



# Pick n Play

Integrated Annual Report 2012





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# About this report

## THE PICK N PAY 2012 INTEGRATED ANNUAL REPORT

We are pleased to publish our second Integrated Annual Report, compiled and presented in line with the requirements of the King Code and Report on Governance for South Africa (King III).

King III has introduced new standards of global best practice in reporting and we are on a journey to implement those standards as far as possible in our Group. We aim to improve our disclosure year on year, in order to provide all our stakeholders with a balanced and transparent understanding of our business. We aim to give a comprehensive report on the financial performance and position of the Group, the material issues and opportunities faced by the Group and how these underpin our strategic objectives. In so doing, we hope to communicate adequately to all our stakeholders on how we create value and how we will ensure that our value creation is sustainable in the long term.

We hope that this Integrated Annual Report gives you a better understanding of our business – of who we are, how we do business and where we hope to be in the future. We are committed to improving on this report and would appreciate your feedback in this regard. Any comments can be emailed to Debra Muller, our Company Secretary, at [demuller@pnp.co.za](mailto:demuller@pnp.co.za).

## SCOPE AND BOUNDARY

This report covers the financial performance, operational highlights and strategic objectives of Pick n Pay Holdings Limited and Pick n Pay Stores Limited and all their subsidiaries and associate.

The scope of reporting on sustainability issues and sustainable performance is specific to Pick n Pay only, and does not refer to any non-Pick n Pay branded subsidiary or associate.

The report covers the period 1 March 2011 to 29 February 2012, although on occasion, attention is also drawn to the six months to 31 August 2011 (interim result or first half) and the six months to 29 February 2012 (second half).

The Integrated Annual Report should be read together with the audited Annual Financial Statements, available on our website at [www.picknpay-ir.co.za](http://www.picknpay-ir.co.za). The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the requirements of the Companies Act and the Listings Requirements of the JSE. Financial information contained within this Integrated Annual Report was extracted from the audited Annual Financial Statements.

There have been no restatements of financial information in respect of prior periods, other than a restatement of turnover and cost of merchandise sold (with no impact on gross profit) in respect of certain franchise arrangements in Botswana, Lesotho and Swaziland – please refer to note 30 of the Annual Financial Statements for further information. In further considering year-on-year comparability we draw your attention to the following:

- The sale of Franklins, our Australian subsidiary, on 30 September 2011 – please refer to note 18 of the Annual Financial Statements;
- The purchase of an additional 24% investment in our associate TM Supermarkets in Zimbabwe, bringing our total stake to 49% – please refer to note 11 of the Annual Financial Statements;
- The introduction of our Smartshopper loyalty programme – please refer to notes 1 and 25 of our Annual Financial Statements.

The principle of materiality has been applied in determining the content and extent of disclosure in the Integrated Annual Report.

## FORWARD LOOKING INFORMATION

This Integrated Annual Report contains certain forward looking statements relating to the financial performance and position of the Group. All forward looking statements are solely based on the views and considerations of the directors. These statements involve risk and uncertainty as they relate to events and circumstances in the future. Factors that could cause actual results to differ materially from those in forward looking statements include, but are not limited to, global and national economic and market conditions, competitive conditions and regulatory factors. These forward looking statements have not been reviewed or reported on by the external auditors.

## EXTERNAL ASSURANCE

The Board, assisted by the Audit committee, is ultimately responsible for overseeing the integrity of the Integrated Annual Report. This was achieved through setting up the appropriate teams and structures to undertake the reporting process, and performing a thorough review of the report.

A combined assurance approach will be developed in the future to ensure the appropriate application of integrated reporting principles and the integrity of data contained in the report. External assurance obtained in the current year was limited to the audit opinion on the Group Annual Financial Statements.



The audited Annual Financial Statements are available online at

**[www.picknpay-ir.co.za](http://www.picknpay-ir.co.za)**

A printed copy of the 2012 Annual Financial Statements is available on request from our Company Secretary, Debra Muller, at [demuller@pnp.co.za](mailto:demuller@pnp.co.za) or by fax at +27 21 658 1244.



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

For further information, feedback or assistance please contact us at [demuller@pnp.co.za](mailto:demuller@pnp.co.za)

The Integrated Annual Report and Annual Financial Statements have been prepared by the Pick n Pay Finance Division under the supervision of the Chief Finance Officer, Mr Bakar Jakoet, CA(SA).

## STATEMENT OF THE BOARD OF DIRECTORS ON THE 2012 INTEGRATED ANNUAL REPORT

As required by King III, the audit committee has reviewed the Integrated Annual Report and the Board has reviewed and approved the report.

The summarised Annual Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the South African Companies Act no. 71 of 2008, as amended.

The Integrated Annual Report and summarised Annual Financial Statements fairly reflect, in our opinion, the true financial position of the Group at 29 February 2012 and its performance for the year.

On behalf of the Board

**Gareth Ackerman**  
*Chairman*

Cape Town  
10 May 2012



## WE FOUND GOODNESS IN CHARCOAL

Sibusiso Tshabalala, owner of Berry Hill Trading, set up his business after visiting the family farm in Volksrust. His grandfather had a small-scale charcoal and woodcutting venture and Sibusiso's dream was to set South Africa on fire. "I took a big risk when I started Berry Hill Trading" he says.

He received assistance from Pick n Pay's mentorship programme that saw potential in his business and decided to invest in it through the Pick n Pay Ackerman Foundation. Sibusiso was surprised that he had been noticed by such a large company, but that's a major part of the way Pick n Pay does business; empowering people with sustainable dreams. Sibusiso says, "If Pick n Pay hadn't taken an interest in us, we wouldn't have succeeded."

These days, Sibusiso supplies Pick n Pay stores across SA with his charcoal product. "Braaing makes me think of family and spending time with the people you love." Sibusiso's success proves why doing good is good business. He now employs more than 200 people and gathers wood from the farms of around 33 emerging farmers, much of which comes from alien vegetation.

# Mission and values

## 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



## Our GOODNESS:

At Pick n Pay, we know that GOODNESS isn't just about what is in your trolley.

That's why we are committed to supporting South African people, businesses and organisations that spread goodness in their own way to make our country the beautiful place we know it to be.

Through our Goodness campaign we bring you their stories.



*Goodness photography by  
Karin Schembrucker*

# Group at a glance

The Pick n Pay Group ("the Group") is one of South Africa's largest and most successful retailers.

In 1967 Raymond Ackerman purchased four small stores, launching Pick n Pay as South Africa's first food discounter. Listed on the Johannesburg Securities Exchange the following year as Pick n Pay Stores Limited, its appearance among the Sunday Times Top 100 companies in 1969 reflected its rapid growth to prominence.

In the 2012 financial year the Group generated an annual turnover of R55.3 billion (from continuing operations), while processing more than 50 million consumer transactions a month and employing over 42 000 people. We aspire to be a world-class competitor where we operate, offering the best quality at the best prices, with additional services offered to cater to our customers' expectations and evolving needs.

At February 2012 the Group consists of 941 stores, owned and franchised, across southern Africa, including a 49% investment in Zimbabwean retailer TM Supermarkets, comprising 50 stores. The franchise operation of the Company has helped create 388 individual entrepreneurs, many drawn from South Africa's previously disadvantaged communities. Our franchise model has enabled rapid expansion for Pick n Pay and plays an active part in our continued growth. Store formats, both owned and franchised, include hypermarkets, supermarkets, express convenience, liquor, hardware, pharmacies and clothing.

The growth and success of Pick n Pay is attributable to three basic principles, which form the cornerstone of our business:

- Doing good is good business;
- Consumer sovereignty; and
- Maximising business efficiency.

We believe the application of these fundamental principles gives a solid platform for a truly sustainable business. Pick n Pay continues to strive to be the consumer champion in the communities in which we operate, always acting in the best interests of our customers and dedicating ourselves to community development and upliftment.

Pick n Pay has been a family business since its foundation. Family control has ensured the maintenance of the values and principles which have driven our commercial conduct since 1967.

Raymond Ackerman retired as Chairman in March 2010, after being involved with the Group for over four decades. His son, Gareth, has taken over as Chairman, while Raymond retains an ambassadorial role in the business.

In 2007 the Group launched an extensive transformation strategy, entering a period of significant investment and change, in order to build the platform for future growth.

This investment over the last five years has included:

- A revitalised brand positioning;
- Entry into the growing convenience sector of the market;
- Increased geographic and demographic reach of the Pick n Pay brand with the conversion of Score stores to Pick n Pay franchise stores;
- The re-launch of our private label portfolio;
- A shift towards a more centralised operation, including central distribution;
- The roll-out of SAP information technology and infrastructure for improved operational efficiency;
- Innovative expense control measures in respect of goods not for resale;
- A refocused priority for sustainable business practice and environmentally friendly initiatives;
- Consolidation of duplicate activities to achieve efficiencies and expense reduction;
- The implementation of specialised category buying; and
- The launch of our Smartshopper customer loyalty programme.

As we enter a new financial year, we will accelerate the roll-out of our extensive restructuring programme and sharpen our strategic focus, with resolute attention on business efficiency, increasing productivity and superb customer service. We will continue to invest in our social responsibility initiatives in order to support, develop and uplift our communities to ensure social and economic sustainability for all. We are committed to protecting our environment and conserving natural resources and will continue to roll-out green innovations throughout our operations in the 2013 financial year.

We are confident that the critical investments we have made will lay the foundations for future growth and enhanced competitiveness in national and global markets.

# Store footprint

Number of stores at 29 February 2012



20

**Hypermarkets**  
CORPORATE

Food, wine, clothing, with full range of general merchandise and home improvement supplies

Trading area (000 m<sup>2</sup>): 181.1

174

**Supermarkets**  
CORPORATE

Food, wine, clothing, with limited range of general merchandise

Trading area (000 m<sup>2</sup>): 377.5

282

**Supermarkets**  
FRANCHISE

Food, wine, clothing, with limited range of general merchandise

Trading area (000 m<sup>2</sup>): 341.0

9

**Express**  
FRANCHISE

Food

Trading area (000 m<sup>2</sup>): 1.3

117

**Liquor**  
CORPORATE

Beer, wine and liquor

Trading area (000 m<sup>2</sup>): 13.1

85

**Liquor**  
FRANCHISE

Beer, wine and liquor

Trading area (000 m<sup>2</sup>): 9.8

25

**Pharmacy**

CORPORATE – 24 IN-STORE and 1 STAND ALONE

Pharmaceutical, health and beauty

Trading area (000 m<sup>2</sup>): 2.6

62

**CLOTHING**

CORPORATE

Clothing and homeware

Trading area (000 m<sup>2</sup>): 25.0

12

**CLOTHING**

FRANCHISE

Clothing and homeware

Trading area (000 m<sup>2</sup>): 5.0



99

**Supermarkets**  
CORPORATE

Food, wine and general merchandise

Trading area (000 m<sup>2</sup>): 134.2

13

**Hardware**  
CORPORATE

Hardware and general building supplies

Trading area (000 m<sup>2</sup>): 6.7

8

**Liquor**  
CORPORATE

Beer, wine and liquor

Trading area (000 m<sup>2</sup>): 2.4

9

**Punch**  
CORPORATE

Food, wine and a limited range of general merchandise

Trading area (000 m<sup>2</sup>): 3.4



50

**TM – Zimbabwe**  
INVESTMENT

Food and general merchandise

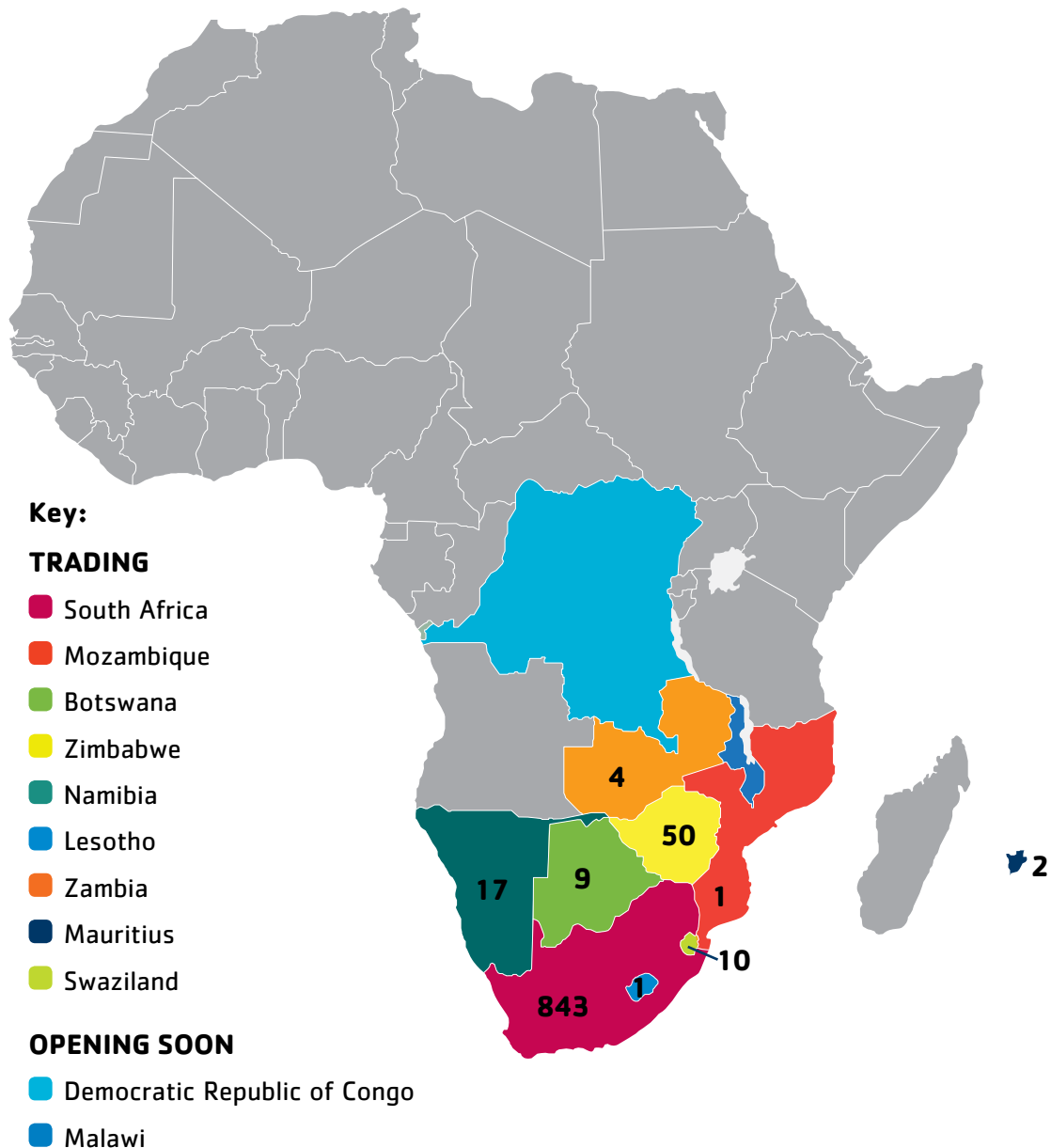
Trading area (000 m<sup>2</sup>): 52.1





# Geographic spread

- We have 847 stores in South Africa across all formats
- We have 94 stores outside South Africa, contributing 7.7% of till sales
- We tailor our ownership model to the local environment, whether franchised, owned or part investment
- In the next 12 months we will open at least 111 stores, across all formats, across South Africa and 3 stores outside South Africa, in Mozambique, Zambia and Mauritius





# Performance highlights

We are encouraged by the Group's improved performance over the six months to February 2012, after a tough interim result, with the first clear indications that our investments in our transformation are starting to yield real benefits.

We have refocused our strategy and its implementation plan and have made some significant steps forward in transforming the business.

## STRATEGIC OBJECTIVES ACHIEVED

There have been a number of significant achievements over the 2012 financial year, which position us well going forward:

- **We sold our Australian subsidiary, Franklins**, which has enabled us to focus on our core southern African operations
- **We launched our customer loyalty programme Smartshopper**, the biggest loyalty programme in South Africa, with over five million cardholders, which is creating very real benefits for our customers
- **We implemented specialised category buying**, which has strengthened our buying capability
- **We improved our supply chain** with improvements at our Longmeadow distribution centre in Gauteng and the development of our new distribution centre in the Western Cape which opened in May 2012
- **We achieved improved efficiencies and cost savings through our Goods not for Resale ("GNFR") programme**, despite significant increases in electricity, rates and fuel costs
- **We negotiated improved flexible working conditions**, which enables us to staff our stores more effectively
- **We built on the success of our flagship PnP on Nicol store**, successfully rolling out innovations into three other high LSM stores
- **We accelerated our store roll-out**, opening 88 stores across South Africa across all formats
- **We continued our strategic expansion into Africa**, with an additional 24% investment in our associate TM Supermarkets in Zimbabwe, and new stores in Zambia, Mozambique and Mauritius.

## PERFORMANCE INDICATORS AND SIZE OF GROUP

### Turnover

**R55.3**

billion

### Trading profit

**R1 267.5**

million

### Headline earnings

**R767.8**

million

### Cash from operating activities

**R1 558.8**

million

### Total dividend per share

**130.85**

cents

### Net asset value per share

**9%**

increase

**941**

stores

**1.2 million m<sup>2</sup>**

trading area

## FINANCIAL HIGHLIGHTS

The encouraging growth in turnover has been driven by steady volume increases, notwithstanding the effects of inflation. We have also seen improvement in gross margin due to the benefits of specialised category buying.

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

The marked improvement in our second half year financial performance is very encouraging and is a clear indication that our transformation strategy is starting to have a positive impact on the financial performance of the Group.

	6 months to August 2011	6 months to February 2012	12 months to February 2012
Turnover	↑ 7.6%	↑ 8.6%	↑ 8.1%
New trading space at end of period (m <sup>2</sup> )	↑ 2.2%	↑ 2.1%	↑ 4.3%
Customer transactions	↑ 0.5%	↑ 3.4%	↑ 1.9%
Units per transaction	↑ 4.1%	↑ 1.2%	↑ 2.6%
Inflation (unit selling price)	↑ 2.9%	↑ 4.5%	↑ 3.7%
Volume (units sold)	↑ 4.7%	↑ 4.6%	↑ 4.6%
Like-for-like till sales	↑ 4.5%	↑ 7.1%	↑ 6.2%
Gross margin (% of sales)	↓ 0.1%	↑ 0.7%	↑ 0.2%
Trading profit	↓ 31.7%	↑ 11.2%	↓ 10.6%
EBITDA	↓ 17.8%	↑ 9.6%	↓ 4.0%
Headline earnings per share	↓ 39.3%	↑ 6.7%	↓ 15.1%

## ENVIRONMENTAL AND SOCIAL SUSTAINABILITY – PERFORMANCE HIGHLIGHTS

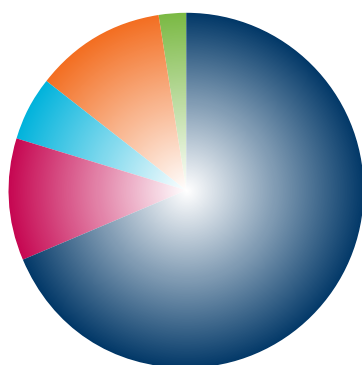
- **We continue to incorporate environmental sustainability in all parts of our operations**
  - We have reduced our electricity kWh usage by 20% against our baseline – and achieved R130 million in savings
  - Our new Western Cape distribution centre has incorporated off-grid power generation, daylight harvesting, rain water collection and motion sensor lighting
  - We are working with strategic partners on reducing our collective environmental impact
  - Our plastic bags now contain 30% recycled material
- **Pick n Pay won the Climate Change Leadership Award (in the retail category) in recognition of our development of eco-friendly stores and our ongoing commitment to climate change education**
- **Pick n Pay became the first African retailer to commit to only selling sustainably sourced seafood by the end of 2015**
- **We reduced our carbon footprint by 4.6%**
- **Pick n Pay are providing permanent employment for 60 women through a small business initiative which manufactures eco-bags that are sold in our stores**
- **We have mentored more than 36 small enterprises that are supplying Pick n Pay with products, goods and services**
- **Pick n Pay have a dedicated programme that assists small suppliers with their compliance, a substantial challenge for businesses of this size. The programme covers water and soil testing, labelling, traceability journals and record keeping.**

# Value added statement

## CONTINUING OPERATIONS

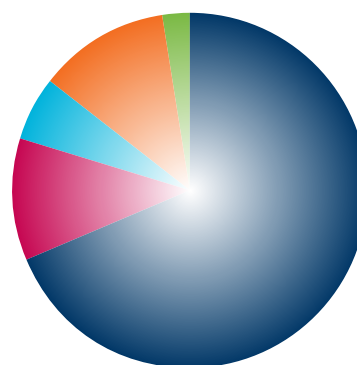
	February 2012		February 2011	
	Rm	%	Rm	%
Turnover (refer note 3 on page 49)	55 330.5		51 185.0	
Amounts paid for merchandise and expenses	(48 598.3)		(44 704.3)	
Interest and dividends received	39.5		39.5	
<b>Value added</b>	<b>6 771.7</b>	<b>100.0</b>	6 520.2	100.0
Employee salaries, wages and other benefits	4 658.5	68.8	4 319.8	66.3
Investors: dividends and interest paid	740.5	10.9	919.0	14.1
Tax	407.7	6.0	447.8	6.9
Retained for – business sustainability	808.1	12.0	733.3	11.2
– growth	156.9	2.3	100.3	1.5
<b>Utilised</b>	<b>6 771.7</b>	<b>100.0</b>	6 520.2	100.0

2012



Employees	68.8%
Investors	10.9%
Taxation	6.0%
Retained for business sustainability	12.0%
Retained for growth	2.3%

2011



Employees	66.3%
Investors	14.1%
Taxation	6.9%
Retained for business sustainability	11.2%
Retained for growth	1.5%

## WE FOUND GOODNESS IN FLOWERS

The Cape Floral Kingdom is one of the world's richest plant kingdoms. So, how does picking up a glorious bouquet of Proteas, Ericas, and other flowers at Pick n Pay ensure that future generations will continue to enjoy this gift of beauty?

Fynbos is threatened by invasive species, uncontrolled fires, and challenges from climate change and human settlement where these treasures grow.

### Enter the Flower Valley Conservation Trust.

Nestled between the hills of Stanford, lies a farm of a thousand different flowers. Harvesters move from flower to flower, knowing exactly what to pick and what to leave to ensure a sustainable future.

For many of their suppliers and pickers, harvesting flowers isn't only a passion; it's also about capacity building and entrepreneurial opportunities.

In addition to training courses, including life-skills training, which are supported by the trust, it has allowed them to develop their own picking teams and to manage their own small businesses, which now supply sustainably harvested fynbos to FYNOSA.

For Pick n Pay the work of the trust was an ideal opportunity to put into practice one of their core values: that doing good is good business. By offering crucial small business training and financial support to the Flower Valley Conservation Trust, flowers now grace the shelves of Pick n Pay stores. By buying these flowers you are supporting the work of the trust: empowering and developing the business of bringing beauty to stores in a sustainable manner.



# Five-year financial review

R million unless otherwise stated	2012	2011	2010	2009	2008
<b>STATEMENT OF COMPREHENSIVE INCOME</b>					
<b>Continuing operations</b>					
Turnover (refer note 3 on page 49)	55 330.5	51 185.0	48 703.2	43 754.1	37 326.7
Trading profit	1 267.5	1 417.7	1 638.7	1 673.9	1 511.7
Earnings before interest, tax, depreciation and amortisation (EBITDA)	2 073.7	2 160.9	2 271.3	2 192.3	1 916.5
Headline earnings	767.8	900.8	1 096.4	1 081.5	939.0
<b>Total Group operations</b>					
Headline earnings	681.4	784.4	1 012.1	988.6	867.2
<b>STATEMENT OF FINANCIAL POSITION</b>					
<b>Total Group operations</b>					
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets	799.6	404.5	1 126.7	1 093.6	1 155.9
Property	1 560.3	1 149.0	977.8	863.9	848.6
Equipment and vehicles	2 303.6	2 252.8	2 437.7	2 073.1	1 953.9
Operating lease asset	84.8	37.7	33.5	19.3	10.9
Participation in export partnerships	41.5	48.2	50.6	57.9	61.5
Deferred tax asset	116.5	85.8	98.1	99.8	105.8
Investment in associate	110.5	9.9	—	—	—
Loans	80.8	90.2	124.7	128.6	120.7
Investment	0.2	0.2	0.2	0.2	0.2
	5 097.8	4 078.3	4 849.3	4 336.4	4 257.5
<b>Current assets</b>					
Assets held for sale – discontinued operations	—	2 120.1	—	62.6	—
Inventory	3 334.9	3 162.7	3 326.2	3 334.5	3 028.5
Trade and other receivables	2 113.9	1 739.2	1 968.0	1 769.5	1 243.9
Cash and cash equivalents	1 271.7	—	1 055.3	1 072.8	663.2
	6 720.5	7 022.0	6 349.5	6 239.4	4 935.6
<b>Total assets</b>	<b>11 818.3</b>	<b>11 100.3</b>	<b>11 198.8</b>	<b>10 575.8</b>	<b>9 193.1</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Ordinary shareholders' equity</b>					
	2 404.1	2 158.8	2 144.6	1 695.5	1 340.9
<b>Non-current liabilities</b>					
Long-term debt	771.2	626.9	670.8	678.1	681.3
Retirement scheme obligations	9.0	27.1	24.7	8.2	49.0
Operating lease liability	829.1	729.3	695.9	658.5	626.9
	1 609.3	1 383.3	1 391.4	1 344.8	1 357.2
<b>Current liabilities</b>					
Liabilities held for sale – discontinued operations	—	826.6	—	—	—
Short-term debt	693.3	50.2	38.7	38.3	36.4
Cash and cash equivalents	—	547.4	—	—	—
Tax	99.6	96.2	230.5	181.4	249.4
Trade and other payables	7 012.0	6 037.8	7 393.6	7 315.8	6 209.2
	7 804.9	7 558.2	7 662.8	7 535.5	6 495.0
<b>Total equity and liabilities</b>	<b>11 818.3</b>	<b>11 100.3</b>	<b>11 198.8</b>	<b>10 575.8</b>	<b>9 193.1</b>
Directors' valuation – Property	1 807.6	1 525.6	1 303.5	1 318.1	1 230.6
<b>CASH FLOW STATEMENT</b>					
<b>Total Group operations</b>					
Total net cash from operating activities	1 228.4	17.4	962.3	1 252.4	445.8
Total net cash from investing activities	(306.4)	(1 340.7)	(923.3)	(841.7)	(822.5)
Total net cash from financing activities	775.9	(87.6)	(52.6)	8.4	310.3
<b>PERFORMANCE MEASURES</b>					
<b>Continuing operations</b>					
Turnover – annual growth	% 8.1	5.1	11.3	17.2	15.4
Gross profit on turnover	% 18.0	17.8	18.1	18.5	19.9
Trading profit – annual growth	% (10.6)	(13.5)	(2.1)	10.7	18.1
Trading profit on turnover	% 2.3	2.8	3.4	3.8	4.0
EBITDA – annual growth	% (4.0)	(4.9)	3.6	14.4	13.0
Headline earnings – annual growth	% (14.8)	(17.8)	1.4	15.2	7.5
Headline earnings on turnover	% 1.4	1.8	2.3	2.5	2.5
Headline earnings per share	cents 160.8	189.3	231.7	229.3	206.7
Headline earnings per share – annual growth	% (15.1)	(18.3)	1.1	10.9	(2.0)
Dividend cover	times 1.2	1.3	1.3	1.3	1.4



R million unless otherwise stated

		2012	2011	2010	2009	2008
<b>PERFORMANCE MEASURES</b>						
<b>Total Group operations</b>						
Headline earnings per share	cents	<b>142.7</b>	164.9	213.9	209.6	190.9
Headline earnings per share – annual growth	%	<b>(13.5)</b>	(22.9)	2.1	9.8	12.6
Return on shareholders' equity	%	<b>29.9</b>	36.5	52.7	65.1	73.9
Return on total assets	%	<b>5.9</b>	7.0	9.3	10.0	10.2
Net asset value per share	cents	<b>548.0</b>	503.0	512.5	441.7	355.1
<b>STOCK EXCHANGE (JSE LIMITED) PERFORMANCE</b>						
<b>Pick n Pay Stores Limited (PIK)</b>						
Number of shares in issue	millions	<b>480.4</b>	480.4	480.4	506.1	506.1
Weighted average number of shares in issue	millions	<b>477.4</b>	475.7	473.2	471.7	454.4
Total market capitalisation	Rm	<b>20 690.7</b>	22 309.7	19 408.1	15 690.2	15 690.2
Market capitalisation net of treasury shares	Rm	<b>20 583.8</b>	22 151.2	19 134.1	14 656.3	14 590.9
Price:earnings ratio	times	<b>30.2</b>	28.2	18.9	14.8	16.2
Dividend per share	cents	<b>130.9</b>	142.5	174.5	170.0	149.1
Dividend cover	times	<b>1.1</b>	1.2	1.2	1.2	1.3
Volume of shares traded	millions	<b>216.8</b>	275.7	209.5	238.8	239.7
Percentage of shares traded	%	<b>45.1</b>	57.4	43.6	47.2	47.4
Market price per share	cents					
– close at year-end	cents	<b>4 307</b>	4 644	4 040	3 100	3 100
– high for the year	cents	<b>4 850</b>	4 999	4 160	3 749	3 880
– low for the year	cents	<b>3 504</b>	3 944	2 812	2 540	2 826
<b>Pick n Pay Holdings Limited (PWK)</b>						
Number of shares in issue	millions	<b>527.2</b>	527.2	527.2	527.2	527.2
Weighted average number of share in issue	millions	<b>516.4</b>	515.9	515.3	514.7	512.6
Headline earnings per share	cents	<b>70.8</b>	82.1	106.8	104.8	94.0
Price:earnings ratio	times	<b>25.9</b>	24.4	15.7	12.5	13.7
Dividend per share	cents	<b>63.5</b>	69.3	84.9	83.0	72.8
Dividend cover	times	<b>1.1</b>	1.2	1.3	1.3	1.3
Volume of shares traded	millions	<b>122.8</b>	165.7	60.4	85.7	86.2
Percentage of shares traded	%	<b>23.3</b>	31.4	11.5	16.3	16.4
Market price per share						
– close at year-end	cents	<b>1 833</b>	2 007	1 680	1 310	1 290
– high for the year	cents	<b>2 030</b>	2 115	1 783	1 560	1 603
– low for the year	cents	<b>1 459</b>	1 655	1 207	1 090	1 205
<b>OPERATIONAL STATISTICS</b>						
Number of outlets – Corporate (owned)		<b>503</b>	500	466	498	527
– Franchise		<b>388</b>	379	328	284	230
Total selling area – Corporate	000 m <sup>2</sup>	<b>744</b>	834	867	880	893
– Franchise	000 m <sup>2</sup>	<b>357</b>	363	345	320	254
Total number of employees	000	<b>42.4</b>	49.2	49.0	53.1	54.7

**DEFINITIONS**

<b>Headline earnings</b>	Net profit for the year adjusted for the after tax effect of certain capital items
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation
<b>Return on shareholders' equity</b>	Headline earnings expressed as a percentage of the average ordinary shareholders' equity for the year
<b>Return on total assets</b>	Headline earnings expressed as a percentage of the average total assets for the year
<b>Headline earnings per share</b>	Headline earnings divided by the weighted average number of shares in issue for the year
<b>Dividend cover</b>	Headline earnings per share divided by the dividends per share which relate to those earnings
<b>Net asset value per share</b>	Total value of net assets at year-end, adjusted for directors' valuations of property and investments, divided by the number of shares in issue at year-end, held outside the Group
<b>Market capitalisation</b>	The price per share at year-end multiplied by the number of shares in issue at year-end
<b>Price:earnings ratio</b>	The price per share at year-end divided by headline earnings per share
<b>Dividends per share</b>	The interim dividend declared during the current financial year and the final dividend declared after year-end, in respect of the current financial year.

# Board of directors

## Pick n Pay Stores Limited

### Executive directors

**Gareth Ackerman** #Δ† (54) – Appointed 1990

*BSocSci, CMS*

**Chairman and acting Chief Executive Officer**  
**Corporate governance committee and nominations committee Chairman**

**Years of service:** 28

Gareth was an executive director at Pick n Pay for 15 years before becoming a non-executive in 1999. While an executive he headed up many different divisions of the Company. In 1993, he was appointed joint Managing Director and in 1995 Managing Director of the then Group Enterprises division. He was appointed to the Board in 1990 and from 2002 to 2010 served as Chairman of Pick n Pay Holdings Limited. In 2010 he was appointed Chairman of Pick n Pay Stores Limited. He assumed the role of Executive Chairman and acting CEO on the resignation of Nick Badminton effective 29 February 2012.

**Other listed company directorships:** Pick n Pay Holdings Limited.



**Nick Badminton** (50) – Appointed 2007 – Resigned 2012

**Outgoing Chief Executive Officer**

**Resigned:** 29 February 2012

**Years of service:** 33

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. In March 2007 Nick was appointed CEO of the Group and a member of the Board. Nick resigned on 29 February 2012.



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

*CA(SA)*

**Deputy Chief Executive Officer**

**Years of service:** 3

Richard has extensive experience in retail and information technology. His experience includes being a partner at Ernst & Young, CFO of Massmart Holdings Limited, managing director of Masstores (Proprietary) Limited, a director of Woolworths and Wooltru and founder and CEO of Affinity Logic Holdings (Proprietary) Limited. He was appointed to the Board as an independent non-executive director in 2009 and became deputy CEO in October 2011.



**Aboubakar (Bakar) Jakoet** (56) – Appointed 29 April 2011

*CA(SA)*

**Chief Finance Officer**

**Years of service:** 27

Bakar joined the Group in 1984 after qualifying as a Chartered Accountant. He commenced his career in the national finance office, heading up special projects and new business. He was appointed a divisional director in 1993 and served on the Retail board as Chief Finance Controller since its inception in 1995. He was appointed as CFO and a member of the Board on 29 April 2011, on the retirement of Dennis Cope.



**Dennis Cope** (60) – Appointed 1997 – Retired 2011

*CA(SA)*

**Outgoing Chief Finance Officer**

**Retired:** 29 April 2011

**Years of service:** 33

Dennis joined the Pick n Pay Butcheries division as the accountant, and was later promoted to the position of Finance Director. In 1986 Dennis joined the national finance office and was appointed Finance Director of the then Group Enterprises division in 1995. In 1997 he was appointed CFO and a member of the Board. Dennis retired on 29 April 2011.



**Suzanne Ackerman-Berman** ‡ ^ (49) – Appointed 2010

*BA, Fellow: Aspen Business Institute; First Movers*

**Social and ethics committee Chairperson**

**Years of service:** 17

Suzanne joined Pick n Pay in 1995. She worked in various positions in the business and in 2001 was promoted to General Manager, Corporate Affairs and Social Responsibility. In 2007 she was appointed as Director of Transformation on the Group Executive. In March 2010 she was appointed to the Board.

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



**Jonathan Ackerman** (45) – Appointed 2010

*BA Marketing*

**Years of service:** 20

Jonathan joined Pick n Pay in 1992 as a Trainee Manager in the Western Cape Region. He was later transferred to Johannesburg where he gained more management experience, culminating in his appointment as General Manager of 7-Eleven Africa. In 2001 he was appointed as Head of Marketing and in March 2010 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.



## Non-executive director

**Dave Robins** (58) – Appointed 2002

*BBusSci*

Dave joined the Group in 1994 and was appointed to the then Group Enterprises board in 2005 as the executive responsible for expansion outside South African borders. In 2002 he was appointed as Deputy Chairman of the Group and also as an executive director of the Company. During 2008 he retired from his executive position but remains on the Board as a non-executive.



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

## Independent non-executive directors

**Hugh Herman**\*# (71) – Appointed 1976

*Admitted Attorney, LLD (hc)*

**Lead non-executive director**

**Remuneration committee Chairman**

Hugh was a partner at Sonnenberg Hoffman Galombik before joining Pick n Pay in 1976. He was Managing Director for many years before leaving in 1993 to join Investec Bank where in 1996, he was appointed Group Chairman. He retired as Chairman of Investec in 2011.



**Other listed company**

**directorships:** Growthpoint Properties Limited, Pick n Pay Holdings Limited.

**Lorato Phalatse**†^□ (50) – Appointed 2010

*BA (Hons) MA*

Lorato 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. She is a founding member and executive director of Nozala Investments (Proprietary) Limited, a broad-based women's investment company.



**Alex Mathole**\*□ (39) – Appointed 2010

*Admitted Attorney*

Alex was admitted as an attorney in 1997 and practised commercial, corporate law and litigation for two years before joining Gray Security (subsequently Securicor) in 1999 where she worked in the employment law field for five years. In 2004 she joined Omega Risk Solutions as an executive director and subsequently moved to Siemens in 2006 as Group Company Secretary and legal counsel. In 2007 Alex was appointed head of legal for Siemens South East Africa. In 2008 she was appointed to the Board of Siemens Limited. In October 2011 she became General Counsel for Africa. Alex is currently the Siemens executive director for sustainability and corporate affairs in Africa, as well as the Chair of their social and ethics committee.



**Ben van der Ross**\*## (65) – Appointed 2000

*Admitted Attorney*

Ben was admitted to the Cape Bar as an attorney and conveyancer in 1970. He practised law for his own account until 1988. He is a former director of the Urban Foundation and Independent Development Trust and former CEO of South African Rail Commuter Corporation Limited and Business South Africa. He was a commissioner of the Independent Electoral Commission for the first democratic election in 2004.



**Other listed company directorships:** Distell Group Limited, FirstRand Limited, Lewis Group Limited, MMI Holdings Limited, Naspers Limited.

**Jeff van Rooyen**\*△□ (62) – Appointed 2007

*CA(SA)*

**Audit committee Chairman**

**Corporate finance committee Chairman**

Jeff qualified as a Chartered Accountant in 1981. He founded his own auditing practice in 1984 which merged with Deloitte & Touche in 1990. He was a partner at Deloitte until June 2000 whereafter he was appointed CEO of the Financial Services Board serving until 2005. He is a founding member and president of the Association for the Advancement of Black Accountants and former chair of the Public Accountants and Auditors Board. He is the founder and CEO of Uranus Investment Holdings (Proprietary) Limited. He is also a trustee of the International Financial Reporting Standards Foundation and the Chairman of the Financial Reporting Standards Council.



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

## Company Secretary

**Debra Muller**^△ (50) – Appointed 2010

*Admitted Attorney*

**Years of service: 6**

\* Member of audit committee

# Member of remuneration committee

△ Member of corporate governance committee

† Member of nominations committee

^ Member of social and ethics committee

□ Member of corporate finance committee

## Board of directors continued

### Pick n Pay Holdings Limited

#### Non-executive directors

**Raymond Ackerman** (81) – Appointed 1981

*BCom and various honorary doctorates*  
**Chairman**

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



**Gareth Ackerman** (54) – Appointed 1987

See CV under Pick n Pay Stores Limited.

**Wendy Ackerman** – Appointed 1981

*BA Education*

Wendy is one of the founding executives of Pick n Pay. She was appointed to the Board in 1981. She retired from the Pick n Pay Stores Limited Board in 2010 where she remains in charge of Employee Liaison and Benefits. This includes management of large bursary funds.



#### Independent non-executive directors

**René de Wet\*** (69) – Appointed 1981

*CA(SA)*

**Audit committee Chairman**

René was an executive at Pick n Pay for 29 years, and was appointed to the Board in 1975. He was appointed joint Managing Director in 1993 and Deputy Chairman in 1995. He retired as an executive director in 1999 but remained on the Pick n Pay Stores Limited Board as a non-executive director until 2008.



**Hugh Herman\*** (71) – Appointed 1981

See CV under Pick n Pay Stores Limited.

**Jeff van Rooyen\*** (62) – Appointed 1 May 2011

See CV under Pick n Pay Stores Limited.

#### Alternate directors

**Suzanne Ackerman-Berman** (49) – Appointed 2010

**Alternate to Raymond Ackerman**

See CV under Pick n Pay Stores Limited.

**Jonathan Ackerman** (45) – Appointed 2010

**Alternate to Wendy Ackerman**

See CV under Pick n Pay Stores Limited.

**Dave Robins** (58) – Appointed 2010

**Alternate to Gareth Ackerman**

See CV under Pick n Pay Stores Limited.

#### Officers

**Dennis Cope** (60) – Appointed 2008 – Retired 2011

**Chief Finance Officer**

**Retired:** 29 April 2011.

**Bakar Jakoet** (56) – Appointed 29 April 2011

**Chief Finance Officer**

#### Company Secretary

**Debra Muller** (50) – Appointed 2010

\* Member of audit committee



## WE FOUND GOODNESS IN OLIVES

Nestled on the slopes of a small mountain range called the Kasteelberg, 87km north of Cape Town, lies a beautiful Cape Dutch farm. More than just a pretty sight, this 171ha farm is home to the Goedgedacht Trust, a rural development centre offering its rich resources to the Swartland and West Coast area.

The trust, proudly supported by the Pick n Pay Ackerman Foundation, works with poor rural communities and is committed to poverty alleviation. One of its main focus areas is the aspirations and needs of new farmers and farmworkers.

The partnership has produced some delicious results; products that can be bought at Pick n Pay stores such as olives, olive oils and quality natural fruit vinegar.

These products are produced from the Olive Peace Grove and marketed under the Goedgedacht label.



# Engaging with stakeholders



In addition to the major stakeholders identified above, we also have close relationships with many NGOs and business associations where we work closely together on key social and environmental issues facing our local communities and South Africa as a whole. We also engage actively with government departments and other regulators on new legislation and policy reform to ensure that we have a voice in a developing South Africa.

We commit to an open and transparent engagement with the media and to provide information in a timely and courteous manner. We will continue to raise issues with the media which we believe are in the public's interest, and in the interests of our customers.

## Ensuring our strategy meets the needs of our stakeholders

Pick n Pay values open and honest feedback from our stakeholders, as it does media comment, as such interaction 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 Smartshopper information.

The King Code and Report on Governance for South Africa (King III) highlighted that managing relationships with stakeholders is an essential component of corporate governance, and placed much emphasis on enhanced disclosure and integrated sustainability reporting beyond mere financial performance. In line with the requirements of King III, Pick n Pay is committed to the integrated reporting of our financial, social and environmental performance. In this way, we are able to demonstrate to the full spectrum of our stakeholders how we have generated value in our adherence to the most stringent standards of corporate responsibility, financial disclosure and environmental management. Such integrated reporting allows our stakeholders to make a more informed assessment of the Company's social and economic value rather than simply its book value, while at the same time enabling them to assess the extent to which we have met the commitments that we have made to them.

However, our stakeholder engagement extends far beyond what is required by disclosure rules and regulatory requirements. Rather, Pick n Pay considers stakeholder engagement a strategic imperative that augments our competitive advantage and allows us to focus on operational as well as customer-centric sustainability issues, in a way that builds inclusive, mutually beneficial relationships based on transparency, respect and idea-sharing.



## Chairman's report

The results presented in this Integrated Annual Report demonstrate a marked improvement in the second half of the financial year, driven largely by the major initiatives we have undertaken to transform the business in accordance with a clear strategy and implementation plan. This encouraging performance vindicates the tough choices we have made in recent years to reposition the Group for future expansion and growth.

In the year under review we have delivered substantively on our strategy and the undertakings given to our stakeholders. Notable achievements have included the sale of our Australian business for R1.2 billion, net of fees, the launch of our Smartshopper programme which has exceeded all our projections, an accelerated store roll-out and good progress on several comprehensive transformation projects within the business.

In context, however, trading has occurred in an uncertain economic environment: consumer confidence remains tenuous and slow to recover, with high levels of household debt and further increases in inflation putting pressure on disposable incomes. At the same time, the retail sector has experienced profound changes, posing new challenges to our competitiveness and necessitating a more urgent focus on our determination to improve operating efficiencies and provide a superior customer experience. While the retail industry is hardly a stranger to high levels of competitiveness, this new era takes competitiveness to a greater level. This is ultimately good for the consumer.

We are bound to acknowledge that government has achieved much in improving the quality of life of our citizens and that its management of the economy has, so far, been worthy of praise, and we thus owe government our support where it is due. Macro-economic stability has been impressively maintained in the face of the global financial crisis, inflation has been contained and economic policy has been fiscally prudent. But unemployment remains high, ageing infrastructure has constrained growth and daunting economic problems remain from the apartheid era. It is often said that government alone cannot resolve these issues and Pick n Pay has always believed that business has a duty to partner with government in the urgent task of economic development and socio-economic progress.



**Gareth Ackerman**  
*Chairman*

In the South African context, a sophisticated business sector is well placed to collaborate with government to create public policy and to fashion appropriate legislative frameworks which provide precisely the long-term vision envisaged by the work of the National Planning Commission.

As this report records, Pick n Pay has made great strides in advancing such a contribution. Whether in the nurturing of small-scale producers of agricultural produce, the mentoring of black-owned enterprises as suppliers to our stores, or the many projects undertaken as part of our corporate social investment commitments, we have sought to support and complement government's efforts to create a society that is prosperous, stable and confident of its future.

Pick n Pay can regard with pride the contribution it has made to society since the dawning of a democratic South Africa and before. As an engaged corporate citizen, we take our social, economic and environmental responsibilities and obligations very seriously. In meeting these responsibilities, we have been guided

by our core principle that doing good is good business, but also by the national priorities set by government, particularly in the fields of job creation, the nurturing of skills among emerging entrepreneurs and the advancement of certain key objectives such as education and the combating of HIV/Aids.

Domestic and foreign investor uncertainty would be greatly reduced were government to feel more confident that there is much to be gained from greater co-operation with the private sector and placed greater faith in the potential of public-private partnerships.

For our part, Pick n Pay will continue to explore strategies and opportunities that augment such collaboration in building the nation in which so many South Africans have invested their hopes and aspirations.

In seeking to operate profitably, we owe it to our shareholders to hold government accountable when it behaves in a manner that compromises our ability to conduct our business effectively and efficiently. Unlike labour, business is not in alliance with the governing party, and thus often struggles to have its voice heard above those with more privileged access to national policy debates.

At the time of writing, we launched our new "Goodness" programme, which illustrates our commitment to South Africa both economically and socially and underpins our three main focus areas within Pick n Pay: doing good is good business, consumer sovereignty and business efficiency. While this is a contemporary look at our initiatives, it amply cements our legacy as a company that is fully in tune with South African society.

Through the Pick n Pay Ackerman Foundation, we partner with emerging producers so that they can enter the supply chain as suppliers to our stores in their own right. Our small business incubator initiative offers not only funding, but also expertise to emerging producers and manufacturers in terms of mentorship and access to experts in the field. From milk to olive oil and charcoal, we are assisting small businesses and producers to develop their enterprises and get their products onto our shelves and into the baskets of our shoppers.

For the past five years, we have been investing each year to develop and mentor these independent businesses and we are really pleased with what they have achieved so far.

A major focus area for Pick n Pay is environmental sustainability and we are striving to be South Africa's greenest retailer. We have won a great number of awards in the past year, such as the Sunday Times Top Brands Grand Prix Award for the third year running for doing the most to promote a more "green" lifestyle and second place in the Mail & Guardian's annual Greening the Future awards for the most innovative environmental strategies. Pick n Pay was also awarded the Environmental Social Governance award and the Innovation Through Technology award at the annual African Access National Business Awards.

For Pick n Pay, sustainability is more than just being a "green" company. Our approach is to ensure we become a more resilient company by embedding sustainable practices in our core activities. These have positively impacted our bottom line, as they should.

Just after our financial year-end, we finalised our agreement with BP South Africa which will see the roll out of 120 Pick n Pay Express stores on BP forecourts over five years. This is a significant venture and allows us to expand our footprint in this format and benefit from an association with one of South Africa's top petroleum companies.

Our expansion into Africa during the last year brought our store footprint to 94 and will continue deliberately and strategically into the next financial year, with openings set for Mozambique, Zambia and Mauritius. In February 2012 we subscribed for an additional 24% stake in our associate TM Supermarkets in Zimbabwe, taking our total investment to 49%.

While this Integrated Annual Report records much of which we can be proud, there is still much work to be done on transforming the business. A key focus area for us is customer service, which will receive our full attention in the year ahead and beyond. An integral part of this is our ability to staff our stores correctly and the labour agreement reached during the last financial year will go a long way towards making sure that the optimum staffing levels are achieved, which should have a significantly positive effect on customer service.



## Chairman's report continued

What I can confidently assert is that after several years of extremely difficult trading conditions, often dramatic restructuring and very considerable capital expenditure, Pick n Pay is beginning to demonstrate the tangible benefits which have been our goal since we launched this ambitious transformation programme some five years ago. The marked improvement in our second half result provides powerful momentum as we enter the new financial year.

There is a new energy across the Group and the "green shoots" towards which I have looked are becoming evident. I am confident that we have reached a significant turning point in Pick n Pay's fortunes and that the building blocks are in place for us to become the most efficient and profitable business in South Africa's food retail industry.

Towards the end of the financial year, Nick Badminton retired after 6 years as CEO and 33 years with the Company. He has played a

critical role in transforming the business and I am extremely grateful for the loyalty, dedication and competence which characterised his years with Pick n Pay. He takes with him our very best wishes for his future.

My thanks to Richard van Rensburg and the Group Executive team for stepping up and running the Company so efficiently and effectively while we search for our new CEO.



**Gareth Ackerman**  
*Chairman*

Cape Town  
10 May 2012



### WE FOUND GOODNESS IN MILK

When you pick up a carton of All Seasons milk at Pick n Pay, take a look at it because this healthy product is evidence of an inspired partnership between Pick n Pay and the All Seasons food brand.

Suzanne Ackerman-Berman, Director of Transformation at Pick n Pay, says All Seasons speaks directly to Pick n Pay's own transformation agenda.

"Providing small suppliers with viable market access is a priority for us and we are very proud to be the first retailer to support All Seasons products, the sales of which serve to uplift rural communities by ensuring a sustainable income stream for the rural women and farmworkers in the Western Cape who own this brand."

All Seasons is owned by the Proudly South African Intshona Agri-business Initiative, one of the first food brands to give ownership to rural black women and farmworkers, helping them to have a real stake in the economy.

There really is a lot of goodness in a glass of All Seasons milk.

## Deputy Chief Executive and Chief Finance Officers' report



**Richard van Rensburg**  
*Deputy Chief Executive Officer*



**Bakar Jakoet**  
*Chief Finance Officer*

### OVERVIEW

A great deal of focus and resources has been invested in an extensive transformation process over the last three years, requiring an unwavering commitment from the Pick n Pay team. We have faced a number of challenges and risks, but in a relatively short period have made significant strides in the implementation of our strategy and in renewing Pick n Pay for the future.

The considerable progress made to date includes the successful enterprise-wide implementation of SAP, the introduction of centralised distribution, our increased and improved footprint in the lower LSM market, the consolidation of our three inland administrative regions, the implementation of specialised category buying and the introduction of South Africa's largest retail loyalty programme, Smartshopper.

These initiatives, although absolutely imperative to the long-term sustainability of the Group, have come with significant investment costs. These costs have negatively impacted the financial performance of the Group over the last few years. The 2012 financial year is no different, with significant investment costs once again curtailing profit growth. However, it is without doubt a year of two distinct halves. A particularly tough interim result saw our trading profit from continuing operations fall by 31.7% for the first half of the year, but we were able to achieve a marked

improvement in the second half, with trading profit for the six months to 29 February increasing by 11.2% on the same period last year. We are encouraged by the performance in the second half and believe that there are now clear indications that our investments over the last few years are starting to yield real benefits.

### STRATEGIC ACHIEVEMENTS IN 2012

The Group has taken some significant steps forward in the 2012 financial year, which have enabled us to bed down the key elements of our strategy and focus on our core operations:

**Smartshopper** – we launched our loyalty programme in March 2011. Customer acceptance of the programme has far exceeded our expectations and we currently have in excess of five million active cardholders on the programme, against a first year target of three million. Smartshopper sales currently make up 60% of our total sales and 33% of all our baskets, with a Smartshopper basket growing at a significantly higher rate than a non-Smartshopper basket. We have been able to show our Smartshoppers real benefits, providing R350 million in savings over the year. It will take a number of years before we realise the full benefits of the programme, however we believe the encouraging growth in turnover this year is due in part to Smartshopper. Set-up costs have impacted the earnings of the Group, but we expect the programme to drive turnover growth

now and into the future and generate additional value as we understand our customers better and can market more effectively to them.

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

**Centralised distribution** – we are currently moving 1.6 million cases a week through Longmeadow, our central distribution centre in Gauteng, and 36% of total groceries are now centrally distributed. There have been pleasing operational improvements at Longmeadow, which include reduced labour and distribution costs per case on last year. We continue to focus on this facility to ensure that our supply chain is fully optimised. We opened our new Western Cape distribution centre in May 2012 which will benefit from our learnings at Longmeadow.

**Labour costs and expense control** – general expense control remains a high priority and management is focused on eliminating inefficiencies, improving productivity and reducing controllable costs, especially in light of the extraordinary increases in property rates and electricity tariffs over the year. In December 2011 we negotiated a new agreement with the union, which affords us

much more flexibility and will enable us to staff our stores more efficiently. We expect the benefits of this agreement to start flowing in the 2013 financial year.

**PnP on Nicol** – our flagship “green” store in Sandton has traded exceptionally well over the last year and illustrates that there is significant opportunity for Pick n Pay in the upper end of the market. A number of successful innovations from this store were incorporated into three other stores this year and we plan to roll out more than 10 of these type of stores over the next three to five years.

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

#### FINANCIAL REVIEW

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

There has been a marked improvement in the second half performance, with the first clear signs that the business is starting to reap some rewards from the transformation work done to date.

Franklins is disclosed as a discontinued operation and its operating results to end September 2011 and the subsequent profit on sale of the business are excluded from the results reported below.

#### FINANCIAL HIGHLIGHTS – PICK N PAY STORES LIMITED

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

# Deputy Chief Executive and Chief Finance Officers' report continued

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

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

**Trading profit growth** in the six months to February 2012 is 11.2% up on the same period last year, a considerable improvement on the first half performance. Trading profit for the year of R1 267.5 million (2011: R1 417.7 million), at a margin of 2.3% (2011: 2.8%) is 10.6% down on last year, most significantly due to costs relating to our strategic transformation initiatives. Our labour cost has been well controlled and with our new flexible labour agreement, there is significant potential for improvement.

There has been material cost inflation in our business, most significantly with electricity, rates and fuel, and as such management continues to focus on general expense control and improving productivity.

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

**Net cash from operating activities** at R1 558.8 million is up from R3.5 million last year, largely due to a R1.3 billion turnaround in cash generated from working capital. There have been a number of improvements in working capital management and we are focused, in particular, on reducing and managing optimum stock levels in store.

We are pleased with the progress made in this area, with like-for-like stockholdings reducing by 5.3% on last year. We continue to invest in our business and spent R1.8 billion on new stores and refurbishments during the year.

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

**The final dividend per share** of 108.35 cents for Pick n Pay Stores Limited and 52.57 cents for Pick n Pay Holdings Limited includes an additional amount to be paid to shareholders in respect of the 10% secondary tax on companies (STC) no longer payable by the Group. This brings the total dividend per share for the year to 130.85 cents for Pick n Pay Stores Limited (8.2% down on last year) and 63.48 cents for Pick n Pay Holdings Limited (8.4% down on last year).

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

## OPERATIONAL REVIEW

We are encouraged by our improved trading in the six months to February 2012, particularly in our core supermarket business. We have matched the like-for-like sales growth of our major competitors, which suggests that after a number of years, we now have the building blocks in place for a new and improved way of doing business. We have not been as good as we could have been though, particularly in the area of customer service, and there is still much room for improvement.

We are consistently the price leader in South Africa in known value items (KVI) and full basket price checks. Unfortunately there still exists a price perception gap among consumers, with the mistaken view that we are more expensive than some of our competitors. We will focus our marketing to effectively communicate this to customers, in order to be recognised for the value that we provide.

In terms of sales growth per format, our weakest performance comes from our larger format Hypermarket stores, and we are putting the necessary measures in place to address this.



Our short-term operational focus will be on refreshing the Hypermarket format, improving our general merchandise offer and refocusing our marketing strategy to reinforce our larger stores as a superb value proposition for the customer.

The strongest growth has come from our smaller format stores and as such, we are focused on increasing our footprint with these convenience supermarkets. This is an exciting growth opportunity for the Group, particularly in light of our progress in the areas of central distribution and labour flexibility. We will now be able to service small stores effectively from our central distribution centres and, with more flexible labour arrangements, will be able to facilitate deliveries outside of normal trading hours, to reduce costs and increase service delivery to customers.

Our stores in the lower income (or LSM) areas continue to outperform their higher income counterparts in turnover growth. Both Pick n Pay and Boxer stores trade well in this arena and we see these emerging market stores as a significant opportunity for all Pick n Pay brands. Consequently we are looking to grow our trading space in these markets.

Although over recent years growth has benefited retailers positioned in the LSM 4 – 6 market, we believe that South Africa will begin to win the war against poverty and as more South Africans start to prosper, we will see growth increasingly flow into the LSM 6 – 8 markets, our trading heartland. We are confident that we are perfectly positioned to benefit from this future shift.

We believe that we are the aspirational supermarket brand in the lower income markets, because of the value and quality we offer in world-class stores. However, we seek to be the supermarket of choice for all South Africans, with a format to suit every shopper and every shopping occasion. There is therefore no reason to believe that we cannot be the retailer of choice in the LSM 8 – 10 market. Our incredible success with PnP on Nicol has shown that we can serve this market as well as, if not better than, our major competitors and as such, we intend to roll out the innovations implemented at Nicol into other strategically placed stores.

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

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

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

**Africa** – we continue our steady growth into southern Africa and at 29 February 2012, the total number of stores outside South Africa (both owned and franchised) was 94. We opened 3 new stores in Zambia during the year, all of which are trading well, and we continue to explore opportunities in the region. We also opened our first store in Mozambique and our first two stores in Mauritius. We have three openings planned for 2013 (excluding TM Supermarkets in Zimbabwe), in Mozambique, Zambia and Mauritius.

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

## ENVIRONMENTAL AND SOCIAL SUSTAINABILITY

Environmental and social sustainability is at the very core of our business, fully incorporated into our strategy and daily operations. The 2012 financial year saw our continued commitment in all areas of environmental sustainability and social responsibility, with a particular focus on enterprise development. Pick n Pay has a long history of supporting and developing small suppliers, assisting them to become long-term suppliers to Pick n Pay and other retailers.

## Deputy Chief Executive and Chief Finance Officers' report continued

With our small business incubator and Pick n Pay Franchise Academy we have had great success in developing successful entrepreneurs, and as such have contributed significantly to the economic sustainability of the communities in which we operate.

In addition, we continued our commitment to conserving our environment and reducing our carbon footprint. An example of this is our new Western Cape distribution centre, which incorporates a number of green innovations such as some off-grid power generation, daylight harvesting, rainwater collection and motion sensor lighting.

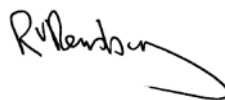
In the 2012 financial year we were once again recognised by the Sunday Times as South Africa's leading company in the promotion of green awareness, and received recognition from Eskom for innovation in energy savings.

### LOOKING FORWARD

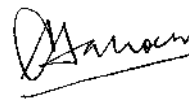
Despite a challenging year, our improved performance over the last six months gives us confidence in the work that we have done in repositioning the Group for the future, and gives us

good momentum into the 2013 financial year. A significant portion of our transformation strategy has now been implemented. Although we acknowledge that there is still much work to be done in seeing the strategy through to completion, we believe we have reached the point where the benefits of the changes to date are starting to be felt and are expected to accelerate in the year ahead.

We are operating in an uncertain economic climate and a highly competitive industry, and are still faced with all the risks and challenges of a Group undergoing great change, and as such it is difficult to predict with any certainty the timing and strength of our recovery. However, we are absolutely convinced that the transformation work undertaken to date has been crucial in positioning the Group for a successful and sustainable future.



**Richard van Rensburg**  
Deputy Chief Executive Officer



**Bakar Jakoet**  
Chief Finance Officer

Cape Town  
10 May 2012



### WE FOUND GOODNESS IN CYCLING

For young people, growing up in a township is hard. Drugs, unemployment, gangsterism and violence are constant problems for those living in underprivileged areas. 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, to spend their afternoons at the BMX track or riding together on the road. The 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. Zanele Tshoko dreams of becoming a professional cyclist and an engineer. She lives in Khayelitsha and attends Bumluko Senior School. She is in Grade 11. Life hasn't been easy for Zanele – she was teased constantly as a young girl for being a tomboy. And when she started cycling the teasing got worse. "It is not proper in our culture for a black woman to be a cyclist. But I have chosen to believe in myself!" She first heard about the academy at school, in 2005. Since joining, cycling has changed her life. "It keeps me out of trouble, away from alcohol and teenage pregnancy. It is good to have a healthy focus." Zanele has completed the Pick n Pay Argus Cycle Tour three times, and has been on the podium in the SA Road Championships for the last two years running. This year she took second place in the individual time trial.

# Strategy update

## OVERVIEW

The Group's core focus has been to strengthen its strong South African retail businesses, Pick n Pay and Boxer, while adopting a systematic approach to expanding into adjacent areas, including geographical growth through the African continent.

Pick n Pay has been consistently following this strategy since 2007, which has led us to exit non-performing parts of our portfolio. In 2007, the decision was made to convert the weak Score Supermarkets into Pick n Pay and Boxer stores. In September 2011, the Group's Australian subsidiary, Franklins, was sold to Sydney-based wholesaler, Metcash Limited.

Each of these decisions has led to substantial value creation and has enabled the Group to focus more intently on Pick n Pay and Boxer.

## STRATEGIC CONTEXT

Of the total Group turnover, 92.3% is generated in South Africa through the supermarket businesses of Pick n Pay and Boxer. The remaining 7.7% is generated through the Group's operations in Namibia, Botswana, Zambia, Mozambique, Mauritius, Swaziland and Lesotho. Additionally Pick n Pay owns a 49% stake in the Zimbabwean supermarket business TM Supermarkets.

Uniquely in the South African market, the Pick n Pay Group has broad appeal across all the nation's diverse customer groups. The Pick n Pay business is mainly targeted at the middle to upper income customer groups; whereas Boxer serves lower to middle income customers. However, the two businesses frequently trade within the same market and do so with great success.

Pick n Pay, which represents the majority of the Group's turnover, operates across multiple formats to suit and meet customers' needs. There are 20 hypermarkets which offer Pick n Pay's largest range of both food and general merchandise under one roof. There are 456 supermarkets of which 282 are franchised, which provide food and a more selected range of general merchandise. In addition there are 9 Pick n Pay Express stores which, in partnership with BP, provide customers with a convenient top-up alternative to larger stores.

We also retail clothing, liquor and pharmaceuticals with both in-store and stand-alone outlets contributing to the wide range of products and services offered by Pick n Pay.

Throughout each of its formats Pick n Pay aspires to offer the best and most appropriate choice of quality products, sold in world-class stores at great prices, thereby offering industry-leading value for money.

Boxer operates 129 stores across all its formats. Its primary focus is the Boxer Superstore business, with 99 stores providing a low price offer with a clear focus on the basic commodities such as maize, rice, flour and oil. The Boxer business has recently been piloting the Boxer Punch format which, through smaller stores and a more limited range of product, provides a more convenient alternative to the Boxer Superstore. There are now 9 Boxer Punch stores.

In South Africa the Pick n Pay and Boxer operations compete most directly with stores from the Shoprite Group, Spar and Woolworths. With their recent acquisition of Massmart, Walmart has announced its intention to build a large food retailing business. All of these retail chains also compete with the informal sector, which today still comprises about one third of the total food retail market. As the formal food retail market expands its store footprint, offering more convenient shopping at lower prices, the informal sector is coming under increasing pressure. The informal sector is served through the wholesale channel where Massmart is the largest player.



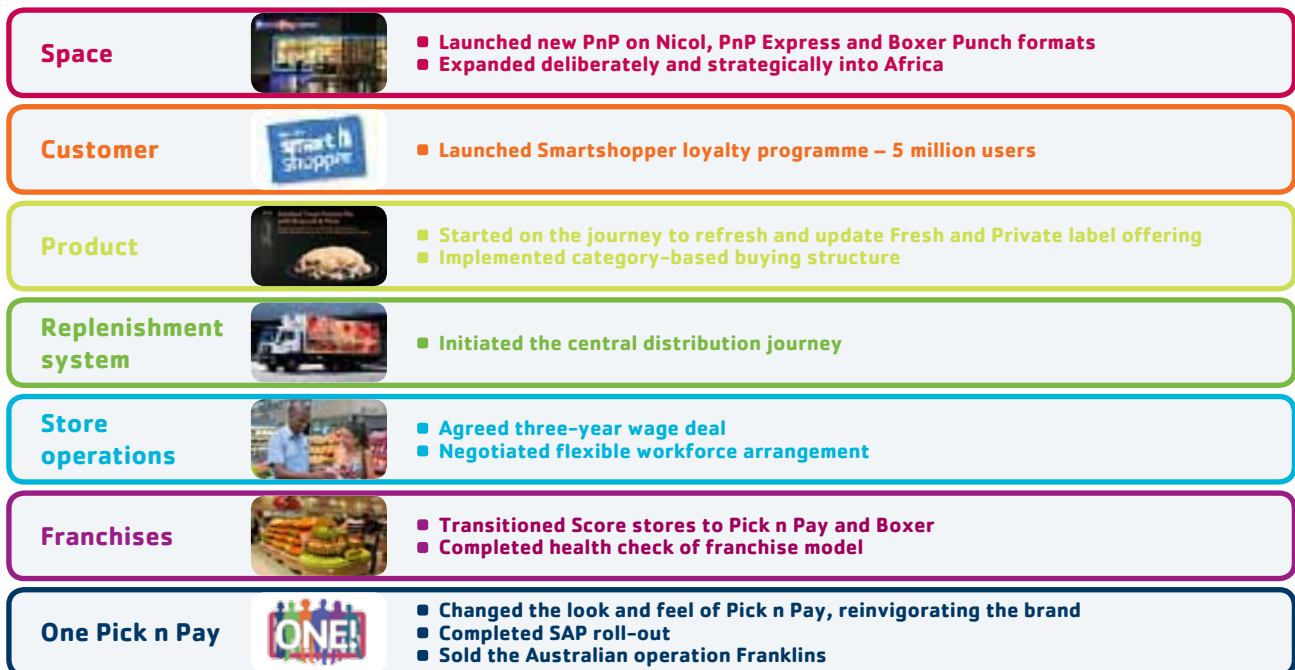
## PICK N PAY GROUP REFRESHED STRATEGY

Over the past year we have refreshed, without substantively altering our strategy. Our overarching ambition is for the Group to become the “Retailer of choice for all South Africans”. This builds on Pick n Pay and Boxer’s brand strength and strong store portfolio.

To achieve this, the Group has seven strategic priorities summarised in the chart below:



Importantly this refreshed strategy does not represent a major departure from the strategy that has been followed for the past five years, and many of the achievements of recent years are summarised in the chart below:



These seven themes are all geared to ensure that the business can grow sustainably and profitably. There is a balance of growth-driven priorities, focusing on space, customer, franchise and product, and those largely focused on improving efficiency such as replenishment and store operations. The “One Pick n Pay” initiative ties these together to ensure that the business works well as a unified whole.



# Strategy update continued

## PICK N PAY GROUP REFRESHED STRATEGY continued

### **Strategic priority: Grow selling space ahead of the market**

There is substantial competition for retail space both within South Africa and in other African markets. Ensuring that Pick n Pay increases its overall share of trading space over the long term is an important strategic priority. Over the past three years our space growth has lagged that of our competition particularly into the faster growing lower income areas and small stores. This not only directly reduces our market share but also puts pressure on like-for-like sales growth. We will continue to develop store formats and channels that meet customers' changing needs both in Pick n Pay and Boxer, in South Africa and beyond. Additionally we continue to build a pipeline of new sites, whether greenfield or through acquisition that will ensure we meet our aspirations.

### **Strategic priority: Build deep customer relationships**

The launch of our customer rewards programme Smartshopper gives us a significant opportunity to get to know our customers' shopping habits and preferences substantially better than we do today. Since its launch in March 2011 the programme has been a great success. After just one year we now have over five million active cardholders, exceeding our initial target by two million. This enables us not only to know and understand each customer a great deal better, but to communicate with our customers in a different and more engaging manner.

We have direct access to the vast majority of Smartshopper customers by either SMS or email, which means that we can send targeted marketing communications directly to them. We can also ask for feedback directly from them. All of this translates into a very valuable two-way dialogue with our customers.

As a result we are designing and executing marketing campaigns which are more relevant to our customers. We are extracting insights from their shopping habits data in order to tailor our product ranges and more accurately serve them. All of this will assist us in growing our sales volumes significantly.

### **Strategic priority: Revolutionise Pick n Pay's product offer**

During the past 12 months we have invested considerable time and resources in building a single specialised category buying division. Prior to the establishment of this division, Pick n Pay's sourcing activities were distributed across the operating regions.

This led to fragmentation of the Group's buying scale, with each buyer having a wide range of products to source. Our new specialised category buying division is made up of category teams each of which is responsible for the end-to-end profitability of a specific product category. They are tasked with developing a product range that meets all customer needs, sourcing those products at the lowest possible cost, constructing shelf layouts that help customers find what they are looking for easily, building a promotional plan that generates customer excitement, increased volumes and higher margins, and ensuring that Pick n Pay's prices remain highly competitive. Included in their responsibilities is the task of improving our Pick n Pay branded offer. Our own brand portfolio of products now makes up 15% of our grocery sales. It is a key source of differentiation for us.

As this division beds down we will see a vast improvement in the quality, choice and value of the products we offer to our customers.

Additionally we are focusing heavily on creating clear points of differentiation in fresh produce and meat. We have made significant improvements in recent years but we still have substantial scope to improve quality, freshness and range in these key categories, while minimising operating cost and wastage. We will be reviewing every part of the supply chain for fresh foods over the coming 12 months.

### **Strategic priority: Build a cost-effective replenishment system**

Managing the flow of product to our stores in the most cost-effective manner is critical if we are to ensure that the product is available for the customer to buy at the right time, in the right place and at the right cost.

In 2007 we began transitioning from a direct-to-store delivery model to a centralised model where suppliers deliver to our own distribution centres and we consolidate the product and deliver to our stores. This results in a lower cost distribution model as fewer trucks travel fewer kilometres, while also enabling our stores to deal with much less complexity. Ultimately each store will receive fewer than five deliveries per day rather than, in some instances, more than 60. We will also be able to hold less stock in our stores.

Putting this model in place constitutes a major transformation of the business. We need to invest in distribution centres and build the capability to manage the flow of produce efficiently, which requires advanced systems and highly skilled personnel. We also need to develop the relationships with our suppliers so that we can minimise the total system cost of the supply chain and reinvest the savings in our product offer.

We have made significant progress in our operating regions served by the Longmeadow distribution centre in Johannesburg. This facility serves more than 300 stores and frequently delivers 1.6 million cases of product per week. We opened our new distribution centre in Cape Town in May 2012. Once this is fully operational, 50% of our grocery volume will be centralised. Further distribution centres will be opened in Durban and Johannesburg in the next two to three years.

Work has also begun on improving our fresh foods, frozen foods, and general merchandise distribution networks.

#### **Strategic priority: Deliver best in-market shopping experience with lean efficiency**

All elements of our strategy come to fruition in our stores. For us to serve our customer better, we need to improve how we support our store personnel to focus on those elements that really matter at the front-line. Through the other components of our strategy, we are putting in place specialists in marketing, category buying and replenishment. This will reduce the administrative strain of the stores significantly as they will be able to rely on specialised support structures to provide the right product to the store at the right time. Simplifying the store processes across the business will free up staff to do their jobs better and more efficiently leading to improved customer service and reduced costs.

Over the course of the next financial year, our store teams will be working hard to design the new ways of working which will be piloted before rolling-out.

In addition, our Goods Not for Resale ("GNFR") team is working hard to minimise the cost to procure products and services that we do not on-sell to our customers: examples include cleaning and security services, trolleys and utilities. Since its establishment

18 months ago the team has saved over R100 million on an annualised basis.

#### **Strategic priority: Sustain a thriving franchise business**

Franchisees are a critical part of our growth strategy. Through the owner-managed model they deliver outstanding service to our customers while building their own businesses. This is a mutually beneficial relationship as we are able to roll stores out more rapidly and efficiently.

However, such a relationship needs to be constantly nurtured. The success of our franchise business depends on us offering talented entrepreneurs the best franchise model in the market. Over the past year we have done substantial work on continually improving the working relationship. We will be working through these plans with our franchisees over the coming months.

#### **Strategic priority: Work as One Pick n Pay**

Pick n Pay has grown as a decentralised business with largely independent operating regions working to grow sales and profit. This arrangement has served us well over more than 40 years. However, we have always recognised that business practices need to evolve with developments in technology and international best practice. We are in the midst of transforming to a model where stores are supported by a strong backbone of nationally based specialist functions. As we make this transition, the need to work cross-functionally is greater than ever before. We are determined to retain the entrepreneurial spirit that characterised our decentralised system while ensuring we capture the benefits of scale and specialisation.

To do so, we are investing heavily in leadership development and in engaging all parts of the business in the transformation. We can only succeed if we work as one.

### **STRATEGY IMPLEMENTATION**

Over the past six months we have been pulling each element of our strategy into one overall transformation programme for the Group. This will ensure that trade-offs are managed appropriately, priorities are set and that the resources we have are devoted to those activities which will make the biggest difference to our customers.

# Strategy update continued

## MEASUREMENT AND KEY PERFORMANCE INDICATORS (KPIs)

Each of the strategic priorities we have identified has clear ownership within our Group Executive with equally clear KPIs.

Below is a chart outlining the relevant KPIs per each strategic priority. While there are always more measures one can add, these are the primary drivers of value in our business.

<b>Space</b>		<ul style="list-style-type: none"> <li>■ % share of total market trading space</li> <li>■ % space growth (% of existing space added in last 12 months)</li> <li>■ Space pipeline (projected 3 year % space growth)</li> <li>■ Format profitability (% trading margin by format)</li> </ul>
<b>Customer</b>		<ul style="list-style-type: none"> <li>■ % like-for-like sales growth</li> <li>■ Net promoter score*</li> <li>■ % penetration of Smartshopper (% of sales)</li> </ul>
<b>Product</b>		<ul style="list-style-type: none"> <li>■ % like-for-like sales growth</li> <li>■ Sales per m<sup>2</sup></li> <li>■ Gross margin (% and R's)</li> <li>■ % sales from Pick n Pay branded products</li> </ul>
<b>Replenishment system</b>		<ul style="list-style-type: none"> <li>■ Shelf availability</li> <li>■ Cost per unit warehousing and distribution cost</li> <li>■ Inventory days</li> <li>■ Stock accuracy</li> </ul>
<b>Store operations</b>		<ul style="list-style-type: none"> <li>■ Customer service scores</li> <li>■ Corporate store costs (% sales)</li> <li>■ Goods Not for Resale (GNFR) cost saving</li> </ul>
<b>Franchises</b>		<ul style="list-style-type: none"> <li>■ Franchisee net promoter score*</li> <li>■ Franchise profitability</li> </ul>
<b>One Pick n Pay</b>		<ul style="list-style-type: none"> <li>■ Employee net promoter score*</li> <li>■ Overhead costs (% sales)</li> </ul>

\* Measure of advocacy based on customer service data

There is still some work to be done in bedding down all relevant and measurable KPIs across our strategic objectives. We hope to publish key performance targets and our performance against them in the future.

Underpinning Group strategy, and the individual strategic priorities detailed above is the fundamental principle of doing good is good business. We will continue to do good in all the communities in which we operate, with a particular focus on enterprise development, and we will continue to do good for our environment – as we focus on rolling-out green innovations in our stores, reducing our carbon footprint and reducing our waste to landfill.

## KEY RISKS AND CHALLENGES

We see the biggest risks and challenges to the successful delivery of any strategy as:

- A lack of integration across the business resulting in the weak delivery of a complex plan;
- A lack of critical skills and capabilities in key areas; and
- A failure to mobilise the organisation behind the required changes.

All of these challenges are well within our control and we are doing everything in our power to make sure that we don't fall down in these areas.

We are confident that the accurate and timely delivery of our strategy will make a marked difference to our customers' experience in our stores, which will drive our sales volumes and enable us to improve the efficiency of our business. As we reinvest much of these benefits back into our business, we will continue to drive our sales volumes, leading to continued, consistent and sustainable returns to our shareholders.

# Supporting food security and a sustainable future

## INTEGRATING SUSTAINABILITY INTO OUR CORE BUSINESS

The International Integrated Reporting Committee recommends that “a company present its strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates”.

This section of our Integrated Annual Report specifically addresses our response to the social and environmental concerns that are shaping the retail industry in South Africa.

As a major retailer in South Africa, we strive to address socio-economic challenges through the supply of high quality, affordable food for all South Africans, whilst providing significant employment and economic opportunities across our value chain.

A wide range of environmental, social and governance trends are combining to create new commercial and socioeconomic challenges, which continue to redefine the role we have to play in South Africa.

### From an economic and environmental perspective:

- Rising energy prices continue to increase our operating costs. We continue to reduce electricity usage, cut down on non-essential corporate travel, and further optimise our logistics and distribution network.
- We believe that the continued volatility of global commodity prices and limited global resources will continue to put upward pressure on food prices.
- Soil fertility, water demand, fertiliser prices and erratic rainfall, are just some of the issues which are of key concern to our local produce suppliers, and all will continue to impact on our ability to provide quality food at affordable prices.
- We believe that partnerships will become increasingly important in addressing social and environmental challenges. We will continue to pursue opportunities in this regard. A good example of this is the Organic Farmer and Retailer programme, an initiative between Pick n Pay, Spar, Shoprite, and the

Department of Trade and Industry to facilitate the supply of organic produce from emerging farmers.

- The potential carbon tax raised in the SA Treasury's Green Paper will have implications for our operating costs, as well as affect the disposable income of our customers in lower LSM categories who spend a larger proportion of their income on energy.

### From a social and governance perspective:

- The primary social issue in South Africa remains the continued high levels of economic disparity in our society. Our response is focused on food affordability and on initiatives that create and sustain jobs and small businesses within our supply chain.
- Consumer interest in green and ethical products remains strong. We continue our work and support in this area, and have earned significant recognition of our efforts in independent polls. While the demand for green and ethical products increases, consumers continue to expect price parity in the product offerings. Our attention is therefore focused on meeting these dual requirements.
- The world-wide activism that gained much media attention in the past year has been comparatively limited in South Africa. We do however continue to engage actively with our stakeholders, including customers, on all our social initiatives. We appreciate the continued feedback from our stakeholders on issues of concern, and have developed strong systems to ensure our response is timely and well-directed.
- Governance and disclosure requirements continue to be developed and enhanced. Demand for greater transparency, accountability and transformation are expected to increase across the full value chain over the coming years.

Based on these trends, Pick n Pay's sustainability strategy is framed around six strategic focus areas. Each of these focus areas aligns with our overarching commitment to work towards greater food security and a sustainable future:



# Supporting food security and a sustainable future

continued



**Providing safe food and expanding sustainable product lines**



**Providing a resilient supply base**



**Empowering our people**



**Enhancing governance and accountability**



**Supporting our communities in their contribution to change**



**Working for a clean and healthy environment**

All of our sustainability initiatives are directed at increasing the resilience of our business, through encouraging innovative thinking, partnerships and the transformation of systems and processes. We will continue to improve and grow, to ensure that we not only become the retailer of choice for all South Africans, but that we lead by example, as a strong and principled corporate citizen, playing an integral role in building a strong and successful South Africa.

This review provides a brief, high level overview of our sustainability initiatives and performance. Further detail may be accessed on our website at [www.picknpay-ir.co.za/sustainability-reports.php](http://www.picknpay-ir.co.za/sustainability-reports.php).

## SUSTAINABILITY FOCUS: PROVIDING SAFE FOOD AND EXPANDING SUSTAINABLE PRODUCT LINES

Customers know and trust Pick n Pay branded products because they deliver on our promises of good quality and value for money. We strive to not only deliver safe, quality products to our consumers but also to ensure the welfare of the animals and environment that supports us. We regularly audit our key corporate brand suppliers along strict health and safety guidelines, to ensure food safety. In addition we work closely with many suppliers to ensure that we share a common vision to promote and expand ethical and sustainable product lines.

### Achievements include:

- Pick n Pay was the first retailer in South Africa to commit to sell only sustainably sourced seafood by 2015.
- The launch of 21 new organic food products.
- The launch of our "Finest" range encompassing over 200 products. All ingredients used in these products are assessed for quality, value, availability, the carbon footprint in respect of its transport and manufacture, and any possible allergens.

### Key challenges include:

- Supporting efforts to address food security while acknowledging and balancing the concerns and interests of all stakeholders.
- We continue to look for opportunities to reduce the ecological footprint of the packaging of Pick n Pay corporate brands.
- Ensuring compliance with new legislation and regulations, including the Consumer Protection Act, no 68 of 2008 and new labelling regulations.

Key performance indicator	2012	2011
Green range sales	up 27%	up 266%
Corporate brand products sourced locally	91%	88%
Corporate brand suppliers audited on health, safety and environmental issues	94%	94%

## SUSTAINABILITY FOCUS: BUILDING A RESILIENT SUPPLY BASE

We continue to work closely with suppliers to ensure the sustainability of our supply base, with enterprise development remaining a clear focus. We support the agricultural sector through our efforts to address the challenge of market access for emerging farmers.

### Achievements include:

- Our Pick n Pay small business incubator now provides ongoing mentorship to more than 50 small businesses.
- Through our Enterprise Development Foundation 33 emerging entrepreneurs have been able to gain access to markets through our stores during the past year.
- We have completed an initial supply chain risk assessment, in order to quantify the possible impact external environmental trends could have on our business, including the effect of scarce natural resources, pollutants and increased green house gases.

### Key challenges include:

- Communicating sustainability risks, opportunities and requirements to all our suppliers.
- Mapping environment-related risks in our supply chain. This is an ongoing process that is yielding interesting and significant results – a key challenge is incorporating this information into our decision-making to build greater resilience in our supply base.

Key performance indicator	2012	2011
Small farmers and businesses in our small business incubator	62	54

# Supporting food security and a sustainable future

continued

## SUSTAINABILITY FOCUS: EMPOWERING OUR PEOPLE

We have a robust career development framework in place that emphasises training and competence. This meets business needs while empowering employees to grow their potential.

### Achievements include:

- Foundational 'adult basic education and training' literacy programmes are now incorporating retail-specific concepts.
- We have aligned our trainee manager programme and assessments to new standard operating procedures.
- Training courses based on assessment centre results that are mandatory for promotion have been prioritised and scheduled to meet business needs.

### Key challenges include:

- Managing the capacity of business units to achieve the required volume and quality of training due to other operational demands.

Key performance indicator	2012	2011	2010
Employee turnover	15%	15%	9%
Total investment in training, including bursaries	R80.2 million	R71.8 million	R55.2 million
Employment equity			
Top management (target 40%)	38%	39%	39%
Senior management (target 65%)	61%	58%	59%
Professionally qualified middle management (target 70%)	85%	84%	84%
Semi-skilled and discretionary decision-making (target 80%)	95%	94%	93%
Unskilled and defined decision-making (target 100%)	100%	100%	100%

## SUSTAINABILITY FOCUS: ENHANCING GOVERNANCE AND ACCOUNTABILITY

We continue to embed sustainability across our operations, driving efficiency and exploring new opportunities for our business.

### Achievements include:

- Our Carbon Disclosure Project score improved from 77 to 86 and we were placed in performance band A-;
- We were included in the JSE 100 Carbon Performance Leadership Index.

### Key challenges include:

- Continually enhancing sustainability data management through our executive scorecard and compliance with an increasing number of external guidance bodies.

Key performance indicator	2012	2011	2010
JSE SRI Listing	Listed	Listed	Listed
Carbon disclosure project	Included on Performance Leadership index for CDP 2011	Included on Performance Leadership index for CDP 2010	—

## SUSTAINABILITY FOCUS: SUPPORTING COMMUNITIES IN THEIR CONTRIBUTION TO CHANGE

Partnerships remain a key strategic focus for the Group and through the Pick n Pay Ackerman Foundation (the "Foundation") we continue to support community-based projects with a potential for economic self-reliance and facilitate market access for small businesses.

The central values on which the Foundation's development work is built are:

- Encouraging the efficient use of natural resources;
- Creating prosperous livelihoods not jobs;
- Whole community focus;
- Support of start-ups (incubation);
- Support of ready-to-grow businesses (acceleration); and
- Facilitating economic sustainability and self-reliance.

Our multi-faceted approach, supporting communities, enterprises and individuals with a combination of expertise and experience, has seen projects grow from small community gardens to viable opportunities for economic independence.

Suppliers are encouraged to adopt improved environmental and social practices, and our procurement policies drive ethical welfare standards throughout our supply chain. The Foundation actively promotes the use of sustainable environmental practices throughout the value chain, using partnership models for sustainability-driven solutions. We include the important elements of sustainable practices socially, economically and environmentally when we assess projects.

### Achievements include:

- We are providing permanent employment for 60 women through a small business initiative which manufactures eco-bags sold in our stores.
- The Pick n Pay Ackerman Foundation has supported and developed more than 36 small enterprises who are supplying Pick n Pay with products, goods and services.
- A dedicated programme to assist small suppliers with their compliance, a substantial challenge for small businesses, which includes water and soil testing, labelling, traceability journals and record keeping.

### Key challenges include:

- Aligning enterprise development with the needs of business and supply chains.
- Measuring the impact of our initiatives.



# Supporting food security and a sustainable future

continued

## SUSTAINABILITY FOCUS: WORKING FOR A CLEAN AND HEALTHY ENVIRONMENT

We have seen significant energy savings as a result of our completed roll-out of in-store energy efficiency initiatives and through optimising our logistics network. Our focus on waste is to be intensified.

### Achievements include:

- We have reduced our carbon footprint by 4.6% compared to our 2011 scope. Our emissions intensity has improved by 11%.
- Daily automated feedback is provided to corporate stores to promote energy saving behaviour.
- We have started exploring the eligibility of some of our energy savings projects for inclusion under the Clean Development Mechanism (a mechanism for registering carbon credit projects).
- Our development of eco-friendly stores and ongoing commitment to climate change education were recognised when we won the Climate Change Leadership award in the retail category.
- Pick n Pay received the Africa Energy award for "Energy Project of the Year".
- We also received the Eskom eta award for "Energy Efficiency Awareness".

### Key challenges include:

- Our main challenge in this focus area remains growing our business while significantly reducing our consumption and impact on natural resources.

Key performance indicator	2012	2011	2010
Carbon footprint (Scope 1 and 2)	598 896 tonnes*	602 782 tonnes	642 351 tonnes
Carbon footprint (Scope 1 and 2): annual turnover	10.8	11.6	13.1
Total energy use for stores, distribution centres and offices	530 million kWh	557 million kWh	569 million kWh
Energy use per m <sup>2</sup> for corporate stores	472kWh	528kWh	550kWh
Waste volumes recycled	8 392 tonnes**	3 284 tonnes	2 689 tonnes

\* Our carbon footprint is currently being verified and additional data sources will be included in our CDP submission.

\*\* Significant improvement due to both an increase in the number of locations measured and an improvement in data collection



## WE FOUND GOODNESS IN ENDANGERED WILDLIFE

Pick n Pay's relationship with the Hoedspruit Endangered Species Centre began in 2007 when the centre was struggling to raise an orphaned rhino calf in the midst of a countrywide milk shortage. Lente Roode, founder of the Centre, approached Pick n Pay who immediately provided milk powder to save the baby rhino.

Pick n Pay is one of the few corporate funders of the centre, which focuses on the conservation of threatened species, with cheetah conservation being one of its core missions.

Lente and her team are active in the breeding of endangered, vulnerable, or rare animal species; the education of learners, students and the public in conservation and conservation activities; eco-tourism; the release and establishment of captive-bred cheetahs back into the wild; and the treatment and rehabilitation of wild animals.

Pick n Pay also sponsors the annual Hoedspruit Sustainability Festival which gives the area a chance to showcase its work and commitment to vulnerable species.

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The summarised annual financial statements presented are an extract of Pick n Pay Stores Limited's and Pick n Pay Holdings Limited's annual financial statements. They have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards (IFRS) and the disclosure requirements of IAS 34.

The summarised annual financial statements do not contain all the disclosures required by IFRS and the South African Companies Act no. 71 of 2008, as amended. The summarised annual financial statements are not a substitute for the respective Group's full annual financial statements.

The full annual financial statements for both Pick n Pay Stores Limited and Pick n Pay Holdings Limited can be found at [www.picknpay-ir.co.za](http://www.picknpay-ir.co.za). A printed copy is available on request from our Company Secretary, Debra Muller, who can be contacted at [demuller@pnp.co.za](mailto:demuller@pnp.co.za).

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

## Pick n Pay Stores Limited and its subsidiaries

The summarised annual financial statements are the responsibility of the directors of Pick n Pay Stores Limited.

The Company (separate) and Group (consolidated) annual financial statements for the year ended 29 February 2012 from which these summarised annual financial statements have been derived, were prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

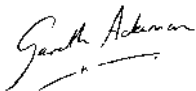
The directors are responsible for the preparation and fair presentation of the summarised annual financial statements and are satisfied that the systems and internal financial controls implemented by management are effective and that these summarised annual financial statements are a true and accurate extract from the Company and Group annual financial statements.

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

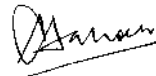
The auditor is responsible for reporting on whether the Company and Group summarised annual financial statements are fairly presented in accordance with the applicable financial reporting frameworks.

### APPROVAL OF SUMMARISED FINANCIAL STATEMENTS

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



**Gareth Ackerman**  
*Executive Chairman and acting Chief Executive Officer*



**Bakar Jakoet**  
*Chief Finance Officer*

# Independent auditor's report

for the year ended 29 February 2012

## TO THE SHAREHOLDERS OF PICK N PAY STORES LIMITED

### Report on the abridged annual financial statements

The accompanying abridged (summarised) Company and Group annual financial statements of Pick n Pay Stores Limited, which comprise the statements of financial position at 29 February 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and summarised related notes, are derived from the Company and Group annual financial statements of Pick n Pay Stores Limited for the year ended 29 February 2012.

We expressed an unmodified opinion on those Company and Group annual financial statements in our auditor's report dated 10 May 2012.

The summarised annual financial statements do not contain all the disclosures required by International Financial Reporting Standards applied in the preparation of the Company and Group annual financial statements of Pick n Pay Stores Limited. Reading the summarised annual financial statements, therefore, is not a substitute for reading the annual financial statements.

### Directors' responsibility for the abridged financial statements

The directors are responsible for the preparation of the summarised Company and Group annual financial statements on the basis described in the related notes on page 49.

### Auditor's responsibility

Our responsibility is to express an opinion on the summarised Company and Group annual financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810, *Engagements to Report on Summary Financial Statements*.

### Opinion

In our opinion, the summarised Company and Group annual financial statements derived from the Company and Group annual financial statements of Pick n Pay Stores Limited for the year ended 29 February 2012, are consistent, in all material respects, with the financial statements, on the basis described in the related notes on page 49.

**KPMG Inc.**

*Registered Auditor*



**Per Patrick Farrand**

*Chartered Accountant (SA)*

*Registered Auditor*

*Director*

10 May 2012

MSC House

Mediterranean Street

Cape Town

8001



# Pick n Pay Stores Limited and its subsidiaries

## Statements of comprehensive income

for the year ended 29 February 2012

		GROUP		COMPANY	
	Notes	2012 Rm	2011 Rm	2012 Rm	2011 Rm
CONTINUING OPERATIONS					
Revenue	3	55 634.4	51 455.9	863.9	810.4
Turnover	3	55 330.5	51 185.0	—	—
Cost of merchandise sold	3	(45 350.0)	(42 098.8)	—	—
Gross profit		9 980.5	9 086.2	—	—
Other trading income		264.4	231.4	—	—
Trading expenses		(8 969.8)	(7 899.9)	(11.2)	(1.1)
Employee costs		(4 658.5)	(4 319.8)	—	—
Occupancy		(1 302.1)	(1 114.7)	—	—
Operations		(2 149.4)	(1 642.8)	(0.6)	—
Merchandising and administration		(859.8)	(822.6)	(10.6)	(1.1)
Loss on sale of property, equipment and vehicles and intangible assets		(7.6)	—	—	—
Trading profit/(loss)		1 267.5	1 417.7	(11.2)	(1.1)
Interest received		39.5	39.5	16.5	—
Interest paid		(135.1)	(111.0)	(16.5)	—
Gain on recognition of investment in associate		—	7.5	—	—
Share of associate's (loss)/income	5	(1.9)	2.4	—	—
Operating profit/(loss)		1 170.0	1 356.1	(11.2)	(1.1)
Dividends received		—	—	847.4	810.4
Profit before tax		1 170.0	1 356.1	836.2	809.3
Tax		(407.7)	(447.8)	—	(0.1)
Profit for the year from continuing operations		762.3	908.3	836.2	809.2
Profit/(loss) for the year from discontinued operation	6	351.2	(123.4)	—	—
Profit on sale of discontinued operation		438.4	—	—	—
Loss from discontinued operation		(87.2)	(123.4)	—	—
Profit for the year		1 113.5	784.9	836.2	809.2
Other comprehensive loss (net of tax)		(358.3)	(14.6)	—	—
Exchange rate differences on translating foreign operations		224.1	50.1	—	—
Net loss on hedge of net investment in foreign operation		(49.9)	(52.2)	—	—
Foreign currency translation reserve realised on sale of discontinued operation	6	(539.8)	—	—	—
Retirement benefit actuarial gain/(loss)		7.3	(12.5)	—	—
Total comprehensive income for the year		755.2	770.3	836.2	809.2
Earnings/(loss) per share – cents					
Basic	4	233.21	164.99		
Continuing operations		159.64	190.92		
Discontinued operation		73.57	(25.93)		
Diluted	4	228.69	162.20		
Continuing operations		156.55	187.68		
Discontinued operation		72.14	(25.48)		

# Pick n Pay Stores Limited and its subsidiaries

## Statements of financial position

as at end February 2012

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

# Pick n Pay Stores Limited and its subsidiaries

## Statements of changes in equity

for the year ended 29 February 2012

	Notes	Share capital Rm	Treasury shares Rm	Accumulated profits Rm	Foreign currency translation reserve Rm	Total Rm
<b>GROUP</b>						
<b>At 1 March 2010</b>		6.0	(261.2)	2 050.4	349.4	2 144.6
<b>Total comprehensive income for the year</b>		—	—	772.4	(2.1)	770.3
Profit for the year				784.9		784.9
Exchange rate differences on translating foreign operations					50.1	50.1
Net loss on hedge of net investment in foreign operation					(52.2)	(52.2)
Retirement benefit actuarial loss				(12.5)		(12.5)
<b>Transactions with owners</b>		—	89.2	(845.3)	—	(756.1)
Dividends paid				(808.0)		(808.0)
Share repurchases			(90.2)			(90.2)
Net effect of settlement of employee share options			179.4	(111.1)		68.3
Share options expense				73.8		73.8
<b>At 28 February 2011</b>		<b>6.0</b>	<b>(172.0)</b>	<b>1 977.5</b>	<b>347.3</b>	<b>2 158.8</b>
<b>Total comprehensive income for the year</b>		—	—	1 120.8	(365.6)	755.2
Profit for the year				1 113.5		1 113.5
Exchange rate differences on translating foreign operations					224.1	224.1
Net loss on hedge of net investment in foreign operation					(49.9)	(49.9)
Foreign currency translation reserve realised on sale of discontinued operation	6				(539.8)	(539.8)
Retirement benefit actuarial gain				7.3		7.3
<b>Transactions with owners</b>		—	29.2	(539.1)	—	(509.9)
Dividends paid				(605.4)		(605.4)
Share repurchases			(42.7)			(42.7)
Net effect of settlement of employee share options			71.9	(29.4)		42.5
Share options expense				95.7		95.7
<b>At 29 February 2012</b>		<b>6.0</b>	<b>(142.8)</b>	<b>2 559.2</b>	<b>(18.3)</b>	<b>2 404.1</b>
<b>COMPANY</b>						
<b>At 1 March 2010</b>		6.0	—	147.9	—	153.9
<b>Total comprehensive income for the year – profit for the year</b>		—	—	809.2	—	809.2
<b>Transactions with owners – dividends paid</b>		—	—	(825.0)	—	(825.0)
<b>At 28 February 2011</b>		<b>6.0</b>	<b>—</b>	<b>132.1</b>	<b>—</b>	<b>138.1</b>
<b>Total comprehensive income for the year – profit for the year</b>		—	—	836.2	—	836.2
<b>Transactions with owners – dividends paid</b>		—	—	(614.9)	—	(614.9)
<b>At 29 February 2012</b>		<b>6.0</b>	<b>—</b>	<b>353.4</b>	<b>—</b>	<b>359.4</b>

# Pick n Pay Stores Limited and its subsidiaries

## Cash flow statements

for the year ended 29 February 2012

	Notes	GROUP		COMPANY	
		2012 Rm	2011 Rm	2012 Rm	2011 Rm
<b>Cash flows from operating activities</b>					
Trading profit/(loss)		1 267.5	1 417.7	(11.2)	(1.1)
Depreciation and amortisation		808.1	733.3	—	—
Loss on sale of property, equipment and vehicles and intangible assets		7.6	—	—	—
Share options expense		95.7	73.8	—	—
Net operating lease liability		52.7	29.3	—	—
<b>Cash generated/(utilised) before movements in working capital</b>		<b>2 231.6</b>	<b>2 254.1</b>	<b>(11.2)</b>	<b>(1.1)</b>
<b>Movements in working capital</b>		<b>490.3</b>	<b>(844.8)</b>	<b>5.7</b>	<b>(6.7)</b>
Increase/(decrease) in trade and other payables		1 030.4	(678.1)	2.5	(3.5)
Increase in inventory		(172.2)	(349.1)	—	—
(Increase)/decrease in trade and other receivables		(367.9)	182.4	3.2	(3.2)
<b>Cash generated by/(utilised in) trading activities</b>		<b>2 721.9</b>	<b>1 409.3</b>	<b>(5.5)</b>	<b>(7.8)</b>
Interest received		39.5	39.5	16.5	—
Interest paid		(135.1)	(111.0)	(16.5)	—
<b>Cash generated by/(utilised in) operations</b>		<b>2 626.3</b>	<b>1 337.8</b>	<b>(5.5)</b>	<b>(7.8)</b>
Dividends received		—	—	847.4	810.4
Dividends paid		(605.4)	(808.0)	(614.9)	(825.0)
Tax paid		(462.1)	(526.3)	—	(0.1)
<b>Net cash generated by/(utilised in) operating activities – continuing operations</b>		<b>1 558.8</b>	<b>3.5</b>	<b>227.0</b>	<b>(22.5)</b>
<b>Net cash (utilised in)/generated by operating activities – discontinued operation</b>	6	<b>(330.4)</b>	<b>13.9</b>	<b>—</b>	<b>—</b>
<b>Total net cash generated by/(utilised in) operating activities</b>		<b>1 228.4</b>	<b>17.4</b>	<b>227.0</b>	<b>(22.5)</b>
<b>Cash flows from investing activities</b>					
<b>Investment in property, equipment and vehicles and intangible assets</b>		<b>(1 611.0)</b>	<b>(1 245.7)</b>	<b>—</b>	<b>—</b>
Intangible asset additions		(271.7)	(82.5)	—	—
Property additions		(446.8)	(289.2)	—	—
Equipment and vehicle additions		(889.9)	(874.0)	—	—
Aircraft additions		(2.6)	—	—	—
Increase in investment in associate	5	(102.5)	—	—	—
Purchase of operations		(106.4)	—	—	—
Proceeds on disposal of property, equipment and vehicles and intangible assets		44.5	21.9	—	—
Loans repaid/(advanced)		9.4	34.5	(627.0)	22.5
<b>Net cash (utilised in)/generated by investing activities – continuing operations</b>		<b>(1 766.0)</b>	<b>(1 189.3)</b>	<b>(627.0)</b>	<b>22.5</b>
<b>Net cash generated by/(utilised in) investing activities – discontinued operation</b>	6	<b>1 459.6</b>	<b>(151.4)</b>	<b>—</b>	<b>—</b>
<b>Total net cash (utilised in)/generated by investing activities</b>		<b>(306.4)</b>	<b>(1 340.7)</b>	<b>(627.0)</b>	<b>22.5</b>
<b>Cash flows from financing activities</b>					
Debt raised/(repaid)		787.5	(32.5)	400.0	—
Share repurchases		(42.7)	(90.2)	—	—
Proceeds from employees on settlement of share options		31.1	25.1	—	—
<b>Net cash generated by/(utilised in) financing activities – continuing operations</b>		<b>775.9</b>	<b>(97.6)</b>	<b>400.0</b>	<b>—</b>
<b>Net cash generated by financing activities – discontinued operation</b>	6	<b>—</b>	<b>10.0</b>	<b>—</b>	<b>—</b>
<b>Total net cash generated by/(utilised in) financing activities</b>		<b>775.9</b>	<b>(87.6)</b>	<b>400.0</b>	<b>—</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1 697.9</b>	<b>(1 410.9)</b>	<b>—</b>	<b>—</b>
Cash and cash equivalents at 1 March		(431.8)	1 055.3	—	—
Effect of exchange rate fluctuations on cash and cash equivalents		5.6	(76.2)	—	—
<b>Cash and cash equivalents at end February</b>		<b>1 271.7</b>	<b>(431.8)</b>	<b>—</b>	<b>—</b>
Continuing operations		1 271.7	(547.4)		
Discontinued operation		—	115.6		

# Pick n Pay Stores Limited and its subsidiaries

## Selected notes to the summarised financial statements

for the year ended 29 February 2012

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The summarised annual financial statements for the year ended 29 February 2012 have been prepared in accordance with IAS 34 and International Financial Reporting Standards (IFRS), the requirements of the South African Companies Act no. 71 of 2008, as amended, and in compliance with the Listings Requirements of the JSE Limited. Except as detailed in note 3, accounting policies used are consistent with those applied in the previous annual financial statements. These results have been audited by KPMG Inc., whose unqualified report is available for inspection at the registered office of the Company.

### 2. RELATED PARTIES

During the year, certain companies within the Group entered into transactions with each other. These intra-group transactions are eliminated on consolidation. For further information please refer to note 28 of the Annual Financial Statements.

### 3. REVENUE AND PRIOR YEAR ADJUSTMENT

Revenue comprises turnover, other trading income and interest received.

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

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

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

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

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

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

### 4. BASIC, HEADLINE AND DILUTED EARNINGS/(LOSS) PER SHARE

	GROUP	
	2012 Cents per share	2011 Cents per share
Basic	233.21	164.99
Continuing operations	159.64	190.92
Discontinued operation	73.57	(25.93)
Diluted basic	228.69	162.20
Continuing operations	156.55	187.68
Discontinued operation	72.14	(25.48)
Headline	142.69	164.90
Continuing operations	160.78	189.35
Discontinued operation	(18.09)	(24.45)
Diluted headline	139.92	162.10
Continuing operations	157.67	186.14
Discontinued operation	(17.75)	(24.04)



# Pick n Pay Stores Limited and its subsidiaries

## Selected notes to the summarised financial statements continued

for the year ended 29 February 2012

		GROUP	
		2012 Rm	2011 Rm
<b>4.</b>	<b>BASIC, HEADLINE AND DILUTED EARNINGS/(LOSS) PER SHARE (continued)</b>		
<b>4.1</b>	<b>Basic and headline earnings</b>		
	<b>Reconciliation between basic and headline earnings:</b>		
	<b>Basic earnings (profit for the year)</b>	<b>1 113.5</b>	784.9
	Continuing operations	<b>762.3</b>	908.3
	Discontinued operation	<b>351.2</b>	(123.4)
	<b>Adjustments:</b>		
	<b>Continuing operations</b>	<b>5.5</b>	(7.5)
	Loss on sale of property, equipment and vehicles and intangible assets	<b>7.6</b>	—
	Tax effect of loss on sale of property, equipment and vehicles and intangible assets	<b>(2.1)</b>	—
	Fair value gain on recognition of investment in associate	<b>—</b>	(7.5)
	<b>Discontinued operation</b>	<b>(437.6)</b>	7.0
	Loss on sale of property, equipment and vehicles and intangible assets	<b>0.8</b>	7.0
	Profit on sale of discontinued operation (note 6)	<b>(493.4)</b>	—
	Tax effect relating to sale of discontinued operation (note 6)	<b>55.0</b>	—
	<b>Headline earnings</b>	<b>681.4</b>	784.4
	Continuing operations	<b>767.8</b>	900.8
	Discontinued operation	<b>(86.4)</b>	(116.4)
<b>4.2</b>	<b>Weighted average number of shares</b>		
	The weighted average number of shares is lower than that in issue due to the treasury shares held by the Group being treated as cancelled for this calculation.		
		<b>Number of shares 000's</b>	Number of shares 000's
	Movement in the weighted average number of ordinary shares in issue comprises:		
	<b>At 1 March</b>	<b>475 770.3</b>	473 199.8
	Effect of current year share repurchases by the share trust	<b>(478.7)</b>	(885.3)
	Effect of share sales on the take-up of share options	<b>943.5</b>	3 038.8
	Prior year net share sales/repurchases now fully weighted	<b>1 215.3</b>	417.0
	<b>At end February</b>	<b>477 450.4</b>	475 770.3
	Dilutive effect of share options	<b>9 434.2</b>	8 210.3
	<b>Weighted average number of ordinary shares in issue for purposes of calculating diluted earnings per share</b>	<b>486 884.6</b>	483 980.6
<b>5.</b>	<b>INVESTMENT IN ASSOCIATE</b>		
	In February 2012, the Group subscribed for a further 24% stake in TM Supermarkets (Pvt) Limited (TM) for US\$13 million (R102.5 million), taking its total investment in TM to 49%, being the maximum foreign shareholding allowed in terms of Zimbabwean legislation. TM will use the proceeds received to refurbish existing stores and to develop local procurement processes. The Group has great confidence in TM's management team and in its business model and with the guidance from Pick n Pay, they are well placed to help grow the business and to expand their footprint in Zimbabwe. The economic environment has stabilised somewhat in Zimbabwe and although TM is currently incurring operating losses, our share for the year being R1.9 million, detailed five-year turnover and cash flow forecasts do not indicate any impairment in the value of our investment.		

## 6. DISCONTINUED OPERATION

### Interfrank Group Holdings Pty Ltd (Franklins)

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

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

# Pick n Pay Stores Limited and its subsidiaries

## Selected notes to the summarised financial statements continued

for the year ended 29 February 2012

		GROUP AND COMPANY	
		2012 Rm	2011 Rm
<b>7. SHARE CAPITAL</b>			
<b>Authorised</b>			
800 000 000 ordinary shares of 1.25 cents each		<b>10.0</b>	10.0
<b>Issued</b>			
480 397 321 ordinary shares of 1.25 cents each		<b>6.0</b>	6.0
		<b>Number of shares 000's</b>	Number of shares 000's
<b>The number of shares in issue at end February is made up as follows:</b>			
Treasury shares held in the share trust		<b>2 482.2</b>	3 411.6
Shares held outside the Group		<b>477 915.1</b>	476 985.7
<b>Total shares in issue at end February</b>		<b>480 397.3</b>	480 397.3

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

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

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

### Directors' interest in shares

	2012 %	2011 %
Beneficial	<b>1.3</b>	1.4
Non-beneficial	<b>27.6</b>	27.6
Total	<b>28.9</b>	29.0

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

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

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

## Pick n Pay Holdings Limited and its subsidiaries

The summarised annual financial statements are the responsibility of the directors of Pick n Pay Holdings Limited.

The Company (separate) and Group (consolidated) annual financial statements for the year ended 29 February 2012 from which these summarised annual financial statements have been derived, were prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

The directors are responsible for the preparation and fair presentation of the summarised annual financial statements and are satisfied that the systems and internal financial controls implemented by management are effective and that these summarised annual financial statements are a true and accurate extract from the Company and Group annual financial statements.

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

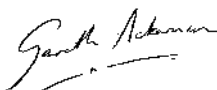
The auditor is responsible for reporting on whether the Company and Group summarised annual financial statements are fairly presented in accordance with the applicable financial reporting frameworks.

### APPROVAL OF SUMMARISED FINANCIAL STATEMENTS

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



**Raymond Ackerman**  
Chairman



**Gareth Ackerman**  
Director

# Independent auditor's report

for the year ended 29 February 2012

## TO THE SHAREHOLDERS OF PICK N PAY HOLDINGS LIMITED

### Report on the abridged annual financial statements

The accompanying abridged (summarised) Company and Group annual financial statements of Pick n Pay Holdings Limited, which comprise the statements of financial position at 29 February 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and summarised related notes, are derived from the Company and Group annual financial statements of Pick n Pay Holdings Limited for the year ended 29 February 2012.

We expressed an unmodified opinion on those Company and Group annual financial statements in our auditor's report dated 10 May 2012.

The summarised annual financial statements do not contain all the disclosures required by International Financial Reporting Standards applied in the preparation of the Company and Group annual financial statements of Pick n Pay Holdings Limited. Reading the summarised annual financial statements, therefore, is not a substitute for reading the annual financial statements.

### Directors' responsibility for the abridged financial statements

The directors are responsible for the preparation of the summarised Company and Group annual financial statements on the basis described in the related notes on page 49.

### Auditor's responsibility


Our responsibility is to express an opinion on the summarised Company and Group annual financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810, *Engagements to Report on Summary Financial Statements*.

### Opinion

In our opinion, the summarised Company and Group annual financial statements derived from the Company and Group annual financial statements of Pick n Pay Holdings Limited for the year ended 29 February 2012, are consistent, in all material respects, with those financial statements, on the basis described in the related notes on page 49.

**KPMG Inc.**

*Registered Auditor*



**Per Patrick Farrand**

*Chartered Accountant (SA)*

*Registered Auditor*

*Director*

10 May 2012

MSC House

Mediterranean Street

Cape Town

8001



# Pick n Pay Holdings Limited and its subsidiaries

## Statements of comprehensive income

for the year ended 29 February 2012

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

\*Restated – refer note 2 of Pick n Pay Stores Limited summarised annual financial statements

# Pick n Pay Holdings Limited and its subsidiaries

## Statements of financial position

as at end February 2012

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

# Pick n Pay Holdings Limited and its subsidiaries

## Statements of changes in equity

for the year ended 29 February 2012

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

# Pick n Pay Holdings Limited and its subsidiaries

## Cash flow statements

for the year ended 29 February 2012

	GROUP		COMPANY	
	2012 Rm	2011 Rm	2012 Rm	2011 Rm
<b>Cash flows from operating activities</b>				
Trading profit/(loss)	1 265.9	1 416.3	(1.6)	(1.4)
Depreciation and amortisation	808.1	733.3	—	—
Loss on sale of property, equipment and vehicles and intangible assets	7.6	—	—	—
Share options expense	95.7	73.8	—	—
Net operating lease obligations	52.7	29.3	—	—
<b>Cash generated/(utilised) before movements in working capital</b>	<b>2 230.0</b>	<b>2 252.7</b>	<b>(1.6)</b>	<b>(1.4)</b>
<b>Movements in working capital:</b>	<b>491.9</b>	<b>(843.4)</b>	<b>0.4</b>	<b>—</b>
Increase/(decrease) in trade and other payables	1 032.0	(677.2)	0.9	(0.5)
Increase in inventory	(172.2)	(349.1)	—	—
(Increase)/decrease in trade and other receivables	(367.9)	182.9	(0.5)	0.5
<b>Cash generated by/(utilised in) trading activities</b>	<b>2 721.9</b>	<b>1 409.3</b>	<b>(1.2)</b>	<b>(1.4)</b>
Interest received	39.5	39.5	—	—
Interest paid	(135.1)	(111.0)	—	—
<b>Cash generated by/(utilised in) operations</b>	<b>2 626.3</b>	<b>1 337.8</b>	<b>(1.2)</b>	<b>(1.4)</b>
Dividends received	—	—	329.4	442.0
Dividends paid	(605.4)	(808.0)	(328.2)	(440.6)
Tax paid	(462.1)	(526.3)	—	—
<b>Net cash generated by operating activities – continuing operations</b>	<b>1 558.8</b>	<b>3.5</b>	<b>—</b>	<b>—</b>
<b>Net cash (utilised in)/generated by operating activities – discontinued operation</b>	<b>(330.4)</b>	<b>13.9</b>	<b>—</b>	<b>—</b>
<b>Total net cash generated by operating activities</b>	<b>1 228.4</b>	<b>17.4</b>	<b>—</b>	<b>—</b>
<b>Cash flows from investing activities</b>				
<b>Investment in property, equipment and vehicles and intangible assets</b>	<b>(1 611.0)</b>	<b>(1 245.7)</b>	<b>—</b>	<b>—</b>
Intangible asset additions	(271.7)	(82.5)	—	—
Property additions	(446.8)	(289.2)	—	—
Equipment and vehicle additions	(889.9)	(874.0)	—	—
Aircraft additions	(2.6)	—	—	—
Increase in investment in associate	(102.5)	—	—	—
Purchase of operations	(106.4)	—	—	—
Proceeds on disposal of property, equipment and vehicles and intangible assets	44.5	21.9	—	—
Loans repaid	9.4	34.5	—	—
<b>Net cash utilised in investing activities – continuing operations</b>	<b>(1 766.0)</b>	<b>(1 189.3)</b>	<b>—</b>	<b>—</b>
<b>Net cash generated by/(utilised in) investing activities – discontinued operation</b>	<b>1 459.6</b>	<b>(151.4)</b>	<b>—</b>	<b>—</b>
<b>Total net cash utilised in investing activities</b>	<b>(306.4)</b>	<b>(1 340.7)</b>	<b>—</b>	<b>—</b>
<b>Cash flows from financing activities</b>				
Debt raised/(repaid)	787.5	(32.5)	—	—
Share repurchases	(42.7)	(90.2)	—	—
Proceeds from employees on settlement of share options	31.1	25.1	—	—
<b>Net cash generated by/(utilised in) financing activities – continuing operations</b>	<b>775.9</b>	<b>(97.6)</b>	<b>—</b>	<b>—</b>
<b>Net cash generated by financing activities – discontinued operation</b>	<b>—</b>	<b>10.0</b>	<b>—</b>	<b>—</b>
<b>Total net cash generated by/(utilised in) financing activities</b>	<b>775.9</b>	<b>(87.6)</b>	<b>—</b>	<b>—</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1 697.9</b>	<b>(1 410.9)</b>	<b>—</b>	<b>—</b>
Cash and cash equivalents at 1 March	(431.8)	1 055.3	—	—
Effect of exchange rate fluctuations on cash and cash equivalents	5.6	(76.2)	—	—
<b>Cash and cash equivalents at end February</b>	<b>1 271.7</b>	<b>(431.8)</b>	<b>—</b>	<b>—</b>
Continuing operations	1 271.7	(547.4)	—	—
Discontinued operation	—	115.6	—	—

# Pick n Pay Holdings Limited and its subsidiaries

## Selected notes to the summarised financial statements

### for the year ended 29 February 2012

Except as presented below, the selected notes to the summarised financial statements for Pick n Pay Holdings Limited are identical to those disclosed for Pick n Pay Stores Limited on pages 49 to 52.

		GROUP	
		2012 Cents per share	2011 Cents per share
<b>1. BASIC, HEADLINE AND DILUTED EARNINGS/(LOSS) PER SHARE</b>			
Basic		<b>115.91</b>	82.13
Continuing operations		<b>79.24</b>	95.07
Discontinued operation		<b>36.67</b>	(12.94)
Diluted basic		<b>112.48</b>	79.73
Continuing operations		<b>76.16</b>	92.56
Discontinued operation		<b>36.32</b>	(12.83)
Headline		<b>70.79</b>	82.08
Continuing operations		<b>79.81</b>	94.29
Discontinued operation		<b>(9.02)</b>	(12.21)
Diluted headline		<b>68.69</b>	79.68
Continuing operations		<b>77.63</b>	91.78
Discontinued operation		<b>(8.94)</b>	(12.10)
<b>1.1 Basic and headline earnings</b>		<b>Rm</b>	<b>Rm</b>
<b>Reconciliation between basic and headline earnings:</b>			
<b>Basic earnings (profit for the year)</b>		<b>598.6</b>	423.7
Continuing operations		<b>409.2</b>	490.4
Discontinued operation		<b>189.4</b>	(66.7)
Adjustments:			
<b>Continuing operations</b>		<b>2.9</b>	(4.0)
Loss on sale of property, equipment and vehicles and intangible assets		<b>4.0</b>	—
Tax effect of loss on sale of property, equipment and vehicles and intangible assets		<b>(1.1)</b>	—
Fair value gain on recognition of investment in associate		<b>—</b>	(4.0)
<b>Discontinued operation</b>		<b>(236.0)</b>	3.7
Loss on sale of property, equipment and vehicles and intangible assets		<b>0.3</b>	3.7
Profit on sale of discontinued operation		<b>(265.9)</b>	—
Tax effect relating to sale of discontinued operation		<b>29.6</b>	—
<b>Headline earnings</b>		<b>365.5</b>	423.4
Continuing operations		<b>412.1</b>	486.4
Discontinued operation		<b>(46.6)</b>	(63.0)
<b>1.2 Weighted average number of shares</b>			
The weighted average number of shares is lower than that in issue due to the treasury shares held by the Group being treated as cancelled for this calculation.			
		<b>Number of shares 000's</b>	<b>Number of shares 000's</b>
Movement in the weighted average number of ordinary shares in issue comprises:			
<b>At 1 March</b>		<b>515 857.7</b>	515 255.4
Net sale of treasury shares by the share trust pursuant to the take-up of share options		<b>502.8</b>	602.3
<b>At end February</b>		<b>516 360.5</b>	515 857.7
Outstanding options		<b>4 895.6</b>	4 662.3
<b>Weighted average number of ordinary shares in issue for purposes of calculating diluted earnings per share</b>		<b>521 256.1</b>	520 520.0



# Pick n Pay Holdings Limited and its subsidiaries

## Selected notes to the summarised financial statements

for the year ended 29 February 2012

		COMPANY	
		2012 Rm	2011 Rm
<b>2. SHARE CAPITAL</b>			
<b>Authorised</b>			
800 000 000 ordinary shares of 1.25 cents each		10.0	10.0
<b>Issued</b>			
527 249 082 ordinary shares of 1.25 cents each		6.6	6.6
		000's	000's
Number of shares in issue at end February is made up as follows:			
Treasury shares held by the share trust		9 011.0	9 103.8
Treasury shares held by a subsidiary company		1 845.1	1 817.0
		10 856.1	10 920.8
Shares held outside the Group		516 393.0	516 328.3
<b>Total shares in issue at end February</b>		<b>527 249.1</b>	<b>527 249.1</b>
Under a general authority 26.4 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, 92.3 million unissued shares (17.5% of the issued shares) remain under the control of the directors to implement the terms and provisions of the Pick n Pay 1997 Share Option Scheme.			
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.			
<b>Directors' interest in shares</b>			
		2012 %	2011 %
Beneficial		0.9	0.8
Non-beneficial		50.4	50.4
Total		51.3	51.2
The directors' interest in shares is their effective direct shareholding in the Company, excluding treasury shares.			

# Dividend declarations

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

	Pick n Pay Stores Limited			Pick n Pay Holdings Limited		
	2012 Cents per share	2011 Cents per share	Growth %	2012 Cents per share	2011 Cents per share	Growth %
<b>Interim dividend</b>	<b>22.50</b>	37.00	(39.2)	<b>10.91</b>	17.94	(39.2)
<b>Final dividend</b>	<b>108.35</b>	105.50	2.7	<b>52.57</b>	51.34	2.4
Normal dividend	<b>98.50</b>	105.50	(6.6)	<b>47.79</b>	51.34	(6.9)
Additional dividend in respect of STC no longer payable	<b>9.85</b>	—		<b>4.78</b>	—	
<b>Total dividend</b>	<b>130.85</b>	142.50	(8.2)	<b>63.48</b>	69.28	(8.4)
Normal dividend	<b>121.00</b>	142.50	(15.1)	<b>58.70</b>	69.28	(15.3)
Additional dividend in respect of STC no longer payable	<b>9.85</b>	—		<b>4.78</b>	—	

The final dividend per share of 108.35 cents for Pick n Pay Stores Limited and 52.57 cents for Pick n Pay Holdings Limited includes an additional amount to be paid to shareholders in respect of the 10% secondary tax on companies (STC) no longer payable by the Group.

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

## Pick n Pay Stores Limited

Notice is hereby given that the directors have declared a final dividend (number 88) of 108.35 cents per share out of income reserves.

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

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

In determining the dividends tax to withhold, STC credits must be taken into account. Accordingly, the dividend to use for determining the dividend tax is 108.30 cents per share. The tax payable is 16.25 cents per share, leaving shareholders who are not exempt from dividends tax with a net dividend of 92.10 cents per share.

## Pick n Pay Holdings Limited

Notice is hereby given that the directors have declared a final dividend (number 61) of 52.57 cents per share out of income reserves.

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

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


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

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

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

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

On behalf of the Boards of directors



**Debra Muller**  
Company Secretary  
17 April 2012

# Corporate governance report

## Pick n Pay Stores Limited

The Board of directors and senior management are committed to the highest standards of corporate governance and take pride in our high moral and ethical business standards. The Group is committed to sound and transparent business practices. The Board is committed to complying, in all material respects, with the principles contained in the King Code of Corporate Practices and Conduct (King 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 King III, which became effective on 1 March 2010. An overview of the Group's corporate governance framework is provided below including a section at the end dealing with the aspects of King III still under review.

A more comprehensive review – with details of all Board and committee charters, and roles and responsibilities of the

Chairman, CEO and management – is available in the investor relations section of our website ([www.picknpay-ir.co.za](http://www.picknpay-ir.co.za)).

This report applies to Pick n Pay Stores Limited and where applicable to Pick n Pay Holdings Limited.

### GROUP GOVERNANCE STRUCTURE

The Group has a flat organisational structure and overall responsibility lies with the Pick n Pay Stores Limited Board. The CEO is responsible for the day-to-day operations of the Group and to assist him in discharging his responsibility there is a Group Executive board. The Group Executive is chaired by the CEO (Gareth Ackerman has stepped in as acting CEO until a suitable replacement for Nick Badminton has been found) and consists of 10 key management personnel representing the core segments of the business. The main function of the Group Executive is to align each core segment of the business with the overall Group strategy.

### PICK N PAY GROUP GOVERNANCE STRUCTURE



# Corporate governance report continued

## Pick n Pay Stores Limited

### Group Executive

#### Key business component represented:

- Customer
- Marketing and sustainability
- Merchandise
- Supply chain and information services
- Operations
- Franchise
- Group enterprises
- Finance
- Human resources
- Transformation (which is integrated across all business components)

### THE BOARD

The Board would ordinarily comprise eight non-executive directors and four executive directors. However, we appointed Richard van Rensburg as deputy CEO on 1 October 2011 to take responsibility for the implementation of our transformation strategy. In addition, on the resignation of our outgoing CEO, Nick Badminton, effective 29 February 2012, our Chairman, Gareth Ackerman, assumed an interim executive role in the business as executive Chairman and acting CEO. Gareth will perform this executive role until the CEO position is filled. As such, we currently have six non-executive directors and five executive directors.

The Board is responsible for selecting a qualified management team, approving corporate strategy, monitoring and assessing performance, and acting as a source for management in matters of planning and policy. The Board is responsible for setting the governance policies and practices for the Group, and for appointing the Chairman and CEO, whose roles are traditionally 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 thereof are made available to the external auditors. 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 any issue that would suggest that internal controls have had a material breakdown during the financial year concerned.

### 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. The qualifications and experience of directors are presented on pages 14 and 15. 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 will undergo an annual evaluation of their independence based on the guidelines provided by King III. Directors serving terms greater than nine years will undergo a rigorous review of their independence.

The majority of non-executive directors are independent in terms of King III. Gareth Ackerman (although temporarily performing an executive role) 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 is satisfied that their independence remains intact.

## DIRECTORS' ATTENDANCE AT BOARD MEETINGS

Director	14 & 15 April 2011	10 June 2011	17 & 18 October 2011	22 February 2012	AGM 10 June 2011
<b>Gareth Ackerman</b> (Chairman)	P	P	P	P	P
<b>Nick Badminton</b> (CEO – resigned 29 February 2012)	P	P	P	P	P
<b>Richard van Rensburg</b> (non-executive director until 30 September 2011; appointed deputy CEO – 1 October 2011)	P	P	P	P	P
<b>Dennis Cope</b> (CFO – retired 29 April 2011)	P	—	—	—	—
<b>Bakar Jakoet</b> (CFO – appointed 29 April 2011)	P	P	P	P	P
<b>Suzanne Ackerman-Berman</b>	P	P	P	P	P
<b>Jonathan Ackerman</b>	P	P	P	P	P
<b>Hugh Herman</b>	P	P	P	P	P
<b>Dave Robins</b>	P	P	P	P	P
<b>Ben van der Ross</b>	P	P	P	P	P
<b>Jeff van Rooyen</b>	P	P	P	P	P
<b>Alex Mathole</b>	P	P	P	P	P
<b>Lorato Phalatse</b>	P	P	P	P	P

P = Present

## Enduring principles of Pick n Pay

The Board has a responsibility to ensure that the following core principles of the Group are maintained:

- Consumer sovereignty
- Doing good is good business
- Maintaining a discount image
- Fighting collusion among suppliers, and rejecting collusion between retailers
- Maintaining strong cash balances for buying forward on a rising market.

## CHAIRMAN

The recommendation of King III is for the Chairman of the company to be an independent non-executive director. As Gareth Ackerman is not independent by virtue of his indirect shareholding, Hugh Herman has been appointed as Lead Independent Director (LID). All members of the Board have unfettered access to the LID when required.

## CEO

The CEO is responsible and accountable to the Board for all Group operations. He has a formal role description (with limits of authority) from the Board, which is reviewed and reaffirmed annually. The 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 key executives or any of the senior management personnel need to be replaced. The CEO reports annually to the Board on the Group's programme and performance in respect of management development and employment equity.



# Corporate governance report continued

## Pick n Pay Stores Limited

### Resignation of Nick Badminton

Nick Badminton resigned as CEO with effect 29 February 2012. As an interim measure, Gareth Ackerman has assumed the role of acting CEO and is assisted by deputy CEO Richard van Rensburg who is responsible for day-to-day operations. We are currently searching both locally and internationally for a suitable candidate who has both the experience and qualifications necessary to assume the position.

### GROUP EXECUTIVE

The Group Executive consists of 10 key management personnel. 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.

### BOARD SUB-COMMITTEES

The Board is assisted by the following specialist committees: audit; remuneration; nominations; corporate governance; corporate finance and social and ethics. 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 ([www.picknpay-ir.co.za](http://www.picknpay-ir.co.za)).

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

#### Audit committee

For details on this committee, please refer to the audit committee report on page 70.

#### Remuneration committee

For details on the composition and the role of the remuneration committee please refer to the remuneration report on page 72.

#### Nominations committee

The nominations committee is chaired by the Chairman and its members, Lorato Phalatse and Ben van der Ross, are 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. The committee meets on an ad hoc basis.

#### Corporate governance committee

The corporate governance committee comprises Gareth Ackerman as Chairman, and Jeff van Rooyen. The committee meets with the Company Secretary and relevant members of the executive as required, ensuring that corporate governance structures are in line with national and international standards, and are both appropriate and effective.

#### Corporate finance committee

The corporate finance committee comprises Jeff van Rooyen as Chairman, Alex Mathole and Lorato Phalatse. The committee assesses and reports on investment opportunities for the Group.

#### Social and ethics committee

The Group has a social and ethics committee, with the mandate to monitor compliance with social, ethical and legal requirements, as well as best practice codes of conduct. The social and ethics committee will bring to the attention of the Board, and will report to shareholders, on relevant matters within the scope of its mandate. The Group's principle of "doing good is good business" will be the cornerstone of the work done by the committee.

Members appointed to the committee are: Suzanne Ackerman-Berman (Chair, executive director), Lorato Phalatse (non-executive director), Isaac Motaung (Group Executive), Debra Muller (Company Secretary), Charl Cowley (Group risk and assurance), Andre Nel (sustainability), Janis Bouwers (finance), Melinda White (food regulations) and Babalo Ndevu (transformation). The committee will meet quarterly. All members were present for the inaugural meeting held on 2 February 2012.

### GROUP RISK AND ASSURANCE SERVICES

The internal audit function is carried out internally by Group Risk and Assurance Services (GRAS). The role of GRAS is to determine whether risk management and internal controls are adequate and functioning. GRAS makes use of enterprise-wide management software and records and monitors each divisions risk profile on the Company's risk register. GRAS reports bi-annually to the audit committee where the results of the audits conducted are reviewed.

## RISK MANAGEMENT

The Board has recognised 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. Risks identified are captured and rated in the ERM package, which houses 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, develop and communicate the process for managing risk across all divisions in the Group. 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.

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 and overleaf:

### Strategic and market risk

Risk	Risk mitigation
<b>Brand and reputation</b>	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 relaunch 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 South Africa. 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.
<b>Competition</b>	The Group continuously monitors market trends in which it operates and sets its strategy accordingly to ensure that Pick n Pay remains the retailer of choice. Two main pillars of Group strategy are to defend and grow LSM 7 – 10 and 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 have 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 substantial capital in gearing up the business. The launch of the Smartshopper card as well as our world-class PnP on Nicol type store will enhance our position in the market.

# Corporate governance report continued

## Pick n Pay Stores Limited

### Financial risk

Risk	Risk mitigation
<b>Volatility of profit margins</b>	Market conditions and its effect on profitability are continually reviewed by management and the Board. At all times, in an increasingly competitive marketplace, 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.
<b>Going concern</b>	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.
<b>Liquidity and credit risk</b>	Pick n Pay's statement of financial position is characterised by high levels of liquidity and a low debt ratio, supported by high levels of cash generation. Increasing credit risk as a 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
<b>Product quality and third party liability</b>	Merchandise is purchased from reputable suppliers. 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. Appropriate levels of insurance are in place.
<b>Safeguarding of assets</b>	Group assets are insured against loss and business continuity plans are in place. All stores and distribution centres have surveillance cameras in place which are monitored to ensure the safe keeping of assets.
<b>Supply chain</b>	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) is in process to improve delivery and communication levels between Pick n Pay and suppliers. Central distribution is in place and has improved lead times and ensuring that out of stocks are minimised.

### Legislative risk

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

## Sustainability risk

Risk	Risk mitigation
<b>Sustainable food supply</b>	The Group is well 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 to support small farmers.
<b>Increased awareness of green issues</b>	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. Our green store, PnP on Nicol, has world-class sustainability features and we are looking to open more stores like this in the future.
<b>Energy security and utilities pricing</b>	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. To significantly reduce energy usage from one of our largest energy consumers, refrigeration, we are in the process of installing new refrigeration technology.

## 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 continually 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.

## 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; and
- Other key management 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.

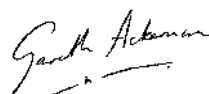
## PARTY POLITICAL SUPPORT

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

## Aspects of King III under review

Over the next financial year the Board will consider application of the following King III proposals:

- Whether the Board's performance will be evaluated in-house or independently;
- Whether independent assurance of the sustainability report is required; and
- Whether internal audit will be subjected to an independent quality review.



Gareth Ackerman

Chairman: Corporate governance committee

10 May 2012

# Audit committee report

## Pick n Pay Stores Limited

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

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

### ROLE OF THE COMMITTEE

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

The committee's main responsibilities are as follows:

#### Integrated and financial reporting

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

#### Finance function

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

#### Internal audit

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

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

#### External audit

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

#### Risk management

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

#### General

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

### COMPOSITION OF THE COMMITTEE

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

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

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

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

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

The committee discharges its Board responsibilities by:

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

The committee discharges all audit committee responsibilities of all the subsidiary companies within the Group. To help it discharge this responsibility, financial review committees, chaired by the CFO, 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 Group audit committee.

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

#### INDEPENDENCE OF EXTERNAL AUDITORS

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

#### EXPERTISE AND EXPERIENCE OF CHIEF FINANCE OFFICER AND FINANCE FUNCTION

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

#### APPROVAL OF THE AUDIT COMMITTEE REPORT

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



**Jeff van Rooyen**

*Chairman: Audit committee*

10 May 2012



# Remuneration committee report

## Pick n Pay Stores Limited

This report sets out the Company's remuneration philosophy, the role of the remuneration committee, the remuneration structure of the Group, the remuneration and benefits granted to key executives during the 2012 financial year and the procedures followed in ensuring that remuneration practices adhere to appropriate corporate governance principles and ensure alignment with the Group's strategy. This report and the recommendations of the remuneration committee have been approved by the Board and will be submitted to shareholders for consideration at the AGM to be held on 15 June 2012.

### 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 executive remuneration is performance related. The committee considers key performance indicators (KPIs) 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.

Further KPIs, linked to Group strategy, have been developed in respect of certain key executives and will be implemented in the 2013 financial year.

### REMUNERATION COMMITTEE

The remuneration committee, which meets at least twice a year, is chaired by an independent non-executive director and comprises mainly non-executive directors. The committee operates in terms of a Board approved charter and its key responsibilities are as follows:

- To determine the remuneration packages of executive directors and to review the remuneration packages of senior management and key employees;
- To propose fees for non-executive directors, subject to shareholder approval;
- To approve performance related cash incentives as well as long-term share-based incentives; and
- To review the Group's remuneration philosophy and policies to ensure alignment with market practices.

### REMUNERATION COMMITTEE MEETINGS ATTENDANCE

Director	31 March 2011	13 October 2011
<b>Hugh Herman</b> (Chairman)	P	P
<b>Gareth Ackerman</b>	P	P
<b>Ben van der Ross</b>	P	P

P = Present

### REMUNERATION STRUCTURE

Remuneration comprises the following elements:

#### Base pay

The remuneration committee reviews the salaries of executive directors and senior management annually. They reflect the relative skill, experience, contribution, 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 comparative 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 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 pages 47 to 51 of the Annual Financial Statements where retirement benefits are disclosed.

#### 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; growth in earnings before interest, tax, depreciation and amortisation and milestones attached to the implementation of Group strategy.

### Other fringe benefits

Executive directors and management are granted the use of a company vehicle which includes service and maintenance, fuel and insurance. Vehicle bands vary according to various management levels. Senior management have the choice of accepting a car allowance in lieu of a company car which value is determined by the vehicle band associated to their level of management.

### Share incentive schemes

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 among employees. The scheme incentivises key management and staff by providing them with an opportunity to acquire shares in the Group, thereby aligning interests with shareholders and at the same time encouraging employee retention.

**Long service share options** – are granted to all permanent employees who have been with the Group for five years and further options are granted every five years thereafter. Long service share options may be taken-up immediately on granting.

During the financial year under review 2.2 million Pick n Pay Holdings Limited (PWK) share options were granted to employees

in respect of long service and at year-end 11.1 million PWK share options are held by employees which amounts to 2.1% of shares in issue.

**Status share options** – are granted to employees who attain manager status and further options are granted at each promotion to higher levels of management. In order to encourage employee retention, status shares may be taken up in three tranches as follows:

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

During the financial year under review 6.2 million Pick n Pay Stores Limited (PIK) options were issued to management and at year-end 54.2 million PIK share options are held by employees which amounts to 11.3% of shares in issue.

**Binary shares** – are granted to key executives. These options may only be taken up when prescribed performance conditions linked to the growth of the PIK share price are met. If the conditions are not met, these options are automatically forfeited. Should further performance hurdles be achieved, discounted grant prices may apply. The last significant binary share issue was in October 2010 and 14.2 million binary share options remain in issue at 29 February 2012.

The salient features of the October 2010 binary issue are as follows:

<b>Grant date</b>	20 October 2010
<b>Grant price</b>	R41.23

Exercise date	23 May 2014	Annual compound growth rate	Exercise price
<b>Eligibility hurdle</b>	R65.28	12%	R41.23
<b>Performance hurdle 1</b>	R78.87	18%	R20.62
<b>Performance hurdle 2</b>	R97.25	25%	R1.00

If the 20-day volume weighted average share price (VWAP) up to 23 May 2014 is between R65.28 and R78.87, the options can be exercised at the full grant price of R41.23. Should this 20-day VWAP be less than R65.28 then the options will lapse. Thereafter, if performance hurdles are met, the discounted grant prices will apply on exercise.

# Remuneration committee report continued

## Pick n Pay Stores Limited

### REMUNERATION AND BENEFITS AWARDED TO KEY EXECUTIVES

#### Executive directors' emoluments

2012	Fees for board meetings R'000	Remuneration R'000	Retirement and medical contributions R'000	Performance bonus* R'000	Fringe and other benefits R'000	Cash total R'000	Expense relating to share options granted R'000
Jonathan Ackerman**	1.5	1 715.0	311.7	153.2	252.8	2 434.2	985.5
Suzanne Ackerman-Berman**	1.5	1 858.5	298.6	147.9	29.2	2 335.7	1 190.2
Nick Badminton^	1.5	3 919.6	646.3	—	10 392.3	14 959.7	3 683.7
Dennis Cope#	1.5	400.0	—	—	30.6	432.1	77.1
Bakar Jakoet+	1.5	1 761.7	311.1	186.2	732.7	2 993.2	1 233.1
Richard van Rensburg***		1 250.0	—	150.0	—	1 400.0	1 900.0
<b>Total</b>	<b>7.5</b>	<b>10 904.8</b>	<b>1 567.7</b>	<b>637.3</b>	<b>11 437.6</b>	<b>24 554.9</b>	<b>9 069.6</b>
<b>2011</b>							
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
<b>Total</b>	<b>6.0</b>	<b>8 425.2</b>	<b>1 386.7</b>	<b>—</b>	<b>2 345.2</b>	<b>12 163.1</b>	<b>6 700.4</b>

^ Resigned effective 29 February 2012 – Fringe and other benefits include a restraint of trade payment of R10.1 million. For further information refer to 'ex gratia payments made to directors' below

# Retired as CFO effective 29 April 2011

+ Appointed as CFO effective 29 April 2011

\* Performance bonus relates to the amount provided for in the current financial year

\*\* Alternate directors of Pick n Pay Holdings Limited

\*\*\* Appointed as deputy CEO effective 1 October 2011 – received remuneration from this date

#### Ex gratia payments made to directors

Outgoing CEO Nick Badminton resigned effective 2 February 2012. Nick was integral to the development of the strategy currently being implemented in the Group and as such the Board requested that he sign a restraint of trade agreement, effectively prohibiting him from joining any other South African retailer for a period of two years. Based on the nature and terms of this agreement, the remuneration committee recommended a restraint of trade payment of R10.1 million as compensation for the two-year period.

#### Prescribed officers

The Board is wholly responsible for the formulation, development and effective implementation of Group strategy. In turn the Board designates operational strategy implementation and general executive management of the business to its executive directors mentioned above. As such, in terms of the Companies Act, the executive directors of the Board are identified as our prescribed officers, and their remuneration is detailed above.

### Top three earners

In accordance with King III, we disclose below the top three earners of the Group, excluding executive directors, identified by the total remuneration awarded.

	Remune- ration R'000	Retire- ment and medical contri- butions R'000	Per- formance bonus* R'000	Fringe and other benefits R'000	Cash total R'000	Expense relating to share options granted R'000
<b>2012</b>						
<b>Executive 1</b>	1 899.0	347.9	1 540.0	260.9	4 047.8	1 206.4
<b>Executive 2</b>	2 460.9	429.4	220.2	177.6	3 288.1	628.7
<b>Executive 3</b>	2 604.0	67.7	382.0	70.0	3 123.7	—
<b>2011</b>						
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 in the current financial year

\*\* Payment for retention of services

### Key management personnel

The Board together with the Group Executive committee forms the key management personnel who have authority and responsibility for planning, directing and controlling activities of the Group. The total remuneration for the key management personnel is tabled below.

	Directors' fees R'000	Remune- ration R'000	Retire- ment and medical contri- butions R'000	Per- formance bonus* R'000	Fringe and other benefits R'000	Total R'000	Share- based payment cost R'000
<b>2012</b>	5 972.0	27 306.8	3 893.8	1 972.3	13 015.4**	52 160.3	18 580.4
<b>2011</b>	6 077.0	26 182.3	4 097.7	1 481.0	5 218.7***	43 056.7	18 738.9

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

\*\* Includes a restraint of trade payment of R10.1 million paid to Nick Badminton

\*\*\* Includes a R1.5 million retirement gratuity and a payment of R1.4 million for retention of services

No key management personnel had a material interest in any contract with any Group company during the year.

### Non-executive directors' fees

In respect of non-executive directors, the remuneration committee proposes fees to be paid for the membership of Board and Board committees. Such fees are market related, commensurate with the time required to undertake their duties and must be 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 fees for 2012 were approved by shareholders in the AGM held on 10 June 2011 and the proposed fees for 2013 will be submitted to shareholders for approval in the AGM to be held on 15 June 2012.

# Remuneration committee report continued

## Pick n Pay Stores Limited

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

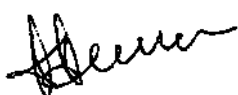
	Proposed 2013 R	2012 R
<b>Chairman of the Board</b>	3 450 000	3 000 000
<b>Lead non-executive director</b>	100 000	95 000
<b>Member of the Board</b>	300 000	280 000
<b>Chairman of the audit committee</b>	250 000	235 000
<b>Member of the audit committee</b>	100 000	95 000
<b>Chairman of the remuneration committee</b>	130 000	120 000
<b>Member of the remuneration committee</b>	65 000	60 000
<b>Member of the nominations committee</b>	60 000	53 000
<b>Member of the social and ethics committee</b>	65 000	13 250*
<b>Chairman of the corporate finance committee</b>	150 000	50 000**
<b>Member of the corporate finance committee</b>	100 000	50 000**

\* The social and ethics committee was formed in the latter part of the year, with its mandate including four meetings a year, at a proposed annual fee for members of R53 000 in 2012. The fee presented of R13 250 is in respect of the inaugural meeting held in February 2012, which will be proposed at the annual general meeting for shareholder approval at the same time as the 2013 fee. For further information on this committee please refer to page 66 of the corporate governance report.

\*\* The corporate finance committee was formed in the latter part of the year, with a mandate to hold ad hoc meetings as required, at a proposed annual fee of R100 000 for its Chairman and members in 2012. The fees are in respect of work performed during the year, which will be proposed at the annual general meeting for shareholder approval at the same time as the 2013 fee. For further information on this committee please refer to page 66 of the corporate governance report.

### 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 Group's risk profile.



**Hugh Herman**

*Chairman: Remuneration committee*

10 May 2012

# Corporate governance report

## Pick n Pay Holdings Limited

This report deals with the corporate governance of Pick n Pay Holdings Limited which is the controlling company of Pick n Pay Stores Limited. The Company has minimal operating activities and the majority of the operating activities occur in Pick n Pay Stores Limited. Please note that only principles specific to Pick n Pay Holdings Limited are dealt with in this report as the majority of the principles have already been discussed in the Pick n Pay Stores Limited corporate governance report.

### 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 six non-executive directors (Gareth Ackerman) is an executive director of Pick n Pay Stores Limited. As the Chairman, Raymond Ackerman, is not independent, Hugh Herman has been appointed as the Lead Independent Director (LID). All members of the Board have unfettered access to the LID when required.

### 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.

### INDEPENDENCE OF DIRECTORS

Hugh Herman; René de Wet and Jeff van Rooyen are independent in terms of King III. Their independence has been thoroughly scrutinised given their years of service on the Board. Gareth Ackerman is not independent due to his relationship with the Group's ultimate controlling shareholder.

### BOARD SUB-COMMITTEES

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

### REMUNERATION REPORT

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

Fees for the current year and proposed for next year, for Board members not serving on the Stores Board, are as follows:

	Proposed 2013 R	2012 R
Fees	57 000	53 000

### ASPECTS OF KING III UNDER REVIEW

Over the next financial year the Group will consider application of the following King III items:

- 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 of and payment of dividends and assessment of the carrying value of its only investment in Pick n Pay Stores Limited.
- The majority of the directors are not independent and the structure is currently under review by the Board. The Board has made progress in this regard with the appointment of Jeff van Rooyen as a non-executive director on 1 May 2011.



# Corporate governance report continued

## Pick n Pay Holdings Limited

### DIRECTORS' ATTENDANCE AT MEETINGS

#### Board meetings

Director	15 April 2011	18 October 2011	22 February 2012	AGM 10 June 2011
<b>Raymond Ackerman</b> (Chairman)	P	P	P	P
<b>Gareth Ackerman</b>	P	P	P	P
<b>Wendy Ackerman</b>	P	P	P	P
<b>René de Wet</b>	P	P	P	P
<b>Hugh Herman</b>	P	P	P	P
<b>Jeff van Rooyen</b> (appointed 1 May 2011)	—	P	P	P
<b>Jonathan Ackerman</b> (alternate director)	P	P	P	P
<b>Suzanne Ackerman-Berman</b> (alternate director)	P	P	P	P
<b>Dave Robins</b> (alternate director)	P	P	P	P

#### Audit committee meetings

Director	15 April 2011	18 October 2011
<b>René de Wet</b> (Chairman)	P	P
<b>Hugh Herman</b>	P	P
<b>Jeff van Rooyen</b> (appointed 18 June 2011)	—	P

P = Present



## WE FOUND GOODNESS IN ROAD RUNNING

Running a retail business isn't just about providing a place for people to shop; it's also about building relationships.

We all know sport is good for us, but for some children it's hard to find a programme where they can get outside and exercise.

Research shows that children involved in sport often do better at school, are more focused, and set themselves higher goals. Yet, for many children in disadvantaged areas taking part in sport is just a dream.

That's why Pick n Pay is a proud sponsor of the SA Junior Road Running Series consisting of five races that take place mainly in the townships. These 2.5km and 5km races have seen countless aspiring athletes take up this challenge.

Funds raised by the Road Running Series go towards the development of various provincial road running associations.

# Shareholders' information

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

The 44th annual general meeting of shareholders of Pick n Pay Stores Limited ("Stores AGM") will be held at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708 on Friday, 15 June 2012 at 08:30.

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

Registration for both AGMs will commence at 08:00.

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

## DIVIDENDS

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

## PRELIMINARY RESULT ANNOUNCEMENTS

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

## PUBLICATION OF 2013 INTEGRATED ANNUAL REPORT

Mid-May 2013

## REGISTERED OFFICE

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Information Officer – Penny Gerber  
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Tel +27(0)11 370 5000. Fax +27(0)11 688 5248

## AUDITORS

KPMG Inc.

## ATTORNEYS

Edward Nathan Sonnenbergs

## PRINCIPAL TRANSACTIONAL BANKERS

Absa Limited  
First National Bank

## JSE LIMITED SPONSOR

Investec Bank Limited, 100 Grayston Drive, Sandton, 2196

# Analysis of shareholders

## Pick n Pay Stores Limited

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

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

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

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

# Analysis of shareholders

## Pick n Pay Holdings Limited

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

### DISTRIBUTION OF SHAREHOLDERS

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

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

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

# Summary of new Memorandum of Incorporation

## Pick n Pay Stores Limited

(the "Company")

This schedule is intended only as a high level summary of the salient features of the proposed new Memorandum of Incorporation (MOI) which, in the Company's view, might be thought to be material, to assist shareholders to make a considered assessment in deciding how to vote.

In preparing this summary, the Company has not considered which, if any, of the changes made by the proposed new MOI to the existing MOI might be considered by shareholders to be adverse as contemplated in Section 164 of the Companies Act. Shareholders should conduct their own detailed analysis and comparison of the Company's existing MOI and the proposed new MOI.

The existing MOI and the proposed new MOI can be found on the Company's website at [www.picknpay-ir.co.za](http://www.picknpay-ir.co.za).

Capitalised terms in this schedule shall have the meanings assigned to them in the proposed new MOI.

### SUMMARY OF SALIENT FEATURES OF THE PROPOSED NEW MOI

The proposed new MOI brings the Company's incorporation documents into harmony with the provisions of the Companies Act and the Listings Requirements. The Company also used this opportunity to do a thorough review of the contents of the existing MOI and to update, amend or omit parts thereof as necessary, unrelated to the introduction of the Companies Act.

Clause numbers	Summary
<b>Clause 4</b>	There is no limitation as regards the business that may be undertaken by the Company. The Company has the powers and capacity of an Individual and may do anything which the Companies Act empowers a company to do if so authorised by its MOI, notwithstanding any omission from this MOI to that effect.
<b>Clause 5</b>	All amendments of the MOI shall be effected by a Special Resolution, other than the correction of errors, which the Board is empowered to effect.
<b>Clause 7</b>	<p>The share capital of the Company has not been amended by the MOI.</p> <p>The Company is authorised to issue (which includes Shares already issued at any time) 800 000 000 (eight hundred million) ordinary Shares with a par value of 1.25 (one point two five) cents each which shall have Voting Rights in respect of every matter that may be decided by voting and which shall rank after all other classes of Shares in the Company which do not rank pari passu with the ordinary Shares as regards Distributions, but save as aforesaid shall be entitled to receive the net assets of the Company upon its liquidation.</p> <p>The Board shall not have the power to amend the authorisation and classification of shares as contemplated in Section 36(2)(b) or 36(3) of the Companies Act.</p> <p>Any authorised but unissued par value Shares in the Company's capital may be issued at par or at a premium or at a discount.</p> <p>Notwithstanding any implication in the MOI to the contrary, the Board may not authorise any financial assistance by the Company in connection with the subscription for or purchase of its Securities or those of a related or inter-related company without complying with Section 44(3) of the Companies Act.</p>

Clause numbers	Summary
<b>Clause 8</b>	<p>The Board shall not have the power to issue authorised Securities (other than capitalisation Shares) without the prior approval of the Holders by way of an Ordinary Resolution, or the extent that the Companies Act requires, by way of a Special Resolution, and the approval of the JSE (where necessary).</p> <p>No special privileges may be granted to secured and unsecured debt instruments.</p> <p>The Board may issue capitalisation Shares or offer a cash payment in lieu of awarding a capitalisation Share in accordance with Section 47 of the Companies Act.</p> <p>For so long as the Listings Requirements so require, no Shares which are listed may be issued other than as fully paid.</p>
<b>Clause 9</b>	<p>Equity Securities in the Company which are authorised but unissued and which are intended to be issued for cash, must be offered to the existing Holders of those equity Securities by way of a rights offer pro rata to the Voting Power of that Shareholder's Voting Rights, unless:</p> <ul style="list-style-type: none"> <li>■ the requisite approvals of the Holders, and the JSE (where necessary), have been obtained;</li> <li>■ a capitalisation issue, an issue for an acquisition of assets (including another company) or an issue for the purposes of an amalgamation or merger, is to be undertaken;</li> <li>■ the equity Securities are to be issued in terms of option or Conversion rights; or</li> <li>■ the equity Securities are to be issued to an approved share incentive scheme.</li> </ul>
<b>Clause 10</b>	<p>Securities certificates shall be issued in any manner and form as the Directors shall from time to time prescribe (and in the case of defaced, lost or destroyed certificates on such terms, as to evidence and indemnity and payment of such fee as the Directors think fit) and must be signed by 2 (two) Persons authorised by the Board from time to time by autographic, mechanical or electronic means.</p>
<b>Clause 11</b>	<p>The Company shall permit Securities to be held by one Person for the Beneficial Interest of another, but the Holder (other than a Central Securities Depository Participant) shall be obliged to advise the Company of this, in writing, within 14 (fourteen) days.</p>
<b>Clause 12</b>	<p>The Company is not entitled to take any lien over any Securities issued by it.</p>
<b>Clause 14</b>	<p>The Company may pay commission not exceeding 10% (ten per cent) of the subscription price at which Securities of the Company are issued to any Person in consideration of such Person subscribing or agreeing to subscribe for any Securities.</p>
<b>Clause 15</b>	<p>There is no restriction on the transfer of Securities.</p>
<b>Clause 18</b>	<p>The Company shall notify the Holders and the holders of Beneficial Interests of the publication of any Annual Financial Statements of the Company, and shall set out the steps for the Holders to obtain a copy of those Financial Statements. If a Holder or holder of Beneficial Interests demands a copy of the Annual Financial Statements, the Company shall make same available, free of charge.</p>



# Summary of new Memorandum of Incorporation continued

## Pick n Pay Stores Limited

(the "Company")

Clause numbers	Summary
<b>Clause 20</b>	<p>The Company must hold a Shareholders' Meeting if it is required by the Companies Act or by the MOI to refer a matter to Holders for decision, and whenever required to elect a director to fill a vacancy on the Board (other than by the Board).</p> <p>The Company can conduct a Shareholders' Meeting by Electronic Communication, subject to the provisions of the Companies Act.</p> <p>The quorum necessary for the commencement of a Shareholders' Meeting shall be sufficient Persons present to exercise at least 25% (twenty five per cent) of all of the Voting Rights that are entitled to be exercised in respect of at least one matter to be decided at the Shareholders' Meeting but the Shareholders' Meeting may not begin unless in addition at least 3 (three) Persons entitled to vote are Present and, if the Company is a subsidiary, those constituting the quorum must include its holding company.</p> <p>If within 1 (one) hour from the time appointed for the Shareholders' Meeting to commence, a quorum is not present or if the quorum requirements cannot be achieved for any one or more matter, the Shareholders' Meeting shall be postponed for 3 (three) hours on the same day of the Shareholders' Meeting, and if at such adjourned Shareholders' Meeting a quorum is not present within 10 (ten) minutes from the time appointed for the adjourned Shareholders' Meeting then, the Person/s entitled to vote Present shall be deemed to be the requisite quorum.</p> <p>After a quorum has been established for a Shareholders' Meeting, the meeting may continue as long as at least one Person with Voting Rights entitled to be exercised at the meeting is Present.</p> <p>The chairperson, if any, of the Board shall preside as chairperson at every Shareholders' Meeting, unless the chairperson elects to delegate that function to another Director.</p> <p>At any Shareholders' Meeting a resolution put to the vote shall be decided on a show of hands, unless before or on the declaration of the result of the show of hands a poll shall be demanded by not less than 5 (five) Persons having the right to vote on that matter, or a Person/s entitled to exercise not less than 1/10th (one tenth) of the total Voting Rights entitled to vote on that matter, or the Chairperson. In the case of an equality of votes, the chairperson shall not be entitled to a second or casting vote.</p> <p>An Ordinary Resolution, save to the extent expressly provided in respect of a particular matter contemplated in the MOI, shall require to be adopted with the support of more than 50% (fifty per cent) of the Voting Rights exercised on the resolution. A Special Resolution shall require to be adopted with the support of at least 75% (seventy five per cent) of the Voting Rights exercised on the resolution. For so long as the Company is listed on the JSE, if any of the Listings Requirements require an ordinary resolution to be passed with a 75% (seventy five per cent) majority, the resolution shall instead be required to be passed by a Special Resolution.</p>

Clause  
numbers

## Summary

## Clause 22

The minimum number of Directors shall be 4 (four) and the maximum 15 (fifteen).

At each Annual General Meeting 1/3 (one third) of the Directors shall retire from office. The Directors so to retire at each Annual General Meeting shall be those who have been longest in office since their last election. As between Directors of equal seniority, the Directors to retire shall, in the absence of agreement, be selected from among them by lot. Retiring Directors shall be eligible for re-election. No Person other than a Director retiring at the Meeting shall, unless recommended by the Directors for election, be eligible for election to the office of Director at any Annual General Meeting unless, not less than 7 (seven) days nor more than 14 (fourteen) days before the day appointed for the Meeting, the secretary has received notice In Writing by a Holder duly qualified to be present and vote at the Meeting of the intention of the Holder to propose such Person for election and also notice In Writing signed by the Person to be proposed of her/his willingness to be elected. If at any Annual General Meeting, the place of any retiring Director is not filled, she/he shall if willing continue in office until the dissolution of the Annual General Meeting in the next year, and so on from year to year until her/his place is filled, unless it shall be determined at such Meeting not to fill such vacancy.

Any vacancy occurring on the Board may be filled by the Board, but the Individual so appointed shall cease to hold office at the termination of the first Shareholders' Meeting to be held after the appointment of such Individual as a Director unless she/he is elected at such Shareholders' Meeting.

Save as set out above, each of the Directors and the Alternate Directors, shall be elected (which in the case of a vacancy arising shall take place at the next Annual General Meeting), as follows:

- a series of votes of those entitled to exercise votes regarding such election, each of which is on the candidacy of a single individual to fill a single vacancy, with the series of votes continuing until all vacancies on the Board at that time have been filled; and
- in each vote to fill a vacancy:
  - each Voting Right entitled to be exercised may be exercised once; and
  - the vacancy is filled only if a majority of the Voting Rights exercised support the candidate.

A Director or Alternate Director so elected shall serve for a term of 3 (three) years. An Alternate Director shall serve in the place of 1 (one) or more Director/s named in the resolution electing her/him during the Director's/s' absence or inability to act as Director. If a Person is an Alternate Director to more than 1 (one) Director or if an Alternate Director is also a Director, she/he shall have a separate vote, on behalf of each Director she/he is representing in addition to her/his own vote, if any.

No individual Director shall be entitled to appoint any Person as an Alternate Director to himself/herself but the Board shall be entitled to appoint Alternate Directors provided that they do not constitute more than 50% (fifty percent) of all Alternate Directors in office.

There are no general qualifications prescribed by the Company for a Person to serve as a Director or an Alternate Director in addition to the requirements of the Companies Act.

All acts done by the Board or by any Board committee, or by any Person acting as a Director shall, notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of the Director/s or Person acting as aforesaid, or that they or any of them were disqualified or had vacated office or were not qualified to vote, be as valid as if every such Director/Person had been duly appointed and was qualified to be and to act and vote as a Director.

# Summary of new Memorandum of Incorporation continued

## Pick n Pay Stores Limited

(the "Company")

Clause numbers	Summary
<b>Clause 23</b>	<p>A Director or Alternate Director shall cease to hold office as such:</p> <ul style="list-style-type: none"> <li>■ immediately she/he becomes Ineligible or Disqualified or the Board resolves to remove her/him on such basis, and in the latter case the Director/Alternate Director has not within the permitted period filed an application for review or has filed such an application but the court has not yet confirmed the removal (during which period she/he shall be suspended);</li> <li>■ when her/his term of office expires;</li> <li>■ when she/he dies;</li> <li>■ when she/he resigns by Written notice to the Company;</li> <li>■ if she/he is declared delinquent by a court, or placed on probation under conditions that are inconsistent with continuing to be a director of the company</li> <li>■ if she/he is removed by Ordinary Resolution;</li> <li>■ if there are more than 3 (three) Directors in office and if: <ul style="list-style-type: none"> <li>• the Board determines that she/he has become incapacitated to the extent that the Person is unable to perform the functions of a director, and is unlikely to regain that capacity within a reasonable time;</li> <li>• she/he is removed by resolution of the Board for being negligent or derelict in performing the functions of a Director, and the Director/Alternate Director has not within the permitted period filed an application for review or has filed such an application but the court has not yet confirmed the removal (during which period she/he shall be suspended);</li> </ul> </li> <li>■ if she/he files a petition for the surrender of her/his estate or an application for an administration order, or if she/he commits an act of insolvency as defined in the insolvency law for the time being in force, or if she/he makes any arrangement or composition with her/his creditors generally; or</li> <li>■ she/he is otherwise removed in accordance with any provisions of the MOI.</li> </ul>
<b>Clause 24</b>	<p>Remuneration of Directors, Alternate Directors and members of Board committees for their services as Directors or Alternate Directors or members of Board committees shall be determined by Special Resolution within the previous 2 (two) years. In addition, the Directors and Alternate Directors shall be entitled to all reasonable expenses in travelling (including hotels) to and from meetings of the Directors and Holders, and the members of the Board committees shall be entitled to all reasonable expenses in travelling (including hotels) to and from meetings of the members of the Board committees as determined by a disinterested quorum of Directors. The Company may pay or grant any type of remuneration contemplated in Sections 30(6)(b) to (g) of the Companies Act to any executive Directors.</p> <p>A Director may be employed in any other capacity in the Company or as a director or employee of a company controlled by, or itself a major subsidiary of, the Company and in that event, his/her appointment and remuneration in respect of such other office must be determined by a disinterested quorum of Directors.</p>
<b>Clause 25</b>	<p>The Board's power to provide direct or indirect financial assistance as contemplated in Section 45(2) of the Companies Act is not limited in any manner.</p>

Clause numbers	Summary
<b>Clause 26</b>	<p>The powers of management granted to the Directors in terms of the Companies Act are limited in that the total amount owing by the Company in respect of monies borrowed by the Company shall not exceed the amount authorised by Pick n Pay Holdings Limited RF or if it is no longer the Holding Company, by the Company's Holding Company from time to time.</p> <p>The Directors may establish and maintain any pension, superannuation, provident and benefit funds for the benefit of any persons who are employees or ex-employees (including Directors) of the Company, or of its subsidiaries or a company in any way allied to or associated with it or any such subsidiary, and the wives, widows, families and dependants of such persons and may give pensions, gratuities and allowances to and make payments for or towards the insurance of any such persons.</p>
<b>Clause 27</b>	<p>The Directors may appoint any number of Board committees and delegate to such committees any authority of the Board. The Directors must appoint a remuneration committee and a risk committee and a nominations committee and a social and ethics committee.</p>
<b>Clause 28</b>	<p>A Director, Alternate Director, Prescribed Officer, and a Person who is a member of a committee of the Board must disclose a Personal Financial Interest in respect of a matter to be considered at a meeting of the Board.</p>
<b>Clause 29</b>	<p>The quorum for a Directors' meeting is 3 (three).</p> <p>Notice of a meeting of Directors must be given to all Directors even those for the time being absent from South Africa.</p> <p>Each Director or Alternate Director has 1 (one) vote on a matter before the Board and a majority of the votes cast on a resolution is sufficient to approve that resolution.</p> <p>The Directors may elect a chairperson of their meetings and determine the period for which she/he is to hold office. In the case of a tied vote the chairperson may cast a deciding vote, but if only 2 (two) Directors are present at the meeting of Directors, the chairperson shall not have a second or casting vote.</p> <p>A round robin resolution shall be as valid and effectual as if it had been passed at a meeting of the Directors, provided that each Director who is able to receive notice, has received notice of the matter to be decided and that all the Directors who at the time are present in South Africa being not less than a majority of Directors have voted in favour of the resolution by signing same, within 20 (twenty) business days after the resolution was submitted to them.</p>

# Summary of new Memorandum of Incorporation continued

## Pick n Pay Stores Limited

(the “Company”)

Clause numbers	Summary
<b>Clause 32</b>	<p>The Company may make Distributions from time to time, provided that any such Distribution is pursuant to an existing legal obligation of the Company, or a court order, or has been authorised by the Board, by resolution and also by Ordinary Resolution (save in the limited circumstances set out in clause 32.1.1.1.2) and it reasonably appears that the Company will satisfy the Solvency and Liquidity Test immediately after completing the proposed Distribution and the Board, by resolution, has acknowledged that it has applied the Solvency and Liquidity Test and reasonably concluded that the Company will satisfy the Solvency and Liquidity Test, and no obligation is imposed (if it is a distribution of capital) that the Company is entitled to require it to be subscribed again.</p> <p>Dividends shall be paid to Holders registered as at a date subsequent to the date of declaration or date of confirmation of the dividend, whichever is the later.</p> <p>All unclaimed dividends or other Distributions will be held in trust or by a trust nominated by the Company until claimed, without the payment of interest, provided that any dividend remaining unclaimed for a period of not less than 3 (three) years from the date on which it became payable (or such other period as may be required by law) may be forfeited by resolution of the Directors for the benefit of the Company and any other Distribution will be held until lawfully claimed or if not claimed, until such time as the claim has prescribed, after which such other Distributions may be forfeited by resolution of the Directors for the benefit of the Company.</p>
<b>Clause 34</b>	<p>A Holder or Person entitled to Securities (or his/her executor) shall be bound by every notice in respect of the Securities, Delivered to the Person who was, at the date on which that notice was Delivered (whether by personal delivery, prepaid post, telegram, telex or fax), shown in the Securities Register or established to the satisfaction of the Directors (as the case may be) as the Holder of or Person entitled to the Securities. Any notice will be deemed to have been delivered on the date and time determined in accordance with Table CR3 in the Regulations.</p> <p>The holder of a share warrant to bearer, unless it be otherwise expressed in the warrant, shall not be entitled in respect thereof to notice of any Shareholders’ Meeting or otherwise.</p>
<b>Clause 35</b>	<p>The Company may advance expenses to a Director, a former Director, an Alternate Director, a Prescribed Officer or a person who is a member of a committee of the Board (for the purposes of this clause a “Director”) to defend litigation in any proceedings arising out of the Director’s service to the Company and may indemnify a Director for any liability, subject to any limitation placed on the Company by the Companies Act and/or the Listings Requirements, and in this regard, the Company may purchase insurance on the terms more fully set out in clause 35.</p>

# Summary of new Memorandum of Incorporation

## Pick n Pay Holdings Limited

(the “Company”)

This schedule is intended only as a high level summary of the salient features of the proposed new Memorandum of Incorporation (MOI) which, in the Company’s view, might be thought to be material, to assist shareholders to make a considered assessment in deciding how to vote.

In preparing this summary, the Company has not considered which, if any, of the changes made by the proposed new MOI to the existing MOI might be considered by shareholders to be adverse as contemplated in Section 164 of the Companies Act. Shareholders should conduct their own detailed analysis and comparison of the Company’s existing MOI and the proposed new MOI.

The existing MOI and the proposed new MOI can be found on the Company’s website at [www.picknpay-ir.co.za](http://www.picknpay-ir.co.za).

Capitalised terms in this schedule shall have the meanings assigned to them in the proposed new MOI.

### SUMMARY OF SALIENT FEATURES OF THE PROPOSED NEW MOI

The proposed new MOI brings the Company’s incorporation documents into harmony with the provisions of the Companies Act and the Listings Requirements. The Company also used this opportunity to do a thorough review of the contents of the existing MOI and to update, amend or omit parts thereof as necessary, unrelated to the introduction of the Companies Act.

Clause numbers	Summary
<b>Clause 4</b>	<p>The Company has the powers and capacity of an Individual provided that for so long as the Company controls Pick n Pay Stores Limited (“Pick n Pay”), the Company shall not undertake any business or activity other than investing in securities in Pick n Pay, but any amount of cash surplus to the Company’s requirements may be invested in money market or similar securities, or lent, at a fair market interest rate, to Pick n Pay for the purposes of its business. This proviso may only be altered by means of a resolution of the Company approved by the Holders of 90% (ninety percent) of the Voting Rights and a resolution of Pick n Pay approved by the holders of 90% (ninety percent) of the voting rights in Pick n Pay (other than the Company). The name of the Company has been followed by the expression “RF” as a result of this restriction.</p> <p>Subject to the limitations set out above, the Company may do anything which the Companies Act empowers a company to do if so authorised by its MOI, notwithstanding any omission from this MOI to that effect.</p>
<b>Clause 5</b>	All amendments of the MOI shall be effected by a Special Resolution, other than the correction of errors, which the Board is empowered to effect.



# Summary of new Memorandum of Incorporation continued

## Pick n Pay Holdings Limited

(the “Company”)

Clause numbers	Summary
<b>Clause 7</b>	<p>The share capital of the Company has not been amended by the MOI.</p> <p>The Company is authorised to issue (which includes Shares already issued at any time) 800 000 000 (eight hundred million) ordinary Shares with a par value of 1.25 (one point two five) cents each, which shall have Voting Rights in respect of every matter that may be decided by voting and which shall rank after all other classes of Shares in the Company which do not rank pari passu with the ordinary Shares as regards Distributions, but save as aforesaid shall be entitled to receive the net assets of the Company upon its liquidation.</p> <p>The Board shall not have the power to amend the authorisation and classification of shares as contemplated in Section 36(2)(b) or 36(3) of the Companies Act.</p> <p>Any authorised but unissued par value Shares in the Company’s capital may be issued at par or at a premium or at a discount.</p> <p>Notwithstanding any implication in the MOI to the contrary, the Board may not authorise any financial assistance by the Company in connection with the subscription for or purchase of its Securities or those of a related or inter-related company without complying with Section 44(3) of the Companies Act.</p>
<b>Clause 8</b>	<p>The Board shall not have the power to issue authorised Securities (other than capitalisation Shares) without the prior approval of the Holders by way of an Ordinary Resolution, or to the extent that the Companies Act requires, by way of a Special Resolution, and the approval of the JSE (where necessary).</p> <p>No special privileges may be granted to secured and unsecured debt instruments.</p> <p>The Board may issue capitalisation Shares or offer a cash payment in lieu of awarding a capitalisation Share in accordance with Section 47 of the Companies Act.</p> <p>For so long as the Listings Requirements so require, no Shares which are listed may be issued other than as fully paid.</p>
<b>Clause 9</b>	<p>Equity Securities in the Company which are authorised but unissued and which are intended to be issued for cash, must be offered to the existing Holders of those equity Securities by way of a rights offer pro rata to the Voting Power of that Shareholder’s Voting Rights, unless:</p> <ul style="list-style-type: none"> <li>■ the requisite approvals of the Holders, and the JSE (where necessary), has been obtained; or</li> <li>■ a capitalisation issue, an issue for an acquisition of assets (including another company) or an issue for the purposes of an amalgamation or merger, is to be undertaken; or</li> <li>■ the equity Securities are to be issued in terms of option or Conversion rights; or</li> <li>■ the equity Securities are to be issued to an approved share incentive scheme.</li> </ul>
<b>Clause 11</b>	<p>The Company shall permit Securities to be held by one Person for the Beneficial Interest of another, but the Holder (other than a Central Securities Depository Participant) shall be obliged to advise the Company of this, in writing, within 14 (fourteen) days.</p>
<b>Clause 12</b>	<p>The Company is not entitled to take any lien over any Securities issued by it.</p>

Clause numbers	Summary
<b>Clause 14</b>	The Company may pay commission not exceeding 10% (ten per cent) of the subscription price at which Securities of the Company are issued to any Person in consideration of such Person subscribing or agreeing to subscribe for any Securities.
<b>Clause 15</b>	There is no restriction on the transfer of Securities.
<b>Clause 18</b>	The Company shall notify the Holders and the holders of Beneficial Interests of the publication of any Annual Financial Statements of the Company, and shall set out the steps for the Holders to obtain a copy of those Financial Statements. If a Holder or holder of Beneficial Interests demands a copy of the annual Financial Statements, the Company shall make same available, free of charge.
<b>Clause 20</b>	<p>The Company must hold a Shareholders' Meeting if it is required by the Companies Act or by the MOI to refer a matter to Holders for decision, and whenever required to elect a director to fill a vacancy on the Board (other than by the Board).</p> <p>The Company can conduct a Shareholders' Meeting by Electronic Communication, subject to the provisions of the Companies Act.</p> <p>The quorum necessary for the commencement of a Shareholders' Meeting shall be sufficient Persons present to exercise at least 25% (twenty five per cent) of all of the Voting Rights that are entitled to be exercised in respect of at least one matter to be decided at the Shareholders' Meeting but the Shareholders' Meeting may not begin unless in addition at least 3 (three) Persons entitled to vote are Present and, if the Company is a subsidiary, those constituting the quorum must include its holding company.</p> <p>If within 1 (one) hour from the time appointed for the Shareholders' Meeting to commence, a quorum is not present or if the quorum requirements cannot be achieved for any one or more matter, the Shareholders' Meeting shall be postponed for 3 (three) hours on the same day of the Shareholders' Meeting, and if at such adjourned Shareholders' Meeting a quorum is not present within 10 (ten) minutes from the time appointed for the Shareholders' Meeting then the Person/s entitled to vote Present shall be deemed to be the requisite quorum.</p> <p>After a quorum has been established for a Shareholders' Meeting, the meeting may continue as long as at least one Person with Voting Rights entitled to be exercised at the meeting is Present.</p> <p>The chairperson, if any, of the Board shall preside as Chairperson at every Shareholders' Meeting, unless the chairperson elects to delegate that function to another Director.</p> <p>At any Shareholders' Meeting a resolution put to the vote shall be decided on a show of hands, unless before or on the declaration of the result of the show of hands a poll shall be demanded by not less than 5 (five) Persons having the right to vote on that matter, or a Person/s entitled to exercise not less than 1/10th (one tenth) of the total Voting Rights entitled to vote on that matter, or the chairperson. In the case of an equality of votes, the chairperson shall not be entitled to a second or casting vote.</p> <p>An Ordinary Resolution, save to the extent expressly provided in respect of an particular matter contemplated in the MOI, shall require to be adopted with the support of more than 50% (fifty per cent) of the Voting Rights exercised on the resolution. A Special Resolution shall require to be adopted with the support of at least 75% (seventy five per cent) of the Voting Rights exercised on the resolution. For so long as the Company is listed on the JSE, if any of the Listings Requirements require an ordinary resolution to be passed with a 75% (seventy five per cent) majority, the resolution shall instead be required to be passed by a Special Resolution.</p>

# Summary of new Memorandum of Incorporation continued

## Pick n Pay Holdings Limited

(the "Company")

Clause numbers	Summary
<b>Clause 22</b>	<p>The minimum number of Directors shall be 4 (four) and the maximum 13 (thirteen).</p> <p>At each Annual General Meeting 1/3 (one third) of the Directors shall retire from office. The Directors so to retire at each Annual General Meeting shall be those who have been longest in office since their last election. As between Directors of equal seniority, the Directors to retire shall, in the absence of agreement, be selected from among them by lot. Retiring Directors shall be eligible for re-election. No Person other than a Director retiring at the Meeting shall, unless recommended by the Directors for election, be eligible for election to the office of Director at any Annual General Meeting unless, not less than 7 (seven) days nor more than 14 (fourteen) days before the day appointed for the Meeting, the secretary has received notice In Writing by a Holder duly qualified to be present and vote at the Meeting of the intention of the Holder to propose such Person for election and also notice In Writing signed by the Person to be proposed of her/his willingness to be elected. If at any Annual General Meeting, the place of any retiring Director is not filled, she/he shall if willing continue in office until the dissolution of the Annual General Meeting in the next year, and so on from year to year until her/his place is filled, unless it shall be determined at such Meeting not to fill such vacancy.</p> <p>Any vacancy occurring on the Board may be filled by the Board, but the Individual so appointed shall cease to hold office at the termination of the first Shareholders' Meeting to be held after the appointment of such Individual as a Director unless she/he is elected at such Shareholders' Meeting.</p> <p>Save as set out above, each of the Directors and the Alternate Directors, shall be elected (which in the case of a vacancy arising shall take place at the next Annual General Meeting), as follows:</p> <ul style="list-style-type: none"> <li>■ a series of votes of those entitled to exercise votes regarding such election, each of which is on the candidacy of a single individual to fill a single vacancy, with the series of votes continuing until all vacancies on the Board at that time have been filled; and</li> <li>■ in each vote to fill a vacancy: <ul style="list-style-type: none"> <li>• each Voting Right entitled to be exercised may be exercised once; and</li> <li>• the vacancy is filled only if a majority of the Voting Rights exercised support the candidate.</li> </ul> </li> </ul> <p>A Director or Alternate Director so elected shall serve for a term of 3 (three) years. An Alternate Director shall serve in the place of 1 (one) or more Director/s named in the resolution electing her/him during the Director/s' absence or inability to act as Director. If a Person is an Alternate Director to more than 1 (one) Director or if an Alternate Director is also a Director, she/he shall have a separate vote, on behalf of each Director she/he is representing in addition to her/his own vote, if any.</p> <p>No individual Director shall be entitled to appoint any Person as an Alternate Director to himself/herself but the Board shall be entitled to appoint Alternate Directors provided that they do not constitute more than 50% (fifty percent) of all Alternate Directors in office.</p> <p>There are no general qualifications prescribed by the Company for a Person to serve as a Director or an Alternate Director in addition to the requirements of the Companies Act.</p> <p>All acts done by the Board or by any Board committee, or by any Person acting as a Director shall, notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of the Director/s or Person acting as aforesaid, or that they or any of them were disqualified or had vacated office or were not qualified to vote, be as valid as if every such Director/Person had been duly appointed and was qualified to be and to act and vote as a Director.</p>

Clause numbers	Summary
<b>Clause 23</b>	<p>A Director or Alternate Director shall cease to hold office as such:</p> <ul style="list-style-type: none"> <li>■ immediately she/he becomes Ineligible or Disqualified or the Board resolves to remove her/him on such basis, and in the latter case the Director/Alternate Director has not within the permitted period filed an application for review or has filed such an application but the court has not yet confirmed the removal (during which period she/he shall be suspended);</li> <li>■ when her/his term of office expires;</li> <li>■ when she/he dies;</li> <li>■ when she/he resigns by Written notice to the Company;</li> <li>■ if she/he is declared delinquent by a court, or placed on probation under conditions that are inconsistent with continuing to be a director of the company</li> <li>■ if she/he is removed by Ordinary Resolution;</li> <li>■ if there are more than 3 (three) Directors in office and if: <ul style="list-style-type: none"> <li>• the Board determines that she/he has become incapacitated to the extent that the Person is unable to perform the functions of a director, and is unlikely to regain that capacity within a reasonable time;</li> <li>• she/he is removed by resolution of the Board for being negligent or derelict in performing the functions of a Director,</li> </ul> and the Director/Alternate Director has not within the permitted period filed an application for review or has filed such an application but the court has not yet confirmed the removal (during which period she/he shall be suspended);</li> <li>■ if she/he files a petition for the surrender of her/his estate or an application for an administration order, or if she/he commits an act of insolvency as defined in the insolvency law for the time being in force, or if she/he makes any arrangement or composition with her/his creditors generally; or</li> <li>■ she/he is otherwise removed in accordance with any provisions of the MOI.</li> </ul>
<b>Clause 24</b>	<p>Remuneration of Directors, Alternate Directors and members of Board committees for their services as Directors or Alternate Directors or members of Board committees shall be determined by Special Resolution within the previous 2 (two) years. In addition, the Directors and Alternate Directors shall be entitled to all reasonable expenses in travelling (including hotels) to and from meetings of the Directors and Holders, and the members of the Board committees shall be entitled to all reasonable expenses in travelling (including hotels) to and from meetings of the members of the Board committees as determined by a disinterested quorum of Directors. The Company may pay or grant any type of remuneration contemplated in Sections 30(6)(b) to (g) of the Companies Act to any executive Directors.</p> <p>A Director may be employed in any other capacity in the Company or as a director or employee of a company controlled by, or itself a major subsidiary of, the Company and in that event, his/her appointment and remuneration in respect of such other office must be determined by a disinterested quorum of Directors.</p>
<b>Clause 25</b>	<p>The Board's power is to provide direct or indirect financial assistance as contemplated in Section 45(2) of the Companies Act are not limited in any manner.</p>

# Summary of new Memorandum of Incorporation continued

## Pick n Pay Holdings Limited

(the "Company")

Clause numbers	Summary
<b>Clause 26</b>	<p>The powers granted to the Directors in terms of Section 66(1) of the Companies Act are not limited, except as expressly provided in the MOI.</p> <p>The Directors may establish and maintain any pension, superannuation, provident and benefit funds for the benefit of any persons who are employees or ex-employees (including Directors) of the Company, or of its subsidiaries or a company in any way allied to or associated with it or any such subsidiary, and the wives, widows, families and dependants of such persons and may give pensions, gratuities and allowances to and make payments for or towards the insurance of any such persons.</p>
<b>Clause 27</b>	<p>The Directors may appoint any number of Board committees and delegate to such committees any authority of the Board.</p>
<b>Clause 28</b>	<p>A Director, Alternate Director, Prescribed Officer, and a Person who is a member of a committee of the Board must disclose a Personal Financial Interest in respect of a matter to be considered at a meeting of the Board.</p>
<b>Clause 29</b>	<p>The quorum for a Directors' meeting is 3 (three).</p> <p>Notice of a meeting of Directors must be given to all Directors even those for the time being absent from South Africa.</p> <p>Each Director or Alternate Director has 1 (one) vote on a matter before the Board and a majority of the votes cast on a resolution is sufficient to approve that resolution.</p> <p>The Directors may elect a Chairperson of their meetings and determine the period for which she/he is to hold office. In the case of a tied vote the Chairperson may cast a deciding vote, but if only 2 (two) Directors are present at the meeting of Directors, the Chairperson shall not have a second or casting vote.</p> <p>A round robin resolution shall be as valid and effectual as if it had been passed at a meeting of the Directors, provided that each Director who is able to receive notice, has received notice of the matter to be decided and the all the Directors who at the time are present in South Africa being not less than a majority of Directors have voted in favour of the resolution by signing same, within 20 (twenty) Business Days after the resolution was submitted to them.</p>
<b>Clause 32</b>	<p>The Company may make Distributions from time to time, provided that any such Distribution is pursuant to an existing legal obligation of the Company, or a court order, or has been authorised by the Board, by resolution and also by Ordinary Resolution (save in the limited circumstances set out in clause 32.1.1.1.2) and it reasonably appears that the Company will satisfy the Solvency and Liquidity Test immediately after completing the proposed Distribution, and the Board, by resolution, has acknowledged that it has applied the Solvency and Liquidity Test and reasonably concluded that the Company will satisfy the Solvency and Liquidity Test, and no obligation is imposed (if it is a distribution of capital) that the Company is entitled to require it to be subscribed again.</p> <p>Dividends shall be paid to Holders registered as at a date subsequent to the date of declaration or date of confirmation of the dividend, whichever is the later.</p> <p>All unclaimed dividends or other Distributions will be held in trust or by a trust nominated by the Company until claimed, without the payment of interest, provided that any dividend remaining unclaimed for a period of not less than 3 (three) years from the date on which it became payable (or such other period as may be required by law) may be forfeited by resolution of the Directors for the benefit of the Company and any other Distribution will be held until lawfully claimed or if not claimed, until such time as the claim has prescribed, after which such other Distributions may be forfeited by resolution of the Directors for the benefit of the Company.</p>

Clause numbers	Summary
<b>Clause 34</b>	<p>A Holder or Person entitled to Securities (or his/her executor) shall be bound by every notice in respect of the Securities, Delivered to the Person who was, at the date on which that notice was Delivered (whether by personal delivery, prepaid post, telegram, telex or fax), shown in the Securities Register or established to the satisfaction of the Directors (as the case may be) as the Holder of or Person entitled to the Securities. Any notice will be deemed to have been delivered on the date and time determined in accordance with Table CR3 in the Regulations.</p> <p>The holder of a share warrant to bearer, unless it be otherwise expressed in the warrant, shall not be entitled in respect thereof to notice of any Shareholders' Meeting or otherwise.</p>
<b>Clause 35</b>	<p>The Company may advance expenses to a Director, a former Director, an Alternate Director, a Prescribed Officer or a person who is a member of a committee of the Board (for the purposes of this clause a "Director") to defend litigation in any proceedings arising out of the Director's service to the Company and, may indemnify a Director for any liability, subject to any limitation placed on the Company by the Companies Act and/or the Listings Requirements, and in this regard, the Company may purchase insurance on the terms more fully set out in clause 35.</p> <p>The Company may not pay any fine that may be imposed on a Director, or on a Director of a Related company, as a consequence of that Director having been convicted of an offence in terms of any national legislation unless the conviction was based on strict liability.</p> <p>The Company is entitled to claim restitution from a Director or of a Related company for any money paid directly or indirectly by the Company to or on behalf of that Director in any manner inconsistent with Section 78 of the Companies Act.</p>
<b>Clause 36</b>	<p>The Company is authorised to repurchase its Securities subject to compliance with the Companies Act and the Listings Requirements.</p>
<b>Clause 37</b>	<p>Subject to the requirements of the JSE, Holders of the requisite majority of the Securities shall be entitled at any time to expropriate the Securities of any Holders (notwithstanding that the sole or main purpose thereof may be to benefit the Holders exercising such power), provided that fair and reasonable compensation is paid to such Holders in the circumstances.</p>



# Annexure A

## Relevant portions of Section 164 of the Companies Act Dissenting shareholders appraisal rights

Annexure B – Relevant portions of Section 164 of the Companies Act – Dissenting shareholders appraisal rights

164. (2) If a company has given notice to shareholders of a meeting to consider adopting a resolution to –
- (a) amend its Memorandum of Incorporation by altering the preferences, rights, limitations or other terms of any class of its shares in any manner materially adverse to the rights or interests of holders of that class of shares, as contemplated in Section 37(8); or
  - (b) enter into a transaction contemplated in section 112, 113, or 114,
- that notice must include a statement informing shareholders of their rights under this section.
- (3) At any time before a resolution referred to in subsection (2) is to be voted on, a dissenting shareholder may give the company a written notice objecting to the resolution.
- (4) Within 10 business days after a company has adopted a resolution contemplated in this section, the company must send a notice that the resolution has been adopted to each shareholder who –
- (a) gave the company a written notice of objection in terms of subsection (3); and
  - (b) has neither –
    - (i) withdrawn that notice; or
    - (ii) voted in support of the resolution.
- (5) A shareholder may demand that the company pay the shareholder the fair value for all of the shares of the company held by that person if –
- (a) the shareholder –
    - (i) sent the company a notice of objection, subject to subsection (6); and
    - (ii) in the case of an amendment to the company's Memorandum of Incorporation, holds shares of a class that is materially and adversely affected by the amendment;
  - (b) the company has adopted the resolution contemplated in subsection (2); and
  - (c) the shareholder –
    - (i) voted against that resolution; and
    - (ii) has complied with all of the procedural requirements of this section.
- (6) The requirement of subsection (5)(a)(i) does not apply if the company failed to give notice of the meeting, or failed to include in that notice a statement of the shareholders rights under this section.
- (7) A shareholder who satisfies the requirements of subsection (5) may make a demand contemplated in that subsection by delivering a written notice to the company within –
- (a) 20 business days after receiving a notice under subsection (4); or
  - (b) if the shareholder does not receive a notice under subsection (4), within 20 business days after learning that the resolution has been adopted.
- (8) A demand delivered in terms of subsections (5) to (7) must also be delivered to the Panel, and must state –
- (a) the shareholder's name and address;
  - (b) the number and class of shares in respect of which the shareholder seeks payment; and
  - (c) a demand for payment of the fair value of those shares.
- (9) A shareholder who has sent a demand in terms of subsections (5) to (8) has no further rights in respect of those shares, other than to be paid their fair value, unless –
- (a) the shareholder withdraws that demand before the company makes an offer under subsection (11), or allows an offer made by the company to lapse, as contemplated in subsection (12)(b);
  - (b) the company fails to make an offer in accordance with subsection (11) and the shareholder withdraws the demand; or
  - (c) the company, by a subsequent special resolution, revokes the adopted resolution that gave rise to the shareholder's rights under this section.
- (10) If any of the events contemplated in subsection (9) occur, all of the shareholder's rights in respect of the shares are reinstated without interruption.
- (11) Within five business days after the later of –
- (a) the day on which the action approved by the resolution is effective;
  - (b) the last day for the receipt of demands in terms of subsection (7)(a); or
  - (c) the day the company received a demand as contemplated in subsection (7)(b), if applicable, the company must send to each shareholder who has sent such a demand a written offer to pay an amount considered by the company's directors to be the fair value of the relevant shares, subject to subsection (16), accompanied by a statement showing how that value was determined.
- (12) Every offer made under subsection (11) –
- (a) in respect of shares of the same class or series must be on the same terms; and
  - (b) lapses if it has not been accepted within 30 business days after it was made.
- (13) If a shareholder accepts an offer made under subsection (12) –
- (a) the shareholder must either in the case of –
    - (i) shares evidenced by certificates, tender the relevant share certificates to the company or the company's transfer agent; or
    - (ii) uncertificated shares, take the steps required in terms of Section 53 to direct the transfer of those shares to the company or the company's transfer agent; and

- (b) the company must pay that shareholder the agreed amount within 10 business days after the shareholder accepted the offer and –
    - (i) tendered the share certificates; or
    - (ii) directed the transfer to the company of uncertificated shares.
- (14) A shareholder who has made a demand in terms of subsections (5) to (8) may apply to a court to determine a fair value in respect of the shares that were the subject of that demand, and an order requiring the company to pay the shareholder the fair value so determined, if the company has –
  - (a) failed to make an offer under subsection (11); or
  - (b) made an offer that the shareholder considers to be inadequate, and that offer has not lapsed.
- (15) On an application to the court under subsection (14) –
  - (a) all dissenting shareholders who have not accepted an offer from the company as at the date of the application must be joined as parties and are bound by the decision of the court;
  - (b) the company must notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to participate in the court proceedings; and
  - (c) the court –
    - (i) may determine whether any other person is a dissenting shareholder who should be joined as a party;
    - (ii) must determine a fair value in respect of the shares of all dissenting shareholders, subject to subsection (16);
    - (iii) in its discretion may –
      - (aa) appoint one or more appraisers to assist it in determining the fair value in respect of the shares; or
      - (bb) allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective, until the date of payment;
    - (iv) may make an appropriate order of costs, having regard to any offer made by the company, and the final determination of the fair value by the court; and
    - (v) must make an order requiring –
      - (aa) the dissenting shareholders to either withdraw their respective demands or to comply with subsection (13)(a); and
      - (bb) the company to pay the fair value in respect of their shares to each dissenting shareholder who complies with subsection (13)(a), subject to any conditions the court considers necessary to ensure that the company fulfils its obligations under this section.
  - (15A) At any time before the court has made an order contemplated in subsection (15)(c)(v), a dissenting shareholder may accept the offer made by the company in terms of subsection (11), in which case –
    - (a) that shareholder must comply with the requirements of subsection 13(a); and
    - (b) the company must comply with the requirements of subsection 13(b).
  - (16) The fair value in respect of any shares must be determined as at the date on which, and time immediately before, the company adopted the resolution that gave rise to a shareholder's rights under this section.
  - (17) If there are reasonable grounds to believe that compliance by a company with subsection (13)(b), or with a court order in terms of subsection (15)(c)(v) (bb), would result in the company being unable to pay its debts as they fall due and payable for the ensuing 12 months –
    - (a) the company may apply to a court for an order varying the company's obligations in terms of the relevant subsection; and
    - (b) the court may make an order that –
      - (i) is just and equitable, having regard to the financial circumstances of the company; and
      - (ii) ensures that the person to whom the company owes money in terms of this section is paid at the earliest possible date compatible with the company satisfying its other financial obligations as they fall due and payable.
  - (18) If the resolution that gave rise to a shareholder's rights under this section authorised the company to amalgamate or merge with one or more other companies, such that the company whose shares are the subject of a demand in terms of this section has ceased to exist, the obligations of that company under this section are obligations of the successor to that company resulting from the amalgamation or merger.
  - (19) For greater certainty, the making of a demand, tendering of shares and payment by a company to a shareholder in terms of this section do not constitute a distribution by the company, or an acquisition of its shares by the company within the meaning of Section 48, and therefore are not subject to –
    - (a) the provisions of that section; or
    - (b) the application by the company of the solvency and liquidity test set out in Section 4.
  - (20) Except to the extent–
    - (a) expressly provided in this section; or
    - (b) that the Panel rules otherwise in a particular case,
 a payment by a company to a shareholder in terms of this section does not obligate any person to make a comparable offer under Section 125 to any other person.

# Notice of annual general meeting

## Pick n Pay Stores Limited

The 44th annual general meeting (annual general meeting) of shareholders of Pick n Pay Stores Limited (the Company) for the year ended 29 February 2012 will be held at 08:30 on Friday, 15 June 2012. To ensure that registration procedures are completed by 08:30, please register for the annual general meeting from 08:00.

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, 7708.

### 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 44th annual general meeting was Friday, 11 May 2012 and the record date for purposes of determining which shareholders of the Company are entitled to participate in and vote at the annual general meeting is Friday, 8 June 2012. Accordingly, only shareholders who are registered in the register of members of the Company on Friday, 8 June 2012 will be entitled to participate in and vote at the annual general meeting.

Until the South African 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. Under the 2008 Companies Act the MOI will be a single document. 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.

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. To present the audited annual financial statements, the directors' report and the audit committee report of the Company for the year ended 29 February 2012.

In terms of the 2008 Companies Act, the Audited Financial Statements will be presented to the shareholders together with the directors' report and audit committee report. The audited annual financial statements, the directors' report and the audit committee report of the Company and its subsidiaries, are set out in the Company's Annual Financial Statements.

The Annual Financial Statements are available on our website at [www.picknpay-ir.co.za](http://www.picknpay-ir.co.za). A printed copy will be provided on request, please email Debra Muller at [demuller@pnp.co.za](mailto:demuller@pnp.co.za) for assistance.

### 2. ORDINARY RESOLUTION NUMBER 1 Appointment of auditors

"RESOLVED AS AN ORDINARY RESOLUTION that KPMG Inc. are hereby reappointed as the auditors of the Company."

Note that the audit committee has recommended the reappointment of KPMG Inc. as auditors of the Company.

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

### 3. ORDINARY RESOLUTION NUMBER 2 Reappointment of directors

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

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

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

RSJ van Rensburg retires in accordance with the Company's MOI and, being eligible, offers himself for re-election. His curriculum vitae is presented on page 14.

Accordingly, shareholders are requested to consider and, if deemed fit, to re-elect David Robins, Ben van der Ross, Jeff van Rooyen and Richard van Rensburg by way of passing the separate ordinary resolutions set out below:

**ORDINARY RESOLUTION NUMBER 2.1**  
**Appointment of David Robins as director**

"Resolved that D Robins be and is hereby elected as a director of the Company."

**ORDINARY RESOLUTION 2.2**  
**Appointment of Ben van der Ross as director**

"Resolved that BJ van der Ross be and is hereby elected as a director of the Company."

**ORDINARY RESOLUTION 2.3**  
**Appointment of Jeff van Rooyen as director**

"Resolved that J van Rooyen be and is hereby elected as a director of the Company."

**ORDINARY RESOLUTION 2.4**  
**Appointment of Richard van Rensburg as director**

"Resolved that RSJ van Rensburg be and is hereby elected as a director of the Company."

The minimum percentage of voting rights that is required for each of resolutions 2.1 to 2.4 to be approved is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on each resolution.

**4. ORDINARY RESOLUTION NUMBER 3**

Appointment of audit committee members for the year ending 28 February 2013.

**ORDINARY RESOLUTION NUMBER 3.1**  
**Appointment of J van Rooyen as a member of the audit committee**

"Resolved that J van Rooyen be and is hereby elected as a member of the audit committee of the Company for the year ending 28 February 2013, subject to his re-election as a director of the Company in terms of Ordinary Resolution 2.3."

**ORDINARY RESOLUTION NUMBER 3.2**  
**Appointment of BJ van der Ross as a member of the audit committee**

"Resolved that BJ van der Ross be and is hereby elected as a member of the audit committee of the Company for the year ending 28 February 2013, subject to his re-election as a director of the Company in terms of Ordinary Resolution 2.2."

**ORDINARY RESOLUTION NUMBER 3.3**  
**Appointment of HS Herman as a member of the audit committee**

"Resolved that HS Herman be and is hereby elected as a member of the audit committee of the Company for the year ending 28 February 2013."

**ORDINARY RESOLUTION NUMBER 3.4**  
**Appointment of AM Mathole as a member of the audit committee**

"Resolved that AM Mathole be and is hereby elected as a member of the audit committee of the Company for the year ending 28 February 2013."

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

**5. ADVISORY VOTE**  
**Remuneration report for the year ended 29 February 2012**

The directors table the remuneration report for the year ended 29 February 2012, as set out in the Integrated Annual Report accompanying this notice of annual general meeting on pages 72 to 76.

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 in favour of the remuneration report is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast.

**6. SPECIAL RESOLUTION NUMBER 1**  
**New Memorandum of Incorporation**

"RESOLVED AS A SPECIAL RESOLUTION to abrogate in its entirety the Company's existing Memorandum of Incorporation and to replace it with a new Memorandum of

# Notice of annual general meeting continued

## Pick n Pay Stores Limited

Incorporation (a draft of which has been tabled at the annual general meeting and initialled by the chairperson of the annual general meeting for identification purposes)."

A summary of the salient features (which in the Company's view might be thought to be material) of the proposed new MOI is set out on pages 84 to 90 of the Integrated Annual Report to assist shareholders to make a considered assessment in deciding how to vote.

Shareholders are alerted to their rights in terms of Section 164 read with Section 37(8) of the Companies Act in terms of which, if any of the amendments proposed in the new MOI will materially and adversely alter the preferences, rights, limitations or other terms of the Company's shares, then at any time before this resolution is to be voted on, a dissenting shareholder may give the Company a written notice objecting to this resolution and such dissenting shareholder will have the rights more fully set out in Section 164 of the Companies Act. A copy of the relevant portions of Section 164 of the Companies Act is set out on pages 98 and 99 of this Integrated Annual Report. The Company has not, in preparing the summary of the salient features of the proposed new MOI, considered which, if any, of the changes to be made by the proposed new MOI to the existing MOI might be considered by shareholders to be adverse as contemplated in Section 164 of the Companies Act. Shareholders should conduct their own detailed analysis and comparison of the Company's existing MOI and the proposed new MOI.

The full text of the proposed new MOI and a copy of the existing MOI are available on the Company website at [www.picknpay-ir.co.za](http://www.picknpay-ir.co.za). Alternatively shareholders can request a copy of the proposed new MOI to be posted to them or emailed to them by contacting Debra Muller by telephone on 021 658 1000, or by email at [demuller@pnp.co.za](mailto:demuller@pnp.co.za), or by post at PO Box 23087, Claremont, 7735.

The reason for special resolution number 1 is to bring the Company's incorporation documents into harmony with the provisions of the 2008 Companies Act and to deal with the effect of the 2008 Companies Act. The Company has also used this opportunity to thoroughly review of the contents of the existing MOI and to update, amend or omit parts thereof as necessary, unrelated to the introduction of the 2008 Companies Act. The passing of this special resolution will have the effect of replacing the Company's existing MOI with the new MOI referred to in special resolution number 1.

### 7. SPECIAL RESOLUTION NUMBER 2

#### Directors' fees for the year ending 28 February 2013

"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 2013 (alternatively for the year ending 29 February 2012 as applicable), be as follows:

- Executive directors, unchanged at R1 500.
- Chairman, from R3 000 000 to R3 450 000.
- Lead non-executive director, from R95 000 to R100 000.
- Non-executive directors, from R280 000 to R300 000.
- Chairman of the audit committee, from R235 000 to R250 000.
- Chairman of the remuneration committee, from R120 000 to R130 000.
- Member of the audit committee, from R95 000 to R100 000.
- Member of the remuneration committee, from R60 000 to R65 000.
- Member of the nominations committee from R53 000 to R60 000.
- Member of the social and ethics committee (for the year ending 29 February 2012) at R13 250.
- Member of the social and ethics committee at R65 000.
- Member of the corporate finance committee (for the year ending 29 February 2012) at R50 000.
- Chairman of the corporate finance committee at R150 000.
- Member of the ad hoc corporate finance committee at R100 000.

The reason for special resolution number 2 is to obtain shareholder approval for the remuneration of each of the directors of the Company 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 2013 (alternatively for the year ending 29 February 2012 as applicable), 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 approved is 75% (seventy-five percent) of the voting rights to be cast on the resolution.

### 8. SPECIAL RESOLUTION NUMBER 3

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

"RESOLVED AS A SPECIAL RESOLUTION that in terms of and subject to the provisions of section 45 of the Companies Act, the shareholders of the Company hereby approve, as a

general approval (subject to the requirements of the Company's Memorandum of Incorporation and the Companies Act from time to time) and subject to compliance with Section 45 of the Companies Act at any time and from time to time, the provision by the Company of any direct or indirect financial assistance as contemplated in Section 45 of the Companies Act, to a director or prescribed officer of the Company or of a related or inter-related company, or to any 1 (one) or more related or inter-related companies, or to a member of a related or inter-related company or corporation on such terms and conditions as the board of directors of the Company, or any 1 (one) or more persons authorised by the board of directors of the Company from time to time for such purpose, may deem fit, in the form, nature and extent, and for the amounts that the Board of directors of the Company, or any 1 (one) or more persons authorised by the Board of directors of the Company from time to time for such purpose, may determine from time to time. To the extent which the Companies Act requires any other approval by the shareholders of the Company pursuant to the provision of financial assistance, such approval is hereby granted. This general authority will be valid up to and including the day before the second anniversary of this special resolution being adopted or until superseded by another special resolution, whichever period is shorter."

#### **NOTES ON THE INTERPRETATION OF SPECIAL RESOLUTION NUMBER 3:**

"financial assistance" will have the meaning attributed to it in Section 45(1) of the 2008 Companies Act; and "related" and "inter-related" will have the meanings so attributed in Section 2 of the 2008 Companies Act.

The reason for this special resolution is to obtain shareholder approval for financial assistance, when the need arises, to any director or prescribed officer of the Company, as well as to any related or inter-related companies in accordance with Section 45 of the 2008 Companies Act.

This special resolution will allow the Company to continue to operate as it has in the past, providing financial assistance to companies within the Pick n Pay Group, on the basis of certain day-to-day operational decisions where the Company previously was not required to obtain shareholders' approval or consent.

In addition, this special resolution allows the Company to continue with its existing policy of providing financial assistance to directors and prescribed officers or members or related persons. The existing policy is limited to housing loans

to executives and management of the Group. In terms of this policy, no loans are extended to non-executive directors or to related parties. All loans are secured against the employee's retirement funding. The summary contained in note 12 to the Annual Financial Statements on page 39, summarises the policy as follows: "Loans to directors and employees are secured, bear interest at varying rates subject to a maximum rate of 8% (2011: 8%) and have varying repayment terms." The Company does not intend to amend this policy in the foreseeable future.

The passing of this special resolution will have the effect of the Company having the necessary authority to provide financial assistance to the persons contemplated in this special resolution as and when required to do so and to confer the necessary authority on the board of directors of the Company to authorise financial assistance to:

- a director or prescribed officer of the Company or of a related or inter-related company; or
- any 1 (one) or more related or inter-related company, or to a member of a related or inter-related company or corporation,

generally as the Board of directors of the Company may deem fit, on the terms and conditions, and for the amounts that the Board of directors of the Company may determine from time to time. The granting of the general authority would obviate the need to refer each instance of provision of financial assistance for shareholder approval in the circumstances contemplated in this special resolution. This general authority would assist the Company with, inter alia, making financial assistance available to directors or prescribed officers in terms of existing Company policy, as well as inter-company loans to subsidiaries of the Company, or inter-related companies, as well as granting letters of support and guarantees in appropriate circumstances. This would avoid undue delays and attendant adverse financial impact on subsidiaries, or related or inter-related companies, as it would facilitate the expeditious conclusion of negotiations.

If this special resolution is approved by the shareholders of the Company, thereby conferring general authority on the Board of directors of the Company to authorise financial assistance as contemplated above, then the Board of directors of the Company shall not adopt any resolution to authorise such financial assistance as contemplated in this special resolution unless the Board of directors of the Company:

- is satisfied that immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in Section 45(3)(b)(i) of the Companies Act; and



# Notice of annual general meeting continued

## Pick n Pay Stores Limited

- is satisfied that the terms under which such financial assistance is proposed to be given are fair and reasonable to the Company as contemplated in Section 45(3)(b)(ii) of the Companies Act; and
- has ensured that, to the extent which may be applicable, any conditions or restrictions in respect of the granting of financial assistance set out in the Company's MOI have been satisfied as contemplated in Section 45(4) of the Companies Act.

This special resolution does not authorise the provision of financial assistance to a person related to a member of a related or inter-related company.

In the circumstances and for the purposes contemplated above, it is necessary to obtain the approval of the shareholders, as set out in this special resolution.

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

### 9. SPECIAL RESOLUTION NUMBER 4

#### 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:

- 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;
- 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;
- 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;
- 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;
- 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;
- a resolution by the Board of directors of the Company that they authorised the repurchase, that the Company passed the solvency and liquidity test and that since the test was done there have been no material changes to the financial position of the Group; and
- the Company and/or its subsidiaries may not repurchase any shares in terms of this authority during a prohibited period, as defined in the JSE Listings Requirements, unless there is in place a repurchase programme where dates and quantities of shares to be traded during the prohibited period are fixed and full details of the programme have been 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 states that:

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

Company, the long-term cash needs of the Company and the interests of the Company;

- in determining the method by which the Company intends to repurchase its securities or the securities of its holding company, the maximum number of securities to be repurchased and the 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 4

The reason for special resolution number 4 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 approved is 75% (seventy-five percent) of the voting rights to be cast on the resolution.

#### 10. ORDINARY RESOLUTION NUMBER 4

##### 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 approved is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution.

- 11. 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 and 15;
- the major shareholders of the Company on page 82;
- the share capital of the Company in note 7 on page 52;
- directors' interests in shares in note 7 on page 52; and
- an analysis of the shareholders (including an analysis of the beneficial shareholders) on page 82.

There are no material changes to the Group's financial or trading position, nor are there any material legal or arbitration proceedings (pending or threatened) that may affect the financial position of the Group between 29 February 2012 and 10 May 2012.

The directors, whose names are given on pages 14 and 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 Integrated 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.

# Notice of annual general meeting continued

## Pick n Pay Stores Limited

### 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 81 of the Integrated Annual Report, by no later than 08:30 on Wednesday, 13 June 2012, being 48 (forty-eight) hours prior to the time appointed for the holding of the annual general meeting, for administrative reasons only. Please note that your proxy may delegate his/her authority to act on your behalf to another person, subject to the restrictions set out in the attached form of proxy. Please also note that the attached form of proxy must be delivered to the registered office of the Company or to the transfer secretaries, Computershare 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 81 of the Integrated Annual Report, by no later than 08:30 on Wednesday, 13 June 2012, being 48 (forty-eight) hours prior to the time appointed for the holding of the annual general meeting for administrative reasons only.

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 a 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



**Debra Muller**  
*Company Secretary*

Cape Town  
10 May 2012

# Notice of annual general meeting

## Pick n Pay Holdings Limited

The 31st annual general meeting (annual general meeting) of shareholders of Pick n Pay Holdings Limited (the Company) for the year ended 29 February 2012 will be held at 09:30, or as soon as the annual general meeting for Pick n Pay Stores Limited is completed, on Friday, 15 June 2012. Registration for attendance at the annual general meeting will commence at 08:00.

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, 7708.

### 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 31st annual general meeting was Friday, 11 May 2012 and the record date for purposes of determining which shareholders of the Company are entitled to participate in and vote at the annual general meeting is Friday, 8 June 2012. Accordingly, only shareholders who are registered in the register of members of the Company on Friday, 8 June 2012 will be entitled to participate in and vote at the annual general meeting.

Until the South African 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. Under the 2008 Companies Act the MOI will be a single document. 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.

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. To present the audited Annual Financial Statements, the directors' report and the audit committee report of the Company for the year ended 29 February 2012.

In terms of the 2008 Companies Act, the Audited Financial Statements will be presented to the shareholders together with the directors' report and audit committee report. The audited Annual Financial Statements, the directors' report and the audit committee report of the Company and its subsidiaries, are set out in the Company's Annual Financial Statements.

The Annual Financial Statements are available on our website at [www.picknpay-ir.co.za](http://www.picknpay-ir.co.za). A printed copy will be provided on request, please email Debra Muller at [demuller@pnp.co.za](mailto:demuller@pnp.co.za) for assistance.

### 2. ORDINARY RESOLUTION NUMBER 1 Appointment of auditors

"RESOLVED AS AN ORDINARY RESOLUTION that KPMG Inc. are hereby reappointed as the auditors of the Company."

Note that the audit committee have recommended the reappointment of KPMG Inc. as auditors of the Company.

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

### 3. ORDINARY RESOLUTION NUMBER 2 Reappointment and appointment of directors

RD Ackerman retires in accordance with the Company's MOI and, being eligible, offers himself for re-election. His curriculum vitae is presented on page 16.

RP de Wet retires in accordance with the Company's MOI and, being eligible, offers himself for re-election. His curriculum vitae is presented on page 16.

Accordingly, shareholders are requested to consider and, if deemed fit, to re-elect Raymond Ackerman and René de Wet by way of passing the separate ordinary resolutions set out below:

#### ORDINARY RESOLUTION NUMBER 2.1

##### Appointment of Raymond Ackerman as director

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

# Notice of annual general meeting continued

## Pick n Pay Holdings Limited

### **ORDINARY RESOLUTION NUMBER 2.2**

#### **Appointment of René de Wet as director**

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

The minimum percentage of voting rights that is required for each of resolutions 2.1 and 2.2 to be approved is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on each resolution.

#### **4. ORDINARY RESOLUTION NUMBER 3**

##### **Appointment of audit committee members for the year ending 28 February 2013.**

### **ORDINARY RESOLUTION NUMBER 3.1**

#### **Appointment of RP de Wet as a member of the audit committee**

"Resolved that RP de Wet be and is hereby elected as a member of the audit committee of the Company for the year ending 28 February 2013, subject to his re-election as a director of the Company in terms of Ordinary Resolution 2.2."

### **ORDINARY RESOLUTION NUMBER 3.2**

#### **Appointment of J van Rooyen as a member of the audit committee**

"Resolved that J van Rooyen be and is hereby elected as a member of the audit committee of the Company for the year ending 28 February 2013."

### **ORDINARY RESOLUTION NUMBER 3.3**

#### **Appointment of HS Herman as a member of the audit committee**

"Resolved that HS Herman be and is hereby elected as a member of the audit committee of the Company for the year ending 28 February 2013."

The minimum percentage of voting rights that is required for each of resolutions 3.1 to 3.3 to be approved is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on each resolution.

#### **5. ADVISORY VOTE**

##### **Remuneration report for the year ended 29 February 2012**

The directors table the remuneration report for the year ended 29 February 2012, as set out in the financial statements accompanying this notice of annual general meeting on page 77.

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 in favour of the

remuneration report is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast.

#### **6. SPECIAL RESOLUTION NUMBER 1**

##### **New Memorandum of Incorporation**

"RESOLVED AS A SPECIAL RESOLUTION to abrogate in its entirety the Company's existing Memorandum of Incorporation and to replace it with a new Memorandum of Incorporation (a draft of which has been tabled at the annual general meeting and initialled by the chairperson of the annual general meeting for identification purposes)."

A summary of the salient features (which in the Company's view might be thought to be material) of the proposed new MOI is set out on pages 91 to 97 of the Integrated Annual Report to assist shareholders to make a considered assessment in deciding how to vote.

Shareholders are alerted to their rights in terms of Section 164 read with Section 37(8) of the Companies Act in terms of which, if any of the amendments proposed in the new MOI will materially and adversely alter the preferences, rights, limitations or other terms of the Company's shares, then at any time before this resolution is to be voted on, a dissenting shareholder may give the Company a written notice objecting to this resolution and such dissenting shareholder will have the rights more fully set out in Section 164 of the Companies Act. A copy of the relevant portions of Section 164 of the Companies Act is set out on pages 98 and 99 of this Integrated Annual Report. The Company has not, in preparing the summary of the salient features of the proposed new MOI, considered which, if any, of the changes to be made by the proposed new MOI to the existing MOI might be considered by shareholders to be adverse as contemplated in Section 164 of the Companies Act. Shareholders should conduct their own detailed analysis and comparison of the Company's existing MOI and the proposed new MOI.

The full text of the proposed new MOI and a copy of the existing MOI are available on the Company website at [www.picknpay-ir.co.za](http://www.picknpay-ir.co.za). Alternatively shareholders can request a copy of the proposed new MOI to be posted to them or emailed to them by contacting Debra Muller by telephone on 021 658 1000, or by email at [demuller@pnp.co.za](mailto:demuller@pnp.co.za), or by post at PO Box 23087, Claremont, 7735.

The reason for special resolution number 1 is to bring the Company's incorporation documents into harmony with the provisions of the 2008 Companies Act and to deal with the effect of the 2008 Companies Act. The Company has also used this opportunity to thoroughly review the contents of the existing MOI and to update, amend or omit parts thereof as necessary, unrelated to the introduction of the 2008 Companies Act. The passing of this special resolution will have the effect of replacing the Company's existing MOI with the new MOI referred to in special resolution number 1.

## 7. SPECIAL RESOLUTION NUMBER 2

### Directors' fees for the year ending 28 February 2013

"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 2013 be as follows:

"Non-executive directors not serving on the Pick n Pay Stores Limited Board, if any, from R53,000 to R57,000 per annum."

The reason for special resolution number 2 is to obtain shareholder approval for the remuneration of each of the directors of the Company for the year ending 28 February 2013 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 2013 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 approved is 75% (seventy-five) of the voting rights to be cast on the resolution.

## 8. SPECIAL RESOLUTION NUMBER 3

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

"RESOLVED AS A SPECIAL RESOLUTION that in terms of and subject to the provisions of Section 45 of the Companies Act, the shareholders of the Company hereby approve, as a general approval (subject to the requirements of the Company's Memorandum of Incorporation and the Companies Act from time to time) and subject to compliance with Section 45 of the Companies Act at any time and from time to time, the provision by the Company of any direct or indirect financial assistance as contemplated in Section 45 of the Companies Act, to a director or prescribed officer of the Company or of a related or inter-related company, or to any 1 (one) or more related or inter-related companies, or to a member of a related or inter-related company or corporation on such terms and conditions as the Board of directors of the Company, or any 1 (one) or more persons authorised by the Board of directors of the Company from time to time for such purpose, may deem fit, in the form, nature and extent, and for the amounts that the Board of directors of the Company, or any 1 (one) or more persons authorised by the Board of directors of the Company from time to time for such purpose, may determine from time to time. To the extent which the Companies Act requires any other approval by the shareholders of the Company pursuant to the provision of financial assistance, such approval is hereby granted. This general authority will be valid up to and including the day before the second anniversary of this special resolution being adopted or until superseded by another special resolution, whichever period is shorter."

### NOTES ON THE INTERPRETATION OF SPECIAL RESOLUTION NUMBER 3:

- "financial assistance" will have the meaning attributed to it in Section 45(1) of the 2008 Companies Act; and
- "related" and "inter-related" will have the meanings so attributed in Section 2 of the 2008 Companies Act.

The reason for this special resolution is to obtain shareholder approval for financial assistance, when the need arises, to any director or prescribed officer of the Company, as well as to any related or inter-related companies in accordance with Section 45 of the 2008 Companies Act.

This special resolution will allow the Company to continue to operate as it has in the past, providing financial assistance to companies within the Pick n Pay Group, on the basis of certain day-to-day operational decisions where the Company previously was not required to obtain shareholders' approval or consent.

In addition, this special resolution allows the Company to continue with its existing policy of providing financial assistance to directors and prescribed officers or members or related persons. The existing policy is limited to housing loans to executives and management of the Group. In terms of this policy, no loans are extended to non-executive directors or to related parties. All loans are secured against the employee's retirement funding. The summary contained in note 12 of the Annual Financial Statements on page 39 summarises the policy as follows: "Loans to directors and employees are secured, bear interest at varying rates, subject to a maximum rate of 8% (2011: 8%) and have varying repayment terms." The Company does not intend to amend this policy in the foreseeable future.

The passing of this special resolution will have the effect of the Company having the necessary authority to provide financial assistance to the persons contemplated in this special resolution as and when required to do so and to confer the necessary authority on the Board of directors of the Company to authorise financial assistance to:

- a director or prescribed officer of the Company or of a related or inter-related company; or
- any 1 (one) or more related or inter-related company, or to a member of a related or inter-related company or corporation,
- generally as the Board of directors of the Company may deem fit, on the terms and conditions, and for the amounts that the Board of directors of the Company may determine from time to time. The granting of the general authority would obviate the need to refer each instance of provision of financial assistance for shareholder approval in the circumstances contemplated in this special resolution. This general authority would assist the



# Notice of annual general meeting continued

## Pick n Pay Holdings Limited

Company with, inter alia, making financial assistance available to directors or prescribed officers in terms of existing Company policy, as well as inter-company loans to subsidiaries of the Company, or inter-related companies, as well as granting letters of support and guarantees in appropriate circumstances. This would avoid undue delays and attendant adverse financial impact on subsidiaries, or related or inter-related companies, as it would facilitate the expeditious conclusion of negotiations.

If this special resolution is approved by the shareholders of the Company, thereby conferring general authority on the Board of directors of the Company to authorise financial assistance as contemplated above, then the Board of directors of the Company shall not adopt any resolution to authorise such financial assistance as contemplated in this special resolution unless the Board of directors of the Company:

- is satisfied that immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in Section 45(3)(b)(i) of the Companies Act; and
- is satisfied that the terms under which such financial assistance is proposed to be given are fair and reasonable to the Company as contemplated in Section 45(3)(b)(ii) of the Companies Act; and
- has ensured that, to the extent which may be applicable, any conditions or restrictions in respect of the granting of financial assistance set out in the Company's MOI have been satisfied as contemplated in Section 45(4) of the Companies Act.

This special resolution does not authorise the provision of financial assistance to a person related to a member of a related or inter-related company.

In the circumstances and for the purposes contemplated above, it is necessary to obtain the approval of the shareholders, as set out in this special resolution.

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

### 9. SPECIAL RESOLUTION NUMBER 4

#### 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 South African 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:

- any such acquisition of shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company or its subsidiaries and the counterparty or other manner approved by the JSE;
- the general approval shall only be valid until the Company's next annual general meeting or for 15 (fifteen) months from the date of passing of this special resolution, whichever period is shorter;
- 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;
- 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;
- 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;
- a resolution by the Board of directors of the Company that they authorised the repurchase, that the Company passed the solvency and liquidity test and that since the test was done there have been no material changes to the financial position of the Group; and
- the Company and/or its subsidiaries may not repurchase any shares in terms of this authority during a prohibited period, as defined in the JSE Listings Requirements, unless 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:

- the intention of the directors of the Company is to utilise the general authority to acquire shares in the capital of the Company if at some future date the cash resources of the Company are in excess of its requirements or there are other good grounds for doing so. In this regard the directors will take account of, inter alia, an appropriate capitalisation structure for the Company, the long-term cash needs of the Company and the interests of the Company;
- in determining the method by which the Company intends to repurchase its securities, the maximum number of securities to be repurchased and the date on which such repurchase will take place, the directors of the Company will only make repurchases if at the time of the repurchase they are of the opinion that:
  - 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 4

The reason for special resolution number 4 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 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 approved is 75% (seventy-five percent) of the voting rights to be cast on the resolution.

### 10. ORDINARY RESOLUTION NUMBER 4

#### 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 approved is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution.

### 11. 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 16;
- the major shareholders of the Company on page 83;
- the share capital of the Company in note 2 on page 60;
- directors' interests in shares in note 2 on page 60; and
- an analysis of the shareholders (including an analysis of the beneficial shareholders) on page 83.

There are no material changes to the Group's financial or trading position, nor are there any material, legal or arbitration proceedings (pending or threatened) that may affect the financial position of the Group between 29 February 2012 and 10 May 2012.

The directors, whose names are given on page 16 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 Integrated 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

# Notice of annual general meeting continued

## Pick n Pay Holdings Limited

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 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 81 of the Integrated Annual Report, by no later than 09:30 on Wednesday, 13 June 2012 being 48 (forty-eight) hours prior to the time appointed for the holding of the annual general meeting, for administrative reasons only. Please note that your proxy may delegate his/her authority to act on your behalf to another person, subject to the restrictions set out in the attached form of proxy. Please also note that the attached form of proxy must be delivered to the registered office of the Company or to the transfer secretaries, Computershare 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 (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 81 of the Integrated Annual Report, by no later than 09:30 on Wednesday, 13 June 2012, being 48 (forty-eight) hours prior to the time appointed for the holding of the annual general meeting, for administrative reasons only.

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



**Debra Muller**  
*Company Secretary*

Cape Town  
10 May 2012

# 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 08:30 on Friday, 15 June 2012 (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)

(the registered shareholder)

I/We (block letters)

(the beneficial shareholder – insert details of beneficial shareholder only if different to the registered shareholder)

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/our behalf at the annual general meeting, provided that my/our proxy:

- may only delegate his/her authority to act on my/our 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/our behalf at the general meeting by no later than 08:30 on Wednesday, 13 June 2012, being 48 (forty eight) hours before the general meeting to be held at 08:30 on Friday, 15 June 2012; and
- must provide to his/her delegatee a copy of his/her authority to delegate his/her authority to act on my/our behalf at the general meeting.

		Number of votes (one vote per ordinary share)		
		For	Against	Abstain
Ordinary resolution number 1	Appointment of the auditors			
Ordinary resolution number 2.1	Election of Mr D Robins as director			
Ordinary resolution number 2.2	Election of Mr BJ van der Ross as director			
Ordinary resolution number 2.3	Election of Mr J van Rooyen as director			
Ordinary resolution number 2.4	Election of Mr RSJ van Rensburg as director			
Ordinary resolution number 3.1	Appointment of Mr J van Rooyen to the audit committee			
Ordinary resolution number 3.2	Appointment of Mr BJ van der Ross to the audit committee			
Ordinary resolution number 3.3	Appointment of Mr HS Herman to the audit committee			
Ordinary resolution number 3.4	Appointment of Ms AM Mathole to the audit committee			
Non-binding advisory vote	Approval of remuneration report			
Special resolution number 1	New Memorandum of Incorporation			
Special resolution number 2	Directors' fees for the year ending 28 February 2013			
Special resolution number 3	Financial assistance to related or inter-related companies			
Special resolution number 4	General approval to repurchase Company shares			
Ordinary resolution number 4	Directors' authority to implement special and ordinary 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 \_\_\_\_\_ 2012

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 continued

## Pick n Pay Holdings Limited

### 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 my/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 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 08:30 on Wednesday, 13 June 2012, being 48 (forty-eight) hours before the annual general meeting to be held at 08:30 on Friday, 15 June 2012, for administrative reasons only.
7. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the Company Secretary or waived by the 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 continued

## 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 09:30 or as soon as the annual general meeting for Pick n Pay Stores Limited is completed, on Friday, 15 June 2012 (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)

(the registered shareholder)

I/We (block letters)

(the beneficial shareholder – insert details of beneficial shareholder only if different to the registered shareholder)

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/our behalf at the annual general meeting, provided that my/our proxy:

- may only delegate his/her authority to act on my/our 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/our behalf at the general meeting by no later than 09:30 on Wednesday, 13 June 2012, being 48 (forty eight) hours before the general meeting to be held at 09:30 on Friday, 15 June 2012; and
- must provide to his/her delegate a copy of his/her authority to delegate his/her authority act on my/our behalf at the general meeting.

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).

		Number of votes (one vote per ordinary share)		
		For	Against	Abstain
Ordinary resolution number 1	Appointment of the auditors			
Ordinary resolution number 2.1	Election of Mr RD Ackerman as director			
Ordinary resolution number 2.2	Election of Mr RP de Wet as director			
Ordinary resolution number 3.1	Appointment of Mr RP de Wet to the audit committee			
Ordinary resolution number 3.2	Appointment of Mr J van Rooyen to the audit committee			
Ordinary resolution number 3.3	Appointment of Mr HS Herman to the audit committee			
Non-binding advisory vote	Approval of remuneration report			
Special resolution number 1	New Memorandum of Incorporation			
Special resolution number 2	Directors' fees for the year ending 28 February 2013			
Special resolution number 3	Financial assistance to related or inter-related companies			
Special resolution number 4	General approval to repurchase Company shares			
Ordinary resolution number 4	Directors' authority to implement special and ordinary resolutions			

Signed at

on

2012

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.**

GROUP OVERVIEW

REPORTS TO  
STAKEHOLDERS

SUMMARISED ANNUAL  
FINANCIAL STATEMENTS

CORPORATE  
GOVERNANCE

CORPORATE AND  
SHAREHOLDER INFORMATION

# Form of proxy continued

## Pick n Pay Holdings Limited

### 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 my/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 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 takes place on a poll.
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 09:30 on Wednesday, 13 June 2012, being no later than 48 (forty-eight) hours before the annual general meeting to be held at 09:30 on Friday, 15 June 2012, for administrative reasons only.
7. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the Company Secretary or waived by the Chairperson of the annual general meeting. CSDPs or brokers registered in the Company's subregister voting on instructions from beneficial owners of shares registered in the Company's subregister, are requested that they identify the beneficial owner in the subregister on whose behalf they are voting and return a copy of the instruction from such owner to the Company Secretary or to the transfer secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107, South Africa), together with this form of proxy.
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.