Chairman's statement

I took over as Chairman of the Company with effect from 1 March 2010, on the retirement of Raymond Ackerman after 43 years at the helm of Pick n Pay. With Wendy at his side, he built this business from four small stores in Cape Town in 1967 to 794 stores (corporate and franchise) at the end of February 2010. If you had invested in a R1.10 share in 1968 it would be worth R5 800 today. By any commercial standard, this has been a remarkable return with a compound annual growth rate of nearly 25%. Over the last 20 years the Stores and Pikwik shares have shown compound annual growth rates of over 14%.

It is a difficult task for anyone to step into Raymond Ackerman's shoes; his legacy has been profound and ubiquitous. Almost single-handedly, he transformed the face of retailing in South Africa, pioneering the hypermarket concept and advancing genuine economic empowerment with the introduction of black ownership through franchising, amongst many other innovations and industry-altering initiatives.

The Group today is unwavering in his commitment to the principle of consumer sovereignty and his mantra that "the customer is queen" is a household truism. The concept of sustainability is a core value which was introduced long before it became a universal practice. The belief that "doing good is good business" is not only a philanthropic virtue, but an act of enlightened business self-interest. Underscoring these convictions is the firm insistence that business efficiency is at the very core of Pick n Pay's success.

"Being family-controlled has ensured that the values introduced in 1967 have carried through over 43 years. Importantly, this will not change"

The past year has been tremendously challenging which has been characterised by our CEO, Nick Badminton, as "a tale of two halves". Trading in the second half was exceedingly difficult, caused primarily by the impact of the global recession on South Africa after August 2009 and a dramatic decline in consumer inflation. The impact of these two events resulted in a tightening of margins and extreme competition for customer share.

The global economy is slowly recovering and with the recent interest rate cuts, we foresee a pickup in the local economy. This should translate into our sector with a growth anticipated from the third quarter onwards. According to the SA Chamber of Commerce and Industry's Business Confidence Index published

Doyen of supermarket retailing in South Africa, Raymond Ackerman, has stood down as Chairman just short of his 80th birthday. But family control of the Group will remain. His position has been handed to his son, Gareth.

Reflecting on his career, Ackerman said: "The last 43 years have been incredible. A fantastic adventure and wonderfully rewarding."

for March 2010, confidence in that month showed its first year-on-year increase since September 2007. This was no doubt stimulated by the approach of the 2010 FIFA World Cup and the continuing resilience of the South African financial system. The economy has seen a surge in inward investment which will manifest itself in an improved GDP growth rate. This growth prospect augurs well for the future of the retail sector.

Although Government's responsible and prudent economic policy has ensured the stability of the national economy, I must express my concern about statements made by certain influential political individuals. If not refuted by senior policy-makers these statements could create negative foreign and domestic perceptions and impact negatively on future economic growth. South Africa is going through a period of considerable political and economic excitement and the corporate world will be watching with interest the unfolding debates which are currently afoot in the governing alliance.

As we enter a new financial year, we have a number of key priorities, which Nick outlines in his CEO report. We are confident that we will see benefits start to flow next year from the strategy, particularly from improved business efficiency and from a continued focus on consumerism, community involvement and sustainability.

During the next year we will perform a full strategic review of our Franklins operation in Australia.

Raymond Ackerman's most valuable legacy

is embodied in the words of statesman Henry Kissinger who defined a leader as someone 'who takes his people from where they are, to where he wants them to be'. Raymond Ackerman is such a man.

Under Raymond Ackerman's auspices, Pick n Pay grew from four small stores in Cape Town, to 794 stores today

90% guts and 10% capital

A philosophy which Raymond Ackerman applied when starting his own business was having 90% guts and 10% capital.

Gareth Ackerman
Incoming Chairman

Raymond Ackerman
Outgoing Chairman

"We value the input of our Board which works consistently towards creating the long-term results for which the Group has been renowned"

We have reviewed the recommendations of King III on corporate governance. A large number of these recommendations have already been implemented. In the year ahead we will further inbed the new provisions of the code.

I thus embark upon my chairmanship with every confidence that Pick n Pay will continue to deliver to its shareholders, customers, suppliers and South African society, the standards of financial and social performance that have characterised the Group for more than four decades. South Africa remains an exciting and stimulating place in which to do business; its economic fundamentals are securely in place and Government continues to create an environment in which business is able to flourish and play its part in building a stable and prosperous nation.

As a family-controlled business, Pick n Pay will continue to provide the highest standards of governance and integrity, upon which this business was built. We value the input of our strong majority independent Board which works consistently towards creating the long-term results for which the Group has been renowned. We are confident of being able to continue the growth performance of the past.

I thank my father, Raymond Ackerman, for the strong and successful business he has built and wish him and my mother, Wendy, a wonderful and fulfilling time ahead.

I also thank Nick Badminton and his entire team for the tireless work they have put into this past difficult year. My thanks also go to the Boards of directors for their support. We extend a warm welcome to Richard van Rensburg who joined the Board in June 2009 and to Suzanne Ackerman-Berman and Jonathan Ackerman who joined the Board in March 2010, after the retirement from the Board of Raymond and Wendy Ackerman.

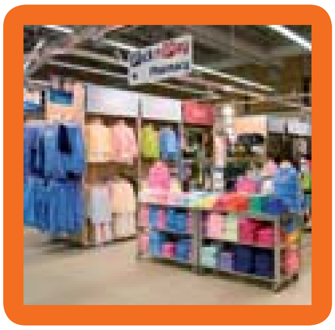
In light of sustainable business practices and with a view to reducing our paper usage, when permitted by the Companies Act, we intend to only produce a summarised version of the annual report in hard copy. This, together with a full version, will be published on our website.

The Company's mantra is consumerism which, in simple terms, is to interpret and satisfy customers' needs by selling quality products at competitive prices and to provide courteous service in stores which are well located and pleasing to shop in.

A policy of accepting returned goods without question has enabled Pick n Pay to establish long-term customer relationships which bring people back into its stores.

At the end of June 2010, Aubrey Zelinsky, our MD of Franklins, will be retiring. We thank him for the many important roles he has played over the 40 years of dedicated service to the Group and wish him all the very best on his retirement.

We look forward to a more positive 2011 financial year.



Gareth Ackerman
Chairman

The economy has seen a surge in inward investment which will manifest itself in an improved GDP growth rate. This growth prospect augurs well for the future of the retail sector

New directors

We extend a warm welcome to new directors **Richard van Rensburg, Suzanne Ackerman-Berman** and **Jonathan Ackerman**

King III

We embrace the enhancements of the King III code which have already been largely **implemented**

Report to stakeholders