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

The directors are responsible for the preparation and fair presentation of the Company and Group annual financial statements of Pick n Pay Holdings Limited, comprising the directors' report, the statements of comprehensive income, the statements of financial position at 28 February 2011, the changes in equity and cash flows for the year then ended, a summary of significant accounting policies and the notes to the financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, for maintaining adequate accounting records and an effective system of risk management, as well as the preparation of the supplementary schedules included in these financial statements.

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

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

# Approval of annual financial statements

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

**Raymond Ackerman**
*Chairman*

**Gareth Ackerman**
*Director*

# Company Secretary's certificate

In terms of section 268G (d) of the Companies Act No. 61 of 1973, as amended, I certify that Pick n Pay Holdings Limited has lodged with the Registrar of Companies all such returns as are required by the Companies Act, and that all such returns are true, correct and up to date.

D. Muller

**Debra Muller**
*Company Secretary*

29 April 2011

# Independent auditor's report

**for the year ended 28 February 2011**

### To the members of Pick n Pay Holdings Limited

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

### Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

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

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

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

### Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Pick n Pay Holdings Limited at 28 February 2011 and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

**KPMG Inc.**
*Registered Auditor*

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

29 April 2011

MSC House
Mediterranean Street
Cape Town
8001

# Directors' report

**for the year ended 28 February 2011**

## Nature of business

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

## General review

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

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

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

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

## Relative share value

The directors consider that the ratio of the dividend paid per share for the year of Pick n Pay Holdings Limited (PIKWIK) of 69.28 cents, to that of Pick n Pay Stores Limited (PICKNPAY), 142.50 cents, determines the relative value of a Pick n Pay Holdings Limited share, which, based on these figures, is 48.6% (2010: 48.7%) of a Pick n Pay Stores Limited share.

## Audit committee

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

## Investment

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

## Dividends paid and declared

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

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

For further details refer to note 5 on page 111.

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

As dividend number 59 was declared on 15 April 2011 it will only be accounted for in the 2012 financial year. No liability for secondary tax on companies (STC) will be payable on this dividend as the Company will have sufficient STC credits to offset any liability.

## Share capital

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

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

## Going concern

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

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

## Legal proceedings

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

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

## Special resolutions

On 18 June 2010 the Company's shareholders approved the following special resolution:

### General authority to repurchase Company shares

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

## Subsidiary companies' special resolutions

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

## Directors and Secretary

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

## Directors' interest in shares

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

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

## Borrowings

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

## Corporate governance

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

## Subsequent events

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

# Statements of comprehensive income

**for the year ended 28 February 2011**

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

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

# Statements of financial position

**as at February 2011**

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

# Statements of changes in equity

**for the year ended 28 February 2011**

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

# Cash flow statements

**for the year ended 28 February 2011**

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

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

# Notes to the annual financial statements

**for the year ended 28 February 2011**

Except as presented below, the accounting policies and notes to the annual financial statements and consolidated annual financial statements for Pick n Pay Holdings Limited are identical to those disclosed for Pick n Pay Stores Limited on pages 55 to 99.

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

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

**2. Directors' remuneration and interest in shares**

**2.1 Directors' remuneration**

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

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

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

**2.2 Share options in the Company held by directors**

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

**1997 Share Option Scheme**

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

*The value of options exercised is equal to the market value of the shares on the date taken up less the purchase price of those options.

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

**2.3 Directors' interest in shares**

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

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

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

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

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

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

| | | GROUP | |
|---|---|---|---|
| | | **2011 Cents per share** | 2010* Cents per share |
| **4.** | **Basic, headline and diluted earnings/(losses) per share** | | |
| | Basic (note 4.1) | **82.13** | 125.38 |
| | Continuing operations | **95.07** | 135.01 |
| | Discontinued operations | **(12.94)** | (9.63) |
| | Headline (note 4.1) | **82.08** | 106.72 |
| | Continuing operations | **94.29** | 115.62 |
| | Discontinued operations | **(12.21)** | (8.90) |
| | Diluted basic (note 4.2) | **79.73** | 121.99 |
| | Continuing operations | **92.56** | 131.52 |
| | Discontinued operations | **(12.83)** | (9.53) |
| | Diluted headline (note 4.2) | **79.68** | 103.84 |
| | Continuing operations | **91.78** | 112.64 |
| | Discontinued operations | **(12.10)** | (8.80) |
| | | **Rm** | Rm |
| **4.1** | **Basic and headline earnings per share** | | |
| | **The calculation of basic earnings (profit for the year) per share and headline earnings per share is based on:** | | |
| | Basic earnings (profit for the year) | **423.7** | 646.0 |
| | Headline earnings | **423.4** | 549.9 |
| | **and:** | **Number of shares 000's** | Number of shares 000's |
| | The weighted average number of ordinary shares in issue during the year | **515 857.7** | 515 255.4 |
| | | **Rm** | Rm |
| | **Reconciliation between basic and headline earnings:** | | |
| | **Basic earnings (profit for the year)** | **423.7** | 646.0 |
| | Adjustments: | **(0.3)** | (100.0) |
| | Loss on sale of equipment and vehicles – discontinued operations | **3.7** | 3.8 |
| | Profit on sale of property | **—** | (103.8) |
| | Gain on recognition of investment in associate | **(4.0)** | — |
| | Tax effect of adjustments | **—** | 3.9 |
| | **Headline earnings** | **423.4** | 549.9 |
| | | **Number of shares 000's** | Number of shares 000's |
| | **Movement in the weighted average number of ordinary shares in issue comprises:** | | |
| | **At 1 March** | **515 255.4** | 514 732.0 |
| | Net sale of treasury shares by the share trust, pursuant to the take-up of share options | **602.3** | 523.4 |
| | **At 28 February** | **515 857.7** | 515 255.4 |

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

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

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

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

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

| | | GROUP AND COMPANY 2011 Rm | 2010 Rm |
|---|---|---|---|
| 7. | **Share capital** | | |
| | **Authorised** | | |
| | 800 000 000 ordinary shares of 1.25 cents each | **10.0** | 10.0 |
| | **Issued** | | |
| | 527 249 082 ordinary shares of 1.25 cents each | **6.6** | 6.6 |
| | | **Number of shares 000's** | Number of shares 000's |
| | **Number of shares in issue at 28 February is made up as follows:** | | |
| | Treasury shares held by the share trust (note 8) | **9 103.8** | 10 077.6 |
| | Treasury shares held by a subsidiary company (note 8) | **1 817.0** | 1 784.3 |
| | | **10 920.8** | 11 861.9 |
| | Shares held outside the Holdings Group | **516 328.3** | 515 387.2 |
| | **At 28 February** | **527 249.1** | 527 249.1 |
| | Under a general authority 26.4 million of the unissued shares remain under the control of the directors until the next annual general meeting. | | |
| | **1997 Employee Share Option Scheme** | | |
| | In addition to the general authority above, 92.3 million unissued shares (17.5% of issued shares) remain under the control of the directors to implement the terms and provisions of the Pick n Pay 1997 Share Option Scheme. | | |
| | | **Number of options 000's** | Number of options 000's |
| | **Movement in the total number of share options is as follows:** | | |
| | **At 1 March** | **10 970.8** | 11 479.1 |
| | New options granted* | **1 893.0** | 655.8 |
| | Options taken up** | **(3 039.2)** | (1 164.1) |
| | **At 28 February** | **9 824.6** | 10 970.8 |
| | **Options granted may be taken up during the following financial years:** | | |
| | Year — Average grant price | | |
| | 2012 — R9.28 | **9 824.6** | |
| | Percentage of issued shares | **1.9%** | 2.1% |
| | Options available for granting under current authorisation | **82 443.9** | 81 297.8 |
| | *Average price of options granted during the year | **R16.00** | R12.20 |
| | **Average price of options taken up during the year | **R4.77** | R4.92 |
| | **The Employee Share Purchase Trust, which administers the 1997 Share Option Scheme, holds the following number of ordinary shares:** | | |
| | As a hedge against shares granted or to be granted by that scheme reflected as treasury shares | **9 103.8** | 10 077.6 |
| | On behalf of share purchase scheme participants | **436.3** | 500.0 |
| | | **9 540.1** | 10 577.6 |

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