**14.0**	900.9		13.4
CSI spend	**54.4**		**0.8**	61.0		0.9
Tax	**447.8**		**6.8**	531.9		7.9
Retained for:						
– replacement of assets	**733.3**		**11.1**	632.6		9.4
– growth	**100.3**		**1.6**	465.5		7.0
	6 574.6		**100.0**	6 715.5		100.0

Ten-year financial review

R million unless otherwise stated		2011	2010	2009	2008	2007	2006	2005	2004	2003*	2002*
Operating results – continuing operations	Annual growth										
Turnover	5.9%	**51 945.8**	49 068.6	43 991.1	37 506.9	32 339.4					
Trading profit	(13.5%)	**1 417.7**	1 638.7	1 673.9	1 511.7	1 279.6					
Headline earnings	(17.8%)	**900.8**	1 096.4	1 081.5	939.0	873.7					
EBITDA	(4.9%)	**2 160.9**	2 271.3	2 192.3	1 916.5	1 696.0					
Operating results – Group	10-year compound annual growth										
Turnover	14.3%	**57 558.8**	55 314.4	51 932.9	45 380.7	39 337.1	35 078.4	31 885.0	29 276.1	26 194.2	18 817.5
Trading profit	14.9%	**1 294.5**	1 546.0	1 572.6	1 436.0	1 200.2	1 051.4	947.8	736.5	636.0	434.0
Headline earnings***	7.4%	**784.4**	1 012.1	988.6	867.2	772.9	713.3	633.9	522.5	455.1	348.6
EBITDA	14.0%	**2 056.4**	2 285.6	2 188.4	1 917.9	1 626.6	1 376.8	1 287.8	1 056.4	952.7	686.7
Consolidated statements of financial position											
Assets											
Non-current assets											
Intangible assets		**404.5**	1 126.7	1 093.6	1 155.9	904.6	745.8	659.5	687.6	742.1	704.1
Property		**1 149.0**	977.8	863.9	848.6	752.2	499.0	251.6	182.3	110.9	95.4
Equipment and vehicles		**2 252.8**	2 437.7	2 073.1	1 953.9	1 773.0	1 374.7	1 159.3	1 045.4	877.2	855.1
Investments		**0.2**	0.2	0.2	0.2	0.2	9.3	3.6	2.7	176.4	195.5
Investment in associate		**9.9**	—	—	—	9.1	47.0	23.6	15.0	12.6	11.0
Loans		**90.2**	124.7	128.6	120.7	108.8	96.7	95.8	89.6	97.5	89.2
Operating lease asset		**37.7**	33.5	19.3	10.9	5.9	4.8	3.7	2.5	2.1	2.0
Participation in export partnerships		**48.2**	50.6	57.9	61.5	67.8	71.8	102.7	127.6	143.3	149.3
Deferred tax		**85.8**	98.1	99.8	105.8	151.2	238.3	209.7	94.1	32.7	(18.1)
		4 078.3	4 849.3	4 336.4	4 257.5	3 772.8	3 087.4	2 509.5	2 246.8	2 194.8	2 083.5
Current assets											
Assets held for sale – discontinued operations		**2 120.1**	—	62.6	—	—	—	—	—	—	—
Inventory		**3 162.7**	3 326.2	3 334.5	3 028.5	2 352.7	1 979.9	1 851.7	1 560.7	1 501.4	1 259.5
Trade and other receivables		**1 739.2**	1 968.0	1 769.5	1 243.9	943.7	750.7	634.5	628.1	495.7	357.5
Cash and cash equivalents		**—**	1 055.3	1 072.8	663.2	709.1	944.6	1 329.0	1 502.5	1 035.6	986.5
		7 022.0	6 349.5	6 239.4	4 935.6	4 005.5	3 675.2	3 815.2	3 691.3	3 032.7	2 603.5
Total assets		**11 100.3**	11 198.8	10 575.8	9 193.1	7 778.3	6 762.6	6 324.7	5 938.1	5 227.5	4 687.0
Equity and liabilities											
Ordinary shareholders' equity		**2 158.8**	2 144.6	1 695.5	1 340.9	1 004.9	851.9	699.5	772.3	640.1	782.6
Non-current liabilities											
Long-term debt		**626.9**	670.8	678.1	681.3	181.8	192.9	199.2	188.2	243.3	241.3
Retirement scheme obligations		**27.1**	24.7	8.2	49.0	129.0	194.8	189.8	145.0	125.9	123.5
Operating lease liability		**729.3**	695.9	658.5	626.9	584.3	554.4	505.5	430.8	428.9	391.0
		1 383.3	1 391.4	1 344.8	1 357.2	895.1	942.1	894.5	764.0	798.1	755.8
Current liabilities											
Liabilities held for sale – discontinued operations		**826.6**	—	—	—	—	—	—	—	—	—
Cash and cash equivalents		**547.4**	—	—	—	—	—	—	—	—	—
Short-term debt		**50.2**	38.7	38.3	36.4	51.6	79.5	61.7	159.9	186.7	17.2
Trade and other payables		**6 037.8**	7 393.6	7 315.8	6 209.2	5 605.4	4 654.1	4 282.3	3 972.0	3 394.9	2 897.1
Tax		**96.2**	230.5	181.4	249.4	221.3	235.0	386.7	269.9	207.7	234.3
		7 558.2	7 662.8	7 535.5	6 495.0	5 878.3	4 968.6	4 730.7	4 401.8	3 789.3	3 148.6
Total equity and liabilities		**11 100.3**	11 198.8	10 575.8	9 193.1	7 778.3	6 762.6	6 324.7	5 938.1	5 227.5	4 687.0
Directors' valuation – Property		**1 525.6**	1 303.5	1 318.1	1 230.6	1 029.0	781.4	476.6	365.5	247.4	223.0
– Investments		**2.5**	2.5	2.5	2.2	0.2	9.3	3.6	2.7	176.4	195.5
Statistics											
Number of outlets – Corporate		**500**	466	498	527	504	468	446	438	396	332
– Franchise		**379**	328	284	230	209	179	172	162	157	139
Total selling area – Corporate	000 m²	**834**	867	880	893	875	803	790	800	748	678
– Franchise	000 m²	**363**	345	320	254	224	215	205	198	187	173
Number of TM Supermarkets		**51**	53	56	56	56	54	54	53	53	53
Number of Auto Centres		**5**	5	5	5	5	5	5	5	5	10
Total number of employees**	000's	**49.2**	49.0	53.1	54.7	49.2	47.0	47.7	44.7	31.0	27.3

* 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.

** 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.

*** 2007 is presented before the deferred tax adjustment.

			2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Performance measures – continuing operations												
Turnover growth	%		**5.9**	11.5	17.3	16.0						
Trading profit growth	%		**(13.5)**	(2.1)	10.7	18.1						
Headline earnings growth	%		**(17.8)**	1.4	15.2	7.5						
Headline earnings per share growth	%		**(18.3)**	1.0	16.9	(2.0)						
EBITDA growth	%		**(4.9)**	3.6	14.4	13.0						
Dividend cover	times		**1.3**	1.3	1.3	1.2						
Performance measures – Group		10-year compound annual growth										
Turnover growth	%	14.3	**4.1**	6.5	14.4	15.4	12.1	10.0	8.9	11.8	39.2	24.4
Trading profit growth	%	14.9	**(16.3)**	(1.7)	9.5	19.6	14.2	10.9	28.7	15.8	46.5	34.4
Headline earnings growth	%	7.4	**(22.5)**	2.4	14.0	12.2	8.4	12.5	21.3	14.8	30.5	23.7
EBITDA growth	%	14.0	**(10.0)**	4.4	14.1	17.9	18.1	6.9	21.9	10.9	38.7	24.0
Trading profit on turnover	%		**2.2**	2.8	3.0	3.2	3.1	3.0	3.0	2.5	2.4	2.3
Headline earnings on turnover	%		**1.4**	1.8	1.9	1.9	2.0	2.0	2.0	1.8	1.7	1.9
Return on shareholders' equity	%		**36.5**	52.7	65.1	73.9	83.3	92.0	86.1	74.0	64.0	54.7
Return on total assets	%		**7.0**	9.3	10.0	10.2	10.6	10.9	10.3	9.4	9.2	8.4
Headline earnings per share	cents	10.4%	**164.9**	213.9	209.6	190.9	169.5	154.7	135.2	111.0	94.1	69.8
Headline earnings per share growth	%		**(22.9)**	2.1	9.8	12.6	9.6	14.4	21.8	18.0	34.7	14.3
Net asset value per share	cents	14.5%	**503.0**	512.5	441.7	355.1	272.7	237.9	193.0	197.3	161.0	184.5
JSE Limited information												
Pick n Pay Stores Limited (PICKNPAY)												
Number of shares in issue	millions		**480.4**	480.4	506.1	506.1	486.1	486.1	486.1	483.4	483.4	497.1
Market capitalisation	Rm	14.0%	**22 309.7**	19 408.1	15 690.2	15 690.2	15 974.4	14 729.9	11 229.7	8 508.6	6 018.9	4 896.9
Price-earnings ratio	times		**28.2**	18.9	14.8	16.2	19.4	19.6	17.1	15.9	13.2	14.1
Dividend per share	cents	12.8%	**142.5**	174.5	170.0	149.1	134.3	113.8	96.5	80.0	69.0	51.8
Dividend cover	times		**1.2**	1.2	1.2	1.3	1.3	1.4	1.4	1.4	1.4	1.3
PICKNPAY ordinary shares												
Volume of shares traded	millions		**275.7**	209.5	238.8	239.7	255.0	147.9	140.2	133.7	171.6	191.4
Percentage of shares traded	%		**57.4**	43.6	47.2	47.4	52.5	30.4	28.8	27.7	35.5	38.5
Share price – High	cents		**4 999**	4 160	3 749	3 880	3 631	3 200	2 494	1 850	1 500	1 350
Share price – Low	cents		**3 944**	2 812	2 540	2 826	2 580	2 150	1 630	1 160	900	900
Share price – Year-end	cents	14.4%	**4 644**	4 040	3 100	3 100	3 286	3 030	2 310	1 760	1 245	985
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	527.2	527.2	527.2
Headline earnings per share	cents	9.9%	**82.3**	106.8	104.8	94.0	85.4	78.7	69.7	57.5	49.6	37.3
Dividend per share	cents	12.7%	**69.3**	84.9	83.0	72.8	65.5	55.0	47.1	39.1	33.7	25.3
PIKWIK ordinary shares												
Volume of shares traded	millions		**165.7**	60.4	85.7	86.2	76.0	39.9	61.1	49.9	72.5	90.4
Percentage of shares traded	%		**31.4**	11.5	16.3	16.4	14.4	7.6	11.6	9.5	13.8	17.1
Share price – High	cents		**2 115**	1 783	1 560	1 603	1 570	1 420	1 135	814	610	540
Share price – Low	cents		**1 655**	1 207	1 090	1 205	1 170	1 040	760	490	385	381
Share price – Year-end	cents		**2 007**	1 680	1 310	1 290	1 484	1 355	1 125	800	520	420

Definitions

Headline earnings	Net profit for the year adjusted for the after-tax effect of certain capital items
EBITDA	Earnings before interest, tax, depreciation and amortisation and before 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 directors' valuations 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 Group 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

Engagement with stakeholders

Open and honest feedback from our stakeholders is critical to informing our thinking and strategic focus. We engage constantly with a wide range of stakeholders and as the marketplace becomes more complex and competitive this will become even more important. Engagement with the relevant stakeholders is an expectation across all our departments and is not the preserve of a single director or division. We are increasingly using social media and web-based platforms to encourage real-time interaction and will enhance our engagement activities using our Smart Shopper card.

The diagram below provides an indication of the stakeholder spectrum and indicates a few key engagements. Further detail on our stakeholder engagement activities may be found in the Pick n Pay Sustainability Report available on our website at www.picknpay.co.za.

Communities
> Social investment
> Job creation eg Township co-operatives
> Community Partnerships eg "Patch per Store"
> Support for emerging farmers
> Partnerships with Universities
> Pick n Pay Schools Club
> Support through stores and the Ackerman Pick n Pay Foundation

Customers
> Appointment of Customer director
> Website and Social media
> Surveys
> Personal meetings
> Marketing campaigns
> Store activities eg cooking demos
> Action challenges eg Earth Hour; Power Pledge
> Smart Shopper

Suppliers
> Visits and meetings
> Technical support
> Audit system
> Consultation on key initiatives
> Supplier Conference
> Supply chain efficiency
> Category management

Shareholders
> Annual General Meeting
> Open door policy on investor relations
> Regular meetings with CEO/CFO
> Website-investor relations section
> Twice yearly formal analyst meetings

Pick n Pay

NGOs
> Meetings and consultation eg Product labelling, Biodiversity and Wine Initiatives Welfare-friendly eg NSPCA
> Partnerships and sponsorships eg WWF Sustainable Fisheries Programme, Climate Change Leadership Awards

Business Associations
> Membership and active participation eg National Business Institute; BUSA, Consumer Goods Council of SA, Petco, Ewasa, Consumer Goods Forum
> Working together on key challenges eg Food Safety Initiative; Education, Recycling

Employees
> Management Updates
> Employee Surveys
> Store Managers Conference
> Publications eg Pick n Patter, Freshly Green, Energy Matters and Boxer's "Champ News"
> In-house TV and radio
> Skills development
> Performance-based management
> Union engagement

Government/Regulators
> Submission and meetings, eg Dept of Agriculture (product-related issues); National Regulator of Compulsory Specification (trade, legal, metrology)
> Policy engagements eg Land Reform

Chairman's statement

The year under review has seen some of the toughest trading conditions in our Group's history, yielding financial results that can at best be described as disappointing. Our reporting year was characterised by depressed consumer spending, costs rising ahead of internal sales inflation and problematic industrial relations.

This has occurred against the background of an economy that has been sluggish in recovering from the global recession and a retail environment that has become increasingly competitive. The Group's turnover growth has been modest as customer spending has remained cautious. However, in the face of this, we still generated R1.4 billion in trading profit, not an inconsiderable result.

It was always inevitable that the significant investment we have made in the future of the business would impact on our bottom line. I am, however, in no doubt that this critical expenditure will greatly strengthen the foundations on which our business has been developed for the past 43 years.

Gareth Ackerman
Chairman

"It is our shared view that the structural changes now happening in Pick n Pay are designed to catapult the business to global best practice"

Chairman's statement continued

Welcome to Alex Mathole and Lorato Phalatse as new independent non-executive directors

Alex Mathole

Lorato Phalatse

The consequence of these factors is that Pick n Pay is a company in major transition. When one considers the scope and speed with which we have instituted essential changes, it is clear that many have underestimated the full extent of the transformation necessary to regain and retain profitable market share and competitive advantage.

We predicted that these efforts would affect short- to medium-term results and that the benefits of sweeping change would be measurable across years rather than months.

In this increasingly competitive environment, we have deliberately accelerated our transformation strategies and I and the Company's management are unapologetic about the changes and investments, which we believe are absolutely critical. It is our shared view that the structural changes now happening in Pick n Pay are designed to catapult the business to global best practice.

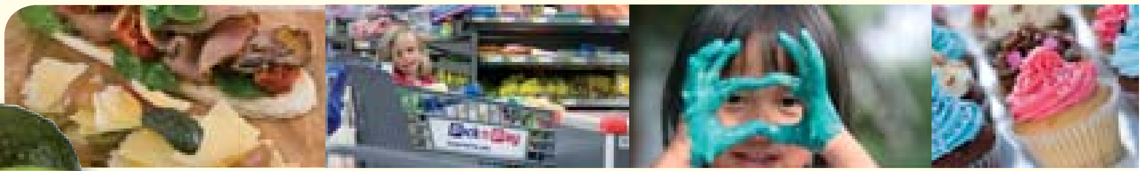
We are taking the pain now for future success in the long-term interests of both the Company and its shareholders but I can say with confidence that we are beginning to experience the fruits of this process.

In particular, our expansion into the broader southern African market has been phenomenally successful. We have experienced remarkable co-operation from the governments of those countries and support from consumers. Their welcome approach to foreign investment has been an eye-opener, boding well for the profitability and further growth of our operations throughout the subcontinent.

An important development post year end was the launch of Smart Shopper, South Africa's first major grocery chain loyalty programme which has been well received by our customers. We are encouraged by the significant number of customers who are now active Smart Shoppers.

In July 2010, subject to approval by the Australian competition regulator, the Australian Competition and Consumer Commission (ACCC), we accepted an offer from Metcash Trading Limited (Metcash) to acquire Franklins for AUD215 million.

The ACCC reviewed the proposed transaction under its informal merger clearance process and opposed the sale to Metcash on the basis that it believes the sale is likely to lead to a substantial lessening of competition in the market for the wholesale supply of groceries to independent retailers in New South Wales.



Following the ACCC's decision, the parties announced that they proposed to proceed with the transaction and this led the ACCC to commence legal proceedings in the Federal Court of Australia in December 2010, seeking to prevent the parties from completing the transaction. We and Metcash agreed with the ACCC to an expedited hearing, which commenced in mid-March 2011. We believe the ACCC's assessment of the likely competitive effects of the transaction is flawed and, together with Metcash, have vigorously defended the proceedings. The judgement of the Court is expected before 30 June 2011.

Should the Federal Court of Australia prevent the acquisition by Metcash, we remain committed to the sale of Franklins and anticipate selling the Franklins stores, either individually or in groups, under a competitive tender process.

Franklins has been treated as a discontinued operation and its results have been reflected separately from those of continuing operations. Turnover in Franklins for the year of AUD827.2 million was down 3.9%, with a net loss incurred of AUD18.1 million (excluding depreciation, which is not provided at Group level from the time a business is classified as held for sale) against a profit of AUD2.5 million last year.

After a few very difficult years, I believe that consumer confidence will improve in the year ahead, sustained by economic recovery and low interest rates. We are also mindful of increasing inflationary pressure driven by rising food and fuel prices.

This is Pick n Pay's first integrated annual report, in which we combine the Group's financial statements with sustainability reporting and disclosure. Our focus areas of consumer sovereignty, business efficiency and the conviction that doing good is good business, have for many years enabled us to demonstrate to our stakeholders a commitment to environmental, social and economic sustainability. This will not change.

Integrated reporting requires us to communicate more explicitly how these commitments link in to the core strategy of our business. We have sought to clarify these links in relation to our products, suppliers, governance practices, employees, local communities, as well as our use of natural resources. These commitments find expression in our newest store Pick n Pay on Nicol, profiled on pages 30 to 31, which is a superb example of integrated thinking driving our action.

The Sustainability Report, available on our website, is aimed at a broader spectrum of stakeholders and incorporates detailed accounts of our achievements and ambitions in such areas as our partnership with rural women and farm workers in the Western Cape to source dairy products, our considerable achievements in improving efficiency while aiming to achieve zero waste to landfill by 2015 and to substantially reduce our carbon emissions.

Chairman's statement continued

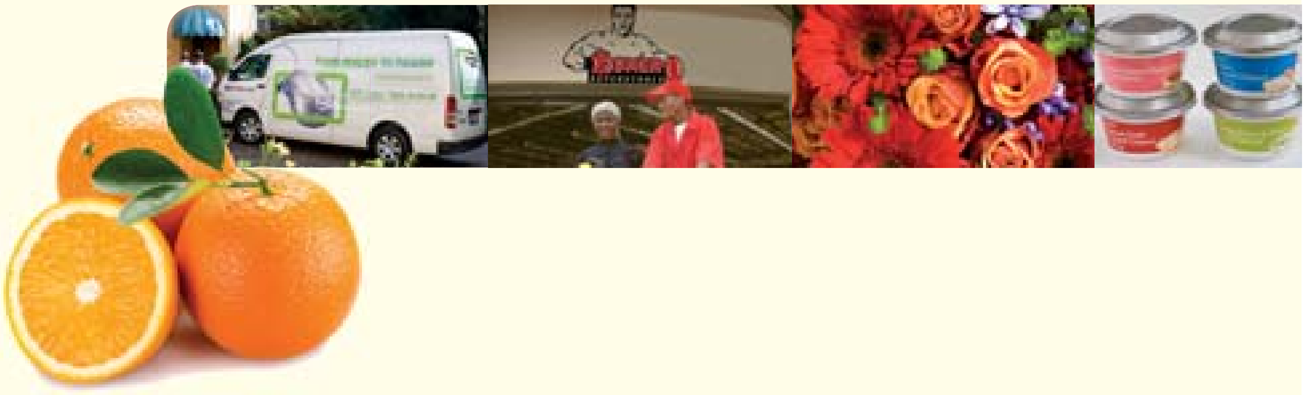
It is a measure of Pick n Pay's progress in the sustainability arena that we were during the year named the overall winner in the category "Companies and organisations with innovative environmental strategies that improve business performance" at the annual Mail & Guardian Greening the Future Awards.

In terms of our corporate social investment obligations, we have continued our policy of allocating in excess of five percent of after-tax profits to projects and causes which benefit the communities within which we operate. We know that the growth and success of our business is dependent on the nature of our relationship with South African communities. Through the work of the Ackerman Pick n Pay Foundation we have remained committed to true empowerment by focusing on assisting small businesses and projects which restore dignity and help develop the human spirit from the inside out.

To a company such as Pick n Pay, the nation's food security must be a matter of constant concern. I remain troubled at the continuing delays around the release of Government's Green Paper on Land Policy. Without an unambiguous, achievable and sustainable resolution to the issue of land reform, at stake is not just South Africa's land reform programme, but also our long-term ability to ensure food security, reach our economic growth targets and compete in global markets.

The new Consumer Protection Act has been promulgated and Pick n Pay is fully aligned with all of its provisions. The introduction of the new Companies Act, together with King III, will have far-reaching effects on the way we do business and interact with our shareholders. Its provisions governing mergers and acquisitions, rights of shareholders and duties of boards of directors and the appointment of audit committees will have wide consequences for corporate governance and the day-to-day running of our business at all levels.

In summary, Pick n Pay has experienced significant change in recent years, when trading conditions have been at their worst in recent memory, in the face of global recession, uncertain consumer confidence and stressful labour unrest. That we have weathered these challenges while continuing with an ambitious restructuring programme, has in no small measure been due to the indefatigable energy and dedication of Nick Badminton. I owe him and his management team a considerable debt of gratitude for their support.



The appointment last year of Jonathan Ackerman as Customer Director will enable us to enhance our commitment to consumer sovereignty by a stronger emphasis on all issues pertaining to customer service and needs.

During the year under review, Alex Mathole and Lorato Phalatse joined the Board as independent non-executive directors with effect from 1 November 2010. I welcome them and look forward to their constructive contribution to the affairs of the Company.

We also said farewell to Connie Nkosi, who retired from the Board on 31 December 2010, after serving as a member since 1996. We are deeply grateful for the years of guidance and dedication that she brought to our deliberations over that period.

Our Chief Finance Officer, Dennis Cope, retired as at the end of April 2011 after nearly 34 years of loyal and devoted service to Pick n Pay. We will miss his wisdom and humour and wish him well in his well-deserved retirement. He will be replaced on the Board and as Chief Finance Officer by Bakar Jakoet, who has been with the Company for 26 years and has most recently served as Group Finance Controller. Bakar has our every best wish in this key role.

Thanks also to the Board of Directors and the people of Pick n Pay for their incredible support during a difficult year. I am confident that the platforms we have put in place will position us well for the future.

Gareth Ackerman

Gareth Ackerman

Chairman

Boards of directors

Pick n Pay Stores Limited

Executive Directors

Nick Badminton (49) – **Appointed** 2007
Chief Executive Officer
Years of service 32

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 (GM) of the 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 CEO of the Group and a member of the Board.

Dennis Cope (60) – **Appointed** 1997
Chief Finance Officer, **Retired** 28 April 2011
Years of service 33

Dennis Cope is a Chartered Accountant and 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. In 1997 he was appointed CFO and a member of the Board.

Aboubakar (Bakar) Jakoet (55) – **Appointed** 29 April 2011
Chief Finance Officer
Years of service 26

Bakar joined the Group in 1984 after qualifying as a Chartered Accountant. Bakar started in our Hypermarket division, before moving across to our Finance Division. He was appointed a divisional director in 1993 and served on the Retail board since its inception in 1995, as Chief Finance Controller. He was appointed as CFO and a member of the Board on 29 April 2011.

Suzanne Ackerman-Berman‡ (48) – **Appointed** 1 March 2010
Years of service 16

Suzanne Ackerman-Berman joined Pick n Pay in 1995 after receiving her BA degree in 1985 from the University of Cape Town and gaining valuable retail and general business experience overseas. She has worked her way up the organisation and in 2001 was promoted to General Manager, Corporate Affairs and Social Responsibility. In 2007 she was appointed to Exco as Director of Transformation and in March 2010 Suzanne was appointed a member of the Board.

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

Jonathan Ackerman (44) – **Appointed** 1 March 2010
Years of service 19

Jonathan Ackerman joined Pick n Pay as a Trainee Manager in the Western Cape in 1992 where he worked his way through the ranks in stores in the Western Cape. He then transferred to Johannesburg where he gained more management experience, culminating in his appointment as General Manager of 7-Eleven Africa.

In 2001 Jonathan was appointed as Head of Marketing and in March 2010 Jonathan was appointed a member of the Board. He is currently the Customer Director on the Group Executive.

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

Raymond Ackerman (80) – **Appointed** 1967
Chairman, **Retired** 1 March 2010

Wendy Ackerman – **Appointed** 1981
Employee Liaison and Benefits, **Retired** 1 March 2010

Non-executive Directors

Gareth Ackerman #Δ‡ (53) – **Appointed** 1990
Chairman – **Appointed** 1 March 2010
Corporate Governance committee and Nominations committee Chairman

Gareth Ackerman was an executive director at Pick n Pay for 15 years before becoming a non-executive director in 1999. While an executive of Pick n Pay, Gareth ran many different divisions of the Company. He was appointed Joint Managing Director in 1993 and Managing Director of the Group Enterprises division in 1995. Gareth was appointed to the Board in 1990 and from 2002 – 2010 was Chairman of Pick n Pay Holdings Limited.

Other listed company directorships: Pick n Pay Holdings Limited.

Dave Robins (57) – **Appointed** 2002

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 as Deputy Chairman of the Group and also as an executive director of the Company. During 2008 David retired from his executive position in the Group but remains on the Board as a non-executive director.

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

Independent Non-executive Directors

Hugh Herman# (70) – **Appointed** 1976

Lead non-executive director

Remuneration committee Chairman

Hugh Herman was Managing Director of Pick n Pay for many years after 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 served as chairman until March 2011.

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

Lorato Phalatse‡ (49) – **Appointed** 1 November 2010

Lorato Phalatse has worked in a number of private sector capacities and also spent time in provincial as well as national government, ultimately heading up the Private Office of the President of South Africa.

Alex Mathole* (38) – **Appointed** 1 November 2010

Alex Mathole has wide experience in the private sector and currently holds a number of board directorships of top multinational companies. She is Executive Director and General Counsel: Legal and Compliance at Siemens where she is on the board, as well as being chairman of Siemens Building Technologies (Pty) Limited.

Ben van der Ross*#‡ (64) – **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: Distell Group Limited, FirstRand Limited, Lewis Group Limited, Makalani Holdings Limited, MMI Holdings Limited, Naspers Limited.

Jeff van Rooyen*∆ (61) – **Appointed** 2007

Audit committee Chairman

Jeff van Rooyen is a Chartered Accountant and is the founder and chief executive of Uranus Investment Holdings. He is a founding member and former president of the Association for the Advancement of Black Accountants, was chairperson of the Public Accountants and Auditors Board in 1995 and a former CEO of the Financial Services Board. He is also a trustee of the IFRS Foundation.

Other listed company directorships: MTN Group Limited, Exxaro Resources Limited.

Richard van Rensburg* (50) – **Appointed** 2009

Richard van Rensburg is a Chartered Accountant with extensive experience in the retail and information technology industries, including; a Partner at Ernst & Young, an IT and operational director of Massmart, a director of Woolworths and Wooltru and founder and CEO of IT services company Affinity Logic which later merged with UCS.

Constance Nkosi – **Appointed** 1996

Retired 31 December 2010

Company Secretary

Debra Muller∆ (49) – **Appointed** 2010

Years of service 5

Pick n Pay Holdings Limited

Non-executive Directors

Raymond Ackerman (80) – **Appointed** 1981

Chairman

Raymond Ackerman founded Pick n Pay in 1967 and was its Chairman for 43 years. He was also CEO of the Group until 1999 when the responsibilities of Chairman and CEO were separated. He was Chairman of Pick n Pay Holdings Limited until 2002 when Gareth Ackerman was appointed in his stead. In 2010 he was again appointed Chairman when Gareth was appointed Chairman of Pick n Pay Stores Limited. He has won many accolades during the years as a leader, a businessman and as the champion of the consumer.

Gareth Ackerman (53) – **Appointed** 1987

See CV under Pick n Pay Stores Limited

Wendy Ackerman – **Appointed** 1981

Wendy Ackerman was one of the founding executives of Pick n Pay. She was appointed to the Board in 1981 and is in charge of 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.

Independent Non-executive Directors

René de Wet* (68) – **Appointed** 1981

Audit committee Chairman

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 Stores Board as a non-executive director until 2008.

Hugh Herman* (70) – **Appointed** 1981

See CV under Pick n Pay Stores Limited

Jeff van Rooyen (61) – **Appointed** 1 May 2011

See CV under Pick n Pay Stores Limited

Alternate Directors

Suzanne Ackerman-Berman (48) – **Appointed** 2010

Alternate to Raymond Ackerman

See CV under Pick n Pay Stores Limited

Jonathan Ackerman (44) – **Appointed** 2010

Alternate to Wendy Ackerman

See CV under Pick n Pay Stores Limited

Dave Robins (57) – **Appointed** 2010

Alternate to Gareth Ackerman

See CV under Pick n Pay Stores Limited

Officers

Dennis Cope (60) – **Appointed** 2008

Chief Finance Officer, **Retired** 28 April 2011

Bakar Jakoet (55) – **Appointed** 29 April 2011

Chief Finance Officer

Company Secretary

Debra Muller (49) – **Appointed** 2010

* Member of Audit committee # Member of Remuneration committee
∆ Member of Corporate Governance committee ‡ Member of Nominations committee

Chief Executive Officer's report

Result overview – continuing operations

The 2011 financial year has proven to be exceptionally tough. We have experienced a combination of a difficult trading environment and some internal challenges that have contributed to a decline in headline earnings per share from continuing operations of 18.3%. At the same time, however, we have made some significant strides towards transforming the business into a modern world-class retailer.

Our immediate priority is to address some of the short term challenges we face, whilst simultaneously continuing our transformation. Achieving the appropriate balance between these two priorities is key.

Turnover at R51.9 billion for the year is 5.9% above last year. Turnover growth has been subdued, impacted by a national labour strike over our busiest trading period leading up to Christmas and customers continuing to exercise caution after the global recession, despite the dramatic fall in food inflation and many price decreases. Group like-for-like turnover is up 2.0% for the year. On average Pick n Pay's corporate internal food price inflation was 1.3% for the financial year, against an average of 8.7% last year.

Gross profit margin has fallen from 18.0% last year to 17.5% this year, due to aggressive investment in price to

Nick Badminton
Chief Executive Officer

"We have made some significant strides towards transforming the business into a modern world class retailer"

regain lost ground after the national strike. The effect of increased franchise participation also reduces the gross profit margin.

Trading profit is down 13.5% to R1 417.7 million, due to the lower gross profit margin and cost inflation exceeding internal sales price inflation. Trading expenses increased by 7.2%, largely driven by increases in electricity, water, rates and our continued investment in strategic initiatives. In addition, we experienced operational difficulties at Longmeadow which had a material negative effect on our result.

EBITDA (earnings before interest, tax, depreciation and amortisation and before capital items) at R2 160.9 million is down less than trading profit at 4.9%, demonstrating our ability to generate cash and to strongly cover our interest and tax charges.

Headline earnings per share at 189.35 cents is 18.3% down on last year.

The **total dividends** per share for the year of 142.50 cents for Pick n Pay Stores Limited and 69.28 cents for Pick n Pay Holdings Limited are 18.3% and 18.4% down on last year, respectively.

Operational highlights and challenges – continuing operations

Pick n Pay and Boxer

Despite our disappointment in the result, strategically a great deal has been achieved during the 2011 financial year, which will position Pick n Pay well for the future.

South Africa

We completed the consolidation of our 3 inland regions into one which will realise tangible improvements in operating efficiencies.

With the roll-out of SAP complete, we now have a fully integrated system across the Pick n Pay business, with improved in-store disciplines, more efficient business processes and more timely information enabling better and faster decision making.

We have completed the extension of the Longmeadow Distribution Centre, which now stands at 65 000 square metres. Longmeadow now processes 50% of our inland grocery value, with 1 million cases handled each week from 44 major suppliers. We were able to significantly improve service to stores compared with suppliers delivering directly. Although significant improvements have been made, the facility is not yet optimal and every effort is being made to ensure that Longmeadow becomes the distribution and demand planning blueprint to roll-out to the Western Cape, KwaZulu-Natal, Eastern Cape and another facility in Gauteng over the next 3 to 5 years.

Chief Executive Officer's report continued

We increased our footprint in the LSM 4 – 7 market, showing strong growth in this sector from both Boxer and our Pick n Pay stores converted from Score. In addition, we have seen strong growth in Private Label, Liquor, and most notably Clothing. Our Clothing division has grown turnover significantly over last year, demonstrating the positive acceptance by customers of our clothing, which offers good quality at an affordable price.

We opened our new flagship store Pick n Pay on Nicol. It is not only a world-class retail destination, it is truly a store for the future, built on green design principles and operated according to international best practice on sustainability. Customer reaction has been overwhelmingly positive and we are looking to roll-out the most successful innovations to selected stores.

After nine months of wage negotiations we endured a national labour strike over our busiest trading period and subsequently were able to negotiate a three year wage deal with the Union.

A great deal of work was done on our new loyalty programme Smart Shopper and we were thrilled by customer reaction to its launch in March 2011. The programme was based on significant customer research and it will provide our Smart Shoppers with meaningful reward for their custom and revolutionise the way we engage with them. Information gathered from the programme will enable us to engage with suppliers on targeted promotions, enable us to provide more appropriate ranges and give us a deeper understanding of our customers' needs. In the future, Smart Shopper customers will be able to donate their rewards to charity, providing an easy and effective way of investing in their communities.

During the year we opened four new Pick n Pay corporate supermarkets, 13 Pick n Pay franchise stores, 33 liquor stores (franchise and corporate), 11 clothing stores and six stores across the Boxer formats.

In the year ahead, we plan to open 12 new Pick n Pay corporate and seven new franchise supermarkets, as well as 10 clothing stores and approximately 45 liquor stores (corporate and franchise). Boxer will open 13 supermarkets, seven Punch stores, five liquor stores and five Boxer Builds.

Africa

We are progressing well with our expansion into Africa and are pleased with the progress to date. Our focus remains on countries where we have identified significant opportunities to provide customers with

better value for money and where we can support local enterprise and give back to communities in terms of infrastructure and career opportunities.

We have two stores in Zambia, one opened in the year under review, and we have been overwhelmed by the incredible support and positive feedback from our new Zambian customers. Both stores are performing well and have exceeded expectations. We will open three more stores in Zambia in the year to February 2012.

We have signed new local master franchise agreements in Mozambique and Mauritius where we will open three and two stores, respectively in the year to February 2012.

We are once again accounting for our share of profits from our 25% investment in TM Supermarkets in Zimbabwe (TM). We are encouraged by the improved economic climate and trading stability in Zimbabwe and are impressed with the strides made by the team at TM in rebuilding that business. We have successfully concluded negotiations to purchase a further 24% of TM, to bring our total shareholding to 49%. The transaction is awaiting approval by the Reserve Bank of Zimbabwe and the Zimbabwean Indigenisation Board.

Discontinued operations

Franklins, Australia

I refer you to pages 10 and 11 of the Chairman's report for a commentary on Franklins.

Integrating sustainability

I can confidently say that sustainability has gained a solid foothold within our Company. While our efforts are more tightly focused on our core business, we continue to encourage staff to undertake initiatives of importance to them.

Our engagement with a wide range of stakeholders on sustainability-related matters is increasing. Whilst we have specific initiatives covering issues of food safety, product auditing, climate change and recycling, our two focus areas are energy and waste reduction. We have committed to reducing our energy consumption by 20% by 2014, and by 2015 we are aiming for zero waste to landfill.

We established an Operational Steering committee during the year to focus all the good work we are doing in the area of sustainability on the core operations of the business. I am proud of the active contribution our people are making in many areas.

Some highlights from the year include:

- our year on year energy and waste data is showing encouraging reductions in both energy usage and waste-to-landfill;
- an expansion in our corporate branded "Green" merchandise range;
- our close work with the Ackerman Pick n Pay Foundation to assist and empower emerging entrepreneurs and enable access to markets through Pick n Pay stores; and
- our involvement with public and private partners in training and mentoring emerging farmers.

Chief Executive Officer's report continued

We face some key challenges going forward, including:

> improving productivity and business efficiency;

> improving the integrity and scope of sustainability related data;

> achieving price parity on sustainable and ethical product lines, and sourcing sustainable packaging at competitive prices;

> balancing the priorities of small-scale and emerging entrepreneurs with sustainability performance measures;

> expanding our climate change strategy to include suppliers most at risk; and

> growing our business while significantly reducing our consumption of and impact on natural resources.

In addition, higher energy and fuel costs are a significant concern to us and will affect our distribution and purchasing activities. While we are addressing these through continuing efforts to maximise operational efficiencies, we anticipate that growing resource constraints will increase the volatility of the supply and distribution of certain raw materials.

Further information is available in the Sustainability overview section of this report on pages 24 to 29. I would also like to encourage you to read our stand alone Sustainability Report available on our website (www.picknpay.co.za) from early June 2011.

New management team

During the year we simplified our management structure from an Exco and three management boards, to a single Group Executive reporting to the CEO on all day to day Group operations. I am confident that these executives have the required level of experience and expertise to transform the business and I look forward to working with them in the future.

The team and their portfolios are:

Jonathan Ackerman – *Customer*

Suzanne Ackerman-Berman – *Transformation*

Bakar Jakoet – *CFO*

Kevin Korb – *Merchandise*

Dallas Langman – *Group Enterprises*

Isaac Motaung – *HR*

Neal Quirk – *Operations*

Chris Reed – *Franchise*

Bronwen Rohland – *Marketing and Sustainability*

Burger van der Merwe – *IS and Supply Chain*

General comments

We are keen to put the disappointments of 2011 behind us and to move forward with the strategic initiatives that we believe will build a sound platform for future growth. Improving short-term performance is our priority, and with our customers at the heart of our plans in 2012, our short-term focus will be on the following:

- driving our Smart Shopper loyalty programme to increase sales and ensure that our customers benefit from real cash savings and more focused engagement;
- focused and prioritised store expansion across all formats;
- specialist category buying to enhance the customer offering;
- improving operational efficiencies at Longmeadow, to create a sound blue print for the roll-out of distribution centres and demand planning activities in the future;
- building on the success of the consolidation of the inland region, to further simplify the structure of our organisation to realise enhanced efficiencies; and
- to continue to drive sustainability with focus on reduction in energy usage and waste.

Please refer to the strategy update on pages 22 to 23 for more information.

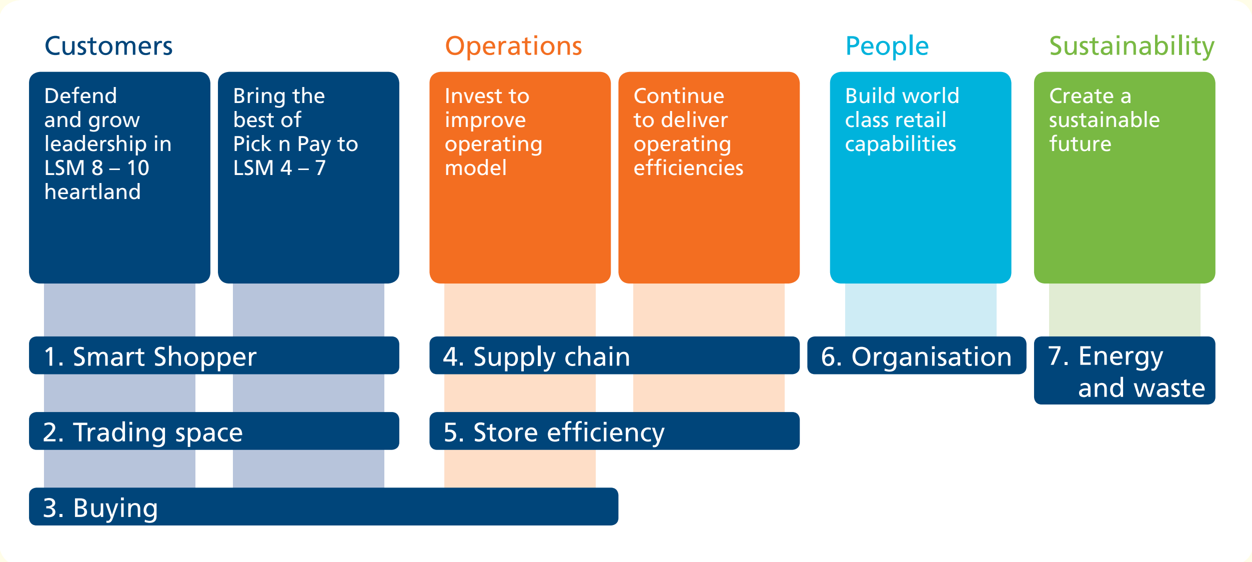
The short-term outlook remains difficult but, with all our various strategic initiatives, we are working towards becoming one world-class retail team, with specialist buying, marketing, administration and distribution. We are confident that all the measures being put in place and unwavering management focus will enable us to drive medium and long-term growth.

Nick Badminton

Chief Executive Officer

Strategy update

We continue to transform Pick n Pay into a world-class retailer. We are focused on seven key initiatives in order to deliver on the six-pillar strategy we developed in 2007. We are unrelenting in our determination to put the customer first and to be South Africa's favourite and most admired grocery retailer.



Seven key initiatives

The seven key initiatives currently receiving management's main focus are:

1. Smart Shopper

Introducing Smart Shopper is one of the most significant initiatives implemented at Pick n Pay in the last 10 years. Smart Shopper is a thank you to our customers by providing real cash savings for customers on all purchases. It provides us with a deeper understanding of the customer, enabling a more targeted offer. By better understanding our customers we are better able to tailor our ranges, make decisions about store locations and more meaningfully engage with them. It also broadens our supplier discussions leading to improved product development, pricing, promotions, private label and other innovations. We are delighted with how enthusiastically our suppliers have been to come on board with the Smart Shopper programme.

We expect Smart Shopper to be a net expense investment in year one as our priorities relate to driving the roll-out and beginning to incorporate the data into our decision making. We can expect the investment to generate positive returns from the 2013 financial year.

2. Trading space

In the recent past our trading space growth has been below our aspirations for a number of reasons, not least of which is the scarcity of good new developments. We continue to be very selective in our site selection but have a significant number of supermarkets confirmed for the next financial year. There are three major areas where we see opportunity for store roll-out: filling the gaps in our traditional heartland, developing emerging market supermarkets and rolling out smaller stores across all market segments.

3. Buying

We are in the process of moving to category buying. We have engaged external assistance in making the move to a specialist buying function. Category buying will drive like-for-like sales growth, increase gross margin by driving down the cost of goods and further improve private label development. We are currently busy with three category pilots but expect to be complete with the majority of the move to category buying by the end of the 2013 financial year.

4. Supply Chain

We have already made enormous strides in our move to centralised distribution of groceries, with our Longmeadow extension handling more than 1 million cases per week in peak periods and achieving a 20% higher in-stock situation in-store compared to direct to store supplier deliveries. The immediate priority for Supply Chain is optimising Longmeadow into a blue print that we can roll out nationally. A crucial element of this is the automation of replenishment and our last 100m project which is revolutionising how we handle the all-important in-store component of the supply chain. We continue to look for ways to reduce energy use in our supply chain, and run our warehouses and fleets in an efficient and environmentally responsible manner.

5. Store efficiency

Our goods not for resale (GNFR) team has not only had significant success in achieving more than R50 million savings in the current year (more than R90 million annualised savings) but has revolutionised how we look at these costs, applying a holistic factbase approach to many of the key cost areas in our business to identify and drive savings. They continue to tackle our cost base and we expect that they will continue to deliver more than 10% savings on their in scope costs.

On top of this, we continue to work to simplify regional support structures, removing duplication and driving efficiency. We have a renewed focus on streamlining in-store processes from receiving to checkout, reducing in-store costs and energy use, and leaving the in-store staff with more time to serve the customer.

6. Organisiation

We are in the process of moving from a decentralised business to "One" Pick n Pay. The Group Executive has been streamlined to 10 roles and we are busy confirming the next layer of positions. This new structure provides improved role clarity and is a key enabler to our goal of becoming a world-class retailer with highly specialised capabilities. In order to achieve this we are improving our processes for leadership and capability development and are putting in place reinvigorated KPIs and performance management processes.

7. Energy and waste

Operating responsibly underpins all we do. Whilst sustainability is integrated into all the above initiatives, in 2012 we will have particular focus on reducing energy usage and waste. We have already decreased our kWh usage by 14% from 2008 and are aiming for a total savings of 20% by 2014. Our second area of focus is on reducing waste to landfill. We believe keeping on the path of excellence in sustainability is a key part of our goal of being South Africa's favourite and most admired grocery retailer.

Sustainability overview

Integrating sustainability into our core business

Having laid the foundations for sustainable practices over the past five years, we are now focused on driving sustainability thinking into our core activities. Our emphasis is on fresh thinking and innovation, based on the clear analysis of the significant risks and opportunities we face in creating a resilient business in a time of increasing uncertainty.

The impetus for this shift has come from several sources:

> Tougher trading conditions and tighter margins driving efficiency in every context

> National and global shifts towards integrated accounting and reporting practices

This report provides a high-level overview of our sustainability initiatives. Further detail on our performance and efforts may be accessed via our website (www.picknpay.co.za) as indicated in the table below.

	Integrated Annual Report	Sustainability Report	Sustainability website
Stakeholders addressed	Financial stakeholders	Broad spectrum of stakeholders, including employees, suppliers, media and government agencies	Customers
Format	Printed and available on our website	Available on our website	Link from PnP Homepage
Frequency	Annual	Bi-annual	Updated continually
Covers	> High level strategy, with clear links to value drivers > Overview of performance	> Detailed report on sustainability initiatives > GRI table	> Latest developments > Practical suggestions for action > Opportunities for engagement

Responding to our commitments

Last year we said we would:	Since then, we have:
Ensure the Pick n Pay sustainability narrative is shared by our managers	> Continued dialogue within our Executive Sustainability SteerCom > Established an Operational-level Sustainability SteerCom enabling key managers to discuss and debate the risks, opportunities and key material issues driving our sustainability efforts > Heightened our communication drive across all internal channels
Clarify performance indicators for key commitment areas	> Restructured our KPI system to reflect our most material sustainability issues > Established specific targets in key areas and continue to track base-lines to inform target-setting in other areas
Develop a more robust system to track and communicate performance	> Committed to implement the SAP sustainability module, allowing for enhanced data management across our company > Published our first Integrated Annual Report > Developed a detailed and accessible Sustainability Report available on-line > Enhanced our website to reflect our commitments and encourage customer action on sustainability
Consolidate our supplier initiatives to encourage more active sustainability commitment	> Expanded our PnP green range and other ethical and green products > Extended and enhanced our supplier audit programme > Intensified our engagement with small-scale farmers and small business owners

Focusing on our material issues

As a food retailer, growing concern around our national food security is of critical importance to our business. Our material issues are framed by six focus areas, each of which contributes to addressing this critical challenge. The table below indicates how each of these areas creates shared value for a range of stakeholders, as well as enhancing our core business strategy.

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

The greatest leverage for our sustainability efforts lies in our supply chain and by encouraging positive action through our brand. Our efforts in this respect have been acknowledged during 2010 by the Sunday Times (awarded Green Retailer of the Year), Mail & Guardian (Most innovative environmental strategies that improve business performance) and the Consumer Goods Council of SA (Green Supply Chain Award).

We believe the challenges ahead are serious and our sustainability initiatives are designed to strengthen our company as well as expanding the value we contribute to society.

Enhancing governance and accountability

From a sustainability perspective, Pick n Pay continues to be guided by the Executive Sustainability SteerCom (comprising our Chairman, CEO and Director of Marketing & Sustainability) and co-ordinated by our Sustainability Manager. However, our core business focus means that operational managers responsible for products, packaging, supply chain and facilities management are increasingly taking the lead in achieving the progress we seek.

Key Performance Indicator	**2011**	2010
JSE SRI listing	**Listed**	Listed
Carbon Disclosure Project	**Listed (included on Carbon Disclosure Leadership Index)**	Listed

Achievements

- Listed on the Carbon Disclosure Leadership Index and the JSE Socially Responsible Investment Index.
- Updating our knowledge base by developing position statements on 40 topical issues.
- Active engagement with external stakeholder bodies on sustainability challenges.

Key challenge

- Enhancing sustainability data management through our Executive Scorecard system, the SAP sustainability module and compliance with an increasing number of external guidance bodies.

Sustainability overview continued

Providing safe food and expanding sustainable product lines

Together with our employees, we are broadening our knowledge, confronting dilemmas and pushing boundaries in an exciting range of initiatives. Our registered dietician is available though the company's toll-free Health Hotline to answer customer and employee queries on nutrition and food-related issues.

Key Performance Indicator	2011
Pick n Pay Green Range sales*	+266%
SASSI green:orange fish sales (ratio)	96:4
Pick n Pay corporate branded products sourced locally**	88%

* Increase in sales due to expansion of Green Range product range

** Local is defined as within the borders of South Africa

Achievements

- We announced our commitment to Fairtrade and committed to a 3-year partnership with WWF on Sustainable Fisheries. More sustainable product ranges are emerging through these partnerships, as well as through our Pick n Pay Green label and organic initiatives.
- We promote and track the sourcing of local products, particularly within our Pick n Pay corporate branded products.
- Significant packaging reductions have been achieved through the conversion of cardboard sleeves to paper labels, as well as the change from plastic sleeves to board sleeves on our convenience food lines. This has significantly reduced the volume and cost of packaging.

Key challenges

- Supporting efforts to address food security while acknowledging stakeholders' differing opinions regarding possible solutions.
- Sourcing sustainable packaging at a competitive price and achieving price parity on sustainable and ethical lines.
- The balance between providing customer choice and promoting sustainable consumption continues as an internal debate.

The Pick n Pay Green range, with representation in Kitchen, Household, Bathroom and Personal Care categories, provides customers with more sustainable product choices.

All packaging in this range conforms to environmentally sound principles and is 100% recyclable; while the active ingredients are made from sustainable, natural ingredients. The product biodegrades within six days in customary environments The range is endorsed by the Department of Environment and Tourism's Indalo Yethu initiative and is the first Green range to be indorsed by the South African government. A percentage of profits are donated to an Indalo Yethu Wetlands Project.

Building a resilient supply base

Supply chain resilience requires our team to integrate quality, safety and ethical performance, with risk-aware farming practices and the development of small-scale and rural producers. In both existing supplier networks and in enterprise development, our approach continues to be based on long-term partnership and learning.

Key Performance Indicator	2011
Pick n Pay corporate branded suppliers audited on health/safety and environmental issues	94%
Small farmers in our small business incubator	54
Average growth rate for businesses in our small business incubator	72%

Achievements

- Supplier Development Workshops were held in conjunction with SAFSIS (Southern African Food Safety Inspection Service).
- Our newly launched PnP Small Business Incubator (SBI) now provides ongoing mentorship to more than 50 small businesses. We help the new supplier understand and manage the industry demands – from health, safety and hygiene to ethical employment and accounting practices. We also mentor those who need assistance with accounts, marketing principles, buying and negotiating techniques, as well as basic life skills.
- Our Enterprise Development Foundation ensures that these and other emerging entrepreneurs are able to gain access to markets through our Pick n Pay stores to be able to remain as long-term suppliers to the industry.
- Initiatives include public-private partnership to train and mentor emerging farmers on commercial farming techniques; a partnership with rural women and farm workers in the Western Cape to source dairy products; and mentoring of small-scale pork, poultry and beef producers.

Key challenges

- Balancing the priorities of small-scale and emerging entrepreneurs with sustainability performance pressures.
- Expanding our climate change strategy to include suppliers most at risk.

Balemi Ba Lekoa

Our Enterprise Development Foundation was established to create opportunities for, amongst others, emerging farmers to participate in the economy and gain access to market: The Balemi Ba Lekoa farm is one example of such a project, where our Enterprise Development Foundation created the opportunity for 5 women farming with cattle, chickens, maize and sunflowers, to become suppliers to their surrounding PnP Family stores.

Sustainability overview continued

Empowering our people

Sustaining the well-being, enthusiasm and commitment of over 36 000 people is a critical success factor. To this end we have 140 essential focused learning processes and 270 development opportunities/programmes across the company.

Key Performance Indicator	2011	2010
Employee turnover	**15%**	9%
Employment equity		
Top management (target 40%)	**39%**	39%
Senior management (target 65%)	**58%**	59%
Professionally qualified middle management (target 70%)	**84%**	84%
Semi-skilled junior management (target 80%)	**94%**	93%
Semi-skilled and discretionary decision-making (target 100%)	**100%**	98%
Total investment in training including bursaries	**R71.8 million**	R55.2 million*

*Figure for 2010 does not include the Skills Development Levy cost of R27 million.

Achievements

- Driving BEE and employment equity through our Diversity Management Programme.
- Streamlined, redesigned and updated the Trainee Manager Development Programme to meet the needs of future more holistic leaders.

Key challenge

- Expanding store-level awareness on sustainability issues across southern African stores.

Working for a clean and healthy environment

Environmental efforts are focused on reducing consumption, minimising waste and optimising our logistics network. We have realised substantial energy and cost savings in our stores and have seen a steady decrease in waste sent to landfill from our distribution centres.

Key Performance Indicator	2011	2010
Carbon footprint (Scope 1 and 2)	**602 782 tonnes**	642 351 tonnes
Waste volumes recycled: Distribution centres	**161 tonnes**	*
Waste volumes recycled: Inland stores	**3 105 tonnes**	*
Waste volumes recycled: Coastal stores	**3 179 tonnes**	2 689 tonnes
Total energy use for stores, distribution centres and offices	**557 million kWh**	569 million kWh
Energy use per m^2 for corporate stores	**518 kWh**	550 kWh

*Roll-out of waste recycling completed in 2011. Comparative data will be available in 2012.

Achievements

- Our carbon footprint calculation was reduced by 6%.
- We have completed the roll-out of recycling to all our corporate stores and recycled more than 6 000 tonnes of waste during the year under review.
- We opened our new "green" Longmeadow Distribution Centre grocery extension and our Pick n Pay on Nicol store.
- An Energy Efficiency Programme is in place across all stores.
- We have initiated a shift to less harmful refrigerant gases.

Key challenges

- Growing our business while significantly reducing our consumption and impact on natural resources.
- Improving productivity and business efficiency.

Lightweight boxes and the use of cardboard made from 80% recycled material, are now used to package a range of Pick n Pay corporate branded products.

Supporting communities in their contribution to change

Our policy remains to allocate in excess of five percent of after-tax profits to benefit the communities within which we operate. We continue to liaise with the Pick n Pay Foundation to ensure these initiatives are aligned with our sustainability thinking and efforts.

Key Performance Indicator	**2011**	2010
CSI spend and % of post-tax profit	**R54.4 million (6.9%)**	R61.0 million (5.1%)

Velokhaya Life Cycle Academy

Pick n Pay has partnered with the Life Cycle Academy on a project that encourages kids to get off the streets and get on a bicycle. The Life Cycle Academy is dedicated to the promotion of safe, recreational and competitive cycling in South Africa's previously disadvantaged communities that will have meaningful effects on the individuals who take part, and on the sport of cycling.

Eco-Friendly Shopping Bags

We have made significant headway in actively promoting and incorporating sustainable practices in our core activities. Partnering with our customers and communities is central to our sustainable journey. One example of this collaboration is the manufacturing of our Eco-Friendly Shopping Bags where employment has been generated for more than 80 previously unemployed women, who are now the owners and managers of 7 sewing co-operatives in Khayelitsha and Manenberg.

Pick n Pay on Nicol

Redefining retail in South Africa, our new flagship Pick n Pay on Nicol store introduces a new era in sustainable retailing through the integration of world class retail thinking and the very best in sustainability principles.

Refrigeration and Energy Reduction

An intelligent refrigeration and air conditioning system has been installed in the form of a thermal energy storage system, which creates ice at night when demand and tariffs are low and then uses the ice during the day for the cooling of the air conditioning. This reduces the refrigeration energy demand by 40% and the excess heat created by the refrigeration plant, is used to heat a 1 600 litre water tank for use in the complex.

Pick n Pay on Nicol has become the third new store of the Pick n Pay chain where natural gas has been used for the refrigeration plant. The choice to use only natural refrigerants over synthetic gases will have a dramatic impact on reducing greenhouse – emitting gases; therefore greatly reducing the global warming impact of the store.

Infrastructure and Traffic

Traffic lights at the intersection near the store are solar-powered. The greater community of Hurlingham also benefits from the new building as Pick n Pay has made significant improvements to the road infrastructure surrounding the store. To support the additional traffic load, Pick n Pay added a fourth lane to the William Nicol Highway, including the bridge crossing over the Jukskei River and a new slip lane for customers leaving the complex to seamlessly join William Nicol.

Vegetation and Carbon Reduction

The choice of vegetation in the landscaping has also played a role in reducing water demand by using only indigenous vegetation in the design. A total of 190 new trees have been planted to beautify the complex and provide shade for the parking areas, utilising more than 5 different local tree varieties. It is estimated that up to 1½ tonnes of carbon dioxide is sequestrated as a result of planting 1 tree, suggesting that Pick n Pay on Nicol's garden alone achieves a CO_2 reduction of 285 tonnes.

Store Design

Drawing inspiration from the site's natural setting, the store incorporates the natural landscape, which includes a section of Jukskei River frontage and the adjacent Field and Study Centre. Dominating the design as a result, are large picture windows allowing customers to feel connected to the outdoors.

Daylight Harvesting

An integrated energy-efficiency strategy has been adopted in order to balance aesthetics with sustainability. The use of heat-dissipating glass, covered with timber louvers to allow for thermal control, as well as a skylight which diffuses natural light during the day, reduces the demand on the energy grid for up to 80% of the day. In addition a 100-kilowatt solar-powered system which provides electricity to the store, leads to savings on energy requirements of up to 20%.

Water

Water conservation is an integrated part of the store design. With over 6 000 m² of roofing covering the complex, rainwater harvesting has been implemented with a total storage capacity of 420 kilolitres. The water is used for irrigating the gardens and to supply water needed to operate the evaporative cooling system of the fridges. Projections on the amount of rainwater harvesting possible through the height of summer, estimate an annual saving of 30% or 7 500 kilolitres, on the usual water demand.
Mindful of its impact on the greater Braamfontein Spruit, Pick n Pay on Nicol has also built 2 attenuation (or holding) dams where storm water will be cleared from pollution and its release managed over the wet season so as not to overburden the Jukskei system during flood cycles.

Construction Methods

During the construction phase, approximately 4 000 tonnes of rock and earth, comprising granite and subsoil had to be removed from the site. Rather than adding to the already overburdened landfills surrounding the city, this was taken to a nearby crusher site where the material will be reconstituted to provide building material and infill for the building industry.

Governance reports

The governance report section includes the following:

Pick n Pay Stores Limited:

- Corporate governance report
- Audit committee report
- Remuneration report

Pick n Pay Holdings Limited:

- Corporate governance report

Pick n Pay Stores Limited Corporate governance report

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 and Report on Governance for and South Africa (King III), as well as to the additional requirements for good corporate governance stipulated in the JSE SRI Index. We have performed a thorough review of the implications of King III and, where appropriate, the corporate governance structure has been amended to comply with the new Code, which became effective on 1 March 2010. An overview of the Group's corporate governance framework is provided below.

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

This report applies to Pick n Pay Stores Limited and, where applicable, to Pick n Pay Holdings Limited. For corporate governance issues relating to Pick n Pay Holdings only, refer to page 42.

Group structure

The Group is controlled by Pick n Pay Holdings Limited whose only investment is its 53.95% shareholding in Pick n Pay Stores Limited. The Group has a flat organisational structure and overall responsibility lies with the Pick n Pay Stores Limited Board. This Board appoints the CEO to be responsible for day-to-day operations. During the year the senior management structures were simplified into one Group Executive. This was done to align each core area of the business with the overall Group strategy and to work together as one team. The Group Executive is chaired by the CEO and consists of ten key management personnel representing the core segments of the business being:

- Customer
- Marketing and sustainability
- Buying
- Information systems and supply chain
- Operations
- Franchise
- Group enterprises
- Finance
- Human resources
- Transformation

The chairman of the Pick n Pay Stores Limited Board also attends select Group Executive meetings to ensure all governance requirements are handled appropriately.

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 developed by Raymond Ackerman while building the Group and which ensure that the spirit of Pick n Pay remains intact:

- Consumer sovereignty
- Doing good is good business
- 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

The Board

The Board comprises eight non-executive directors, of which six are independent, and four 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. For the time being this evaluation process will remain in-house and will not be reviewed independently. The Board has a responsibility to ensure that internal controls over operations and finance have been implemented, are continuously monitored and are functioning effectively. The Board is not aware of and has not been informed of any issue that would suggest that internal controls have had a material breakdown during the financial year under review.

Appointment of directors

New appointments to the Board are considered by the Board as a whole, on the recommendation of the Nominations committee. When appointing a director, the Board considers the findings of the Nominations committee in terms of the directors' ability to lead, requisite knowledge, relevant experience and independence. It is important that the appointment ensures the necessary balance of power (majority of directors to be independent non-executives) and also introduces new skills and expertise to supplement and or replace existing skills and experience of Board members.

Background and reference checks are performed by the Nominations committee before the nomination of a director. Directors serve three year terms after which they are required to retire at the AGM but may offer themselves for re-election. At the end of each three year term the director is evaluated by the Chairman and will only be put forward for re-election by mutual consent of the Chairman and the respective director.

The appointment of all directors to the Board requires shareholder approval at the AGM. On appointment to the Board, a new director is required to retire and offer themselves for re-election to the Board by shareholders at the first AGM following their appointment.

Independence of non-executive directors

With the implementation of King III, all non-executive directors classified as independent undergo an annual evaluation of their independence based on the guidelines provided by King III. Directors serving terms greater than nine years undergo a rigorous review of their independence.

The majority of non-executive directors are independent in terms of King III. Gareth Ackerman and David Robins are not considered independent by virtue of their relationship with the Group's ultimate controlling shareholder. The remaining non-executive directors are considered independent. The Board has considered the independence of Messrs Hugh Herman and Ben van der Ross in light of their years of service and are satisfied that their independence remains intact.

As Gareth Ackerman (non-executive Chairman) is not independent, Hugh Herman has been appointed as Lead Independent Director (LID). All members of the Board have unfettered access to the LID when required.

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 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. Succession planning is also performed across the Group to ensure continuity of the business. The CEO 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 specialist committees: Audit, 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 from our website.

A brief outline of the role and responsibility of each committee is provided below:

Audit committee

For details on the composition and the role of this committee, please refer to the Audit committee report on pages 38 to 39.

Remuneration committee

For details on the composition and the role of the Remuneration committee please refer to the Remuneration report on pages 39 to 42.

Nominations committee

The Nominations committee, assisted by the Transformation director, 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. To assist in discharging his responsibility, the CEO has 10 key management personnel who form part of the Group Executive that has recently been formed (refer Group Structure on page 32). The duties and responsibilities of each member of the Group Executive are detailed in a formal role description together with limits of authority. These are reviewed and approved annually by the CEO.

The Company's policy of decentralisation and flat organisational structure means that each region is managed autonomously. Each region has its own management team. 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 recognises the importance of an effective risk management process and has adopted an enterprise-wide approach to risk management. This has resulted in the Company investing in an Enterprise Risk Management (ERM) software package to facilitate risk management. Risks identified are captured, rated and documented in the Company's risk register.

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. The Board is assisted in its responsibilities by the Audit committee, whose objective is to monitor and oversee the development and communication of the process for managing risk across all divisions in the Company. The day-to-day responsibility for identifying, evaluating and managing risk resides with management. The risk management process, which is regularly assessed by the Audit committee, involves a formalised system to identify and assess risk, both at a strategic and operational level. The process includes the evaluation of the mitigating controls and other assurances in identifying and assessing the risks.

Risks are continually being identified and mitigated in terms of a process that involves allocating responsibility, developing action plans, and monitoring compliance with these action plans. Every employee has a role to play in this endeavour and in achieving the Company's goals and objectives. Risks are monitored and reported upon at quarterly management meetings, and in the Audit committee meetings. The Group's annual internal audit plan incorporates the outcomes of the risk management process. Group Risk and Assurance Services (internal audit) facilitates risk identification and mitigation. The Group has developed a culture of identifying and managing risk. The internal audit plan is based on a risk-based audit approach.

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

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

Strategic and market risk

Risk	Risk mitigation
Brand and reputation	The Group operates within a governance philosophy that seeks to protect and enhance our brand and reputation. A core to this philosophy is built upon the continued maintenance of ethical business practices and the highest level of integrity. Recent enhancements to the brand have been achieved through the new fresh Pick n Pay logo's, the re-launch of private label brands, the continuous improvement of the quality of fresh foods and the Pick n Pay Express stores initiative in partnership with BP. We are aware of the constant need to differentiate the brand from other competitors in terms of service offering and product range and this remains a key focus area.
Competition	The Group continuously monitors market trends in which it operates and sets its strategy accordingly to ensure that Pick n Pay remains the market leader. Two main pillars of Group strategy is to defend and grow LSM 8 – 10 and to bring Pick n Pay to LSM 4 – 7. The former has been achieved by listening to our customers and providing quality products and services at affordable prices. The latter has been achieved by the conversion of Score stores into black owned Pick n Pay franchise stores and the opening of further stores in that market, both of which has allowed us to increase our share of the LSM 4 – 7 market. Boxer is also becoming a major player in that market. The Group also monitors the market for new entrants with plans in place to counter any new entrants. We are aware of the threat of foreign competition entering the market and to this end we have invested large amounts of capital in gearing up the business. The launch of the Smart Shopper card as well as our world class PnP on Nicol type store will enhance our position in the market.

Financial risk

Risk	Risk mitigation
Volatility of profit margins	Market conditions and its effect on profitability are continuously reviewed by management and the Board. At all times, in an increasingly competitive market place, the drive for unit sales growth and cost efficiencies are the primary drivers to protect profit margins. The former is driven by a focus of striving for high levels of customer satisfaction.
Going concern	The going concern of the Group is reviewed by the Board at least twice a year and includes a review of adequate levels of capital to continue operations and implement strategy.
Liquidity and credit risk	Pick n Pay's statement of financial position is categorised by high levels of liquidity and a relatively low debt ratio, supported by high levels of cash generation. Increasing credit risk as result of an expanding franchise division is closely monitored and where appropriate remedial action taken. The Group's working capital liquidity is supported by committed banking facilities.

Operational risk

Risk	Risk mitigation
Product quality and third party liability	Product safety and quality is carefully scrutinised by our internal quality control and food safety technicians. Where any indications exist of a product flaw, the product is immediately uplifted and returned to the supplier. Merchandise is purchased from reputable suppliers and house brands safety and quality is carefully scrutinised by food safety technicians. Appropriate levels of insurance are in place.
Safe guarding of assets	Group assets are insured against loss and business continuity plans are in place. All stores have surveillance cameras in place which are monitored to ensure the safe keeping of assets.

Summary of major risks and mitigation strategies (continued)

Operational risk

Risk	Risk mitigation
Supply chain	Pick n Pay places much emphasis on forging good relationships with suppliers to ensure that the partnership is mutually beneficial to both parties. Electronic Data Interchange (EDI) has recently been put in place to improve delivery and communication levels between Pick n Pay and suppliers. Central distribution has been embarked upon via Longmeadow to improve lead times and product quality, which falls in line with our longer-term strategy of moving towards regional central distribution.

Legislative risk

Risk	Risk mitigation
Compliance with legislation	Pick n Pay has an in-house compliance officer to monitor and assess impacts of legislation on the business. This department makes use of external specialists and advise where necessary. Each region has a risk and compliance manager whose responsibility is to ensure compliance with current and impending legislation.

Sustainability risk

Risk	Risk mitigation
Sustainable food supply	The Group is aware of the effects of climate change on food supply and supports initiatives that promote sustainable food supply. Examples of this are our involvement with SASSI and our extensive involvement in farming enterprise development (small farmers).
Increased awareness of green/ethical issues	We constantly make our staff aware of the need to conserve energy usage and have instituted various energy saving initiatives such as the use of natural refrigerants over synthetic substances to reduce greenhouse emitting gasses. We have also recently built a green store being Pick n Pay on Nicol and are looking to implement certain features in selected stores.
Energy security and utilities pricing	We are aware of the need to reduce usage of both electricity and fuel in the light of recent price increases and are constantly looking for ways to improve the consumption thereof. In the next financial year we will be installing new refrigeration technology that will significantly reduce energy usage from one of our largest energy consumers, refrigeration.

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.

> Group Executive members, by the Chairman and the CEO.

> Other senior executives, by the CEO and Head of Human Resources, respectively.

All employees and Group entities are not permitted to trade in the Group's shares during "closed periods" which start at the end of the last day of each financial reporting period 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

Board meetings

Director	20 April 2010	AGM 18 June 2010	18 June 2010	19 Oct 2010	21 Feb 2011
GM Ackerman (Chairman from 1 March 2010)	P	P	P	P	P
NP Badminton (CEO)	P	P	P	P	P
DG Cope (CFO) (retired 28 April 2011)	P	P	P	P	P
SD Ackerman-Berman (appointed 1 March 2010)	P	P	P	P	P
JG Ackerman (appointed 1 March 2010)	P	P	P	P	P
HS Herman	P	P	P	P	P
C Nkosi (retired 31 Dec 2010)	P	P	P	P	—
D Robins	P	A	A	P	P
BJ van der Ross	P	P	P	P	P
RSJ van Rensburg	P	P	P	P	P
J van Rooyen	P	P	P	P	P
AM Mathole (Appointed 1 Nov 2010)	—	—	—	—	A
LWC Phalatse (Appointed 1 Nov 2010)	—	—	—	—	P

P = Present A = Apology

Pick n Pay Stores Limited

Audit committee's report

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 and in compliance with King III will also be appointed by shareholders at the AGM.

The committee has a fixed mandate (terms of reference) which is reviewed and approved by the Board annually.

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

Committee member	Qualification	Date appointed	19 April 2010	18 Oct 2010
J van Rooyen (Chairman)	CA(SA)	June 2007	P	P
RSJ van Rensburg	CA(SA)	June 2009	P	P
BJ van der Ross	Attorney	June 2003	P	P
AM Mathole	Attorney	November 2010	—	—

P = Present

The committee's general responsibilities include:

- acting as a liaison between the external auditors and the Board;
- the annual nomination of the external auditor, who in the opinion of the committee, is independent of the Company, for approval at the AGM. Based on our review of the performance and independence of the external auditor, we recommend their reappointment at the AGM;
- the annual determination of the scope of audit and non-audit services which the external auditors may provide to the Company;
- the approval of the remuneration of the external auditors and assessment of their performance;
- 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;
- receive and deal appropriately with any complaint relating to the accounting practices and internal audit of the Company or to the content or auditing of its financial statements, or to any related matter; and
- perform other functions as determined by the Board.

In respect of internal control, and internal audit, through consultation with internal and external auditors; the committee:

- reviews and approves the internal audit charter and audit plans and evaluates the independence, effectiveness and performance of the internal audit function and compliance with its mandate (at present this review of internal audit will not be performed by an independent party);
- reviews the Company's systems of internal control, including financial controls, ensuring that management is adhering to and continually improving these controls;
- reviews significant issues raised by the internal audit process; and
- reviews policies and procedures for preventing and detecting fraud.

In respect of risk management through consultation with internal and external auditors, the committee:

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

The committee discharges its Board responsibilities by:

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

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

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

Each year the committee must consider and be satisfied with the appropriateness of the expertise, experience and adequacy of the finance function and in particular of its CFO and his senior finance team.

In respect of the above, the committee is satisfied that the Company's finance function and in particular its CFO, Dennis Cope and his successor Aboubakar (Bakar) Jakoet, possess the appropriate level of expertise and experience to fulfil their responsibilities to the Board and the Company.

Pick n Pay Stores Limited Remuneration report

This report sets out the company's remuneration philosophy, the implementation thereof and the guidelines and assumptions used when determining senior executives pay packages. The report and the recommendations of the Remuneration committee have been approved by the Board and will be submitted to shareholders for consideration at the AGM.

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 recommending the remuneration of executive and non-executive directors and senior management to the Board. The Remuneration committee bases its recommendations upon the achievement of certain Key Performance Indicators (KPI's) of senior executives and prevailing market conditions.

The CEO and CFO attend the committee meetings by invitation and assist the committee with its deliberations, except when issues relating to their own compensation are discussed. No directors are involved in deciding their own remuneration.

The full terms of reference and mandate of the committee can be found in the full corporate governance framework on the Group's website.

Remuneration committee meetings attendance

Director	16 April 2010	15 Oct 2010
HS Herman (Chairman)	P	P
GM Ackerman	P	P
BJ van der Ross	P	P

P = Present

Remuneration philosophy

The Group's philosophy is to remunerate its employees fairly in relation to the market and nature of services they provide. Employees may attract above market related remuneration in order to retain skills and experience. The Remuneration committee ensures that an appropriate portion of senior executives remuneration is performance related. The committee considers KPI's when setting executive director and senior management's short term incentives. In addition to cash remuneration (base pay, retirement and medical, performance bonus, other fringe benefits), employees are afforded the opportunity to participate in Group share schemes, which align the interests of management to that of shareholders.

Base pay

The Remuneration committee reviews the salaries of executive directors and senior management annually. They reflect the relative skill, experience, contribution of and performance of the individual. Base pay is set at levels which are competitive with the rest of the market so that the Group can attract, motivate and retain the right calibre of people to achieve the Group's strategic business objectives. Executive base pay is benchmarked to information disclosed in the remuneration reports of comparator organisations. Annual increases in the base pay are determined with reference to the scope of the employee's role, competence and performance of the employee as well as the projected CPI (Consumer Price Index) figures.

Retirement and medical

Pick n Pay contributes a total of 17.35% of salary towards retirement funding of executive directors and employees. In addition the Company also contributes towards medical aid. For further details please refer to note 23 on page 85 where retirement benefits are disclosed in more detail.

Performance bonus

Performance bonuses awarded to management are based on the Group and individual performance in achieving KPI targets such as budgets set by the Board, growth in headline earnings per share and milestones attached to the implementation of Group strategy. In a year where targets are met performance-related remuneration of the CEO and CFO will account for at least 50% of total remuneration.

Other fringe benefits

Executive directors and management are either granted the use of a company vehicle which includes service and maintenance, fuel and insurance, or are given the choice of accepting a car allowance.

Share option scheme

All employees participate in the Group's share option scheme. Share options are allocated for both years of service and status within the Company. It is the Group's philosophy to recognise all employees and to reward employees with a part ownership of the Company. Status share options have vesting conditions relating to years of service and can only be exercised when the vesting condition is met. For further information on the share schemes including details of the total options granted to employees and other pertinent information please refer to note 4 of the financial statements on page 68.

The value of share options awarded to management is dependent on their level of seniority and the influence they may have over Group performance and strategy implementation. All options granted to executive directors and senior management are approved by the Remuneration committee and where appropriate may be linked to the attainment of certain share price growth hurdles. For further information regarding share options granted to directors refer to note 3.2 of the annual financial statements on page 66.

The directors have recommended that there be no discount applied to the market value of shares at grant date. This change to the share scheme rules will be tabled for consideration by shareholders at the annual general meeting on 10 June 2011.

Risk management and remuneration practices

The Remuneration committee ensures that corporate governance aspects and legal requirements are met when existing remuneration policies are reviewed and new remuneration plans and policies are put in place. In doing so, the committee ensures that shareholder interests are protected and reward systems and remuneration policies are aligned to the Company's risk profile.

Report on remuneration and benefits awarded during 2011

For information on the remuneration of the Chief Executive and executive director's please refer to note 3.1 on page 65 of the annual financial statements.

Key management personnel

The Board together with the Group Executive committee and Roni Perlov, the acting Managing director of Franklins, form the key management personnel who have authority and responsibility for planning, directing and controlling the activities of the Group. The total remuneration for the key management personnel is as follows.

	Directors' fees R 000	Remuneration R 000	Retirement and medical contributions R 000	Performance bonus* R 000	Fringe and other benefits R 000	Total R 000	IFRS 2 expense relating to share options granted R 000
2011	6 077.0	26 342.0	4 097.7	1 481.0	4 923.6**	42 921.3	18 738.9

No comparative information has been provided as this new management structure was only formed in the current year. No key management personnel had a material interest in any contract with any Group company during the year.

Top three earners

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

Top three earners	Remuneration R 000	Retirement and medical contributions R 000	Performance bonus* R 000	Fringe and other benefits R 000	Cash Total R 000	IFRS 2 expense relating to share options granted R 000
Executive 1	3 919.7	352.8	295.1	1 362.0***	5 929.6	70.8
Executive 2	1 770.0	300.1	1 400.0	372.7	3 842.8	1 709.5
Executive 3	2 301.0	417.8	204.0	121.1	3 043.9	751.7

*The performance bonus relates to the amount provided for in the current financial year.
**Includes a R1.5 million retirement gratuity and a payment of R1.4 million for retention of services.
***Payment for retention of services.

Non-executive directors' fees

In respect of non-executive directors, the Remuneration committee proposes fees to be paid for the membership of the Board and Board committees. Such fees are market related, commensurate with the time required to undertake their duties and are approved by the Board and shareholders. Approved fees are set for the year and are not subject to attendance at each meeting as generally attendance at Board meetings is very good. Such remuneration is not linked to the performance of the Group or its share performance. Specifically, non-executive directors do not receive performance-related bonuses and are not granted share options. The Chairman receives a flat fee for all work undertaken and does not receive additional remuneration for attendance of Board committee and sub-committee meetings. The fees for 2011 were approved by shareholders in the AGM held on 18 June 2010 and the proposed fees for 2012, which are unaltered, will be submitted to shareholders for approval in the AGM to be held on 10 June 2011.

Non-executive directors' fees (continued)

Fees for the current year and proposed for next year are as follows:	Proposed 2012 R	2011 R
Chairman of the Board	3 000 000	3 000 000
Lead non-executive director	95 000	95 000
Member of the Board	280 000	280 000
Chairman of the Audit committee	235 000	235 000
Member of the Audit committee	95 000	95 000
Chairman of the Remuneration committee	120 000	120 000
Member of the Remuneration committee	60 000	60 000
Member of the Nominations committee	53 000	53 000

Pick n Pay Holdings Limited Corporate governance report

This report deals with the corporate governance of Pick n Pay Holdings Limited which is the controlling company of Pick n Pay Stores Limited. Please note that only principles specific to Pick n Pay Holdings Limited are dealt with here as the majority of the principles of the Group have already been discussed in the Pick n Pay Stores Limited Corporate governance report above.

Directors

The Board comprises six directors who are all non-executive. In addition, there are three alternate directors who are available to step in for a non-executive director should the need arise. One of the non-executive directors is also a non-executive director of Pick n Pay Stores Limited and three directors are considered independent, which independence has been thoroughly scrutinised given the years of service by RP de Wet and HS Herman.

As the Chairman, RD Ackerman, is not independent, HS Herman has been appointed as the Lead Independent Director (LID). All members of the Board have unfettered access to the LID when required.

The Pick n Pay Holdings Limited Board of directors currently does not comply with the minimum requirement of two executive directors per King III. In this regard, Pick n Pay has been granted dispensation by the JSE as it is felt that there would be little benefit obtained from the appointment of executive directors as the Company has no material operating activities other than the receipt and payment of dividends and the assessment of the carrying value of its only investment in Pick n Pay Stores Limited.

Appointment of directors

The appointment of all directors to the Board requires shareholder approval at the AGM. On appointment to the Board a new director is required to retire and offer themselves for re-election to the Board by shareholders at the first AGM following their original appointment.

Board committees

Pick n Pay Holdings Limited has a separate Audit committee consisting of non-executive directors but it does not have separate Remuneration, Nomination and Corporate governance committees as the tasks relating to these committees are undertaken by the Board as a whole.

Remuneration report

No separate Remuneration report is presented as the only remuneration paid by the Company is directors' remuneration which is approved by the Board as a whole.

Fees for the current year and proposed for next year are as follows:

	Proposed 2012 R	2011 R
Member of the Board not serving on the Pick n Pay Stores Limited Board	53 000	53 000

Directors' attendance at meetings

Board meetings

Director	19 April 2010	AGM 18 June 2010	18 June 2010	19 Oct 2010	21 Feb 2011
GM Ackerman (Chairman to 1 March 2010)	P	P	P	P	P
RD Ackerman (Chairman from 1 March 2010)	A	P	P	P	P
W Ackerman	A	P	P	P	P
RP de Wet	P	A	A	A	P
HS Herman	P	P	P	P	P
SD Ackerman- Berman (alternate director from 1 March 2010)	A	P	P	P	A
JG Ackerman (alternate director from 1 March 2010)	P	P	P	P	P
D Robins (alternate director from 1 March 2010)	A	A	A	P	P

P = Present A = Apology

Audit committee meetings

Director	Qualification	Date appointed	19 April 2010	18 Oct 2010
RP de Wet (Chairman)	CA(SA)	April 2008	P	P
HS Herman	Attorney	April 2008	P	P

P = Present

Analysis of shareholders

as at 28 February 2011

Pick n Pay Stores Limited

Shareholder spread No. of shares held	No. of share-holders	%	No. of shares millions	%
1 – 1 000	6 564	53.2	2.9	0.6
1 001 – 10 000	4 732	38.3	14.9	3.1
10 001 – 100 000	837	6.8	24.6	5.1
100 001 – 1 000 000	182	1.5	52.9	11.0
1 000 001 and over	25	0.2	385.1	80.2
Total	**12 340**	**100.0**	**480.4**	**100.0**
Distribution of shareholders				
Banks	99	0.8	44.5	9.3
Brokers	63	0.5	11.0	2.3
Close corporations	120	1.0	0.6	0.1
Endowment funds	115	1.0	2.0	0.4
Holding company	1	—	257.3	53.6
Individuals	9 095	73.7	24.5	5.1
Insurance companies	42	0.3	17.7	3.7
Investment companies	15	0.1	8.2	1.7
Medical aid schemes	15	0.1	1.0	0.2
Mutual funds	250	2.0	29.8	6.2
Nominees and trusts	1 959	15.9	15.9	3.3
Other corporations	117	1.0	0.4	0.1
Pension funds	219	1.8	61.3	12.7
Pick n Pay Employee Share Trust	1	—	3.4	0.7
Private companies	214	1.7	2.0	0.4
Public companies	15	0.1	0.8	0.2
Total	**12 340**	**100.0**	**480.4**	**100.0**
Public/non-public shareholders				
Non-public shareholders	8	0.1	263.1	54.8
Directors and Associates	6	0.1	2.4	0.5
Pick n Pay Holdings Limited	1	—	257.3	53.6
Pick n Pay Employee Share Trust	1	—	3.4	0.7
Public shareholders	12 332	99.9	217.3	45.2
Total	**12 340**	**100.0**	**480.4**	**100.0**
Beneficial shareholders holding 1% or more				
Pick n Pay Holdings Limited			257.3	53.6
Government Employees Pension Fund			49.1	10.2
Liberty Life Assurance of Africa Ltd			8.2	1.7
Sanlam			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	3 246	24.3	1.9	0.4
1 001 – 10 000	7 873	58.9	30.2	5.7
10 001 – 100 000	1 944	14.6	53.1	10.1
100 001 – 1 000 000	250	1.9	79.8	15.1
1 000 001 and over	43	0.3	362.2	68.7
Total	**13 356**	**100.0**	**527.2**	**100.0**
Distribution of shareholders				
Banks	39	0.3	8.6	1.6
Brokers	23	0.2	6.2	1.2
Close corporations	86	0.6	2.6	0.5
Endowment funds	155	1.2	5.0	1.0
Individuals	9 675	72.4	62.2	11.8
Insurance companies	23	0.2	12.5	2.4
Investment companies	24	0.2	4.9	0.9
Medical aid schemes	6	—	0.2	—
Mutual funds	158	1.2	76.1	14.4
Nominees and trusts	2 644	19.8	299.4	56.8
Other corporations	91	0.7	0.6	0.1
Pension funds	188	1.4	28.5	5.5
Pick n Pay Employee Share Trust	1	—	9.1	1.7
Blue Ribbon Meat Corporation (Pty) Ltd	1	—	1.8	0.3
Private companies	226	1.7	8.9	1.7
Public companies	16	0.1	0.6	0.1
Total	**13 356**	**100.0**	**527.2**	**100.0**
Public/non-public shareholders				
Non-public shareholders	11	0.1	277.7	52.6
Directors and alternates of the Company and its subsidiary	9	0.1	13.7	2.6
Ackerman Family Trust	1	—	254.9	48.3
Pick n Pay Employee Share Trust	1	—	9.1	1.7
Public shareholders	13 345	99.9	249.5	47.4
Total	**13 356**	**100.0**	**527.2**	**100.0**
Beneficial shareholders holding 1% or more				
Ackerman Family Trust			254.9	48.3
Investec Opportunity Fund			11.7	2.2
Pick n Pay Employee Share Trust			9.1	1.7
Nedgroup Investments Value Fund			5.8	1.1
Liberty Group			5.8	1.0
Symmetry Inflation Plus Fund No. 4			5.2	1.0
The Mistral Trust (Ackerman family)			5.2	1.0

Shareholders' information

Annual General Meetings ("AGMs") – 10 June 2011

The 43rd annual general meeting of shareholders of Pick n Pay Stores Limited ("Stores AGM") will be held at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708 on Friday, 10 June 2011 at 09h00.

The 30th annual general meeting of shareholders of Pick n Pay Holdings Limited will be held at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708 on Friday, 10 June 2011 at 10h00, or as soon as the Stores AGM is complete.

Registration for both AGM's will commence at 08h30.

The minutes of the previous year's AGMs held on 18 June 2010 are available on our website at www.picknpay.co.za.

Dividends

	Pick n Pay Stores Limited Share code: PIK ISIN code: ZAE000005443		Pick n Pay Holdings Limited Share code: PWK ISIN code: ZAE000005724			
	Number	Amount (cents)	Number	Amount (cents)	Last day of trade	Date of payment
Interim	83	39.75	56	19.31	4 Dec 2009	14 Dec 2009
Final	84	134.75	57	65.63	4 June 2010	14 June 2010
Interim	85	37.00	58	17.94	3 Dec 2010	13 Dec 2010
Final	86	105.50	59	51.34	3 June 2011	13 June 2011
Interim	87		60		2 Dec 2011	13 Dec 2011
Final	88		61		1 June 2012	11 June 2012

Preliminary profit announcements

Interim to 31 August 2011: about 19 October 2011
Final to 28 February 2012: about 18 April 2012

Publication of 2012 Annual Report

Mid-May 2012

Registered office

Pick n Pay Office Park, 101 Rosmead Avenue,
Kenilworth, Cape Town, 7708

Company Secretary

Debra Muller
Email address: demuller@pnp.co.za

Business address

Pick n Pay Office Park, 101 Rosmead Avenue,
Kenilworth, Cape Town, 7708

Postal address

PO Box 23087, Claremont, 7735
Tel +27(0)21 658-1000. Fax +27(0)21 797-0314

Promotion of Access to Information Act

Information officer – Penny Gerber
E-mail address: pgerber@pnp.co.za

Web address

www.picknpay.co.za

Web editor

Thrisha Harrilall
E-mail address: tharrilall@pnp.co.za

Registrar

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

Auditors

KPMG Inc. – Group and southern African operations
Ernst & Young – Australia

Attorneys

Edward Nathan Sonnenbergs Inc.

Principal bankers

ABSA Limited

First National Bank

JSE Limited sponsor

Investec Bank Limited, 100 Grayston Drive,
Sandton, 2196

Annual financial statements, other information and AGM notices and proxies

Contents

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: PWK ISIN code: ZAE 000005724

Other information, AGM notices and proxies

Directors' responsibility for the Company and Group annual financial statements

The directors are responsible for the preparation and fair presentation of the Company and Group annual financial statements of Pick n Pay Stores Limited, comprising the directors' report, the statements of comprehensive income, the statements of financial position at 28 February 2011, the changes in equity and cash flows 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 are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, for maintaining adequate accounting records and an effective system of risk management, as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the Company's and Group's ability to continue as a going concern and have no reason to believe that the businesses 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.

Approval of annual financial statements

The Company and Group annual financial statements of Pick n Pay Stores Limited, as identified above, were approved by the Board of directors on 29 April 2011 and signed on their behalf by:

Gareth Ackerman
Chairman

Nick Badminton
Chief Executive Officer

Bakar Jakoet
Chief Finance Officer

Company Secretary's certificate

In terms of section 268G (d) of the Companies Act No. 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.

D. Muller

Debra Muller
Company Secretary

29 April 2011

Independent auditor's report

for the year ended 28 February 2011

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 statements of financial position at 28 February 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 49 to 99.

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Pick n Pay Stores Limited at 28 February 2011 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 **Patrick Farrand**
Chartered Accountant (SA)
Registered Auditor
Director

29 April 2011

MSC House
Mediterranean Street
Cape Town
8001

Directors' report

for the year ended 28 February 2011

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, general merchandise, pharmaceuticals and liquor 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 statement of comprehensive income is presented on page 51 and reflects the Group's operational results.

The Group's headline earnings from continuing operations and dividends for the year are as follows:

Per share – cents	2011	% decrease	2010
Headline earnings	**189.35**	18.3	231.71
Dividends*	**142.50**	18.3	174.50

*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.

Audit committee

We draw your attention to the Audit committee report on pages 38 and 39 where we set out the responsibilities of the committee and how it has discharged these responsibilities during the year.

Dividends paid and declared

A cash dividend (number 84) of 134.75 cents per share was paid to shareholders on 14 June 2010.

A cash dividend (number 85) of 37.00 cents per share was paid to shareholders on 13 December 2010.

For further details refer to note 7 on page 73.

The directors have declared a cash dividend (number 86) of 105.50 cents per share. The last day of trade in order to participate in the dividend (CUM dividend) will be Friday, 3 June 2011. Shares will trade EX dividend from the commencement of business on Monday, 6 June 2011 and the record date is Friday, 10 June 2011. The dividend will be paid on Monday, 13 June 2011. Share certificates may not be dematerialised or rematerialised between Monday, 6 June 2011 and Friday, 10 June 2011, both dates inclusive.

As dividend number 86 was declared on 15 April 2011 it will only be accounted for in the 2012 financial year. The declaration of this dividend will result in a charge for secondary tax on companies of R50.6 million, which will be accounted for in the 2012 financial year.

Share capital

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

At year-end, the Pick n Pay Employee Share Purchase Trust held 3 411 620 (2010: 6 780 488) shares in the Company and 9 103 871 (2010: 10 077 639) shares in Pick n Pay Holdings Limited and a subsidiary company held 1 817 003 (2010: 1 784 303) shares in Pick n Pay Holdings Limited, all of which are accounted for as treasury shares. These shares are held to meet obligations of options granted.

Going concern

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

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

Legal proceedings

In July 2010, subject to approval by the Australian competition regulator, the Australian Competition and Consumer Commission (ACCC), we accepted an offer from Metcash Trading Limited (Metcash) to acquire our Australian operation, Franklins. The ACCC reviewed the proposed transaction under its informal merger clearance process and opposed the sale to Metcash on the basis that it is likely to have the effect of substantially lessening competition in the Australian market. Following the ACCC's decision, the parties announced that they proposed to proceed with the transaction and this led the ACCC to commence legal proceedings in the Federal Court of Australia in December 2010, seeking to prevent the parties from completing the transaction. We and Metcash agreed with the ACCC to an expedited hearing, which commenced in mid-March 2011. The judgement of the Court is expected before 30 June 2011. If the Federal Court of Australia prevents the acquisition by Metcash, we remain committed to the sale of Franklins and anticipate selling the Franklins stores, either individually or in groups, under a competitive tender process.

There are no other 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 18 June 2010 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 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

100% held subsidiary company, Pick n Pay Franchise Financing (Pty) Limited passed a special resolution to sell its business to a fellow 100% held subsidiary company, Pick n Pay Retailers (Pty) Limited.

Directors and Secretary

In terms of the Company's Articles of Association the directors listed on page 119 retire by rotation and they offer themselves for re-election. Information pertaining to the directors and the Company Secretary appear on pages 14 to 15.

Holding company

The holding company is Pick n Pay Holdings Limited.

Directors' interest in shares

	2011 %	2010 %
Beneficial	**1.4**	1.1
Non-beneficial	**27.6**	27.6
Total	**29.0**	28.7

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

Subsidiary companies

Details of subsidiary companies are presented in note 21 on page 83.

Borrowings

The Group's overall level of debt (including bank overdrafts and overnight bank borrowings) increased from R1 082.3 million to R1 939.7 million during the year, due to an increased requirement to fund working capital and the Group's capital expenditure programme.

Subsequent events

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

Statements of comprehensive income

for the year ended 28 February 2011

		GROUP		COMPANY	
	Notes	**2011 Rm**	2010* Rm	**2011 Rm**	2010 Rm
Continuing operations					
Revenue	1	**52 216.7**	49 323.8	**810.4**	1 811.2
Turnover		**51 945.8**	49 068.6	**—**	—
Cost of merchandise sold		**(42 859.6)**	(40 245.0)	**—**	—
Gross profit		**9 086.2**	8 823.6	**—**	—
Other trading income	1	**231.4**	186.5	**—**	—
Trading expenses		**(7 899.9)**	(7 371.4)	**(1.1)**	(1.9)
Employee costs	2	**(4 319.8)**	(4 123.6)	**—**	—
Occupancy		**(1 114.7)**	(1 004.8)	**—**	—
Operations		**(1 642.8)**	(1 393.2)	**—**	—
Merchandising and administration		**(822.6)**	(849.8)	**(1.1)**	(1.9)
Trading profit/(loss)		**1 417.7**	1 638.7	**(1.1)**	(1.9)
Interest received	1	**39.5**	68.7	**—**	0.3
Interest paid	2	**(111.0)**	(86.3)	**—**	—
Gain on recognition of investment in associate	11	**7.5**	—	**—**	—
Share of associate's income	11	**2.4**	—	**—**	—
Profit on sale of property		**—**	190.9	**—**	—
Operating profit/(loss)	2	**1 356.1**	1 812.0	**(1.1)**	(1.6)
Dividends received	1	**—**	—	**810.4**	1 810.9
Profit before tax		**1 356.1**	1 812.0	**809.3**	1 809.3
Tax	5.1	**(447.8)**	(531.9)	**(0.1)**	(0.1)
Profit for the year from continuing operations		**908.3**	1 280.1	**809.2**	1 809.2
Loss from discontinued operations	18	**(123.4)**	(91.2)	**—**	—
Profit for the year		**784.9**	1 188.9	**809.2**	1 809.2
Other comprehensive income					
Exchange rate differences on translating foreign operations		**50.1**	73.8	**—**	—
Net loss on hedge of net investment in foreign operation	29.3	**(52.2)**	—	**—**	—
Retirement benefit actuarial loss		**(12.5)**	(34.3)	**—**	—
Total comprehensive income for the year		**770.3**	1 228.4	**809.2**	1 809.2
Earnings/(losses) per share – cents					
Basic	6	**164.99**	251.25		
Continuing operations		**190.92**	270.53		
Discontinued operations		**(25.93)**	(19.28)		
Diluted	6	**162.20**	247.40		
Continuing operations		**187.68**	266.38		
Discontinued operations		**(25.48)**	(18.98)		

*Restated – refer note 18.1.

Statements of financial position

as at February 2011

	Notes	GROUP 2011 Rm	GROUP 2010 Rm	COMPANY 2011 Rm	COMPANY 2010 Rm
Assets					
Non-current assets					
Intangible assets	8	**404.5**	1 126.7	**—**	—
Interest in subsidiaries	21	**—**	—	**136.7**	159.2
Property, equipment and vehicles	9	**3 401.8**	3 415.5	**—**	—
Operating lease asset	24.1	**37.7**	33.5	**—**	—
Participation in export partnerships	13	**48.2**	50.6	**—**	—
Deferred tax asset	14	**85.8**	98.1	**—**	—
Investment in associate	11	**9.9**	—	**—**	—
Loans	12	**90.2**	124.7	**—**	—
Investments	10	**0.2**	0.2	**0.2**	0.2
		4 078.3	4 849.3	**136.9**	159.4
Current assets					
Assets held for sale – discontinued operations	18.1	**2 120.1**	—	**—**	—
Inventory	15	**3 162.7**	3 326.2	**—**	—
Trade and other receivables	16	**1 739.2**	1 968.0	**3.2**	—
Cash and cash equivalents	17	**—**	1 055.3	**—**	—
		7 022.0	6 349.5	**3.2**	—
Total assets		**11 100.3**	11 198.8	**140.1**	159.4
Equity and liabilities					
Capital and reserves					
Share capital	19.1	**6.0**	6.0	**6.0**	6.0
Share premium	19.2	**—**	—	**—**	—
Treasury shares	20.1	**(172.0)**	(261.2)	**—**	—
Accumulated profits		**1 977.5**	2 050.4	**132.1**	147.9
Foreign currency translation reserve		**347.3**	349.4	**—**	—
Total shareholders' equity		**2 158.8**	2 144.6	**138.1**	153.9
Non-current liabilities					
Long-term debt	22.1	**626.9**	670.8	**—**	—
Retirement scheme obligations	23.4	**27.1**	24.7	**—**	—
Operating lease liability	24.2	**729.3**	695.9	**—**	—
		1 383.3	1 391.4	**—**	—
Current liabilities					
Liabilities held for sale – discontinued operations	18.1	**826.6**	—	**—**	—
Cash and cash equivalents	17	**547.4**	—	**—**	—
Short-term debt	22.2	**50.2**	38.7	**—**	—
Tax	5.4	**96.2**	230.5	**—**	—
Trade and other payables	25	**6 037.8**	7 393.6	**2.0**	5.5
		7 558.2	7 662.8	**2.0**	5.5
Total equity and liabilities		**11 100.3**	11 198.8	**140.1**	159.4

Statements of changes in equity

for the year ended 28 February 2011

	Notes	Share capital Rm	Share premium Rm	Treasury shares Rm	Accumulated profits Rm	Foreign currency translation reserve Rm	Total Rm
GROUP							
At 1 March 2009		6.3	121.7	(743.6)	2 035.5	275.6	1 695.5
Total comprehensive income for the year		—	—	—	1 154.6	73.8	1 228.4
Profit for the year					1 188.9		1 188.9
Retirement benefit actuarial loss					(34.3)		(34.3)
Foreign currency translation differences						73.8	73.8
Transactions with owners		(0.3)	(121.7)	482.4	(1 139.7)	—	(779.3)
Dividends paid	7				(814.6)		(814.6)
Share repurchases	20.1			(80.1)			(80.1)
Net effect of settlement of employee share options	20.1			92.6	(40.5)		52.1
Cancellation of treasury shares	19.3	(0.3)	(121.7)	469.9	(350.6)		(2.7)
Share options expense	4.3				66.0		66.0
At 28 February 2010		**6.0**	**—**	**(261.2)**	**2 050.4**	**349.4**	**2 144.6**
Total comprehensive income for the year		**—**	**—**	**—**	**772.4**	**(2.1)**	**770.3**
Profit for the year					**784.9**		**784.9**
Retirement benefit actuarial loss					**(12.5)**		**(12.5)**
Net loss on hedge of net investment in foreign operation						**(52.2)**	**(52.2)**
Foreign currency translation differences						**50.1**	**50.1**
Transactions with owners		**—**	**—**	**89.2**	**(845.3)**	**—**	**(756.1)**
Dividends paid	7				**(808.0)**		**(808.0)**
Share repurchases	20.1			**(90.2)**			**(90.2)**
Net effect of settlement of employee share options	20.1			**179.4**	**(111.1)**		**68.3**
Share options expense	4.3				**73.8**		**73.8**
At 28 February 2011		**6.0**	**—**	**(172.0)**	**1 977.5**	**347.3**	**2 158.8**
COMPANY							
At 1 March 2009		6.3	121.7	—	134.5	—	262.5
Total comprehensive income for the year		—	—	—	1 809.2	—	1 809.2
Profit for the year					1 809.2		1 809.2
Transactions with owners		(0.3)	(121.7)	—	(1 795.8)	—	(1 917.8)
Dividends paid	7				(880.7)		(880.7)
Cancellation of treasury shares	19.3	(0.3)	(121.7)		(915.1)		(1 037.1)
At 28 February 2010		**6.0**	**—**	**—**	**147.9**	**—**	**153.9**
Total comprehensive income for the year		**—**	**—**	**—**	**809.2**		**809.2**
Profit for the year					**809.2**		**809.2**
Transactions with owners		**—**	**—**	**—**	**(825.0)**	**—**	**(825.0)**
Dividends paid	7				**(825.0)**		**(825.0)**
At 28 February 2011		**6.0**	**—**	**—**	**132.1**	**—**	**138.1**

Cash flow statements

for the year ended 28 February 2011

	Notes	GROUP 2011 Rm	GROUP 2010* Rm	COMPANY 2011 Rm	COMPANY 2010 Rm
Cash flows from operating activities					
Trading profit/(loss)		**1 417.7**	1 638.7	**(1.1)**	(1.9)
Depreciation and amortisation	2	**733.3**	632.6	**—**	—
Share options expense	4.3	**73.8**	65.2	**—**	—
Net operating lease obligations		**29.3**	36.5	**—**	—
Cash generated/(utilised) before movements in working capital		**2 254.1**	2 373.0	**(1.1)**	(1.9)
Movements in working capital		**(844.8)**	(58.1)	**(6.7)**	3.6
(Decrease)/increase in trade and other payables		**(678.1)**	245.2	**(3.5)**	3.6
Increase in inventory		**(349.1)**	(129.9)	**—**	—
Decrease/(increase) in trade and other receivables		**182.4**	(173.4)	**(3.2)**	—
Amounts received from a subsidiary company	21.2	**—**	—	**22.5**	103.1
Cash generated by trading activities		**1 409.3**	2 314.9	**14.7**	104.8
Interest received	1	**39.5**	68.7	**—**	0.3
Interest paid	2	**(111.0)**	(86.3)	**—**	—
Cash generated by operations		**1 337.8**	2 297.3	**14.7**	105.1
Dividends received	1	**—**	—	**810.4**	1 810.9
Dividends paid	7	**(808.0)**	(814.6)	**(825.0)**	(880.7)
Tax (paid)/received	5.4	**(526.3)**	(457.5)	**(0.1)**	1.8
Net cash from operating activities – continuing operations		**3.5**	1 025.2	**—**	1 037.1
Net cash from/(utilised in) operating activities – discontinued operations	18	**13.9**	(62.9)	**—**	—
Total net cash from operating activities		**17.4**	962.3	**—**	1 037.1
Cash flows from investing activities					
Investment in property, equipment and vehicles to expand operations		**(487.5)**	(314.7)	**—**	—
Intangible asset additions	8.2	**(61.2)**	(49.9)		
Property additions	9	**(225.4)**	(116.9)		
Equipment and vehicle additions	9	**(200.9)**	(147.9)		
Investment in property, equipment and vehicles to maintain operations		**(758.2)**	(704.7)	**—**	—
Intangible asset additions	8.2	**(21.3)**	—		
Property additions	9	**(63.8)**	(6.4)		
Aircraft additions	9	**—**	(0.7)		
Equipment and vehicle additions	9	**(673.1)**	(697.6)		
Proceeds on disposal of property		**21.9**	209.4	**—**	—
Loans repaid		**34.5**	3.9	**—**	—
Net cash utilised in investing activities – continuing operations		**(1 189.3)**	(806.1)	**—**	—
Net cash utilised in investing activities – discontinued operations	18	**(151.4)**	(117.2)	**—**	—
Total net cash utilised in investing activities		**(1 340.7)**	(923.3)	**—**	—
Cash flows from financing activities					
Debt (repaid)/raised		**(32.5)**	1.0	**—**	—
Share repurchases	20.1, 19.3	**(90.2)**	(80.1)	**—**	(1 037.1)
Proceeds from employees on settlement of share options		**25.1**	36.4	**—**	—
Net cash utilised in financing activities – continuing operations		**(97.6)**	(42.7)	**—**	(1 037.1)
Net cash from/(utilised in) financing activities – discontinued operations	18	**10.0**	(9.9)	**—**	—
Total net cash utilised in financing activities		**(87.6)**	(52.6)	**—**	(1 037.1)
Net decrease in cash and cash equivalents		**(1 410.9)**	(13.6)	**—**	
Cash and cash equivalents at 1 March		**1 055.3**	1 072.8	**—**	—
Effect of exchange rate fluctuations on cash and cash equivalents		**(76.2)**	(3.9)	**—**	—
Cash and cash equivalents at 28 February		**(431.8)**	1 055.3	**—**	—
Continuing operations	17	**(547.4)**			
Discontinued operations	18.1	**115.6**			

*Restated – refer note 18.1.

Accounting policies

Pick n Pay Stores Limited is domiciled in South Africa. The consolidated financial statements of the Company for the year ended 28 February 2011 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 29 April 2011.

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 except for:

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

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), as well as the AC500 Standards as issued by the Accounting Practices Board and the Companies Act of South Africa.

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

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

Note 4 – measurement of share–based payments

Note 8.1 – measurement of the recoverable amounts of cash-generating units containing goodwill

Note 8.2 – estimates of useful lives and residual values of software development (intangible assets)

Note 9 – estimates of useful lives and residual values of property, equipment, vehicles and aircraft

Note 11 – the recommencement of equity accounting our foreign associate in Zimbabwe

Note 14 – the recognition of deferred tax assets

Note 16 – the estimation of the impairment allowance for trade receivables

Note 18 – the classification of InterFrank Group Holdings Pty Limited and Score Supermarkets Operating Limited as discontinued operations

Note 22 – classification of finance leases

Note 23.4 – measurement of defined benefit obligations

Note 24 – classification of operating leases

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

Transactions eliminated on consolidation

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

Intangible assets

Goodwill

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

Goodwill is stated at cost less any accumulated impairment losses. For the purposes of 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 forecasts discounted at an appropriate rate. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate. Negative goodwill arising on an acquisition is charged directly to the statement of comprehensive income.

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

Development costs

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

Intangible assets acquired and subsequent expenditure

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

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

Amortisation

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

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

The current estimated useful life of SAP software development costs 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 reporting date.

Property, equipment and vehicles

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

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

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

Borrowing costs related to the acquisition, construction or production of qualifying assets are capitalised to the cost of the asset. These were previously expensed (refer to the accounting policy on borrowing costs).

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

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

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

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

Buildings	40 years
Major property components	10 to 20 years
Furniture and fittings	5 to 10 years
Computer equipment	2 to 7 years
Vehicles	4 to 5 years
Aircraft and major components	7 to 20 years

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

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

Assets held for sale

Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter, generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the statement of comprehensive income. Gains are not recognised in excess of any cumulative impairment loss.

Leases

Finance leases

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

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

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

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

Accounting policies continued

Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Service contracts dependent on specific underlying assets

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

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

Inventory

Inventory comprises merchandise for resale and consumables. Inventory is measured at the lower of cost and net realisable value. Cost is calculated on the weighted-average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition, including distribution costs, and is stated net of relevant purchase incentives. The cost of merchandise sold includes shrinkage and normal levels of waste.

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

Provisions

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

Guarantees

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

These financial guarantees are classified as insurance contracts 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 reporting date. Where the effect of discounting is material, the liability is discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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

Financial instruments

Non-derivative financial instruments

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

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

These financial instruments are initially recognised at fair value. For instruments not recognised at fair value through the statement of comprehensive income, any directly attributable transaction costs are included.

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

The subsequent measurement of financial instruments is stated below:

Cash and cash equivalents

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

Investments

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

Trade receivables and loans

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

Participation in export partnerships

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 method. All gains and losses on subsequent measurement are recognised in the statement of comprehensive income.

Trade and other payables

Trade and other payables are recognised at amortised cost.

Debt

Debt is carried at amortised cost. The interest expense recognised in the statement of comprehensive income is calculated using the effective interest method.

Derivative financial instruments

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

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

Hedge of a net investment in foreign operations

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

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the translation reserve. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged net investment is disposed of, the relevant amount in the translation reserve is transferred to profit or loss as part of the profit or loss on disposal.

Impairment of assets

Financial assets

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

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

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

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

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

Non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

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

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

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

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income. 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 financial assets that are debt securities, the reversal is recognised in the statement of comprehensive income. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity through other comprehensive income.

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

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

Share capital

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

Treasury shares

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

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

Turnover

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

Trading profit

Trading profit is net income and expenditure from trading operations, excluding interest received, interest paid and any profits or losses on the sale of investments, property and stores.

Operating profit

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

Revenue recognition

Turnover

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

Interest income

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

Dividend income

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

Incentive income

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

Lease income

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

Borrowing costs

Borrowing costs relating to the acquisition, construction or production of qualifying assets, for which the commencement date for capitalisation is on or after 1 March 2009, are capitalised to the cost of the asset.

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

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income 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 reporting 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 reporting date.

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

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

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

Secondary tax on companies

Secondary tax on companies (STC) on net dividends paid is recognised as a tax charge in the year it is incurred. 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 statement of comprehensive income on settlement date or reporting date, whichever is the earlier.

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

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign exchange differences arising on translation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign operations

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

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

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 reporting date to the extent that such obligation can be reliably estimated.

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

Share-based payment transactions

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

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

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

Retirement benefits

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

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

Defined-contribution plans

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

Obligations for contributions to defined-contribution retirement plans are recognised as an expense in the statement of comprehensive income when they are due.

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

Defined-benefit plans

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

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

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the statement of comprehensive income 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 statement of comprehensive income.

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

Onerous contracts

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

Capitalisation share awards and cash dividends

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

Earnings per share

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

Discontinued operations

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

Segmental reporting

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

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

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

Notes to the annual financial statements

for the year ended 28 February 2011

		GROUP		COMPANY	
		2011 Rm	2010* Rm	**2011 Rm**	2010 Rm
1.	**Revenue – continuing operations**				
	Revenue comprises:				
	Turnover	**51 945.8**	49 068.6	**—**	—
	Interest received (note 2)	**39.5**	68.7	**—**	0.3
	Dividends received	**—**	—	**810.4**	1 810.9
	Other trading income	**231.4**	186.5	**—**	—
	Franchise fee income	**203.6**	161.9		
	Property lease income	**27.8**	24.6		
		52 216.7	49 323.8	**810.4**	1 811.2
2.	**Operating profit/(loss) – continuing operations**				
	Operating profit/(loss) is stated after taking into account the following expenses/(income):				
	Auditors' remuneration	**5.0**	5.2	**0.1**	—
	Audit	**4.8**	4.5	**0.1**	
	Other	**0.2**	0.7	**—**	
	Amortisation of intangible assets (note 8.2)	**67.5**	66.1		
	Depreciation (note 9)	**665.8**	566.5		
	Land and buildings – owned	**29.6**	24.5		
	Furniture and fittings, computer equipment and vehicles – owned	**619.6**	513.4		
	Equipment and vehicle – leased	**10.8**	22.5		
	Aircraft – owned	**5.8**	6.1		
	Employee costs (note 2.1)	**4 319.8**	4 123.6		
	Interest received	**(39.5)**	(68.7)	**—**	(0.3)
	Bank balances and investments	**(31.2)**	(54.2)		
	Debtors	**(1.2)**	(0.9)		
	Tax overpayments	**(2.9)**	(10.4)		(0.3)
	Staff loans	**(4.2)**	(3.2)		
	Interest paid	**111.0**	86.3		
	Finance leases	**13.9**	18.7		
	Overdrafts	**51.6**	12.6		
	Loans	**43.2**	55.0		
	Other	**2.3**	—		
	Inventory – movement in provision for impairment	**(0.1)**	(17.1)		
	Operating lease charges	**913.5**	844.0		
	Property – minimum lease payments	**884.4**	817.8		
	– turnover clause payments	**29.1**	26.2		
	Leases contained within service agreements	**137.3**	116.5		
2.1	**Employee costs – continuing operations**				
	Employee costs comprise:				
	Directors' remuneration (note 3.1)	**18.2**	13.8		
	Share-based payments expense (note 4.3)	**73.8**	65.2		
	Salaries and wages	**3 704.3**	3 517.2		
	Contributions to defined contribution plans (note 23.5)	**250.1**	218.3		
	Net expense recognised on defined benefit plan (note 23.4)	**12.8**	20.6		
	Leave pay	**2.2**	14.2		
	Performance bonuses	**25.4**	34.5		
	Staff benefits and training	**233.0**	239.8		
		4 319.8	4 123.6		

*Restated – refer note 18.1.

3. Directors' remuneration and interest in shares

3.1 Directors' remuneration

Directors' remuneration, as paid by a subsidiary company, is detailed below:

	Fees for board meetings R'000	Fees for committee and other work R'000	Remuneration R'000	Retirement and medical contributions R'000	Performance bonus* R'000	Fringe and other benefits R'000	Cash total R'000	IFRS 2: expense relating to share options granted R'000
2011								
Non-executive directors								
Gareth Ackerman**	**3 000.0**	**—**					**3 000.0**	**—**
Hugh Herman**	**280.0**	**336.5**					**616.5**	**—**
Alex Mathole***	**70.0**	**—**					**70.0**	**—**
Constance Nkosi‡	**280.0**	**79.5**					**359.5**	**—**
Lorato Phalatse***	**70.0**	**—**					**70.0**	**—**
David Robins	**280.0**	**—**					**280.0**	**—**
Ben van der Ross	**280.0**	**155.0**					**435.0**	**—**
Richard van Rensburg	**280.0**	**445.0**					**725.0**	**—**
Jeff van Rooyen	**280.0**	**235.0**					**515.0**	**—**
	4 820.0	**1 251.0**	**—**	**—**	**—**	**—**	**6 071.0**	**—**
Executive directors								
Jonathan Ackerman	**1.5**		**1 509.0**	**264.1**	**—**	**192.6**	**1 967.2**	**1 059.7**
Suzanne Ackerman-Berman	**1.5**		**1 443.0**	**244.0**	**—**	**142.5**	**1 831.0**	**1 239.8**
Nick Badminton	**1.5**		**3 543.0**	**549.8**	**—**	**311.1**	**4 405.4**	**4 123.0**
Dennis Cope^	**1.5**		**1 930.2**	**328.8**	**—**	**1 699.0**	**3 959.5**	**277.9**
	6.0	**—**	**8 425.2**	**1 386.7**	**—**	**2 345.2**	**12 163.1**	**6 700.4**
Total remuneration	**4 826.0**	**1 251.0**	**8 425.2**	**1 386.7**	**—**	**2 345.2**	**18 234.1**	**6 700.4**
2010								
Non-executive directors								
Gareth Ackerman**	265.0	320.0					585.0	
Hugh Herman**	265.0	267.0					532.0	
Constance Nkosi	265.0	75.0					340.0	
David Robins	265.0						265.0	
Ben van der Ross	265.0	143.0					408.0	
Richard van Rensburg	265.0	88.0					353.0	
Jeff van Rooyen	265.0	220.0					485.0	
	1 855.0	1 113.0	—	—	—	—	2 968.0	—
Executive directors								
Raymond Ackerman**†	1.5		2 835.0	33.6	—	188.4	3 058.5	—
Wendy Ackerman**†	1.5		648.0	—	55.0	93.9	798.4	—
Nick Badminton	1.5		3 309.0	558.9	298.9	300.0	4 468.3	3 691.7
Dennis Cope	1.5		1 788.0	347.1	161.7	207.3	2 505.6	585.3
	6.0	—	8 580.0	939.6	515.6	789.6	10 830.8	4 277.0
Total remuneration	1 861.0	1 113.0	8 580.0	939.6	515.6	789.6	13 798.8	4 277.0
Alternate directors								
Jonathan Ackerman#			993.0	181.0	131.9	123.1	1 429.0	234.9
Suzanne Ackerman-Berman#			905.5	165.0	120.2	90.1	1 280.8	473.0
	—	—	1 898.5	346.0	252.1	213.2	2 709.8	707.9

* The performance bonus relates to the amount provided for in the current financial year.
** Also directors of Pick n Pay Holdings Limited.
*** Appointed 1 November 2010.
† Retired from Pick n Pay Stores Limited board effective 1 March 2010.
‡ Retired from Pick n Pay Stores Limited board effective 31 December 2010.
# Remuneration disclosed from appointment as alternate directors on 30 June 2009. Appointed full directors on 1 March 2010.
^ Fringe and other benefits include a retirement gratuity of R1.5 million.

Notes to the annual financial statements continued

for the year ended 28 February 2011

3. Directors' remuneration and interest in shares *(continued)*

3.2 Share options in the Company held by directors

1997 Share Option Scheme

	Year granted	Option grant (strike) price R	Balance held at 1 March 2010	Granted during the year	Taken up in year at grant price	Forfeited during the year	**Balance held at 28 February 2011**	Value of options exercised* R'000	Available for take-up
Jonathan Ackerman	2003	12.00	25 000		(25 000)		**—**	703.2	—
	2004	16.00	21 875		(21 875)		**—**	527.8	—
	2005	20.70	19 324		(12 883)		**6 441**	353.8	—
	2005	22.30	150 000**				**150 000**		June 2011
	2006	28.00	10 000				**10 000**		Now
	2006	28.00	4 286				**4 286**		Now
	2007	31.15	5 778				**5 778**		Now
	2007	31.15	4 334				**4 334**		Now
	2007	31.15	4 334				**4 334**		April 2011
	2008	26.56	3 765				**3 765**		Now
	2008	26.56	2 824				**2 824**		May 2011
	2008	26.56	2 825				**2 825**		May 2012
	2008	26.14	25 000				**25 000**		August 2015
	2008	26.14	25 000				**25 000**		August 2016
	2008	26.14	25 000				**25 000**		August 2017
	2008	26.14	25 000				**25 000**		August 2018
	2009	28.20	3 547				**3 547**		April 2011
	2009	28.20	2 660				**2 660**		April 2012
	2009	28.20	2 660				**2 660**		April 2013
	2010	42.27		624			**624**		April 2012
	2010	42.27		468			**468**		April 2013
	2010	42.27		468			**468**		April 2014
	2010	41.23		400 000**			**400 000**		May 2014
			363 212	401 560	(59 758)	—	**705 014**	1 584.8	
Suzanne Ackerman-Berman	2004	16.00	3 750		(3 750)		**—**	97.4	—
	2004	21.00	40 000		(40 000)		**—**	838.4	—
	2004	21.00	10 000				**10 000**		Nov 2011
	2005	20.70	7 245		(7 245)		**—**	154.0	—
	2005	22.30	100 000**		(100 000)		**—**	2 116.0	—
	2006	28.00	4 062		(4 062)		**—**	56.7	—
	2006	28.00	1 742		(1 742)		**—**	24.3	—
	2006	31.15	80 000		(80 000)		**—**	864.8	—
	2006	31.15	60 000				**60 000**		April 2012
	2006	31.15	60 000				**60 000**		April 2014
	2007	31.15	3 210		(3 210)		**—**	34.7	—
	2007	31.15	2 408		(2 408)		**—**	26.0	—
	2007	31.15	2 408				**2 408**		April 2011
	2008	26.56	3 012		(3 012)		**—**	46.4	—
	2008	26.56	2 259				**2 259**		May 2011
	2008	26.56	2 260				**2 260**		May 2012
	2008	26.14	25 000				**25 000**		August 2015
	2008	26.14	25 000				**25 000**		August 2016
	2008	26.14	25 000				**25 000**		August 2017
	2008	26.14	25 000				**25 000**		August 2018
	2009	28.20	3 547				**3 547**		April 2011
	2009	28.20	2 660				**2 660**		April 2012
	2009	28.20	2 660				**2 660**		April 2013
	2010	42.27		569			**569**		April 2012
	2010	42.27		426			**426**		April 2013
	2010	42.27		426			**426**		April 2014
	2010	41.23		400 000**			**400 000**		May 2014
			491 223	401 421	(245 429)	—	**647 215**	4 258.7	

*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.

3. Directors' remuneration and interest in shares *(continued)*

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

1997 Share Option Scheme *(continued)*

	Year granted	Option grant (strike) price R	Balance held at 1 March 2010	Granted during the year	Taken up in year at grant price	Forfeited during the year	**Balance held at 28 February 2011**	Value of options exercised* R'000	Available for take-up
Nick Badminton	2002	10.00	200 000				**200 000**		Now
	2004	16.00	75 000				**75 000**		Now
	2005	20.70	120 773				**120 773**		Now
	2005	22.30	500 000**		(500 000)		**—**	10 580.0	—
	2006	28.00	56 250				**56 250**		Now
	2006	28.00	24 107				**24 107**		Now
	2007	29.95	200 000				**200 000**		Now
	2007	29.95	150 000				**150 000**		January 2012
	2007	29.95	150 000				**150 000**		January 2014
	2007	29.95	500 000**				**500 000**		January 2012
	2007	31.15	32 103				**32 103**		Now
	2007	31.15	24 077				**24 077**		Now
	2007	31.15	24 077				**24 077**		April 2011
	2008	26.56	4 519				**4 519**		Now
	2008	26.56	3 389				**3 389**		May 2011
	2008	26.56	3 388				**3 388**		May 2012
	2008	26.84	250 000				**250 000**		October 2011
	2008	26.84	250 000				**250 000**		October 2013
	2008	26.84	250 000				**250 000**		October 2015
	2009	28.20	21 280				**21 280**		April 2011
	2009	28.20	15 960				**15 960**		April 2012
	2009	28.20	15 960				**15 960**		April 2013
	2010	42.27		1 413			**1 413**		April 2012
	2010	42.27		1 061			**1 061**		April 2013
	2010	42.27		1 061			**1 061**		April 2014
	2010	41.23		700 000**			**700 000**		May 2014
			2 870 883	703 535	(500 000)	—	**3 074 418**	10 580.0	
Dennis Cope	2003	12.00	100 000		(100 000)		**—**	2 996.0	—
	2005	20.70	48 309				**48 309**		Now
	2005	22.30	250 000**		(250 000)		**—**	5 290.0	—
	2006	28.00	22 500				**22 500**		Now
	2006	28.00	9 643				**9 643**		Now
	2007	31.15	12 841				**12 841**		Now
	2007	31.15	9 631				**9 631**		Now
	2007	31.15	9 631				**9 631**		April 2011
	2008	26.56	6 025				**6 025**		Now
	2008	26.56	4 519				**4 519**		May 2011
	2008	26.56	4 518				**4 518**		May 2012
	2009	28.20	11 349				**11 349**		April 2011
	2009	28.20	8 512				**8 512**		April 2012
	2009	28.20	8 512				**8 512**		April 2013
	2010	42.27		764			**764**		April 2012
	2010	42.27		574			**574**		April 2013
	2010	42.27		574			**574**		April 2014
			505 990	1 912	(350 000)	—	**157 902**	8 286.0	

*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.

For directors' share options in Pick n Pay Holdings Limited refer note 2.3 on page 109.

3. Directors' remuneration and interest in shares *(continued)*

3.3 Directors' interest in shares – all held beneficially

	How held*	Balance held at 1 March 2010	Additions during the year	Average purchase price per share R	Disposals during the year	Average selling price per share R	Balance held at 28 February 2011
Gareth Ackerman	– direct	43					**43**
Jonathan Ackerman	– direct	43					**43**
	– indirect	389 204	59 758	15.34	(448 962)	46.20	**—**
Suzanne Ackerman-Berman	– direct	2 500					**2 500**
	– indirect	121 449	198 112	26.40	(314 910)	45.78	**4 651**
Nick Badminton	– direct	528 408	240 154	22.30	(138 562)	43.70	**630 000**
	– indirect	350 000					**350 000**
Dennis Cope	– direct	40 696			(696)	43.91	**40 000**
	– indirect	978 480	220 077	17.62	(198 557)	43.91	**1 000 000**
David Robins	– direct	117 108			(43 000)	46.82	**74 108**
	– indirect	333 604					**333 604**

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

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

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

4. Share-based payments

The Group operates the 1997 Employee Share Option Scheme ("the Scheme") in order to facilitate broad-based employee share ownership 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 5% discount to the volume-weighted average market price (VWAP) for the 20 trading days preceding the option grant date.

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

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

The Scheme grants the following options to employees:

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

Service share options may be taken up immediately on granting.

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 10 years.

Executive Share Options – are granted to senior executives. These three to 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.

		GROUP	
		2011 Number of options 000's	2010 Number of options 000's
4.	**Share-based payments** *(continued)*		
4.1	**Outstanding share options**		
	Movement in the total number of share options is as follows:		
	At 1 March	**48 371.7**	44 789.7
	New options granted*	**17 425.6**	8 366.8
	Options taken up**	**(8 763.1)**	(3 336.0)
	Options forfeited	**(3 885.4)**	(1 448.8)
	At 28 February	**53 148.8**	48 371.7

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

Year	**Average grant price**		
2012	R23.87	**12 759.5**	
2013	R32.38	**5 849.8**	
2014	R29.90	**4 481.9**	
2015	R39.73	**18 230.1**	
2016 and thereafter	R30.02	**11 827.5**	
		53 148.8	

	2011	2010
Percentage of issued shares	**11.1%**	10.1%
Options available for granting under current authorisation	**10 744.0**	15 521.1
*Average grant price of options granted during the year	**R41.14**	R34.89
**Average grant price of options taken up during the year	**R21.84**	R17.47

For the movement in the number of Pick n Pay Holdings Limited (PIKWIK) share options granted, please refer to note 7 on page 112 of the Pick n Pay Holdings Limited financial statements.

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

	2011 Number of shares 000's	2010 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	**3 411.6**	6 780.5
On behalf of share purchase scheme participants	**145.6**	159.6
	3 557.2	6 940.1

4. Share-based payments *(continued)*

4.2 Fair value

The Group accounts for its share option expense 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 statement of comprehensive income over the vesting period of the option.

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

Financial year of grant	Options granted	Number of options granted 000's	Expected life of options years	Share price at grant date	Grant price	Expected volatility[a]	Expected dividend yield[b]	Risk-free rate[c]
2003	PIK	617.6	4 – 8	R12.15 – R13.90	R11.00 – R12.50	39.74 – 39.78	3.32 – 3.70	9.88 – 10.52
2004	PWK	862.4	1 – 8	R5.43 – R5.85	R5.10 – R5.25	19.34 – 41.65	3.24 – 5.66	9.67 – 10.96
2004	PIK	5 232.3	2 – 8	R11.67 – R16.35	R10.50 – R14.85	30.66 – 39.78	3.79 – 3.86	8.70 – 10.62
2005	PIK	4 381.5	2 – 8	R17.16 – R23.10	R16.00 – R21.00	28.48 – 39.33	3.76 – 4.32	7.58 – 9.95
2006	PIK	12 969.7	2 – 8	R23.25 – R31.00	R21.00 – R27.90	22.61 – 35.94	3.80 – 4.23	7.15 – 8.01
2007	PWK	860.8	1	R14.84	R13.25	18.94	3.98	8.37
2007	PIK	5 866.5	2 – 7	R25.80 – R34.10	R25.00 – R29.75	22.35 – 35.60	3.65 – 4.34	6.97 – 8.70
2008	PWK	708.8	1	R14.84	R13.25	19.41	3.98	8.37
2008	PIK	7 201.7	2 – 8	R32.15 – R38.22	R29.75 – R33.95	23.00 – 39.78	3.61 – 3.70	7.40 – 8.86
2009	PWK	787.0	1	R12.90	R11.33	20.56	4.31	9.94
2009	PIK	15 969.8	2 – 10	R26.00 – R38.05	R24.15 – R33.95	22.78 – 42.29	3.10 – 4.35	7.16 – 13.46
2010	PWK	655.8	1	R13.10	R12.20	30.81	5.07	6.52
2010	PIK	8 366.8	2 – 7	R29.50 – R41.60	R28.20 – R39.19	25.40 – 27.37	4.39 – 4.82	7.27 – 9.19
2011	**PWK**	**1 893.0**	**1**	**R16.00**	**R16.91**	**21.91**	**5.51**	**7.13**
2011	**PIK**	**17 425.6**	**2 – 7**	**R38.00 – R49.41**	**R40.00 – R46.10**	**24.44 – 27.36**	**4.41 – 4.82**	**6.67 – 9.05**

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

	GROUP 2011 Rm	GROUP 2010 Rm
4.3 Share-based payment expense		
Total expensed to date – 1 March	**238.3**	172.3
Share options expense for the year	**73.8**	66.0
Continuing operations	**73.8**	65.2
Discontinued operations	**—**	0.8
Total expensed to date – 28 February	**312.1**	238.3
At 28 February, the share options expense to be recognised in future financial years, in respect of all options granted since 2003, is:		
Within 1 year	**78.8**	55.5
Within 2 to 5 years	**150.1**	102.7
After 5 years	**7.7**	13.9
Total expense still to be recognised	**236.6**	172.1
Total financial impact of share-based payments	**548.7**	410.4

		GROUP		COMPANY	
		2011 **Rm**	2010* Rm	**2011** **Rm**	2010 Rm
5.	**Tax**				
5.1	**Tax recognised in statement of comprehensive income**				
	South African normal tax				
	– current year	**359.5**	440.5	**0.1**	0.1
	– prior year overprovision	**(1.4)**	(1.7)		
	Deferred tax (note 14)				
	– current year	**10.4**	10.2		
	Secondary tax on companies				
	– current year	**79.3**	82.9		
	Total tax charge	**447.8**	531.9	**0.1**	0.1
5.2	**Tax recognised directly in equity**				
	Tax effect of share incentive transactions recorded directly in equity	**(43.1)**	(15.1)		
	Tax effect of forward exchange contract realised directly in equity	**(2.3)**	—		
	Total recognised directly in equity	**(45.4)**	(15.1)	**—**	—
		%	%	**%**	%
5.3	**Statutory tax rate reconciliation**				
	Statutory tax rate	**28.0**	28.0	**28.0**	28.0
	Exempt income	**(1.6)**	(3.8)	**(28.0)**	(28.0)
	Secondary tax on companies	**5.8**	4.5		
	Non-deductible share options expense	**1.5**	1.0		
	Other non-deductible expenditure	**1.0**	0.8		
	Net prior year under provisions	**0.2**	1.1		
	Other	**(1.9)**	(2.2)		
	Effective tax rate	**33.0**	29.4	**—**	—
		Rm	Rm	**Rm**	Rm
5.4	**Tax paid comprises:**				
	Owing to/(due from) – 1 March	**230.5**	181.4	**—**	(1.9)
	Movement through statement of comprehensive income				
	Current tax charge – continuing operations	**358.1**	438.8	**0.1**	0.1
	Current tax charge – discontinued operations (note 18.2)	**—**	1.5		
	Secondary tax on companies	**79.3**	82.9		
	Movement through equity	**(45.4)**	(15.1)		
	Owing – 28 February	**(96.2)**	(230.5)	**—**	—
	Total tax paid/(received)	**526.3**	459.0	**0.1**	(1.8)
	Comprising:				
	Continuing operations	**526.3**	457.5	**0.1**	(1.8)
	Discontinued operations	**—**	1.5	**—**	—

*Restated – refer note 18.1.

	GROUP 2011 Cents per share	2010* Cents per share
6. Basic, headline and diluted earnings/(losses) per share		
Basic (note 6.1)	**164.99**	251.25
Continuing operations	**190.92**	270.53
Discontinued operations	**(25.93)**	(19.28)
Headline (note 6.1)	**164.90**	213.90
Continuing operations	**189.35**	231.71
Discontinued operations	**(24.45)**	(17.81)
Diluted basic (note 6.2)	**162.20**	247.40
Continuing operations	**187.68**	266.38
Discontinued operations	**(25.48)**	(18.98)
Diluted headline (note 6.2)	**162.10**	210.62
Continuing operations	**186.14**	228.16
Discontinued operations	**(24.04)**	(17.54)

	2011	2010*
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)	**784.9**	1 188.9
Headline earnings	**784.4**	1 012.1
and:	**Number of shares 000's**	Number of shares 000's
The weighted average number of ordinary shares in issue during the year	**475 770.3**	473 199.8
Reconciliation between basic and headline earnings:	**Rm**	Rm
Basic earnings (profit for the year)	**784.9**	1 188.9
Adjustments:	**(0.5)**	(184.0)
Loss on sale of equipment and vehicles – discontinued operations	**7.0**	6.9
Profit on sale of property	**—**	(190.9)
Gain on recognition of investment in associate	**(7.5)**	—
Tax effect of adjustments	**—**	7.2
Headline earnings	**784.4**	1 012.1
	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	**473 199.8**	471 728.2
Effect of current year share repurchases by the share trust	**(885.3)**	(896.8)
Effect of share sales on the take-up of share options	**3 038.8**	1 313.8
Prior year net share sales/repurchases now fully weighted	**417.0**	1 054.6
At 28 February	**475 770.3**	473 199.8

*Restated – refer note 18.1.

	GROUP 2011 Rm	GROUP 2010* Rm
6. Basic, headline and diluted earnings/(losses) 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	**784.9**	1 188.9
Diluted headline earnings	**784.4**	1 012.1
and:	**Number of shares 000's**	Number of shares 000's
The diluted weighted average number of ordinary shares in issue during the year	**483 980.6**	480 572.8
No reconciliation between basic and diluted earnings is presented as there are no dilutive effects on earnings.		
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)	**475 770.3**	473 199.8
Dilutive effect of share options	**8 210.3**	7 373.0
Weighted average number of ordinary shares in issue for purposes of calculating diluted earnings per share	**483 980.6**	480 572.8
Refer to note 19 for the number of shares in issue.		

*Restated – refer note 18.1.

	GROUP AND COMPANY 2011 Cents per share	GROUP AND COMPANY 2010 Cents per share
7. Dividends		
Number 84 – declared 20 April 2010 – paid 14 June 2010	**134.75**	134.25
Number 85 – declared 19 October 2010 – paid 13 December 2010	**37.00**	39.75
Total dividends for the year – Company	**171.75**	174.00
	Rm	Rm
Total value of dividends paid by the Company	**825.0**	880.7
Dividends paid to Group entities	**(17.0)**	(66.1)
Total dividends paid outside the Group	**808.0**	814.6

		GROUP	
		2011 Rm	2010 Rm
8.	**Intangible assets**		
8.1	**Goodwill**		
	At 1 March	**837.5**	791.8
	Additions	**15.1**	
	Continuing operations	**5.2**	—
	Discontinued operations	**9.9**	—
	Foreign currency translation effect	**34.6**	45.7
	Transferred to assets held for sale – Franklins (note 18.1)	**(744.8)**	—
	Carrying value at 28 February	**142.4**	837.5
	Comprising:		
	Boxer group	**142.4**	137.1
	Franklins group	**—**	700.4

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 for Boxer was based on the value in use.

The results of a detailed five-year cash flow forecast, together with a terminal cash flow estimate, discounted at appropriate market rates after tax, did not identify any impairment in goodwill.

Franklins is held for sale and is disclosed as a discontinued operation. The Franklins' goodwill has been transferred to assets held for sale. The goodwill is considered fully recoverable through the sale of the business. For further information please refer to note 18.1.

		GROUP	
		2011 Rm	2010 Rm
8.2	**Software development**		
	Cost		
	At 1 March	**462.7**	407.5
	Additions	**79.1**	51.5
	Continuing operations	**77.3**	49.9
	Discontinued operations	**1.8**	1.6
	Foreign currency translation effect	**4.0**	3.7
	Transferred to assets held for sale – Franklins (note 18.1)	**(88.2)**	—
	At 28 February	**457.6**	462.7
	Accumulated amortisation		
	At 1 March	**173.5**	105.7
	Amortisation charge for the year	**73.3**	66.8
	Continuing operations	**67.5**	66.1
	Discontinued operations	**5.8**	0.7
	Foreign currency translation	**2.3**	1.0
	Transferred to assets held for sale – Franklins (note 18.1)	**(53.6)**	—
	At 28 February	**195.5**	173.5
	Carrying value at 28 February	**262.1**	289.2
	Total intangible assets	**404.5**	1 126.7

	GROUP			
	Land and buildings Rm	Furniture, fittings, computer equipment and vehicles Rm	Aircraft Rm	Total Rm
9. Property, equipment and vehicles				
2011				
Cost				
At 1 March 2010	**1 075.9**	**4 957.1**	**71.1**	**6 104.1**
Additions	**289.2**	**1 006.6**	**—**	**1 295.8**
Continuing operations	**289.2**	**874.0**	**—**	**1 163.2**
Discontinued operations	**—**	**132.6**	**—**	**132.6**
Borrowing costs capitalised^	**6.8**	**—**	**—**	**6.8**
Foreign currency translation	**4.7**	**63.2**	**—**	**67.9**
Disposals	**—**	**(35.4)**	**—**	**(35.4)**
Transferred to assets held for sale (note 18.1)	**(99.9)**	**(1 067.5)**	**—**	**(1 167.4)**
At 28 February 2011	**1 276.7**	**4 924.0**	**71.1**	**6 271.8**
Accumulated depreciation				
At 1 March 2010	**98.1**	**2 555.2**	**35.3**	**2 688.6**
Depreciation charge for the year	**29.6**	**653.2**	**5.8**	**688.6**
Continuing operations	**29.6**	**630.4**	**5.8**	**665.8**
Discontinued operations	**—**	**22.8**	**—**	**22.8**
Foreign currency translation	**—**	**38.5**	**—**	**38.5**
Disposals	**—**	**(6.5)**	**—**	**(6.5)**
Transferred to assets held for sale (note 18.1)	**—**	**(539.2)**	**—**	**(539.2)**
At 28 February 2011	**127.7**	**2 701.2**	**41.1**	**2 870.0**
Carrying value at 28 February 2011	**1 149.0**	**2 222.8**	**30.0**	**3 401.8**
Owned	**1 149.0**	**2 114.0**	**30.0**	**3 293.0**
Leased*	**—**	**108.8**	**—**	**108.8**
Directors' valuation of property at 28 February 2011 (continuing operations)	**1 425.7**			
2010				
Cost				
At 1 March 2009	963.5	4 334.1	70.4	5 368.0
Additions	146.2	992.4	0.7	1 139.3
Continuing operations	123.3	845.5	0.7	969.5
Discontinued operations	22.9	146.9	—	169.8
Borrowing costs capitalised^	2.7	—	—	2.7
Foreign currency translation	6.1	56.8	—	62.9
Disposals	(42.6)	(426.2)	—	(468.8)
At 28 February 2010	1 075.9	4 957.1	71.1	6 104.1
Accumulated depreciation				
At 1 March 2009	99.6	2 302.2	29.2	2 431.0
Depreciation charge for the year	24.5	642.9	6.1	673.5
Continuing operations	24.5	535.9	6.1	566.5
Discontinued operations	—	107.0	—	107.0
Foreign currency translation	—	28.8	—	28.8
Disposals	(26.0)	(418.7)	—	(444.7)
At 28 February 2010	98.1	2 555.2	35.3	2 688.6
Carrying value at 28 February 2010	977.8	2 401.9	35.8	3 415.5
Owned	977.8	2 279.8	35.8	3 293.4
Leased*	—	122.1	—	122.1
Directors' valuation of property at 28 February 2010	1 303.5			

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

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

*Leased vehicles secure lease liabilities disclosed in note 22.

^Borrowing costs are capitalised on qualifying assets. The weighted average expenditure incurred on qualifying assets was R153.7 million (2010: R106.7 million) and the weighted average borrowing rate was 7.09% at 28 February 2011 (2010: 9.3%).

		GROUP AND COMPANY 2011 Rm	2010 Rm
10.	**Investments**		
	Unlisted shares at fair value		
	Business Partners Limited	0.2	0.2
	Total investments at 28 February	0.2	0.2
	Directors' valuation of unlisted investments	2.5	2.5

			GROUP 2011	2010
11.	**Investment in associate**	**Country**	**Ownership**	Ownership
	The Group has the following investment in an associate:			
	TM Supermarkets (Pvt) Limited	Zimbabwe	25%	25%
			Rm	Rm
	At 1 March		—	—
	Gain on recognition of investment		7.5	—
	Current share of profit		2.4	—
	At 28 February		9.9	—
	Comprising:			
	Gain on recognition of investment		7.5	—
	Share of post-acquisition profits		2.4	—
	Summary of financial information of TM Supermarkets (Pvt) Limited – now presented in US dollars		100%	100%
			US$m	US$m
	Assets		44.8	24.5
	Liabilities		38.4	20.6
	Equity – non-distributable reserves		9.0	9.2
	– distributable reserves		(2.4)	(5.3)
	Turnover		225.6	148.4
	Profit/(loss) for the year		1.7	(4.6)

In prior years the Group's investment in TM Supermarkets (Pvt) Limited was impaired to nil due to the uncertain economic, political and social climate in Zimbabwe and our inability to remit dividends from that country. In the 2010 financial year the coalition government was in its infancy and therefore the reversal of impairments previously recorded was not considered appropriate.

In the current financial year, given the improving economic conditions in Zimbabwe, we believe it is now appropriate to recommence the equity accounting for TM Supermarkets. As the figures previously recorded are historic and based on information prior to the dollarisation, we believe it is more appropriate to restart equity accounting on a basis consistent with that applied in the dollarised financial statements. As a result, a new cost has been recorded at the fair value of Pick n Pay's investment in TM Supermarkets. Equity accounting has been applied to this new cost from the beginning of the current year. Prior year cost and impairment reserves have been written off.

	GROUP 2011 Rm	2010 Rm
12. Loans		
The following loans have been advanced by subsidiary companies:		
Employees		
Executive directors		
At 1 March	**0.8**	0.8
Advanced	**—**	—
Repaid	**(0.3)**	—
At 28 February	**0.5**	0.8
Other employees	**86.9**	120.7
Amounts owing to participants of the share purchase scheme	**(0.8)**	(0.4)
Total employee loans	**86.6**	121.1
Trading loan	**4.0**	4.0
Holding company loan	**(0.4)**	(0.4)
Total loans at 28 February	**90.2**	124.7

Loans to directors and employees are secured, bear interest at varying rates subject to a maximum rate of 8% (2010: 8%) per annum and have varying repayment terms. Loans to employees from the Employee Share Purchase Trust are payable within 10 years from the date of advance.

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

13. 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.

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

	2011 Rm	2010 Rm
At 28 February	**48.2**	50.6

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

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

		GROUP		COMPANY	
		2011 Rm	2010 Rm	2011 Rm	2010 Rm
14.	**Deferred tax asset**				
	The movement in deferred tax is as follows:				
	At 1 March	**98.1**	99.8	**—**	—
	Recognised in the statement of comprehensive income (note 5.1)	**(10.4)**	(10.2)	**—**	—
	Participation in export partnerships	**2.7**	7.9		
	Property, equipment and vehicles	**(22.0)**	(50.9)		
	Operating leases	**8.5**	7.6		
	Retirement benefits	**(4.2)**	(8.8)		
	Prepayments	**(0.2)**	(0.1)		
	Allowance for impairment losses	**7.1**	20.7		
	Income and expense accruals	**(2.3)**	13.4		
	Recognised in equity				
	Tax effect of foreign currency translations	**(3.4)**	(4.9)		
	Tax effect of actuarial losses	**4.8**	13.4		
	Tax effect of forward exchange contract unrealised loss	**18.0**	—		
	At 28 February	**107.1**	98.1	**—**	—
	Comprising:				
	Participation in export partnerships	**(48.9)**	(51.6)		
	Property, equipment and vehicles	**(121.1)**	(99.1)		
	Operating leases	**172.9**	164.4		
	Retirement benefits and actuarial losses	**7.5**	6.9		
	Prepayments	**(4.5)**	(4.3)		
	Allowance for impairment losses	**38.5**	31.4		
	Income and expense accruals	**79.8**	82.1		
	Foreign currency translation	**(35.1)**	(31.7)		
	Forward exchange contract unrealised loss	**18.0**	—		
	Total deferred tax asset	**107.1**	98.1	**—**	—
	Transferred to assets held for sale (note 18.1)	**(21.3)**	—		
		85.8	98.1	**—**	—
	In respect of Score Supermarkets Operating Limited Group and InterFrank Group Holdings Pty Limited (Franklins) in Australia, there are approximately R204.9 million and R509.4 million, respectively, of estimated tax losses available for set-off against future taxable income, for which no deferred tax assets have been raised.				
15.	**Inventory**				
	Inventory comprises:				
	Merchandise for resale	**3 143.8**	3 298.6		
	Consumables	**18.9**	27.6		
	At 28 February	**3 162.7**	3 326.2	**—**	—
16.	**Trade and other receivables**				
	Trade and other receivables comprise:				
	Trade receivables	**1 832.6**	1 978.1	**3.2**	—
	Allowance for impairment losses (note 29.1)	**(183.2)**	(149.5)	**—**	—
		1 649.4	1 828.6	**3.2**	—
	Outstanding deposits	**87.2**	90.2	**—**	—
	Prepayments	**2.6**	49.2	**—**	—
	At 28 February	**1 739.2**	1 968.0	**3.2**	—

		GROUP	
		2011 Rm	2010 Rm
17.	**Cash and cash equivalents**		
	Cash and cash equivalents comprise:		
	Cash balances	**715.2**	1 428.1
	Bank overdraft	**(362.6)**	(372.8)
	Overnight bank borrowings	**(900.0)**	—
	At 28 February	**(547.4)**	1 055.3

The bank overdraft is secured by an unlimited suretyship given by the Company and certain subsidiary companies. Interest is earned on a daily basis on the net cash and cash equivalents balance through the Group's cash management system with the bank.

Overnight bank borrowings are unsecured, carry a variable interest rate of 5.8% and can be recalled at any time.

18. Discontinued operations

18.1 InterFrank Group Holdings Pty Limited (Franklins)

In July 2010, subject to approval by the Australian competition regulator, the Australian Competition and Consumer Commission (ACCC), we accepted an offer from Metcash Trading Limited (Metcash) to acquire our Australian operation, Franklins, for AUD215 million. The ACCC reviewed the proposed transaction under its informal merger clearance process and opposed the sale to Metcash on the basis that it believes the sale is likely to lead to substantial lessening of competition in the market for the wholesale supply of groceries to independent retailers in New South Wales.

Following the ACCC's decision, the parties announced that they proposed to proceed with the transaction and this led the ACCC to commence legal proceedings in the Federal Court of Australia in December 2010, seeking to prevent the parties from completing the transaction. We and Metcash agreed with the ACCC to an expedited hearing, which commenced in mid-March 2011. We believe the ACCC's assessment of the likely competitive effects of the transaction is flawed and together with Metcash, have vigorously defended the proceedings. The judgement of the Court is expected before 30 June 2011.

Should the Federal Court of Australia prevent the acquisition by Metcash, we remain committed to the sale of Franklins and anticipate selling the Franklins stores, either individually or in groups, under a competitive tender process.

Franklins has been presented as a discontinued operation at 28 February 2011 and the comparative information has been restated accordingly.

	GROUP	
	2011 Rm	2010* Rm
The salient financial information of the discontinued operation is as follows:		
Statement of comprehensive income		
Revenue	**5 617.4**	5 673.3
Turnover	**5 613.0**	5 666.0
Trading expenses	**1 281.6**	1 319.8
Loss on sale of equipment and vehicles	**(7.0)**	(5.6)
Trading (loss)/profit for the year	**(123.2)**	14.4
Interest received	**4.4**	7.3
(Loss)/profit for the year after tax	**(123.4)**	16.3
Statement of financial position		
Non-current assets	**1 428.9**	1 246.3
Equipment and vehicles (note 9)	**528.3**	396.8
Goodwill (note 8)	**744.8**	700.3
Software development (note 8)	**34.6**	36.9
Land and buildings (note 9)	**99.9**	92.2
Deferred tax asset (note 14)	**21.3**	20.1
Current assets	**691.2**	809.2
Trade and other receivables	**45.4**	48.9
Inventory	**530.2**	512.7
Cash and cash equivalents	**115.6**	247.6
Total assets (2011 – held for sale)	**2 120.1**	2 055.5
Equity		
Capital and reserves	**1 293.5**	1 080.3
Current liabilities (2011 – held for sale)		
Trade and other payables	**826.6**	975.2
Total equity and liabilities	**2 120.1**	2 055.5

*In 2010, references to discontinued operations include both Franklins (18.1) and Score (18.2) and relevant amounts need to be added together to agree to disclosures within the financial statements.

		GROUP 2011 Rm	GROUP 2010* Rm
18.	**Discontinued operations** *(continued)*		
18.1	**InterFrank Group Holdings Pty Limited (Franklins)** *(continued)*		
	Cash flow statement		
	Net cash from operating activities	**13.9**	149.8
	Net cash utilised in investing activities	**(151.4)**	(174.0)
	Net cash from/(utilised in) financing activities	**10.0**	(9.9)

Goodwill of R744.8 million is considered fully recoverable through the sale of the business to Metcash. The selling price of AUD215 million exceeds the current fair value of Franklins' net assets.

The Group remains confident that the Court will allow the sale to Metcash to proceed. However, should the transaction be blocked, the Group will find alternative buyers for its Franklins Stores.

18.2 Score Supermarkets Operating Limited

The Group closed the store operations of its subsidiary, Score Supermarkets Operating Limited. The closure was complete at 28 February 2010.

The salient financial information of the discontinued operation is as follows:

	GROUP 2011 Rm	GROUP 2010* Rm
Statement of comprehensive income		
Revenue	—	580.9
Turnover	—	579.8
Trading expenses	—	(238.1)
Loss on sale of equipment and vehicles	—	(1.3)
Trading loss for the year	—	(107.1)
Interest received	—	1.1
Tax	—	(1.5)
Loss for the year after tax	—	(107.5)
Loss from operations	—	(104.5)
Losses recognised on the remeasurement of the carrying value of assets	—	(3.0)
Statement of financial position		
Non-current assets		
Operating lease asset	—	14.5
Current assets		
Trade and other receivables	—	15.7
Total assets	—	30.2
Equity		
Capital and reserves	—	(119.8)
Non-current liabilities		
Operating lease liability	—	45.9
Current liabilities	—	104.1
Bank overdraft	—	46.9
Trade and other payables	—	57.9
Tax	—	(0.7)
Total equity and liabilities	—	30.2
Cash flow statement		
Net cash utilised in operating activities	—	(212.7)
Net cash from investing activities	—	56.8
Net cash from financing activities	—	—

*In 2010, references to discontinued operations include both Franklins (18.1) and Score (18.2) and relevant amounts need to be added together to agree to disclosures within the financial statements.

	GROUP AND COMPANY	
	2011 Rm	2010 Rm
19. Share capital and share premium		
19.1 Share capital		
Authorised		
800 000 000 ordinary shares of 1.25 cents each	**10.0**	10.0
Issued		
The movement in issued share capital during the year is as follows:		
At 1 March: 480 397 321 (2010: 506 133 882) ordinary shares of 1.25 cents each	**6.0**	6.3
25 736 561 ordinary shares repurchased and cancelled (note 19.3)	**—**	(0.3)
At 28 February: 480 397 321 ordinary shares of 1.25 cents each	**6.0**	6.0
	Number of shares 000's	Number of shares 000's
The number of shares in issue at 28 February is made up as follows:		
Treasury shares held in the share trust (note 20.2)	**3 411.6**	6 780.5
Shares held outside the Group	**476 985.7**	473 616.8
Total shares in issue at 28 February	**480 397.3**	480 397.3

Under a general authority 24 million of the unissued shares remain under the control of the directors until the next annual general meeting.

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

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.
Refer to note 4.1 for details of share options granted by the Group.
For directors' interests in shares, refer to note 3.3.

	Rm	Rm
19.2 Share premium		
The movement in the share premium during the year is as follows:		
At 1 March	**—**	121.7
Share cancellation (note 19.3)	**—**	(121.7)
At 28 February	**—**	—

19.3 Share repurchase and cancellation

On 25 February 2010, the Company repurchased 25 736 561 ordinary shares from a subsidiary company for a total consideration of R1 037.1 million. In accordance with section 85 of the Companies Act these shares were cancelled.
The cancellation was accounted for by a reduction in the nominal value of shares in issue (R0.3 million), utilisation of the share premium account (R121.7 million), and a reduction of the Company's total equity. As these shares were treasury shares already held by the Group, the only effect the transaction had on Group equity was a Securities Transfer Tax charge of R2.7 million.

		GROUP 2011 Rm	2010 Rm
20.	**Treasury shares**		
20.1	**Treasury shares comprise Pick n Pay Stores Limited and Pick n Pay Holdings Limited shares held by subsidiary companies and the share trust.**		
	At 1 March	**261.2**	743.6
	Share repurchases	**90.2**	80.1
	Take-up of share options by employees	**(179.4)**	(92.6)
	Shares repurchased and cancelled by the Company	**—**	(469.9)
	At 28 February	**172.0**	261.2
	Comprises:		
	Pick n Pay Stores Limited shares	**94.3**	198.4
	Pick n Pay Holdings Limited shares	**77.7**	62.8
		Number of shares 000's	Number of shares 000's
20.2	**The movement in the number of treasury shares held is as follows:**		
	Pick n Pay Stores Limited		
	At 1 March	**6 780.5**	33 351.2
	Shares purchased during the year	**1 770.5**	1 793.6
	Shares sold during the year pursuant to the take-up of share options by employees	**(5 139.4)**	(2 627.7)
	Shares repurchased and cancelled by the Company	**—**	(25 736.6)
	At 28 February	**3 411.6**	6 780.5
	Comprises:		
	Shares held by share trust	**3 411.6**	6 780.5
	Average purchase price of shares purchased during the year	**R44.57**	R37.74
	Average purchase price of shares held at year-end	**R27.64**	R29.26
		Number of shares 000's	Number of shares 000's
	Pick n Pay Holdings Limited		
	At 1 March	**11 861.9**	12 126.7
	Shares purchased during the year	**1 620.9**	852.4
	Shares sold during the year pursuant to the take-up of share options by employees	**(2 562.0)**	(1 117.2)
	At 28 February	**10 920.8**	11 861.9
	Comprises:		
	Shares held by share trust	**9 103.8**	10 077.6
	Shares held by a subsidiary company	**1 817.0**	1 784.3
	Average purchase price of shares purchased during the year	**R18.63**	R15.84
	Average purchase price of shares held at year-end	**R7.11**	R5.29

		COMPANY 2011 Rm	2010 Rm
21.	**Interest in subsidiaries**		
21.1	**Investment in subsidiaries**		
	Shares at cost		
	Trading	**37.5**	37.5
	Guardrisk Insurance Company Limited "A122 ordinary shares"		
	Pick n Pay Garages (Pty) Limited		
	Pick n Pay Retailers (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
	Pick n Pay (Newton Park) (Pty) Limited		
	Pick n Pay Wholesalers (Pty) Limited		
	Pick n Pay Wholesalers (Transvaal) (Pty) Limited		
	Dormant companies	**0.3**	0.3
	Total investment in subsidiaries	**38.3**	38.3
21.2	**Amount owing by a subsidiary company**		
	At 1 March	**120.9**	224.0
	Amounts received during the year	**(22.5)**	(103.1)
	At 28 February	**98.4**	120.9
	The loan is unsecured, bears interest at rates determined from time to time and is repayable on 13 months' notice.		
	Total interest in subsidiaries	**136.7**	159.2
	Investments held by other Group subsidiaries:		
	Pick n Pay (Gabriel Road) (Pty) Limited		
	Pick n Pay Namibia (Pty) Limited (registered in Namibia)		
	Pick n Pay Zambia (Pty) Limited (registered in Zambia)		
	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 intercompany dividends	**899.5**	1 298.0
	The attributable losses of subsidiaries	**(123.4)**	(107.5)

	GROUP 2011 Rm	GROUP 2010 Rm
22. Debt		
22.1 Long-term debt		
Finance leases	**106.1**	133.1
Secured loans in respect of leased vehicles with a carrying value of R108.8 million (2010: R122.1 million) (note 9) held under finance lease agreements bearing interest at prime bank rate less 2% and payable monthly in arrears over a 4-year period. At the end of the lease period the Group has the option to refinance the lease or settle the lease and take ownership of the asset. Lease agreements do not contain any escalation or penalty clauses.		
Other debt	**571.0**	576.4
Secured loan in respect of property with a book value of R75.7 million (2010: R79.1 million) (note 9) bearing interest at a fixed rate of 11.4% and payable monthly in arrears over a 15-year period, ending on 28 October 2018.	**71.0**	76.4
Secured loan raised to fund property development. The loan is secured by property with a book value of R595.6 million (2010: R557.3 million) (note 9) bearing interest at a fixed rate of 8.8%. Interest is payable six months in arrears. The capital is repayable on 29 June 2012.	**250.0**	250.0
Unsecured loan raised to fund property development. The loan bears interest at a fixed rate of 9.6%. Interest is payable six months in arrears. The capital is repayable on 1 June 2012.	**250.0**	250.0
Total debt at 28 February	**677.1**	709.5
***Less:* Short-term debt (repayable within one year)**	**(50.2)**	(38.7)
Long-term debt (repayable after one year)	**626.9**	670.8
At 28 February, finance lease rentals are payable as follows:		
Within 1 year		
Capital repayments	**44.0**	33.2
Interest	**6.6**	12.0
Cash flows	**50.6**	45.2
Within 2 to 5 years		
Capital repayments	**62.1**	99.9
Interest	**4.4**	14.9
Cash flows	**66.5**	114.8
Total cash flows	**117.1**	160.0
Comprising:		
Capital	**106.1**	133.1
Interest	**11.0**	26.9

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	108
Membership of SACCAWU National Provident Fund	nil

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).

All funds are defined-contribution funds.

All Score stores have been sold or converted into Pick n Pay franchise stores and members of the Score fund have been transferred into the appropriate fund of their new employer. The only members remaining on the fund are pensioners.

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	4 434
	Administrator	Old Mutual

This is the main Boxer retirement plan and is a defined-contribution contributory provident fund. There are eight Trustees and two alternate Trustees. Members elect half the Trustees, with the Company appointing the other half. Trustee meetings are held quarterly. Benefits from the fund include Group Life and Disability cover. On 23 June 2009, the Fund was advised that it had fulfilled all the requirements of section 15B (9) of the Pension Funds Act of 1956, with regard to the apportionment of its surplus as at 30 June 2009.

B	Name of fund	SACCAWU National Provident Fund
	Number of members	965
	Administrator	Old Mutual

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

C	Name of fund	Personal Provident Fund
	Number of members	59
	Administrator	Momentum Administration Services

This is a defined-contribution contributory provident fund for senior management of the Company. This is an umbrella fund with independently appointed Trustees. An internal advisory committee made up of two members elected and two Company-appointed participants deal with matters pertaining to the Boxer members.

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 213 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 3 790 employees are members of this fund.

Both funds are defined-contribution and non-contributory.

Seven 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. Retirement benefits *(continued)*

23.4 Pick n Pay Retailers (Pty) Limited (Pick n Pay)

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

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

Pick n Pay contributes a total of 17.35% of salary towards the defined-contribution benefits offered to the members of the scheme. Out of this, 13.63% is allocated towards retirement savings and the balance, 3.72%, is allocated towards the reinsurance of death benefits, disability benefits and fund expenses. A further 0.86% of salary is contributed towards funding the guarantees outlined above.

There are 15 964 members of the Pick n Pay Retirement Scheme and 1 204 pensioners.

Retirement defined-benefit

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

Post-retirement medical benefits

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

Benefit fund

There was a separate 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. This benefit fund has been fully insured by a third party.

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 19 963 employees who have elected to join this fund.

	Pensioners' defined-benefit guarantee Rm	Retirement defined-benefit guarantee Rm	Post-retirement medical guarantee Rm	Benefit fund Rm	GROUP Total obligation 2011 Rm	Total obligation 2010 Rm
23. Retirement benefits *(continued)*						
23.4 Pick n Pay Retailers (Pty) Limited (PIck n Pay) *(continued)*						
Defined-benefit obligations						
The amount recognised in the statement of financial position is as follows:						
Present value of funded obligations	353.8	549.6	93.0	—	**996.4**	973.3
Fair value of assets	(353.8)	(535.4)	(80.1)	—	**(969.3)**	(948.6)
Funded position	—	14.2	12.9	—	**27.1**	24.7
Amounts recognised in the statement of comprehensive income are as follows:						
Current service cost	—	22.5	1.8	—	**24.3**	41.8
Interest on the obligation	28.6	47.3	6.7	—	**82.6**	113.8
Expected return on the plan assets	(33.6)	(52.9)	(7.7)	0.1	**(94.1)**	(135.0)
Total included in employee costs	(5.0)	16.9	0.8	0.1	**12.8**	20.6
Cumulative unrecognised gains/(losses):						
Unrecognised gain – 1 March	—	—	—	—	**—**	36.7
Actuarial loss – obligation	(19.2)	(20.1)	(15.0)	—	**(54.3)**	(50.6)
Actuarial gain/(loss) – assets	14.2	18.9	3.7	0.1	**36.9**	(33.8)
Actuarial gain/(loss) recognised	5.0	1.2	11.3	(0.1)	**17.4**	47.7
Net cumulative unrecognised gain – 28 February	—	—	—	—	**—**	—
Movement in the liability recognised on the statement of financial position is as follows:						
Net liability – 1 March	—	22.9	—	1.8	**24.7**	8.2
Total included in employee costs in statement of comprehensive income	(5.0)	16.9	0.8	0.1	**12.8**	20.6
Amount recognised in other comprehensive income	5.0	1.2	11.3	(0.1)	**17.4**	47.7
Contributions	—	(26.8)	0.8	(1.8)	**(27.8)**	(51.8)
Net liability – 28 February	—	14.2	12.9	—	**27.1**	24.7

	Pensioners' defined-benefit guarantee Rm	Retirement defined-benefit guarantee Rm	Post-retirement medical guarantee Rm	Benefit fund Rm	GROUP Total obligation 2011 Rm	Total obligation 2010 Rm
23. Retirement benefits *(continued)*						
23.4 Pick n Pay Retailers (Pty) Limited (Pick n Pay) *(continued)*						
Movement in the fund's obligations and plan assets recognised on the statement of financial position is as follows:						
Change in liability						
Liability – 1 March	330.6	566.2	76.5	—	**973.3**	975.5
Service cost	—	22.5	1.8	—	**24.3**	41.8
Interest cost	28.6	47.3	6.7	—	**82.6**	113.8
Actuarial gain	19.2	20.1	15.0	—	**54.3**	50.6
Benefits paid	(24.6)	(106.5)	(7.0)	—	**(138.1)**	(208.4)
Liability – 28 February	353.8	549.6	93.0	—	**996.4**	973.3
Change in plan assets						
Plan assets – 1 March	330.6	543.3	76.5	(1.8)	**948.6**	1 004.0
Expected return	33.6	52.9	7.7	(0.1)	**94.1**	135.0
Actuarial gain/(loss)	14.2	18.9	3.7	0.1	**36.9**	(33.8)
Contributions by employer	—	26.8	(0.8)	1.8	**27.8**	51.8
Benefits paid	(24.6)	(106.5)	(7.0)	—	**(138.1)**	(208.4)
Plan assets – 28 February	353.8	535.4	80.1	—	**969.3**	948.6
	%	%	%	%	**%**	%
Actuarial return on plan assets	13.9	13.3	14.4	0.4	**13.6**	0.6
Asset mix						
Equity	25.2	65.1	65.1	n/a	**50.6**	65.9
Fixed interest	72.4	28.6	28.6	n/a	**44.6**	28.2
Property	2.4	6.3	6.3	n/a	**4.8**	5.9
	100.0	100.0	100.0	n/a	**100.0**	100.0

The principal actuarial assumptions at the last valuation date are:	**1 November 2010 % per annum**	1 November 2009 % per annum
Discount rate	**9.00**	9.00
Future salary increases	**6.51**	6.27
Future pension increases	**5.00**	5.00
Annual increase in healthcare costs	**8.00**	9.00
Expected rate of return*	**10.00**	10.50

At 28 February 2011, if the discount rate had been 1% higher or 1% lower (with all other variables held constant), the impact on the financial statements would have been as follows:

	8% Rm	As reported 9% Rm	10% Rm
Statement of comprehensive income			
Expense included in employee costs	17.2	12.8	8.8
Statement of financial position			
Obligation at 28 February 2011	30.7	27.1	23.8

*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 9.00%, with a further 1.00% risk premium applied to the equities and property, giving a weighted average return of 10.00% based on the current asset allocation.

	GROUP Defined-contribution benefits 2011 Rm	Defined-contribution benefits 2010 Rm
23. Retirement benefits *(continued)*		
23.5 Current contributions		
Current contributions	**308.0**	281.1
Continuing operations	**250.1**	218.3
Discontinued operations	**57.9**	62.8

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

	GROUP 2011 Rm	2010 Rm
24.1 Operating lease asset		
At 1 March	**33.5**	19.3
Accrual for future lease income	**4.2**	14.2
At 28 February	**37.7**	33.5
At 28 February future minimum rentals receivable from non-cancellable sublease contracts amount to:		
Cash flow due in 2012	**132.3**	139.8
Creation of lease asset	**6.5**	13.2
Income in statement of comprehensive income	**138.8**	153.0
Cash flow due in 2013 – 2016	**437.3**	423.6
Creation/(reversal) of lease asset	**3.8**	(14.1)
Income in statement of comprehensive income	**441.1**	409.5
Cash flow due after 2016	**360.0**	153.9
Reversal of lease asset	**(48.0)**	(32.6)
Income in statement of comprehensive income	**312.0**	121.3
Total operating lease income receivable	**891.9**	683.8
Comprising:		
Total future cash flows	**929.6**	717.3
Operating lease asset	**(37.7)**	(33.5)
24.2 Operating lease liability		
At 1 March	**695.9**	658.5
Accrual for future lease expenditure	**33.4**	37.4
At 28 February	**729.3**	695.9
At 28 February future non-cancellable minimum lease rentals are payable during the following financial years:		
Cash flow due in 2012	**872.3**	790.7
Creation of lease liability	**50.9**	30.0
Statement of comprehensive income expense	**923.2**	820.7
Cash flow due in 2013 – 2016	**3 234.2**	2 966.3
Reversal of lease liability	**(132.8)**	(120.3)
Statement of comprehensive income expense	**3 101.4**	2 846.0
Cash flow due after 2016	**3 626.0**	3 238.8
Reversal of lease liability	**(647.4)**	(605.6)
Statement of comprehensive income expense	**2 978.6**	2 633.2
Total operating lease commitments	**7 003.2**	6 299.9
Comprising:		
Total future cash flows	**7 732.5**	6 995.8
Operating lease liability	**(729.3)**	(695.9)

		GROUP 2011 Rm	GROUP 2010 Rm	COMPANY 2011 Rm	COMPANY 2010 Rm
25.	**Trade and other payables**				
	Trade and other payables comprise:				
	Leave pay obligations	**173.3**	279.7	**—**	—
	Trade and other payables	**5 765.2**	7 055.5	**2.0**	5.5
	VAT	**41.9**	57.3	**—**	—
	Non-derivative trade and other payables	**5 980.4**	7 392.5	**2.0**	5.5
	Fair value of outstanding forward exchange contracts	**57.4**	1.1	**—**	—
	At 28 February	**6 037.8**	7 393.6	**2.0**	5.5
26.	**Commitments**				
	All capital expenditure will be funded from internal cash flow, and through non-specific debt raised from various financial institutions.				
	Authorised capital expenditure				
	Contracted for				
	Property	**427.6**	178.0	**—**	—
	Equipment and vehicles	**232.7**	138.0	**—**	—
	Intangible assets	**40.0**	51.2	**—**	—
	Not contracted for				
	Property	**—**	44.0	**—**	—
	Equipment and vehicles	**1 737.5**	1 058.6	**—**	—
	Intangible assets	**—**	1.5	**—**	—
	Total commitments	**2 437.8**	1 471.3	**—**	—

27. Segmental report

Group

Operating segments are identified based on financial information regularly reviewed by the Pick n Pay Stores Limited Board (identified as the Chief Operating Decision Maker of the Group for IFRS 8 reporting purposes) for performance assessments and resource allocations.

The Group has 5 operating segments, as described below, with no individual customer accounting for more than 10% of turnover.

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

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

Franklins – our retail operation retailing food and general merchandise in New South Wales, Australia.

Score – all retail operations, retailing goods and services under the Score brand. Score Supermarkets has been closed down and the results of which are disclosed as a discontinued operation.

Pick n Pay Insurance Cell Captive – the insurance cell captive provides insurance services, from insurance cover to claims maintenance for Group entities.

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

As the Pick n Pay and Boxer operating segments have demonstrated similar economic characteristics they have been aggregated in terms of IFRS 8.

Information regarding the operations of each reportable segment is presented on page 91. Performance is measured based on the segment profit before tax, as management believes that such information is most relevant in evaluating the results of the segments against each other and other entities that operate within the retail industry.

	Pick n Pay and Boxer Rm	Insurance Rm	Unallocated head office costs and revenues Rm	Total continuing operations Rm	Discontinued operations Franklins Rm	Score Rm	Total operations Rm
27. Segmental report *(continued)*							
2011							
External revenue	**52 214.0**	**2.7**	—	**52 216.7**	**5 617.4**	—	**57 834.1**
Inter-segment revenue	**(12.9)**	**12.9**	—	—	—	—	—
External turnover	**51 945.8**	—	—	**51 945.8**	**5 613.0**	—	**57 558.8**
– Australian dollars (millions)				—	**827.2**		
Interest income	**36.8**	**2.7**	—	**39.5**	**4.4**	—	**43.9**
Interest expense	**111.0**	—	—	**111.0**	**4.5**	—	**115.5**
Depreciation and amortisation	**733.3**	—	—	**733.3**	**28.6**	—	**761.9**
Profit/(loss) before tax*	**1 340.6**	**15.5**	—	**1 356.1**	**(123.4)**	—	**1 232.7**
– Australian dollars (millions)				—	**(18.1)****		
Total assets	**8 922.2**	**58.0**	—	**8 980.2**	**2 120.1**	—	**11 100.3**
Total liabilities	**8 071.8**	**43.1**	—	**8 114.9**	**826.6**	—	**8 941.5**
2010							
External revenue	49 320.6	3.2	—	49 323.8	5 673.3	580.9	55 578.0
Inter-segment revenue	(14.4)	14.4	—	—	—	—	—
External turnover	49 068.6	—	—	49 068.6	5 666.0	579.8	55 314.4
– Australian dollars (millions)				—	861.1		
Interest income	65.5	3.2	—	68.7	7.3	1.1	77.1
Interest expense	86.3	—	—	86.3	5.4	—	91.7
Depreciation and amortisation	632.6	—	—	632.6	102.0	5.0	739.6
Profit/(loss) before tax*	1 603.2	17.9	190.9	1 812.0	16.3	(106.0)	1 722.3
– Australian dollars (millions)				—	2.5		
Total assets	9 009.5	47.7	—	9 057.2	2 055.5	86.1	11 198.8
Total liabilities	7 885.3	43.7	—	7 929.0	975.2	150.0	9 054.2

*Franklins includes a net loss on sale of assets of R7.0 million (2010: R5.6 million).
**Excluding depreciation of AUD10.5 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

Two 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
Hugh Herman	Investec Limited	Non-executive chairman

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) Subsidiary companies of Investec Limited manage cash resources and assets on behalf of Group companies, the Pick n Pay Retirement Scheme and the Pick n Pay Medical Scheme.

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 reporting date is disclosed in the directors' report on page 50. For further information refer to note 3.3.

Loans to executive directors

Loans to directors amount to R0.5 million at 28 February 2011, are secured and bear interest at varying interest rates. For further information refer to note 12.

Key management personnel

Key management personnel are directors and those executives having authority and responsibility for planning, directing and controlling the activities of the Group. For further information, please refer to the key management personnel section of the Remuneration report on page 41.

29. Financial instruments

Overview

The Company and Pick n Pay Holdings Limited have limited exposure to risk in respect of financial instruments, as their only financial asset is a loan to a subsidiary company. There is minimal credit risk relating to this as it is payable by the main operating company within the Group. Liquidity risk is also minimalised as the only financial liability is an insignificant trade and other payable which will be funded by unlimited access to Group funds. Market risk is effectively negated as the financial asset and financial liability have no exposure to changes in exchange rates and very limited exposure to changes in interest rates.

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

Credit risk
Liquidity risk
Market risk

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

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

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

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its 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 committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The committee is assisted in this regard by Group Risk and Assurance Services (internal audit). Group Risk and Assurance Services undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit committee.

29.1 Credit risk

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

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

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 28 February was:

	GROUP	
	2011 Rm	2010 Rm
Investments (note 10)	**0.2**	0.2
Loans (note 12)	**90.2**	124.7
Participation in export partnerships (note 13)	**48.2**	50.6
Trade receivables (note 16)	**1 649.4**	1 828.6
Cash balances (note 17)	**715.2**	1 428.1
	2 503.2	3 432.2

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. There are no loan balances which exceed repayment terms. The Group considers all loan balances to be recoverable and therefore no impairment provision is required.

29. Financial instruments *(continued)*

29.1 Credit risk *(continued)*

Participation in export partnerships

A company listed on the JSE Limited has warranted certain important cash flow aspects of the Group's participation in export partnerships. The Group's directors have considered the credit risk relating to these aspects warranted and have satisfied themselves as to the creditworthiness of the warrantor company.

Trade receivables

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

The Group obtains various forms of security from its franchise debtors, including bank guarantees, notarial bonds over inventory and moveable assets and suretyships from shareholders. The total credit risk with respect to receivables from franchise debtors is further limited as a result of the dispersion amongst the individual franchisees and across different geographic areas. Accordingly, the Group has no significant concentration of credit risk.

	GROUP	
	2011 Rm	2010 Rm
The ageing of trade receivables at 28 February was:		
Trade receivables not impaired		
Within payment terms	**1 302.7**	1 584.6
Exceeding payment terms by less than 14 days	**79.5**	64.9
Exceeding payment terms by more than 14 days	**4.6**	20.5
	1 386.8	1 670.0
Trade receivables with impairments		
Within payment terms	**215.3**	150.5
Exceeding payment terms by less than 14 days	**97.8**	83.1
Exceeding payment terms by more than 14 days	**132.7**	74.5
	445.8	308.1
Total trade receivables	**1 832.6**	1 978.1
Allowance for impairment losses	**(183.2)**	(149.5)
Total trade receivables net of allowance for impairment losses	**1 649.4**	1 828.6
The movement in the allowance for impairment of trade receivables during the year was as follows:		
At 1 March	**149.5**	50.7
Irrecoverable debts written off	**(62.6)**	—
Additional impairment losses recognised	**108.3**	106.8
Prior allowances for impairment reversed	**(12.0)**	(8.0)
At 28 February	**183.2**	149.5

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

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

Cash balances

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

29. Financial instruments *(continued)*

29.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

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

Adequate liquidity is further managed through the use of cash flow forecasts and by the maintenance of adequate borrowing facilities. In terms of its Articles of Association, the Group's borrowing powers are limited to its total share capital and accumulated profits. However, the Treasury committee maintains strict control over the acceptance and draw-down of any loan facility.

At 28 February the Group's loan facilities comprised:

	GROUP 2011 Rm	GROUP 2010 Rm
Total borrowing facilities granted by financial institutions	**5 799.3**	4 988.2
Total actual borrowings and utilisation of facilities	**(2 321.2)**	(1 386.1)
Unutilised borrowing facilities	**3 478.1**	3 602.1

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

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

GROUP – 2011	Carrying amount Rm	Contractual cash flows Rm	Within 1 year Rm	2 to 5 years Rm	Over 5 years Rm
Non-derivative financial liabilities					
Secured bank loans (note 22)	**321.0**	**375.9**	**36.0**	**302.8**	**37.1**
Unsecured bank loans (note 22)	**250.0**	**286.2**	**24.1**	**262.1**	**—**
Finance lease liabilities (note 22)	**106.1**	**117.1**	**50.6**	**66.5**	**—**
Trade and other payables (note 25)	**5 980.4**	**5 980.4**	**5 980.4**	**—**	**—**
Bank overdraft (note 17)	**362.6**	**362.6**	**362.6**	**—**	**—**
Overnight bank borrowings (note 17)	**900.0**	**900.0**	**900.0**	**—**	**—**
Derivative financial liabilities					
Forward exchange contracts (note 25)	**57.4**	**57.4**	**57.4**	**—**	**—**
Total financial obligations	**7 977.5**	**8 079.6**	**7 411.1**	**631.4**	**37.1**
To be settled through the management of:					
Inventory (note 15)	**3 143.8**	**3 143.8**	**3 143.8**		
Trade receivables (note 16)	**1 832.6**	**1 832.6**	**1 832.6**		
Cash balances (note 17)	**715.2**	**715.2**	**715.2**		
Net liabilities*	**2 285.9**	**2 388.0**	**1 719.5**	**631.4**	**37.1**
GROUP – 2010					
Non-derivative financial liabilities					
Secured bank loans (note 22)	326.4	411.9	36.1	324.9	50.9
Unsecured bank loans (note 22)	250.0	310.4	24.2	286.2	—
Finance lease liabilities (note 22)	133.1	160.0	45.2	114.8	—
Trade and other payables (note 25)	7 392.5	7 392.5	7 392.5	—	—
Bank overdraft (note 17)	372.8	372.8	372.8	—	—
Derivative financial liabilities					
Forward exchange contracts (note 25)	1.1	1.1	1.1	—	—
Total financial obligations	8 475.9	8 648.7	7 871.9	725.9	50.9
To be settled through the management of:					
Inventory (note 15)	3 298.6	3 298.6	3 298.6		
Trade receivables (note 16)	1 978.1	1 978.1	1 978.1		
Cash balances (note 17)	1 428.1	1 428.1	1 428.1		
Net liabilities*	1 771.1	1 943.9	1 167.1	725.9	50.9

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

29. Financial instruments *(continued)*

29.3 Market risk

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

Currency risk

Derivatives held for risk management

Net investment hedge

The Group has used forward exchange contracts (FECs) to hedge the foreign currency translation risk on its net investment in its foreign subsidiary InterFrank Group Holdings Pty Limited (Franklins).

The fair value of derivatives designated as a net investment hedge is a liability of R72.5 million (R52.2 million net of tax) (2010: nil), which has been recognised directly in the foreign currency translation reserve through other comprehensive income and in fair value of outstanding forward exchange contracts in trade and other payables.

Other derivatives held for risk management

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

The fair value of forward exchange derivative contracts is an asset of R15.1 million. This has been recognised as income in the statement of comprehensive income and is reflected as a part of fair value of outstanding forward exchange contracts in trade and other payables.

As all foreign purchases are covered by FECs, fluctuations in foreign exchange rates will have no significant impact on the Group.

In relation to the participation in export partnerships, a fixed rate of exchange was set for the purposes of converting the foreign currency receipts in respect of the partnership's sales into South African 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.

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

Exchange rate sensitivity

GROUP	**2011 1% increase Rm**	**2011 1% decrease Rm**	2010 1% increase Rm	2010 1% decrease Rm
Assets				
Inventory	**5.3**	**(5.3)**	5.3	(5.3)
Trade and other receivables	**0.3**	**(0.3)**	0.5	(0.5)
Cash and cash equivalents	**1.2**	**(1.2)**	2.5	(2.5)
Property, equipment and vehicles	**5.6**	**(5.6)**	4.9	(4.9)
Intangible assets	**0.3**	**(0.3)**	0.4	(0.4)
Goodwill	**7.0**	**(7.0)**	6.8	(6.8)
Total effect on assets	**19.7**	**(19.7)**	20.4	(20.4)
Liabilities				
Trade and other payables	**(7.0)**	**7.0**	(5.8)	5.8
Leave pay obligation	**(1.1)**	**1.1**	(1.1)	1.1
Long-term debt	**(7.1)**	**7.1**	(6.9)	6.9
Total effect on liabilities	**(15.2)**	**15.2**	(13.8)	13.8
Effect on foreign currency translation reserve	**4.5**	**(4.5)**	6.6	(6.6)

29. Financial instruments *(continued)*

29.3 Market risk *(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. We disclose below the information relating to variable interest financial instruments.

The effective rates on financial instruments at 28 February 2011 are:

		Maturity of interest-bearing assets/liabilities			
GROUP – 2011	**Weighted average interest rate %**	**1 year or less Rm**	**2 to 5 years Rm**	**Over 5 years Rm**	**Total Rm**
Financial assets					
Cash and cash equivalents (note 17)	**4.4**	**352.6**	**—**	**—**	**352.6**
Loans (note 12)	**4.7**	**12.5**	**49.9**	**27.8**	**90.2**
Total financial assets		**365.1**	**49.9**	**27.8**	**442.8**
Financial liabilities					
Variable-rate interest-bearing debt					
Finance leases (note 22.1)	**10.4**	**44.0**	**62.1**	**—**	**106.1**
Overnight bank borrowings (note 17)	**5.8**	**900.0**	**—**	**—**	**900.0**
Total financial liabilities		**944.0**	**62.1**	**—**	**1 006.1**
GROUP – 2010					
Financial assets					
Cash and cash equivalents (note 17)	8.0	1 055.3	—	—	1 055.3
Loans (note 12)	2.6	17.3	69.0	38.4	124.7
Total financial assets		1 072.6	69.0	38.4	1 180.0
Financial liabilities					
Variable-rate interest-bearing debt					
Finance leases (note 22.1)	9.2	33.2	99.9	—	133.1
Total financial liabilities		33.2	99.9	—	133.1

Market price risk

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

Sensitivity analysis

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

29. Financial instruments *(continued)*

29.3 Market risk *(continued)*

Sensitivity analysis *(continued)*

GROUP	2011 1% increase Rm	2011 1% decrease Rm	2010 1% increase Rm	2010 1% decrease Rm
	Interest rate sensitivity			
Financial assets				
Cash and cash equivalents	**7.2**	**(7.2)**	14.3	(14.3)
Loans	**0.9**	**(0.9)**	1.2	(1.2)
Total effect on financial assets	**8.1**	**(8.1)**	15.5	(15.5)
Financial liabilities				
Bank overdraft	**(3.6)**	**3.6**	(3.7)	3.7
Overnight bank borrowings	**(9.0)**	**9.0**	—	—
Finance leases	**(1.1)**	**1.1**	(1.3)	1.3
Short-term borrowings	**(0.5)**	**0.5**	(0.4)	0.4
Total effect on financial liabilities	**(14.2)**	**14.2**	(5.4)	5.4
Effect on profit after tax	**(4.4)**	**4.4**	7.3	(7.3)
Effect on headline earnings per share	**(0.9c)**	**0.9c**	1.5c	(1.5c)

Fair value

At 28 February 2011 the carrying amounts of cash and cash equivalents, trade receivables and trade and other payables approximate their fair values due to their short-term maturities. Trade receivables and payables will mature within 30 to 60 days. The fair value of loans, investments and interest-bearing debt approximate their carrying value as disclosed on the statement of financial position.

Basis for determining fair values

Financial liabilities

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

Trade and other receivables

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

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

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

Participation in export partnerships – refer to note 13.

29.4 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 inventory forward on a rising market.

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

There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

30. International Financial Reporting Standards (IFRS) and interpretations to be adopted in future years

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 28 February 2011, 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 24 amendment: Related Party Disclosures

The definition of a related party per IAS 24 has been amended to include that if an entity is identified as a related party in another entity's financial statements then the other entity is also a related party in the aforementioned entity's financial statements. This standard becomes mandatory for the Group's 2012 financial statements, and may affect related party disclosure.

IFRS 9: Financial Instruments

Under IFRS 9 there are two options in respect of the classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value.

The revised IFRS 9 becomes mandatory for the Group's 2014 financial statements. The impact cannot be determined at this stage.

Directors' responsibility for the Company and Group annual financial statements

The directors are responsible for the preparation and fair presentation of the Company and Group annual financial statements of Pick n Pay Holdings Limited, comprising the directors' report, the statements of comprehensive income, the statements of financial position at 28 February 2011, the changes in equity and cash flows 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 are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, for maintaining adequate accounting records and an effective system of risk management, as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the Company's and Group's ability to continue as a going concern and have no reason to believe that the businesses 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.

Approval of annual financial statements

The Company and Group annual financial statements of Pick n Pay Holdings Limited, as identified above, were approved by the Board of directors on 29 April 2011 and signed on their behalf by:

Raymond Ackerman
Chairman

Gareth Ackerman
Director

Company Secretary's certificate

In terms of section 268G (d) of the Companies Act No. 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.

D. Muller

Debra Muller
Company Secretary

29 April 2011

Independent auditor's report

for the year ended 28 February 2011

To the members of Pick n Pay Holdings Limited

We have audited the Company and Group annual financial statements of Pick n Pay Holdings Limited, which comprise the statements of financial position at 28 February 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 102 to 113.

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Pick n Pay Holdings Limited at 28 February 2011 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 **Patrick Farrand**
Chartered Accountant (SA)
Registered Auditor
Director

29 April 2011

MSC House
Mediterranean Street
Cape Town
8001

Directors' report

for the year ended 28 February 2011

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, was formed with the sole purpose of holding a controlling interest in Pick n Pay Stores Limited. The Company is entitled to redistribute any dividend received from Pick n Pay Stores Limited.

General review

The Group statement of comprehensive income is presented on page 104 and reflects the Group's operational results.

The Group's headline earnings from continuing operations and dividends for the years are as follows:

Per share – cents	2011	% decrease	2010
Headline earnings	**94.29**	18.4	115.62
Dividends*	**69.28**	18.4	84.94

*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 69.28 cents, to that of Pick n Pay Stores Limited (PICKNPAY), 142.50 cents, determines the relative value of a Pick n Pay Holdings Limited share, which, based on these figures, is 48.6% (2010: 48.7%) of a Pick n Pay Stores Limited share.

Audit committee

We draw your attention to the Company's corporate governance report on pages 42 and 43.

Investment

The Company's sole asset is its 53.6% (2010: 53.6%) direct shareholding in its subsidiary, Pick n Pay Stores Limited, and its only source of income is the dividend received from Pick n Pay Stores Limited. After taking into account the Pick n Pay Stores Limited treasury shares held by the Group, the Company's effective holding in Pick n Pay Stores Limited at year-end is 53.9% (2010: 54.3%).

Dividends paid and declared

A cash dividend (number 57) of 65.63 cents per share was paid to shareholders on 14 June 2010.

A cash dividend (number 58) of 17.94 cents per share was paid to shareholders on 13 December 2010.

For further details refer to note 5 on page 111.

The directors have declared a cash dividend (number 59) of 51.34 cents per share. The last day of trade in order to participate in the dividend (CUM dividend) will be Friday, 3 June 2011. Shares will trade EX dividend from the commencement of business on Monday, 6 June 2011 and the record date is Friday, 10 June 2011. The dividend will be paid on Monday, 13 June 2011. Share certificates may not be dematerialised or rematerialised between Monday, 6 June 2011 and Friday, 10 June 2011, both dates inclusive.

As dividend number 59 was declared on 15 April 2011 it will only be accounted for in the 2012 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

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

As at year-end, the Pick n Pay Employee Share Purchase Trust and a subsidiary company held 9 103 871 (2010: 10 077 639) and 1 817 003 (2010: 1 784 303) shares in the Company, respectively. These shares are reflected as treasury shares in the annual financial statements.

Going concern

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

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

Legal proceedings

In July 2010, subject to approval by the Australian competition regulator, the Australian Competition and Consumer Commission (ACCC), we accepted an offer from Metcash Trading Limited (Metcash) to acquire our Australian operation, Franklins. The ACCC reviewed the proposed transaction under its informal merger clearance process and opposed the sale to Metcash on the basis that it is likely to have the effect of substantially lessening competition in the Australian market. Following the ACCC's decision, the parties announced that they proposed to proceed with the transaction and this led the ACCC to commence legal proceedings in the Federal Court of Australia in December 2010, seeking to prevent the parties from completing the transaction. We and Metcash agreed with the ACCC to an expedited hearing, which commenced in mid-March 2011. The judgement of the Court is expected before 30 June 2011. If the Federal Court of Australia prevents the acquisition by Metcash, we remain committed to the sale of Franklins and anticipate selling the Franklins stores, either individually or in groups, under a competitive tender process.

There are no other 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 18 June 2010 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 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

- Pick n Pay Stores Limited passed a similar special resolution to repurchase its shares (see page 50).
- 100% held subsidiary company, Pick n Pay Franchise Financing (Pty) Limited passed a special resolution to sell its business to a fellow 100% held subsidiary company, Pick n Pay Retailers (Pty) Limited.

Directors and Secretary

In terms of the Company's Articles of Association the directors listed on page 127 retire by rotation and they offer themselves for re-election. Information pertaining to the directors and the Company Secretary appear on page 15.

Directors' interest in shares

	2011 %	2010 %
Beneficial	**0.8**	0.8
Non-beneficial	**50.4**	50.5
Total	**51.2**	51.3

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

Borrowings

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

Corporate governance

We refer you to pages 42 and 43 for a review of the Company's corporate governance processes.

Subsequent events

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

Statements of comprehensive income

for the year ended 28 February 2011

		GROUP		COMPANY	
	Notes	**2011 Rm**	2010* Rm	**2011 Rm**	2010 Rm
Continuing operations					
Revenue	1	**52 216.7**	49 323.8	**442.0**	447.8
Turnover		**51 945.8**	49 068.6	**—**	—
Cost of merchandise sold		**(42 859.6)**	(40 245.0)	**—**	—
Gross profit		**9 086.2**	8 823.6	**—**	—
Other trading income	1	**231.4**	186.5	**—**	—
Trading expenses		**(7 901.3)**	(7 372.0)	**(1.4)**	(0.6)
Employee costs		**(4 319.8)**	(4 123.6)	**—**	—
Occupancy		**(1 114.7)**	(1 004.8)	**—**	—
Operations		**(1 642.8)**	(1 393.2)	**—**	—
Merchandising and administration		**(824.0)**	(850.4)	**(1.4)**	(0.6)
Trading profit/(loss)		**1 416.3**	1 638.1	**(1.4)**	(0.6)
Interest received	1	**39.5**	68.7	**—**	—
Interest paid		**(111.0)**	(86.3)	**—**	—
Gain on recognition of investment in associate		**7.5**	—	**—**	—
Share of associate's income		**2.4**	—	**—**	—
Profit on sale of property		**—**	190.9	**—**	—
Operating profit/(loss)		**1 354.7**	1 811.4	**(1.4)**	(0.6)
Dividends received	1	**—**	—	**442.0**	447.8
Profit before tax		**1 354.7**	1 811.4	**440.6**	447.2
Tax		**(447.8)**	(531.9)	**—**	—
Profit for the year from continuing operations		**906.9**	1 279.5	**440.6**	447.2
Loss from discontinued operations		**(123.4)**	(91.2)	**—**	—
Profit for the year		**783.5**	1 188.3	**440.6**	447.2
Other comprehensive income					
Exchange rate differences on translating foreign operations		**50.1**	73.8	**—**	—
Net loss on hedge of net investment in foreign operation		**(52.2)**	—	**—**	—
Retirement benefit actuarial loss		**(12.5)**	(34.3)	**—**	—
Total comprehensive income for the year		**768.9**	1 227.8	**440.6**	447.2
Comprehensive income for the year attributable to:					
Equity holders of the Company		**415.7**	667.4	**440.6**	447.2
Minority shareholders		**353.2**	560.4	**—**	—
		768.9	1 227.8	**440.6**	447.2
Earnings per share – cents					
Basic	4	**82.13**	125.38		
Continuing operations		**95.07**	135.01		
Discontinued operations		**(12.94)**	(9.63)		
Diluted	4	**79.73**	121.99		
Continuing operations		**92.56**	131.52		
Discontinued operations		**(12.83)**	(9.53)		

*Restated – refer to note 18.1 of Pick n Pay Stores Limited's annual financial statements.

Statements of financial position

as at February 2011

	Notes	GROUP 2011 Rm	GROUP 2010 Rm	COMPANY 2011 Rm	COMPANY 2010 Rm
Assets					
Non-current assets					
Intangible assets		**404.5**	1 126.7	**—**	—
Investment in subsidiary	6	**—**	—	**128.0**	128.0
Property, equipment and vehicles		**3 401.8**	3 415.5	**—**	—
Operating lease asset		**37.7**	33.5	**—**	—
Participation in export partnerships		**48.2**	50.6	**—**	—
Deferred tax asset		**85.8**	98.1	**—**	—
Investment in associate		**9.9**	—	**—**	—
Loans		**90.6**	125.1	**0.4**	0.4
Investments		**0.2**	0.2	**—**	—
		4 078.7	4 849.7	**128.4**	128.4
Current assets					
Assets held for sale – discontinued operations		**2 120.1**	—	**—**	—
Inventory		**3 162.7**	3 326.2	**—**	—
Trade and other receivables		**1 739.2**	1 968.0	**1.1**	1.6
Cash and cash equivalents		**—**	1 055.3	**—**	—
		7 022.0	6 349.5	**1.1**	1.6
Total assets		**11 100.7**	11 199.2	**129.5**	130.0
Equity and liabilities					
Capital and reserves					
Share capital	7	**6.6**	6.6	**6.6**	6.6
Share premium		**120.8**	120.8	**120.8**	120.8
Treasury shares	8	**(77.7)**	(62.8)	**—**	—
Accumulated profits		**890.1**	881.9	**(0.1)**	(0.1)
Foreign currency translation reserve		**187.4**	189.9	**—**	—
Attributable to equity holders of the Company		**1 127.2**	1 136.4	**127.3**	127.3
Minority interest		**1 029.9**	1 007.9	**—**	—
Total shareholders' equity		**2 157.1**	2 144.3	**127.3**	127.3
Non-current liabilities					
Long-term debt		**626.9**	670.8	**—**	—
Retirement scheme obligations		**27.1**	24.7	**—**	—
Operating lease liability		**729.3**	695.9	**—**	—
		1 383.3	1 391.4	**—**	—
Current liabilities					
Liabilities held for sale – discontinued operations		**826.6**	—	**—**	—
Cash and cash equivalents		**547.4**	—	**—**	—
Short-term debt		**50.2**	38.7	**—**	—
Tax		**96.2**	230.5	**—**	—
Trade and other payables		**6 039.9**	7 394.3	**2.2**	2.7
		7 560.3	7 663.5	**2.2**	2.7
Total equity and liabilities		**11 100.7**	11 199.2	**129.5**	130.0

Statements of changes in equity

for the year ended 28 February 2011

	Notes	Share capital Rm	Share premium Rm	Treasury shares Rm	Accu-mulated profits Rm	Foreign currency trans-lation reserve Rm	Minority interest Rm	Total Rm
GROUP								
At 1 March 2009		6.6	120.8	(54.4)	675.3	150.0	797.5	1 695.8
Total comprehensive income for the year		—	—	—	627.3	40.1	560.4	1 227.8
Profit for the year					646.0		542.3	1 188.3
Retirement benefit actuarial loss					(18.7)		(15.6)	(34.3)
Foreign currency translation differences						40.1	33.7	73.8
Transactions with owners		—	—	(8.4)	(420.7)	(0.2)	(350.0)	(779.3)
Dividends paid	5				(447.3)			(447.3)
Dividends paid by subsidiary to minorities	5						(367.3)	(367.3)
Share repurchases	8			(13.5)				(13.5)
Subsidiaries share repurchases					(36.2)		(30.4)	(66.6)
Net effect of settlement of employee share options	8			5.1				5.1
Net effect of settlement of subsidiary's share options					25.6		21.4	47.0
Share options expense					35.9		30.1	66.0
Cancellation of treasury shares in subsidiary					(1.5)		(1.2)	(2.7)
Impact of movement in treasury shares					2.8	(0.2)	(2.6)	—
At 28 February 2010		**6.6**	**120.8**	**(62.8)**	**881.9**	**189.9**	**1 007.9**	**2 144.3**
Total comprehensive income for the year		**—**	**—**	**—**	**416.9**	**(1.2)**	**353.2**	**768.9**
Profit for the year					**423.7**		**359.8**	**783.5**
Retirement benefit actuarial loss					**(6.8)**		**(5.7)**	**(12.5)**
Net loss on hedge of net investment in foreign operation						**(28.3)**	**(23.9)**	**(52.2)**
Foreign currency translation differences						**27.1**	**23.0**	**50.1**
Transactions with owners		**—**	**—**	**(14.9)**	**(408.7)**	**(1.3)**	**(331.2)**	**(756.1)**
Dividends paid	5				**(440.6)**			**(440.6)**
Dividends paid by subsidiary to minorities	5						**(367.4)**	**(367.4)**
Share repurchases	8			**(30.2)**				**(30.2)**
Subsidiaries share repurchases					**(32.4)**		**(27.6)**	**(60.0)**
Net effect of settlement of employee share options	8			**15.3**				**15.3**
Net effect of settlement of subsidiary's share options					**28.6**		**24.4**	**53.0**
Share options expense					**40.0**		**33.8**	**73.8**
Impact of movement in treasury shares					**(4.3)**	**(1.3)**	**5.6**	**—**
At 28 February 2011		**6.6**	**120.8**	**(77.7)**	**890.1**	**187.4**	**1 029.9**	**2 157.1**
COMPANY								
At 1 March 2009		6.6	120.8	—	—	—	—	127.4
Total comprehensive income for the year		—	—	—	447.2	—	—	447.2
Profit for the year					447.2			447.2
Transactions with owners		—	—	—	(447.3)	—	—	(447.3)
Dividends paid	5				(447.3)			(447.3)
At 28 February 2010		**6.6**	**120.8**	**—**	**(0.1)**	**—**	**—**	**127.3**
Total comprehensive income for the year		**—**	**—**	**—**	**440.6**	**—**	**—**	**440.6**
Profit for the year					**440.6**			**440.6**
Transactions with owners		**—**	**—**	**—**	**(440.6)**	**—**	**—**	**(440.6)**
Dividends paid	5				**(440.6)**			**(440.6)**
At 28 February 2011		**6.6**	**120.8**	**—**	**(0.1)**	**—**	**—**	**127.3**

Cash flow statements

for the year ended 28 February 2011

	Notes	GROUP 2011 Rm	GROUP 2010* Rm	COMPANY 2011 Rm	COMPANY 2010 Rm
Cash flows from operating activities					
Trading profit/(loss)		**1 416.3**	1 638.1	**(1.4)**	(0.6)
Depreciation and amortisation		**733.3**	632.6	**—**	—
Share options expense		**73.8**	65.2	**—**	—
Net operating lease obligations		**29.3**	36.5	**—**	—
Cash generated/(utilised) before movements in working capital		**2 252.7**	2 372.4	**(1.4)**	(0.6)
Movements in working capital:		**(843.4)**	(57.5)	**—**	0.1
(Decrease)/increase in trade and other payables		**(677.2)**	246.6	**(0.5)**	0.9
Increase in inventory		**(349.1)**	(129.9)	**—**	—
Decrease/(increase) in trade and other receivables		**182.9**	(174.2)	**0.5**	(0.8)
Cash generated by/(utilised in) trading activities		**1 409.3**	2 314.9	**(1.4)**	(0.5)
Interest received		**39.5**	68.7	**—**	—
Interest paid		**(111.0)**	(86.3)	**—**	—
Cash generated by/(utilised in) operations		**1 337.8**	2 297.3	**(1.4)**	(0.5)
Dividends received		**—**	—	**442.0**	447.8
Dividends paid	5	**(808.0)**	(814.6)	**(440.6)**	(447.3)
Tax paid		**(526.3)**	(457.5)	**—**	—
Net cash from operating activities – continuing operations		**3.5**	1 025.2	**—**	—
Net cash from/(utilised in) operating activities – discontinued operations		**13.9**	(62.9)	**—**	—
Total net cash from operating activities		**17.4**	962.3	**—**	—
Cash flows from investing activities					
Investment in property, equipment and vehicles to expand operations		**(487.5)**	(314.7)	**—**	—
Intangible asset additions		**(61.2)**	(49.9)	**—**	—
Property additions		**(225.4)**	(116.9)	**—**	—
Equipment and vehicle additions		**(200.9)**	(147.9)	**—**	—
Investment in property, equipment and vehicles to maintain operations		**(758.2)**	(704.7)	**—**	—
Intangible asset additions		**(21.3)**	—	**—**	—
Property additions		**(63.8)**	(6.4)	**—**	—
Aircraft additions		**—**	(0.7)	**—**	—
Equipment and vehicle additions		**(673.1)**	(697.6)	**—**	—
Proceeds on disposal of property		**21.9**	209.4	**—**	—
Loans repaid		**34.5**	3.9	**—**	—
Net cash utilised in investing activities – continuing operations		**(1 189.3)**	(806.1)	**—**	—
Net cash utilised in investing activities – discontinued operations		**(151.4)**	(117.2)	**—**	—
Total net cash utilised in investing activities		**(1 340.7)**	(923.3)	**—**	—
Cash flows from financing activities					
Debt (repaid)/raised		**(32.5)**	1.0	**—**	—
Share repurchases		**(90.2)**	(80.1)	**—**	—
Proceeds from employees on settlement of share options		**25.1**	36.4	**—**	—
Net cash utilised in financing activities – continuing operations		**(97.6)**	(42.7)	**—**	—
Net cash from/(utilised in) financing activities – discontinued operations		**10.0**	(9.9)	**—**	—
Total net cash utilised in financing activities		**(87.6)**	(52.6)	**—**	—
Net decrease in cash and cash equivalents		**(1 410.9)**	(13.6)	**—**	—
Cash and cash equivalents at 1 March		**1 055.3**	1 072.8	**—**	—
Effect of exchange rate fluctuations on cash and cash equivalents		**(76.2)**	(3.9)	**—**	—
Cash and cash equivalents at 28 February		**(431.8)**	1 055.3	**—**	—
Continuing operations		**(547.4)**			
Discontinued operations		**115.6**			

*Restated – refer to note 18.1 of Pick n Pay Stores Limited's annual financial statements.

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 55 to 99.

	GROUP		COMPANY	
	2011 Rm	2010* Rm	**2011 Rm**	2010 Rm
1. Revenue				
Revenue comprises:				
Turnover	**51 945.8**	49 068.6	**—**	—
Interest received	**39.5**	68.7	**—**	—
Dividends received	**—**	—	**442.0**	447.8
Other trading income	**231.4**	186.5	**—**	—
Franchise fee income	**203.6**	161.9		
Property lease income	**27.8**	24.6		
	52 216.7	49 323.8	**442.0**	447.8

*Restated – refer to note 18.1 of Pick n Pay Stores Limited's annual financial statements.

2. Directors' remuneration and interest in shares

2.1 Directors' remuneration

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

	Fees for board meetings R'000	**Remune-ration R'000**	**Fringe and other benefits R'000**	**Cash total R'000**
2011				
Non-executive directors				
Raymond Ackerman	**53.0**			**53.0**
Wendy Ackerman	**53.0**			**53.0**
René de Wet	**53.0**			**53.0**
	159.0	**—**	**—**	**159.0**
Wendy Ackerman▲	**—**	**440.0**	**62.6**	**502.6**
2010				
Non-executive director				
René de Wet	50.0			50.0

▲Remuneration earned while working as an executive of a subsidiary company.

2.2 Share options in the Company held by directors

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

1997 Share Option Scheme

	Year granted	Option grant (strike) price R	Balance held at 1 March 2010	Granted during the year	Taken up in year at grant price	Forfeited during the year	**Balance held at 28 February 2011**	Value of options exercised* R'000	Available for take-up
Directors – Pick n Pay Stores Limited									
Nick Badminton	2002	3.80	800	—		—	**800**		Now
	2011	16.00	—	800		—	**800**		Now
			800	800		—	**1 600**		
Dennis Cope	2008	11.33	800	—		—	**800**		Now
			800	—		—	**800**		
Jonathan Ackerman (Alt director Pick n Pay Holdings Limited)	2000	2.00	30 000	—	(30 000)	—	**—**	441.9	—
	2002	4.50	38 900	—	(38 900)	—	**—**	475.7	—
	2011	16.00	—	1 000	—	—	**1 000**		Now
			68 900	1 000	(68 900)	—	**1 000**	917.6	
Suzanne Ackerman-Berman (Alt director Pick n Pay Holdings Limited)	2001	3.90	14 000	—	(14 000)	—	**—**	191.8	—
	2002	4.50	110 000	—	(110 000)	—	**—**	1 441.0	—
			124 000	—	(124 000)	—	**—**	1 632.8	

*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.

2. Directors' remuneration and interest in shares *(continued)*

2.3 Directors' interest in shares

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

	How held*	Balance held at 1 March 2010 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 28 February 2011 000's**	Beneficial/ non-beneficial interest
Directors – Pick n Pay Holdings Limited								
Raymond Ackerman**	– direct	1 077.6			(58.2)	—	**1 019.4**	Beneficial
Gareth Ackerman	– direct	0.5					**0.5**	Beneficial
	– indirect	3 007.2	64.8	17.49			**3 072.0**	Beneficial
Raymond Ackerman/ Wendy Ackerman/ Gareth Ackerman/ Jonathan Ackerman (Alt)/ Suzanne Ackerman-Berman (Alt)***	– indirect	260 097.5					**260 097.5**	Non-beneficial
Hugh Herman	– direct	62.5					**62.5**	Beneficial
	– indirect	65.0					**65.0**	Beneficial
Jonathan Ackerman (Alt)	– direct	252.0					**252.0**	Beneficial
	– indirect	—	1 089.6	18.98			**1 089.6.0**	Beneficial
Suzanne Ackerman-Berman (Alt)	– direct	242.1					**242.1**	Beneficial
	– indirect	2.8	778.4	17.42			**781.2**	Beneficial
David Robins (Alt)	– direct	886.7					**886.7**	Beneficial
Directors – Pick n Pay Stores Limited								
Nick Badminton	– direct	880.6					**880.6**	Beneficial
Dennis Cope	– direct	200.0					**200.0**	Beneficial

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

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

***The non-beneficial interest represents the holding by the Ackerman Family Trust of 254.9 million shares and 5.2 million shares held by the Mistral Trust, of which these directors are trustees.

	GROUP		COMPANY	
	2011 %	2010 %	**2011 %**	2010 %
3. Tax				
Statutory tax rate reconciliation				
Statutory tax rate	**28.0**	28.0	**28.0**	28.0
Exempt income	**(1.6)**	(3.8)	**(28.0)**	(28.0)
Secondary tax on companies	**5.8**	4.5	**—**	—
Non-deductible share options expense	**1.5**	1.0	**—**	—
Other non-deductible expenditure	**1.0**	0.8	**—**	—
Net prior year under provisions	**0.2**	1.1	**—**	—
Other	**(1.9)**	(2.2)	**—**	—
Effective tax rate	**33.0**	29.4	**—**	—

		GROUP 2011 Cents per share	GROUP 2010* Cents per share
4.	**Basic, headline and diluted earnings/(losses) per share**		
	Basic (note 4.1)	**82.13**	125.38
	Continuing operations	**95.07**	135.01
	Discontinued operations	**(12.94)**	(9.63)
	Headline (note 4.1)	**82.08**	106.72
	Continuing operations	**94.29**	115.62
	Discontinued operations	**(12.21)**	(8.90)
	Diluted basic (note 4.2)	**79.73**	121.99
	Continuing operations	**92.56**	131.52
	Discontinued operations	**(12.83)**	(9.53)
	Diluted headline (note 4.2)	**79.68**	103.84
	Continuing operations	**91.78**	112.64
	Discontinued operations	**(12.10)**	(8.80)
		Rm	Rm
4.1	**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)	**423.7**	646.0
	Headline earnings	**423.4**	549.9
		Number of shares 000's	Number of shares 000's
	and:		
	The weighted average number of ordinary shares in issue during the year	**515 857.7**	515 255.4
		Rm	Rm
	Reconciliation between basic and headline earnings:		
	Basic earnings (profit for the year)	**423.7**	646.0
	Adjustments:	**(0.3)**	(100.0)
	Loss on sale of equipment and vehicles – discontinued operations	**3.7**	3.8
	Profit on sale of property	**—**	(103.8)
	Gain on recognition of investment in associate	**(4.0)**	—
	Tax effect of adjustments	**—**	3.9
	Headline earnings	**423.4**	549.9
		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	**515 255.4**	514 732.0
	Net sale of treasury shares by the share trust, pursuant to the take-up of share options	**602.3**	523.4
	At 28 February	**515 857.7**	515 255.4

*Restated – refer note 18.1 of Pick n Pay Stores Limited's annual financial statements.

	GROUP	
	2011	2010*
	Rm	Rm
4. Basic, headline and diluted earnings/(losses) per share *(continued)*		
4.2 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	**415.0**	635.5
Diluted headline earnings	**414.7**	541.0
and:	**Number of shares 000's**	Number of shares 000's
The diluted weighted average number of ordinary shares in issue during the year	**520 520.0**	520 977.6
	Rm	Rm
Reconciliation between basic and diluted basic earnings:		
Basic earnings (profit for the year)	**423.7**	646.0
Pick n Pay Stores Limited's dilution effect	**(8.7)**	(10.5)
Diluted basic earnings	**415.0**	635.5
Headline earnings adjustments (note 4.1)	**(0.3)**	(96.1)
Pick n Pay Stores Limited's dilution effect	**—**	1.6
Diluted headline earnings	**414.7**	541.0
	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 (note 4.1)	**515 857.7**	515 255.4
Outstanding options	**4 662.3**	5 722.2
Weighted average number of ordinary shares in issue for purposes of calculating diluted earnings per share	**520 520.0**	520 977.6
Refer to note 7 for the number of shares in issue.		

*Restated – refer note 18.1 of Pick n Pay Stores Limited annual financial statements.

	GROUP AND COMPANY	
	2011	2010
	Cents	Cents
5. Dividends		
Number 57 – declared 20 April 2010 – paid 14 June 2010	**65.63**	65.52
Number 58 – declared 19 October 2010 – paid 13 December 2010	**17.94**	19.31
Total dividends paid for the year – Company	**83.57**	84.83
	Rm	Rm
Total value of dividends paid by the Company	**440.6**	447.3
Dividends paid by a subsidiary to minorities	**367.4**	367.3
Total dividends paid by the Group	**808.0**	814.6
For further details, including dividends declared after 28 February 2011, refer to the directors' report and shareholders' information.		

Notes to the annual financial statements continued

for the year ended 28 February 2011

		COMPANY 2011 Rm	COMPANY 2010 Rm
6.	**Investment in subsidiary**		
	Pick n Pay Stores Limited		
	257 345 334 (2010: 257 345 334) ordinary shares		
	Comprising:		
	Initial investment	**24.7**	24.7
	Capitalisation share awards received	**103.3**	103.3
	Total investment at cost	**128.0**	128.0
	Market value	**11 951.1**	10 396.8

		GROUP AND COMPANY 2011 Rm	GROUP AND COMPANY 2010 Rm
7.	**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
		Number of shares 000's	Number of shares 000's
	Number of shares in issue at 28 February is made up as follows:		
	Treasury shares held by the share trust (note 8)	**9 103.8**	10 077.6
	Treasury shares held by a subsidiary company (note 8)	**1 817.0**	1 784.3
		10 920.8	11 861.9
	Shares held outside the Holdings Group	**516 328.3**	515 387.2
	At 28 February	**527 249.1**	527 249.1
	Under a general authority 26.4 million of the unissued shares remain under the control of the directors until the next annual general meeting.		
	1997 Employee Share Option Scheme		
	In addition to the general authority above, 92.3 million unissued shares (17.5% of issued shares) remain under the control of the directors to implement the terms and provisions of the Pick n Pay 1997 Share Option Scheme.		
		Number of options 000's	Number of options 000's
	Movement in the total number of share options is as follows:		
	At 1 March	**10 970.8**	11 479.1
	New options granted*	**1 893.0**	655.8
	Options taken up**	**(3 039.2)**	(1 164.1)
	At 28 February	**9 824.6**	10 970.8
	Options granted may be taken up during the following financial years:		
	Year — Average grant price		
	2012 — R9.28	**9 824.6**	
	Percentage of issued shares	**1.9%**	2.1%
	Options available for granting under current authorisation	**82 443.9**	81 297.8
	*Average price of options granted during the year	**R16.00**	R12.20
	**Average price of options taken up during the year	**R4.77**	R4.92
	The Employee Share Purchase Trust, which administers the 1997 Share Option Scheme, holds the following number of ordinary shares:		
	As a hedge against shares granted or to be granted by that scheme reflected as treasury shares	**9 103.8**	10 077.6
	On behalf of share purchase scheme participants	**436.3**	500.0
		9 540.1	10 577.6

		GROUP	
		2011 Rm	2010 Rm
8.	**Treasury shares**		
	Treasury shares comprise Pick n Pay Holdings Limited shares held by a subsidiary company and the share trust		
	At 1 March	**62.8**	54.4
	Shares repurchased	**30.2**	13.5
	Take-up of share options by employees	**(15.3)**	(5.1)
	At 28 February	**77.7**	62.8
		Number of shares 000's	Number of shares 000's
	The movement in the number of treasury shares is as follows:		
	At 1 March	**11 861.9**	12 126.7
	Shares purchased during the year	**1 620.9**	852.4
	Shares sold during the year, pursuant to the take-up of share options	**(2 562.0)**	(1 117.2)
	At 28 February	**10 920.8**	11 861.9
	Comprises:		
	Shares held by share trust	**9 103.8**	10 077.6
	Shares held by a subsidiary company	**1 817.0**	1 784.3
	Average purchase price of shares purchased during the year	**R18.63**	R15.84
	Average purchase price of shares held at year-end	**R7.11**	R5.29

Divisional directors

The following executives are divisional directors of our main operating companies:

Pick n Pay Retailers

Group executive

Nick Badminton (49)
CEO
Years of service 32

Jonathan Ackerman (44)
Customer
Years of service 20

Suzanne Ackerman-Berman (48)
Transformation
Years of service 16

Dennis Cope (60)
CFO
Years of service 33
Retired April 2011

Bakar Jakoet (55)
CFO
Years of service 26

Kevin Korb (51)
Merchandise
Years of service 29

Dallas Langman (41)
Group Enterprises
Years of service 21

Isaac Motaung (56)
Human Resources
Years of service 35

Neal Quirk (55)
Operations
Years of service 29

Chris Reed (50)
Franchise
Years of service 26

Bronwen Rohland (47)
Marketing and Sustainability
Years of service 25

Burger van der Merwe (46)
Information Systems and Supply Chain
Years of service 1

Hypermarket general managers

Dharmalingum Dass (53)
Head of Hypermarkets
Years of service 33

Mark Bishop (48)
Wonderpark
Years of service 28

Henry Bord (48)
Norwood
Years of service 20

Christo Botha (43)
Montana
Years of service 23

Imraan Cassim (49)
Bedworth Park
Years of service 28

Hoosain Hansrod (58)
Princess Crossing
Years of service 31

Eddie Langa (48)
Soweto
Years of service 5

Piet Lubbe (48)
Faerie Glen
Years of service 26

Moses Lushaba (41)
Steeledale
Years of service 22

Ravi Naidoo (42)
Durban
Years of service 23

Luis Nunes (44)
Ottery
Years of service 22

Folkers Oosthuizen (45)
Bloemfontein
Years of service 23

Gevase Pottier (38)
South Coast
Years of service 18

Jeff Ramoroto (48)
Northgate
Years of service 21

Abdullah Regal (42)
Brackenfell
Years of service 19

Devin Richter (37)
Boksburg
Years of service 18

Colin Sylvester (51)
Moffett Park
Years of service 37

Gamieda Tim (45)
Centurion
Years of service 6

Warren van der Vlies (41)
Greenstone
Years of service 16

Michael van Niekerk (41)
Klerksdorp
Years of service 21

Jacques van Rooyen (51)
Woodmead
Years of service 24

Supermarket general managers

Anil Gopichund (42)
Gauteng – Corporate
Years of service 24

Abdurahman Hamdulay (40)
Western Cape
Years of service 18

Ian Hughes (44)
Eastern Cape
Years of service 24

Luke Louw (53)
Northern Region
Years of service 29

Adrian Naude (40)
Gauteng
Years of service 13

Wim Theron (43)
KwaZulu-Natal
Years of service 13

Jarett van Vuuren (37)
Western Cape – Corporate
Years of service 18

Johan van Zyl (40)
Northern Region – Corporate
Years of service 19

Dirk Venter (57)
Free State
Years of service 30

Corporate general managers

Rowan Armstrong (47)
General Merchandise
Years of service 26

Peter Arnold (49)
Fresh Foods & Store Formats
Years of service 27

Cobus Barnard (46)
Supply Chain
Years of service 4

George Barry (53)
Franchise – KwaZulu-Natal
Years of service 20

Solly Bendrau (55)
General Merchandise
Years of service 33

Gigi Bisogno (55)
National Perishable Buyer/Foods, TV Advertising
Years of service 34

Anthony Brown (42)
Corporate Foods – Gauteng
Years of service 17

Angelo Clayton (36)
IS Business Partner
Length of service 3 months

Michael Coles (56)
Clothing
Years of service 16

Charl Cowley (39)
Group Risk and Assurance Services
Years of service 11

David Crewe (47)
Fresh Foods – Hypers
Years of service 23

Louis de Beer (54)
Bakeries
Years of service 32

Helen de Light (55)
Industrial Relations
Years of service 24

Stuart Duffield (53)
Shared Services Inland Region
Years of service 33

Matt Gillett (38)
GNFR
Years of service 1

Brian Gregson (51)
Operations – Gauteng
Years of service 23

Steven Hoban (42)
Smart Shopper
Years of service 3

Allan Hagglund (41)
IS Service Delivery
Length of service 3 months

Cindy Jenks (41)
Corporate Brands
Years of service 20

Izak Joubert (41)
Property
Years of service 18

Bob Keevers (54)
IS Business Partner
Years of service 15

Hennie Kruger (47)
Operations for Supply Chain
Years of service 1

Kobus Kuyler (52)
Safety and Security
Years of service 8

Gary Lea (45)
Group Finance
Years of service 14

Vaughn Linden (51)
Express Stores
Years of service 20

Ralene Livingstone (42)
Finance – Inland
Years of service 9

Craig Lodge (38)
Strategic Marketing
Years of service 3

John Lucas (57)
Group Receiving
Years of service 32

Warren Lupke (38)
Produce
Years of service 18

Warren Marsden (56)
Audio
Years of service 33

Nigel Money (40)
Pick n Pay on Nicol
Years of service 16

Rodney Mundell (54)
Procurement Manager, Goods Not For Resale (GNFR)
Years of service 29

Vincent Mazibuko (44)
Organisational Development
Years of service 22

Malcolm Mycroft (54)
Marketing
Years of service 33

Simone Parry (43)
Health and Beauty
Years of service 5

Kader Patel (50)
Marketing and Advertising – Inland
Years of service 28

Ponumbalan Rajah (44)
Store Planning
Years of service 3

David Ramsden (51)
Head of General Merchandise
Years of service 29

Hennie Roets (41)
General Merchandise
Years of service 21

Cedric Ross (52)
Hypermarkets – Foods
Years of service 28

Dave Rappoport (60)
Auto Centres
Years of service 40
Retired April 2011

Linda Saacks (55)
Training and Development
Years of service 31

Andre Siebrits (54)
Merchandise, floor and space planning
Years of service 33

Anton Smith (44)
Franchise
Years of service 14

Andrew Sutherland (40)
General Merchandise
Passed away April 2011
Years of service 19

Dalene van Aswegen (60)
Property
Years of service 30

Alan van den Berg (44)
Buying/National Foods – Inland
Years of service 24

Jacobus van Zyl (42)
Supply Chain Development and Planning
Years of service 4

Ursula Warner (46)
Business Applications
Years of service 10

Divisional directors continued

Lyndsay Webster-Rozon (40)
e-Tailing
Years of service 11

Kevin Wynne (52)
Human Resources
Years of service 30

Buyers

Brian Austin (39)
Senior Buyer – Inland
Years of service 16

Grant Barkhuizen (53)
Senior Buyer – Eastern Cape
Years of service 29

Roy Campbell (55)
General Merchandise
Years of service 34

Neil Cooke (53)
Corporate Brands
Years of service 31

Shane Green (44)
Senior Buyer – Western Cape
Years of service 28

Patrick Kgengwenyane (39)
Senior Buyer – Inland
Years of service 13

Des Moodley (56)
Senior Buyer – KwaZulu-Natal
Years of service 36

Naas van Poucke (53)
Western Cape – Distribution
Years of service 28

Administration

Jacque du Toit (37)
Finance – Corporate
Years of service 13

Graeme Gathmann (40)
Finance – Africa
Years of service 15

Scholtz Herbst (45)
Franchise – Northern Region
Years of service 18

Cindy Hoffmann (51)
Human Resources – Gauteng
Years of service 22

Mike Horney (43)
Human Resources – Hypermarkets
Years of service 8

Christine Janse van Rensburg (52)
National Human Resources
Years of service 22

Louw Janse van Vuuren (47)
Franchise
Years of service 29

Loretta Kelly (56)
Finance – Corporate
Years of service 40

Karyn Leibbrandt (51)
Finance – KwaZulu-Natal
Years of service 26

Jacque Lombard (41)
Franchise – Western Cape
Years of service 17

Jonathan MacMillan (41)
Finance – Western Cape
Years of service 19

Morag Magnussen (61)
Employee Benefits
Years of service 16

Beverley Marks (54)
SAP
Years of service 23

Chris Mawhinney (36)
Franchise – Gauteng
Years of service 11

Yacoob Mola (56)
Human Resources
Years of service 22

Winny Smit (35)
Property
Years of service 8

Petrus Steyn (41)
Finance – Franchise
Years of service 16

Richard Taylor (44)
Operations – Gauteng
Years of service 11

Nkare Thelejane (50)
Property and Store Development
Years of service 11

Michael Twala (41)
Industrial Relations
Years of service 13

Mohammed Vally (57)
Finance – Inland
Years of service 38

Vaughan Veale (57)
Franchise
Years of service 29

Butcheries Operational directors

Ian Crook (53)
General Manager
Years of service 29

Tracey Wellington (44)
Finance
Years of service 18

Butcheries general managers

Peter Elliot (56)
Northern Region
Years of service 35

Zoran Endekovski (45)
Gauteng
Years of service 16

Donavan Hayes (48)
Western Cape
Years of service 28

Peter Jacobs (53)
Eastern Cape
Years of service 30

Haidee (Nomandlenkosi) Mofokeng (41)
Senior HR Manager
Years of service 9

George van Diggelen (46)
KwaZulu-Natal
Years of service 11

Mandy van Zyl (38)
Fish Service Areas
Years of service 20

Boxer Superstores

Non-executive directors

Gareth Ackerman (52)
Non-executive Chairman
Appointed 1 March 2010

Nick Badminton (49)
CEO
Years of service 32

Dennis Cope (60)
CFO
Years of service 33
Retired April 2011

Bakar Jakoet (55)
CFO
Years of service 26
Appointed April 2011

Dallas Langman (41)
Group Enterprises
Years of service 21

Isaac Motaung (56)
Group Human Resources
Years of service 35

Executive directors

Eugene Stoop (56)
Managing Director
Years of service 19

Ian Bamber (43)
Human Resources
Years of service 15

Rod Bell (58)
Operations
Years of service 28

Iain Bromage (39)
Merchandise
Years of service 6

Marek Masojada (45)
Finance
Years of service 17

Andrew Mills (37)
Marketing
Years of service 15

Zama Tshabalala (57)
Corporate and Consumer Communications
Years of service 13

TM Supermarkets

Non-executive directors

Dallas Langman (41)
Group Enterprises
Years of service 21

Executive directors

Bisset Chimhini (49)
Managing Director
Years of service 9

Vongai Chiwaridzo (50)
Finance
Years of service 1

Pick n Pay Namibia

Executive director

Stuart Ives (43)
General Manager
Years of service 1

Pick n Pay Zambia

Executive director

Andy Roberts (47)
General Manager
Years of service 1

Franklins Australia management board

Gareth Ackerman (52)
Non-executive Chairman
Appointed 1 March 2010

Dennis Cope (60)
CFO
Retired April 2011

Bakar Jakoet (55)
CFO
Years of service 26
Appointed April 2011

Roni Perlov (48)
Acting Managing Director
Years of service 12

Franklins Australia general managers

Graham Gardener (55)
Property
Years of service 9

Stan Srage (46)
Merchandise
Years of service 21

Notice of annual general meeting
Pick n Pay Stores Limited

The 43rd annual general meeting ("annual general meeting") of shareholders of Pick n Pay Stores Limited ("the Company") for the year ended 28 February 2011 will be held at 09h00 on Friday, 10 June 2011. To ensure that registration procedures are completed by 09h00, please register for the annual general meeting from 08h30.

The venue for the annual general meeting will be the registered office of the Company, situated at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town.

ELECTRONIC PARTICIPATION IN THE ANNUAL GENERAL MEETING

Please note that the Company intends to make provision for shareholders of the Company, or their proxies, to participate in the annual general meeting by way of electronic communication. In this regard, the Company intends making video-conferencing facilities available at the following two locations –

- The Conference Centre at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town (which is the location for the annual general meeting); and
- The Conference Centre at Pick n Pay Office Park, 2 Allum Road, Kensington, Johannesburg.

Should you wish to participate in the annual general meeting by way of electronic communication as aforesaid, you, or your proxy, will be required to attend at either of the above-mentioned locations on the date of the annual general meeting. Both of the above-mentioned locations will be linked to each other by means of a real-time video feed on the date of, and from the time of commencement of, the annual general meeting. The real-time video feed will enable all persons to participate electronically in the annual general meeting in this manner and to communicate concurrently with each other without an intermediary, and to participate reasonably effectively in the annual general meeting.

Please note that the cost of the video conferencing facilities described will be for the account of the Company.

The Board of directors of the Company has determined that the record date for the purpose of determining which shareholders of the Company are entitled to receive notice of the 43rd annual general meeting was Friday, 13 May 2011 and the record date for purposes of determining which shareholders of the Company are entitled to participate in and vote at the annual general meeting is 27 May 2011. Accordingly, only shareholders who are registered in the register of members of the Company on 27 May 2011 will be entitled to participate in and vote at the annual general meeting.

Until the Companies Act, No. 71 of 2008, as amended ("the 2008 Companies Act"), came into effect on 1 May 2011, the Memorandum of Incorporation ("MOI") of the Company comprised its Memorandum of Association and its Articles of Association. On the date that the 2008 Companies Act came into effect, the Memorandum of Association and Articles of Association of the Company automatically converted into the Company's MOI. Accordingly, for consistency of reference in this notice of annual general meeting, the term "MOI" or "Memorandum of Incorporation" is used throughout to refer to the Company's Memorandum of Incorporation (which previously comprised the Company's Memorandum of Association and its Articles of Association, as aforesaid).

All references in this notice of annual general meeting (including all of the ordinary and special resolutions contained herein) to the Company's MOI refer to provisions of that portion of the Company's MOI that was previously called the Company's Articles of Association. For the avoidance of doubt, please note that all of the resolutions contained in this notice of annual general meeting which deal with amendments to the Company's MOI refer to amendments to that portion of the Company's MOI that was previously called the Company's Articles of Association.

The purpose of the annual general meeting is for the following business to be transacted and for the following special and ordinary resolutions to be proposed:

1. ORDINARY RESOLUTION NUMBER 1

Approval of annual financial statements

In terms of item 2(7) of Schedule 5 of the 2008 Companies Act read with section 286 of the Companies Act, No 61 of 1973, as amended, the annual financial statements of the Company and its subsidiaries for the year ended 28 February 2011 are hereby adopted.

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution.

2. ORDINARY RESOLUTION NUMBER 2

Appointment of auditors

"RESOLVED AS AN ORDINARY RESOLUTION that KPMG Inc. are hereby reappointed as the auditors of the Company, and Mr P Farrand is hereby reappointed as the designated auditor to hold office for the ensuing year."

Note that the Audit committee have recommended the reappointment of KPMG Inc. as auditors of the Company with Mr P Farrand as designated auditor.

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution.

3. ORDINARY RESOLUTION NUMBER 3

Reappointment and appointment of directors

HS Herman retires in accordance with the Company's MOI and, being eligible, offers himself for re-election. His curriculum vitae is presented on page 15.

LWC Phalatse, AM Mathole and A Jakoet have been appointed by the Board of directors of the Company to the Board and are nominated for election by shareholders as directors of the Company. Curricula vitae of these directors are presented on pages 14 and 15.

Accordingly, shareholders are requested to consider and, if deemed fit, to re-elect Hugh Herman and to confirm the appointment of those directors appointed by the Board of directors of the Company by way of passing the separate ordinary resolutions set out below:

Ordinary resolution number 3.1

Appointment of Hugh Herman as director

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

Ordinary resolution 3.2

Appointment of Lorato Phalatse as director

"Resolved that LWC Phalatse be and is hereby elected as a director of the Company."

Ordinary resolution 3.3

Appointment of Alex Mathole as director

"Resolved that AM Mathole be and is hereby elected as a director of the Company."

Ordinary resolution 3.4

Appointment of Aboubakar Jakoet as director

"Resolved that A Jakoet be and is hereby elected as a director of the Company."

The minimum percentage of voting rights that is required for each of resolutions 3.1 to 3.4 to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on each resolution.

4. ORDINARY RESOLUTION NUMBER 4

Appointment of Audit committee members for the year ending 28 February 2012.

"RESOLVED AS AN ORDINARY RESOLUTION that J van Rooyen (Chairman), HS Herman, BJ van der Ross, RSJ van Rensburg and AM Mathole be appointed as the Company's Audit committee members for the year ending 28 February 2012."

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution.

5. ORDINARY RESOLUTION NUMBER 5

Remuneration report for the year ended 28 February 2011

The directors table the remuneration report for the year ended 28 February 2011, as set out in the annual financial statements accompanying this notice of annual general meeting.

As a non-binding advisory vote, "it is hereby resolved that the remuneration report is approved."

As this is not a matter that is required to be resolved or approved by shareholders, no minimum voting threshold is required. Nevertheless, for record purposes, the minimum percentage of voting rights that is required for this resolution to be adopted as a non-binding advisory vote is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution.

6. SPECIAL RESOLUTION NUMBER 1

Directors' fees for the year ending 28 February 2012

"RESOLVED AS A SPECIAL RESOLUTION that the directors' fees, to be paid to the directors in their capacity as directors only, for the year ending 28 February 2012 be as follows:

- Executive directors, unchanged at R1 500.
- Chairman, unchanged at R3 000 000.
- Lead non-executive director, unchanged at R95 000.
- Non-executive directors, unchanged at R280 000.
- Chairman of the Audit committee, unchanged at R235 000.
- Chairman of the Remuneration committee, unchanged at R120 000.
- Member of the Audit committee, unchanged at R95 000.
- Member of the Remuneration committee, unchanged at R60 000.
- Member of the Nominations committee, unchanged at R53 000."

The reason for this special resolution is to obtain shareholder approval for the remuneration of each of the directors of the Company for the year ending 28 February 2012 in accordance with section 66(9) of the 2008 Companies Act. The passing of this special resolution will have the effect of approving the remuneration of each of the directors of the Company for the year ending 28 February 2012 in accordance with section 66(9) of the 2008 Companies Act.

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy-five percent) of the voting rights to be cast on the resolution.

7. SPECIAL RESOLUTION NUMBER 2

Amendment to the Memorandum of Incorporation of the Company

The Board of directors of the Company believes that an amendment to the MOI of the Company is required for commercial reasons, so as to remove the existing limitation on the Company's borrowing powers.

"RESOLVED AS A SPECIAL RESOLUTION that the Memorandum of Incorporation of the Company be and is hereby amended by the deletion of the existing article 101 and the replacement thereof with the following new article 101:

101 (a) The Directors may exercise all the powers of the Company to borrow money and to mortgage or encumber its undertaking and property or any part thereof and to issue debentures or debenture stock (whether secured or unsecured and whether they are called bonds, notes or debentures or are otherwise described) and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

(b) For the purpose of the provisions of article 101(a) the borrowing powers of the Company shall be unlimited, provided that the total amount owing by the Company in respect of monies so borrowed shall not exceed the amount authorised by Pick n Pay Holdings Limited/the Company's listed holding company from time to time."

The borrowing powers of the Company are limited by the current article 101(a) of the Company's MOI and by the MOI of the Company's listed holding company, Pick n Pay Holdings Limited. The reason for this special resolution is to amend the MOI of the Company to remove the existing limitation on the directors' rights to exercise the borrowing powers of the Company. It should be noted that the existing limitation on the Company's borrowing powers is unusually restrictive. The passing and filing of this special resolution will have the effect of amending the MOI of the Company to remove the limitation on the directors' rights to exercise the borrowing powers of the Company as set out in the terms of the special resolution. The passing of this special resolution is not intended to be and is not a harmonisation of any part of the Company's MOI in accordance with the 2008 Companies Act, whether in terms of item 4(2)(a) of Schedule 5 of the 2008 Companies Act or otherwise and this special resolution is being proposed for commercial reasons only, to facilitate the Company being able to borrow money or issue debt instruments as and when the need arises. In this regard, the primary reason for the passing and filing of this special resolution now is to amend the MOI of the Company to enable the Company to implement and utilise the R2 billion Domestic Medium Term Note Programme that was listed on the JSE Securities Exchange on 11 March 2011 in terms of a Programme Memorandum dated 10 March 2011 ("the Note Programme"). The Company wishes to implement and utilise the Note Programme in order to raise finance on an ongoing basis It should be noted that the issuance of debt securities by a company, as the Company will do in terms of the Note

Programme, is usual commercial practice. The directors, in the exercise of their duties, will only utilise those of their borrowing powers as are required to meet the needs of the Company. It should be noted that, because the MOI of Pick n Pay Holdings Limited has a similar restriction on its borrowing powers and on those of its subsidiaries, the amendment of the Company's MOI, as set out in this special resolution, will only be of any real effect if at the annual general meeting of the shareholders of Pick n Pay Holdings Limited to be held on the same date as the Company's annual general meeting, a special resolution is passed so as to remove the current limitation on borrowing powers contained in the MOI of Pick n Pay Holdings Limited. Pick n Pay Holdings Limited has not, as at the date of this notice of annual general meeting, imposed a limit on the total borrowings of the Company, should this special resolution be passed and should the special resolution to be proposed in this regard at the annual general meeting of Pick n Pay Holdings Limited also be passed. Assuming the passing of the necessary special resolutions at the relevant annual general meetings, Pick n Pay Holdings Limited will be entitled to impose, raise or lower a limit on the total borrowings of the Company at any time and from time to time.

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy-five percent) of the voting rights to be cast on the resolution.

8. SPECIAL RESOLUTION NUMBER 3

General approval to repurchase Company shares

"RESOLVED AS A SPECIAL RESOLUTION that the Company hereby approves, as a general approval, the acquisition by the Company or any of its subsidiaries from time to time of the issued shares of the Company or its holding company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the Memorandum of Incorporation of the Company, the provisions of the Companies Act, No 71 of 2008, as amended, and the JSE Limited ("JSE") Listings Requirements ("JSE Listings Requirements") as presently constituted and which may be amended from time to time, and provided that acquisitions by the Company and its subsidiaries of shares in the capital of the Company or its holding company may not, in the aggregate, exceed in any one financial year 5% (five percent) of the Company's issued share capital of the class of repurchased shares from the date of the grant of this general approval.

Additional requirements imposed by the JSE Listings Requirements

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

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 or its subsidiaries and the counterparty or in any other manner approved by the JSE;

b. the general approval shall only be valid until the Company's next annual general meeting, or for 15 (fifteen) months from the date of passing of this special resolution, whichever period is shorter;

c. a paid press announcement will be published as soon as the Company and/or its subsidiaries has/have acquired shares in terms of this authority constituting, on a cumulative basis, 3% (three percent) of the number of shares of the class of shares acquired in issue at the time of granting of this general approval and for each 3% (three percent) in aggregate of the initial number of that class of shares acquired thereafter, which announcement shall contain full details of such acquisitions as required by paragraph 11.27 of the JSE Listings Requirements;

d. in determining the price at which shares are acquired by the Company or its subsidiaries in terms of this general approval, the maximum price at which such shares may be acquired may not be greater than 10% (ten percent) above the weighted average of the market value at which such shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date of the acquisition of such shares by the Company or its subsidiaries;

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 paragraph 5.84(a) of the JSE Listings Requirements;

f. a resolution by the Board of directors of the Company that they authorised the repurchase, that the Company passed the solvency and liquidity test and that since the test was done there have been no material changes to the financial position of the Group; and

g. the Company and/or its subsidiaries may not repurchase any shares in terms of this authority during a prohibited period, as defined in the JSE Listings Requirements, unless there is in place a repurchase programme where dates and quantities of shares to be traded during the prohibited period are fixed and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period.

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 or its holding company if at some future date the cash resources of the Company are in excess of its requirements or there are other good grounds for doing so. In this regard the directors will take account of, *inter alia*, an appropriate capitalisation structure for the Company, the long-term cash needs of the Company and the interests of the Company;

b. in determining the method by which the Company intends to repurchase its securities or the securities of its holding company, the maximum number of securities to be repurchased and the 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 purposes of the Company and its subsidiaries for the 12 (twelve) month period following the date of this notice of the annual general meeting.

Reason for and effect of special resolution number 3

The reason for special resolution number 3 is to grant the Company a general authority in terms of the JSE Listings Requirements for the acquisition by the Company or any of its subsidiaries of shares issued by the Company or its holding company, which authority shall be valid until the earlier of the next annual general meeting of the Company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the Company, provided that the general authority shall only be valid until the Company's next annual general meeting, or for 15 (fifteen) months from the date of passing of this special resolution, whichever period is shorter. The passing and filing of this special resolution will have the effect of authorising the Company or any of its subsidiaries to acquire shares issued by the Company or its holding company.

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy-five percent) of the voting rights to be cast on the resolution.

9. ORDINARY RESOLUTION NUMBER 6

General authority over unissued shares

"RESOLVED AS AN ORDINARY RESOLUTION that 24 (twenty-four) million, being 5% (five percent) 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) be and are hereby placed under the control of the directors until the next annual general meeting, subject to the provisions of 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."

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.

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution.

10. ORDINARY RESOLUTION NUMBER 7

General authority to issue shares or other equities for cash

"RESOLVED AS AN ORDINARY RESOLUTION that 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, No. 71 of 2008, as amended, the Memorandum of Incorporation 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 requirements imposed 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 or for 15 (fifteen) months from the date of passing of this ordinary resolution, whichever period is shorter;

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 (thirty) days prior to the date that the price of the issue was agreed in writing between the Company and party/ies subscribing for such shares 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) of the number of shares in issue prior to that issue;

d. that issues in the aggregate in any 1 (one) financial year may not exceed 5% (five 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 agreed to between the Company and the party/ies subscribing for the shares; and

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

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy-five percent) of the voting rights to be cast on the resolution.

11. ORDINARY RESOLUTION NUMBER 8

Amendments to the trust deed of the Pick n Pay 1997 Share Option Scheme

"RESOLVED AS AN ORDINARY RESOLUTION that the trust deed in respect of the "Pick n Pay 1997 Share Option Scheme" ("the Scheme") is amended in order to eliminate any discount to the exercise price of options over shares to be granted in respect of the Scheme to participants in the Scheme and to align the terms of the Scheme with the Listings Requirements of the JSE insofar as concerns the number of shares of the Company which are subject to the Scheme and which may be acquired in terms of the Scheme and other ancillary matters required by Schedule 14 of the Listings Requirements of the JSE."

A copy of the proposed deed of amendment to the trust deed of the Scheme is available for inspection during normal business hours at the registered office of the Company, situated at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708.

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy-five percent) of the voting rights to be cast on the resolution.

12. ORDINARY RESOLUTION NUMBER 9

Directors' authority to implement special and ordinary resolutions

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

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution.

13. TO TRANSACT SUCH OTHER BUSINESS THAT MAY BE TRANSACTED AT AN ANNUAL GENERAL MEETING.

General instructions and information

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

> the directors of the Company on pages 14 to 15;
> the major shareholders of the Company on page 44;
> the directors' shareholding in the Company on page 68;
> the share capital of the Company in note 19 on page 81; and
> an analysis of the shareholders (including an analysis of the beneficial shareholders) on page 44.

There are no material changes to the Group's financial or trading position, other than the litigation proceedings in Australia with the ACCC (as set out in more detail in the Directors' report on page 49), nor are there any material, legal or arbitration proceedings (pending or threatened) that may affect the financial position of the Group between 28 February 2011 and 29 April 2011.

The directors, whose names are given on pages 14 to 15 of the integrated annual report, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted 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.

ENTITLEMENT TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IN PERSON OR BY PROXY

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

> you may attend and vote at the annual general meeting; alternatively
> you may appoint an individual as a proxy, (who need not also be a shareholder of the Company) to attend, participate in and speak and vote in your place at the annual general meeting by completing the attached form of proxy and returning it to the registered office of the Company or to the transfer secretaries, Computershare Investor Services (Proprietary) Limited, the details of which are set out on page 45 of the annual report, by no later than 09h00 on Wednesday, 8 June 2011, being 48 (forty-eight) hours prior to the time appointed for the holding of the annual general meeting. Please note that your proxy may delegate his/her authority to act on your behalf to another person, subject to the restrictions set out in the attached form of proxy. Please also note that the attached form of proxy must be delivered to the registered office of the Company or to the transfer secretaries, Computershare Investor Services (Proprietary) Limited as aforesaid, before your proxy may exercise any of your rights as a shareholder at the annual general meeting.

Please note that any shareholder of the Company that is a company may authorise any person to act as its representative at the annual general meeting. Please also note that section 63(1) of the 2008 Companies Act, requires that persons wishing to participate in the annual general meeting (including the aforementioned representative) provide satisfactory identification before they may so participate.

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

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

- if you wish to attend the annual general meeting you must contact your CSDP or broker, as the case may be, and obtain the relevant letter of representation from it; alternatively
- if you are unable to attend the annual general meeting but wish to be represented at the meeting, you must contact your CSDP or broker, 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 45 of the annual report, by no later than 09h00 on Wednesday, 8 June 2011, being 48 (forty-eight) hours prior to the time appointed for the holding of the annual general meeting.

Shareholders of the Company who wish to participate in the annual general meeting should note that any shareholder of the Company that is a company may authorise any person to act as its representative at the annual general meeting. Please also note that section 63(1) of the 2008 Companies Act, requires that person wishing to participate in the annual general meeting (including the aforementioned representative) must provide satisfactory identification before they may so participate.

By order of the Board

D. Muller

D Muller

Company Secretary

Cape Town

29 April 2011

Notice of annual general meeting
Pick n Pay Holdings Limited

The 30th annual general meeting ("annual general meeting") of shareholders of Pick n Pay Holdings Limited ("the Company") for the year ended 28 February 2011 will be held at 10h00, or as soon as the annual general meeting for Pick n Pay Stores Limited is completed, on Friday, 10 June 2011. Registration for attendance at the annual general meeting will commence at 08h30.

The venue for the annual general meeting will be the registered office of the Company, situated at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town.

ELECTRONIC PARTICIPATION IN THE ANNUAL GENERAL MEETING

Please note that the Company intends to make provision for shareholders of the Company, or their proxies, to participate in the annual general meeting by way of electronic communication. In this regard, the Company intends making video-conferencing facilities available at the following two locations –

> The Conference Centre at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town (which is the location for the annual general meeting); and
> The Conference Centre at Pick n Pay Office Park, 2 Allum Road, Kensington, Johannesburg.

Should you wish to participate in the annual general meeting by way of electronic communication as aforesaid, you, or your proxy, will be required to attend at either of the above-mentioned locations on the date of the annual general meeting. Both of the above-mentioned locations will be linked to each other by means of a real-time video feed on the date of, and from the time of commencement of, the annual general meeting. The real-time video feed will enable all persons to participate electronically in the annual general meeting in this manner and to communicate concurrently with each other without an intermediary, and to participate reasonably effectively in the annual general meeting.

Please note that the cost of the video conferencing facilities described will be for the account of the Company.

The Board of directors of the Company has determined that the record date for the purpose of determining which shareholders of the Company are entitled to receive notice of the 30th annual general meeting was Friday, 13 May 2011 and the record date for purposes of determining which shareholders of the Company are entitled to participate in and vote at the annual general meeting is 27 May 2011. Accordingly, only shareholders who are registered in the register of members of the Company on 27 May 2011 will be entitled to participate in and vote at the annual general meeting.

Until the Companies Act, No. 71 of 2008, as amended ("the 2008 Companies Act"), came into effect on 1 May 2011, the Memorandum of Incorporation ("MOI") of the Company comprised its Memorandum of Association and its Articles of Association. On the date that the 2008 Companies Act came into effect, the Memorandum of Association and Articles of Association of the Company automatically converted into the Company's MOI. Accordingly, for consistency of reference in this notice of annual general meeting, the term "MOI" or "Memorandum of Incorporation" is used throughout to refer to the Company's Memorandum of Incorporation (which previously comprised the Company's Memorandum of Association and its Articles of Association, as aforesaid).

All references in this notice of annual general meeting (including all of the ordinary and special resolutions contained herein) to the Company's MOI refer to provisions of that portion of the Company's MOI that was previously called the Company's Articles of Association.

The purpose of the annual general meeting is for the following business to be transacted and for the following special and ordinary resolutions to be proposed:

1. ORDINARY RESOLUTION NUMBER 1

Approval of annual financial statements

In terms of item 2(7) of Schedule 5 of the 2008 Companies Act read with section 286 of the Companies Act, No 61 of 1973, as amended, the annual financial statements of the Company and its subsidiaries for the year ended 28 February 2011, are hereby adopted.

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution.

2. ORDINARY RESOLUTION NUMBER 2

Appointment of auditors

"RESOLVED AS AN ORDINARY RESOLUTION that KPMG Inc. are hereby reappointed as the auditors of the Company, and Mr P Farrand is hereby reappointed as the designated auditor to hold office for the ensuing year."

Note that the Audit committee have recommended the reappointment of KPMG Inc. as auditors of the Company with Mr P Farrand as designated auditor.

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution.

3. ORDINARY RESOLUTION NUMBER 3

Reappointment and appointment of directors

W Ackerman and RP de Wet retire in accordance with the Company's MOI, and, being eligible, offer themselves for re-election. Curricula vitae of those directors standing for re-election are presented on page 15.

J van Rooyen has been appointed by the Board of directors of the Company to the Board of directors of the Company and is nominated for election by shareholders as a director of the Company. His curriculum vitae is presented on page 15.

Accordingly, to consider and, if deemed fit, to re-elect/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 Mrs W Ackerman be and is hereby elected as a director of the Company."

Ordinary resolution number 3.2

Appointment of Rene de Wet as director

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

Ordinary resolution number 3.3

Appointment of Jeff Van Rooyen as director

"Resolved that J van Rooyen be and is hereby elected as a director of the Company."

The minimum percentage of voting rights that is required for each of resolutions 3.1 to 3.3 to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on each resolution.

4. ORDINARY RESOLUTION NUMBER 4

Appointment of Audit committee members for the year ending 28 February 2012.

"RESOLVED AS AN ORDINARY RESOLUTION that RP de Wet (Chairman), HS Herman and J van Rooyen be appointed as the Company's Audit committee members for the year ending 28 February 2012."

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution.

5. SPECIAL RESOLUTION NUMBER 1

Directors' fees for the year ending 28 February 2012

"RESOLVED AS A SPECIAL RESOLUTION that the directors' fees, to be paid to the directors in their capacity as directors only, for the year ending 28 February 2012, be as follows:

- Non-executive directors not serving on the Pick n Pay Stores Limited Board, if any, be unchanged at R53 000 per annum."

The reason for this special resolution is to obtain shareholder approval for the remuneration of each of the directors of the Company for the year ending 28 February 2012 in accordance with section 66(9) of the 2008 Companies Act. The passing of this special resolution will have the effect of approving the remuneration of each of the directors of the Company for the year ending 28 February 2012 in accordance with section 66(9) of the 2008 Companies Act.

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy-five) of the voting rights to be cast on the resolution.

6. SPECIAL RESOLUTION NUMBER 2

General approval to repurchase Company shares

"RESOLVED AS A SPECIAL RESOLUTION that the Company hereby approves, as a general approval, the acquisition by the Company or any of its subsidiaries from time to time of the issued shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the Memorandum of Incorporation of the Company, the provisions of the Companies Act, No. 71 of 2008, as amended, 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 requirements imposed by the JSE Listings Requirements

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

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 or its subsidiaries 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 or for 15 (fifteen) months from the date of passing of this special resolution, whichever period is shorter;

c. a paid press announcement will be published as soon as the Company and/or its subsidiaries has/have acquired shares in terms of this authority constituting, on a cumulative basis, 3% (three percent) of the number of shares of the class of shares acquired in issue at the time of granting of this general approval and for each 3% (three percent) in aggregate of the initial number of that class of shares acquired thereafter, which announcement shall contain full details of such acquisitions as required by paragraph 11.27 of the JSE Listings Requirements;

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 5 (five) business days immediately preceding the date of the acquisition of such shares by the Company or its subsidiaries;

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 paragraph 5.84(a) of the JSE Listings Requirements;

f. a resolution by the Board of directors of the Company that they authorised the repurchase, that the Company passed the solvency and liquidity test and that since the test was done there have been no material changes to the financial position of the Group; and

g. the Company and/or its subsidiaries may not repurchase any shares in terms of this authority during a prohibited period, as defined in the JSE Listings Requirements, unless the Company and/or its subsidiaries has in place a repurchase programme, where dates and quantities of shares to be traded during the prohibited period are fixed and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period.

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 2

The reason for special resolution number 2 is to grant the Company a general authority in terms of the JSE Listings Requirements for the acquisition by the Company or any of its subsidiaries of shares issued by the Company, which authority shall be valid until the earlier of the next annual general meeting of the Company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the Company, provided that the general authority shall only be valid until the Company's next annual general meeting, or for 15 (fifteen) months from the date of passing of this special resolution, whichever period is shorter. The passing and and filing 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.

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy-five percent) of the voting rights to be cast on the resolution.

7. ORDINARY RESOLUTION NUMBER 5

General authority over unissued shares

"Resolved that 26.4 (twenty-six point four) million, being 5% (five percent) 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) be and are hereby placed under the control of the directors until the next annual general meeting, subject to the provisions of 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."

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.

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution.

8. ORDINARY RESOLUTION NUMBER 6

General authority to issue shares or other equities for cash

"RESOLVED AS AN ORDINARY RESOLUTION that 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, No. 71 of 2008, as amended, the Memorandum of Incorporation 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 requirements imposed 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 or for 15 (fifteen) months from the date of passing of this ordinary resolution, whichever period is shorter;

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 agreed in writing between the Company and party/ies subscribing for such shares and the 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 that issue in accordance with the JSE Listings Requirements;

d. that issues in the aggregate in any 1 (one) financial year may not exceed 5% (five 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 agreed to between the Company and the party/ies subscribing for the shares; and

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

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy-five percent) of the voting rights to be cast on the resolution.

9. ORDINARY RESOLUTION NUMBER 7

Amendments to the trust deed of the Pick n Pay 1997 Share Option Scheme

"RESOLVED AS AN ORDINARY RESOLUTION that the trust deed in respect of the "Pick n Pay 1997 Share Option Scheme" ("the Scheme") is amended in order to eliminate any discount to the exercise price of options over shares to be granted in respect of the Scheme to participants in the Scheme and to align the terms of the Scheme with the Listings Requirements of the JSE insofar as concerns the number of shares of the Company which are subject to the Scheme and which may be acquired in terms of the Scheme and other ancillary matters required by Schedule 14 of the Listings Requirements of the JSE."

A copy of the proposed deed of amendment to the trust deed of the Scheme is available for inspection during normal business hours at the registered office of the Company, situated at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town,7708.

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy-five percent) of the voting rights to be cast on the resolution.

10. ORDINARY RESOLUTION NUMBER 8

Directors' authority to implement special and ordinary resolutions

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

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution.

11. SPECIAL RESOLUTION NUMBER 3

Amendment to the MOI of the Company

The board of directors of the Company believes that an amendment to the MOI of the Company is required for commercial reasons, so as to remove the existing limitation on the borrowing powers of the Company and its subsidiaries.

"RESOLVED AS A SPECIAL RESOLUTION that the Memorandum of Incorporation of the Company be and is hereby amended by the deletion of the existing article 45(2) and the replacement thereof with the following new article 45(2):

45(2) The directors shall procure (but as regards subsidiary companies of the Company, only insofar as, by the exercise of voting and other rights or powers of control exercisable by the Company, they are able to procure same) that the aggregate principal amount at any one time outstanding in respect of monies borrowed or raised by the Company and all its subsidiary companies for the time being (excluding monies borrowed or raised by any of such companies from any other of such companies) shall not exceed the limit on the total borrowings of the company and its subsidiaries imposed by resolution of the directors at any time and from time to time. The directors, by resolution, shall if they have at any time imposed a limit on such total borrowings, be entitled to raise or lower such limit on the total future borrowings of the Company and its subsidiaries at any time and from time to time."

The borrowing powers of the Company and its subsidiaries are limited by the current article 45(2) of the Company's MOI. The reason for this special resolution is to amend the MOI of the Company to remove the existing limitation on the directors' rights to exercise the borrowing powers of the Company and its subsidiaries. It should be noted that the existing limitation on the Company's borrowing powers and those of its subsidiaries is unusually restrictive. The passing and filing of this special resolution will have the effect of amending the MOI of the Company to remove the limitation on the directors' rights to exercise the borrowing powers of the Company and its subsidiaries as set out in the terms of the special resolution. The passing of this special resolution is not intended to be and is not a harmonisation of any part of the Company's MOI in accordance with the 2008 Companies Act, whether in terms of item 4(2)(a) of Schedule 5 of the 2008 Companies Act or otherwise and this special resolution is being proposed for commercial reasons only, to facilitate the Company and its subsidiaries being able to borrow money or issue debt instruments as and when the need arises. In this regard, the primary reason for the passing and filing of this special resolution now is to amend the MOI of the Company to enable the Company's subsidiary, Pick n Pay Stores Limited ("Stores") to implement and utilise the R2 billion Domestic Medium Term Note Programme that was listed on the JSE Securities Exchange on 11 March 2011 in terms of a Programme Memorandum dated 10 March 2011 ("the Note Programme"). Stores wishes to implement and utilise the Note Programme in order to raise finance on an ongoing basis and the Company is in favour of this Note Programme. It should be noted that the issuance of debt securities by a company, as will be done in terms of the Note Programme, is usual commercial practice. The directors of Stores, in the exercise of their duties, will only utilise those of their borrowing powers as are required to meet the needs of Stores. The board of directors of the Company has not, as at the date of this notice of annual general meeting, imposed a limit on the total borrowings of Stores or the other subsidiaries of the Company, should this special resolution be passed. If this special resolution is passed, the board of directors of the Company will be entitled to impose, raise or lower a limit on the total borrowings of the Company and its subsidiaries at any time and from time to time. In order for the amendment of the Company's MOI as set out in this special resolution to be of any real effect in the case of Pick n Pay Stores Limited, a similar special resolution is required to be passed at the annual general meeting of the shareholders of Pick n Pay Stores Limited to be held on the same date as the Company's annual general meeting, removing the current limitation on borrowing powers contained in the MOI of Pick n Pay Stores Limited.

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy-five percent) of the voting rights to be cast on the resolution.

12. TO TRANSACT SUCH OTHER BUSINESS THAT MAY BE TRANSACTED AT AN ANNUAL GENERAL MEETING

General instructions and information

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

> the directors and managers of the Company on page 15;
> the major shareholders of the Company on page 44;
> the directors' shareholding in the Company on page 109;
> the share capital of the Company in note 7 on page 112; and
> an analysis of the shareholders (including an analysis of the beneficial shareholders) on page 44.

There are no material changes to the Group's financial or trading position, other than the litigation proceedings in Australia with the ACCC (as set out in more detail in the Directors' report on page 103), nor are there any material, legal or arbitration proceedings (pending or threatened) that may affect the financial position of the Group between 28 February 2011 and 29 April 2011.

The directors, whose names are given on page 15 of the integrated annual report, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted 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.

ENTITLEMENT TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IN PERSON OR BY PROXY

If you hold certificated shares (i.e. have not dematerialised your shares in the Company) or are registered as an own name dematerialised shareholder (i.e. have specifically instructed your

Central Securities Depository Participant ("CSDP") to hold your shares in your own name on the Company's subregister) then:

- you may attend and vote at the annual general meeting; alternatively
- you may appoint a proxy (who need not also be a shareholder of the Company) to attend, participate in and speak and vote in your place at the annual general meeting by completing the attached form of proxy and returning it to the registered office of the Company or to the transfer secretaries, Computershare Investor Services (Proprietary) Limited, the details of which are set out on page 45 of the integrated annual report, by no later than 10h00 on Wednesday, 8 June 2011 being 48 (forty-eight) hours prior to the time appointed for the holding of the annual general meeting. Please note that your proxy may delegate his/her authority to act on your behalf to another person, subject to the restrictions set out in the attached form of proxy. Please also note that the attached form of proxy must be delivered to the registered office of the Company or to the transfer secretaries, Computershare Investor Services (Proprietary) Limited as aforesaid, before your proxy may exercise any of your rights as a shareholder at the annual general meeting.

Please note that any shareholder of the Company that is a company may authorise any person to act as its representative at the annual general meeting. Please also note that section 63(1) of the 2008 Companies Act, requires that persons wishing to participate in the annual general meeting (including the aforementioned representative) provide satisfactory identification before they may so participate.

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

Accordingly, in these circumstances, subject to the mandate between yourself and your CSDP or broker (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 45 of the integrated annual report, by no later than 10h00 on Wednesday, 8 June 2011, being 48 (forty-eight) hours prior to the time appointed for the holding of the annual general meeting.

Shareholders of the Company that wish to participate in the annual general meeting should note that any shareholder of the Company that is a company may authorise any person to act as its representative at the annual general meeting. Please also note that section 63(1) of the 2008 Companies Act, requires that person wishing to participate in the annual general meeting (including the aforementioned representative) must provide satisfactory identification before they may so participate.

By order of the Board

D. Muller

D Muller

Company Secretary

Cape Town

29 April 2011

Form of proxy
Pick n Pay Stores Limited

For use at the annual general meeting of Pick n Pay Stores Limited ("the Company") to be held at the registered office of the Company, situated at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town at 09h00 on Friday, 10 June 2011 (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 a proxy (who need not also be a shareholder of the Company) to attend, participate in and speak and vote in place of that shareholder at the annual general meeting, and at any adjournment thereafter.

Please note the following:

- the appointment of your proxy may be suspended at any time to the extent that you choose to act directly and in person in the exercise of your rights as a shareholder at the annual general meeting;
- the appointment of the proxy is revocable; and
- you may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy, and to the Company.

Please note that any shareholder of the Company that is a company may authorise any person to act as its representative at the annual general meeting. Please also note that section 63(1) of the 2008 Companies Act, requires that persons wishing to participate in the annual general meeting (including the aforementioned representative) provide satisfactory identification before they may so participate.

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

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 Chairman of the annual general meeting,

as my/our proxy to attend, participate in and speak and vote at the meeting in my/our place and on my/our behalf at the annual general meeting which will be held for the purpose of considering and, if deemed fit, passing 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 instructions set out below (refer to note 2).

My/our proxy may delegate to another person his/her authority to act on my behalf at the annual general meeting, provided that my/our proxy:

- may only delegate his/her authority to act on my behalf at the general meeting to a director of the Company; and
- must provide written notification to the transfer secretaries of the Company, namely Computershare Investor Services (Proprietary) Limited, of the delegation by my/our proxy of his/her authority to act on my behalf at the general meeting by no later than 09h00 on Wednesday, 8 June 2011, being 48 (forty eight) hours before the general meeting to be held at 09h00 on Friday, 10 June 2011; and
- must provide to his/her delegee a copy of his/her authority to delegate his/her authority act on my behalf at the general meeting.

		Number of votes (one vote per ordinary share)		
		For	Against	Abstain
Ordinary resolution number 1:	Approval of annual financial statements			
Ordinary resolution number 2:	Appointment of the auditors			
Ordinary resolution number 3.1:	Election of Mr HS Herman as director			
Ordinary resolution number 3.2	Election of Ms LWC Phalatse as director			
Ordinary resolution number 3.3:	Election of Ms AM Mathole as director			
Ordinary resolution number 3.4:	Election of Mr A Jakoet as director			
Ordinary resolution number 4:	Appointment of Audit committee for 2012 financial year			
Non-binding advisory ordinary resolution number 5:	Approval of remuneration report			
Special resolution number 1:	Approval of directors' fees for the 2012 financial year			
Special resolution number 2:	Amendment to the Memorandum of Incorporation of the Company			
Special resolution number 3:	General approval to repurchase Company shares			
Ordinary resolution number 6:	Placing unissued shares under the control of the directors			
Ordinary resolution number 7:	General authority to issue shares for cash			
Ordinary resolution number 8:	Amendments to the Pick n Pay 1997 Share Option Scheme			
Ordinary resolution number 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 3).

Signed at ______________ on ______________ 2011

Signature ______________________________

(Authority of signatory to be attached if applicable – see note 7)

Assisted by me (where applicable – see note 9) ______________ Telephone number ______________

Please also read the notes overleaf.

Form of proxy
Pick n Pay Stores Limited continued

SUMMARY OF SHAREHOLDERS RIGHTS IN RESPECT OF PROXY APPOINTMENTS AS CONTAINED IN SECTION 58 OF THE 2008 COMPANIES ACT

Please note that in terms of section 58 of the 2008 Companies Act:

- this proxy form must be dated and signed by the shareholder appointing the proxy;
- you may appoint an individual as a proxy, including an individual who is not a shareholder of the Company, to participate in and speak and vote at a shareholders meeting on our behalf;
- your proxy may delegate his/her authority to act on your behalf to another person, subject to any restriction set out in this proxy form;
- this proxy form must be delivered to the Company, or to the transfer secretaries of the Company, namely Computershare Investor Services (Proprietary) Limited, before your proxy exercises any of your rights as a shareholder at the annual general meeting;
- the appointment of your proxy or proxies will be suspended at any time to the extent that you choose to act directly and in person in the exercise of any of your rights as a shareholder at the annual general meeting;
- the appointment of your proxy is revocable unless you expressly state otherwise in this proxy form;
- as the appointment of your proxy is revocable, you may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the Company. Please note the revocation of a proxy appointment constitutes a complete and final cancellation of your proxy's authority to act on your behalf as of the later of (i) the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered to the Company and the proxy as aforesaid;
- If this proxy form has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the 2008 Companies Act or the Company's MOI to be delivered by the Company to you will be delivered by the Company to you or your proxy or proxies, if you have directed the Company to do so, in writing and paid any reasonable fee charged by the Company for doing so;
- your proxy is entitled to exercise, or abstain from exercising, any voting right of yours at the annual general meeting, but only as directed by you on this proxy form;
- the appointment of your proxy remains valid only until the end of the annual general meeting or any adjournment or postponement thereof or for a period of 6 (six) months, whichever is shortest, unless it is revoked by you before then on the basis set out above.

NOTES

1. The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as a proxy to the exclusion of those whose names which follow thereafter.
2. 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.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. If there is no clear indication as to the voting instructions to the proxy, the proxy form will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat.
4. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
5. 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).
6. Forms of proxy must be received or lodged by no later than 09h30 on Wednesday, 8 June 2011, being 48 (forty-eight) hours before the annual general meeting to be held at 09h30 on Friday, 10 June 2011.
7. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the Company Secretary or waived by the Chairperson of the annual general meeting if he is reasonably satisfied that the right of the representative to participate and vote has been reasonably verified. 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.
8. Any alteration or correction made to this proxy form must be initialled by the signatory/ies, but any such alteration or correction will only be validly made if it is accepted by the Chairperson.
9. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company Secretary.

Form of proxy
Pick n Pay Holdings Limited

For use at the annual general meeting of Pick n Pay Holdings Limited ("the Company") to be held at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town in the conference centre at 10h00 or as soon as the annual general meeting for Pick n Pay Stores Limited is completed, on Friday, 10 June 2011 (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 a proxy (who need not be a shareholder of the Company) to attend, participate in and speak and vote in place of that shareholder at the annual general meeting, and at any adjournment thereafter.

Please note the following:

> the appointment of your proxy may be suspended at any time to the extent that you choose to act directly and in person in the exercise of your rights as a shareholder at the annual general meeting;

> the appointment of the proxy is revocable; and

> you may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy, and to the Company.

Please note that any shareholder of the Company that is a company may authorise any person to act as its representative at the annual general meeting. Please also note that section 63(1) of the 2008 Companies Act, requires that persons wishing to participate in the annual general meeting (including the aforementioned representative) provide satisfactory identification before they may so participate.

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 Chairman 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 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).

My/our proxy may delegate to another person his/her authority to act on my behalf at the annual general meeting, provided that my/our proxy:

> may only delegate his/her authority to act on my behalf at the general meeting to a director of the Company; and

> must provide written notification to the transfer secretaries of the Company, namely Computershare Investor Services (Proprietary) Limited, of the delegation by my/our proxy of his/her authority to act on my behalf at the general meeting by no later than 10h00 on Wednesday, 8 June 2011, being 48 (forty-eight) hours before the general meeting to be held at 10h00 on Friday, 10 June 2011; and

> must provide to his/her delegee a copy of his/her authority to delegate his/her authority act on my behalf at the general meeting.

		Number of votes (one vote per ordinary share)		
		For	**Against**	**Abstain**
Ordinary resolution number 1:	Approval of annual financial statements			
Ordinary resolution number 2:	Appointment of the auditors			
Ordinary resolution number 3.1:	Election of Mrs W Ackerman as director			
Ordinary resolution number 3.2:	Election of RP de Wet as director			
Ordinary resolution number 3.3:	Election of J van Rooyen as director			
Ordinary resolution number 4:	Appointment of Audit committee members			
Special resolution number 1:	Approval of directors' fees for 2012 financial year			
Special resolution number 2:	General authority to repurchase Company shares			
Ordinary resolution number 5:	Placing unissued shares under the control of the directors			
Ordinary resolution number 6:	General authority to issue shares for cash			
Ordinary resolution number 7:	Amendments to the Pick n Pay 1997 Share Option Scheme			
Ordinary resolution number 8:	Directors' authority to implement Company resolutions			
Special resolution number 3:	Amendment to the Memorandum of Incorporation of the Company			

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 3).

Signed at ______________ on ______________ 2011

Signature ______________________________

(Authority of signatory to be attached if applicable – see note 7)

Assisted by me (where applicable – see note 9) ______________ Telephone number ______________

Please also read the notes overleaf.

Form of proxy
Pick n Pay Holdings Limited continued

SUMMARY OF SHAREHOLDERS RIGHTS IN RESPECT OF PROXY APPOINTMENTS AS CONTAINED IN SECTION 58 OF THE 2008 COMPANIES ACT

Please note that in terms of section 58 of the 2008 Companies Act:

- this proxy form must be dated and signed by the shareholder appointing the proxy;
- you may appoint an individual as a proxy, including an individual who is not a shareholder of the Company, to participate in and speak and vote at a shareholders meeting on our behalf;
- your proxy may delegate his/her authority to act on your behalf to another person, subject to any restriction set out in this proxy form;
- this proxy form must be delivered to the Company, or to the transfer secretaries of the Company, namely Computershare Investor Services (Proprietary) Limited, before your proxy exercises any of your rights as a shareholder at the annual general meeting;
- the appointment of your proxy or proxies will be suspended at any time to the extent that you choose to act directly and in person in the exercise of any of your rights as a shareholder at the annual general meeting;
- the appointment of your proxy is revocable unless you expressly state otherwise in this proxy form;
- as the appointment of your proxy is revocable, you may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the Company. Please note the revocation of a proxy appointment constitutes a complete and final cancellation of your proxy's authority to act on your behalf as of the later of (i) the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered to the Company and the proxy as aforesaid;
- If this proxy form has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the 2008 Companies Act or the Company's MOI to be delivered by the Company to you will be delivered by the Company to you or your proxy or proxies, if you have directed the Company to do so, in writing and paid any reasonable fee charged by the Company for doing so;
- your proxy is entitled to exercise, or abstain from exercising, any voting right of yours at the annual general meeting, but only as directed by you on this proxy form;
- the appointment of your proxy remains valid only until the end of the annual general meeting or any adjournment or postponement thereof or for a period of six months, whichever is shortest, unless it is revoked by you before then on the basis set out above.

NOTES

1. The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as a proxy to the exclusion of those whose names follow thereafter.
2. If no proxy is inserted in the spaces provided, then the Chairperson shall be deemed to be appointed as the proxy to vote or abstain as the Chairperson deems fit.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. If there is no clear indication as to the voting instructions to the proxy, the proxy form will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat.
4. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy. A proxy shall be entitled to demand that voting take place on a poll.
5. Proxy forms must be lodged at the registered office of the Company, situated at 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).
6. Forms of proxy must be received or lodged by no later than 10h00 on Wednesday, 8 June 2011, being no later than 48 (forty-eight) hours before the annual general meeting to be held at 10h00 on Friday, 10 June 2011.
7. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the Company Secretary or waived by the Chairperson of the annual general meeting. CSDP's 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.
8. Any alteration or correction made to this proxy form must be initialled by the signatory/ies, but may not be accepted by the Chairperson.
9. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company Secretary.

The cover of this report is printed on 330gsm Trucard 0 Recycled which contains 50% post consumer deinked pulp and is FSC certified. The text is printed on 120gsm Camelot Cartridge, a locally manufactured, uncoated and woodfree paper.

FSC *(Forest Stewardship Council) certified, indicates that forests are well managed according to strict environmental, social and economic standards.*

Pick n Pay