Pick n Pay

ANNUAL REPORT 2009

Corporate profile

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

www.pnp.co.za

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Value added statement

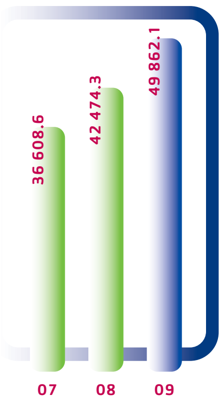
for the year ended 28 February 2009

Continuing operations	FEB 2009 Rm	FEB 2009 % of turnover	FEB 2009 %	FEB 2008 Rm	FEB 2008 % of turnover	FEB 2008 %
Turnover	**49 862.1**			42 474.3		
Amounts paid for merchandise and expenses	**(42 851.9)**			(36 386.9)		
Interest received	**71.9**			45.0		
Value added	**7 082.1**	**14.2**	**100.0**	6 132.4	14.4	100.0
Utilised						
Employee salaries, wages and other benefits	**4 624.0**		**65.3**	4 050.3		66.0
Investors: Dividends and interest paid	**825.3**		**11.7**	694.1		11.3
Taxation	**568.0**		**8.0**	556.3		9.1
Retained for – Replacement of assets	**615.8**		**8.7**	481.9		7.9
– Growth	**449.0**		**6.3**	349.8		5.7
	7 082.1		**100.0**	6 132.4		100.0

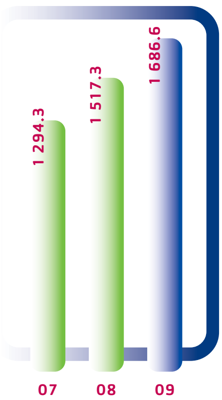
Financial highlights

Continuing operations

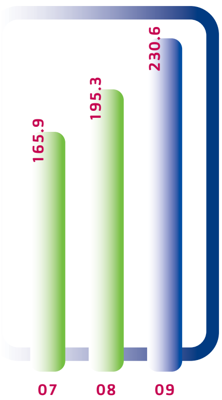
Turnover
(R million)
↑17.4%



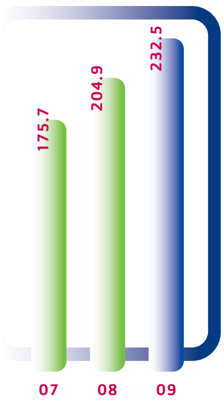
Trading profit
(R million)
↑11.2%



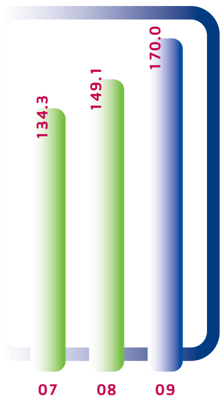
Diluted headline earnings per share
(cents)
↑18.1%



Headline earnings per share
(cents)
↑13.4%



Dividends per share*
(cents)
↑14.0%



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

Number of stores

We are thrilled with the very positive customer response to our new format Hypers and refurbished "new look" Pick n Pay Supermarkets.

Store numbers		2007	2008	2009
Pick n Pay Retail Division				
Hypermarkets		16	18	**20**
Supermarkets	– Corporate	150	152	**152**
	– Franchise	190	207	**250**
Clothing		24	31	**32**
Liquor	– Corporate	36	54	**68**
	– Franchise	17	17	**27**
Pharmacies		—	—	**1**
Score Supermarkets		136	128	**67**
Boxer	– Supermarkets	60	64	**77**
	– Hardware	6	6	**6**
Franklins Supermarkets				
	– Corporate	76	74	**75**
	– Franchise	2	6	**7**
Total stores		713	757	**782**
	– Corporate	504	527	**498**
	– Franchise	209	230	**284**
TM Supermarkets		56	56	**56**

Our Group mission

- We serve
- With our hearts we create a great place to be
- With our minds we create an excellent place to shop

Our key 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

Stakeholders

Communities

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

Customers

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

Employees

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

Shareholders

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

Suppliers

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

Our success is based on seven enduring principles

Consumer sovereignty

A flat organisational structure

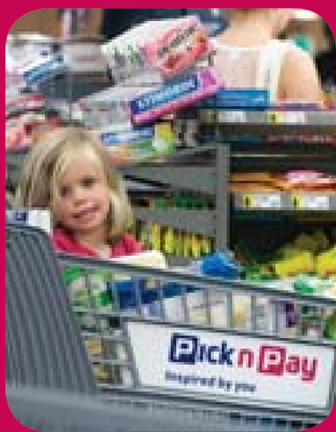
Where appropriate, maximising decentralisation of authority to enable local control

Promoting from within, recruiting from outside only as an exception when specialist skills are required

Maintaining a discount image

Fighting collusion amongst suppliers, and rejecting collusion between retailers

Maintaining strong cash balances, buying forward on a rising market



New flagship Supermarkets

Our refurbished flagship Supermarkets, especially Benmore and Bedfordview in Johannesburg and Claremont in Cape Town, have enjoyed overwhelming customer support and have consequently experienced exceptional turnover growth.


BUTTERNUTS
ONION CARRY POCKET


Thank you

New Flagship Supermarket
Benmore, Johannesburg

Chairman's statement

for the year ended 28 February 2009

This has been a year characterised by many challenges and pressures on our consumers, and consequently the retail industry in South Africa as a whole. As our results show, Pick n Pay's gross margins for the year under review dropped markedly. This has been the result of our deliberate policy to keep prices as low as possible at a time when our customers have suffered the consequences of high inflation and escalating food prices. In keeping with our philosophy to bring maximum benefits to our consumers and not to maximise profits at their expense, we have adopted a twin strategy of dropping our gross margins and negotiating very firmly with our suppliers over their cost increases.

In January 2009 our CEO, Nick Badminton, convened an urgent meeting with our suppliers to discuss high and rising food prices, which were continuing sharply upwards, despite a recent decline in fuel and some commodity prices. We are confident that in a spirit of cooperation, our suppliers will be able to exercise meaningful restraint with respect to food price inflation. We have been most encouraged by their response.

Despite the current turmoil in world markets and the associated tightening of economic conditions, the results continue to reflect a vigorous and well-performing company, and I remain resolutely confident about our future. South Africa has recently experienced an unsettling political and economic climate, and it will take steady nerves and reliable political instincts to see us through the year ahead. If we are able to adopt an uncompromising approach to crime, corruption and poor service-delivery, our country is assured of a prosperous and safe future. I simply cannot bring myself to believe that a nation conceived amid the hopes of millions and born in a unique wave of global goodwill would fail to match those expectations.

I have been profoundly moved by the rise of President Obama and see no reason why South Africa should not, in its own moment of need, produce a similar movement of hope and optimism. I look forward to a future in which a re-energised combination of citizens' hope, politicians' idealism and an engaged business sector is able to create the kind of society we know we deserve and to which we all aspired in 1994.

At an operational level, we have continued to invest in the business including the Longmeadow distribution centre, with phase I now complete. I have no doubt that this important element of our centralised distribution strategy will benefit Pick n Pay and our customers. We are therefore pressing ahead with the further development of our supply chain strategy.

I am pleased to report that Franklins, our Australian operation, has experienced a most satisfactory improvement and has moved into profitable territory. We have worked hard on this operation and the significant turnaround over last year is due to increased operating efficiencies, double-digit turnover growth from refurbished stores and the success of the customer loyalty programme. There is every indication that this historic milestone establishes a sound platform for the future profitability and growth of the Group's Australian investment.

The conversion of Score stores to Black-owned Pick n Pay Family franchise stores is going very well and on track to be completed in the year ahead. The winding-down of Score has been achieved with the minimum disruption and consumers' response to the conversion has been overwhelmingly positive. Most gratifyingly, we are succeeding in transferring almost R1 billion of assets into the hands of new Black entrepreneurs, and turnover in all the converted stores has improved beyond projections.

Boxer had another great year, increasing turnover and profit significantly.

Some two years ago we introduced a new strategy in terms of which we resolved to maintain and reinforce our dominance in the LSM 8 – 10 market, through

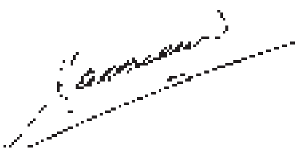
Despite the current turmoil in world markets and the associated tightening of economic conditions, the results continue to reflect a vigorous and well-performing company, and I remain resolutely confident about our future.

getting our offering and branding right, and to expand the Pick n Pay footprint in the LSM 4 – 7 market through our Score conversion project and a greater focus on traditional Black areas. At the same time, the strategy was designed to introduce greater operating efficiencies (including centralised distribution) and build world-class retail capabilities by, among other measures, developing the skills of our workforce.

As part of this strategy, we have invested considerable resources in improving our operating model, while simultaneously building a future which is firmly founded on sustainable business practices and the advancement of our Corporate Social Investment priorities.

The implementation of the strategy is now far down the track and we remain confident that it will pay handsome dividends in years to come.

Nick, his team and all who work at Pick n Pay have put in an incredible amount of hard work into preparing us for the future. All credit is due to them and the loyalty and commitment they consistently show to the Company.



Raymond Ackerman

Chairman

Boards of directors

Pick n Pay Stores Limited

EXECUTIVE DIRECTORS

Raymond Ackerman$^{\Delta\ddagger}$ (78)
Chairman
Appointed 1968
Years of service 42

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

Other listed company directorships: Pick n Pay Holdings Limited

Nick Badminton (47)
Chief Executive Officer
Appointed 2007
Years of service 30

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

Wendy Ackerman
Employee Liaison and Benefits
Appointed 1981
Years of service 42

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

Other listed company directorships: Pick n Pay Holdings Limited

Dennis Cope (58)
Chief Finance Officer
Appointed 1997
Years of service 31

Dennis Cope has been with the Group for over 30 years, initially joining the Pick n Pay Butcheries division as the accountant and then Finance Director. In 1986 Dennis joined the Pick n Pay Corporate Finance division, was appointed Finance Director of the Group Enterprises division in 1995 and then in 1999 he was appointed CFO and a member of the board.

1. **Raymond Ackerman**
Chairman
2. **Nick Badminton**
Chief Executive Officer
3. **Wendy Ackerman**
Employee Liaison and Benefits
4. **Dennis Cope**
Chief Finance Officer


1.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NON-EXECUTIVE DIRECTORS

Gareth Ackerman*#Δ‡ (51)

Appointed 1990

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

Other listed company directorships: Pick n Pay Holdings Limited (Chairman)

David Robins (55)

Appointed 2002

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

René de Wet (66)

Appointed 1975

Retired 30 April 2008

Hugh Herman# (68)

Remuneration Committee Chairman

Appointed 1976

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

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

Constance Nkosi‡

Appointed 1996

Constance (Connie) Nkosi is chairperson of Lidonga Group Holdings (Pty) Limited. She is also chairperson of First Technology (Pty) Limited. Connie has been a member of the Company's board since 1996 and also serves on the board's Nominations committee.

Other listed company directorships: Protech Khuthele Holdings Limited and Spescom Limited


5.


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5. Gareth Ackerman
Non-executive Director

6. David Robins
Non-executive Director

7. René de Wet
Independent Non-executive Director

8. Hugh Herman
Independent Non-executive Director

9. Connie Nkosi
Independent Non-executive Director

Boards of directors continued

Pick n Pay Stores Limited continued

INDEPENDENT NON-EXECUTIVE DIRECTORS

David Nurek (59)

Appointed 1999

Retired 30 April 2008

Ben van der Ross*#Δ (62)

Appointed 2000

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

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

Jeff van Rooyen*Δ (59)
Audit, Risk and Compliance Committee Chairman

Appointed 2007

Jeff van Rooyen is a chartered accountant and is the founder and chief executive of Uranus Investment Holdings. He is a founder member and former president of the Association for the Advancement of Black Accountants (ABASA), was chairperson of the Public Accountants and Auditors Board (PAAB) in 1995 and a former CEO of the Financial Services Board. He is also a trustee of the International Accounting Standards Committee Foundation.

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

COMPANY SECRETARY

Gary Lea (43)

Appointed 2002

Years of service 12

10. David Nurek
Independent Non-executive Director

11. Ben van der Ross
Independent Non-executive Director

12. Jeff van Rooyen
Independent Non-executive Director

13. Gary Lea
Company Secretary


10.


11.


12.


13.

Pick n Pay Holdings Limited

DIRECTORS

NON-EXECUTIVE DIRECTORS

Gareth Ackerman (51)
(Chairman)

Appointed 1987

Raymond Ackerman (78)

Appointed 1981

Wendy Ackerman

Appointed 1981

INDEPENDENT NON-EXECUTIVE DIRECTORS

René de Wet* (66)
Audit, Risk and Compliance Committee Chairman

Appointed 1981

Hugh Herman* (68)

Appointed 1981

OFFICERS

CHIEF FINANCE OFFICER

Dennis Cope (58)

Appointed 2008

COMPANY SECRETARY

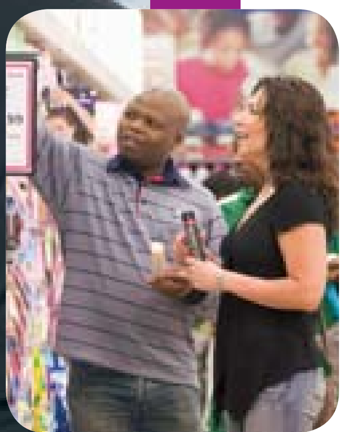
Gary Lea (43)
Appointed 2002

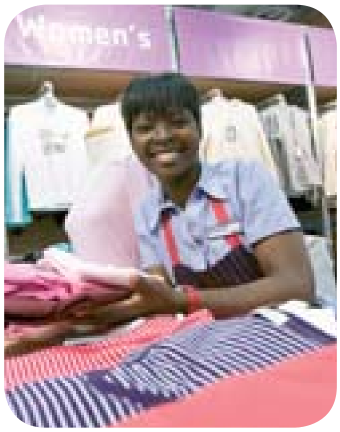
* Member of Audit, Risk and Compliance committee
\# Member of Remuneration committee
Δ Member of Corporate Governance committee
‡ Member of Nominations committee

Chief Executive Officer's review

for the year ended 28 February 2009

We made great strides in implementing our strategy in 2009 which, together with the relief to be brought to consumers by lower interest rates and reducing inflation, gives us confidence for another great year ahead.





Nick Badminton
Chief Executive Officer

RESULT OVERVIEW

2009 was another year in which we made great strides in implementing the strategy we laid out in March 2007. Again we invested heavily in the business to ensure that we lay the right platform for many more years of sustainable growth.

Highlights of the year include:

- the successful refurbishment of some of our flagship stores;
- the re-launch of our private label brands;
- continued improvements in the range and quality of our fresh foods;
- 27 conversions of Score stores to Pick n Pay;
- completion of the first phase of our supply chain plan at Longmeadow;
- completion of 65% of our SAP implementation;
- the Boxer business continued to deliver outstanding results; and
- Franklins in Australia produced its first full year's operating profit.

In the context of our continued investment in the business, as well as the current economic climate, we are very pleased with our financial results for the year.

As disclosed more fully in note 18 of the financial statements on page 88, the results of Score Supermarkets have been disclosed as a discontinued operation as we are winding down the business and sub-letting many of its sites to Black franchisees as Pick n Pay Family stores.

Financial highlights – continuing operations

Turnover

Group turnover at R49.9 billion is 17.4% above last year, with a growth of 17.3% in southern Africa and 18.2% in Australia. The Franklins' increase in Australian dollars is 3.5%.

Trading profit

Trading profit margin is down from 3.6% to 3.4%. This is as a result of significant price investments we have made to help consumers during these tough economic times and is evident by a drop in the gross profit margin by 0.4% to 19.0% for the year. However, we have managed to cushion the financial effect of this investment in price by a reduction in expenses for the year of 0.2% of turnover.

Interest

Interest received increased over last year due to higher interest rates and better average cash balances. Interest paid was also up on last year due to the R500 million term loan drawn down in June 2007, owing for a full year.

Headline earnings per share ("HEPS") and diluted HEPS

HEPS at 232.48 cents reflects an increase of 13.4%. Diluted HEPS shows an increase of 18.1% as last year's base already allowed for the full dilution of the 20 million new ordinary shares issued on 31 December 2007.

Dividends per share

The final dividend per share of 134.25 cents for Pick n Pay Stores Limited and 65.52 cents for Pick n Pay Holdings Limited brings the total dividend for the year to 170.00 cents and 82.97 cents respectively, an increase of 14.0% and 13.9%, respectively.

OUR STRATEGY

South Africa's favourite and most admired grocery retailer

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

OPERATIONAL HIGHLIGHTS

PICK N PAY RETAIL DIVISION

Hypermarkets

We opened 2 new Hypers this year at Woodmead in Johannesburg and South Coast in Durban. Customers have been very positive about the new format used in these stores. We will therefore continue the refurbishment of the existing Hypers along similar lines.

The Hyper division traded strongly during the year, with the new format and refurbished stores doing particularly well.

Supermarkets

During the year we opened 5 new corporate and 12 new franchise stores. We also converted 4 stores from corporate to franchise in line with our ongoing review of store operations to ensure that we utilise the best formula for each trading site. In the year ahead we plan to open 4 new corporate and 15 new franchise supermarkets and convert a further 2 corporate supermarkets to franchise.

In addition to the above, we converted 27 Score stores to the Family franchise brand and next year we will convert another 25. These conversions are in line with our strategy to give consumers in the lower income brackets the Pick n Pay shopping experience they desire and to create franchise opportunities for black entrepreneurs.

Supermarkets continue to show robust turnover growth, particularly from our new-look refurbished stores such as Claremont, Benmore and Bedfordview. Based on the positive uplift in turnover from the 23 supermarkets (11 corporate, 12 franchise) refurbished in the current year, we will be expanding our new-look refurbishment programme in the year ahead to another 54 stores (21 corporate, 33 franchise). This significant investment shows just how confident we are that there are benefits to be derived even in very tough economic conditions.

Liquor and clothing stores

In the current year we opened another 24 (14 corporate, 10 franchise) liquor stores and 1 clothing store. These stores continue to give great value propositions to customers.

Strategy implementation

The implementation of the six-pillar strategy we developed in 2007 is continuing rapidly. We are already seeing the positive results from the changes we are making and are very confident that the benefits from the capital and management expertise invested in this strategy will pay dividends for decades to come.

Under each of the strategy pillars, a few of the success stories so far include:

Customers

Defend and grow leadership in Living Standards Measure (LSM) 8 – 10 heartland

The majority of our sales and profit is generated by serving our more affluent LSM 8 – 10 customers. Delighting these customers remains the primary focus of our strategy. We have made many improvements to our offer, all of which have received very positive customer feedback. These include:

- Improvements to each of our store formats
  - The new Hypermarket format continues to trade strongly having broad appeal to all our customers;
  - Our refurbished flagship supermarkets at Benmore and Bedfordview in Johannesburg and Claremont in Cape Town have delivered outstanding growth in turnover;
  - Our small supermarkets continue to grow strongly; and
  - Pick n Pay Express, our forecourt joint venture with BP, was launched in December 2008 with 2 stores in Cape Town. Customers love this new format giving us confidence to trial at least 2 more stores in the year ahead.
- The re-launch of our private label brands. During the year we re-launched our mainstream private label brand "PnP" upgrading many of the products and repackaging over 1 000 items in our new branding.
- The continued improvement in the range and quality of our fresh food products.
- The roll-out of our revitalised branding continues. Each of the customer-facing initiatives implemented has benefited from the new look and feel.

Bring the best of Pick n Pay to LSM 4 – 7

Expanding our presence in the emerging LSM 4 – 7 market is a significant growth opportunity for the business. We know from our own research that customers love our brand and our stores and are deeply frustrated that we don't have sufficient stores near their homes. We also know this part of the market is growing rapidly as the government continues to invest in social grants. We are addressing this opportunity with vigour through our Score conversions. We now have 29 conversions to Pick n Pay Family franchise complete, as well as nine conversions to Boxer. Each of these stores is achieving substantially higher turnovers once converted than they did as a Score. Next year we plan to convert a further 29 stores (Family franchise 25, Boxer 4). The only stores remaining to be converted in the 2011 financial year are our Score stores in Botswana which will trade as Family franchise stores.

In total, we now have 66 Pick n Pay stores and 77 Boxer stores serving this market and we expect this number to grow significantly over the next few years. Over the last year our customer count in this market sector has grown by 18%. 52% of Pick n Pay's customers representing some 40% of spend now come from LSM 7 and below. To enable us to focus appropriately we have a separate team within Pick n Pay concentrating on this part of the market.

Operations

Invest to improve the operating model

The SAP implementation is 65% complete, with the remaining Pick n Pay regions to be completed in the next 18 months. We are seeing clear benefits from this investment: Our supply chain is more efficient, we have faster response times for new business development and have improved our electronic trading capabilities.

Phase I of our supply chain plan is now complete. The Longmeadow Distribution Centre in Johannesburg is now fully operational with all set-up costs absorbed. The distribution centre now supplies all 263 inland stores. Phase II will expand the facility to accommodate central distribution, automated replenishment and strategic buy-ins. This expansion will commence during the 2010 financial year.

Continue to deliver operating efficiencies

We continue to be highly focused on reducing our operating expenses as a percentage of sales. This year we achieved a reduction of 0.2% of turnover.

People

Build world-class retail capabilities

Through the expansion of the business we have created more than 3 200 new positions (including franchise), notwithstanding the closing down or sale of many Score stores.

Investment in our people remains a cornerstone of our success. Their development (through our extensive training programmes) and well-being (through better pay and benefits) are very important to us. HIV/Aids education and support remain critical to us maintaining a healthy workforce.

Sustainability

Create a sustainable future

Sustainability in Pick n Pay is about reducing costs, sound governance and using our influence to encourage positive change, all of which ultimately helps drive innovation.

We have implemented many new initiatives within the Group with the clear focus being on energy saving, reducing our carbon footprint, and recycling. Sustainable practices are becoming a new way of life at Pick n Pay and we are confident that not only will they cultivate a more sustainable environment but will also lead to increased operating efficiencies.

We continue to facilitate ways that customers can help the environment. As an example, we have recently launched an initiative to encourage customers to significantly reduce the use of plastic bags.

We continue to expand the number of Enterprise development initiatives we support; we now have 67 Black-owned franchise stores and will be expanding our successful Support Bakery initiative in Johannesburg and rolling it out to Cape Town. For more information on the sustainability in Pick n Pay please refer to our sustainability report on page 26.

GROUP ENTERPRISES DIVISION

Score Supermarkets

As mentioned above we are closing down the Score operation and sub-letting the majority of its leases to black entrepreneurs to operate Pick n Pay Family franchise stores. We are converting as many of the remainder as possible to Boxer. Those that are unsuitable for either Pick n Pay or Boxer will be sold or closed.

In the current year, we closed 38 stores for conversion to Pick n Pay Family stores (27) and Boxer (9) with another 18 stores either closed or sold. In the year ahead, we will close a further 50 stores, of which 25 are confirmed for conversion to Family stores and 4 to Boxer. By the end of February 2010 this will leave 14 stores in Botswana, which will be converted to Pick n Pay Family franchise stores early in the 2011 financial year.

Boxer Superstores

Boxer produced another very solid result with a significant increase in turnover and profit. In addition to the 9 Score stores taken over in the current year, Boxer opened 6 new stores and plan to open a further 4 new stores and convert another 4 Score stores in the 2010 financial year.

FRANKLINS AUSTRALIA

Franklins produced a substantial turnaround in profitability, with a swing of R52.0 million to a R23.5 million trading profit in the current year. The key drivers to this significant improvement are further increased operating efficiencies, double-digit turnover growth from refurbished stores and its successful customer loyalty programme.

The 11 fully refurbished stores in the current year are producing good turnover growth and increased profitability. Moreover, their success is also starting to open doors with landlords for prospective new stores. During the 2010 financial year we will complete another 14 store refurbishments. By the end of next year about half of the Franklins stores will offer full service supermarkets with extensive deli, produce and fresh food ranges.

Franklins' business model continues to prove resilient in the challenging Australian retail environment as consumers seek new ways to save money and as they respond well to the company's increased promotion of weekly specials. Another factor in Franklins' favour during these tough times is the huge success of their loyalty programme. In a recent independent survey, which evaluated ease of use and customer benefits, Franklins' loyalty card came out on top, ahead of their two main rivals. The programme now has 630 000 members whose purchases account for 60% of Franklins' turnover.

We are delighted by the outstanding turnaround achieved by Franklins, which has now established a solid foundation for long-term growth in Australia.

EXECUTIVE RETIREMENTS AND APPOINTMENTS

During the year Paul Connellan and Chris van Rooyen retired from the Retail board and Duncan Pentz, who was head of Hypermarkets, elected to take up a Family franchise opportunity. I thank them for their many years of dedicated service to the Company and wish them all the best in their future endeavours.

We recently announced some key executive appointments in the Retail Division: Kevin Korb as Foods Director, Neal Quirk as Operations Director and Dharmalingum Dass as head of Hypermarkets. Adrian Naude, Head of Group Enterprises (GE), requested additional operational experience and has therefore moved to the position of General Manager of the Pick n Pay Gauteng region. In his stead, Dallas Langman has been seconded to run the GE division for two years.

We wish them all the very best in their new positions.

GENERAL COMMENTS AND PROSPECTS

Given the tough trading conditions and the investment phase we are in, we are pleased with this result. We remain optimistic for the year ahead due to our strategic investments now starting to bear fruit and the relief to be brought to consumers by lower interest rates and reducing inflation. We forecast improved growth in 2010 headline earnings per share over that achieved this year. (This forecast financial information has not been reviewed and reported on by the Group's independent auditors.)

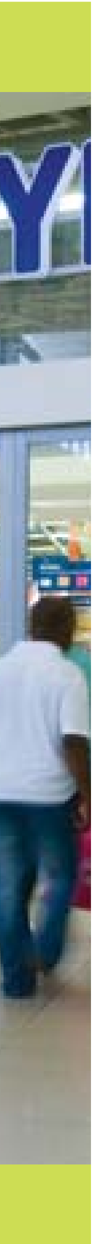
I wish to thank all our employees for their dedication and support during the past year and look forward to working with them in what is going to be another exciting year ahead.

Nick Badminton

Chief Executive Officer

New format Hypermarkets

Our new format Hypers launched over the last 2 years are attracting wide customer appeal. As a result of their success, we will continue to refurbish existing Hypers along similar lines.




HEALTH & BEAUT
Skin care
Sun care
Tonics
Tonics


PHARMACY
FEMOLENE

New Hypermarkets
Soweto and Woodmead, Johannesburg

Sustainability report

for the year ended 28 February 2009

SUSTAINABILITY OVERVIEW

Sustainability remains a key focus area of our business. It is a way of thinking that should not be displaced by the pressure of a global financial crisis. We regard tougher trading conditions and tighter margins as an excellent context to ensure these considerations become more fully integrated and linked to core business practices. These include the products we stock, how they are packaged, transported and displayed, how our customers use them and dispose of any waste.

We have delivered quality products at affordable prices to our customers for decades; our challenge now is to work with suppliers and other partners to inspire products and services that create lasting value for communities and the environment. This is an immense challenge presenting several critical issues. Of particular importance for retail is food security. Food supplies globally are under threat from a changing climate, declining soil fertility and water limitations. This is intensified as farmers face tougher access to credit and a shift to biofuel production in several countries. We can never take food for granted. Challenges such as these are unequivocally our business. We have no choice but to place retailing in the larger social and environmental context which will define how well we are doing our work.

The issues are seldom simple. Organic products may lead to an increased water footprint; biodegradable plastics can hinder the plastics recycling industry; reducing packaging too much can undermine product integrity, creating more waste; biodiesel produced from our waste cooking oil still contributes greenhouse gases to the atmosphere; we delight in offering delicacies from distant places, yet recognise they carry a carbon cost not reflected in the price. Certainly, there are trade-offs to be made. But these must be made with the appropriate question in mind: *Are we doing the right things to build a more resilient company, help solve the world's toughest challenges, and create a brighter future for all?*

We are confident that we are moving in the right direction. Our sustainability strategy seeks primarily to develop our people's capacity to make difficult decisions that reflect our commitments. This will require a combination of innovative spirit, inspired partnerships and the humility to recognise where we are on the journey.

Energy has been a principal challenge this year, focused on building the foundations to consolidate broad commitments into quantified targets. We have been inspired by our customers: over 50 000 vouchers were issued for Compact Fluorescent Lamp (CFL) light bulbs as part of our power pledge campaign. There has been concerted action across the Group to reduce waste, energy and water usage. We have introduced a large number of pilot programmes in several areas (including waste, awareness and organics); national roll-outs are underway.

We are shifting our focus towards suppliers to encourage them to see environmental and social issues as an opportunity to innovate. We have activated partnerships aimed at improving animal welfare practices and are presently reviewing our procurement policies to drive ethical and animal welfare standards throughout our supply chain. In promoting preferential procurement, our Shelf Life Project has made great strides towards attracting small business owners into our supply chain.

We are immensely proud of the efforts made by literally thousands of Pick n Pay people who, through creative partnerships, are making the transition to a sustainable society a reality. The wind turbine installed at our regional office in Port Elizabeth may only generate 3% of daily energy usage, but the learning curve is crucial.

Sustainability commitments are an investment in the future of our business, the future of our customers, and the future of families around the world. Although there is clearly a lot of work to be done, we have faith in human ingenuity and goodness. Going forward, we hope our efforts will be an inspiration to a myriad of companies who have much to contribute to this critical task.

The following summary touches on a variety of ways we have worked with partners to put innovative ideas into practice and inspire our customers. A more comprehensive sustainable development report will be published on our website.

OUR SUSTAINABILITY PERFORMANCE AT A GLANCE

Tracking our sustainable development key performance indicators (KPI)

Pick n Pay's Sustainable Development Key Performance Indicators	2009 KPI Performance	2008 KPI Performance
Group economic and related core baseline indicators		
Continuing operations Turnover	R49.9 billion (17.4% increase)	R42.5 billion
Trading profit	R1 686.6 million (11.2% increase)	R1 517.3 million
Operating profit	R1 734.8 (13.4% increase)	R 1 530.1 million
Headline earnings per share	232.48 cents (13.4% increase)	204.94 cents
Dividends paid per share	170.00 cents (14.0% increase)	149.10 cents
Total number of stores and distribution centres	Corporate stores: 498 Franchise stores: 284 Distribution centres: 6 (Please see page 2 for breakdown of store numbers)	Corporate stores: 527 Franchise stores: 230 Distribution centres: 6 (Please see page 2 for breakdown of store numbers)
Number of environmental, health and safety and/or governance legal incidents	None	None

Pick n Pay's Sustainable Development Key Performance Indicators	2009 KPI Performance	2008 KPI Performance
Employee issues*		
Total number of employees	38 409	36 541
New jobs created (direct employment only)	1 722	1 478
Employee turnover	11.75%	14.00%
Employment equity targets set by occupational level	See page 33	See page 33
Work-related fatalities	None	None
Number of classified injuries	116 injuries requiring time off work 916 injuries requiring minor attention	442 injuries requiring time off work 1 258 injuries requiring minor attention
Investment in employee training and development	R50.5 million	R40.0 million
Number of lost workdays due to industrial action	11.2 man-days	0.01 man-days
Environmental issues*		
Energy usage (stores, distribution centres, offices) Energy usage per m² per annum (stores)	613 million kWh 576 kWh	601 million kWh 637 kWh
Water consumption (stores, distribution centres, offices) Water consumption per m² per annum (stores)	1.48 million kilolitres 1.4 kilolitres (improved estimate)	2.04 million kilolitres (estimate) 2 kilolitres (estimate)
Waste – KwaZulu-Natal stores (by weight)	42% waste recycled; 58% waste to landfill (not recyclable) – see page 37	39% waste recycled; 61% waste to landfill (not recyclable)
Fuel usage (commercial fleet and company vehicles)**	9 346 837 litres (diesel) 3 255 018 litres (petrol)	5 768 740 litres (diesel) 3 198 121 litres (petrol)
Carbon footprint***	768 583 CO_2 equivalent metric tonnes	744 462 CO_2 equivalent metric tonnes
Corporate Social Investment		
CSI total spend	R60 million – 5.7% of post-tax profit	R60 million – 6.4% of post-tax profit

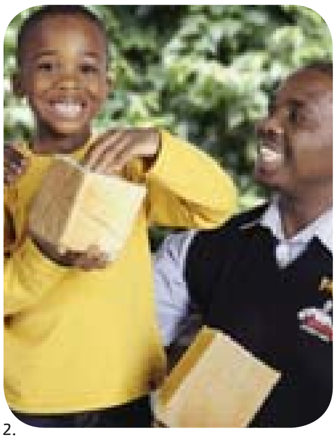
* These performance indicators relate only to the operations of Pick n Pay Stores Limited and Pick n Pay Retailers (Pty) Limited, our main operating company.

** Fuel increase based on 20.75% increase in fixed base fleet, servicing 21.57% more stores (vs 3.24% increase in carbon footprint)

*** Figures were calculated on the basis of fuel usage for our product distribution, corporate fleet (company cars), electricity usage in our stores, disribution centres and offices, and our business air-travel. Emissions from fuel usage were calculated using the World Business Council for Sustainable Development (WBCSD) greenhouse gas emissions reporting protocol. Emissions from electricity usage are calculated using the Eskom conversion factor of 1.2 tonnes of CO_2 per MWh of Eskom electricity.

1.

1. Pick n Pay's "Make Plastic Bags Extinct' campaign encouraged customers to use less plastic bags
2. Gave back food worth more than R1 million to participating customers and non-profit organisations
3. Distributed 50 000 vouchers, each offering 75% off the price of CFL lamps



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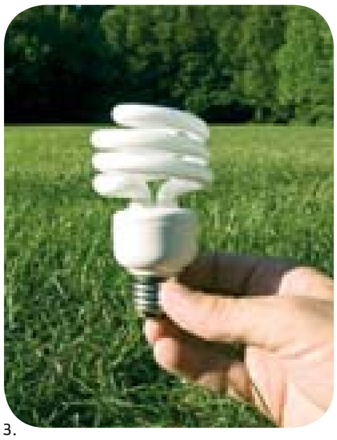


3.

Economic growth

We are committed to:

- Ensuring sustainable company profits, supporting the local economy and promoting job creation
- Maintaining highest standards of corporate governance
- Integrating sustainability into governance and internal audit structures
- Continuing to identify and strive to meet stakeholder expectations
- Further developing partnerships to promote more sustainable sourcing, fairer trading practices and greater awareness

Performance milestones:

- Opened 32 new corporate stores and converted 27 Score stores to independent black-owned Pick n Pay franchise formats, creating new business owners and jobs, driving our growth in rural communities
- Developed a partnership model aimed at delivering sustainability-driven business solutions; the forum identifies new partnerships for sustainable solutions, putting innovative ideas into practice
- Continuing to promote sustainable sources: organic and free-range produce, responsible management of fish stocks and livestock, household eco-products; all our wood products are FSC certified
- Invested significantly in increasing our local organic supplier base; we increased our sales of organics by 50% last year to over R6 million
- Significant improvement in fresh foods and produce supplier relationship management, enhanced by efficiency initiatives through our central distribution centre
- Reviewing our procurement practices internally with the aim of implementing revised policies to improve standards in the supply chain. Our focus has been on ethical issues, notably labour standards, and moving forward will be on animal welfare and green procurement practices
- Animal welfare – progressing on new policy and protocol development around farming, in consultation with Landmark Foundation, NSPCA, Meat Producers and Compassion in World Farming; we also enhanced our long-standing Country Reared programme

1.

1. Nearing completion of our project to convert Score stores to the Pick n Pay brand – transferring trading assets worth about R1 billion into the hands of new owners. Galeshewe franchise store owner Cynthia Gcuwa with Mr Raymond Ackerman
2. Pick n Pay is a proud SASSI Retail Participant and a founding sponsor and supporter of the initiative

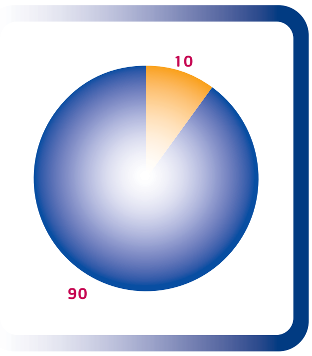
2.

3.

Pick n Pay branded products – local versus imported

(%)

5.



Pick n Pay branded products – 10% imported

Pick n Pay branded products – 90% locally supplied

3. Animal welfare – partnering with Landmark Foundation on a predator management programme in the Eastern Cape; we plan to sell the farmers' meat, labelled "predator friendly", in stores in the area

   Pictured here is Bool Smuts (left) and his team with the 24th leopard rescued
4. Contracted OrganiMark to drive our organic product offering as part of enterprise development activities: Feasibility studies undertaken for meat and meat products, cotton and bioparaffin
5. 90% of Pick n Pay branded products are now locally supplied

4.

Transformation

We are committed to:

- Promoting growth of historically disadvantaged individuals
- Promoting and enhancing equitable representation at senior and executive levels
- Increasing procurement from black-empowered or black-owned businesses/enterprises
- Implementing training to inspire and empower our staff and supplier base to ensure sustainability

Transformation milestones:

Implementing the BEE Charter:

- ***Ownership*** – 42% of our entire workforce now hold 56 268 800 share options in the Group. This year 16 755 800 share options were granted to 3 085 employees and 4 002 300 share options were taken up by 1 143 employees
- ***Employment equity*** – Annual employment equity targets are reviewed in October, in line with the Department of Labour. To date we have exceeded most of our 2009 employment equity targets (see chart on page 33)
- ***Management*** – 652 trainee managers, including 19 trainee managers who are midway through our two-year Retail Academy programme aimed at developing future management. We launched a female mentorship programme in the Western Cape and are rolling out the initiative in all other regions
- ***Skills development*** – Significantly increased our level of expenditure on training and development, notably investment in our assessment centres and our Franchise Academy to develop black entrepreneurs as store owners. Regional training expenditure increased 6% and management participation in training and development increased 25%. We completed our project in partnership with the Wholesale and Retail Skills Education Training Authorities (SETA) to develop skills that are considered scarce: 181 learnerships completed
- ***Preferential procurement*** – We launched an exciting campaign, "Shelf Life", in partnership with the *Sunday Times,* aimed at developing and enlisting small consumer-goods manufacturers as our suppliers. We provided free workshops to around 350 small enterprises to develop their business skills as sustainable, reliable suppliers and an ongoing mentorship programme has been created
- ***Enterprise development*** – Over R10 million has been allocated over the last year towards enterprise development projects in the training and manufacturing communities to increase the supplier base to our emerging stores from local projects. The aim is to develop sustainable suppliers of goods and services to our business
- Implementation of BEE codes of good practice as laid down by the DTI

Employment equity targets by occupational levels (%)

1.

2.

1. Spurring entrepreneurial spirit by providing the skills and opportunities for small and micro-enterprises to become our suppliers
2. Roadshows to develop and grow partnerships with SMEs to assist them in becoming part of the Pick n Pay supplier base
3. Supporting Bio Swiss Industries, one of our major organic produce suppliers, which has signed a MOU with the Department of Agriculture committing it to help farmers in KwaZulu-Natal

3.

Social development

We are committed to:

- Ensuring our Corporate Social Investment (CSI) activities align with Government and UN Millennium Development goals
- Implementing and enhancing staff social initiatives
- Continued investment in our employees and activities to promote sound health and safety practices in the workplace, including management of HIV/Aids
- Ensuring high levels of customer service and satisfaction, including promoting healthy living

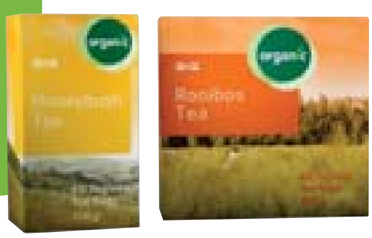
Performance milestones:

- Committed R60 million to our CSI activities (5.7% of post-tax profit). We disbursed R1.3 million towards bursaries: Race Relations received R750 000 and the remaining R550 000 was distributed in bursaries for the development of our employees' respective families
- Initiated a pilot programme at Boksburg Hyper aimed at building closer relations between our employees and their local communities, through projects selected by our employees
- Significant reduction in safety incidents in the workplace: 74% reduction in injuries requiring time off work and 27% reduction in injuries requiring minor attention
- Implemented an ongoing management HIV/Aids training programme: 314 managers trained
- Since our re-branding exercise in 2008 we have seen a 32% reduction in customer complaints about our Pick n Pay branded products and an increase in sales of these products
- We have removed MSG and Tartrazine, and reduced the levels of sugar, salt, saturated and trans fats, in selected Pick n Pay branded products
- Increased our health-related initiatives through our dietician, consumer materials and labelling

1.

1. Learners completed their Professional Cookery Qualification, equipped with high quality food preparation skills – a significant asset to our business
2. An inspired new range of organic products

3.



2.

3.

4.

5.

3. Providing nutritious lunch boxes to underprivileged children in the Eastern Cape
4. The 2008 Pick n Pay Calypso Cricket road show involving over 8 000 participants all along the SA coast encouraging children to follow a healthy lifestyle
5. We sold almost 365 000 copies of our awardwinning *Fresh Living* magazine, making it the highest selling audited food magazine in South Africa
6. Wind turbine system at our Port Elizabeth regional office generates 3% of the daily electricity usage

6.

Environmental responsibility

We are committed to:

- Reducing the carbon footprint of our retail stores, distribution centres and offices
- Reducing the generation of waste at our retail stores, distribution centres and offices
- Actively promoting innovative initiatives relating to packaging, products and store design
- Establishing new partnerships to promote more sustainable and ethical sourcing
- Making it easier for our customers to meet their own environmental responsibility

Performance milestones:

- Action at store level to meet energy and waste commitments and reduce chemical use
- Focus on e-waste: responsible disposal of IT equipment following the implementation of SAP programme. Formulating nationwide e-waste strategy
- As part of our ongoing "power pledge" energy-saving campaign for staff and customers, in partnership with Eskom, we distributed 50 000 vouchers, each offering 75% off the price of a CFL lamp, in our stores
- Reduced our local business travel through greater use of virtual communications and more stringent travel policies
- Packaging initiatives across food and general merchandise divisions leading to reductions in packaging and cost savings – focus going forward on quantifying and tracking performance
- Introduced CFL and battery recycling facilities in all our stores and will be adding facilities for plastic bags and ink cartridges
- Wind turbine system installed at our regional office in Port Elizabeth to generate electricity and pilot solar heating installed at our Longmeadow distribution centre to provide hot water
- Continuing to action the biodiesel from waste project; we have appointed contracts at key national centres to collect, process and deliver biofuel to our distribution centres for use as a blend in our trucks
- Building on the success of our integrated waste plan in KZN, we aim to roll out waste recycling to all regions by the end of the 2010 financial year
- Developed a set of guidelines for the design of eco-effective stores
- Working in partnership with Leadership for Conservation in Africa to develop capacity in developing country governments in Africa to find solutions to address conservation issues

1. **KZN waste figures**

KZN Sample stores actual volume			Extrapolated national volume (kgs)	
General waste	2 092 483	57.86%	29 892 614	57.86%
Glass	2 100	0.14%	30 000	0.14%
Cans	2 270	0.15%	32 429	0.15%
Paper	1 468 752	96.38%	20 982 171	96.38%
Plastic	50 772	3.33%	725 314	3.33%
Recycling	1 523 894	42.14%	21 769 914	42.14%
Total kgs	3 616 377		51 662 528	

2. **Our carbon footprint**

Source of operational CO^2 emissions	CO^2 equivalent metric tonnes 2008/2009	CO^2 equivalent metric tonnes 2007/2008
Energy usage at stores, distribution centres and offices	735 600	721 200
Diesel usage from commercial fleet and company vehicles	24 582	15 172
Petrol usage from commercial fleet and company vehicles	7 487	7 353
Business air travel	914	686
*Total	768 583	744 414

*This does not include store and office refrigeration and air conditioning gases.

1. Our KZN stores waste programme statistics
2. Relative to turnover increase of 17.4%, carbon footprint increased with 3.24%, an improvement in our emissions intensity compared to 2008
3. Pick n Pay converted fresh produce pre-packs from PVC trays to Polypropylene or PET punnets (an example of one packaging programme)
4. We took the lead in developing a Fair Trade Eco shopping bag
5. Pick n Pay launched a joint initiative with rechargeable battery manufacturer Uniross and CFL manufacturer Philips to place collection bins in all its stores

3.

4.

5.

Ten-year review

R million unless otherwise stated		2009	2008	2007	2006	2005	2004	2003*	2002*	2001*	2000*
OPERATING RESULTS – CONTINUING OPERATIONS	Annual growth										
Turnover	17.4%	**49 862.1**	42 474.3								
Trading profit	11.2%	**1 686.6**	1 517.3								
Operating profit	13.4%	**1 734.8**	1 530.1								
Headline earnings	17.8%	**1 096.7**	931.2								
OPERATING RESULTS – GROUP	10-year compound annual growth										
Turnover	15.4%	**51 932.9**	45 380.7	39 337.1	35 078.4	31 885.0	29 276.1	26 194.2	18 817.5	15 126.1	13 606.7
Trading profit	24.6%	**1 563.6**	1 482.1	1 256.7	1 036.3	910.3	718.9	632.7	440.7	347.0	274.2
Operating profit	19.8%	**1 636.2**	1 498.8	1 256.6	1 059.7	958.8	754.2	691.9	485.9	409.4	354.6
Headline earnings (in 2007 – before deferred tax adjustment)	18.9%	**982.1**	899.9	813.0	702.6	607.6	510.2	452.8	353.3	298.8	242.7
CONSOLIDATED BALANCE SHEETS											
Assets											
Non-current assets											
Intangible assets		**1 093.6**	1 155.9	904.6	745.8	659.5	687.6	742.1	704.1	—	—
Property		**863.9**	848.6	752.2	499.0	251.6	182.3	110.9	95.4	70.3	119.6
Equipment, vehicles and aircraft		**2 073.1**	1 953.9	1 773.0	1 374.7	1 159.3	1 045.4	877.2	855.1	817.2	818.1
Investments		**0.2**	0.2	0.2	9.3	3.6	2.7	176.4	195.5	195.5	181.5
Investment in associate		**—**	—	9.1	47.0	23.6	15.0	12.6	11.0	9.5	8.0
Loans		**128.6**	120.7	108.8	96.7	95.8	89.6	97.5	89.2	135.8	105.0
Operating lease asset		**19.3**	10.9	5.9	4.8	3.7	2.5	2.1	2.0	2.0	1.8
Participation in export partnerships		**57.9**	61.5	67.8	71.8	102.7	127.6	143.3	149.3	166.2	183.4
Deferred tax		**99.8**	105.8	151.2	238.3	209.7	94.1	32.7	(18.1)	(40.8)	(50.3)
		4 336.4	4 257.5	3 772.8	3 087.4	2 509.5	2 246.8	2 194.8	2 083.5	1 355.7	1 367.1
Current assets											
Inventory	16.7%	**3 334.5**	3 028.5	2 352.7	1 979.9	1 851.7	1 560.7	1 501.4	1 259.5	862.5	727.9
Trade and other receivables		**1 769.5**	1 243.9	943.7	750.7	634.5	628.1	495.7	357.5	287.1	301.6
Cash and cash equivalents		**1 072.8**	663.2	709.1	944.6	1 329.0	1 502.5	1 035.6	986.5	1 085.3	773.3
Assets held for sale – discontinued operation		**62.6**	—	—	—	—	—	—	—	—	—
		6 239.4	4 935.6	4 005.5	3 675.2	3 815.2	3 691.3	3 032.7	2 603.5	2 234.9	1 802.8
Total assets		**10 575.8**	9 193.1	7 778.3	6 762.6	6 324.7	5 938.1	5 227.5	4 687.0	3 590.6	3 169.9
EQUITY AND LIABILITIES											
Ordinary shareholders' equity		**1 695.5**	1 340.9	1 004.9	851.9	699.5	772.3	640.1	782.6	492.7	351.9
Minority interest		**—**	—	—	—	—	—	—	—	19.6	18.4
Non-current liabilities											
Long-term debt		**678.1**	681.3	181.8	192.9	199.2	188.2	243.3	241.3	242.3	89.4
Retirement scheme obligations		**8.2**	49.0	129.0	194.8	189.8	145.0	125.9	123.5	109.2	113.4
Operating lease liability		**658.5**	626.9	584.3	554.4	505.5	430.8	428.9	391.0	314.4	300.5
		1 344.8	1 357.2	895.1	942.1	894.5	764.0	798.1	755.8	665.9	503.3
Current liabilities											
Short-term debt		**38.3**	36.4	51.6	79.5	61.7	159.9	186.7	17.2	15.3	13.1
Trade and other payables	14.3%	**7 315.8**	6 209.2	5 605.4	4 654.1	4 282.3	3 972.0	3 394.9	2 897.1	2 184.6	2 045.8
Tax		**181.4**	249.4	221.3	235.0	386.7	269.9	207.7	234.3	212.5	237.4
		7 535.5	6 495.0	5 878.3	4 968.6	4 730.7	4 401.8	3 789.3	3 148.6	2 412.4	2 296.3
Total equity and liabilities		**10 575.8**	9 193.1	7 778.3	6 762.6	6 324.7	5 938.1	5 227.5	4 687.0	3 590.6	3 169.9
Directors' valuation – Property		**1 318.1**	1 230.6	1 077.9	831.2	476.6	365.5	247.4	223.0	232.4	291.0
– Investments		**2.5**	2.2	0.2	9.3	3.6	2.7	176.4	195.5	195.5	181.5
STATISTICS											
Number of outlets – Corporate (including Liquor Stores)		**498**	527	504	468	446	438	396	332	221	224
– Franchise (including Liquor Stores)		**284**	230	209	179	172	162	157	139	193	176
Total selling area – Corporate	000 m²	**880**	893	875	803	790	800	748	678	503	492
– Franchise	000 m²	**320**	254	224	215	205	198	187	173	206	187
Number of TM Supermarkets		**56**	56	56	54	54	53	53	53	50	49
Number of Auto Centres		**5**	5	5	5	5	5	5	10	9	14
Total number of employees**	000's	**53.1**	54.7	49.2	47.0	47.7	44.7	31.0	27.3	24.5	24.7

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

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

			2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
PERFORMANCE MEASURES – CONTINUING OPERATIONS												
Turnover growth	%		**17.4**									
Trading profit growth	%		**11.2**									
Operating profit growth	%		**13.4**									
Headline earnings growth	%		**17.8**									
PERFORMANCE MEASURES – GROUP		10-year compound annual growth										
Turnover growth	%	15.4	**14.4**	15.4	12.1	10.0	8.9	11.8	39.2	24.4	11.2	10.1
Trading profit growth	%	24.6	**5.5**	17.9	21.3	13.8	26.6	13.6	43.6	27.0	26.5	58.7
Operating profit growth	%	19.8	**9.2**	19.3	18.6	10.5	27.1	9.0	42.4	18.7	15.5	32.0
Headline earnings growth	%	18.9	**9.1**	10.7	15.7	15.6	19.1	12.7	28.2	18.2	23.1	39.0
Trading profit on turnover	%		**3.0**	3.3	3.2	3.0	2.9	2.5	2.4	2.3	2.3	2.0
Operating profit on turnover	%		**3.2**	3.3	3.2	3.0	3.0	2.6	2.6	2.6	2.7	2.6
Headline earnings on turnover	%		**1.9**	2.0	2.1	2.0	1.9	1.7	1.7	1.9	2.0	1.8
Return on shareholders' equity	%		**64.7**	76.7	87.6	90.6	82.6	72.2	63.7	55.4	70.8	85.5
Return on total assets	%		**9.9**	10.6	11.2	10.7	9.9	9.1	9.1	8.5	8.8	8.0
Headline earnings per share	cents	19.0%	**208.2**	198.1	178.3	152.4	129.6	108.4	93.6	70.8	61.1	50.0
Headline earnings per share growth	%		**5.1**	11.1	17.0	17.5	19.6	15.8	32.2	15.8	22.2	37.2
Net asset value per share	cents	19.5%	**441.7**	355.1	281.9	247.2	193.0	197.3	161.0	184.5	129.4	102.5
JSE LIMITED INFORMATION												
Pick n Pay Stores Limited (PICKNPAY)												
Number of shares in issue (*)	millions		**506.1**	506.1	486.1	486.1	486.1	483.4	483.4	497.1	501.3	494.8
Market capitalisation	Rm	15.8%	**15 690.2**	15 690.2	15 974.4	14 729.9	11 229.7	8 508.6	6 018.9	4 896.9	6 040.3	5 319.4
Price-earnings ratio	times		**14.9**	15.7	18.4	19.9	17.8	16.2	13.3	13.9	19.7	21.5
Dividend per share	cents	19.9%	**170.0**	149.1	134.3	113.8	96.5	80.0	69.0	51.8	42.9	34.8
Dividend cover	times		**1.2**	1.3	1.3	1.3	1.3	1.4	1.4	1.4	1.4	1.4
PICKNPAY ordinary shares												
Volume of shares traded (*)	millions		**238.8**	239.7	255.0	147.9	140.2	133.7	171.6	191.4	128.9	130.2
Percentage of shares traded	%		**47.2**	47.4	52.5	30.4	28.8	27.7	35.5	38.5	25.7	26.3
Share price – High	cents		**3 749**	3 880	3 631	3 200	2 494	1 850	1 500	1 350	1 400	1 195
Share price – Low	cents		**2 540**	2 826	2 580	2 150	1 630	1 160	900	900	850	700
Share price – Year-end	cents	14.8%	**3 100**	3 100	3 286	3 030	2 310	1 760	1 245	985	1 205	1 075
Pick n Pay Holdings Limited (PIKWIK)												
Number of shares in issue	millions		**527.2**	527.2	527.2	527.2	527.2	527.2	527.2	527.2	522.6	516.3
Headline earnings per share	cents	18.4%	**104.1**	97.5	89.8	77.5	66.8	56.2	49.4	37.8	32.0	26.4
Dividend per share	cents	19.8%	**83.0**	72.8	65.5	55.0	47.1	39.1	33.7	25.3	20.9	17.0
PIKWIK ordinary shares												
Volume of shares traded (*)	millions		**85.7**	86.2	76.0	39.9	61.1	49.9	72.5	90.4	108.9	115.0
Percentage of shares traded	%		**16.3**	16.4	14.4	7.6	11.6	9.5	13.8	17.1	20.8	22.3
Share price – High	cents		**1 560**	1 603	1 570	1 420	1 135	814	610	540	580	445
Share price – Low	cents		**1 090**	1 205	1 170	1 040	760	490	385	381	335	260
Share price – Year-end	cents		**1 310**	1 290	1 484	1 355	1 125	800	520	420	490	400

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

DEFINITIONS:

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

Corporate governance

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

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

GROUP STRUCTURE

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

THE BOARD

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

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

ENDURING PRINCIPLES OF PICK N PAY

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

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

LEADERSHIP DEVELOPMENT

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

BOARD COMMITTEES

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

Audit, Risk and Compliance committee

This committee is chaired by and comprises only independent non-executive directors. In accordance with the requirements of the Corporate Laws Amendment Act 24 of 2006 we confirm:

Members of the committee are appointed annually by the board for the ensuing financial year.

The committee's responsibilities carried out during the year are varied and include:

- performing certain risk management responsibilities on behalf of the board;
- ensuring that necessary risk management strategies and internal controls are in place (through consultation with internal and external auditors);
- establishing that management is adhering to and continually improving these controls;
- acting as a liaison between the external auditors and the board;
- the annual nomination of the external auditor, who in the opinion of the committee, is independent of the Company, for approval at the AGM;
- the annual determination of the scope of audit and non-audit services which the external auditors may provide to the Company;
- the approval of the remuneration of the external auditors and assessment of their performance;
- an annual assessment of the independence of the external auditors. The committee confirms that it is satisfied with the independence of the Group's external auditors and the respective audit partners;
- receive and deal appropriately with any complaints relating to the accounting practices and internal audit of the company or to the content or auditing of its financial statements, or to any related matter; and
- perform other functions as determined by the board.

In respect of internal control and internal audit, the committee:

- reviews and approves the internal audit charter and audit plans and evaluates the independence, effectiveness and performance of the internal audit function and compliance with its mandate;
- reviews the Company's systems of internal control including financial controls;
- reviews significant issues raised by the internal audit process; and
- reviews policies and procedures for preventing and detecting fraud.

In respect of risk management, the committee:

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

The committee discharges its board responsibilities by:

- meeting at least twice a year to review the Group's financial results, to receive and review reports from both the internal and external auditors, and to meet with management to review their progress on identifying and addressing key risk areas within the business;
- reporting its findings 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 that they are receiving the full cooperation of management; and
- the committee chairman meeting regularly with key executives to keep abreast of emerging issues.

The committee discharges all Audit committee responsibilities of all the subsidiary companies within the Group. To help it discharge this responsibility a financial review committee, chaired by the CFO, reviews in detail the results of all material operating subsidiary companies with the external auditors and management of the respective subsidiary. This review committee reports its findings to the Audit, Risk and Compliance committee.

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

Per the JSE listing requirements, the committee must consider and be satisfied, on an annual basis, of the appropriateness of the expertise and experience of the Financial Director and the Company must confirm this by reporting to the shareholders in its annual report that the Audit committee has executed this responsibility.

In respect of the above, we believe that Dennis Cope, the CFO, possesses the appropriate expertise and experience to meet his responsibilities in that position.

Remuneration committee

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

Nominations committee

The Nominations committee is chaired by the Chairman and members are only non-executive directors. The committee identifies and evaluates potential candidates for appointment to the board and has strict guidelines on the qualities required of directors. These qualities include being tough-minded, independent and objective, as well as being loyal to the principles and values upon which the Group is built. Non-executive directors should also have the necessary skills and experience to provide judgement independent of management on material board issues.

Corporate Governance committee

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

ACCOUNTABILITY

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

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

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

RISK MANAGEMENT

Efficient and effective risk management is a requirement of the King II report, which all listed JSE companies have to comply with. 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, Risk and Compliance committee, whose objective is to monitor, develop and communicate the process for managing risk across all divisions in the Company. The day-to-day responsibility for identifying, evaluating and managing risk resides with management. The risk management process, which is regularly assessed by the Audit, Risk and Compliance committee, involves a formalised system to identify and assess risk, both at a strategic and operational level. The process includes the evaluation of the mitigating controls and other assurances in identifying and assessing the risks.

Risks are continually being identified and mitigated in terms of a process that involves allocating responsibility, developing action plans, and monitoring compliance with these action plans. Every employee has a role to play in this endeavour and in achieving the Company's goals and objectives.

Risks are monitored and reported upon at quarterly management meetings, and in the Audit, Risk and Compliance committee meetings. The Group's annual internal audit plan incorporates the outcomes of the risk management process. Group Risk and Assurance Services (internal audit) provides a risk identification facilitation role. Management is responsible for managing risks on a daily and operational basis. The Group has developed a culture of identifying and managing risk. The internal audit plan is based on a risk-based audit approach.

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

CODE OF CONDUCT

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

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

Further information on our code is available from our website.

DEALING IN GROUP COMPANY SHARES

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

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

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

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

PARTY POLITICAL SUPPORT

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

DIRECTORS' ATTENDANCE AT MEETINGS

Pick n Pay Stores Limited board meetings

Director	21 April 2008	11 June 2008	20 Oct 2008	20 Feb 2009	AGM 11 June 2008
R D Ackerman *(Chairman)*	P	P	P	P	P
N Badminton *(CEO)*	P	P	P	P	P
G M Ackerman	P	P	P	P	P
W Ackerman	P	P	P	P	P
D G Cope *(CFO)*	P	P	P	P	P
R P de Wet	P	R	R	R	R
H S Herman	P	P	P	P	P
D M Nurek	P	R	R	R	R
C Nkosi	P	P	P	P	P
D Robins	P	P	P	P	P
B J van der Ross	P	P	P	P	P
J van Rooyen	P	P	P	P	P

Pick n Pay Holdings Limited board meetings

Director	21 April 2008	20 Oct 2008	20 Feb 2009	AGM 11 June 2008
G M Ackerman *(Chairman)*	P	P	P	P
R D Ackerman	P	P	P	P
W Ackerman	P	P	P	P
R P de Wet	P	P	P	A
H S Herman	P	P	P	P

P = Present A = Apology R = Retired

Pick n Pay Stores Limited – Audit Risk and Compliance committee meetings

Director	19 April 2008	17 Oct 2008
J van Rooyen *(Chairman)*	P	P
D M Nurek	P	R
B J van der Ross	P	P

Pick n Pay Stores Limited – Remuneration committee meetings

Director	25 April 2008	16 Oct 2008
D M Nurek *(Chairman – retired 30 April 2008)*	P	R
H S Herman *(Chairman – appointed 30 April 2008)*	P	P
G M Ackerman	P	P
R P de Wet	P	R

Pick n Pay Holdings Limited – Audit, Risk and Compliance committee meetings

Director	20 Oct 2008
R P de Wet *(Chairman)*	P
H S Herman	P

P = Present A = Apology R = Retired

DIRECTOR REMUNERATION

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

Pick n Pay Stores Limited – Director remuneration	Proposed 2010 R	2009 R
Chairman of the board	1 500	1 500
Lead non-executive director	88 000	80 000
Member of the board	265 000	240 000
Chairman of the Audit, Risk and Compliance committee	220 000	200 000
Member of the Audit, Risk and Compliance committee	88 000	80 000
Chairman of the Remuneration committee	110 000	100 000
Member of the Remuneration committee	55 000	50 000
Member of the Nominations committee	50 000	50 000

Pick n Pay Holdings Limited – Director remuneration	Proposed 2010 R	2009 R
Member of the board not serving on the Pick n Pay Stores Limited board	50 000	—

Analysis of shareholders

as at 28 February 2009

Pick n Pay Stores Limited

SHAREHOLDER SPREAD No. of shares held	No. of share-holders	%	No. of shares millions	%
1 – 1 000	4 609	52.7	1.9	0.4
1 001 – 10 000	3 169	36.2	10.4	2.1
10 001 – 100 000	747	8.5	23.0	4.6
100 001 – 1 000 000	197	2.3	57.6	11.4
1 000 001 and over	26	0.3	413.2	81.5
	8 748	**100.0**	**506.1**	**100.0**
DISTRIBUTION OF SHAREHOLDERS				
Holding company	1	—	257.3	50.8
Banks	71	0.8	7.0	1.4
Brokers	35	0.4	2.5	0.5
Close corporations	84	1.0	0.4	0.1
Endowment funds	50	0.6	1.2	0.2
Individuals	6 600	75.4	23.7	4.7
Insurance companies	45	0.5	7.2	1.4
Investment companies	22	0.3	84.8	16.8
Medical aid schemes	13	0.1	0.7	0.1
Mutual funds	199	2.3	37.8	7.5
Nominees and trusts	1 186	13.6	21.7	4.2
Other corporations	79	0.9	0.4	0.1
Pick n Pay Retailers (Pty) Limited	1	—	25.7	5.1
Pension funds	202	2.3	25.3	5.0
Pick n Pay Employee Share Trust	1	—	7.6	1.5
Private companies	151	1.7	2.3	0.5
Public companies	8	0.1	0.5	0.1
	8 748	**100.0**	**506.1**	**100.0**
PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public shareholders	9	0.1	293.0	57.8
Directors and associates	6	0.1	2.2	0.4
Pick n Pay Holdings Limited	1	—	257.3	50.8
Pick n Pay Retailers (Pty) Limited	1	—	25.7	5.1
Pick n Pay Stores Share Trust	1	—	7.8	1.5
Public shareholders	8 739	99.9	213.1	42.2
	8 748	**100.0**	**506.1**	**100.0**
Beneficial shareholders holding 1% or more				
Pick n Pay Holdings Limited			257.3	50.8
Public Investment Corporation			44.3	8.8
Liberty Life Assurance of Africa Limited			25.9	5.1
Pick n Pay Retailers (Pty) Limited			25.7	5.1
Sanlam			9.9	2.0
RMB Hip Trust			8.8	1.7
Pick n Pay Employee Share Trust			7.8	1.5
Brait Plato Fund			5.1	1.0

Pick n Pay Holdings Limited

SHAREHOLDER SPREAD No. of shares held	No. of share-holders	%	No. of shares millions	%
1 – 1 000	2 714	22.8	1.6	0.3
1 001 – 10 000	7 038	59.0	28.5	5.4
10 001 – 100 000	1 894	15.9	52.9	10.0
100 001 – 1 000 000	233	2.0	69.0	13.1
1 000 001 and over	42	0.3	375.2	71.2
	11 921	**100.0**	**527.2**	**100.0**
DISTRIBUTION OF SHAREHOLDERS				
Banks	13	0.1	1.7	0.3
Brokers	18	0.2	2.5	0.5
Close corporations	97	0.8	1.2	0.2
Endowment funds	78	0.7	3.5	0.7
Individuals	8 327	69.8	65.4	12.4
Insurance companies	12	0.1	18.6	3.5
Investment companies	38	0.3	5.4	1.0
Medical aid schemes	5	—	0.2	0.1
Mutual funds	118	1.0	70.4	13.4
Nominees and trusts	2 578	21.6	305.3	57.9
Other corporations	65	0.5	0.3	0.1
Pension funds	328	2.8	32.9	6.2
Pick n Pay Employee Share Trust	1	—	10.4	2.0
Private companies	225	1.9	8.6	1.6
Public companies	18	0.2	0.8	0.1
	11 921	**100.0**	**527.2**	**100.0**
PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public shareholders	11	0.1	278.6	52.8
Directors and associates	7	0.1	11.2	2.1
Ackerman Family Trust	1	—	254.9	48.3
Group Pension Scheme	1	—	0.4	0.1
Pick n Pay Employee Share Trust	1	—	10.4	2.0
The Blue Ribbon Meat Corporation (Pty) Limited	1	—	1.7	0.3
Public shareholders	11 910	99.9	248.6	47.2
	11 921	**100.0**	**527.2**	**100.0**
Beneficial shareholders holding 1% or more				
Ackerman Family Trust			254.9	48.3
Liberty Group			14.3	2.7
Investec Opportunity Fund			11.5	2.2
Pick n Pay Employee Share Trust			10.4	2.0
Investment Solutions			9.1	1.7

Shareholders' information

ANNUAL GENERAL MEETINGS ("AGMS") – 12 JUNE 2009

Registration commences at 09h00 for the AGMs of Pick n Pay Stores Limited and Pick n Pay Holdings Limited, to be held at 09h30 and 10h00, respectively. The venue for the AGMs will be the conference centre at the registered office, Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town.

The minutes of the previous year's AGMs held on 11 June 2008 are available on our website.

DIVIDENDS

	Pick n Pay Stores Limited		Pick n Pay Holdings Limited			
	Share code: PIK		Share code: PWK			
	ISIN code: ZAE000005443		ISIN code: ZAE000005724			
	Number	Amount (cents)	Number	Amount (cents)	Last date of trade	Date of payment
Interim	79	31.10	52	15.18	7 Dec 2007	18 Dec 2007
Final	80	118.00	53	57.65	6 June 2008	17 June 2008
Interim	81	35.75	54	17.45	5 Dec 2008	15 Dec 2008
Final	82	134.25	55	65.52	5 June 2009	15 June 2009
Interim	83		56		4 Dec 2009	14 Dec 2009
Final	84		57		4 June 2010	14 June 2010

PRELIMINARY PROFIT ANNOUNCEMENTS

Interim to 31 August 2009: about 21 October 2009

Final to 28 February 2010: about 21 April 2010

PUBLICATION OF 2010 ANNUAL REPORT

Mid-May 2010

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Ernst & Young – Australia

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Edward Nathan Sonnenbergs Inc.

PRINCIPAL BANKERS

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First National Bank

JSE LIMITED SPONSOR

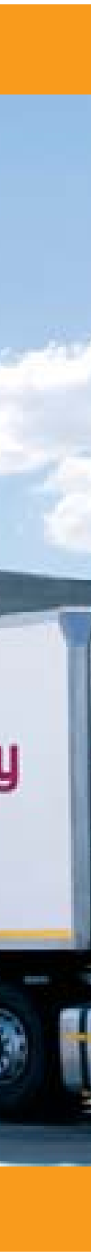
Investec Bank Limited, 100 Grayston Drive, Sandton, 2196

Score store conversions

The conversion of the Meadowlands Score store in Soweto, to a new Pick n Pay franchise store being opened here by Morgan and Mapule Makhubela, the franchisee, is just one of the many success stories in this exciting initiative.

Longmeadow distribution centre

Longmeadow now distributes to all 263 inland stores. Phase II of its development will accommodate central distribution, automated replenishment and strategic buy-ins.



Franklins

We are extremely pleased with the turnaround in profitability of our Franklins operation and congratulate the entire team for this achievement.


rank
SAVE
SAVE

1.

2.

1. **Boxer**

Even in tough economic times Boxer continues to deliver outstanding results by offering great value to our lower income bracket customers.

2. **Pick n Pay Express**

Our forecourt venture with BP has been very successful giving us the confidence to trial further stores in the year ahead.

Group annual financial statements and other information

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Pick n Pay Stores Limited and its subsidiaries

Reg. No. 1968/008034/06
Share code: PIK   ISIN code: ZAE 000005443

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Pick n Pay Holdings Limited and its subsidiaries

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

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Directors' responsibility for the Company and Group annual financial statements

Pick n Pay Stores Limited and its subsidiaries

The directors are responsible for the preparation and fair presentation of the Company and Group annual financial statements, comprising the directors' report, balance sheets at 28 February 2009, and the income statements, the statements of changes in equity and cash flow statements for the year then ended, a summary of significant accounting policies and the notes to the financial statements, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

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

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the Company's and Group's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

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

Directors' approval and Company Secretary's certificate

Pick n Pay Stores Limited and its subsidiaries

DIRECTORS' APPROVAL

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

These Company and Group annual financial statements of Pick n Pay Stores Limited, which have been prepared in accordance with the Companies Act of South Africa and comply with International Financial Reporting Standards, were approved by the Board of directors on 4 May 2009 and are signed on their behalf by:

Raymond Ackerman	**Nick Badminton**	**Dennis Cope**
Chairman	*Chief Executive Officer*	*Chief Finance Officer*

COMPANY SECRETARY'S CERTIFICATE

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

Gary Lea

Company Secretary

4 May 2009

Independent auditor's report

Pick n Pay Stores Limited and its subsidiaries

TO THE MEMBERS OF PICK N PAY STORES LIMITED

We have audited the Company and Group annual financial statements of Pick n Pay Stores Limited which comprise the balance sheets at 28 February 2009, and the income statements, the statements of changes in equity and cash flow statements for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report as set out on pages 56 to 107.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Pick n Pay Stores Limited at 28 February 2009, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc.
Registered Auditor

Per **Patrick Farrand**
Chartered Accountant (SA)
Registered Auditor
Director
4 May 2009

MSC House
Mediterranean Street
Cape Town
8001

Directors' report

for the year ended 28 February 2009

NATURE OF BUSINESS

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

GENERAL REVIEW

The Group income statement is presented on page 58 and reflects the Group's operational results.

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

Per share – cents	2009	% Increase	2008
Diluted headline earnings (note 6)	**230.62**	18.1	195.28*
Headline earnings (note 6)	**232.48**	13.4	204.94*
Dividends**	**170.00**	14.0	149.10

*Restated – please refer to note 31 for details of the restatement of prior year figures.

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

AUDIT, RISK AND COMPLIANCE COMMITTEE

We draw your attention to the Audit, Risk and Compliance Committee section of the corporate governance review on pages 41 and 42 where we set out the responsibilities of the committee and how it has discharged these responsibilities during the year.

DIVIDENDS PAID AND DECLARED

A cash dividend (number 80) of 118.00 cents per share was paid to shareholders on 17 June 2008.

A cash dividend (number 81) of 35.75 cents per share was paid to shareholders on 15 December 2008.

For further details refer to note 7.

The directors have declared a cash dividend (number 82) of 134.25 cents per share. The last day of trade in order to participate in the dividend (CUM dividend) will be Friday, 5 June 2009. Shares will trade EX dividend from the commencement of business on Monday, 8 June 2009 and the record date is Friday, 12 June 2009. The dividend will be paid on Monday, 15 June 2009. Share certificates may not be dematerialised or rematerialised between Monday, 8 June 2009 and Friday, 12 June 2009, both dates inclusive.

As dividend number 82 was declared on 21 April 2009 it will only be accounted for in the 2010 financial year. The declaration of this dividend will result in a charge for secondary tax on companies of R63.8 million, which will be accounted for in the 2010 financial year.

SHARE CAPITAL

The issued ordinary share capital remained unchanged during the year at 506 133 882 shares.

At year-end a subsidiary company held 25 736 561 (2008: 25 736 561) treasury shares in the Company. These repurchases were implemented in accordance with a general authority granted by shareholders.

In addition to the above, as at year-end, the Pick n Pay Employee Share Purchase Trust held 7 614 604 (2008: 9 723 673) shares in the Company and 10 418 493 (2008: 11 228 333) shares in Pick n Pay Holdings Limited, which are accounted for as treasury shares. These shares are held to meet obligations of options granted. A second subsidiary company also holds 1 708 203 (2008: 1 680 303) shares in Pick n Pay Holdings Limited, which are also accounted for as treasury shares.

GOING CONCERN

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

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

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

SPECIAL RESOLUTIONS

On 11 June 2008 the Company's shareholders approved the following special resolution:

General authority to repurchase Company shares

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

Subsidiary companies special resolutions

100%-owned subsidiary companies, Bedworth Sentrum (Pty) Limited, Pick n Pay (Steeledale) (Pty) Limited and Pick n Pay (Steelpark) (Pty) Limited passed special resolutions in terms of section 228 of the Companies Act, to sell their only asset being investment property.

DIRECTORS AND SECRETARY

In terms of the Company's Articles of Association the directors listed on page 128 retire by rotation and they offer themselves for re-election. Information pertaining to the directors and the Company Secretary appear on pages 12 to 14.

HOLDING COMPANY

The holding company is Pick n Pay Holdings Limited.

DIRECTORS' INTEREST IN SHARES

	2009 %	2008 %
Beneficial	**0.8**	0.7
Non-beneficial	**28.0**	28.1
Total	**28.8**	28.8

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

SUBSIDIARY COMPANIES

Details of subsidiary companies are presented in note 21.

BORROWINGS

The Group's overall level of debt decreased from R717.7 million to R716.4 million during the year.

SUBSEQUENT EVENTS

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

Income statements

for the year ended 28 February 2009

Pick n Pay Stores Limited and its subsidiaries

	Notes	GROUP 2009 Rm	GROUP 2008 Rm Restated*	COMPANY 2009 Rm	COMPANY 2008 Rm
Continuing operations					
Revenue	1	**50 135.8**	42 677.2	**774.2**	672.3
Turnover		**49 862.1**	42 474.3	**—**	—
Cost of merchandise sold		**(40 404.7)**	(34 216.2)	**—**	—
Gross profit		**9 457.4**	8 258.1	**—**	—
Other trading income	1	**201.8**	157.9	**—**	—
Trading expenses		**(7 958.9)**	(6 894.3)	**(1.6)**	(2.0)
Employee costs		**(4 624.0)**	(4 050.3)	**—**	—
Occupancy		**(1 071.2)**	(971.4)	**—**	—
Operations		**(1 414.1)**	(1 198.0)	**—**	—
Merchandising and administration		**(849.6)**	(674.6)	**(1.6)**	(2.0)
Loss on sale of equipment and vehicles		**(13.7)**	(4.4)	**—**	—
Trading profit/(loss)		**1 686.6**	1 517.3	**(1.6)**	(2.0)
Interest received		**71.9**	45.0	**—**	1.3
Interest paid		**(107.5)**	(79.2)	**—**	(1.6)
Profit on sale of property		**68.7**	—	**—**	—
Profit on sale of stores		**15.1**	47.0	**—**	—
Operating profit/(loss)	2	**1 734.8**	1 530.1	**(1.6)**	(2.3)
Dividends received		**—**	—	**774.2**	671.0
Impairment of investment in associate	11	**—**	(9.1)	**—**	—
Profit before tax		**1 734.8**	1 521.0	**772.6**	668.7
Tax	5.1	**(568.0)**	(556.3)	**—**	(1.9)
Profit for the year from continuing operations		**1 166.8**	964.7	**772.6**	666.8
Loss for the year from discontinued operation	18	**(118.5)**	(31.3)	**—**	—
Profit for the year		**1 048.3**	933.4	**772.6**	666.8
Earnings/(losses) per share – cents					
Basic	6	**222.23**	205.43		
Continuing operations		**247.35**	212.31		
Discontinued operation		**(25.12)**	(6.88)		
Diluted	6	**220.45**	195.75		
Continuing operations		**245.37**	202.30		
Discontinued operation		**(24.92)**	(6.55)		

*Please refer to note 31 for details of the restatement of prior year figures.

Pick n Pay Stores Limited and its subsidiaries

		GROUP		COMPANY	
	Notes	**2009 Rm**	2008 Rm Restated*	**2009 Rm**	2008 Rm
Assets					
Non-current assets					
Intangible assets	8	**1 093.6**	1 155.9	**—**	—
Property, equipment and vehicles	9	**2 937.0**	2 802.5	**—**	—
Investments	10	**0.2**	0.2	**0.2**	0.2
Interest in subsidiaries	21	**—**	—	**257.8**	263.2
Loans	12	**128.6**	120.7	**—**	—
Operating lease asset	24.1	**19.3**	10.9	**—**	—
Participation in export partnerships	13	**57.9**	61.5	**—**	—
Deferred tax	14	**99.8**	105.8	**—**	—
		4 336.4	4 257.5	**258.0**	263.4
Current assets					
Inventory	15	**3 334.5**	3 028.5	**—**	—
Trade and other receivables	16	**1 769.5**	1 243.9	**—**	0.1
Tax	5.4	**—**	—	**1.9**	1.9
Cash and cash equivalents	17	**1 072.8**	663.2	**—**	—
Assets held for sale – discontinued operation	18	**62.6**	—	**—**	—
		6 239.4	4 935.6	**1.9**	2.0
Total assets		**10 575.8**	9 193.1	**259.9**	265.4
Equity and liabilities					
Capital and reserves					
Share capital	19	**6.3**	6.3	**6.3**	6.3
Share premium		**121.7**	121.7	**121.7**	121.7
Treasury shares	20.1	**(743.6)**	(814.3)	**—**	—
Accumulated profits		**2 035.5**	1 652.8	**130.0**	135.6
Foreign currency translation reserve		**275.6**	374.4	**—**	—
Total shareholders' equity		**1 695.5**	1 340.9	**258.0**	263.6
Non-current liabilities					
Long-term debt	22	**678.1**	681.3	**—**	—
Retirement scheme obligations	23.5	**8.2**	49.0	**—**	—
Operating lease liability	24.2	**658.5**	626.9	**—**	—
		1 344.8	1 357.2	**—**	—
Current liabilities					
Short-term debt	22	**38.3**	36.4	**—**	—
Trade and other payables	25	**7 315.8**	6 209.2	**1.9**	1.8
Tax	5.4	**181.4**	249.4	**—**	—
		7 535.5	6 495.0	**1.9**	1.8
Total equity and liabilities		**10 575.8**	9 193.1	**259.9**	265.4

*Please refer to note 31 for details of the restatement of prior year figures.

Statements of changes in equity

for the year ended 28 February 2009

Pick n Pay Stores Limited and its subsidiaries

	Notes	Share capital Rm	Share premium Rm	Equity element of convertible debentures Rm	Treasury shares Rm	Share-based payment reserve Rm	Accumulated profits Rm	Foreign currency translation reserve Rm	**Total Rm**
GROUP									
At 1 March 2007 – as previously stated		6.1	26.0	16.0	(630.2)	68.0	1 342.4	187.1	**1 015.4**
Changes in accounting policy	31.2						(51.6)		**(51.6)**
Reclassifications	31.3					(68.0)	68.0	(18.8)	**(18.8)**
At 1 March 2007 – as restated		6.1	26.0	16.0	(630.2)	—	1 358.8	168.3	**945.0**
Total recognised income and expense for the year		—	—	—	—	—	933.4	206.1	**1 139.5**
Profit for the year*							933.4		**933.4**
Gains and losses recognised directly in equity:									
Foreign currency translation*								206.1	**206.1**
Dividends paid	7						(614.9)		**(614.9)**
Issue of share capital		0.2	95.7	(16.0)					**79.9**
Share repurchases	20.1				(299.6)				**(299.6)**
Net effect of settlement of employee share options	20.1				115.5		(69.7)		**45.8**
Share options expense*	4.3						45.2		**45.2**
At 29 February 2008		6.3	121.7	—	(814.3)	—	1 652.8	374.4	**1 340.9**
Total recognised income and expense for the year							1 048.3	(98.8)	**949.5**
Profit for the year							1 048.3		**1 048.3**
Gains and losses recognised directly in equity:									
Foreign currency translation								(98.8)	**(98.8)**
Dividends paid	7						(717.8)		**(717.8)**
Share repurchases	20.1				(21.6)				**(21.6)**
Net effect of settlement of employee share options	20.1				92.3		(6.9)		**85.4**
Share options expense	4.3						59.1		**59.1**
At 28 February 2009		**6.3**	**121.7**	**—**	**(743.6)**	**—**	**2 035.5**	**275.6**	**1 695.5**
COMPANY									
At 1 March 2007		6.1	26.0	16.0	—	—	141.4	—	**189.5**
Total recognised income and expense for the year									
Profit for the year							666.8		**666.8**
Dividends paid	7						(672.6)		**(672.6)**
Issue of share capital		0.2	95.7	(16.0)					**79.9**
At 29 February 2008		6.3	121.7	—	—	—	135.6	—	**263.6**
Total recognised income and expense for the year									
Profit for the year							772.6		**772.6**
Dividends paid	7						(778.2)		**(778.2)**
At 28 February 2009		**6.3**	**121.7**	**—**	**—**	**—**	**130.0**	**—**	**258.0**

*Please refer to note 31 for details of the restatement of prior year figures.

Pick n Pay Stores Limited and its subsidiaries

	Notes	GROUP 2009 Rm	GROUP 2008 Rm Restated*	COMPANY 2009 Rm	COMPANY 2008 Rm
Cash flows from operating activities					
Trading profit/(loss)		**1 686.6**	1 517.3	**(1.6)**	(2.0)
Loss on sale of equipment and vehicles		**13.7**	4.4	**—**	—
Depreciation and amortisation	2	**615.8**	481.9	**—**	—
Share options expense	4.3	**59.1**	45.2	**—**	—
Net operating lease obligations		**33.4**	31.5	**—**	—
Cash generated/(utilised) before movements in working capital		**2 408.6**	2 080.3	**(1.6)**	(2.0)
Movements in working capital		**221.0**	(489.9)	**0.2**	(0.1)
Increase/(decrease) in trade and other payables		**1 157.8**	487.2	**0.1**	(0.3)
Increase in inventory		**(415.2)**	(704.9)	**—**	—
(Increase)/decrease in trade and other receivables		**(521.6)**	(272.2)	**0.1**	0.2
Amounts received from/(advanced to) a subsidiary company	21.2	**—**	—	**5.4**	(63.1)
Cash generated by/(utilised in) trading activities		**2 629.6**	1 590.4	**4.0**	(65.2)
Interest received		**71.9**	45.0	**—**	1.3
Interest paid		**(107.5)**	(79.2)	**—**	(1.6)
Cash generated by/(utilised in) operations		**2 594.0**	1 556.2	**4.0**	(65.5)
Dividends received		**—**	—	**774.2**	671.0
Dividends paid	7	**(717.8)**	(614.9)	**(778.2)**	(672.6)
Tax paid	5.4	**(567.7)**	(504.0)	**—**	(1.2)
Net cash from/(used in) operating activities – continuing operations		**1 308.5**	437.3	**—**	(68.3)
Net cash (used in)/from operating activities – discontinued operation	18	**(56.1)**	8.5	**—**	—
Total net cash from/(used in) operating activities		**1 252.4**	445.8	**—**	(68.3)
Cash flows from investing activities					
Intangible asset additions	8.2	**(66.1)**	(157.4)	**—**	—
Property additions	9	**(52.3)**	(107.5)	**—**	—
Proceeds on disposal of property		**78.0**	50.6	**—**	—
Equipment and vehicle additions	9	**(884.1)**	(587.0)	**—**	—
Proceeds on disposal of equipment and vehicles		**21.8**	—	**—**	—
Loans advanced		**(7.9)**	(11.9)	**—**	—
Net cash used in investing activities – continuing operations		**(910.6)**	(813.2)	**—**	—
Net cash from/(used in) investing activities – discontinued operation	18	**68.9**	(9.3)	**—**	—
Total net cash used in investing activities		**(841.7)**	(822.5)	**—**	—
Cash flows from financing activities					
Debt (repaid)/raised		**(1.3)**	484.2	**—**	(11.6)
Issue of shares		**—**	79.9	**—**	79.9
Share repurchases	20.1	**(21.6)**	(299.6)	**—**	—
Proceeds from employees on settlement of share options		**31.3**	45.8	**—**	—
Net cash from financing activities – continuing operations		**8.4**	310.3	**—**	68.3
Net cash from financing activities – discontinued operation	18	**—**	—	**—**	—
Total net cash from financing activities		**8.4**	310.3	**—**	68.3
Net increase/(decrease) in cash and cash equivalents		**419.1**	(66.4)	**—**	—
Cash and cash equivalents at 1 March		**663.2**	709.1	**—**	—
Effect of exchange rate fluctuations on cash and cash equivalents		**(9.5)**	20.5	**—**	—
Cash and cash equivalents at 28 February	17	**1 072.8**	663.2	**—**	—

*Please refer to note 31 for details of the restatement of prior year figures.

Accounting policies

Pick n Pay Stores Limited and its subsidiaries

Pick n Pay Stores Limited is domiciled in South Africa. The consolidated financial statements of the Company for the year ended 28 February 2009 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in its associate, TM Supermarkets (Pvt) Limited.

The financial statements were approved by the directors and authorised for issue on 4 May 2009.

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

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

- assets held for sale measured at fair value
- derivative financial instruments at fair value through profit and loss.

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

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

STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

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

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

Note 4 – measurement of share-based payments

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

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

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

Note 11 – the impairment review undertaken in respect of our foreign associate in Zimbabwe

Note 14 – the recognition of deferred tax assets

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

Note 18 – the classification of Score Supermarkets Operating Limited as a discontinued operation

Note 22 – classification of finance leases

Note 23.5 – measurement of defined benefit obligations

Note 24 – classification of operating leases

Note 31 – changes in accounting policies specific to IAS 2 and related prior year adjustments

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements. Certain comparative amounts have been reclassified to conform with the current year's presentation (refer to note 31). In addition, the comparative income statement has been represented as if an operation discontinued during the current year had been discontinued from the start of the comparative year (refer to note 18).

BASIS OF CONSOLIDATION

Investment in subsidiaries

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

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

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

Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Associates are accounted for using the equity method and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of the associate, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

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

The Group performs an annual impairment review on its investment in its associate, TM Supermarkets (Pvt) Limited, in Zimbabwe. Although the associate is making profits in Zimbabwe, there are a number of other factors which have been taken into account in determining the fair carrying value of this investment. There is an uncertain economic and social climate in Zimbabwe and a lack of available foreign exchange. As a result, the Group is unable to remit dividends from Zimbabwe and therefore the investment is being reflected at a carrying value of Rnil.

Transactions eliminated on consolidation

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

INTANGIBLE ASSETS

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

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

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

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

Development costs

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

Intangible assets acquired and subsequent expenditure

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

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

Amortisation

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

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

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

PROPERTY, EQUIPMENT AND VEHICLES

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

Equipment, vehicles and aircraft are stated at cost less accumulated depreciation and impairment losses.

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

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

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

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

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

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

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

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

ASSETS HELD FOR SALE

Non-current assets held for sale

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

LEASES

Finance leases

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

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

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

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

Operating leases

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

Service contracts dependent on specific underlying assets

Where the Group enters into a contract that depends on the use of a specific asset and that contract conveys the right to control the specific asset, the arrangement is treated as a lease. Recognition criteria in terms of IAS 17: Leases are applied to determine whether the arrangement should be treated as a finance lease or an operating lease.

INVENTORY

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

During the year the Group reviewed its interpretation of IAS 2 in respect of the accounting of incentive income and distribution costs. Please refer to note 31 for further information on the financial effect of these changes in interpretation.

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

PROVISIONS

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

GUARANTEES

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

These financial guarantees are classified as insurance contracts as defined in IFRS 4: Insurance Contracts. A liability is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the contract and a reliable estimate can be made of the amount of the obligation. The amount recognised is the best estimate of the expenditure required to settle the contract at the balance sheet date. Where the effect of discounting is material, the liability is discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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

FINANCIAL INSTRUMENTS

Non-derivative financial instruments

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

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

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

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

The subsequent measurement of financial instruments is stated below:

Cash and cash equivalents

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

Investments

Investments are classified as available-for-sale assets. Listed investments are valued at market value, which is calculated by reference to stock exchange quoted selling prices at the close of business at the balance sheet date. Other investments are shown at fair value. Gains and losses are recognised directly in equity in the revaluation reserve.

Trade receivables and loans

Trade receivables and loans are measured at amortised cost less impairment losses.

Participation in export partnerships

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

Trade and other payables

Trade and other payables are recognised at amortised cost.

Debt

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

Derivative financial instruments

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

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

IMPAIRMENT OF ASSETS

Financial assets

The carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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

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

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

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

Non-financial assets

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

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units (or groups of units) and then to reduce the carrying value of the other assets in the unit (or groups of units) on a pro rata basis.

Calculation of recoverable amount

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

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

Reversals of impairment

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

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

SHARE CAPITAL

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

TREASURY SHARES

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

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

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

TURNOVER

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

TRADING PROFIT

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

OPERATING PROFIT

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

REVENUE RECOGNITION

Turnover

Revenue from the sale of goods is measured at the fair value of consideration received or receivable, net of returns, and is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Interest income

Interest income is recognised on a time basis, by reference to the principal amounts outstanding and at the interest rate applicable.

Dividend income

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

Incentive income

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

Lease income

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

BORROWING COSTS

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

TAX

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

Current tax

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

Deferred tax

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

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

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

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

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

Secondary tax on companies

Secondary tax on companies ("STC") on net dividends paid is recognised as a tax charge in the year it is incurred. To the extent that it is probable that STC credits will be utilised, a deferred tax asset is raised.

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency

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

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

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

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

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at the monthly weighted average rate of exchange for the year. Profits and losses arising on the translation of assets and liabilities of foreign entities are taken directly to equity and shown separately in a foreign currency translation reserve.

EMPLOYEE BENEFITS

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

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

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

Share-based payment transactions

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

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

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

Retirement benefits

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

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

Defined-contribution plans

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

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

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

Defined-benefit plans

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

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

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

Actuarial gains and losses are recognised in the income statement as incurred.

ONEROUS CONTRACTS

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

CAPITALISATION SHARE AWARDS AND CASH DIVIDENDS

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

EARNINGS PER SHARE

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

DISCONTINUED OPERATIONS

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

SEGMENTAL REPORTING

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

Notes to the annual financial statements

for the year ended 28 February 2009

Pick n Pay Stores Limited and its subsidiaries

	GROUP 2009 Rm	GROUP 2008 Rm Restated*	COMPANY 2009 Rm	COMPANY 2008 Rm
1. REVENUE				
Revenue as previously reported		47 466.5		
Prior year adjustments:				
Discontinued operation (note 31.1)		(2 950.4)		
Changes in accounting policy (note 31.2)		(1 838.9)		
Revenue as restated	**50 135.8**	42 677.2	**774.2**	672.3
Comprising:				
Turnover	**49 862.1**	42 474.3	**—**	—
Interest received	**71.9**	45.0	**—**	1.3
Dividends received	**—**	—	**774.2**	671.0
Other trading income	**201.8**	157.9	**—**	—
Franchise fee income	**166.4**	120.6	**—**	—
Property lease income	**35.4**	37.3	**—**	—
2. OPERATING PROFIT/(LOSS)				
Operating profit/(loss) is stated after taking into account the following expenses/(income):				
Auditors' remuneration	**8.4**	6.5		
Audit	**6.5**	5.5		
Other	**1.9**	1.0		
Amortisation of intangible assets	**57.3**	28.4		
Depreciation	**558.5**	453.5		
Land and buildings – owned	**20.8**	23.8		
Furniture and fittings, computer equipment and vehicles – owned	**502.1**	398.7		
Equipment and vehicles – leased	**29.6**	25.0		
Aircraft	**6.0**	6.0		
Interest received – cash balances	**(71.9)**	(45.0)		
Interest paid	**107.5**	79.2		
Finance leases	**17.4**	12.8		
Overdrafts	**34.6**	22.5		
Loans	**55.5**	43.9		
Inventory – movement in provision for impairment	**(4.7)**	(8.5)		
Operating lease charges	**819.1**	741.7		
Property – minimum lease payments	**791.9**	720.3		
– turnover clause payments	**27.2**	21.4		
Leases contained within service agreements	**59.9**	54.5		
Contributions to defined-contribution plans	**249.6**	189.0		

*Please refer to note 31 for details of the restatement of prior year figures.

3. DIRECTORS' REMUNERATION AND INTEREST IN SHARES

3.1 Directors' remuneration

Directors' remuneration in the Group financial statements, as paid by a subsidiary company, is detailed below.

	Fees for board meetings R'000	Fees for committee and other work R'000	Remuneration R'000	Retirement and medical contributions R'000	Performance bonus* R'000	Fringe and other benefits R'000	Cash total R'000	IFRS 2: expense relating to share options granted R'000
2009								
Non-executive directors								
Gareth Ackerman**	240.0	270.0					510.0	
René de Wet**^	50.0						50.0	
Hugh Herman**	240.0	180.0					420.0	
Constance Nkosi	240.0	50.0					290.0	
David Robins***	—	—	480.0	96.4	—	1 550.3	2 126.7	(1 020.3)
Ben van der Ross	240.0	80.0					320.0	
Jeff van Rooyen	240.0	200.0					440.0	
	1 250.0	780.0	480.0	96.4	—	1 550.3	4 156.7	(1 020.3)
Executive directors								
Raymond Ackerman**	1.5	—	2 700.0	30.3	—	220.2	2 952.0	—
Wendy Ackerman**	1.5	—	600.8	—	200.0	103.6	905.9	—
Nick Badminton	1.5	—	3 030.0	537.8	3 000.0	253.1	6 822.4	3 949.2
Dennis Cope	1.5	—	1 647.0	319.5	1 600.0	248.3	3 816.3	704.3
	6.0	—	7 977.8	887.6	4 800.0	825.2	14 496.6	4 653.5
Total remuneration	1 256.0	780.0	8 457.8	984.0	4 800.0	2 375.5	18 653.3	3 633.2
2008								
Non-executive directors								
Gareth Ackerman**	240.0	330.0					570.0	
René de Wet**^	240.0	190.0					430.0	
Hugh Herman**	240.0	190.0					430.0	
Constance Nkosi	240.0	50.0					290.0	
David Nurek^	240.0	320.0					560.0	
Ben van der Ross	240.0	140.0					380.0	
Jeff van Rooyen	240.0	200.0					440.0	
	1 680.0	1 420.0	—	—	—	—	3 100.0	—
Executive directors								
Raymond Ackerman**	1.5	—	2 655.5	27.8	—	235.2	2 920.0	—
Wendy Ackerman**	1.5	—	557.6	—	150.0	102.1	811.2	—
Nick Badminton	1.5	—	2 670.0	572.7	300.0	278.1	3 822.3	3 293.0
Dennis Cope	1.5	—	1 522.5	351.8	250.0	214.1	2 339.9	763.7
David Robins	1.5	—	1 416.0	334.3	240.0	211.3	2 203.1	560.5
	7.5	—	8 821.6	1 286.6	940.0	1 040.8	12 096.5	4 617.2
Total remuneration	1 687.5	1 420.0	8 821.6	1 286.6	940.0	1 040.8	15 196.5	4 617.2

* The performance bonus relates to the amount provided for in the current financial year.
** Also directors of Pick n Pay Holdings Limited.
*** David Robins retired as an executive director effective 11 June 2008. From 1 March 2008 to 11 June 2008 he received a salary in his capacity as an executive director. Fringe and other benefits include an amount of R1 488.1 in respect of an early retirement settlement. The reversal of the IFRS2 charge relates to the share options forfeited.
^ Retired from the Pick n Pay Stores board effective 30 April 2008.

Pick n Pay Stores Limited and its subsidiaries

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

3.2 Share options in the Company held by directors

1997 Share Option Scheme

	Year granted	Option grant (strike) price R	Balance held at 1 March 2008	Granted during the year	Taken up in year at grant price	Forfeited during the year	Balance held at 28 February 2009	Value of options exercised* Rm	Available for take-up
Nick Badminton	2003	10.00	100 000				**100 000**		Now
	2003	10.00	100 000				**100 000**		May 2009
	2005	16.00	75 000				**75 000**		Now
	2006	20.70	120 773				**120 773**		Now
	2006	22.30	500 000**				**500 000**		June 2010
	2007	28.00	32 143				**32 143**		Now
	2007	28.00	24 107				**24 107**		April 2009
	2007	28.00	24 107				**24 107**		April 2010
	2007	29.95	200 000				**200 000**		January 2010
	2007	29.95	150 000				**150 000**		January 2012
	2007	29.95	150 000				**150 000**		January 2014
	2007	29.95	500 000				**500 000**		January 2012
	2008	31.15	32 103				**32 103**		April 2009
	2008	31.15	24 077				**24 077**		April 2010
	2008	31.15	24 077				**24 077**		April 2011
	2009	26.56	—	4 519			**4 519**		May 2010
	2009	26.56	—	3 389			**3 389**		May 2011
	2009	26.56	—	3 388			**3 388**		May 2012
	2009	26.84	—	250 000			**250 000**		October 2011
	2009	26.84	—	250 000			**250 000**		October 2013
	2009	26.84	—	250 000			**250 000**		October 2015
			2 056 387	761 296	—	—	**2 817 683**	—	
Dennis Cope	2004	12.00	150 000		(150 000)		**—**	2.8	
	2004	12.00	100 000				**100 000**		April 2010
	2005	16.00	40 625				**40 625**		Now
	2006	20.70	48 309				**48 309**		Now
	2006	22.30	250 000**				**250 000**		June 2010
	2007	28.00	12 857				**12 857**		Now
	2007	28.00	9 643				**9 643**		April 2009
	2007	28.00	9 643				**9 643**		April 2010
	2008	31.15	12 841				**12 841**		April 2009
	2008	31.15	9 631				**9 631**		April 2010
	2008	31.15	9 631				**9 631**		April 2011
	2009	26.56	—	6 025			**6 025**		May 2010
	2009	26.56	—	4 519			**4 519**		May 2011
	2009	26.56	—	4 518			**4 518**		May 2012
			653 180	15 062	(150 000)	—	**518 242**	2.8	

*The value of options exercised is equal to the market value of the shares on the date taken up less the purchase price of those options.
**The exercising of these options is subject to specific performance criteria relating to the growth of the Company's share price over the term of the option.

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

3.2 Share options in the Company held by directors

1997 Share Option Scheme *(continued)*

	Year granted	Option grant (strike) price R	Balance held at 1 March 2008	Granted during the year	Taken up in year at grant price	Forfeited during the year	**Balance held at 28 February 2009**	Value of options exercised* Rm	Available for take-up
David Robins***	2004	12.00	41 667				**41 667**		Now
	2005	16.00	25 000				**25 000**		Now
	2006	20.70	28 986				**28 986**		Now
	2006	22.30	200 000**			(200 000)	**—**		—
	2007	28.00	7 857				**7 857**		Now
	2007	28.00	5 893				**5 893**		Now
	2007	28.00	5 893			(5 893)	**—**		—
	2008	31.15	7 705				**7 705**		Now
	2008	31.15	5 778			(5 778)	**—**		—
	2008	31.15	5 779			(5 779)	**—**		—
			334 558	—	—	(217 450)	**117 108**	—	

*The value of options exercised is equal to the market value of the shares on the date taken up less the purchase price of those options.
**The exercising of these options is subject to specific performance criteria relating to the growth of the Company's share price over the term of the option.
***All options were issued to David Robins while in his capacity as an executive director.

For directors' share options in Pick n Pay Holdings Limited refer to page 118.

3.3 Directors' direct interest in shares – all held beneficially

	Balance held at 1 March 2008	Additions during the year	Average purchase price per share R	Disposals during the year	Average selling price per share R	**Balance held at 28 February 2009**
Gareth Ackerman	43	—	—	—	—	**43**
Raymond Ackerman	43	—	—	—	—	**43**
Wendy Ackerman	43	—	—	—	—	**43**
Nick Badminton	878 408	—	—	—	—	**878 408**
Dennis Cope	828 480	150 000	12.00	—	—	**978 480**
David Robins	333 604	—	—	—	—	**333 604**

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

4. SHARE-BASED PAYMENTS

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

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

All options are granted at a 5% discount (10% discount in prior year) to the volume-weighted average market price (VWAP) for the 20 trading days preceding the option grant date.

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

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

The Scheme grants the following options to employees:

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

Service share options may be taken up immediately on granting.

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

Status share options may be taken up in three tranches as follows:
40% after 3 years
30% after 5 years
30% after 7 years

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

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

		COMPANY 2009 Number of options 000's	COMPANY 2008 Number of options 000's
4. SHARE-BASED PAYMENTS *(continued)*			
4.1 Outstanding share options			
Movement in the total number of share options granted is as follows:			
At 1 March		**32 891.5**	29 478.4
New options granted*		**15 969.8**	7 201.7
Options taken up**		**(2 891.0)**	(3 042.8)
Options forfeited		**(1 180.6)**	(745.8)
At 28 February		**44 789.7**	32 891.5
Outstanding options may be taken up during the following financial years:			
Year	**Average grant price**		
2010	R21.35	**21 548.0**	
2011	R26.54	**5 351.0**	
2012	R29.34	**3 335.3**	
2013	R26.95	**3 755.5**	
2014 and thereafter	R27.27	**10 799.9**	
		44 789.7	
Percentage of issued shares		**8.8%**	6.5%
Options available for granting under current authorisation		**22 526.1**	34 424.3
*Average grant price of options granted during the year		**R26.44**	R30.96
**Average grant price of options taken up during the year		**R11.28**	R10.85

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

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

	2009 Number of shares 000's	2008 Number of shares 000's
The Employee Share Purchase Trust, which administers the 1997 Employee Share Option Scheme, holds the following number of ordinary shares:		
As a hedge against share options granted or to be granted by that Scheme, reflected as treasury shares	**7 614.6**	9 723.7
On behalf of share purchase scheme participants	**189.1**	223.4
	7 803.7	9 947.1

4. SHARE-BASED PAYMENTS *(continued)*

4.2 Fair value

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

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

Financial year of grant	Options granted	Number of options granted 000's	Expected life of options Years	Share price at grant date	Grant price	Expected volatility[a]	Expected dividend yield[b]	Risk-free rate[c]
2003	PIK	617.6	4 – 8	R12.15 – R13.90	R11.00 – R12.50	39.74 – 39.78	3.32 – 3.70	9.88 – 10.52
2004	PWK	862.4	1 – 8	R5.43 – R5.85	R5.10 – R5.25	19.34 – 41.65	3.24 – 5.66	9.67 – 10.96
2004	PIK	5 232.3	2 – 8	R11.67 – R16.35	R10.50 – R14.85	30.66 – 39.78	3.79 – 3.86	8.70 – 10.62
2005	PIK	4 381.5	2 – 8	R17.16 – R23.10	R16.00 – R21.00	28.48 – 39.33	3.76 – 4.32	7.58 – 9.95
2006	PIK	12 969.7	2 – 8	R23.25 – R31.00	R21.00 – R27.90	22.61 – 35.94	3.80 – 4.23	7.15 – 8.01
2007	PWK	860.8	1	R14.84	R13.25	18.94	3.98	8.37
2007	PIK	5 866.5	2 – 7	R25.80 – R34.10	R25.00 – R29.75	22.35 – 35.50	3.65 – 4.34	6.97 – 8.70
2008	PWK	708.8	1	R14.84	R13.25	19.41	3.98	8.37
2008	PIK	7 201.7	2 – 8	R32.15 – R38.22	R29.75 – R33.95	23.00 – 39.78	3.61 – 3.70	7.40 – 8.86
2009	PWK	787.0	1	R12.90	R11.33	20.56	4.31	9.94
2009	PIK	15 969.8	3 – 10	R26.00 – R38.05	R24.15 – R33.95	22.78 – 42.29	3.10 – 4.35	7.16 – 13.46

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

		GROUP 2009 Rm	GROUP 2008 Rm
4.3	**Share-based payment expense**		
	Total expensed to date – 1 March	**113.2**	68.0
	Share options expense for the year	**59.1**	45.2
	Total expensed to date – 28 February	**172.3**	113.2
	At 28 February, the share options expense to be recognised in future financial years, in respect of all options granted since 2003, is:		
	Within 1 year	**56.9**	41.0
	Within 2 to 5 years	**94.1**	66.5
	After 5 years	**18.2**	3.7
	Total expense still to be recognised	**169.2**	111.2
	Total financial impact of share-based payments	**341.5**	224.4

	GROUP 2009 Rm	GROUP 2008 Rm Restated*	COMPANY 2009 Rm	COMPANY 2008 Rm
5. TAX				
5.1 Tax recognised in the income statement				
South African normal tax				
– current year	**484.0**	470.6	**—**	—
– prior year (over)/under provision	**(0.7)**	1.9	**—**	1.9
Deferred tax (note 14)				
– current year	**13.0**	11.1	**—**	—
Secondary tax on companies				
– current year	**71.7**	72.7	**—**	—
	568.0	556.3	**—**	1.9
Comprising:				
As previously stated		557.6		
Prior year adjustment (note 31.2)		(1.3)		
5.2 Tax recognised directly in equity				
Tax effect of share incentive transactions recorded directly in equity	**(54.1)**	—	**—**	—
	%	%	**%**	%
5.3 Statutory tax rate	**28.0**	29.0	**28.0**	29.0
Exempt income	**(2.8)**	(1.4)	**(28.1)**	(29.1)
Secondary tax on companies	**4.1**	4.9	**—**	—
Non-deductible share options expense	**1.0**	0.9	**—**	—
Other non-deductible expenditure	**0.5**	0.8	**0.1**	0.1
Impairment of investment	**—**	0.2	**—**	—
Change in future tax rate	**—**	0.3	**—**	—
Net prior year (over)/under provision	**(0.1)**	0.1	**—**	0.3
Other	**2.0**	1.8	**—**	—
Effective tax rate	**32.7**	36.6	**—**	0.3
	Rm	Rm	**Rm**	Rm
5.4 Tax paid comprises:				
Owing – 1 March as previously stated		225.5		
Prior year adjustment (note 31.2)		(16.6)		
Owing to/(due from) – 1 March as restated	**249.4**	208.9	**(1.9)**	(2.6)
Movement through income statement				
Current tax charge	**483.3**	472.5	**—**	1.9
Secondary tax on companies	**71.7**	72.7	**—**	—
Movement through equity				
Tax effect of share incentive transactions recorded directly in equity	**(54.1)**	—	**—**	—
(Owing to)/due from – 28 February	**(181.4)**	(249.4)	**1.9**	1.9
Total tax paid	**568.9**	504.7	**—**	1.2
Comprising:				
Continuing operations	**567.7**	504.0	**—**	1.2
Discontinued operation	**1.2**	0.7	**—**	—

*Please refer to note 31 for details of the restatement of prior year figures.

Pick n Pay Stores Limited and its subsidiaries

	GROUP 2009 Cents per share	GROUP 2008 Cents per share Restated*
6. BASIC, HEADLINE AND DILUTED EARNINGS/(LOSSES) PER SHARE		
Basic (note 6.1)	**222.23**	205.43
Continuing operations	**247.35**	212.31
Discontinued operation	**(25.12)**	(6.88)
Headline (note 6.1)	**208.19**	198.06
Continuing operations	**232.48**	204.94
Discontinued operation	**(24.29)**	(6.88)
Diluted basic (note 6.2)	**220.45**	195.75
Continuing operations	**245.37**	202.30
Discontinued operation	**(24.92)**	(6.55)
Diluted headline (note 6.2)	**206.53**	188.73
Continuing operations	**230.62**	195.28
Discontinued operation	**(24.09)**	(6.55)
6.1 Basic and headline earnings per share	**Rm**	Rm
The calculation of basic earnings (profit for the year) per share and headline earnings per share is based on:		
Basic earnings (profit for the year)	**1 048.3**	933.4
Headline earnings	**982.1**	899.9
and:	**Number of shares 000's**	Number of shares 000's
The weighted average number of ordinary shares in issue during the year	**471 728.2**	454 369.2
Reconciliation between basic and headline earnings:	**Rm**	Rm
Basic earnings (profit for the year)	**1 048.3**	933.4
Adjustments (net of tax):	**(66.2)**	(33.5)
Loss on sale of equipment and vehicles	**13.7**	4.4
Loss on sale of equipment and vehicles – discontinued operation	**3.9**	—
Profit on sale of property	**(68.7)**	—
Profit on sale of stores	**(15.1)**	(47.0)
Impairment of investment in associate	**—**	9.1
Headline earnings	**982.1**	899.9
	Number of shares 000's	Number of shares 000's
Movement in the weighted average number of ordinary shares in issue comprises:		
At 1 March	**454 369.2**	456 137.4
Effect of current year share issue	**—**	3 287.7
Effect of prior year share issue	**16 712.3**	—
Effect of current year share repurchases by the share trust	**(288.5)**	(6 337.0)
Effect of share sales on the take-up of share options	**1 343.0**	1 422.8
Prior year net share repurchases now fully weighted	**(407.8)**	(141.7)
At 28 February	**471 728.2**	454 369.2

*Please refer to note 31 for details of the restatement of prior year figures.

	GROUP	
	2009 Rm	2008 Rm Restated*
6. BASIC, HEADLINE AND DILUTED EARNINGS/(LOSSES) PER SHARE *(continued)*		
6.2 Diluted basic and headline earnings per share		
The calculation of diluted basic earnings per share and diluted headline earnings per share is based on:		
Diluted basic earnings	**1 048.3**	934.4
Diluted headline earnings	**982.1**	900.9
and:	**Number of shares 000's**	Number of shares 000's
The diluted weighted average number of ordinary shares in issue during the year	**475 533.9**	477 305.8
	Rm	Rm
Reconciliation between basic and diluted basic earnings:		
Basic earnings (profit for the year)	**1 048.3**	933.4
Debenture interest after tax	**—**	1.0
Diluted basic earnings	**1 048.3**	934.4
Headline earnings adjustments (note 6.1)	**(66.2)**	(33.5)
Diluted headline earnings	**982.1**	900.9
	Number of shares 000's	Number of shares 000's
Reconciliation of the weighted average number of ordinary shares in issue for diluted earnings per share:		
Weighted average number of ordinary shares in issue (note 6.1)	**471 728.2**	454 369.2
Shares issued on conversion of debentures	**—**	16 712.3
Dilutive effect of share options	**3 805.7**	6 224.3
Weighted average number of ordinary shares in issue for purposes of calculating diluted earnings per share	**475 533.9**	477 305.8
Refer to note 19 for the number of shares in issue.		

	GROUP AND COMPANY	
	2009 Cents per share	2008 Cents per share
7. DIVIDENDS		
Number 80 – declared 21 April 2008 – paid 17 June 2008	**118.00**	107.25
Number 81 – declared 20 October 2008 – paid 15 December 2008	**35.75**	31.10
Total dividends for the year – Company	**153.75**	138.35
	Rm	Rm
Total dividends paid by the Company	**778.2**	672.6
Dividends paid to Group entities	**(60.4)**	(57.7)
Total dividends paid outside the Group	**717.8**	614.9

*Please refer to note 31 for details of the restatement of prior year figures.

Pick n Pay Stores Limited and its subsidiaries

		GROUP 2009 Rm	GROUP 2008 Rm
8.	**INTANGIBLE ASSETS**		
8.1	**Goodwill**		
	At 1 March	**857.5**	714.3
	Foreign currency translation effect	**(65.7)**	143.2
	Carrying value at 28 February	**791.8**	857.5
	Comprising:		
	Boxer group	**137.1**	137.1
	Franklins group	**654.7**	720.4

In accordance with the Group's accounting policies, an impairment test of goodwill has been performed. The cash-generating units to which goodwill has been allocated have been identified as subsidiaries.

The recoverable amounts for both Boxer and Franklins were based on the value in use.

The results of a detailed five year cash flow forecast, together with a terminal cash flow estimate, discounted at 10% per annum after tax, did not identify any impairment in goodwill.

		GROUP 2009 Rm	GROUP 2008 Rm
8.2	**Software development**		
	Cost		
	At 1 March – as previously stated		204.0
	Correction of classification of computer equipment (note 31.4)		(31.4)
	At 1 March – as restated	**349.1**	172.6
	Additions	**66.1**	163.0
	Continuing operations	**66.1**	157.4
	Discontinued operation	**—**	5.6
	Foreign currency translation effect	**(7.7)**	13.5
	At 28 February	**407.5**	349.1
	Accumulated amortisation		
	At 1 March	**50.7**	13.7
	Amortisation charge for the year	**57.9**	32.7
	Continuing operations	**57.3**	28.4
	Discontinued operation	**0.6**	4.3
	Foreign currency translation effect	**(2.9)**	4.3
	At 28 February	**105.7**	50.7
	Carrying value at 28 February	**301.8**	298.4
	Total intangible assets	**1 093.6**	1 155.9

	Land and buildings Rm	Furniture and fittings, computer equipment and vehicles Rm	Aircraft Rm	Total 2009 Rm
	GROUP			
9. PROPERTY, EQUIPMENT AND VEHICLES				
2009				
Cost				
At 1 March 2008	938.0	4 385.6	70.4	**5 394.0**
Additions	52.3	884.1	—	**936.4**
Transferred to held for sale	—	(539.5)	—	**(539.5)**
Disposals	(19.9)	(330.7)	—	**(350.6)**
Foreign currency translation	(6.9)	(65.4)	—	**(72.3)**
At 28 February 2009	963.5	4 334.1	70.4	**5 368.0**
Accumulated depreciation				
At 1 March 2008	89.4	2 478.9	23.2	**2 591.5**
Transferred to held for sale	—	(476.9)	—	**(476.9)**
Disposals	(10.6)	(237.5)	—	**(248.1)**
Depreciation charge for the year	20.8	573.4	6.0	**600.2**
Continuing operations	20.8	531.7	6.0	**558.5**
Discontinued operation	—	41.7	—	**41.7**
Foreign currency translation	—	(35.7)	—	**(35.7)**
At 28 February 2009	99.6	2 302.2	29.2	**2 431.0**
Carrying value at 28 February 2009	863.9	2 031.9	41.2	**2 937.0**
Owned	863.9	1 893.5	41.2	**2 798.6**
Leased*	—	138.4	—	**138.4**
Directors' valuation of property at 28 February 2009	1 318.1			
2008				
Cost				
At 1 March 2007	817.8	3 753.7	70.4	**4 641.9**
Additions	107.5	590.7	—	**698.2**
Continuing operations	107.5	587.0	—	**694.5**
Discontinued operation	—	3.7	—	**3.7**
Correction of classification of computer equipment (note 31.4)	—	31.4	—	**31.4**
Disposals	—	(114.2)	—	**(114.2)**
Foreign currency translation	12.7	124.0	—	**136.7**
At 29 February 2008 (restated)	938.0	4 385.6	70.4	**5 394.0**
Accumulated depreciation				
At 1 March 2007	65.6	2 033.9	17.2	**2 116.7**
Disposals	—	(106.1)	—	**(106.1)**
Depreciation charge for the year	23.8	485.7	6.0	**515.5**
Continuing operations	23.8	423.7	6.0	**453.5**
Discontinued operation	—	62.0	—	**62.0**
Foreign currency translation	—	65.4	—	**65.4**
At 29 February 2008	89.4	2 478.9	23.2	**2 591.5**
Carrying value at 29 February 2008	848.6	1 906.7	47.2	**2 802.5**
Owned	848.6	1 770.1	47.2	**2 665.9**
Leased*	—	136.6	—	**136.6**
Directors' valuation of property at 29 February 2008	1 230.6			

Property with a carrying value of R582.1 million (directors' valuation – R797.9 million) is provided as security for long-term borrowings (refer to note 22).

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

*Leased equipment and vehicles secure lease liabilities disclosed in note 22.

Pick n Pay Stores Limited and its subsidiaries

	GROUP AND COMPANY 2009 Rm	2008 Rm
10. INVESTMENTS		
Unlisted shares at fair value		
Business Partners Limited	**0.2**	0.2
Total investments at 28 February	**0.2**	0.2
Directors' valuation of unlisted investments	**2.5**	2.2

		GROUP 2009	2008
11. INVESTMENT IN ASSOCIATE	**Country**	**Ownership**	Ownership
The Group has the following investment in an associate:			
TM Supermarkets (Pvt) Limited	Zimbabwe	**25%**	25%
		Rm	Rm
At 1 March		**—**	9.1
Current share of profit		**—**	—
Impairment recognised		**—**	(9.1)
At 28 February		**—**	—
Comprising:			
Cost of investment		**5.0**	5.0
Share of post-acquisition profits		**68.1**	68.1
Impairment recognised		**(73.1)**	(73.1)
Summary financial information of TM Supermarkets (Pvt) Limited – now presented in US dollars (comparative figures have not been provided as no meaningful US dollar amounts could be determined)		**100%**	
		US$m	
Assets		**13.3**	
Liabilities		**6.2**	
Equity		**7.1**	
Turnover		**15.2**	
Profit for the year		**1.4**	

Due to the uncertain economic, political and social climate in Zimbabwe, an annual impairment review is performed on the value of the Group's investment in TM Supermarkets (Pvt) Limited. In the prior year this investment was fully impaired down to a value of Rnil. Currently there is no evidence to support carrying this investment at a value exceeding Rnil. The Group is still unable to remit any dividends from Zimbabwe due to the lack of available foreign exchange.

	GROUP 2009 Rm	GROUP 2008 Rm
12. LOANS		
The following loans have been advanced by subsidiary companies:		
Employees		
Executive directors		
At 1 March	**1.2**	0.8
Advanced	**—**	0.6
Repaid	**(0.4)**	(0.2)
At 28 February	**0.8**	1.2
Other employees	**127.6**	119.1
Loans to participants of the share purchase scheme	**0.6**	1.3
Total employee loans	**129.0**	121.6
Holding company loan	**(0.4)**	(0.9)
Total loans at 28 February	**128.6**	120.7

Loans to directors and employees are secured, bear interest at varying rates subject to a maximum rate of 8% (2008: 8%) per annum and have varying repayment terms. Loans to employees from the Employee Share Purchase Trust are payable within 10 years from the date of advance.

13. PARTICIPATION IN EXPORT PARTNERSHIPS

A subsidiary company participated in various export partnerships, whose business was the purchase and export sale of marine containers. The partnerships bought and sold such containers in terms of long-term suspensive purchase and credit sale agreements respectively, with repayment terms usually over a 10 to 15-year period.

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

	GROUP 2009 Rm	GROUP 2008 Rm
At 28 February	**57.9**	61.5

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

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

Pick n Pay Stores Limited and its subsidiaries

	GROUP 2009 Rm	GROUP 2008 Rm Restated*
14. DEFERRED TAX		
The movement in deferred tax is as follows:		
At 1 March – as previously stated		151.2
Prior year adjustment (note 31.3)		(18.8)
At 1 March – as restated	**105.8**	132.4
Recognised in the income statement	**(13.0)**	(11.1)
Participation in export partnerships	**4.2**	4.7
Property, equipment and vehicles	**(27.4)**	(2.3)
Operating leases	**7.2**	7.6
Retirement benefits	**(11.4)**	(23.2)
Prepayments	**0.6**	10.0
Allowance for impairment losses	**9.1**	(3.8)
Income and expense accruals	**4.7**	0.3
Effect of change in tax rate	**—**	(4.4)
Tax effect of foreign currency translations recognised directly in equity	**7.0**	(15.5)
As previously stated		3.5
Prior year adjustment (note 31.3)		(19.0)
At 28 February	**99.8**	105.8
Comprising:		
Participation in export partnerships	**(59.5)**	(63.7)
Property, equipment and vehicles	**(48.2)**	(20.8)
Operating leases	**156.8**	149.6
Retirement benefits	**2.3**	13.7
Prepayments	**(4.2)**	(4.8)
Allowance for impairment losses	**10.7**	1.6
Income and expense accruals	**68.7**	64.0
Foreign currency translation	**(26.8)**	(33.8)
Total deferred tax asset	**99.8**	105.8

In respect of Score Supermarkets Operating Limited Group and InterFrank Group Holdings Pty Limited (Franklins) in Australia, there are approximately R211.5 million and R406.9 million respectively, of estimated tax losses available for set-off against future taxable income, for which no deferred tax assets have been raised.

	GROUP 2009 Rm	GROUP 2008 Rm Restated*
15. INVENTORY		
As previously stated		3 101.4
Prior year adjustment (note 31.2)		(72.9)
At 28 February – as restated	**3 334.5**	3 028.5
Inventory comprises:		
Merchandise for resale	**3 308.2**	3 018.7
Consumables	**26.3**	9.8
	3 334.5	3 028.5

*Please refer to note 31 for details of the restatement of prior year figures.

	GROUP		COMPANY	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
16. TRADE AND OTHER RECEIVABLES				
Trade and other receivables comprise:				
Trade receivables	**1 610.1**	1 178.3	**—**	—
Allowance for impairment losses	**(50.7)**	(7.6)	**—**	—
	1 559.4	1 170.7	**—**	—
Outstanding deposits	**90.3**	—	**—**	—
Prepayments	**119.8**	73.2	**—**	0.1
	1 769.5	1 243.9	**—**	0.1
17. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents comprise:				
Cash balances	**1 221.9**	1 401.7		
Bank overdraft	**(149.1)**	(738.5)		
	1 072.8	663.2		

The bank overdraft is secured by an unlimited suretyship given by the Company and certain subsidiary companies.

18. DISCONTINUED OPERATION

The Group has committed to the closure of its subsidiary, Score Supermarkets Operating Limited (Score). The Score stores will be closed and the property, equipment and vehicles sold. Many of the sites will be sub-let to black franchisees and will be converted into Pick n Pay Family Franchise stores. The closure of the Score operation will be predominantly complete by 28 February 2010 and will result in the discontinuation of the Score brand.

Score has been presented as a discontinued operation in the financial year to 28 February 2009 and the comparative information has been restated accordingly. Previously Score was reflected as a part of the Southern African segment within the segmental report.

The salient financial information of Score is as follows:

	GROUP	
	2009 Rm	2008 Rm
Income statement		
Revenue	**2 073.0**	2 910.3
Turnover	**2 070.8**	2 906.4
Trading expenses	**512.4**	606.4
Loss on sale of equipment and vehicles	**3.9**	—
Trading loss for the year	**123.0**	35.2
Loss for the year	**118.5**	31.3
Loss from operations	**109.4**	31.3
Losses recognised on the remeasurement of the carrying value of assets	**9.1**	—
Balance sheet		
Non-current assets	**14.3**	182.2
Intangible assets	**0.8**	1.4
Property, equipment and vehicles	**—**	177.0
Loans	**2.4**	3.8
Operating lease asset	**11.1**	—
Current assets	**301.7**	306.8
Inventory	**157.2**	266.3
Trade and other receivables	**20.4**	15.1
Cash and cash equivalents	**61.5**	25.4
Assets held for sale*	**62.6**	—
Total assets	**316.0**	489.0
Equity		
Capital and reserves	**(12.3)**	85.1
Non-current liabilities		
Operating lease liability	**55.8**	54.9
Current liabilities	**272.5**	349.0
Trade and other payables	**271.9**	348.9
Tax	**0.6**	0.1
Total equity and liabilities	**316.0**	489.0
Cash flow statement		
Net cash (used in)/from operating activities	**(56.1)**	8.5
Net cash from/(used in) investing activities	**68.9**	(9.3)
Net cash from financing activities	**—**	—
Inter-company rental and interest eliminated on consolidation	**23.3**	—
Net increase/(decrease) in cash and cash equivalents	**36.1**	(0.8)

*Assets held for sale include fixed assets only. All other assets and liabilities will be received and paid in the ordinary course of trade.

	GROUP AND COMPANY 2009 Rm	2008 Rm
19. SHARE CAPITAL		
Authorised		
800 000 000 ordinary shares of 1.25 cents each	**10.0**	10.0
Issued		
506 133 882 ordinary shares of 1.25 cents each	**6.3**	6.3
The movement in the number of shares in issue during the year is as follows:	**Number of shares 000's**	Number of shares 000's
At 1 March	**506 133.9**	486 133.9
Shares issued on conversion of debentures	**—**	20 000.0
At 28 February	**506 133.9**	506 133.9
Number of shares in issue at 28 February is made up as follows:		
Treasury shares held in the share trust (note 20.2)	**7 614.6**	9 723.7
Treasury shares held in a subsidiary company (note 20.2)	**25 736.6**	25 736.6
	33 351.2	35 460.3
Shares held outside the Group	**472 782.7**	470 673.6
At 28 February	**506 133.9**	506 133.9

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

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

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

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

Pick n Pay Stores Limited and its subsidiaries

	GROUP 2009 Rm	2008 Rm
20. TREASURY SHARES		
20.1 Treasury shares comprise Pick n Pay Stores Limited and Pick n Pay Holdings Limited shares held by subsidiary companies and the share trust.		
At 1 March	**814.3**	630.2
Share repurchases	**21.6**	299.6
Take-up of share options by employees	**(92.3)**	(115.5)
At 28 February	**743.6**	814.3
Comprises:		
Pick n Pay Stores Limited shares	**689.2**	759.9
Pick n Pay Holdings Limited shares	**54.4**	54.4

	Number of shares 000's (2009)	Number of shares 000's (2008)
20.2 The movement in the number of treasury shares held is as follows:		
Pick n Pay Stores Limited		
At 1 March	**35 460.3**	30 138.2
Shares purchased during the year	**576.9**	8 336.4
Shares sold during the year pursuant to the take-up of share options by employees	**(2 686.0)**	(3 014.3)
At 28 February	**33 351.2**	35 460.3
Comprises:		
Shares held by share trust	**7 614.6**	9 723.7
Shares held by a subsidiary company	**25 736.6**	25 736.6
Average purchase price of shares purchased during the year	**R33.45**	R35.09
Average purchase price of shares held at year-end	**R20.66**	R21.43
Pick n Pay Holdings Limited		
At 1 March	**12 908.6**	16 300.5
Shares purchased during the year	**330.4**	650.6
Shares sold during the year, pursuant to the take-up of share options by employees	**(1 112.3)**	(4 042.5)
At 28 February	**12 126.7**	12 908.6
Comprises:		
Shares held by share trust	**10 418.5**	11 228.3
Shares held by a subsidiary company	**1 708.2**	1 680.3
Average purchase price of shares purchased during the year	**R13.92**	R15.22
Average purchase price of shares held at year-end	**R4.49**	R4.21

	COMPANY 2009 Rm	2008 Rm
21. INTEREST IN SUBSIDIARIES		
21.1 Investment in subsidiaries		
Shares at cost		
Trading	**37.5**	37.5
Guardrisk Insurance Company Limited "A122 ordinary shares"		
Pick n Pay Retailers (Pty) Limited		
Pick n Pay Garages (Pty) Limited		
Pick n Pay Franchise Financing (Pty) Limited		
The Pick n Pay Employee Share Purchase Trust		
Raymond Ackerman Holdings Limited		
Property owning	**0.5**	0.5
Alstar (Pty) Limited		
Carrefour (Pty) Limited		
Pick n Pay (Bellville) (Pty) Limited		
Pick n Pay (Mitchells Plain) Limited		
Pick n Pay (Newton Park) (Pty) Limited		
Pick n Pay (Steelpark) (Pty) Limited		
Pick n Pay Wholesalers (Pty) Limited		
Pick n Pay Wholesalers (Transvaal) (Pty) Limited		
Dormant companies	**0.3**	0.3
Total investment in subsidiaries	**38.3**	38.3
21.2 Amount owing by a subsidiary company		
At 1 March	**224.9**	161.8
(Amounts received)/advances made during the year	**(5.4)**	63.1
At 28 February	**219.5**	224.9
The loan is unsecured, bears interest at rates determined from time to time and is repayable on 13 months' notice.		
Total interest in subsidiaries	**257.8**	263.2
Investments held by other Group subsidiaries:		
Pick n Pay (Gabriel Road) (Pty) Limited		
Pick n Pay Namibia (Pty) Limited (registered in Namibia)		
Pick n Pay (Steeledale) (Pty) Limited		
Boxer Holdings (Pty) Limited		
Boxer Superstores (Pty) Limited		
Boxer Fresh Meats (Pty) Limited		
Mfolozi Properties (Pty) Limited		
KwaZulu Cash & Carry (Pty) Limited		
InterFrank Group Holdings Pty Limited (registered in Australia)		
Franklins Pty Limited (registered in Australia)		
Franklins Supermarkets Pty Limited (registered in Australia)		
Fresco Supermarket Holdings Pty Limited (registered in Australia)		
Score Supermarkets Operating Limited		
Score Supermarkets (Trading) (Pty) Limited		
Score Supermarkets (Botswana) (Pty) Limited (registered in Botswana)		
Score Supermarkets (Southern Africa) (Pty) Limited (registered in Botswana)		
Score Supermarkets (Swaziland) Limited (registered in Swaziland)		
All companies are 100% held and registered in South Africa except where indicated.		
A comprehensive list of Group subsidiaries is available on request at the registered office of the Company.		
The attributable earnings of subsidiaries, excluding intercompany dividends	**1 168.4**	968.2
The attributable losses of subsidiaries	**(118.5)**	(31.3)

Pick n Pay Stores Limited and its subsidiaries

	GROUP 2009 Rm	2008 Rm
22. LONG-TERM DEBT		
Finance leases	**135.1**	132.1
Secured loans in respect of leased vehicles with carrying value of R130.5 million (2008: R117.5 million) (note 9) held under finance lease agreements bearing interest at prime bank rate less 2% and payable monthly in arrears over a four-year period.	**127.2**	113.0
Secured loans in respect of leased equipment with carrying value of R7.9 million (2008: R19.1 million) (note 9) held under finance lease agreements bearing interest at a current average rate of 10.99% and payable monthly in arrears over a five-year period.	**7.9**	19.1
Other debt	**581.3**	585.6
Secured loan in respect of property with a book value of R82.5 million (2008: R85.9 million) (note 9) bearing interest at a fixed rate of 11.4% and payable monthly in arrears over a 15-year period, ending on 28 October 2018.	**81.3**	85.6
Secured loan raised to fund property development. The loan is secured by property with a book value of R499.6 million (2008: R509.1 million) (note 9) bearing interest at a fixed rate of 8.8%. Interest is payable every six months in arrears. The capital is repayable on 29 June 2012.	**250.0**	250.0
Unsecured loan raised to fund property development. The loan bears interest at a fixed rate of 9.6%. Interest is payable every six months in arrears. The capital is repayable on 1 June 2012.	**250.0**	250.0
Total debt at 28 February	**716.4**	717.7
***Less:* Short-term debt (repayable within one year)**	**(38.3)**	(36.4)
Long-term debt (repayable after one year)	**678.1**	681.3
At 28 February 2009 finance lease rentals are payable as follows:		
Within 1 year		
Capital repayments	**39.7**	32.1
Interest	**14.3**	14.3
Cash flows	**54.0**	46.4
Within 2 to 5 years		
Capital repayments	**95.4**	100.0
Interest	**17.8**	19.4
Cash flows	**113.2**	119.4
Total cash flows	**167.2**	165.8
Comprising:		
Capital	**135.1**	132.1
Interest	**32.1**	33.7

23. RETIREMENT BENEFITS

The Group has four retirement schemes, covering:

Score Supermarkets Trading (Pty) Limited

Boxer Superstores (Pty) Limited

InterFrank Group Holdings Pty Limited

Pick n Pay Retailers (Pty) Limited

23.1 Score Supermarkets Trading (Pty) Limited

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

Membership of Score provident funds	1 258
Membership of SACCAWU National Provident Fund	286

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

All funds are defined-contribution funds.

As the stores are either converted to Pick n Pay franchises or Boxer stores or sold to independent operators, the members of the Score funds are transferred to the appropriate fund operated by their new employer. To date, 61 of the 125 stores have transferred, sold or closed and it is expected that by the end of 2010 no members will remain on the Score funds.

23.2 Boxer Superstores (Pty) Limited

Employees of Boxer are members of their own provident funds.

A	Name of fund	Boxer Superstores (Pty) Limited Provident Fund
	Number of members	3 966
	Administrator	Old Mutual

This is the main Boxer retirement plan and is a defined-contribution contributory provident fund. There are eight Trustees and two alternate Trustees. Members elect half the Trustees with the Company appointing the other half. Trustee meetings are held quarterly. Benefits from the fund include Group Life and Disability cover.

B	Name of fund	SACCAWU National Provident Fund
	Number of members	649
	Administrator	Old Mutual

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

C	Name of fund	Personal Provident Fund
	Number of members	52
	Administrator	Momentum Administration Services

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

23.3 InterFrank Group Holdings Pty Limited (Franklins)

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

A The InterFrank Superannuation Fund

This fund is for all corporate, head office and other non-retail employees. It is underwritten by AMP Life Limited as part of their Custom Super Plan. Approximately 224 employees are members of this Scheme.

B The Retail Industry Superannuation Fund

This fund is for all employees covered by the Enterprise Bargaining Agreement. Approximately 4 267 employees are members of this fund.

Both funds are defined-contribution and non-contributory.

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

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

23. RETIREMENT BENEFITS *(continued)*

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

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

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

Pick n Pay contributes a total of 16.48% of salary towards the defined-contribution benefits offered to the members of the scheme. Out of this, 12.77% is allocated towards retirement savings and the balance, 3.71%, is allocated towards the reinsurance of death benefits, disability benefits and fund expenses. A further 0.86% of salary is contributed towards funding the guarantees outlined above.

There are 17 222 members of the Pick n Pay Retirement Scheme and 1 087 pensioners.

Retirement defined-benefit

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

Post-retirement medical benefits

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

Benefit fund

There was a separate benefit fund to pay any disability benefit sanctioned by the trustees. The fund has been reinsured on a 100% profit share basis and hence the employer is required to make additional contributions to ensure this fund is fully funded at all times. Effective 1 January 2009, the benefit fund has been outsourced to an insurer.

Advisors

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

SACCAWU National Provident Fund

The SACCAWU Fund is administered by Old Mutual and is currently under curatorship. Employees, who are union members, have a choice of joining this fund instead of the Pick n Pay Retirement Scheme when they commence employment. There are 20 248 employees who have elected to join this fund.

						GROUP	
		Pensioners' defined-benefit guarantee Rm	Retirement defined-benefit guarantee Rm	Post-retirement medical guarantee Rm	Benefit fund Rm	**Total obligation 2009 Rm**	Total obligation 2008 Rm
23.	**RETIREMENT BENEFITS** *(continued)*						
23.5	**The Pick n Pay Retirement Scheme Defined-benefit obligations**						
	The amount recognised in the balance sheet is as follows:						
	Present value of funded obligations	302.8	570.2	75.6	26.9	**975.5**	968.9
	Fair value of assets	(335.6)	(542.9)	(75.6)	(49.9)	**(1 004.0)**	(945.3)
	Funded position	(32.8)	27.3	—	(23.0)	**(28.5)**	23.6
	Unrecognised actuarial gain	13.7	—	—	23.0	**36.7**	25.4
		(19.1)	27.3	—	—	**8.2**	49.0
	Amounts recognised in the income statement are as follows:						
	Current service cost	—	23.9	1.7	5.1	**30.7**	62.7
	Interest on the obligation	23.4	47.1	11.9	2.4	**84.8**	75.8
	Expected return on the plan assets	(27.3)	(52.5)	(13.7)	(4.9)	**(98.4)**	(67.0)
	Net actuarial (gains)/losses recognised	(15.2)	20.5	(0.6)	4.3	**9.0**	(46.1)
	Total included in employee costs	(19.1)	39.0	(0.7)	6.9	**26.1**	25.4
	Cumulative unrecognised gains/(losses):						
	Net cumulative unrecognised gain/(loss) – 1 March	—	6.2	—	19.2	**25.4**	9.5
	Actuarial gain/(loss) – obligation	23.7	(9.6)	8.2	2.9	**25.2**	(57.9)
	Actuarial gain/(loss) – assets	5.2	(17.1)	(7.6)	(3.4)	**(22.9)**	119.9
	Actuarial gain/(loss) to be recognised	(15.2)	20.5	(0.6)	4.3	**9.0**	(46.1)
	Net cumulative unrecognised gain – 28 February	13.7	—	—	23.0	**36.7**	25.4
	In terms of IAS 19, the Group has not recognised the excess assets in the benefit fund.						
	Movement in the liability recognised on the balance sheet is as follows:						
	Net liability – 1 March	—	49.0	—	—	**49.0**	129.0
	Net expense in the income statement	(19.1)	39.0	(0.7)	6.9	**26.1**	25.4
	Contributions	—	(60.7)	0.7	(6.9)	**(66.9)**	(105.4)
	Net liability – 28 February	(19.1)	27.3	—	—	**8.2**	49.0

Pick n Pay Stores Limited and its subsidiaries

GROUP

	Pensioners' defined-benefit guarantee Rm	Retirement defined-benefit guarantee Rm	Post-retirement medical guarantee Rm	Benefit fund Rm	**Total obligation 2009 Rm**	Total obligation 2008 Rm
23. RETIREMENT BENEFITS *(continued)*						
23.5 The Pick n Pay Retirement Scheme						
Defined-benefit obligations *(continued)*						
Movement in the fund's obligations and plan assets recognised on the balance sheet is as follows:						
Change in liability						
Liability – 1 March	216.9	534.2	191.4	26.4	**968.9**	850.4
Service cost	—	23.9	1.7	5.1	**30.7**	62.7
Interest cost	23.4	47.1	11.9	2.4	**84.8**	75.8
Actuarial (gain)/loss	(23.7)	9.6	(8.2)	(2.9)	**(25.2)**	57.9
Benefits paid	86.2	(44.6)	(121.2)	(4.1)	**(83.7)**	(77.9)
Liability – 28 February	302.8	570.2	75.6	26.9	**975.5**	968.9
Change in plan assets						
Plan assets – 1 March	216.9	491.4	191.4	45.6	**945.3**	730.9
Expected return	27.3	52.5	13.7	4.9	**98.4**	67.0
Actuarial gain	5.2	(17.1)	(7.6)	(3.4)	**(22.9)**	119.9
Contributions by employer	—	60.7	(0.7)	6.9	**66.9**	105.4
Benefits paid	86.2	(44.6)	(121.2)	(4.1)	**(83.7)**	(77.9)
Plan assets – 28 February	335.6	542.9	75.6	49.9	**1 004.0**	945.3
	%	%	%	%	**%**	%
Actuarial return on plan assets	11.8	6.8	4.5	3.1	**7.7**	35.6
Asset mix						
Equity	62.8	62.8	62.8	56.5	**62.5**	71.0
Fixed interest	32.3	32.3	32.3	43.5	**32.9**	21.4
Property	4.9	4.9	4.9	—	**4.6**	7.6
	100.0	100.0	100.0	100.0	**100.0**	100.0

The principal actuarial assumptions at the last valuation date are:	**1 June 2008 % per annum**	1 June 2007 % per annum
Discount rate	**9.00**	9.00
Future salary increases	**6.34**	6.32
Future pension increases	**5.00**	5.00
Annual increase in healthcare costs	**8.30**	8.30
Expected rate of return*	**10.50**	10.50

At 28 February 2009, if the discount rate had been 1% higher or 1% lower (with all other variables held constant), the impact on the financial statements would have been as follows:

	8%	As reported 9%	10%
Income statement			
Expense/(income) included in employee costs	R82.6	R26.1m	(R3.3m)
Balance sheet			
Obligation/(asset) at 28 February 2009	R64.5m	R8.2m	(R21.4m)

*The expected rate of return on plan assets was determined by assuming that the fixed interest assets would earn a return equal to the discount rate of 9.00%, with a further 2.25% risk premium applied to the equities and property, giving a weighted average return of 10.50% based on the current asset allocation.

	GROUP Defined-contribution benefits 2009 Rm	Defined-contribution benefits 2008 Rm
23. RETIREMENT BENEFITS *(continued)*		
23.5 The Pick n Pay Retirement Scheme		
Defined-benefit obligations *(continued)*		
Current contributions	**265.8**	250.9
Continuing operations	**249.6**	222.6
Discontinued operation	**16.2**	28.3
In the prior year an amount of R33.6 million in respect of risk benefit premium and expenses has now been allocated to defined contribution members. This is in-line with current year allocations.		
24. OPERATING LEASES		
The Group has entered into various operating lease agreements in respect of premises. Leases on premises are contracted for periods of between 10 and 20 years with renewal options for a further 10 to 20 years. Rentals comprise minimum monthly payments and additional payments based on turnover levels. Turnover rentals, where applicable, average 1.5% of turnover. Rental escalations vary but average 6.5% per annum. In terms of IAS 17, operating leases with fixed rental escalations are charged to the income statement on a straight-line basis. This results in the raising of a liability for future lease expenses and an asset for future lease income on the balance sheet. This liability and asset is reversed during the latter part of each lease term when the actual cash flow exceeds the income statement amounts.		
24.1 Operating lease asset		
At 1 March	**10.9**	5.9
Accrual for future lease income	**8.4**	5.0
At 28 February	**19.3**	10.9
At 28 February future minimum rentals receivable from non-cancellable sublease contracts amount to:		
Total future cash flows	**673.8**	248.0
Operating lease asset	**(19.3)**	(10.9)
Total operating lease income receivable	**654.5**	237.1
24.2 Operating lease liability		
At 1 March	**626.9**	584.3
Accrual for future lease expenditure	**31.6**	42.6
At 28 February	**658.5**	626.9
At 28 February future non-cancellable minimum lease rentals are payable during the following financial years:		
Cash flow due in 2010	**709.5**	772.2
Creation of lease liability	**25.5**	25.5
Income statement expense	**735.0**	797.7
Cash flow due in 2011 – 2014	**2 752.3**	2 957.8
Reversal of lease liability	**(107.9)**	(112.8)
Income statement expense	**2 644.4**	2 845.0
Cash flow due after 2014	**3 413.1**	3 529.2
Reversal of lease liability	**(576.1)**	(539.6)
Income statement expense	**2 837.0**	2 989.6
Total operating lease commitments	**6 216.4**	6 632.3
Comprising:		
Total future cash flows	**6 874.9**	7 259.2
Operating lease liability	**(658.5)**	(626.9)

Pick n Pay Stores Limited and its subsidiaries

	GROUP		COMPANY	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
25. TRADE AND OTHER PAYABLES				
Trade and other payables comprise:				
Leave pay obligations	**270.1**	265.1	**—**	—
Trade and other creditors	**6 991.3**	5 877.9	**1.9**	1.8
VAT	**51.8**	65.9	**—**	—
Non-derivative trade and other payables	**7 313.2**	6 208.9	**1.9**	1.8
Fair value of outstanding forward exchange contracts	**2.6**	0.3	**—**	—
	7 315.8	6 209.2	**1.9**	1.8
26. COMMITMENTS				
All capital expenditure will be funded from internal cash flow and through non-specific borrowing facilities obtained from various financial institutions.				
Authorised capital expenditure				
Contracted for				
Property	**—**	187.0		
Equipment and vehicles	**105.7**	224.8		
Intangible assets	**40.2**	36.3		
Not contracted for				
Property	**120.0**	—		
Equipment and vehicles	**1 169.5**	835.7		
Intangible assets	**13.0**	—		
Total commitments	**1 448.4**	1 283.8		

27. SEGMENTAL REPORT

GROUP

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

Southern African operations

Australian operations

The financial information presented below does not include Score Supermarkets (Pty) Limited which has been accounted for as a discontinued operation. In prior years, Score was included as part of the southern Africa segment.

Financial information pertaining to the geographic segments for continuing operations is as follows:

	Southern Africa		Australia		Total	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm
Segment revenue	**44 256.2**	37 703.7	**5 879.6**	4 973.5	**50 135.8**	42 677.2
Turnover	**43 991.1**	37 506.9	**5 871.0**	4 967.4	**49 862.1**	42 474.3
– Australian dollars			**849.5**	820.8		
Segment result						
Operating profit before interest*	**1 745.5**	1 550.2	**24.9**	14.1	**1 770.4**	1 564.3
– Australian dollars			**3.6**	2.3		
Included in segment result:						
Depreciation and amortisation	**(518.4)**	(404.8)	**(97.4)**	(77.1)	**(615.8)**	(481.9)
Share options expense	**(59.1)**	(45.2)	**—**	—	**(59.1)**	(45.2)
Net operating lease obligations	**(33.4)**	(31.5)	**—**	—	**(33.4)**	(31.5)
Goodwill, included in total assets	**137.1**	137.1	**654.7**	720.4	**791.8**	857.5
Total assets, net of deferred tax	**8 373.7**	6 723.9	**1 786.3**	1 874.4	**10 160.0**	8 598.3
Total liabilities, net of tax	**7 700.5**	6 463.9	**670.7**	735.1	**8 371.2**	7 199.0
Capital expenditure	**816.1**	769.5	**186.4**	82.4	**1 002.5**	851.9
Cash flows from operating activities	**1 221.1**	225.0	**87.4**	212.3	**1 308.5**	437.3
Cash flows used in investing activities	**(746.0)**	(781.3)	**(164.6)**	(31.9)	**(910.6)**	(813.2)
Cash flows (used in)/from financing activities	**(48.8)**	320.5	**57.2**	(10.2)	**8.4**	310.3

*Australia includes a net profit on sale of assets of R1.4 million (2008: R42.6 million).

28. RELATED PARTY TRANSACTIONS

Transactions between Group subsidiaries

During the year, in the ordinary course of business, certain companies within the Group entered into transactions with each other. These intra-group transactions have been eliminated on consolidation.

Directors

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

Director	Entity	Position held in entity
Dennis Cope	Pick n Pay Retirement Scheme	Trustee
	Pick n Pay Medical Scheme	Trustee
Hugh Herman	Investec Limited	Non-executive chairman

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

Related party transactions include:

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

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

Shares held by directors

The percentage shares held by directors of the Company at the balance sheet date is disclosed in the directors' report on page 57. For further information refer to note 3.3.

Loans to executive directors

Loans to directors amount to R0.8 million at 28 February 2009, are secured and bear interest at varying interest rates. For further information refer to note 12.

Key management personnel

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

Key management personnel remuneration comprises:	GROUP	
	2009 R'000	2008 R'000
Directors' fees	**1 986.0**	3 107.5
Remuneration for management services	**18 362.3**	18 164.2
Retirement and medical aid contributions	**2 525.2**	3 031.9
Performance bonus	**9 955.0**	4 855.0
Fringe and other benefits	**2 983.2***	1 419.5
	35 811.7	30 578.1
Expense relating to share options granted	**7 543.9**	8 501.0
Total cost to Company	**43 355.6**	39 079.1

*Includes an amount of R1 488.1 in respect of an early retirement settlement.

The Company has the following related party transactions:

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

29. FINANCIAL INSTRUMENTS

OVERVIEW

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

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

Credit risk
Liquidity risk
Market risk

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

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

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

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

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

29.1 Credit risk

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

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

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

	GROUP	
	2009 Rm	2008 Rm
Investments (note 10)	**0.2**	0.2
Loans (note 12)	**128.6**	120.7
Participation in export partnerships (note 13)	**57.9**	61.5
Trade receivables (note 16)	**1 559.4**	1 170.7
Cash and cash equivalents (note 17)	**1 221.9**	1 401.7
	2 968.0	2 754.8

Investments

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

Loans

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

29. FINANCIAL INSTRUMENTS *(continued)*

29.1 Credit risk *(continued)*

Participation in export partnerships

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

Trade receivables

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

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

	GROUP	
	2009 Rm	2008 Rm
The ageing of trade receivables at 28 February was:		
Trade receivables not impaired		
Within payment terms	**1 441.9**	935.6
Exceeding payment terms by less than 14 days	**25.1**	216.0
Exceeding payment terms by more than 14 days	**7.5**	1.5
	1 474.5	1 153.1
Trade receivables with impairments		
Within payment terms	**72.2**	13.5
Exceeding payment terms by less than 14 days	**10.8**	5.6
Exceeding payment terms by more than 14 days	**52.6**	6.1
	135.6	25.2
Total trade receivables	**1 610.1**	1 178.3
Allowance for impairment losses	**(50.7)**	(7.6)
Total trade receivables net of allowance for impairment	**1 559.4**	1 170.7
The movement in the allowance for impairment of trade receivables during the year was as follows:		
At 1 March	**7.6**	24.9
Irrecoverable debts written off	**—**	(4.5)
Additional impairment losses recognised	**45.1**	6.2
Prior allowances for impairment reversed	**(2.0)**	(19.0)
At 28 February	**50.7**	7.6

The Group makes allowance for specific trade debtors which have clearly indicated financial difficulty and the likelihood of repayment has become impaired. More than 90% of the balance relates to customers that have an excellent credit history with the Group.

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

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

Cash and cash equivalents

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

29. FINANCIAL INSTRUMENTS *(continued)*

29.2 Liquidity risk

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

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

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

At 28 February the Group's loan facilities comprised:

	GROUP	
	2009 Rm	2008 Rm
Total borrowing facilities granted by financial institutions	**4 471.2**	4 096.2
Total actual borrowings and utilisation of facilities	**(1 013.0)**	(935.6)
Unutilised borrowing facilities	**3 458.2**	3 160.6

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

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

Group – 2009	Carrying amount Rm	Contractual cash flows Rm	Within 1 year Rm	2 to 5 years Rm	Over 5 years Rm
Non-derivative financial liabilities					
Secured bank loans – note 22	**331.3**	461.6	35.8	360.9	64.9
Unsecured bank loans – note 22	**250.0**	334.5	24.0	310.5	—
Finance lease liabilities – note 22	**135.1**	167.2	54.0	113.2	—
Trade and other payables – note 25	**7 313.2**	7 313.2	7 313.2	—	—
Bank overdrafts – note 17	**149.1**	149.1	149.1	—	—
Derivative financial liabilities					
Forward exchange contracts – note 25	**2.6**	2.6	2.6	—	—
Total financial liabilities	**8 181.3**	8 428.2	7 578.7	784.6	64.9

29. FINANCIAL INSTRUMENTS *(continued)*

29.3 Market risk

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

Currency risk

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

The fair value of forward exchange derivative contracts was R2.6 million. This has been recognised as an expense in the income statement and is reflected as a part of trade and other payables.

As all foreign purchases are covered with forward exchange contracts, any fluctuations in foreign exchange rates will have no significant impact on the Group.

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

Interest rate risk

The Group manages the interest rate risk on long-term borrowings by fixing the interest rate with the relevant financial institution, wherever possible.

The effective rates on financial instruments at 28 February 2009 are:

	Weighted average interest rate %	Maturity of interest-bearing assets/liabilities 1 year or less Rm	2 to 5 years Rm	Over 5 years Rm	**Total Rm**
Financial assets					
Cash and cash equivalents	9.0	1 221.9	—	—	**1 221.9**
Loans	2.3	17.8	71.2	39.6	**128.6**
Total financial assets		1 239.7	71.2	39.6	**1 350.5**
Financial liabilities					
Fixed-rate interest-bearing debt					
Bank loans	9.5	4.5	525.6	51.2	**581.3**
Variable-rate interest-bearing debt					
Finance leases	12.4	39.7	95.4	—	**135.1**
Total financial liabilities		44.2	621.0	51.2	**716.4**

At 28 February 2009, if interest rates at that date had been 100 basis points higher or lower, with all other variables held constant, profits would have decreased or increased by R1.4 million.

Market price risk

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

Fair value

At 28 February 2009 the carrying amounts of cash and cash equivalents, trade receivables and trade and other payables approximate their fair values due to their short-term maturities. Trade receivables and payables will mature within 30 to 60 days. The fair value of loans, investments and interest-bearing debt approximate their carrying value as disclosed on the balance sheet.

Participation in export partnerships – refer to note 13.

29. FINANCIAL INSTRUMENTS *(continued)*

29.4 Capital management

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

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

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

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

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

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

International Financial Reporting Standards (IFRS)

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 28 February 2009, and have not been applied in preparing these consolidated financial statements. Those standards and interpretations which are applicable to the Group are presented below.

IAS 1: Presentation of Financial Statements

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

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

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

This standard becomes mandatory for the Group's 2010 financial statements. The impact cannot be determined at this stage but is unlikely to be material.

IAS 23: Borrowing Costs

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

All borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets must be capitalised to the cost of the asset. Currently these borrowing costs are expensed. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. The Group's existing accounting policy on borrowing costs will change as a result of the adoption of the revised IAS 23.

This standard becomes mandatory for the Group's 2010 financial statements. The impact cannot be determined at this stage but is unlikely to be material.

IAS 27 amendment: Consolidated and Separate Financial Statements

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

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

This standard becomes mandatory for the Group's 2011 financial statements. The impact cannot be determined at this stage.

IFRS 3: Business Combinations

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

The revised IFRS 3 becomes mandatory for the Group's 2011 financial statements. The impact cannot be determined at this stage.

IFRS 8: Operating Segments

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

31. PRIOR YEAR ADJUSTMENTS

31.1 Discontinued operation

The Group has committed to the closure of its subsidiary, Score Supermarkets Operating Limited (Score). Please refer to note 18 for further detailed information. The 2008 income statement has been restated and has been presented as if the Score operation had been discontinued from the start of the 2008 financial year.

31.2 Changes in accounting policy

The Group has reviewed its interpretation of certain principles of International Financial Reporting Standards in respect of the classification of incentive income and inventory valuation. The changes detailed below ensure reporting is consistent with the principles and guidelines of International Financial Reporting Standards.

Advertising recoveries, net of related advertising expenditure, and sales-based volume and other rebates received from suppliers, previously disclosed in "other trading income" and "trading expenses" respectively, are now included within cost of sales. This change in interpretation has had an impact on the balance sheet, with rebates received and advertising recoveries in excess of spend, now being taken into account in the valuation of inventory.

31.3 Reclassifications

a. All distribution expenditure applicable to the transport of inventory to retail outlets (including the overhead expenditure in respect of distribution centres) has been reclassified from trading expenses to cost of sales.

b. The Group has reallocated the share-based payment reserve to accumulated profits, as it is not considered necessary to show this as a separate category of equity.

c. In the prior year, an amount of R37.8 million, being the tax effect of foreign currency translations, has been reclassified from the foreign currency translation reserve to deferred tax.

31.4 Correction of error

At 28 February computer hardware assets with a cost of R31.4 million were incorrectly included as part of intangible assets (software development). This amount has been reallocated to property, equipment and vehicles and the comparative numbers restated accordingly.

31. PRIOR YEAR ADJUSTMENTS *(continued)*

Presented below are only those income statement and balance sheet items which have been impacted by the prior year adjustments.

	February 2008 as previously stated Rm	Note 31.1 Discon-tinued operation Rm	Note 31.2 Changes in accounting policy Rm	Note 31.3 Reclassifi-cations Rm	Note 31.4 Correction of error Rm	February 2008 as Restated Rm
INCOME STATEMENT						
Revenue	47 466.5	(2 950.4)	(1 838.9)			42 677.2
Turnover	45 380.7	(2 906.4)				42 474.3
Cost of merchandise sold	(37 411.0)	2 324.8	1 304.0	(434.0)		(34 216.2)
Other trading income	2 036.9	(40.1)	(1 838.9)			157.9
Interest received	48.9	(3.9)				45.0
Trading expenses	(8 515.4)	656.5	530.6	434.0		(6 894.3)
Employee costs	(4 364.5)	267.9	—	46.3		(4 050.3)
Occupancy	(1 140.3)	131.3	—	37.6		(971.4)
Operations	(1 363.7)	101.7	—	64.0		(1 198.0)
Merchandising and administration	(1 646.9)	155.6	530.6	286.1		(674.6)
Profit before tax	1 494.4	30.9	(4.3)			1 521.0
Tax	(557.6)	—	1.3			(556.3)
Profit for the year – continuing operations	936.8	(30.9)	(3.0)			964.7
Loss for the year – discontinued operation	—	(30.9)	(0.4)			(31.3)
Profit the year	936.8	—	(3.4)			933.4
BALANCE SHEET						
Intangible assets	1 187.3				(31.4)	1 155.9
Property, equipment and vehicles	2 771.1				31.4	2 802.5
Deferred Tax	143.6			(37.8)		105.8
At 1 March 2007				(18.8)		
Movement – 2008 financial year				(19.0)		
Inventory	3 101.4		(72.9)			3 028.5
Share-based payment reserve	113.2			(113.2)		—
At 1 March 2007				(68.0)		
Share options expense - 2008				(45.2)		
Accumulated profits	1 594.6		(55.0)	113.2		1 652.8
At 1 March 2007			(51.6)	68.0		
Impact on 2008 financial year			(3.4)	45.2		
Foreign currency translation reserve	412.2			(37.8)		374.4
At 1 March 2007				(18.8)		
Movement – 2008 financial year				(19.0)		
Tax	267.3		(17.9)			249.4
At 1 March 2007			(16.6)			
Tax charge – 2008			(1.3)			

Directors' responsibility for the Company and Group annual financial statements

Pick n Pay Holdings Limited and its subsidiaries

The directors are responsible for the preparation and fair presentation of the Company and Group annual financial statements, comprising the directors' report, balance sheets at 28 February 2009, and the income statements, the statements of changes in equity and cash flow statements for the year then ended, a summary of significant accounting policies and the notes to the financial statements, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

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

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the Company's and Group's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

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

Directors' approval

DIRECTORS' APPROVAL

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

The Company and Group annual financial statements of Pick n Pay Holdings Limited, which have been prepared in accordance with the Companies Act of South Africa and comply with International Financial Reporting Standards, were approved by the Board of directors on 4 May 2009 and are signed on their behalf by:

Gareth Ackerman
Chairman

Raymond Ackerman
Director

Company Secretary's certificate

Pick n Pay Holdings Limited and its subsidiaries

COMPANY SECRETARY'S CERTIFICATE

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

Gary Lea
Company Secretary

4 May 2009

Independent auditor's report

Pick n Pay Holdings Limited and its subsidiaries

TO THE MEMBERS OF PICK N PAY HOLDINGS LIMITED

We have audited the Company and Group annual financial statements of Pick n Pay Holdings Limited, which comprise the balance sheets at 28 February 2009, and the income statements, the statements of changes in equity and cash flow statements for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report as set out on pages 111 to 123.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Pick n Pay Holdings Limited at 28 February 2009, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc.
Registered Auditor

Per **Patrick Farrand**
Chartered Accountant (SA)
Registered Auditor
Director
4 May 2009

MSC House
Mediterranean Street
Cape Town
8001

Directors' report

for the year ended 28 February 2009

STRUCTURE AND FUNCTION

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

GENERAL REVIEW

The Group income statement is presented on page 114 and reflects the Group's operational results.

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

Per share – cents	2009	% Increase	2008
Diluted headline earnings (note 3)	**113.92**	18.1	96.46*
Headline earnings (note 3)	**116.23**	15.1	100.94*
Dividends**	**82.97**	13.9	72.83

*Restated – please refer to note 31 of the Pick n Pay Stores Limited financial statements for details of the restatement of prior year figures.
**The dividend per share presented is the interim dividend paid in the current year and the final dividend declared after year-end, but in respect of current year profit.

RELATIVE SHARE VALUE

The directors consider that the ratio of the dividend paid per share for the year of Pick n Pay Holdings Limited (PIKWIK) of 82.97 cents, to that of Pick n Pay Stores Limited (PICKNPAY), 170.00 cents, determines the relative value of a Pick n Pay Holdings Limited share, which, based on these figures, is 48.8% (2008: 48.8%) of a Pick n Pay Stores Limited share.

AUDIT, RISK AND COMPLIANCE COMMITTEE

We draw your attention to the Audit, Risk and Compliance committee section of the corporate governance review on pages 41 and 42 where we set out the responsibilities of the committee and how it has discharged these responsibilities during the year.

INVESTMENT

The Company's sole asset is its 50.8% (2008: 50.8%) direct shareholding in its subsidiary, Pick n Pay Stores Limited, and its main source of income is the dividend received from Pick n Pay Stores Limited. After taking into account the Pick n Pay Stores Limited treasury shares held by the Group, the Company's effective holding in Pick n Pay Stores Limited at year-end is 54.4% (2008: 54.7%).

DIVIDENDS PAID AND DECLARED

A cash dividend (number 53) of 57.65 cents per share was paid to shareholders on 17 June 2008.

A cash dividend (number 54) of 17.45 cents per share was paid to shareholders on 15 December 2008.

For further detail refer to note 4. The directors have declared a cash dividend (number 55) of 65.52 cents per share. The last day of trade in order to participate in the dividend (CUM dividend) will be Friday, 5 June 2009. Shares will trade EX dividend from the commencement of business on Monday, 8 June 2009 and the record date is Friday, 12 June 2009. The dividend will be paid on Monday, 15 June 2009. Share certificates may not be dematerialised or rematerialised between Monday, 8 June 2009 and Friday, 12 June 2009, both dates inclusive.

As dividend number 55 was declared on 21 April 2009 it will only be accounted for in the 2010 financial year. No liability for secondary tax on companies (STC) will be payable on this dividend as the Company will have sufficient STC credits to offset any liability.

Pick n Pay Holdings Limited and its subsidiaries

SHARE CAPITAL

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

As at year-end, the Pick n Pay Employee Share Purchase Trust and a subsidiary company held 10 418 493 (2008: 11 228 333) and 1 708 203 (2008: 1 680 303) shares in the Company, respectively. These shares are reflected as treasury shares in the annual financial statements.

GOING CONCERN

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

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

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

SPECIAL RESOLUTIONS

On 11 June 2008 the Company's shareholders approved the following special resolution:

General authority to repurchase Company shares

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

Subsidiary companies special resolutions

On 11 June 2008, Pick n Pay Stores Limited passed the same special resolution as the Company.

100%-owned subsidiary companies, Bedworth Sentrum (Pty) Limited, Pick n Pay (Steeledale) (Pty) Limited and Pick n Pay (Steelpark) (Pty) Limited passed special resolutions in terms of section 228 of the Companies Act, to sell their only asset being investment property.

DIRECTORS AND SECRETARY

In terms of the Company's Articles of Association the directors listed on page 133 retire by rotation and they offer themselves for re-election. Information pertaining to the directors and the Company Secretary appear on page 15.

DIRECTORS' INTEREST IN SHARES

	2009	2008
	%	%
Beneficial	**0.2**	0.2
Non-beneficial	**51.1**	51.1
Total	**51.3**	51.3

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

BORROWINGS

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

CORPORATE GOVERNANCE

All corporate governance structures referred to on pages 40 to 45 also apply to Pick n Pay Holdings Limited.

SUBSEQUENT EVENTS

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

Income statements

for the year ended 28 February 2009

Pick n Pay Holdings Limited and its subsidiaries

	Notes	GROUP 2009 Rm	GROUP 2008 Rm Restated*	COMPANY 2009 Rm	COMPANY 2008 Rm
Continuing operations					
Revenue	1	**50 135.8**	42 677.6	**395.7**	356.4
Turnover		**49 862.1**	42 474.3	**—**	—
Cost of merchandise sold		**(40 404.7)**	(34 216.2)	**—**	—
Gross profit		**9 457.4**	8 258.1	**—**	—
Other trading income	1	**201.8**	158.3	**—**	0.4
Trading expenses		**(7 958.9)**	(6 894.3)	**—**	—
Employee costs		**(4 624.0)**	(4 050.3)	**—**	—
Occupancy		**(1 071.2)**	(971.4)	**—**	—
Operations		**(1 414.1)**	(1 198.0)	**—**	—
Merchandising and administration		**(849.6)**	(674.6)	**—**	—
Loss on sale of equipment and vehicles		**(13.7)**	(4.4)		—
Trading profit		**1 686.6**	1 517.7	**—**	0.4
Interest received		**71.9**	45.0	**—**	—
Interest paid		**(107.5)**	(79.2)	**—**	—
Profit on sale of property		**68.7**	—	**—**	—
Profit on sale of stores		**15.1**	47.0	**—**	—
Operating profit		**1 734.8**	1 530.5	**—**	0.4
Dividends received		**—**	—	**395.7**	356.0
Impairment of investment in associate		**—**	(9.1)	**—**	—
Profit before tax		**1 734.8**	1 521.4	**395.7**	356.4
Tax		**(568.0)**	(556.4)	**—**	(0.1)
Profit for the year from continuing operations		**1 166.8**	965.0	**395.7**	356.3
Loss for the year from discontinued operation		**(118.5)**	(31.3)	**—**	—
Profit for the year		**1 048.3**	933.7	**395.7**	356.3
Profit for the year attributable to:					
Equity holders of the Company		**571.9**	518.7	**395.7**	356.3
Minority shareholders		**476.4**	415.0	**—**	—
		1 048.3	933.7	**395.7**	356.3
Earnings/(losses) per share – cents					
Basic	3	**111.11**	101.18		
Continuing operations		**123.66**	104.57		
Discontinued operation		**(12.55)**	(3.39)		
Diluted	3	**108.78**	96.58		
Continuing operations		**121.20**	99.92		
Discontinued operation		**(12.42)**	(4.34)		

*Please refer to note 31 of Pick n Pay Stores Limited's financial statements for details of the restatement of prior year figures.

Balance sheets

as at 28 February 2009

Pick n Pay Holdings Limited and its subsidiaries

	Notes	GROUP 2009 Rm	GROUP 2008 Rm Restated*	COMPANY 2009 Rm	COMPANY 2008 Rm
Assets					
Non-current assets					
Intangible assets		**1 093.6**	1 155.9	**—**	—
Property, equipment and vehicles		**2 937.0**	2 802.5	**—**	—
Investments		**0.2**	0.2	**—**	—
Interest in subsidiary	5	**—**	—	**128.0**	128.0
Loans		**129.0**	121.6	**0.4**	0.9
Operating lease asset		**19.3**	10.9	**—**	—
Participation in export partnerships		**57.9**	61.5	**—**	—
Deferred tax		**99.8**	105.8	**—**	—
		4 336.8	4 258.4	**128.4**	128.9
Current assets					
Inventory		**3 334.5**	3 028.5	**—**	—
Trade and other receivables		**1 769.5**	1 243.9	**0.8**	—
Cash and cash equivalents		**1 072.8**	663.2	**—**	—
Assets held for sale – discontinued operation		**62.6**	—	**—**	—
		6 239.4	4 935.6	**0.8**	—
Total assets		**10 576.2**	9 194.0	**129.2**	128.9
Equity and liabilities					
Capital and reserves					
Share capital	6	**6.6**	6.6	**6.6**	6.6
Share premium		**120.8**	120.8	**120.8**	120.8
Treasury shares	7	**(54.4)**	(54.4)	**—**	—
Accumulated profits		**675.3**	431.2	**—**	0.2
Foreign currency translation reserve		**150.0**	204.7	**—**	—
Attributable to equity holders of the Company		**898.3**	708.9	**127.4**	127.6
Minority interest		**797.5**	632.3	**—**	—
Total shareholders' equity		**1 695.8**	1 341.2	**127.4**	127.6
Non-current liabilities					
Long-term debt		**678.1**	681.3	**—**	—
Retirement scheme obligations		**8.2**	49.0	**—**	—
Operating lease liability		**658.5**	626.9	**—**	—
		1 344.8	1 357.2	**—**	—
Current liabilities					
Short-term debt		**38.3**	36.4	**—**	—
Trade and other payables		**7 315.9**	6 209.7	**1.8**	1.2
Tax		**181.4**	249.5	**—**	0.1
		7 535.6	6 495.6	**1.8**	1.3
Total equity and liabilities		**10 576.2**	9 194.0	**129.2**	128.9

*Please refer to note 31 of Pick n Pay Stores Limited's financial statements for details of the restatement of prior year figures.

Statements of changes in equity

for the year ended 28 February 2009

Pick n Pay Holdings Limited and its subsidiaries

	Notes	Share capital Rm	Share premium Rm	Treasury shares Rm	Share-based payment reserve Rm	Accu-mulated profits Rm	Foreign currency trans-lation reserve Rm	Minority interest Rm	**Total Rm**
GROUP									
At 1 March 2007 – as previously stated		6.6	120.8	(60.6)	38.4	326.8	105.6	477.8	**1 015.4**
Prior year adjustments*					(38.4)	9.3	(10.6)	(30.7)	**(70.4)**
At 1 March 2007 – as restated		6.6	120.8	(60.6)	—	336.1	95.0	447.1	**945.0**
Issue of share capital – Pick n Pay Stores Limited						38.3	(4.5)	46.1	**79.9**
Total recognised income and expense for the year		—	—	—	—	518.7	114.5	506.6	**1 139.8**
Profit for the year*						518.7		415.0	**933.7**
Gains and losses recognised directly in equity:									
Foreign currency translation*							114.5	91.6	**206.1**
Dividends paid	4					(356.1)			**(356.1)**
Dividends paid by subsidiary to minorities								(258.8)	**(258.8)**
Share repurchases	7			(9.9)					**(9.9)**
Subsidiary's share repurchases						(161.0)		(128.7)	**(289.7)**
Take-up of share options	7			16.1		(1.0)			**15.1**
Take-up of subsidiary's share options						17.1		13.6	**30.7**
Share options expense*						45.2			**45.2**
Impact of movement in treasury shares						(6.1)	(0.3)	6.4	**—**
At 29 February 2008		6.6	120.8	(54.4)	—	431.2	204.7	632.3	**1 341.2**
Total recognised income and expense for the year		—	—	—	—	571.9	(53.9)	431.5	**949.5**
Profit for the year						571.9		476.4	**1 048.3**
Gains and losses recognised directly in equity:									
Foreign currency translation							(53.9)	(44.9)	**(98.8)**
Dividends paid	4					(395.9)			**(395.9)**
Dividends paid by subsidiary to minorities								(321.9)	**(321.9)**
Share repurchases	7			(4.6)					**(4.6)**
Subsidiary's share repurchases						(9.3)		(7.7)	**(17.0)**
Take-up of share options	7			4.6					**4.6**
Take-up of subsidiary's share options						44.1		36.7	**80.8**
Share options expense						32.2		26.9	**59.1**
Impact of movement in treasury shares						1.1	(0.8)	(0.3)	**—**
At 28 February 2009		**6.6**	**120.8**	**(54.4)**	**—**	**675.3**	**150.0**	**797.5**	**1 695.8**
COMPANY									
At 1 March 2007		6.6	120.8	—	—	—	—	—	**127.4**
Total recognised income and expense for the year									
Profit for the year						356.3			**356.3**
Dividends paid						(356.1)			**(356.1)**
At 29 February 2008		6.6	120.8	—	—	0.2	—	—	**127.6**
Total recognised income and expense for the year									**—**
Profit for the year						395.7			**395.7**
Dividends paid						(395.9)			**(395.9)**
At 28 February 2009		**6.6**	**120.8**	**—**	**—**	**—**	**—**	**—**	**127.4**

*Please refer to note 31 of the Pick n Pay Stores Limited's financial statements for details of the restatement of prior year figures, noting that where appropriate minority interests have been taken into account.

Cash flow statements

for the year ended 28 February 2009

Pick n Pay Holdings Limited and its subsidiaries

	Note	GROUP 2009 Rm	GROUP 2008 Rm Restated*	COMPANY 2009 Rm	COMPANY 2008 Rm
Cash flows from operating activities					
Trading profit		**1 686.6**	1 517.7	**—**	0.4
Loss on sale of equipment and vehicles		**13.7**	4.4	**—**	—
Depreciation and amortisation		**615.8**	481.9	**—**	—
Share options expense		**59.1**	45.2	**—**	—
Net operating lease obligations		**33.4**	31.5	**—**	—
Cash generated before movements in working capital		**2 408.6**	2 080.7	**—**	0.4
Movements in working capital		**220.8**	(489.6)	**(0.2)**	0.3
Increase in trade and other payables		**1 158.4**	487.5	**0.6**	0.3
Increase in inventory		**(415.2)**	(704.9)	**—**	—
Increase in trade and other receivables		**(522.4)**	(272.2)	**(0.8)**	—
Cash generated by/(utilised in) trading activities		**2 629.4**	1 591.1	**(0.2)**	0.7
Interest received		**71.9**	45.0	**—**	—
Interest paid		**(107.5)**	(79.2)	**—**	—
Cash generated by/(utilised in) operations		**2 593.8**	1 556.9	**(0.2)**	0.7
Dividends received		**—**	—	**395.7**	356.0
Dividends paid	4	**(717.8)**	(614.9)	**(395.9)**	(356.1)
Tax paid		**(567.8)**	(504.0)	**(0.1)**	—
Net cash from/(used in) operating activities – continuing operations		**1 308.2**	438.0	**(0.5)**	0.6
Net cash (used in)/from operating activities – discontinued operation		**(56.1)**	8.5	**—**	—
Total net cash from/(used in) operating activities		**1 252.1**	446.5	**(0.5)**	0.6
Cash flows from investing activities					
Intangible asset additions		**(66.1)**	(157.4)	**—**	—
Property additions		**(52.3)**	(107.5)	**—**	—
Proceeds on disposal of property		**78.0**	50.6	**—**	—
Equipment and vehicle additions		**(884.1)**	(587.0)	**—**	—
Proceeds on disposal of equipment and vehicles		**21.8**	—	**—**	—
Loans (advanced)/repaid		**(7.6)**	(12.6)	**0.5**	(0.6)
Net cash (used in)/from investing activities – continuing operations		**(910.3)**	(813.9)	**0.5**	(0.6)
Net cash from/(used in) investing activities – discontinued operation		**68.9**	(9.3)	**—**	—
Total net cash (used in)/from investing activities		**(841.4)**	(823.2)	**0.5**	(0.6)
Cash flows from financing activities					
Debt (repaid)/raised		**(1.3)**	484.2	**—**	—
Issue of shares		**—**	79.9	**—**	—
Share repurchases		**(21.6)**	(299.6)	**—**	—
Proceeds from employees on settlement of share options		**31.3**	45.8	**—**	—
Net cash from financing activities – continuing operations		**8.4**	310.3	**—**	—
Net cash from financing activities – discontinued operation		**—**	—	**—**	—
Total net cash from financing activities		**8.4**	310.3	**—**	—
Net increase/(decrease) in cash and cash equivalents		**419.1**	(66.4)	**—**	—
Cash and cash equivalents at 1 March		**663.2**	709.1	**—**	—
Effect of exchange rate fluctuations on cash and cash equivalents		**(9.5)**	20.5	**—**	—
Cash and cash equivalents at 28 February		**1 072.8**	663.2	**—**	—

*Please refer to note 31 of the Pick n Pay Stores Limited's financial statements for details of the restatement of prior year figures.

Notes to the annual financial statements

for the year ended 28 February 2009

Pick n Pay Holdings Limited and its subsidiaries

Except as presented below, the accounting policies and notes to the annual financial statements and consolidated annual financial statements for Pick n Pay Holdings Limited are identical to those disclosed for Pick n Pay Stores Limited on pages 62 to 107.

	GROUP		COMPANY	
	2009 Rm	2008 Rm Restated	**2009 Rm**	2008 Rm
1. REVENUE				
Revenue as previously reported		47 466.9		
Prior year adjustments:				
Discontinued operation (note 31.1, page 107)		(2 950.4)		
Changes in accounting policy (note 31.2, page 107)		(1 838.9)		
Revenue as restated	**50 135.8**	42 677.6	**395.7**	356.4
Comprising:				
Turnover	**49 862.1**	42 474.3	**—**	—
Interest received	**71.9**	45.0	**—**	—
Dividends received	**—**	—	**395.7**	356.0
Other trading income	**201.8**	158.3	**—**	0.4
Franchise fee income	**166.4**	120.6	**—**	—
Property lease income	**35.4**	37.3	**—**	—
Administration fee income	**—**	0.4	**—**	0.4

2. DIRECTORS' EMOLUMENTS AND DIRECTORS' INTEREST IN SHARES

2.1 Directors' emoluments

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

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

1997 Share Option Scheme

	Year granted	Option grant price R	Balance held at 1 March 2008	Granted during the year	Forfeited during the year	**Balance held at 28 February 2009**	Available for take-up
Directors – Pick n Pay Stores Limited							
Nick Badminton	2002	3.80	800	—	—	**800**	Now
Dennis Cope	2009	11.33	—	800	—	**800**	Now
David Robins	2004	5.10	180 000	—	—	**180 000**	Now
	2004	5.10	240 000	—	(240 000)	**—**	—
	2005	8.30	400	—	—	**400**	Now
			420 400	—	(240 000)	**180 400**	

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

2.2 Directors' direct interest in shares

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

	Balance held at 1 March 2008 000's	Additions during the year 000's	Average purchase price per share R	Disposals during the year 000's	Average selling price per share R	**Balance held at 28 February 2009 000's**	Beneficial/ non-beneficial interest
Directors – Pick n Pay Holdings Limited							
Raymond Ackerman*	635.2	481.2	13.49	(18.4)	—	**1 098.0**	Beneficial
Gareth Ackerman**	2 919.3	81.2	12.20	—	—	**3 000.5**	Non-beneficial
Raymond Ackerman/ Wendy Ackerman/ Gareth Ackerman***	259 996.0	101.5	12.00	—	—	**260 097.5**	Non-beneficial
Hugh Herman	130.0	—	—	—	—	**130.0**	Beneficial
Directors – Pick n Pay Stores Limited							
Nick Badminton	880.6	—	—	—	—	**880.6**	Beneficial
Dennis Cope	200.0	—	—	—	—	**200.0**	Beneficial
David Robins	706.3	—	—	—	—	**706.3**	Beneficial

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

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

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

	GROUP	
	2009 Cents per share	2008 Cents per share Restated*
3. BASIC, HEADLINE AND DILUTED EARNINGS/(LOSSES) PER SHARE		
Basic (note 3.1)	**111.11**	101.18
Continuing operations	**123.66**	104.57
Discontinued operation	**(12.55)**	(3.39)
Headline (note 3.1)	**104.09**	97.54
Continuing operations	**116.23**	100.94
Discontinued operation	**(12.14)**	(3.40)
Diluted basic (note 3.2)	**108.78**	96.58
Continuing operations	**121.20**	99.92
Discontinued operation	**(12.42)**	(3.34)
Diluted headline (note 3.2)	**101.91**	93.11
Continuing operations	**113.92**	96.46
Discontinued operation	**(12.01)**	(3.35)

*Please refer to note 31 of Pick n Pay Stores Limited financial statements for details of the restatement of prior year figures.

Pick n Pay Holdings Limited and its subsidiaries

	GROUP 2009 Rm	GROUP 2008 Rm Restated*
3. BASIC, HEADLINE AND DILUTED EARNINGS/(LOSSES) PER SHARE *(continued)*		
3.1 Basic and headline earnings per share		
The calculation of basic earnings (profit for the year) per share and headline earnings per share is based on:		
Basic earnings (profit for the year)	**571.9**	518.7
Headline earnings	**535.8**	500.1
and:	**Number of shares 000's**	Number of shares 000's
The weighted average number of ordinary shares in issue during the year	**514 732.0**	512 644.5
	Rm	Rm
Reconciliation between basic and headline earnings:		
Basic earnings (profit for the year)	**571.9**	518.7
Adjustments:	**(36.1)**	(18.6)
Loss on sale of equipment and vehicles	**7.5**	2.4
Loss on sale of equipment and vehicles – discontinued operation	**2.1**	—
Profit on sale of property	**(37.5)**	—
Profit on sale of stores	**(8.2)**	(26.1)
Impairment of investment in associate	**—**	5.1
Headline earnings	**535.8**	500.1
	Number of shares 000's	Number of shares 000's
Movement in the weighted average number of ordinary shares in issue comprises:		
At 1 March	**512 644.5**	508 670.3
Net sale of treasury shares by the share trust, pursuant to the take-up of share options	**2 087.5**	3 974.2
At 28 February	**514 732.0**	512 644.5

	GROUP 2009 Rm	GROUP 2008 Rm Restated*
3.2 Diluted basic and headline earnings per share		
The calculation of diluted basic earnings per share and diluted headline earnings per share is based on:		
Diluted basic earnings	**566.1**	501.6
Diluted headline earnings	**530.3**	483.6
and:	**Number of shares 000's**	Number of shares 000's
The diluted weighted average number of ordinary shares in issue during the year	**520 391.5**	519 331.9

*Please refer to note 31 of Pick n Pay Stores Limited financial statements for details of the restatement of prior year figures.

	GROUP 2009 Rm	GROUP 2008 Rm Restated*
3. BASIC, HEADLINE AND DILUTED EARNINGS/(LOSSES) PER SHARE *(continued)*		
3.2 Diluted basic and headline earnings per share *(continued)*		
Reconciliation between basic and diluted basic earnings:		
Basic earnings (profit for the year)	**571.9**	518.7
Debenture interest after tax	**—**	0.5
Pick n Pay Stores Limited's dilution effect	**(5.8)**	(17.6)
Diluted basic earnings	**566.1**	501.6
Headline earnings adjustments (note 3.1)	**(36.1)**	(18.6)
Pick n Pay Stores Limited's dilution effect	**0.3**	0.6
Diluted headline earnings	**530.3**	483.6
	Number of shares 000's	Number of shares 000's
Reconciliation of the weighted average number of ordinary shares in issue for diluted earnings per share:		
Weighted average number of ordinary shares in issue (note 3.1)	**514 732.0**	512 644.5
Outstanding options	**5 659.5**	6 687.4
Weighted average number of ordinary shares in issue for purposes of calculating diluted earnings per share	**520 391.5**	519 331.9
Refer to note 6 for the number of shares in issue.		

	GROUP AND COMPANY 2009 Cents	GROUP AND COMPANY 2008 Cents
4. DIVIDENDS		
Number 53 – declared 21 April 2008 – paid 17 June 2008	**57.65**	52.35
Number 54 – declared 20 October 2008 – paid 15 December 2008	**17.45**	15.18
Total dividends paid for the year – Company	**75.10**	67.53
	Rm	Rm
Total value of dividends paid by the Company	**395.9**	356.1
Dividends paid by a subsidiary to minorities	**321.9**	258.8
Total dividends paid by the Group	**717.8**	614.9
For further details, including dividends declared after 28 February 2009, refer to the directors' report and shareholders' information.		

	COMPANY 2009 Rm	COMPANY 2008 Rm
5. INVESTMENT IN SUBSIDIARY		
Pick n Pay Stores Limited – at cost		
257 345 334 (2008: 257 345 334) ordinary shares	**128.0**	128.0
Comprising:		
Initial investment	**24.7**	24.7
Capitalisation share awards received in years 1997 to 2001	**103.3**	103.3
Market value	**7 977.7**	7 977.7

*Please refer to note 31 of Pick n Pay Stores Limited financial statements for details of the restatement of prior year figures.

Pick n Pay Holdings Limited and its subsidiaries

		GROUP AND COMPANY 2009 Rm	2008 Rm
6.	**SHARE CAPITAL**		
	Authorised		
	800 000 000 ordinary shares of 1.25 cents each	**10.0**	10.0
	Issued		
	527 249 082 ordinary shares of 1.25 cents each	**6.6**	6.6
		000's	000's
	Number of shares in issue at 28 February is made up as follows:		
	Treasury shares held by the share trust (note 7)	**10 418.5**	11 228.3
	Treasury shares held by a subsidiary company (note 7)	**1 708.2**	1 680.3
		12 126.7	12 908.6
	Shares held outside the Holdings Group	**515 122.4**	514 340.5
	At 28 February	**527 249.1**	527 249.1
	118.7 million of the unissued shares remain under the control of the directors until the next annual general meeting.		
	1997 Employee Share Option Scheme		
	The directors are authorised to utilise up to 17.5% of the issued share capital for the scheme.		
		Number of options 000's	Number of options 000's
	Movement in the number of options granted but not taken up are as follows:		
	At 1 March	**11 803.4**	15 210.0
	New options granted*	**787.0**	708.8
	Options taken up**	**(1 111.3)**	(4 115.4)
	At 28 February	**11 479.1**	11 803.4
	Options granted may be taken up during the following financial years:		
	Year — Average grant price		
	2010 — R5.42	**11 479.1**	
	Percentage of issued shares	**2.2%**	2.2%
	Options available for granting under current authorisation	**80 789.5**	80 465.2
	*Average price of options granted during the year	**R11.32**	R13.25
	**Average price of options taken up during the year	**R3.45**	R3.69
	The Employee Share Purchase Trust, which administers the 1997 Share Option Scheme, holds the following number of ordinary shares:		
	As a hedge against shares granted or to be granted by that scheme reflected as treasury shares	**10 418.5**	11 228.3
	On behalf of share purchase scheme participants	**525.2**	546.9
		10 943.7	11 775.2

	GROUP 2009 Rm	GROUP 2008 Rm
7. TREASURY SHARES		
Treasury shares comprise Pick n Pay Holdings Limited shares held by a subsidiary company and the share trust		
At 1 March	**54.4**	60.6
Share repurchases	**4.6**	9.9
Take-up of share options	**(4.6)**	(16.1)
At 28 February	**54.4**	54.4
	Number of shares 000's	Number of shares 000's
The movement in the number of treasury shares is as follows:		
At 1 March	**12 908.6**	16 300.5
Shares purchased during the year	**330.4**	650.6
Shares sold during the year, pursuant to the take-up of share options	**(1 112.3)**	(4 042.5)
At 28 February	**12 126.7**	12 908.6
Comprises:		
Shares held by share trust	**10 418.5**	11 228.3
Shares held by a subsidiary company	**1 708.2**	1 680.3
Average purchase price of shares purchased during the year	**R13.92**	R15.22
Average purchase price of shares held at year-end	**R4.49**	R4.21

Divisional directors

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

CHAIRMAN'S EXECUTIVE COMMITTEE (EXCO)

Raymond Ackerman

Wendy Ackerman

Nick Badminton

Suzanne Ackerman-Berman

Dennis Cope

Dallas Langman

Isaac Motaung

RETAIL DIVISION MANAGEMENT BOARD

Nick Badminton (47)
CEO
Years of service 30

Jonathan Ackerman (42)
Marketing
Years of service 18

Suzanne Ackerman-Berman (46)
Transformation
Years of service 14

Dennis Cope (58)
CFO
Years of service 31

Paul Connellan (54)
Foods
Years of service 31
Retired: 1 March 2009

Bakar Jakoet (53)
Group Finance Controller
Years of service 24

Dallas Langman (39)
On secondment to Group Enterprises
Years of service 19

Izak Joubert (39)
Property
Years of service 16

Barry Knichel (54)
General Merchandise
Years of service 1

Kevin Korb (49)
Foods
Years of service 27

Isaac Motaung (54)
Human Resources
Years of service 33

Neal Quirk (53)
Operations
Years of service 27

Bronwen Rohland (45)
Strategy, IS, Supply Chain and Sustainability
Years of service 23

Linda Saacks (53)
Employee Training and Development
Years of service 29

Chris van Rooyen (51)
General merchandise
Years of service 29
Retired: 1 March 2009

GROUP ENTERPRISES MANAGEMENT BOARD

Nick Badminton (47)
CEO
Years of service 30

Dennis Cope (58)
CFO
Years of service 31

Dallas Langman (39)
Director of GE
Years of service 19

Chris Reed (48)
Score
Years of service 24

Eugene Stoop (54)
Boxer
Years of service 17

Frans van der Colff (50)
Score conversions/Emerging markets
Years of service 21

FRANKLINS AUSTRALIA MANAGEMENT BOARD

Raymond Ackerman (78)
Chairman
Years of service 42

Dennis Cope (58)
Group CFO
Years of service 31

Aubrey Zelinsky (59)
Managing Director
Years of service 39

Roni Perlov (46)
Finance
Years of service 10

PICK N PAY RETAILERS (PTY) LIMITED

Hypermarket General Managers

Duncan Pentz (52)
Head of Hypermarkets
Years of service 28
Resigned: 31 March 2009

Dharmalingum Dass (51)
Head of Hypermarkets
Years of service 31

Mark Bishop (46)
Wonderpark
Years of service 26

Jan de Beer (36)
Steeledale
Years of service 11

Hoosain Hansrod (56)
Princess Crossing
Years of service 29

Patrick Kgengwenyane (37)
Northgate
Years of service 11

Steve Longmore (35)
Faerie Glen
Years of service 14

Piet Lubbe (46)
Norwood
Years of service 24

Nigel Money (38)
Woodmead
Years of service 14

Ravi Naidoo (40)
Durban
Years of service (21)

Luis Nunes (42)
Ottery
Years of service 20

Folkers Oosthuizen (43)
Bloemfontein
Years of service 21

Gevase Pottier (36)
South Coast
Years of service 16

Jeff Ramoroto (44)
Soweto
Years of service 19

Abdullah Regal (40)
Brackenfell
Years of service 17

Devin Richter (35)
Bedworth Park
Years of service 16

Colin Sylvester (49)
Moffett Park
Years of service 35

Craig Tapping (36)
Boksburg
Years of service 17

Gamieda Tim (43)
Centurion
Years of service 20

Warren van der Vlies (39)
Greenstone
Years of service 14

Michael van Niekerk (39)
Klerksdorp
Years of service 19

Jacques van Rooyen (49)
Montana
Years of service 22

Supermarket General Managers

Anil Gopichund (40)
Gauteng – Corporate
Years of service 22

Abdurahman Hamdulay (37)
Western Cape
Years of service 16

Ian Hughes (42)
Eastern Cape
Years of service 22

Luke Louw (51)
Northern Region
Years of service 27

Adrian Naudé (38)
Gauteng
Years of service 11

Wim Theron (41)
KwaZulu-Natal
Years of service 11

Jarett van Vuuren (35)
Western Cape – Corporate
Years of service 16

Johan van Zyl (38)
Northern Region – Corporate
Years of service 17

Dirk Venter (55)
Free State
Years of service 28

Corporate General Managers

Rowan Armstrong (45)
General Merchandise
Years of service 24

Michael Anderson (43)
Food Distribution – Gauteng
Years of service 6

Peter Arnold (47)
Fresh Foods
Years of service 25

Cobus Barnard (44)
Supply Chain
Years of service 2

George Barry (51)
Franchise – KZN
Years of service 18

Solly Bendrau (53)
General Merchandise
Years of service 31

Gigi Bisogno (53)
National Perishable Buyer
Years of service 32

Anthony Brown (40)
Corporate Foods – Gauteng
Years of service 15

Tessa Chamberlain (49)
Sustainable Development
Years of service 10
Resigned: 31 March 2009

Rob Clifford (60)
National Operations
Years of service 15
Retired: 31 March 2009

Michael Coles (54)
Clothing
Years of service 14

Charl Cowley (37)
Group Risk and Assurance Services
Years of service 9

David Crewe (45)
Fresh Foods – Hypers
Years of service 21

Harold Dawson (50)
Technology
Years of service 19

Louis de Beer (52)
Bakeries
Years of service 30

Leon de Lange (42)
Clothing Store operations
Years of service 21
Resigned: 31 July 2008

Helen de Light (53)
Industrial Relations
Years of service 22

Ivan Diepraam (55)
Franchise – Merchandise
Years of service 28
Resigned: 27 February 2009

Stuart Duffield (51)
Emerging Markets
Years of service 31

Brian Gregson (49)
Operations – Gauteng
Years of service 21

Malcolm Green (48)
Supply Chain
Years of service 2

Scholtz Herbst (44)
Franchise – Northern Region
Years of service 16

Steven Hoban (40)
International Procurement
Appointed May 2008

Cindy Jenks (39)
Corporate Brands
Years of service 18

Kobus Kuyler (50)
Safety and Security
Years of service 6

Gary Lea (43)
Group Finance
Company Secretary
Years of service 12

Johannes Letswalo (49)
Franchise
Years of service 25

Divisional directors continued

Pearly Ling (44)
National Operations
Years of service 12

John Lucas (55)
Group Receiving
Years of service 30

Warren Lupke (36)
Produce
Years of service 16

Warren Marsden (54)
E-Commerce
Years of service 31

Rodney Mundell (52)
General Merchandise
Years of service 27

Ray Murray (60)
Corporate
Years of service 34
Resigned: 31 July 2008

Malcolm Mycroft (52)
Marketing
Years of service 31

Simone Parry (41)
Health and Beauty
Years of service 3

Kader Patel (48)
Hypermarkets – Foods
Years of service 26

Ponumbalan Rajah (42)
Store Planning
Appointed 1 November 2008

Hennie Roets (39)
General Merchandise
Years of service 19

Cedric Ross (48)
Hypermarkets – Foods
Years of service 26

Dave Rappoport (58)
Auto Centres
Years of service 38

André Siebrits (52)
Financial services
Years of service 31

Winnie Smit (33)
National Properties and Operations
Years of service 6

Anton Smith (42)
Franchise
Years of service 12

David Smith (54)
Supermarkets – National Foods
Years of service 34

Rob Speedy (39)
Business Systems
Years of service 17
Resigned: 30 June 2008

Andrew Sutherland (38)
General Merchandise
Years of service 17

Dalene van Aswegen (58)
Property
Years of service 28

Ursula Warner (44)
Business Applications
Years of service 8

Lyndsay Webster-Rozon (38)
Marketing
Years of service 9

Kevin Wynne (50)
Human Resources
Years of service 28

Buyers

Brian Austin (37)
Senior Buyer – Northern Region
Years of service 14

Grant Barkhuizen (51)
Senior Buyer – Eastern Cape
Years of service 27

Roy Campbell (53)
General Merchandise
Years of service 32

Neil Cooke (51)
Corporate Brands
Years of service 29

Llywellyn Dyer (45)
Fresh Foods– Western Cape
Years of service 23

Shane Green (42)
Senior Buyer – Western Cape
Years of service 26

Geoff Kahn (60)
Hypermarkets
Years of service 39
Retired: 31 March 2009

Des Moodley (54)
Senior Buyer – KwaZulu-Natal
Years of service 34

Alan van den Berg (42)
Senior Buyer – Gauteng
Years of service 22

Naas van Poucke (51)
Western Cape – Distribution
Years of service 26

David Ramsden (49)
Emerging Markets
Years of service 27

Administration

Julian Adriaans (47)
Information services
Years of service 9

David Braun (56)
Corporate Assignments
Years of service 31
Resigned: 1 December 2008

Liza de Freitas (36)
Northern Region – Chief Accountant
Years of service 13

Jacque du Toit (36)
Corporate Accountant
Years of service 12

Graeme Gathmann (38)
Hypermarkets – Chief Accountant
Years of service 13

Cindy Hoffmann (49)
Human Resources – Gauteng
Years of service 20

Mike Horney (41)
Human Resources – Hypermarkets
Years of service 6

Christine Janse van Rensburg (50)
National Human Resources
Years of service 20

Loretta Kelly (54)
Corporate Accountant
Years of service 38

Bob Keevers (52)
Business Process and Innovation
Years of service 13

Karyn Leibbrandt (49)
KwaZulu-Natal – Chief Accountant
Years of service 24

Vaughn Linden (49)
Franchise
Years of service 17

Jacque Lombard (39)
Franchise – Western Cape
Years of service 15

Jonathan MacMillan (39)
Western Cape – Chief Accountant
Years of service 17

Morag Magnussen (59)
Employee Benefits
Years of service 14

Beverley Marks (52)
SAP
Years of service 21

Chris Mawhinney (35)
Franchise – Gauteng
Years of service 9

Yacoob Mola (54)
Human Resources
Years of service 20

Petrus Steyn (39)
Gauteng – Chief Accountant
Years of service 14

Brian Strydom (54)
Eastern Cape – Chief Accountant
Years of service 25

Richard Taylor (42)
Operations – Gauteng
Years of service 9

Mohammed Vally (55)
Accountant
Years of service 36

Louw van Vuuren (46)
Franchise
Years of service 27

Vaughan Veale (55)
Franchise
Years of service 27

SCORE SUPERMARKETS

General Managers

Gerhard Booyse (48)
Operations
Years of service 27
Resigned: 31 August 2008

Ralene Livingstone (40)
Finance
Years of service 7

Anderson Tshaya (59)
Human Resources
Years of service 19

BUTCHERIES

Operational Directors

Ian Crook (51)
General Manager
Years of service 27

Tracey Wellington (42)
Finance
Years of service 16

General Managers

Peter Elliot (54)
Northern Region
Years of service 33

Zoran Endekovski (43)
Gauteng
Years of service 14

Donavan Hayes (46)
Western Cape
Years of service 26

Josiah Mokgoloboto (50)
KwaZulu-Natal
Years of service 30
Passed away November 2008

George van Diggelen (44)
KwaZulu-Natal
Years of service 9

Mandy van Zyl (36)
Eastern Cape
Years of service 18

BOXER SUPERSTORES

Executive Directors

Pat Goss (60)
Non-executive
Years of service 20
Retired: 4 July 2008

Eugene Stoop (54)
Managing Director
Years of service 17

Ian Bamber (41)
Human Resources
Years of service 13

Rod Bell (56)
Operations
Years of service 26

Iain Bromage (37)
Merchandise
Years of service 4

Marek Masojada (43)
Finance
Years of service 15

Andrew Mills (35)
Marketing Director
Years of service 13

FRANKLINS AUSTRALIA

General Managers

Graham Gardener (53)
Property
Years of service 7

Johan Grobler (43)
Finance
Years of service 18

Bill Morgan (64)
Franchise
Years of service 10
Resigned: April 2008

Stan Srage (44)
Merchandise
Years of service 19

TM SUPERMARKETS

Executive Directors

Bisset Chimhini (47)
Managing Director
Years of service 7
Appointed 1 April 2009

Mike Oakley (60)
Managing Director
Years of service 39
Retired: 30 April 2009

Graham Jacobs (64)
Finance
Years of service 23
Retired: 30 April 2009

Notice of annual general meeting

Pick n Pay Stores Limited

The 41st annual general meeting ("AGM") of shareholders of Pick n Pay Stores Limited ("the Company") for the year ended 28 February 2009 will be held at 09h30 on Friday, 12 June 2009. To ensure that registration procedures are completed by 09h30, please register for the AGM from 09h00.

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

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

1. ORDINARY RESOLUTION NUMBER 1

Approval of annual financial statements

"Resolved that the annual financial statements of the Company and its subsidiaries, for the year ended 28 February 2009, are hereby adopted."

2. ORDINARY RESOLUTION NUMBER 2

Appointment of auditors

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

Note that the Audit, Risk and Compliance committee have recommended the reappointment of KPMG Inc. as auditors of the Company.

3. ORDINARY RESOLUTION NUMBER 3

Reappointment of directors

Raymond David Ackerman, Dennis Gershon Cope, David Robins and Benedict James van der Ross retire in accordance with the Company's Articles of Association and, being eligible, offer themselves for re-election. Curricula vitae of those directors standing for re-election are presented on pages 12 to 14.

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

Ordinary resolution number 3.1

Appointment of Raymond David Ackerman as director

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

Ordinary resolution number 3.2

Appointment of Dennis Gershon Cope as director

"Resolved that Dennis Gershon Cope be and is hereby elected as a director of the Company."

Ordinary resolution number 3.3

Appointment of David Robins as director

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

Ordinary resolution number 3.4

Appointment of Benedict James van der Ross as director

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

4. ORDINARY RESOLUTION NUMBER 4

Directors' housing loans for the year ended 28 February 2009

"Resolved that housing loans granted to the Company's directors for the year ended 28 February 2009, as set out in the financial statements accompanying this notice of annual general meeting, are hereby approved and ratified insofar as may be necessary."

5. ORDINARY RESOLUTION NUMBER 5

Directors' fees for the year ending 28 February 2010

"Resolved that the directors' fees for the year ending 28 February 2010 be as follows:

- Executive directors, unchanged at R1 500.
- Lead non-executive director, increased by R8 000 to R88 000.
- Non-executive directors, increased by R25 000 to R265 000.
- Chairman of the Audit, Risk and Compliance committee, increased by R20 000 to R220 000.
- Chairman of the Remuneration committee, increased by R10 000 to R110 000.
- Member of the Audit, Risk and Compliance committee, increased by R8 000 to R88 000.
- Member of the Remuneration committee, increased by R5 000 to R55 000.
- Member of the Nominations committee, unchanged at R50 000."

6. SPECIAL RESOLUTION NUMBER 1

General approval to repurchase Company shares

"Resolved that the Company hereby approves, as a general approval contemplated in sections 85 and 89 of the Companies Act 61 of 1973 (as amended) ("the Companies Act"), the acquisition by the Company or any of its subsidiaries from time to time of the issued shares of the Company or its holding company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the Articles of Association of the Company, the provisions of the Companies Act and the JSE Limited ("JSE") Listings Requirements ("JSE Listings Requirements") as presently constituted and which may be amended from time to time, and provided that acquisitions by the Company and its subsidiaries, of shares in the capital of the Company or its holding company may not, in the aggregate, exceed in any one financial year 10% (ten 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 may only make a general acquisition of shares if the following JSE Listings Requirements are met:

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

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

c. a paid press announcement will be published as soon as the Company and/or its subsidiaries has/have acquired shares constituting, on a cumulative basis, 3% (three percent) of the number of shares of the class of shares acquired in issue at the time of granting of this general approval and for each 3% (three percent) in aggregate of the initial number of that class of shares acquired thereafter, which announcement shall contain full details of such acquisitions as required by rule 11.27 of the JSE Listing Requirements;

d. in determining the price at which the Company's shares are acquired by the Company or its subsidiaries in terms of this general approval, the maximum price at which such shares may be acquired may not be greater than 10% (ten percent) above the weighted average of the market value at which such shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date of the acquisition of such shares by the Company or its subsidiaries;

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

f. the Company and/or its subsidiaries may not repurchase any shares during a prohibited period, as defined in the JSE Listings Requirements, unless the Company and/or its subsidiaries has in place a repurchase programme where dates and quantities of shares to be traded during the prohibited period are fixed and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period.

Statement by the Board of directors of the Company

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

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

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

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

b.2 the consolidated assets of the Company and its subsidiaries, fairly valued and recognised and measured in accordance with the accounting policies used in the latest audited financial statements, will, after the repurchase, be in excess of the consolidated liabilities

Pick n Pay Stores Limited continued

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 for and effect of special resolution number 1

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

7. ORDINARY RESOLUTION NUMBER 6

General authority over unissued shares

"Resolved that 25.3 million (5% of issued share capital) of the unissued authorised ordinary shares in the Company (which for the purposes of the JSE Listings Requirements and these resolutions shall include treasury shares) and, in addition, the 67.3 million unissued authorised ordinary shares specifically approved for issue in terms of the Company's share incentive schemes, be and are hereby placed under the control of the directors until the next annual general meeting, subject to the provisions of the Companies Act and the JSE Listings Requirements and the condition that no issue of these shares will be made if it could have the effect of changing control of the Company."

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

8. ORDINARY RESOLUTION NUMBER 7

General authority to issue shares or other equities for cash

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

Additional requirements imposed by the JSE Listings Requirements

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

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

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

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

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

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

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

9. ORDINARY RESOLUTION NUMBER 8

Directors' authority to implement Company resolutions

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

10. TO TRANSACT SUCH OTHER BUSINESS THAT MAY BE TRANSACTED AT AN ANNUAL GENERAL MEETING

GENERAL INSTRUCTIONS AND INFORMATION

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

- the directors and managers of the Company on pages 12 to 14 and 124 to 127;
- the major shareholders of the Company on page 46;
- the directors' shareholding in the Company on page 75;
- the share capital of the Company in note 19 on page 89; and
- an analysis of the shareholders on page 46.

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 28 February 2009 and the reporting date.

The directors, whose names are given on pages 12 to 14 of the annual report, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the annual report and this notice contains all information required by law and the JSE Listings Requirements.

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

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

- you may attend and vote at the annual general meeting; alternatively
- you may appoint a proxy to represent you at the annual general meeting by completing the attached form of proxy and returning it to the registered office of the Company or to the transfer secretaries, Computershare Investor Services (Proprietary) Limited, the details of which are set out on page 47 of the annual report, by no later than 09h30 on Thursday, 11 June 2009, being 24 hours prior to the time appointed for the holding of the annual general meeting.

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

Pick n Pay Stores Limited continued

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.

CSDP's, 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 47 of the annual report, by no later than 09h30 on Thursday, 11 June 2009, being 24 hours prior to the time appointed for the holding of the annual general meeting.

By order of the board

G F Lea
Company Secretary

Cape Town
4 May 2009

Notice of annual general meeting

Pick n Pay Holdings Limited

The 28th annual general meeting ("AGM") of shareholders of Pick n Pay Holdings Limited ("the Company") for the year ended 28 February 2009 will be held at 10h00, or as soon as the annual general meeting for Pick n Pay Stores Limited is completed, on Friday, 12 June 2009. Registration for attendance at the AGM will commence at 09h00.

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

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

1. ORDINARY RESOLUTION NUMBER 1

Approval of annual financial statements

"Resolved that the annual financial statements of the Company and its subsidiaries, for the year ended 28 February 2009, are hereby adopted."

2. ORDINARY RESOLUTION NUMBER 2

Appointment of auditors

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

Note that the Audit, Risk and Compliance committee have recommended the reappointment of KPMG Inc. as auditors of the Company.

3. ORDINARY RESOLUTION NUMBER 3

Reappointment of directors

Gareth Mark Ackerman and Hugh Sidney Herman retire in accordance with the Company's Articles of Association, and, being eligible, offer themselves for re-election. Curricula vitae of those directors standing for re-election are presented on page 13.

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

Ordinary resolution number 3.1

Appointment of Gareth Mark Ackerman as director

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

Ordinary resolution number 3.2

Appointment of Hugh Sidney Herman as director

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

4. ORDINARY RESOLUTION NUMBER 4

Directors' fees for the year ending 28 February 2010

"Resolved that the directors' fees for the year ending 28 February 2010 be as follows:

- Non-executive directors not serving on the Pick n Pay Stores Limited board, if any, be R50 000 per annum."

5. SPECIAL RESOLUTION NUMBER 1

General approval to repurchase Company shares

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

Additional requirements imposed by the JSE Listings Requirements

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

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

Pick n Pay Holdings Limited continued

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

c. a paid press announcement will be published as soon as the Company and/or its subsidiaries has/have acquired shares constituting, on a cumulative basis, 3% (three percent) of the number of shares of the class of shares acquired in issue at the time of granting of this general approval and for each 3% (three percent) in aggregate of the initial number of that class of shares acquired thereafter, which announcement shall contain full details of such acquisitions as required by rule 11.27 of the JSE Listings Requirements;

d. in determining the price at which the Company's shares are acquired by the Company or its subsidiaries in terms of this general approval, the maximum price at which such shares may be acquired may not be greater than 10% (ten percent) above the weighted average of the market value at which such shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date of the acquisition of such shares by the Company or its subsidiaries;

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

f. the Company and/or its subsidiaries may not repurchase any shares during a prohibited period, as defined in the JSE Listings Requirements, unless the Company and/or its subsidiaries has in place a repurchase programme, where dates and quantities of shares to be traded during the prohibited period are fixed and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period.

Statement by the Board of directors of the Company

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

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

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

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

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

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

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

Reason and effect of special resolution number 1

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

6. ORDINARY RESOLUTION NUMBER 5

General authority over unissued shares

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

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

7. ORDINARY RESOLUTION NUMBER 6

General authority to issue shares or other equities for cash

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

Additional requirements imposed by the JSE Listings Requirements

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

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

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

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

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

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

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

Pick n Pay Holdings Limited continued

8. ORDINARY RESOLUTION NUMBER 7

Directors' authority to implement Company resolutions

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

9. TO TRANSACT SUCH OTHER BUSINESS THAT MAY BE TRANSACTED AT AN ANNUAL GENERAL MEETING

GENERAL INSTRUCTIONS AND INFORMATION

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

- the directors and managers of the Company on page 15;
- the major shareholders of the Company on page 46;
- the directors' shareholding in the Company on page 119;
- the share capital of the Company in note 6 on page 122; and
- an analysis of the shareholders on page 46.

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 28 February 2009 and the reporting date.

The directors, whose names are given on page 15 of the annual report, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the annual report and this notice contains all information required by law and the JSE Listings Requirements.

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

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

- you may attend and vote at the annual general meeting; alternatively
- you may appoint a proxy to represent you at the annual general meeting by completing the attached form of proxy and returning it to the registered office of the Company or to the transfer secretaries, Computershare Investor Services (Proprietary) Limited, the details of which are set out on page 47 of the annual report, by no later than 10h00 on Wednesday, 10 June 2009, being 48 hours prior to the time appointed for the holding of the annual general meeting.

Please note that if you are the owner of dematerialised shares (i.e. have replaced the paper share certificates representing the shares with electronic records of ownership under the JSE's electronic settlement system, Share Transactions Totally Electronic ("STRATE")) held through a CSDP or broker and are not registered as an "own name dematerialised shareholder", then you are not a registered shareholder of the Company, 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 47 of the annual report, by no later than 10h00 on Wednesday, 10 June 2009, being 48 hours prior to the time appointed for the holding of the annual general meeting.

By order of the board

G F Lea
Company Secretary

Cape Town
4 May 2009

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, Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town in the conference centre at 09h30 on Friday, 12 June 2009 (the "annual general meeting").

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

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

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

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

I/We (block letters) ______________________________

of ______________________________

Telephone: Work (   ) ________________ Telephone: Home (   ) ________________

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

1. ______________________________ or failing him/her,

2. ______________________________ or failing him/her,

3. the Chairman of the annual general meeting,

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

		Number of votes (one vote per ordinary share)		
		For	**Against**	**Abstain**
Ordinary resolution number 1:	Approval of annual financial statements			
Ordinary resolution number 2:	Appointment of the auditors			
Ordinary resolution number 3.1:	Election of Mr R D Ackerman as director			
Ordinary resolution number 3.2:	Election of Mr D G Cope as director			
Ordinary resolution number 3.3:	Election of Mr D Robins as director			
Ordinary resolution number 3.4:	Election of Mr B J van der Ross as director			
Ordinary resolution number 4:	Approval of directors' housing loans			
Ordinary resolution number 5:	Approval of directors' fees for 2010 financial year			
Special resolution number 1:	General approval to repurchase Company shares			
Ordinary resolution number 6	Placing unissued shares under the control of the directors			
Ordinary resolution number 7:	General authority to issue shares for cash			
Ordinary resolution number 8:	Directors' authority to implement Company resolutions			

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

Signed at ________________ on ________________ 2009

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

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

Please read the notes overleaf.

Notes

Pick n Pay Stores Limited

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.

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

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

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

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

   Forms of proxy must be received or lodged by no later than 09h30 on Thursday, 11 June 2009, being 24 hours before the annual general meeting to be held at 09h30 on Friday, 12 June 2009.

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

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

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

Form of proxy

Pick n Pay Holdings Limited

For use at the annual general meeting of Pick n Pay Holdings Limited ("the Company") to be held at the registered office of the Company, Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town in the conference centre at 10h00 or as soon as the annual general meeting for Pick n Pay Stores Limited is completed, on Friday, 12 June 2009 (the "annual general meeting").

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

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

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

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

I/We (block letters) ____________________

of ____________________

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

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

1. ____________________ or failing him/her,

2. ____________________ or failing him/her,

3. the Chairman of the annual general meeting,

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

		Number of votes (one vote per ordinary share)		
		For	**Against**	**Abstain**
Ordinary resolution number 1:	Approval of annual financial statements			
Ordinary resolution number 2:	Appointment of the auditors			
Ordinary resolution number 3.1:	Election of Mr G M Ackerman as director			
Ordinary resolution number 3.2:	Election of Mr H S Herman as director			
Ordinary resolution number 4:	Approval of directors' fees for 2010 financial year			
Special resolution number 1:	General authority to repurchase Company shares			
Ordinary resolution number 5:	Placing unissued shares under the control of the directors			
Ordinary resolution number 6:	General authority to issue shares for cash			
Ordinary resolution number 7:	Directors' authority to implement Company resolutions			

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

Signed at ____________________ on ____________________ 2009

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

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

Please read the notes overleaf.

Notes

Pick n Pay Holdings Limited

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

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

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

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

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

   Forms of proxy must be received or lodged by no later than 10h00 on Wednesday, 10 June 2009, being no later than 48 hours before the annual general meeting to be held at 10h00 on Friday, 12 June 2009.

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

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

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

Pick n Pay Stores Limited and
Pick n Pay Holdings Limited

In line with our commitment to sustainability, we continue to implement initiatives to reduce our carbon footprint. Although our reports are printed on paper made from sustainable forests and manufactured from chlorine-free pulp, printing and transport still use energy. Last year we asked shareholders to assist us by electing to receive our Reports in electronic format, offering R100 to be donated to Food and Trees for Africa for the planting of a tree on their behalf. We have elected to continue this offer for a further year and appeal for your support.

ELECTION TO RECEIVE ANNUAL AND INTERIM REPORTS ELECTRONICALLY

Should you wish to continue receiving your Annual and Interim Reports ("the Reports") in hard copy format please ignore this communication.

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

You may also elect not to receive the aforementioned reports at all, electronic or hard copy.

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

Your personal details

Name of shareholder	
Name of broker	
Account number	

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

Option	Indicate intention by placing a cross in the appropriate box	Signature
Option 1: I would like to receive the Reports in electronic format (i.e. via an email providing an internet link to the Reports)		
Option 2: I would like you to cease providing me with copies of the Reports, whether in hard copy or in electronic format		

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

E-mail address:	
Telephone numbers:	Home:
	Work:
	Cell:
Fax number:	

www.pnp.co.za