"Despite these challenges, we continue to make significant strides with the implementation of our strategy and in transforming Pick n Pay"

Result overview – continuing operations

As indicated in October 2009, this financial year turned out to be exceptionally tough with the recessionary climate biting especially hard during the second six months.

This year was really a tale of two halves where, in South Africa, earnings growth was affected by the rapid decline in food inflation (from August 2009 off the previous year's high base), continued investment in lower selling prices, escalating electricity costs, and further conservative provisions made against franchise debt. In Australia, the increase in interest rates, which started before the Christmas trading period, severely affected consumer spend.

We foresee that the beginning of the 2011 financial year will continue to present a tough trading environment. However, we expect the 5.5% reduction in interest rates in South Africa over the last 15 months and reduced food inflation to ease the strain on consumers' disposable income.

Despite these challenges, we continue to make significant strides with the implementation of our strategy and in transforming Pick n Pay, an update of which is presented on page 17.

Group turnover at R54.7 billion was 9.8% above last year; Pick n Pay and Boxer grew by 11.5% and Franklins Australia by 1.4%, in Australian dollars.

Trading profit for the year decreased by 2.5% as a direct result of the reduction in gross profit margin from 19.0% last year to 18.6% this year. This reduction in margin is due to our continued investment in prices on basic foods. The overall decrease was cushioned by enhanced operating efficiencies, especially in supply chain.

Profit before tax for the year is up 10.5%, which includes a profit on sale of properties of R190.9 million and a decrease in net interest paid of R19.9 million due to an improvement in net cash balances during the year.

Headline earnings per share at 236.33 cents is 1.1% above last year.

The **total dividend** per share for the year of 174.50 cents for Pick n Pay Stores Limited and 84.94 cents for Pick n Pay Holdings Limited is 2.6% and 2.4% above last year, respectively.

Nick Badminton
Chief Executive Officer

Operational highlights

South Africa

Pick n Pay and Boxer increased turnover by 11.5% for the year. The second half of the year saw growth rates drop substantially as customers remained cautious despite lower interest rates and substantially lower levels of inflation. During the year we opened 5 new Pick n Pay corporate supermarkets, 20 Boxer stores and 38 Pick n Pay franchise stores (including 5 Express stores and Score conversions). In the year ahead we plan to open a further 27 supermarkets under the Pick n Pay and Boxer brands and are working on opening substantially more new stores for the years thereafter. This commitment to investing in expanding our footprint shows the confidence we have in both the country, our strategy and operating model.

Despite the economic conditions we saw a significant increase in the number of customer transactions during the year, demonstrating the resilience of the PnP and Boxer brands, and the tremendous support we receive from customers as we bring world-class retailing to all sectors of our community.

Africa

Our expansion further into Africa is progressing well. We are due to open our first corporate store in Zambia midyear; we have signed up franchise partners in Mozambique; and we have identified sites for expansion into Mauritius. We will expand into countries where we see opportunities to give customers real value, support local enterprise and provide career opportunities.

Australia

Franklins turnover at AUD861.1 million increased by 1.4% and before capital items produced a profit of R21.9 million which is on par with last year. This was on the back of the most challenging retail environment in a decade, with successive interest rate rises negatively impacting on consumer spending.

The impact of the 3 year, AUD50 million store refurbishment programme continues to be positive with completed stores achieving double-digit sales growth and improved profitability. The programme saw 18 refurbishments this year and a further 8 are planned for the next financial year. Next year we also plan to open 4 new stores and further grow the franchise business.

Franklins' Loyalty Club achieved substantial membership growth with cardholders now exceeding 780 000. The programme was recognised as offering customers better value than the programmes offered by other major supermarket groups.

over 1800

PnP private label brands were repackaged with our new branding

"We've identified where we require intensified training to deliver the quality of service our customers demand"

General comments

The Competition Commission's investigation into the retail sector is ongoing and we continue to give the process our full cooperation.

Over the next financial year we will focus on the following priorities:

– Improve the efficiency of the core SA Retail business, by;

> Reducing supply chain costs through further improvements at Longmeadow and by commencing the roll out of central distribution to the rest of South Africa.

> Reducing the cost of doing business through Goods Not For Resale enhancements and further cuts in overheads.

> Simplifying the organisation further, building on the consolidation of the inland region.

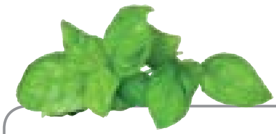
> Enhancing the way we use SAP to improve process efficiency.

– Accelerate store rollout with particular focus on LSM 4-7, smaller supermarkets and Express; and

– Make further improvements to the quality and range of Fresh food and Private Label.

All of these initiatives position us well to benefit from the anticipated upturn in the economy.

Strategy update



South Africa's favourite and most admired grocery retailer

The implementation of the six-pillar strategy we developed in 2007 is continuing rapidly. We are already seeing positive results from the changes we are making and are confident that the benefits from our investment 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		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

Defend and grow leadership in LSM 8-10 heartland

– Private label and Fresh

> We have had tremendous success in growing our private label and Fresh food sales by 15% and 17%, respectively.

– Express

> Pick n Pay Express with its 7 stores in the Western Cape continues to perform beyond expectations. We have now agreed with our partners, BP, to roll-out a further 50 Pick n Pay Express stores over the next 2 years.

– Increased transactions

> Each of our Supermarket, Franchise and Hyper formats is seeing an increase in the number of visits by customers. Although there has been a decrease in size of the average basket purchased during the year, we are pleased that our total transactions for the year from these 3 formats are up by 13.3 million.

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

– Score conversions

> The closure of the Score retail trading operation is now complete with a total of 70 stores converted to the Pick n Pay and Boxer brands. After accounting for the closure costs and for the provision for doubtful debts, it made a material improvement to profits compared to the old Score business.

Conversion of these stores has not only ensured job security for the employees of the ailing Score business, but it increased the number employed in the converted stores by thousands. Sales growth in these stores is 178%.

We look forward to the years ahead when we expect significant financial upside and improved performance for both franchisees and the Group from these converted stores.

– Price perception

> Our price checks show that Pick n Pay continues to offer customers exceptional value. Given the high standards of our stores, this is challenging to communicate to our customers.

We will continue to ensure that we offer a better shopping experience at no extra cost.

Invest to improve operating model

– Supply chain

> Implementation of our supply chain strategy is progressing well with the extension to the Longmeadow distribution centre in Johannesburg due to be complete by June 2010. This will allow for over 1.2 million cases to be distributed per week to our inland stores, representing 60% of dry grocery volume. Longmeadow showed a significant improvement in performance during the year, increasing volumes by 57% and reducing the cost per case by 15%.

Plans are now being finalised for the roll-out of a further 5 national distribution centres over the next 3 years.

– SAP

> We have now completed our SAP implementation in all corporate stores with only franchise stores in the northern part of the country to be converted by August 2010. Once completed, SAP will provide a platform to reap significant efficiency improvements.

Continue to deliver operating efficiencies

– Inland region

> The consolidation of our 3 northern regions into one team will be complete by August 2010. This will greatly improve our efficiency, particularly in administration and buying, whilst delivering a consistent pricing and merchandising strategy across the northern part of the country.

– GNFR

> We have embarked on many initiatives to drive cost out of the business, including the setting up of a central Goods Not For Resale (GNFR) division. GNFR will now procure nationally all those goods and services that the Company purchases and utilises that are not for resale in our stores.

– Expense control

> We have launched "Project Fitness" to reduce costs within our business. This will involve streamlining all processes and resources to ensure that we operate at optimum efficiency.

Build world-class retail capabilities

- Investment in people

> As we transform our business we reassess internal capabilities and, where necessary, we will bring in external help and expertise. We have also identified, especially at store level, where we require intensified training to deliver the quality of service our customers demand.

Create a sustainable future

– Energy

> Operating sustainably is a priority within the business: We have embarked on several energy saving projects.

– Business development

> We continue with social development initiatives. Our transformation of business now shows more than 120 black franchise owners and we continue our support of small entrepreneurial BEE projects.

– Recycling

> Importantly we play a role in helping our customers live sustainably, for example, we are putting recycling bins in all our stores.

For more information on sustainability refer to the Sustainability Report on page 18.

Nick Badminton
Chief Executive Officer

Report to stakeholders