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ANNEXURE I: PROPOSAL TO ELIMINATE THE PYRAMID CONTROL STRUCTURE

Pick n Pay Holdings Limited RF

	Proposal to eliminate the pyramid control structure
	Circular
	Notice of extraordinary general meeting
	Form of proxy
	Form of surrender and transfer

ANNEXURE II: PROPOSAL TO ELIMINATE THE PYRAMID CONTROL STRUCTURE

Pick n Pay Stores Limited

	Proposal to eliminate the pyramid control structure
	Circular
	Notice of extraordinary general meeting
	Form of proxy



ENGAGE WITH US ON THESE PLATFORMS



Our governance / Corporate Governance Report 2016

Corporate governance report

INTRODUCTION

The Board and the Pick n Pay Group are committed to upholding the highest standards of ethics, transparency and good corporate governance, while pursuing sustainable and profitable growth. The Board is ultimately accountable for the ethical leadership, sustainability and good corporate citizenship of the Group, and is assisted in this regard by senior management. The Group's commitment to good corporate governance permeates every aspect of the management structure.

The Board takes overall responsibility for the performance of the Group, ensuring that it is managed in a transparent, equitable and responsible manner. Members of the Board operate as a resource for executives in directing, finalising and overseeing the implementation of the Group's strategy and policy.

With the aim of achieving a balanced economic, social and environmental performance, the Board supports efforts to ensure the long-term sustainability of the business. Legitimate stakeholder involvement is kept in mind at all times. The Board fully supports the materiality approach, which emphasises integrated reporting based on issues and elements that can have a material impact on the sustainable performance of the business over the short, medium and long term.

This report applies to Pick n Pay Stores Limited (Stores, alternatively the Company) and, where applicable, to Pick n Pay Holdings Limited RF (Holdings).

The Board is supported by the audit and risk, corporate finance, corporate governance, nominations, remuneration and social and ethics committees to carry out its oversight role of ensuring that implementation of the Group's strategy is managed in a manner that is consistent with the values of the Group. These committees report to the Board on their activities in line with their delegated powers and authority, as set out in the corporate governance charter.

The Board believes that the Group has applied all significant governance principles and is compliant with all significant Listings Requirements of the JSE. The Group has not breached any regulatory requirements and has complied with statutory obligations.

The governance result on the governance assessment instrument (GAI) scale remains AA, as a result of our ownership structure, where AAA is the highest measure. GAI is an independent measurement instrument of corporate governance best practice, endorsed by the Institute of Directors of Southern Africa.

The Group has made progress in identifying and managing significant risks that could have a material impact on the business. Key risk metrics and measures have been developed with risk indicators clearly defined.

APPLICATION OF KING III PRINCIPLES

A full review of the application to the King III Code is available on our website at www.picknpayinvestor.co.za. The draft King IV Code has been reviewed to ensure that the Group's adherence to the principles and best practice benchmarks of corporate governance will remain current. The principles and recommendations of King III that are applied differently by the Board are set out on page 3 below, along with explanations.

Corporate governance report continued

The table below explains the King III's recommendations that are applied differently by the Board.

Chapter and principle	Comments for 2016
Chapter 2 – Board and directors	
Principle 2.16 The Board should elect a Chairman of the Board who is an independent non-executive director.	King III acknowledges that there may be sound reasons for a company to appoint a Chairman who does not meet all the criteria for independence, but requires such a company to justify this decision and to put further checks in place to ensure no real or perceived conflicts of interest arise. Chairman Gareth Ackerman is not independent by virtue of his indirect shareholding in the Group. Refer to pages 28 and 33. Perceptions of conflicts of interest may arise regarding his decisions relating to the Group and its shareholders. Hugh Herman has been appointed as Lead Independent Director (LID). See notes to the independence of Hugh Herman on page 5. The main function of the LID is to provide leadership and advice to the Board when the Chairman has a conflict of interest, without detracting from the authority of the Chairman. The LID provides an important point of contact for the broader investment and stakeholder community should they have concerns with the running of the Company or potential conflicts of interest. All members of the Board have unfettered access to the LID when required. In addition to the role of the LID, and to ensure good governance, the chairmanship of four of the six Board committees is held by other independent directors. Consistent with the King III guidelines, Gareth Ackerman: ■ Is not a member of the audit and risk committee; ■ Does not chair the remuneration committee, but is a member; and ■ Is not a member of the social and ethics committee.
Principle 2.22 The evaluation of the Board, its committees and the individual directors should be performed every year.	Individual performance evaluations of directors as well as of the effectiveness of the Board are undertaken annually by the Chairman of the Board. The evaluation of the effectiveness of the Board's committees is undertaken regularly, but not necessarily annually. The results allow the Board to determine whether or not it has delivered on its mandate. It also measures, and where possible, enhances, the Board's overall efficiency and each director's individual contribution to the Board. If improvements are indicated, the necessary measures are implemented.
Chapter 3 – Audit committees	
Principle 3.5 The audit committee should ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities.	The Board and audit and risk committee continue to develop and implement a comprehensive combined assurance approach to ensure the integrity of the financial and non-financial data contained within the report.
Chapter 9 – Integrated reporting and disclosure	
Principle 9.3 Sustainability reporting and disclosures should be independently assured.	The Board and audit and risk committee continue to develop and implement a comprehensive combined assurance approach to ensure the integrity of our sustainability reporting.

Corporate governance report continued

BOARD GOVERNANCE

Board function

Directors are encouraged to promote rigorous debate with the aim of promoting active direction, governance and effective control of the Group. Decisions are usually made by consensus. Our policies ensure that there is a clear balance of power and authority at Board level, ensuring that no one director has unfettered powers of decision-making. All Board members, including those who are not independent, are well aware of corporate governance requirements, and are conscious of their obligation to act with integrity as representatives of all stakeholders in the Group.

The Board process is managed by the Group Company Secretary supported by the risk, legal, compliance and governance functions. The Board meets on a quarterly basis in line with the financial and strategic processes of the Group. The Board engages on a quarterly basis with management to examine progress made in the implementation of the Group's strategic objectives.

The Board annually performs a formal review of the Group's ability to continue trading as a going concern in the foreseeable future. The Board has performed this review for the 2016 financial period and confirms the Group's going-concern status.

Board composition

The Board consisted of thirteen directors during the full 2016 financial year. Of the eight non-executive directors, five were independent. The remaining five directors were executive. As the Chairman was not independent, Hugh Herman was appointed as LID (see note to King III principle 2.16 on page 3). In addition, see note as to the independence of Hugh Herman on page 5.

Full curricula vitae of all directors are set out on pages 8 and 9.

The non-executive directors are diverse in their academic qualifications and business experience, resulting in a balanced Board, with directors who exercise leadership, enterprise, integrity and judgement in directing the business of the Group, so that it can thrive.

Changes to Board composition in the 2017 financial year

As from 1 March 2016, David Friedland was considered to be an independent non-executive director as more than three years had elapsed since his retirement from the Group's previous external auditor, KPMG. David Friedland's independence as a director is reaffirmed by the fact that Ernst & Young Inc. is the Group's current external auditor.

Ben van der Ross and John Gildersleeve retired as independent non-executive directors on 27 July 2015 and 28 February 2016 respectively. The Chairman, on behalf of the Board, extended his thanks and gratitude to both directors for the valuable perspective to retail that they brought to the deliberations of the Board. The Board wished them well in their future endeavours.

Controlling shareholder representation on the Board

Gareth Ackerman, Suzanne Ackerman-Berman, Jonathan Ackerman and David Robins were nominated as representatives of the controlling shareholder, and were elected by shareholders to the

Board. Between them they have 66 years' executive experience in the Group. Suzanne Ackerman-Berman and Jonathan Ackerman are executive directors, while David Robins was executive for 14 years and has been a non-executive director since 2008. The Chairman, Gareth Ackerman, has been with the Group for 32 years, the last 17 years (other than an 11-month period during the 2013 financial year) in a non-executive capacity. Their experience, as well as their strategic overview, assists the Group in making long-term decisions for the benefit of all stakeholders in the Group.

Executive representation on the Board

The executive function of the Group is performed by Richard Brasher (CEO), Richard van Rensburg (deputy CEO) and Bakar Jakoet (CFO), who are all executive directors on the Board.

Annual assessment of independence

The Board corporate governance charter requires that an annual assessment of the independence of long-serving directors be performed by considering the following:

- The directors' involvement with other companies;
- External directorships;
- Relationships with material suppliers and rival companies; and
- Material contracts with the Group, if any.

The annual internal assessment of the Board was conducted as follows: An internal assessment of the independence of non-executive directors was undertaken by the Chairman, who conducted individual interviews. Findings were presented to each non-executive director for them to either confirm, or to revert with further evidence supporting their independence. If required, the Company Secretary would solicit external legal opinion regarding the status of a non-executive director. Following this assessment, the Chairman made a recommendation to the Board as to independence. The Board interrogated the recommendations before a final decision was made.

All directors submit a list of their directorships and commercial interests to the Company Secretary, which are regularly updated, and distributed quarterly to the Board. Transparency of commercial interests ensures that directors can be seen to be free from any business or other relationship that may interfere materially with any director's capacity to act in an independent manner.

Length of service

The Board has found that length of service does not automatically preclude a director from exercising independence in decision-making. It is our experience that our longer-serving non-executive directors are aware of, and vigorously exercise, their duty to act in the best interests of all stakeholders of the Group. All our non-executive directors are independent, tough-minded individuals of integrity, who are successful and experienced professionals in their respective fields. They strive to act with independence of mind in the best interests of Pick n Pay. They have no interest, position, association or relationship which is likely to unduly influence or cause bias in decision-making in relation to the Group.

The Group values the balance achieved between the fresh insights from new directors and the experience of the longer-serving directors.

Corporate governance report continued

Conclusion as to independence

All Pick n Pay's independent non-executive directors met the criteria for independence as established by King III, the Companies Act and the JSE Listings Requirements. The Chairman and the Board are satisfied that, despite Hugh Herman's long-running relationship with the Group, his contribution remains unbiased, objective and vigorous.

In order to ensure that shareholder perceptions are aligned with the Board's view of the independence of long-serving directors, all non-executive directors who have served on the Board for more than nine years serve one-year terms of office, instead of the standard three-year term. At the end of each term, the director and the Chairman jointly evaluate the director's contribution and independence. By mutual consent the director may be considered for re-election. If so agreed, such director will be put forward for election by shareholders at the Company's annual general meeting for a further period of one year.

Board committees

The Board committees report back to the Board on how they carried out their responsibilities. The corporate governance charter governing the committees is assessed annually to ensure that the mandates remain current and effective. Our full corporate governance charter is available on the investor relations section of our website, www.picknpayinvestor.co.za. Each committee reviews its effectiveness by way of a review of their activities against the approved terms of reference. The chairman of each committee reports back to the Board on the assessment.

Company Secretary

The Board is aware of the duties the Company Secretary is required to perform and has created an environment in which the Company Secretary is able to ensure full adherence to Board procedures and relevant regulations. The Company Secretary is not a director of the Company, and the directors have unlimited access to the advice and services of the Company Secretary.

Annual consideration is given by the Board to the competence, qualification and experience of the Company Secretary. The Board is satisfied that the Company Secretary meets the necessary requirements. The Company Secretary's qualifications are outlined on page 9. The Board is satisfied that the Company Secretary has maintained an arm's-length relationship with the Board. The Company Secretary acts as secretary for all Board committees other than the remuneration committee, where the CFO acts as secretary.

RISK GOVERNANCE

Risk governance and management are integral elements of the Group's governance framework. These elements aim to ensure business specific operational and strategic risks, emerging risks, as well as risks posed by the external environment, are adequately and timeously identified and mitigated. The Board confirms that the Group's risk management, mitigation and monitoring processes have been effective in limiting the impact of risks on the business during the period.

An enterprise-wide risk management approach, based on the King III principles, aims to ensure that all areas of the business are aligned with the Group's risk management philosophy and strategy.

The overall risk profile of the Group has not changed materially in the period under review. The material issues facing the Group together with mitigation strategies, are covered in the strategic focus section of the integrated annual report.

INFORMATION TECHNOLOGY GOVERNANCE

The Board takes responsibility for IT Governance. An Information Technology Services (IT) governance function has been established within the IT division. IT governance is monitored by the audit and risk committee, which considers the efficiency of IT controls, policies and processes.

OPERATIONAL GOVERNANCE

There are well-entrenched governance structures within the Group to ensure proper assurance is given to strategic and operational matters, including:

- Property committee to manage real estate development
- Capital committee to manage capital expenditure
- Treasury committee to manage the debt structures and cash flow

The CEO is mandated to ensure that the day-to-day business affairs of the Group are appropriately managed by the Group executive committee and that the necessary systems and controls are in place for the effective risk management of the Group.

The Board recognises that risk management is an integral part of the Group strategy and delegates to management the responsibility of designing, implementing and monitoring the risk management plan. The Group combined assurance model is interrogated by the audit and risk committee, and is tabled bi-annually to ensure that the Board is comfortable with the level and type of assurance that the Group obtains.

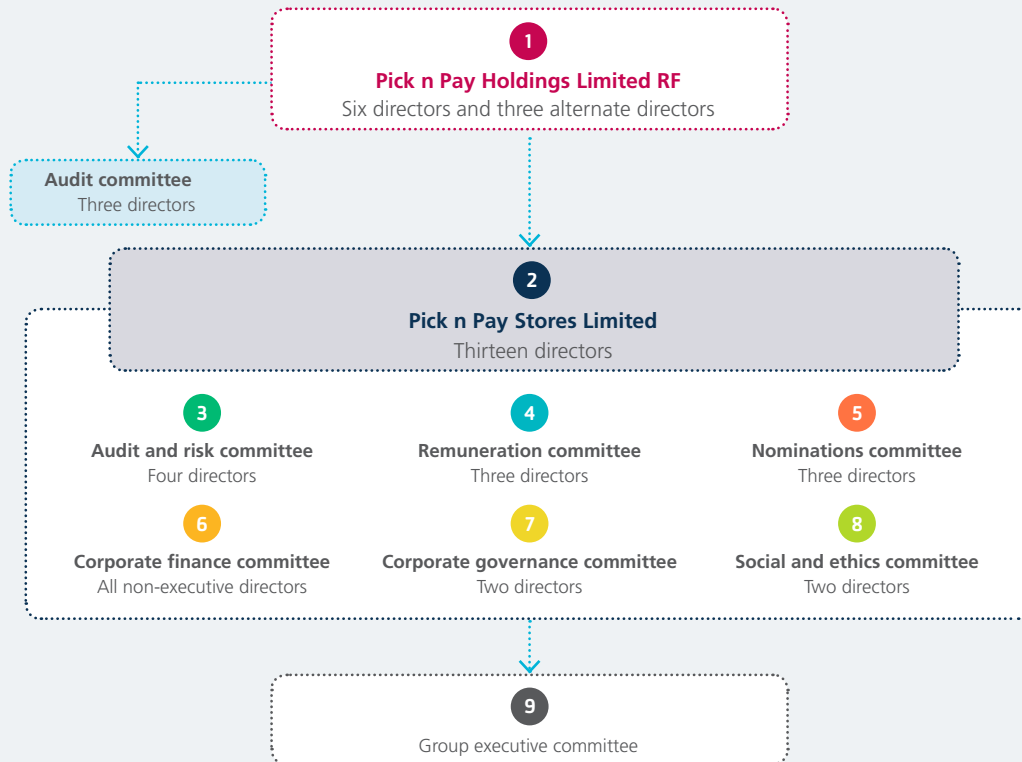
Compliance with statutory, legislative and regulatory requirements is managed through an integrated compliance framework. The compliance monitoring plan is approved on an annual basis. The plan provides independent objective assurance that material legislation applicable to the business has been monitored and ensures that processes and compliance controls are in place to manage compliance risk.

Corporate governance report continued

GOVERNANCE STRUCTURE AND BOARD COMMITTEES

The Board provides direction and strategy, and gives effect to strategy by approving policy, and by putting in place the committee structure through which the Company's policy is implemented. The committees operate within Board mandates, ensuring that strategy is implemented throughout the operations of the Group. Progress is reported regularly to allow the Board oversight over implementation of the strategy.

The diagram below is a summary of the governance structure of the Group:



1 Refer to the Pick n Pay Holdings Limited RF corporate governance report on pages 30 and 31 and Board of directors on page 32.

2 Refer to the Pick n Pay Stores Limited corporate governance report on pages 2 to 7.

Committee	Role	Page
3 Audit and risk committee	The focus of the Group's risk management is to ensure that an appropriate balance between risk and reward is maintained while protecting all stakeholders against avoidable risks, and mitigating the impact of unavoidable risks.	10
4 Remuneration committee	Assists the Board in meeting its responsibility for setting and administering appropriate remuneration policies which are in the best long-term interests of the Group, and are aligned with the Group's long-term strategic objectives.	16
5 Nominations committee	Responsible for identifying and evaluating suitable candidates for possible appointment to the Board to ensure that the Board is balanced and able to fulfil its functions.	15
6 Corporate finance committee	Assists the Board in assessing investment opportunities for the Group.	12
7 Corporate governance committee	Reviews and evaluates the governance practices and structures of the Group, and recommends any changes to the Board for a decision.	13
8 Social and ethics committee	Aims to ensure that high ethical standards are applied in all areas of the business, and reviews and approves the policy, strategy and structure for managing social issues.	29
9 Group executive committee	Manages the day-to-day business affairs of the various divisions of the Group. Consists of Richard Brasher, Richard van Rensburg and Bakar Jakoet.	

Corporate governance report continued

DIRECTORS' ATTENDANCE AT BOARD MEETINGS

The Board convenes a minimum of four times per year for formal meetings, with additional meetings scheduled when necessary. The table below details each director's Board meeting attendance during the past annual financial period:

Director	Board and AGM	Activities 2016
Gareth Ackerman (Chairman)	5/5	■ Reviewed and approved the Group strategy
Richard Brasher (CEO)	4/5	■ Reviewed and approved the three-year financial plan and the 2017 budget
Richard van Rensburg (deputy CEO)	5/5	■ Approved the half-year and year-end financial results, and the JSE announcements
Bakar Jakoet (CFO)	5/5	■ Approved the Integrated Annual Report
Suzanne Ackerman-Berman	5/5	■ Discussed and considered material issues relating to execution of strategy
Jonathan Ackerman	5/5	■ Reviewed and approved the cash flow reports
Hugh Herman (LID)	5/5	■ Reviewed and approved the capital expenditure budget
Jeff van Rooyen	5/5	■ Reviewed and approved the property strategy
Lorato Phalatse	5/5	■ Approved the operating model strategy
David Robins	5/5	■ Approved the expansion of the company into Nigeria in due course
John Gildersleeve*	3/5	■ Approved the extension of tenure for current non-executive directors
Audrey Mothupi	5/5	■ Approved the non-executive directors' fees for tabling at the annual general meeting
David Friedland	5/5	■ Considered the declaration of directors' personal financial interests at each meeting
		■ Reviewed the corporate governance charter

* John Gildersleeve retired as a director of Pick n Pay Stores Limited on 28 February 2016.

BOARD COMMITTEES

The role and responsibility of each Board committee is set out in the corporate governance charter, which is reviewed on an annual basis and approved by the Board. The full terms of reference of each committee can be found on our website at www.picknpayinvestor.co.za.

In line with the delegated powers and authorities, the committees report to the Board on how they carried out their responsibilities. All committees reviewed their responsibilities and were satisfied that they had carried these out during the year.

Board of directors

Pick n Pay Limited has a strong, experienced and diverse Board with a good balance of skills. Each director makes a valuable contribution relevant to their individual field of expertise, whether retail, finance, law, strategy or information technology.

Executive directors



Chairman
Gareth Ackerman AR N



Chief Executive Officer
Richard Brasher



Deputy CEO
Richard van Rensburg



Chief Finance Officer
Aboubakar (Bakar) Jakoet



Suzanne Ackerman-Berman SE



Jonathan Ackerman



David Friedland N CF



David Robins

Non-executive directors



Audrey Mothupi AR CF



Ben van der Ross AR R N CF
* Retired



Hugh Herman AR R CF



Jeff van Rooyen AR CF CG

Independent non-executive directors



John Gildersleeve R
* Retired



Lorato Phalatse N CF SE

Company Secretary



Debra Muller SE

- AR Member of the audit and risk committee
- R Member of the remuneration committee
- N Member of the nominations committee
- CF Member of the corporate finance committee
- CG Member of the corporate governance committee
- SE Member of the social and ethics committee

Board of directors continued

Chairman

Gareth Ackerman (58)

BSocSci, CMS (Oxon)

Chairman

Corporate governance committee and nominations committee chairman

Appointed 1990

An executive at Pick n Pay for 15 years, Gareth headed up various divisions of the Company before being appointed to the Board in 1990. He became a non-executive director in 1999, and from 2002 to 2010 served as Chairman of Pick n Pay Holdings Limited. In 2010 he was appointed Chairman of Pick n Pay Stores Limited. Among his other interests, Gareth is co-chair of the Consumer Goods Council of South Africa, and serves as vice co-chair of the international Consumer Goods Forum.

Other listed company directorships: Pick n Pay Holdings Limited RF

Suzanne Ackerman-Berman (53)

BA, Fellow: Aspen Business Institute; First Movers

Social and ethics committee chairman

Appointed 2010

Years of service: 21

Following broad executive experience in the Company, Suzanne was appointed Director of Transformation on the Group Executive in 2007. In addition to her executive contribution to the Company, in March 2010 she was appointed to the Board as a representative of the controlling shareholder.

Suzanne is very active philanthropically and is a passionate proponent of enterprise development. She is chairman of the Ackerman Pick n Pay Foundation, and head of the Pick n Pay Small Business Incubator.

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

Independent non-executive directors

Audrey Mthuphi (45)

BA (Hons)

Appointed 2013

Audrey's experience spans various business domains including human resources, marketing, communications and corporate strategy. Audrey was a management consultant before being appointed as head of strategy at SABIC for two years for the Public Broadcasting Service. Audrey then joined Liberty Life where she achieved the position of Chief Executive: Group Strategic Services, before moving to Standard Bank. At Standard Bank, Audrey was head of inclusive banking, taking responsibility for the provision of banking services to the unbanked communities. Audrey is now the Chief Executive Officer of the Systemic Logic Group, which advises on global financial innovation and technology disruptors in financial services. She is also a Fellow of the African Leadership Initiative as part of the Aspen Leadership Network and an honorary member of the Golden Key International Honour Society.

Audrey is active in charities involving education and vulnerable children.

John Gildersleeve (70)

Appointed 2013

John has many years of experience in retail, and is a director and chairman of various companies in the United Kingdom. During his 20 years as an executive director of Tesco, John was responsible for personnel, marketing, store development and commercial operations. He was closely associated with Tesco's international expansion. John is currently Chairman of British Land Company PLC, the second largest property company in the United Kingdom. He also serves as the Chairman of Rent+ Ltd and Freston Road Ventures LLP, as Deputy Chairman of Talk Talk PLC and Spire PLC, and as a director of Dixons/Carphone Warehouse PLC.

Resident in the United Kingdom, John travels to South Africa to attend board meetings.

Retired from the Board on 28 February 2016.

Executive directors

Richard Brasher (54)

BSc (Hons)

Chief Executive Officer

Appointed 2013

Years of service: 3

Richard joined Pick n Pay as Chief Executive Officer in 2013 and is leading a plan to restore the business to sustainable long-term growth. He has an outstanding track record spanning over 25 years in international retail. He has developed and led the world's most iconic brand loyalty programme, created one of the first truly global commercial sourcing operations, built an enduring and much imitated private label strategy, and was instrumental in leading a traditional food retail business into the online and convenience markets. His guiding belief is that values determine the enduring success of organisations, and that the customers, staff and the community must always be core to these values.

Jonathan Ackerman (48)

BA Marketing

Appointed 2010

Years of service: 23

Returning to South Africa after studying and working in the USA, Jonathan joined Pick n Pay in 1992. Having worked in many divisions, Jonathan ensures that the wellbeing of Pick n Pay's customers is the primary motivating factor for any strategic decision taken in the Company in his current role as Customer Director on the Group Executive. In March 2010 he was appointed to the Board as a representative of the controlling shareholder.

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

Richard van Rensburg (54)

CA(SA)

Deputy Chief Executive Officer

Appointed 2009

Years of service: 7

Richard has extensive experience in retail and information technology, with Woolworths, Massmart and Affinity Logic. In 2009 he joined the Board of Pick n Pay as an independent non-executive director. In 2011, Richard became deputy CEO. In this role, Richard takes responsibility for the e-commerce portfolio of the Group.

Non-executive directors

David Friedland (62)

CA(SA)

Appointed 2013

David was the audit engagement partner and lead/relationship partner at KPMG for several listed companies, as well as large owner-managed companies, principally in the retail sector. David has been associated with Pick n Pay as an external auditor since 1977, and was the audit engagement partner from 2000 – 2007.

Other listed company directorships: Investec Limited, Investec plc, The Foschini Group Limited

David Friedland became an independent non-executive director of Pick n Pay Stores Limited on 28 February 2016.

Aboubakar (Bakar) Jakoet (59)

CA(SA)

Chief Finance Officer

Appointed 2011

Years of service: 30

Bakar joined the Group in 1984, working in the national finance office, heading up special projects and new business. He was appointed divisional director in 1993 and served on the retail board as chief finance controller since its inception in 1995. He was appointed as CFO and a member of the Board in 2011.

In addition to his responsibilities at Pick n Pay, Bakar is a member of the University of Cape Town Council, Chairman of the UCT Remuneration Committee and Deputy Chairman of the UCT Finance Committee. He is a director of the Sports Science Institute of South Africa, and is a member of their audit committee.

David Robins (62)

BBusSci

Appointed 2002

David joined the Group in 1994 and was appointed in 2005 as the executive responsible for expansion outside of South African borders. In 2002 he was appointed as Deputy Chairman of the Group and as an executive director. During 2008 he retired from his executive position. He remains on the Board as a non-executive director and as a representative of the controlling shareholder.

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

Ben van der Ross (68)

Attorney

Appointed 2000

Ben was admitted as an attorney and conveyancer in 1970. He practised law for his own account until 1988, and continues to consult for Van der Ross Motala Attorneys. He is a former director of the Urban Foundation and Independent Development Trust, and former CEO of the South African Rail Commuter Corporation Limited, as well as Business South Africa. He was a commissioner of the Independent Electoral Commission for South Africa's first democratic election in 1994. Ben serves as Chairman of Strategic Real Estate Management Limited.

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

Retired from the Board on 27 July 2015.

Hugh Herman (75)

Attorney, BA LIB, LLD (h.c)

Attorney

Lead independent non-executive director

Remuneration committee chairman

Appointed 1976

Hugh was a partner at law firm Sonnenberg Hoffmann Galombik before joining Pick n Pay in 1976. He was Managing Director of Pick n Pay from 1986, before joining Investec Bank in 1993. Hugh was appointed Group Chairman of Investec Bank Limited in 1994, a position from which he retired in 2011. Hugh was appointed honorary life president of the Investec Group and remains Chairman of various subsidiary companies in the Investec Group.

Other listed company directorships: Growthpoint Properties Limited, Pick n Pay Holdings Limited RF

Jeff van Rooyen (66)

BCom (SA), Hons BCompt SA, CA(SA)

Audit committee chairman

Appointed 2007

A chartered accountant with extensive experience in both the private and public sectors, Jeff is the founder CEO of Uranus Investment Holdings (Pty) Limited. His involvement in the accounting profession over the years is extensive. Former appointments include being a Trustee of the IFRS Foundation, Chairman of the Public Accountants and Auditors Board (now IRBA) and founder President of the Association for the Advancement of Black Accountants. His public sector record is equally extensive; former appointments include Chairman of the Financial Reporting Standards Council, Executive Officer of the Financial Services Board and member of the Standing Advisory Committee on Company Law. Jeff presently serves as a member of the Advisory Committee, Faculty of Economics and Management Sciences, University of Pretoria.

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

Company Secretary

Debra Muller (54)

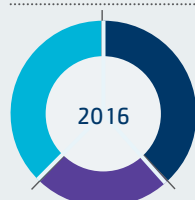
Attorney

Appointed 2010

Years of service: 10

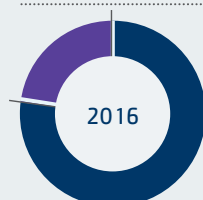
Debra was appointed as an attorney in 1988. From 1994 she assisted Pick n Pay as a legal consultant and was appointed in 2006 as in-house legal adviser, working with contractual and compliance issues. Appointed as Company Secretary to the Pick n Pay Group in 2010, Debra also heads up the legal department. In March 2016 Debra was appointed to the board of directors of the Consumer Goods and Services Ombud (RF) NPC, where she also serves as a member of the CGSO audit and risk committee.

Director classification



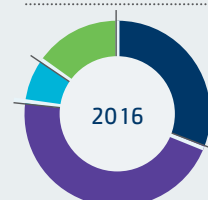
- 38% Executive
- 24% Non-executive
- 38% Independent non-executive

Gender diversity



- 77% Male
- 23% Female

Director tenure



- 4 < 5 years
- 6 < 5 – 10 years
- 1 < 10 – 15 years
- 2 < 15 years

Audit and risk committee report

The Group operates in the fast moving consumer goods industry in Africa and recognises that it will be exposed to certain risks in order to achieve sustainable growth. The focus of the Group's risk management is to ensure that an appropriate balance between risk and reward is maintained while protecting all stakeholders against avoidable risks, and mitigating the impact of unavoidable risks.

The Board is responsible for Group-wide risk governance by ensuring that adequate systems are in place to identify, evaluate and manage key business risks. The Board is assisted in this regard by the audit and risk committee, whose responsibility it is to develop, communicate and monitor the risk management process across all divisions in the Group. The audit and risk committee is integral to the risk management process, with specific oversight of financial, operational and information technology risks and the associated internal controls. The Chief Finance Officer serves as the Chief Risk Officer for the Group and attends all audit and risk committee meetings by invitation.

The day-to-day responsibility for identifying, evaluating and managing risk remains the responsibility of senior management, who are supported by the internal audit function. The internal audit function is independent of business operations and provides assurance on the adequacy and effectiveness of internal controls. In developing its annual combined assurance plan, the internal audit function follows a risk-based methodology to identify material business risks, which are then confirmed and addressed by the relevant individual divisional managers. Currently, the combined assurance plan serves as the source for the Group's top-down risk management programme. These risks are typically strategic and operational, and are quantified by the finance function, where relevant.

The audit and risk committee is a statutory committee, as required by the Companies Act, and functions within a charter that is reviewed and approved annually by the Board. The committee members, Jeff van Rooyen, Hugh Herman and Audrey Mothupi, were confirmed for appointment at the AGM held on 27 July 2015.

Ben van der Ross resigned from his membership of the audit and risk committee prior to its first meeting during the 2016 financial year. The committee expressed their appreciation for his valued contribution to their deliberations over the years of his membership.

David Friedland has been appointed to the audit and risk committee with effect from the commencement of the 2017 financial year, subject to election by shareholders at the AGM to be held on 25 July 2016.

ROLE OF THE COMMITTEE

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

The committee's ongoing main responsibilities are as follows:

Integrated and financial reporting

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

Finance function

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

Internal audit

- Review and approve the internal audit charter and audit plans;
- Evaluate the independence, effectiveness and performance of the internal audit function and compliance with its mandate;
- Review the Group's system of internal control, including financial controls, ensuring that management is adhering to and continually improving these controls;
- Review significant issues raised by the internal audit process; and
- Review policies and procedures for preventing and detecting fraud.

External audit

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

Risk management

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

Audit and risk committee report continued

General

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

COMPOSITION OF THE COMMITTEE

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

Composition of the committee, frequency of meetings, activities in the period under review

Members	Attendance	Activities 2016
Jeff van Rooyen (Chairman)	2/2	■ Reviewed and recommended the half-year and full-year financial results, Annual Financial Statements and Integrated Annual Report to the Board for approval ■ Reviewed the internal audit coverage plan and ensured continued progress in integrating with the combined assurance model ■ Reviewed and approved the accounting and disclosure policies and the effectiveness of internal financial controls ■ Reviewed the external audit coverage plan ■ Pre-approved all non-audit services provided by the Group's external auditors ■ Met separately with the internal auditors and the external auditors to confirm that they received the full co-operation of management ■ Met with management to review their progress on identifying and addressing material risk areas within the business ■ Reviewed the sustainability disclosure in the Integrated Annual Report and ensured that it was consistent with financial information reported ■ Chairman met regularly with key management to keep abreast of emerging issues ■ Discharged all audit and risk committee responsibilities to all the subsidiary companies within the Group ■ Reviewed the findings of the financial review committees of all the material operating subsidiary companies. The financial review committees are chaired by the CFO and, together with the external auditors and management of the respective subsidiary, review in detail the results of the material operating subsidiary companies ■ Reviewed and considered representations by management on the going-concern statement for the Group and recommended the adoption of the going-concern concept to the Board
Hugh Herman	2/2	
Audrey Mothupi	2/2	

INDEPENDENCE OF EXTERNAL AUDITORS

The committee met with management, independently of the auditors, to discuss issues relevant to the audit and for purposes of evaluating the quality and effectiveness of the external audit function. The committee was satisfied as to the independence of the Group's external auditors, Ernst & Young Inc. and its respective audit partners.

POLICY ON NON-AUDIT SERVICES

All non-audit services provided by the Group's external auditors, Ernst & Young Inc., were pre-approved by the audit committee. The total fee for non-audit services provided did not exceed 50% of the total auditors' remuneration.

EXPERTISE AND EXPERIENCE OF CHIEF FINANCE OFFICER AND FINANCE FUNCTION

The committee together with the lead external audit partner has considered and confirmed the composition, experience, resources and skills of the finance function. The committee is satisfied that Bakar Jakoet has the appropriate expertise and experience for his position of Chief Finance Officer of the Group. In addition, the committee is satisfied that the composition, experience and skills of the finance function meet the Group's requirements.

APPROVAL OF THE AUDIT AND RISK COMMITTEE REPORT

The committee confirms that it functioned in accordance with its charter for the 2016 financial year and that its report to shareholders was approved by the Board.

The committee confirmed its satisfaction with the performance and level of service rendered by the external auditor, Ernst & Young Inc., for the 2016 financial year.



Jeff van Rooyen

Chairman: audit and risk committee

25 April 2016

Corporate finance committee report

The corporate finance committee operates in accordance with the corporate governance charter, which is reviewed and approved annually by the Board.

Role of the committee

The committee assists the Board in assessing investment opportunities for the Pick n Pay Group. The committee was formed to ensure that the interests of all shareholders are taken into account when investment decisions are made. Authority to accept or reject investment opportunities remains with the Board.

Composition of the committee

Chaired by Jeff van Rooyen, the committee comprises the independent non-executive directors.

Frequency of meetings

Given the proposal received from the controlling shareholder to eliminate the Pick n Pay Group's pyramid control structure (refer to the annexure of this document), non-conflicted members of the corporate finance committee constituted the independent Board of the Company together with non-conflicted executive directors in order to evaluate the proposal. For the objectives and activities of this committee, please refer to the annexure of this document for membership and a record of attendance at meetings, as well as to the circulars that were posted to shareholders outlining the proposal, and that are also available for viewing on our website, www.picknpayinvestor.co.za.

Corporate governance committee report

The corporate governance committee operates in accordance with the corporate governance charter, which is reviewed and approved annually by the Board.

Role of the committee

The corporate governance committee reviews and evaluates the governance practices and structures of the Group, and recommends any changes to the Board for a decision. The focus is on implementing King III's recommendations and ensuring that the Group complies with the code of corporate practices and conduct. International standards of corporate governance are considered alongside local practices to ensure that the Group adopts best practice.

Composition of the committee, frequency of meetings, objectives and activities in the period under review

Members	Attendance	Objectives and activities 2016
Gareth Ackerman (Chairman)	Informal ad hoc meetings held as required	■ Reviewed remuneration committee charter
Jeff van Rooyen		■ Reviewed share trust charter
		■ Reviewed treasury charter
		■ Reviewed corporate governance charter and recommended amendments for adoption by the Board
		■ Reviewed Companies Act s45 requirements
		■ Evaluated survey used to establish independence of non-executive directors
		■ Evaluated survey used to establish competence of Company Secretary

Legal report

COMPLIANCE

The compliance framework rests on the Group's comprehensive set of policies, which are regularly updated to reflect governance best practice and the evolving regulatory environment. All employees and companies in the Group are obliged to comply with these policies.

Compliance questionnaires are distributed bi-annually to relevant departments to monitor compliance with statutes and regulations that have a bearing on the retail industry, such as the Companies Act, the Competition Act and the Consumer Protection Act. Statutory developments are regularly monitored to establish the compliance regime.

Compliance questionnaires form the dual function of monitoring compliance and educating employees in the requirements of statutory and regulatory compliance in the retail sector. Employees are trained in sessions dealing with important legal issues arising from statutory provisions, such as the Consumer Protection Act and the Competition Act, as well as the Company's code of ethics.

The compliance questionnaires are audited internally to ensure accurate reporting. Management self-assessment is being implemented.

No judgments, damages, penalties or fines for non-compliance with any legislation were recorded and/or levied against any company in the Group, or against any director, officer or employee during the period under review.

Each year, the executive directors and relevant members of senior management declare that to the best of their knowledge, they and the companies they serve, have complied with all relevant statutes and regulations. No incidents of contravention of the policies or the statutes were reported.

LITIGATION MATTERS

The Company and its subsidiaries are not involved, and have not in the 2016 annual financial period been involved, in any legal or arbitration proceedings which may have or have had a material effect on the financial position of the Pick n Pay Group of companies, nor is the Company aware of any such proceedings that are pending or threatened.

COMPETITION COMMISSION

In June 2009, the Competition Commission initiated an investigation into various practices of supermarket retailers, examining competition concerns relating to grocery retail, including buyer power, category management, information exchange and long-term lease agreements. After investigation, the Competition Commission informed retailers that they were dismissing all concerns but would further examine long-term exclusive lease agreements.

In January 2014, the Competition Commission announced that they had concluded that the investigation into long-term exclusive lease agreements did not warrant referral to the Competition Tribunal for determination. All matters under investigation in regard to supermarket retailers were concluded with a notice of non-referral of complaint, confirming our belief that no anti-competitive behaviour existed in the grocery retail sector, and that Pick n Pay's lease agreements were freely entered into and reflected commercial practice that was standard both internationally and in South Africa.

Despite the six-year investigation into the retail sector concluding that there was no basis for pursuing the matter further, it was recently announced that the Competition Commission had taken a decision to conduct a market inquiry into the grocery retail sector. The key issues for the Company in the draft terms of reference were:

- The impact of national supermarket chains on small and independent retailers in townships and the formal economy; and
- The impact of long-term exclusive leases on competition in the retail sector.

The final terms of reference for the market inquiry were announced in November 2015. The Panel of the Market Inquiry has been appointed and, at the time of writing, had issued a draft Statement of Issues. The final Statement of Issues and call for full submissions from stakeholders is expected to be published in mid-July 2016.

It was indicated that the task of the Market Inquiry was to determine whether there are features of the grocery retail sector that undermine competition, particularly with regard to small, independent and informal businesses that supply groceries to residents in townships, peri-urban and rural areas.

Pick n Pay believes that small, independent shops play an important role alongside major retailers. The Company actively support small businesses, for example through our purchasing and supply chain practices, as well as through the Ackerman Pick n Pay Foundation.

Pick n Pay remains of the belief that no anti-competitive behaviour exists in relation to long-term exclusive lease agreements, which have over many years given developers and retailers the confidence to invest and serve customers better.

The growth of large-scale grocery retail benefits families through access to safe and affordable food.

The growth of the formal sector benefits the economy through secure jobs, formal training, compliance with food safety and other standards, as well as increases resources through taxation.

As with the previous investigation conducted by the Competition Commission into the grocery retail sector, Pick n Pay will co-operate fully with the Market Inquiry.

Nominations committee report

The nominations committee operates in accordance with the requirements of the Companies Act and King III. The committee is governed by a Board-approved charter which is reviewed and approved annually by the Board. During the year, Ben van der Ross resigned from the committee with the result that for a period, the majority of members were not independent. David Friedland became independent on 1 March 2016, ensuring that the majority of committee members are again independent.

Role of the committee

The nominations committee is responsible for identifying and evaluating suitable candidates for possible appointment to the Board to ensure that the Board is balanced and able to fulfil its functions as recommended by King III. The committee identifies a list of candidates to be considered, and establishes availability, willingness and suitability.

The authority to appoint directors remains with the Board. Candidates identified by the committee are interviewed by all the non-executive directors before the potential appointment is referred to the Board for a decision. Appointees are referred to shareholders for election.

Composition of the committee, frequency of meetings, objectives and activities in the period under review

Members	Attendance	Objectives and activities 2016
Gareth Ackerman (Chairman)	Informal ad hoc meetings held as required	■ Ensure proper succession planning for the Board, the CEO and the senior executive positions, with the aim of ensuring that the Group's long-term strategy is well executed ■ Recommended that a director who had served for more than nine years continue on the Board for continuity and experience for a further term of one year ■ Reviewed the key performance indicators and objectives of the Group Chief Executive Officer ■ Assessed the competence and expertise of the Company Secretary ■ Assessed the independence of a non-executive director who had been a key member of the external audit firm of the Group more than three years' prior to date of assessment ■ Assessed the balance of the Board post resignation of independent non-executive directors and concluded that the Board retained an appropriate balance of skills, knowledge and experience
Lorato Phalatse		
David Friedland		

Remuneration report

Introduction

For ease of navigation, this report is divided into two sections:

Section 1 – Remuneration philosophy and supporting policies, including:

- Alignment with strategic objectives
- Role and mandate of remuneration committee
- Remuneration structure
 - Executive directors and employees
 - Non-executive directors

Section 2 – Implementation of remuneration policies during the 2016 financial year, including:

- Work performed and decisions taken by remuneration committee
- Payments, accruals and awards to executive directors
- Payments, accruals and awards to non-executive directors
- Directors' interests in shares

Section 1 – Remuneration philosophy and supporting policies

ALIGNMENT WITH STRATEGIC OBJECTIVES

The Group's remuneration philosophy is aimed at attracting, retaining and motivating employees and executives, while aligning their remuneration with shareholder interests and best practice.

Pick n Pay is managed on a balanced scorecard approach, led by the Pick n Pay steering wheel. The steering wheel acknowledges the five key performance areas of our business which have a material impact on our stakeholders and ultimately our performance. One of these key performance areas is "People" recognising the integral role that the Pick n Pay team plays in achieving long-term strategic objectives. Refer to the 2016 integrated annual report for more information.

The Group remuneration philosophy reflects the principles of the "People" section of the Pick n Pay steering wheel:

- **Meritocracy** – people will be recognised and advanced based on merit.
- **Most talented SA retail business** – we will attract, retain and develop the most talented retail team in the industry.
- **Effective lean organisation structure** – we will create and reward a culture of productivity and efficiency.
- **Diversity in the workplace** – we will ensure Pick n Pay offers equal opportunities to people from all walks of life.

We reward employees for their individual contribution to the Group's strategic, operating and financial performance. We ensure that underlying remuneration policies support the development and retention of top talent, while attracting critical skill and experience in the retail industry.

The remuneration philosophy is supported by the following underlying policies:

- Remuneration at all levels is benchmarked against the remuneration policies and practices of comparable companies to ensure that it is fair and just, and paying above the comparable mean for key or scarce skill.
- Remuneration is balanced between fixed remuneration and variable short-term and long-term incentives – applying a higher proportion of variable pay to senior management in order to drive performance, and a greater emphasis on fixed pay for middle and junior management.
- Paying for performance and capability – with top performers earning in the upper quartile of the benchmark.
- Ensuring compliance with all legislation within the Employment Equity Act and Basic Conditions of Employment Act.
- Non-executive directors do not receive remuneration or incentive awards related to share price or corporate performance.

By the close of the 2015 financial year, Pick n Pay had substantially completed Stage 1 of its strategic long-term recovery plan – stabilising the business. In 2016 the Group entered Stage 2 of its plan – to change the trajectory of Pick n Pay. While governed by the Pick n Pay steering wheel, Stage 2 of the strategic long-term recovery plan is organised around seven business acceleration pillars. These pillars represent the seven key growth areas or opportunities for Pick n Pay. The plan is focused, detailed and provides the senior management team with clear objectives and lines of accountability and responsibility. One of the business acceleration pillars focuses on building a winning team. We delivered a number of achievements under this pillar in 2016 and going forward we will focus on effective performance management, core skills training, improved customer service, and more diversity. Refer to our 2016 integrated annual report for more detail.

The Group remuneration philosophy and underlying policies are aligned with the long-term strategic objectives of the Group, as set out in Stage 2 of the long-term turnaround plan. Short-term and long-term incentives are linked to the achievement of key performance indicators, and will contribute to building a winning team and building long-term, sustainable value creation in the business.

ROLE AND MANDATE OF REMUNERATION COMMITTEE

The remuneration committee assists the Board in meeting its responsibility for setting and administering appropriate remuneration policies which are in the best long-term interests of the Group, and are aligned with the Group's long-term strategic objectives. The committee considers and recommends remuneration policies for all levels of staff in the Group, with a particular focus on executive directors, senior management and non-executive directors. The remuneration committee meets at least twice a year, is chaired by an independent non-executive director and comprises only non-executive directors. The committee operates in terms of a Board-approved charter, which is reviewed annually at the Board meeting in April.

Remuneration report continued

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

Director	Attendance	Objectives and activities 2016
Hugh Herman (Chairman)	2/3	- Reviewed the Group's remuneration philosophy and policies to ensure alignment with the strategic objectives of the Group. - Reviewed the Group's remuneration philosophy and policies to ensure alignment with best practice in the market. - Determined the remuneration packages of executive directors and reviewed the remuneration packages of senior management and key employees. - Proposed fees for non-executive directors, subject to shareholder approval. - Reviewed and approved performance-related short-term incentives as well as long-term share-based incentives, including issues under the Group's forfeitable share plan (FSP) aimed at senior management.
Gareth Ackerman	3/3	
John Gildersleeve*	1/3	
Ben van der Ross**	1/1	

* Retired 28 February 2016.

** Retired 27 July 2015.

Audrey Mothupi and Jeff van Rooyen were appointed to the remuneration committee in March 2016, to replace John Gildersleeve and Ben van der Ross who retired during the year.

REMUNERATION STRUCTURE

Executive directors and employees

The Group structures its remuneration across three broad categories:

- Fixed-base salary and benefits
- Short-term variable incentives
- Long-term variable incentives

A balanced mix of fixed-base salary and benefits and short-term and long-term variable incentives is intended to meet the following key objectives:

- To ensure employees are fairly rewarded for services rendered
- To recognise and reward outstanding individual performance
- To incentivise employees to meet short-term and long-term strategic objectives
- To encourage employees to grow and stay with the Group over the long term

Fixed-base salary and benefits

Employees		Fixed benefits						
Grades	Category	Fixed-base salary	13th cheque	Retire-ment funding	Medical aid	Car benefit	Low-interest loans	Leave
A & B	Senior management	✓	—	✓	✓	✓	✓	✓
C & D	Middle management	✓	✓	✓	✓	✓	✓	✓
E & F	Junior management	✓	✓	✓	✓	—	✓	✓
G	Entry level, clerical and administration	✓	✓	✓	✓	—	✓	✓
NMBU ¹	Permanent staff with non-management bargaining unit	✓	✓	✓	✓	—	✓	✓

¹ Non-management bargaining unit.

Remuneration report continued

Fixed-base salary

Remuneration reflects the relative skill, experience, contribution and performance of the individual. Base salary is set at levels that are competitive with the rest of the market so that the Group can attract, motivate and retain the right calibre of people to achieve the Group's strategic business objectives. Remuneration is directly related to annual performance assessments, which are undertaken in April each year. Annual increases in base salary are determined with reference to the scope of the employee's role, the competence and performance of the employee, the projected consumer price index and comparable increases in the general and retail market.

13th cheque

Paid to qualifying employees in November each year. Variable-time employees³ participate based on the average number of hours worked in a month. Employees must have been in the employ of the Group for at least three months to be eligible. The 13th cheque encourages short-term retention.

Retirement funding

It is a condition of employment that all employees participate in a retirement fund. All employees, including variable-time employees³, are required to join one of the retirement funds provided by the Group when commencing employment.

The Group contributes between 8.0% and 16.5% of salary expenditure towards retirement funding, depending on the fund and the terms and conditions of employment.

Medical aid

Medical aid provisions are in place for all full-time¹, part-time² and variable-time employees³. The Group provides a number of medical aid schemes and membership is compulsory for all Pick n Pay employees on G-grade and above, unless they are covered by a third-party medical aid. Membership of the medical aids provided is optional for NMBU⁴ employees. Pick n Pay contributes 50% of the medical aid contributions to approved Group schemes on behalf of employees.

The Group is committed to furthering the economic empowerment and wellbeing of its employees and as such, the provision of retirement and medical benefits to staff is a key part of the remuneration policy.

Car benefit

Employees from D level and above are entitled to a car benefit. Depending on the requirements of their role, it may be in the form of a travel allowance or a company car, including maintenance, fuel and insurance.

Low-interest loans

All employees have access to low-interest loans from the Group. The primary objective of this benefit is to assist our employees with the acquisition of residential property. Loan values are capped at varying amounts, depending on the employee's position in the Group. Affordability tests are performed before any loan is granted, to ensure the employee does not experience financial strain. All housing loans are secured against the employee's retirement funding. No financial assistance is provided for the purpose of assisting employees to buy shares in the Group. For further details please refer to note 15 of the audited Group annual financial statements where employee loans are disclosed.

Leave

Annual leave accumulates from the date of starting employment for all employees and varies between three and four weeks per annum depending on the terms, conditions and length of employment. Variable-time employees³ accumulate leave based on ordinary hours worked. The Group recognises long service with an additional allocation of leave, depending on the terms and conditions of employment, at five-year intervals. The Group also provides family responsibility and religious leave, where applicable.

Variable short-term and long-term incentives

		Short-term	Long-term				
Employees		Incentive bonus	Share options				Forfeitable shares
Grades	Category		Service	Status	Performance	Retention and binary	
A & B	Senior management	✓	✓	✓	✓	✓	✓
C & D	Middle management	✓	✓	✓	✓	✓	—
E & F	Junior management	—	✓	✓	—	—	—
G	Entry level, clerical and administration	—	✓	—	—	—	—
NMBU ⁴	Permanent staff with non-management bargaining unit	—	✓	—	—	—	—

¹ Full-time employees have a fixed contract with the Group, and work either 40 or 45 hours per week.

² Part-time employees have a fixed contract with the Group, and work a maximum of 25 hours per week.

³ Variable-time employees have a variable contract with the Group, which guarantees either 85 hours per month, or a maximum of 40 hours per week.

⁴ Non management bargaining unit.

Remuneration report continued

Short-term incentive bonus

The short-term incentive bonus is discretionary and is linked to the achievement of targets linked to profit before tax and exceptional items (PBTAE), as set by the remuneration committee. Please refer to the five-year review of the integrated annual report for further detail on the calculation of PBTAE. The bonus pool is self-funding and is created after achieving pre-defined targets, inclusive of the value of the incentive. The bonus pool increases in value as threshold, target or stretch targets are attained. Bonuses are paid as a multiple of basic monthly salary and each individual's share of the bonus pool will depend on the target reached and their own individual performance, as measured through the Group's annual performance appraisal process. Bonuses are capped at a multiple of two times annual basic salary. All bonuses paid are subject to approval by the remuneration committee and no bonuses are paid if the threshold target is not met. The bonus paid to grade C and D employees is reduced by the value of the fixed 13th cheque they received in November.

Other, more frequent, incentive bonuses are paid to qualifying staff at store level, including store and butchery managers. These incentives are linked directly to short-term store performance targets such as turnover, stockholdings, and shrink.

Variable long-term incentives

It is Group policy to maintain a broad share option scheme for all employees. All employees, at all grades, are rewarded with share options for both long service and performance. This is an integral part of our remuneration philosophy and ensures that all employees (not only at senior levels) are recognised and that their interests are aligned with those of our shareholders. It gives all our employees the opportunity to acquire shares in the Group, affording them the opportunity for economic upliftment, and encourages employee retention. It is a key differentiator for us against other retail employers in South Africa.

The Group operates two share incentive schemes for the benefit of its employees:

- the 1997 Employee Share Option Scheme; and
- the forfeitable share plan (FSP).

Funding of share plans and dilution

The directors have received approval to utilise up to 63 892 444 shares of the issued share capital of Pick n Pay Stores Limited and 92 268 589 shares of the issued share capital of Pick n Pay Holdings Limited RF for the purpose of managing the Group's share schemes.

Both the Group's share schemes fall within the limits detailed above, which means the aggregate of instruments awarded under both schemes cannot exceed the authorised limits.

The two share schemes are further constrained by an aggregate limit of 5% of issued share capital, of both Pick n Pay Stores Limited and Pick n Pay Holdings Limited RF, in respect of the amount of new shares that can be issued to cover obligations under the employee share schemes. The Group has done so three times in the past:

- an issue of 2.7 million Pick n Pay Stores Limited shares or 0.6% of issued share capital in the 2005 financial year to meet specific share option obligations;
- the debut allocation of shares under the FSP, in the 2015 financial year, was funded by the issue of 6.9 million Pick n Pay Stores Limited shares, or 1.4% of issued share capital; and
- the second allocation of shares under the FSP, in the 2016 financial year, was funded by the issue of 1.1 million of Pick n Pay Stores Limited shares, or 0.2% of issued share capital.

Please refer to note 5 of the audited Group annual financial statements for further details of the outstanding options and limits available under the schemes.

1. The 1997 Employee Share Option Scheme

The Group operates the 1997 Employee Share Option Scheme (the scheme) in order to facilitate broad employee share ownership, foster trust and loyalty among employees and reward performance. The scheme incentivises management and employees by providing them with an opportunity to acquire shares in the Group, thereby aligning interests with shareholders and encouraging employee retention. Furthermore, binary shares incentivise senior management to achieve specified performance targets.

Pick n Pay Holdings Limited RF share options (PWK)

During the 2016 financial year, 1.2 million PWK share options were granted to employees in respect of long service. At year-end, 16.1 million PWK share options were held by employees, amounting to 3.1% of shares in issue. Please refer to note 5 of the audited Group annual financial statements for further information.

Long-service share options – no conditions attached

Long-service share options are granted to all long-serving employees at all levels, including full-time¹, part-time² and variable-time³ employees. Share options are granted on each employee's five-year service anniversary, with further options granted every five years thereafter. No other service or performance conditions are attached – long-service share options may be taken up immediately on granting.

Remuneration report continued

Pick n Pay Stores Limited share options (PIK)

During the 2016 financial year, 2.4 million Pick n Pay Stores Limited (PIK) options were issued to management in respect of their progress and performance. At year-end, 30.6 million PIK share options were held by employees amounting to 6.3% of shares in issue. Please refer to note 5 of the audited Group annual financial statements for further information.

Status share options – service conditions attached

Status share options are granted to employees who attain grade F, and further options are granted at each promotion to higher levels of management. In order to encourage employee retention, status shares vest in three tranches (vesting periods) as follows:

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

There are no other performance conditions attached to these share options. Vesting is only dependent on the employee remaining in the employ of the Group over the specified vesting period. If the employee leaves before the vesting period, unvested share options lapse.

Performance share options – service conditions attached

Employees on grades C and D may be eligible for performance “top-up” share options, in recognition of their individual performance and valuable contribution to the Group. These options vest in the same manner as status share options.

Retention share options – extended service conditions attached

These share options specifically encourage the retention of key individuals and have varying vesting periods that can be up to 10 years.

Binary share options – service and performance conditions attached

Binary share options are granted to employees on grades A and B. These three to five-year options may only be taken up when prescribed performance conditions linked to the growth of the PIK share price are met. If the conditions are not met, these options are automatically forfeited. Should further performance hurdles be achieved, discounted grant prices may apply.

a) *Binary share option issue to deputy CEO Richard van Rensburg*
In October 2011, 400 000 binary share options were issued to deputy CEO Richard van Rensburg. The binary share options were issued at a grant price of R36.55, under the following terms:

If the 20-day VWAP up to and including 23 May 2016 was R73.11 or greater, the options could be exercised at the full grant price of R36.55.

Should this 20-day VWAP be less than R73.11, then the options would lapse. Thereafter, if further performance hurdles are met, discounted grant prices would apply on exercise.

The salient features of the issue are summarised below:

Hurdles	Share price May 2016	Annual compound growth rate	Exercise price May 2016
Eligibility hurdle	R73.11	16%	R36.55
Performance hurdle 1	R93.07	23%	R18.28
Performance hurdle 2	R121.56	30%	R1.00

Note

The 20-day VWAP up to and including 23 May 2016 was R73.79, as such the eligibility hurdle has been met and these binary share options have vested. Richard van Rensburg is entitled to take-up these options at the grant price of R36.55.

b) *Binary share option issue to CEO Richard Brasher*

In November 2012, 1 000 000 binary share options were issued to Richard Brasher on his appointment as CEO. The binary share options were issued at a grant price of R42.24.

If the 20-day VWAP up to 14 November 2017 is R68.03 or greater, the options can be exercised at the full grant price of R42.24. Should this 20-day VWAP be less than R68.03, then the options will lapse. Thereafter, if performance hurdles are met, discounted grant prices will apply on exercise.

The salient features are summarised below:

Hurdles	Share price November 2017	Annual compound growth rate	Exercise price November 2017
Eligibility hurdle	R68.03	10%	R42.24
Performance hurdle 1	R84.96	15%	R21.12
Performance hurdle 2	R128.91	25%	R1.00

In addition to the terms above, if the 20-day VWAP up to 14 November 2017 is between R105.11 and R128.90 (representing an annual compound growth rate of 20% in the 20-day VWAP share price from grant date), a cash bonus of R10.6 million will be paid.

Remuneration report continued

The future net realisable value of all outstanding share options

Pick n Pay Stores Limited share options

			52 weeks 28 February 2016		52 weeks 1 March 2015	
			Number of options 000's	Net realisable value Rm	Number of options 000's	Net realisable value Rm
Outstanding share options may be taken during the following financial periods:						
Average grant price						
Year	2016 R	2015 R				
2016		31.38			17 710.2	379.7
2017	33.15	36.31	17 891.5	411.3	4 577.0	75.6
2018	40.89	40.67	5 479.5	83.6	5 386.4	65.4
2019	40.31	35.68	3 423.2	54.2	2 869.5	49.2
2020	46.83	45.72	1 574.8	14.7	2 234.8	15.8
2021 and thereafter	53.60	48.98	2 193.8	5.6	1 096.7	4.2
			30 562.8	569.4	33 874.6	589.9

The net realisable value of outstanding share options was calculated using the closing share price of R56.14 (2015: R52.82) less the average grant price. Binary share options include performance hurdles that, if met, trigger discounted grant prices. Please refer to page 20 of this report.

Pick n Pay Holdings Limited RF share options

			52 weeks 28 February 2016		52 weeks 1 March 2015	
			Number of options 000's	Net realisable value Rm	Number of options 000's	Net realisable value Rm
Outstanding share options may be taken during the following financial periods:						
Average grant price						
Year	2016 R	2015 R				
2016		14.41			16 635.5	122.0
2017	16.40		16 136.2	124.6		
			16 136.2	124.6	16 635.5	122.0

The net realisable value of outstanding share options was calculated using the closing share price of R23.80 (2015: R22.85) less the average grant price.

Remuneration report continued

2. The forfeitable share plan (FSP)

The FSP recognises those key Pick n Pay employees who have a significant role to play in delivering Group strategy and ensuring the growth and sustainability of the business in the future. The award of shares under the FSP recognises the valuable contribution of qualifying employees, and through the attachment of performance conditions, incentivises these employees to deliver earnings growth in the future. An award of shares may also be used to attract talented prospective employees.

An important feature of the FSP is that before employees are eligible to participate, they must first meet their annual individual key performance indicators, as set out in the strategic long-term plan. If an employee does not meet his or her individual performance targets and therefore is not awarded a short-term incentive bonus, the employee will not be eligible to receive an award of forfeitable shares.

The participant becomes the beneficial owner of the forfeitable shares on the date of the award. Beneficial ownership affords the employee full shareholder voting rights and full rights to any dividends declared.

The shares are held by a Central Securities Depository Participant (CSDP) on behalf of the employee during the time of the vesting period and the employee will not be able to dispose of the shares before the vesting date. If the employee leaves the employ of the Group before the completion of the vesting period (other than on normal retirement, disability or death) all shares will be forfeited.

Forfeitable shares are performance shares. Shares awarded under the FSP will always have performance conditions attached. If the performance conditions are not met within the specified time period (the vesting period) the employee will forfeit the shares. The remuneration committee awards shares to participants. The actual number of shares awarded takes into account recognised market benchmarks, as well as each participant's individual performance, annual salary, employment grade and other relevant retention and attraction requirements. The performance conditions will be linked to the financial performance of the Group, with headline earnings per share (HEPS) the preferred performance measure. Performance conditions are applied on a rising scale, allowing for the vesting of an increasing number of shares, as earnings thresholds are met and exceeded.

To ensure the FSP is aligned with the best interests of the Group and its shareholders in mind, the performance conditions are subject to an overriding condition that Pick n Pay's return on capital employed (ROCE) must be greater than its weighted average cost of capital (WACC) over the vesting period, before any FSP shares are allowed to vest. This is to ensure that Pick n Pay has generated a real return for shareholders before rewarding its management team.

There have been two issuances under the FSP.

The debut FSP issuance took place in August 2014 and was funded through a fresh issue of 6.9 million PIK shares (1.4% of issued share capital). There have been some forfeits under the scheme, with 6.7 million shares now held in a CSDP on behalf of 145 participants.

The following performance conditions apply:

52 weeks to 2 March 2014 baseline HEPS cents	Three-year compound annual growth rate %	52 weeks to 26 February 2017 HEPS cents	Portion of shares which vest %	Number of shares which vest 000's	Net realisable value* Rm
138.51	<10%	<184.36	All forfeited	—	—
138.51	10%	184.36	30%	2 010.0	112.8
138.51	12%	194.60	65%	4 355.0	244.5
138.51	15%	210.66	100%	6 700.0	376.1

* The net realisable value of outstanding FSP shares was calculated using the closing share price of R56.14.

The Pick n Pay Stores Limited Group delivered HEPS growth of 26.4% in 2016 to 224.04 cents per share, with cumulative HEPS growth over 2015 and 2016 of 27.2%. The strong growth in HEPS over the last few years has put the Group in a good position to deliver the first shares under the FSP.

The second FSP issuance took place in August 2015 and was funded in part through a fresh issue of 1.1 million PIK shares (0.2% of issued share capital). 1.2 million shares are held in a CSDP on behalf of 115 participants.

The following performance conditions apply:

52 weeks to 2 March 2015 baseline HEPS cents	Three-year compound annual growth rate %	52 weeks to 26 February 2017 HEPS cents	Portion of shares which vest %	Number of shares which vest 000's	Net realisable value* Rm
177.26	<10%	<194.99	All forfeited	—	—
177.26	10%	194.99	30%	366.9	20.6
177.26	11%	196.76	65%	794.9	44.6
177.26	12%	198.53	100%	1 223.0	68.7

* The net realisable value of outstanding FSP shares was calculated using the closing share price of R56.14.

Remuneration report continued

Linear vesting applies, with increasing levels of shares vesting in line with increasing levels of growth delivered. It is important to note that all the growth thresholds detailed above are after recognising the applicable IFRS 2 expense, which is charged to the income statement over the vesting term of the forfeitable shares. The scheme is therefore self-funding.

The 2016 financial year includes a first time charge of R63.3 million in respect of the second FSP issuance. The shares will vest in August 2017 and August 2018 after the completion of prescribed three-year service periods. However, the three-year compound annual growth rate of HEPS (and thus the level of performance condition met) will be known at the time of the publication of the 2017 and 2018 annual financial results.

The Group delivered growth in headline earnings per share of 26.4% in the 2016 financial year, with a ROCE of 29.3% and a WACC of 11.9%. Please refer to the five-year review in our 2016 integrated annual report for detail on the calculation of both ROCE and WACC.

Regular annual awards will be made on a consistent basis to encourage long-term value creation, while always first considering the overall affordability of the plan for the Group and its benefit for shareholders.

Service contracts

Executive directors and senior management are employed in terms of the Group's standard contract of employment and are not employed under fixed-term contracts. Senior management (grades A and B) are required to give a reasonable notice period of their intention to terminate their services, which varies from one to 12 calendar months. The retirement age is 60 years, which applies to all employees. Employment contracts do not provide for any exceptional benefits or compensation on the termination of employment. Certain managers who are considered key in carrying out the Group's strategy are subject to contractual restraint of trade provisions and discretionary termination or restraint of trade payments may be made in this regard.

REMUNERATION STRUCTURE

Non-executive directors

In respect of non-executive directors, the remuneration committee proposes fees to be paid for the membership of the Board and Board committees. Such fees are market-related, commensurate with the time required for directors to undertake their duties, and must be approved by the Board and shareholders. Approved fees are set for the annual financial period. Fees are not subject to attendance at meetings as attendance at Board meetings is generally good.

Remuneration is not linked to the performance of the Group or the Group's share performance. Non-executive directors do not receive performance-related bonuses and are not granted forfeitable shares or share options. The fees for the 2016 financial period were approved by shareholders at the AGM held on 27 July 2015. The proposed fees for the 2017 financial period will be submitted to shareholders for approval at the AGM to be held on 25 July 2016.

When non-executive directors provide additional consultancy services to the Board and its committees, the related fees are determined and approved by the remuneration committee on an ad hoc basis, taking into account the nature and scope of the services rendered.

Section two – Implementation of remuneration policy during the 2016 financial year

1. WORK PERFORMED AND DECISIONS TAKEN BY REMUNERATION COMMITTEE

The main items considered and approved by the remuneration committee during the 2016 financial period were as follows:

a. *Executive director remuneration benchmarking, including a review of all benefits provided*

The remuneration committee reviewed the fixed remuneration paid to executive directors, including all benefits, to ensure alignment with the Group's strategic objectives and best practice in the market.

Remuneration paid is considered fair and competitive against market benchmarks and the role and performance of each individual executive director.

b. *Reviewing and setting the annual compensation for the CEO*

In setting Richard Brasher's annual base salary at R7.9 million, the remuneration committee considered his extensive experience in the retail industry, which spans almost 30 years, and the success he has had with developing the strategic long-term recovery plan for Pick n Pay and successfully steering the Group into Stage 2 of that plan.

Under Richard's stewardship, the business has delivered six consecutive reporting periods of strong profit growth and is in a stronger and more stable financial position than it was three years ago. The remuneration committee benchmarked Richard's base salary against similar-sized South African companies and his salary is considered fair in relation to the market, his expertise and his contribution to date.

c. *Annual increases in fixed remuneration for executive directors*

The increase in the base salary paid to executive directors of 7.9%, is against an average for the Group of 6.0% to 7.0%, excluding employees governed by a labour union agreement (NMBU). The average annual increase for NMBU employees was between 7.0% and 8.0%. Increases are determined after detailed performance reviews are undertaken in April each year. Annual increases are determined with reference to the scope of executives' roles, their performance against key performance indicators, as well as comparable increases in the general and retail market and the projected consumer price index.

Remuneration report continued

d. Determining an appropriate short-term incentive bonus, and the reasonable allocation thereof to executive directors and qualifying employees

The remuneration committee has a crucial role to play in ensuring that the Group's remuneration policy not only supports the Group's strategic goals, but also ensures that management is remunerated fairly and reasonably, in line with industry benchmarks and shareholder expectation.

The remuneration committee sets annual performance targets (threshold, target and stretch) that must be achieved before a short-term incentive bonus will be payable. The targets are based on profit before tax and exceptional items (PBTA), which is inclusive of the cost of the short-term incentive.

The Group delivered growth in PBTA ahead of the remuneration committee's threshold level of 10.0% and its target of 23.5%, with the Group achieving PBTA of R1 506.1 million (26.1% growth). The stretch target of 37.2% was not met. As a result, a bonus was agreed to by the remuneration committee.

The quantum of the bonus pool is at the discretion of the remuneration committee and is informed by the overall performance of the Group and the personal performances of the individual senior managers. The executive directors' remuneration table on page 25 reflects the bonus accrued for the current financial period for executive directors based on 2016 performance. The remuneration committee has set new and appropriate targets for the 2017 financial period.

e. Reviewing the Group's long-term share option incentive scheme, its alignment to long-term strategy and allocations to executive directors

The remuneration committee undertook a detailed review of all the share options held by the executive directors, including all the service and performance conditions attached. No new share options were granted to executive directors during the year.

f. Reviewing the Group's forfeitable share plan – setting appropriate performance conditions and allocating forfeitable shares to executive directors and qualifying senior management

The remuneration committee set the financial performance conditions to be attached to the second issuance under the Group's forfeitable share plan. Further, the committee agreed on the 115 participants and the level at which each would participate, with particular focus on the allocations to executive directors.

For further information refer to pages 22 and 23 of this report.

g. Reviewing and recommending non-executive directors' fees for the 2016 financial period, for final approval by shareholders at the AGM

Fees for the current and proposed periods are as follows:

	Proposed 2017 R	Actual 2016 R	% change
Chairman of the Board ¹	3 913 000	3 657 000	7.0
Lead independent non-executive director of the Board	122 000	114 000	7.0
Non-executive director of the Board	364 000	340 000	7.0
Chairman of the audit committee	300 000	280 000	7.1
Member of the audit committee	122 000	114 000	7.0
Chairman of the remuneration committee	160 000	150 000	6.7
Member of the remuneration committee	80 000	75 000	6.7
Member of the nominations committee ¹	75 000	70 000	7.1
Member of the social and ethics committee ²	80 000	75 000	6.7
Chairman of the corporate finance committee ³	170 000	160 000	6.2
Member of the corporate finance committee ³	115 000	107 000	7.5
Trustee of the employee share purchase trust	35 500	33 000	7.6

1. The Chairman of the nominations committee is the Chairman of the Board and does not receive an additional fee for chairing this committee.

2. The Chairman of the social and ethics committee is an executive director and does not receive an additional fee for chairing this committee.

3. The corporate finance committee is an ad hoc committee. The fees payable are determined in relation to the number of meetings held during the financial period, but will not be more than the annual proposed fee. Four formal meetings were held in 2016.

For the current period and proposed periods' fees for Pick n Pay Holdings Limited RF, refer to page 30.

Remuneration report continued

h. Reviewing and recommending to the Board the overall compensation for the Chairman, for final approval by shareholders at the AGM

In setting the Chairman's proposed annual fee of R3.9 million, the remuneration committee (with Gareth Ackerman recused from discussion) considered the active role he plays in the corporate governance of Pick n Pay and in formulating overarching strategy for the individual companies within the Group. Gareth does not play a day-to-day role in the executive management and administration of the business, but he does make himself available to the executive team in a valuable advisory capacity.

i. Reviewing and approving of the Group's remuneration policy and report

This report and the recommendations of the remuneration committee have been approved by the Board and will be submitted to shareholders for consideration at the annual general meeting to be held on 25 July 2016.

2. PAYMENTS, ACCRUALS AND AWARDS TO EXECUTIVE DIRECTORS

The Board is wholly responsible for the formulation, development and effective implementation of Group strategy. In turn, the Board delegates operational strategy implementation and general executive management of the business to its executive directors. As such, in terms of section 38 of the Companies Act 2008, the executive directors are identified as prescribed officers, and their remuneration is detailed below.

Total remuneration of executive directors

	Fixed-base salary and benefits					Short-term annual bonus R'000	Total remuneration R'000	Long-term share awards expense [#] R'000
	Fees for Board meetings R'000	Base salary R'000	Retirement and medical contributions R'000	Fringe and other benefits R'000	Total fixed remuneration R'000			
52 weeks to 28 February 2016								
Richard Brasher	1.5	7 863.0	1 303.4	287.5	9 455.4	15 000.0	24 455.4	20 233.6
Richard van Rensburg	1.5	3 709.4	600.3	312.0	4 623.2	2 500.0	7 123.2	8 448.9
Bakar Jakoet	1.5	3 213.0	552.0	302.9	4 069.4	2 500.0	6 569.4	5 436.2
Suzanne Ackerman-Berman	1.5	2 221.5	376.8	267.2	2 867.0	1 700.0	4 567.0	3 055.4
Jonathan Ackerman	1.5	2 221.5	401.5	272.5	2 897.0	1 700.0	4 597.0	3 055.4
Total remuneration	7.5	19 228.4	3 234.0	1 442.1	23 912.0	23 400.0	47 312.0	40 229.5
% increase on prior year		7.9						
52 weeks to 1 March 2015								
Richard Brasher	1.5	7 370.5	1 215.5	1 144.7	9 732.2	9 000.0	18 732.2	11 771.2
Richard van Rensburg*	1.5	3 422.5	622.0	735.1	4 781.1	1 600.0	6 381.1	3 747.9
Bakar Jakoet	1.5	2 904.0	497.5	292.3	3 695.3	1 600.0	5 295.3	3 125.8
Suzanne Ackerman-Berman	1.5	2 046.6	374.4	264.0	2 686.5	1 000.0	3 686.5	1 753.0
Jonathan Ackerman	1.5	2 083.5	351.5	263.0	2 699.5	1 000.0	3 699.5	1 753.0
Total remuneration	7.5	17 827.1	3 060.9	2 699.1	23 594.6	14 200.0	37 794.6	22 150.9
% increase on prior year		6.9						

* Prior year amounts restated and/or reclassified, refer to note 30 of the Group annual financial statements.

[#] The expense of the long-term share awards is determined in accordance with IFRS 2: Share-based Payments. The fair value is measured at grant date and the cost of the awards granted is spread over the period during which the employees become unconditionally entitled to the options (the vesting period). The amounts in the column represent the current year's charge, as recorded in the statement of comprehensive income and statement of changes in equity. The column is for information only, given that the value was neither received by nor accrued to the directors during the period. The long-term share awards will vest in the future only if all the criteria set out in the rules of the 1997 Employee Share Option Scheme and forfeitable share plan are met.

The remuneration committee does not currently target an optimum level of fixed versus variable remuneration, although the scope and breadth of the strategic role performed by each executive director is considered when allocating long-term incentive share awards. The remuneration committee is in the process of developing formal guidelines in this regard.

As detailed above, total fixed benefits include payments made and costs accrued in the current year, and variable incentives include the related cost of share awards issued in current and prior periods.

Remuneration report continued

Share awards granted to executive directors – PIK

	Calendar year granted	Award grant price R	Balance held at 2 March 2015	Granted during the period	Exercised during the period	Exercise price R	Balance held at 28 February 2016	Available for take-up
52 weeks to 28 February 2016								
Richard Brasher								
Share options	2012	42.24	1 000 000	—	—	—	1 000 000	Nov 2017
	2012	42.24	1 000 000*	—	—	—	1 000 000*	Nov 2017
Forfeitable shares**	2014	Nil	800 000	—	—	—	800 000	Aug 2017
	2015	Nil	—	220 000	—	—	220 000	Aug 2018
			2 800 000	220 000	—		3 020 000	
Richard van Rensburg								
Share options	2011	36.55	400 000*	—	—	—	400 000*	May 2016
Forfeitable shares**	2014	Nil	250 000	—	—	—	250 000	Aug 2017
	2015	Nil	—	35 000	—	—	35 000	Aug 2018
			650 000	35 000	—		685 000	
Bakar Jakoet								
Share options	2003	12.00	250 000	—	—	—	250 000	Now
	2007	31.15	5 779	—	—	—	5 779	Now
	2008	26.55	7 907	—	—	—	7 907	Now
		26.14	105 000	—	—	—	105 000	Now
		26.14	45 000	—	—	—	45 000	Now
	2009	28.20	12 413	—	—	—	12 413	Now
	2010	42.28	1 799	—	—	—	1 799	Now
	2011	41.70	200 000	—	—	—	200 000	Now
		41.70	300 000	—	—	—	300 000	Now
Forfeitable shares**	2014	Nil	250 000	—	—	—	250 000	Aug 2017
	2015	Nil	—	35 000	—	—	35 000	Aug 2018
			1 177 898	35 000	—		1 212 898	
Suzanne Ackerman-Berman								
Share options	2004	21.00	10 000	—	(10 000)	58.71	—	n/a
	2006	31.15	122 408	—	(122 408)	58.71	—	n/a
	2008	26.56	4 519	—	(4 519)	58.71	—	n/a
		26.14	25 000	—	—	—	25 000	Now
		26.14	25 000	—	—	—	25 000	Aug 2016
		26.14	25 000	—	—	—	25 000	Aug 2017
		26.14	25 000	—	—	—	25 000	Aug 2018
	2009	28.20	8 867	—	(8 867)	58.71	—	n/a
	2010	42.27	1 421	—	(1 421)	58.71	—	n/a
Forfeitable shares**	2014	Nil	150 000	—	—	—	150 000	Aug 2017
	2015	Nil	—	20 000	—	—	20 000	Aug 2018
			397 215	20 000	(147 215)		270 000	
Jonathan Ackerman								
Share options	2005	20.70	6 441	—	(6 441)	58.71	—	n/a
	2006	28.00	14 286	—	(14 286)	58.71	—	n/a
	2007	31.15	14 446	—	(14 446)	58.71	—	n/a
	2008	26.56	9 414	—	(9 414)	58.71	—	n/a
		26.14	25 000	—	—	—	25 000	Now
		26.14	25 000	—	—	—	25 000	Aug 2016
		26.14	25 000	—	—	—	25 000	Aug 2017
		26.14	25 000	—	—	—	25 000	Aug 2018
	2009	28.20	8 867	—	(8 867)	58.71	—	n/a
	2010	42.27	1 560	—	(1 560)	58.71	—	n/a
Forfeitable shares**	2014	Nil	150 000	—	—	—	150 000	Aug 2017
	2015	Nil	—	20 000	—	—	20 000	Aug 2018
			305 014	20 000	(55 014)		270 000	

* The exercising of these binary options is subject to specific performance criteria relating to the growth of the Company's share price over the term of the option. If the share price performance criteria are not met, the options are forfeited.

** The exercising of these forfeitable shares is subject to specific performance criteria relating to the growth in HEPS of Pick n Pay Stores Limited. If the performance hurdles are not met, the shares will be forfeited. These shares are held in a CSDP account on behalf of the director until the vesting conditions have been met. For further details on the forfeitable share plan, refer to pages 22 and 23 of this report.

Remuneration report continued

Share awards granted to executive directors – PWK

	Calendar year granted	Award grant price R	Balance held at 2 March 2015	Granted during the period	Exercised during the period	Exercise price R	Balance held at 28 February 2016	Available for take-up
52 weeks to 28 February 2016								
Richard van Rensburg	2011	15.18	1 000 000	—	—	—	1 000 000	Now
			1 000 000	—	—		1 000 000	
Bakar Jakoet	2005	11.50	400	—	—	—	400	Now
	2008	11.33	600	—	—	—	600	Now
	2010	16.00	400	—	—	—	400	Now
	2014	22.64	400	—	—	—	400	Now
			1 800	—	—		1 800	
Suzanne Ackerman-Berman	2011	15.35	400	—	(400)	26.68	—	n/a
	2016	28.32	—	400	—	—	400	Now
			400	400	(400)		400	
Jonathan Ackerman	2010	16.00	1 000	—	(1 000)	26.68	—	n/a
	2012	20.03	400	—	(400)	26.68	—	n/a
			1 400	—	(1 400)		—	

3. PAYMENTS, ACCRUALS AND AWARDS TO NON-EXECUTIVE DIRECTORS

	Directors' fees R'000	Lead director R'000	Audit committee R'000	Remuneration committee R'000	Nominations committee R'000	Corporate finance committee R'000	Social and ethics committee R'000	Employee share trust R'000	Total R'000
52 weeks to 28 February 2016									
Gareth Ackerman*	3 657.0	—	—	—	—	—	—	—	3 657.0
John Gildersleeve**	340.0	—	—	75.0	—	107.0	—	—	522.0
David Friedland***	340.0	—	—	—	70.0	107.0	—	—	517.0
Hugh Herman	340.0	114.0	114.0	150.0	—	107.0	—	33.0	858.0
Audrey Mothupi	340.0	—	114.0	—	—	107.0	—	—	561.0
Lorato Phalatse	340.0	—	—	—	70.0	107.0	75.0	—	592.0
David Robins	340.0	—	—	—	—	—	—	—	340.0
Ben van der Ross****	170.0	—	57.0	37.5	35.0	—	—	16.5	316.0
Jeff van Rooyen	340.0	—	280.0	—	—	160.0	—	—	780.0
	6 207.0	114.0	565.0	262.5	175.0	695.0	75.0	49.5	8 143.0
52 weeks to 1 March 2015									
Gareth Ackerman*	3 450.0	—	—	—	—	—	—	—	3 450.0
John Gildersleeve	320.0	—	—	70.0	—	—	—	—	390.0
David Friedland**	320.0	—	—	—	65.0	—	—	—	385.0
Hugh Herman	320.0	107.0	107.0	140.0	—	—	—	31.0	705.0
Audrey Mothupi	320.0	—	107.0	—	—	—	—	—	427.0
Lorato Phalatse	320.0	—	—	—	65.0	—	70.0	—	455.0
David Robins	320.0	—	—	—	—	—	—	—	320.0
Ben van der Ross	320.0	—	107.0	70.0	65.0	—	—	31.0	593.0
Jeff van Rooyen	320.0	—	265.0	—	—	—	—	—	585.0
	6 010.0	107.0	586.0	280.0	195.0	—	70.0	62.0	7 310.0

* Gareth Ackerman is the Chairman of the nominations committee, share trust and a member of the remuneration committee, but his annual fee incorporates all committee work.

** John Gildersleeve retired as a director of Pick n Pay Stores Limited on 28 February 2016.

*** Non-executive director David Friedland received consultancy fees of R114 000 (2015: R107 000) for services rendered to the audit and risk committee and he became an independent non-executive director of Pick n Pay Stores Limited on 28 February 2016.

**** Ben van der Ross retired as a director of Pick n Pay Stores Limited on 27 July 2015.

Remuneration report continued

4. DIRECTORS INTEREST IN SHARES – PICK N PAY STORES LIMITED

	How held*	Balance held at 2 March 2015	Additions during the period	Average purchase price per share R	Disposals during the period	Average selling price per share R	Balance held at 28 February 2016	Beneficial/ non-beneficial interest
52 weeks to 28 February 2016								
Directors of Pick n Pay Stores Limited								
Gareth Ackerman	direct	43	—	—	—	—	43	Beneficial
Ackerman Pick n Pay foundation**	indirect	30 000	—	—	—	—	30 000	Non-beneficial
	indirect	71 900	—	—	—	—	71 900	Non-beneficial
Richard Brasher	direct – FSP	800 000	220 000	—	—	—	1 020 000	Beneficial
Richard van Rensburg	direct – FSP	250 000	35 000	—	—	—	285 000	Beneficial
Bakar Jakoet	direct	500 000	—	—	—	—	500 000	Beneficial
	direct – FSP	250 000	35 000	—	—	—	285 000	Beneficial
	indirect	530	—	—	—	—	530	Non-beneficial
Suzanne Ackerman-Berman	direct	2 500	—	—	—	—	2 500	Beneficial
	direct – FSP	150 000	20 000	—	—	—	170 000	Beneficial
	indirect	4 651	—	—	—	—	4 651	Beneficial
Jonathan Ackerman	direct	43	—	—	—	—	43	Beneficial
	direct – FSP	150 000	20 000	—	—	—	170 000	Beneficial
Jeff van Rooyen	direct	3 800	—	—	—	—	3 800	Beneficial
Directors of Pick n Pay Holdings Limited RF								
Raymond Ackerman	direct	43	—	—	—	—	43	Beneficial
Wendy Ackerman	direct	43	—	—	—	—	43	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, or a spouse and minor children. Direct interests in forfeitable share plan (FSP) shares are issued at a grant price of zero.

** The non-beneficial interest in Ackerman Pick n Pay foundation represents the holdings of Gareth Ackerman and Suzanne Ackerman-Berman in their capacities as trustees.

For directors' interest in shares in Pick n Pay Holdings Limited RF, refer to page 33.

Social and ethics committee report

The social and ethics committee operates in accordance with the requirements of the Companies Act and King III, and is governed by a charter that is reviewed and approved annually by the Board.

The objectives of the committee are to ensure that high ethical standards are applied in all areas of the business, and to review and approve the policy, strategy and structure for managing the social issues in the Group in accordance with our long-standing principle of “doing good is good business”.

Role of the committee

The committee oversees the monitoring, assessment and measurement of the Group's activities in the following areas:

- Ethics and code of conduct compliance
- Environmental, social and governance issues, including human rights, corruption, employment equity and transformation
- Social and economic development
- Relevant stakeholder relations
- Empowerment and transformation
- Enterprise development
- Corporate social investment
- Ethical treatment of animals
- Local, ethical and sustainable procurement
- Integrity of food products and ingredients
- Relevant regulatory, statutory and legislative compliance.

The committee relies on management for the implementation of strategies and initiatives.

As a result of the Group's commitment to conducting business in a sustainable manner, the Company remains on the Socially Responsible Index of the JSE.

Composition of the committee, frequency of meetings, objectives and activities in the period under review

The committee is chaired by executive director, Suzanne Ackerman-Berman. Her roles as director of transformation, chairman of the Ackerman Pick n Pay Foundation and head of the Pick n Pay Small Business Incubator, as well as her philanthropic work, make Suzanne Ackerman-Berman uniquely qualified to chair the committee. Other committee members comprise independent non-executive director, Lorato Phalatse, members of the executive responsible for corporate affairs and human resources, the Company Secretary, senior management and technical experts on areas of mandate. All levels and areas of expertise across the Company are represented on the committee.

Members who are directors	Attendance	Objectives and activities 2016
Suzanne Ackerman-Berman (Chairman)	4/4	■ Approved the external BBBEE verification agency ■ Maintained the targeted level BBBEE contributor status of level 4 ■ Actively assessed contributor status, strategy and plans to maintain contributor status at a high level in light of statutory amendments to the BBBEE codes ■ Reviewed plans and social responsibility structures in order to align with the revised BBBEE codes ■ Continued to review relevant policies across all operating divisions ■ Reviewed and monitored the Group's policy on the humane treatment of animals ■ Reviewed the employee whistle-blowing facility ■ Reviewed the elements of reputational risk arising from marketing and from marketing to children ■ Reviewed mechanisms to encourage ethical behaviour ■ Regularly reviewed consumer complaints, which were also monitored by senior management, in line with the Consumer Protection Act ■ Reviewed the activities of the Group in conjunction with the Ackerman Pick n Pay Foundation and its development of sustainable small businesses
Lorato Phalatse	4/4	

Corporate governance report

INTRODUCTION

This report deals with the corporate governance of Pick n Pay Holdings Limited RF (Holdings), the investment holding company of Pick n Pay Stores Limited (Stores). Holdings' sole purpose is the holding of the controlling shareholding in Stores. The Company has minimal operating activities. Only principles specific to Holdings are included in this report as most principles have been addressed in the Stores corporate governance report (see pages 2 to 7).

The Board annually performs a formal review of the Group's ability to continue trading as a going concern in the foreseeable future. The Board has performed this review for the 2016 financial period and confirms the Group's going-concern status.

DIRECTORS

The Board comprises six non-executive directors of whom three are independent. In addition, there are three alternate directors who are available to step in for a non-executive director should the need arise. The alternate directors have a standing invitation to attend all Board meetings, but only vote in the absence of the director for whom they alternate. As the Chairman, Raymond Ackerman, is not independent, Hugh Herman has been appointed as the lead independent director (LID). All members of the Board have unfettered access to the LID when required.

DISPENSATION BY JSE REGARDING PICK N PAY HOLDINGS LIMITED RF

The Pick n Pay Holdings Limited RF Board of directors currently does not comply with the King III requirement to have a minimum of two executive directors. Pick n Pay has been granted a dispensation by the JSE from the requirement to have executive directors as it is acknowledged that the Company has no material operating activities other than the receipt and payment of dividends, and the assessment of the carrying value of its only investment, being its shareholding in Pick n Pay Stores Limited.

The directors do not have service contracts.

Pick n Pay Holdings Limited RF has been granted a dispensation from the JSE Listings Requirement that a listed company have a full time finance director, given that the Company has no material operating activities, as set out above.

Pick n Pay Holdings Limited RF has been granted an exemption by the Companies Tribunal from the need to appoint a social and ethics committee, as this function is fulfilled by the social and ethics committee formed by the Board of Pick n Pay Stores Limited.

Pick n Pay Holdings Limited RF has been granted dispensation from the JSE Listings Requirements of having remuneration, risk, nomination and corporate governance committees, as these functions are fulfilled for the Group by the Board committees formed by Pick n Pay Stores Limited.

APPOINTMENT OF DIRECTORS

The appointment of all directors and alternate directors to the Board requires shareholder approval at the annual general meeting. On appointment to the Board new directors are required to retire and offer themselves for re-election by shareholders at the first annual

general meeting following their original appointment. Directors are elected for three-year terms.

INDEPENDENCE OF DIRECTORS

Of the three independent non-executive directors, Hugh Herman and Rene de Wet have held their positions for longer than nine years. Their independence has been thoroughly scrutinised given their years of service on the Board. The Board is satisfied that, despite their length of service, they remain independent, tough-minded individuals with personal integrity, and they translate their experience in the Pick n Pay Group of companies (the Group) into meaningful interrogation of the Group's implementation of its strategy. All three independent directors meet the criteria for independence as established by King III, the Companies Act and the JSE Listings Requirements. Directors who are members of the Ackerman family are not independent given their indirect controlling shareholding of the Group.

BOARD SUB-COMMITTEES

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

REMUNERATION REPORT

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

REMUNERATION STRUCTURE

Non-executive directors

Directors who are also on the Board of Pick n Pay Stores Limited do not receive remuneration for membership of the Board and Board committees. Approved fees are set for the annual financial period. Fees are not subject to attendance at meetings as attendance at Board meetings is generally good.

Remuneration is not linked to the performance of the Group or the Group's share performance. Directors do not receive performance-related bonuses and are not granted forfeitable shares or share options. The fees for the 2016 financial period were approved by shareholders at the AGM held on 27 July 2015.

Fees proposed for next year, for Board members not serving on the Pick n Pay Stores Board, are as follows:

Pick n Pay Holdings Limited RF

	Proposed 2017 FY	2016 FY
Total fee	70 000	65 000

When non-executive directors provide additional consultancy services to the Board and its committees the related fees are determined and approved on an ad hoc basis, taking into account the nature and scope of the services rendered.

Corporate governance report continued

ASPECTS OF KING III REVIEWED

The Board comprises an equal number of independent and non-independent directors, while King III recommends that a board comprises a majority of independent directors. No changes to the Board are anticipated at this time, given the minimal operating activities of the Company.

DIRECTORS' ATTENDANCE AND ACTIVITIES AT MEETINGS

Board meetings

In addition to the annual general meeting, the Board convenes a minimum of three times per year for formal meetings, with additional meetings scheduled when necessary. The table below details each directors' Board meeting attendance during the past financial period, as well as the activities undertaken by the Board during the period:

Director	Board and AGM	Activities 2016
Raymond Ackerman (chairman)	4/4	■ Approved the half-year and year-end financial results ■ Approved the JSE announcements of the financial results ■ Approved the integrated annual report ■ Approved the notice and proxy of the annual general meeting ■ Approved the distribution of the dividend ■ Approved the non-executive directors' fees for tabling at the annual general meeting ■ Considered the declaration of directors' personal financial interests at each meeting
Gareth Ackerman	4/4	
Wendy Ackerman	2/4	
René de Wet	4/4	
Hugh Herman (LID)	4/4	
Jeff van Rooyen	4/4	
Jonathan Ackerman (alternate director)	3/4	
Suzanne Ackerman-Berman (alternate director)	4/4	
David Robins (alternate director)	4/4	

Board of directors

Non-executive directors



Raymond Ackerman

BCom and various honorary doctorates

Chairman

Appointed 1981

Mr Raymond Ackerman founded Pick n Pay in 1967 and was its Chairman for 43 years. He was CEO of the Group until 1999 when the roles of Chairman and CEO were split. He was Chairman of Pick n Pay Holdings Limited from the time of the Company's formation until 2002, at which time Gareth Ackerman was appointed.

In 2010 he was reappointed as Chairman of Pick n Pay Holdings Limited, and retired from the Pick n Pay Stores Limited Board when Gareth Ackerman took over as Chairman. Mr Ackerman was appointed Honorary Life President of Pick n Pay Stores Limited in 2014.

Mr Ackerman has been awarded six doctorates and is the recipient of many awards over the years as a leader, businessman, humanitarian, mentor and consumer champion.



Wendy Ackerman

Appointed 1981

Mrs Ackerman is one of the founding executives of Pick n Pay. She was appointed to the Board in 1981. She retired from the Pick n Pay Stores Limited Board in 2010 where she remains integral to employee liaison, employee benefits and the management of extensive bursary funds. Mrs Ackerman was appointed as Honorary Life President of Pick n Pay Stores Limited.

Mrs Ackerman has been widely recognised for her contribution to education, the arts and culture, and environmental conservation. Among many other awards, The All Africa Business Leaders Awards in partnership with CNBC Africa named Mrs Ackerman as Philanthropist of the Year in 2015 for her continuing commitment to excellence, developing best practices and innovative strategies on the continent of Africa.



Gareth Ackerman

Appointed 1987

See CV under Pick n Pay Stores Limited

Independent non-executive directors



René de Wet

CA(SA)

Audit committee chairman

Appointed 1981

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



Hugh Herman

Appointed 1981

See CV under Pick n Pay Stores Limited



Jeff van Rooyen

Appointed 2011

See CV under Pick n Pay Stores Limited

Alternate directors



Suzanne Ackerman-Berman

Appointed 2010

Alternate to Raymond Ackerman

See CV under Pick n Pay Stores Limited



Jonathan Ackerman

Appointed 2010

Alternate to Wendy Ackerman

See CV under Pick n Pay Stores Limited



David Robins

Appointed 2010

Alternate to Gareth Ackerman

See CV under Pick n Pay Stores Limited

Public officer



Bakar Jakoet

Appointed 2012

See CV under Pick n Pay Stores Limited

Company Secretary



Debra Muller

Appointed 2010

See CV under Pick n Pay Stores Limited

Directors' interest in shares

	How held*	Balance held at 2 March 2015 000's	Additions during the period 000's	Average purchase price per share R	Disposals during the period 000's	Average selling price per share R	Balance held at 28 February 2016 000's	Beneficial/ non-beneficial interest
52 weeks to 28 February 2016								
Directors of Pick n Pay Holdings Limited RF								
Raymond Ackerman	direct	1 269	—	—	—	—	1 269	Beneficial
Gareth Ackerman	direct	1	—	—	—	—	1	Beneficial
	indirect	3 265	77	23.62	—	—	3 342	Beneficial
	indirect	41	—	—	—	—	41	Non-beneficial
Ackerman Investment Holdings Proprietary Limited**	indirect	255 737	—	—	—	—	255 737	Non-beneficial
Mistral Trust**	indirect	5 465	75	23.62	—	—	5 540	Beneficial
Hugh Herman	direct	60	—	—	—	—	60	Beneficial
	indirect	1	—	—	—	—	1	Beneficial
Alternate directors of Pick n Pay Holdings Limited RF								
Suzanne Ackerman-Berman	direct	242	—	—	—	—	242	Beneficial
	indirect	866	93	26.68	—	—	959	Beneficial
	indirect	6	—	—	—	—	6	Non-beneficial
Jonathan Ackerman	direct	252	—	—	—	—	252	Beneficial
	indirect	1 138	37	26.68	—	—	1 175	Beneficial
	indirect	34	—	—	—	—	34	Non-beneficial
David Robins	direct	2	—	—	—	—	2	Beneficial
	indirect	191	—	—	—	—	191	Non-beneficial
Directors of Pick n Pay Stores Limited								
Richard van Rensburg	direct	—	10	27.76	—	—	10	Beneficial
	direct	—	25	28.48	—	—	25	Beneficial
	direct	—	50	27.88	—	—	50	Beneficial
Bakar Jakoet	direct	250	—	—	—	—	250	Beneficial
	indirect	25.7	—	—	—	—	25.7	Non-beneficial
David Friedland	indirect	40	—	—	—	—	40	Non-beneficial
	indirect	—	19	23.49	—	—	19	Non-beneficial
	indirect	—	6	23.25	—	—	6	Non-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 interest in the Ackerman Investment Holdings Proprietary Limited and Mistral Trust represents a portion of the holdings of Raymond Ackerman, Wendy Ackerman, Gareth Ackerman, Jonathan Ackerman and Suzanne Ackerman-Berman.

Audit committee report

The audit committee is a statutory committee, required by the Companies Act, and functions within a charter approved by the Board. The committee members were confirmed for appointment at the AGM on 27 July 2015.

ROLE OF THE COMMITTEE

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

COMPOSITION OF THE COMMITTEE

The committee was chaired by and comprised only independent non-executive directors.

In accordance with the requirements of the Companies Act, members of the committee are appointed annually by the Board for the ensuing financial year and in compliance with King III are appointed by shareholders at the annual general meeting.

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

MEETINGS AND ACTIVITIES

The committee's main responsibilities were discharged by the audit and risk committee elected for Pick n Pay Stores Limited.

Members	Attendance	Activities 2016
Rene de Wet (Chairman)	2/2	Reviewed and recommended the half-year and full-year financial results, Annual Financial Statements and Integrated Annual Report to the Board for approval
Hugh Herman	2/2	- Reviewed and approved the accounting and disclosure policies - Received and reviewed the report from the audit and risk committee of Pick n Pay Stores Limited
Jeff van Rooyen	2/2	- Assessed the carrying value of the Company's investment in Pick n Pay Stores Limited - Discharged all audit committee responsibilities to all the subsidiary companies within the Group - Received and reviewed reports from both the internal and external auditors - Reviewed and considered the report from Pick n Pay Stores Limited's audit and risk committee on the going-concern statement for the Group and recommended the adoption of the going-concern concept in the Board

INDEPENDENCE OF EXTERNAL AUDITORS

The committee was satisfied as to the independence of the Group's external auditors, Ernst & Young Inc. and its respective audit partners.

POLICY ON NON-AUDIT SERVICES

All non-audit services provided by the Group's external auditors were pre-approved by the committee. The total fee for non-audit services provided should not, and did not, exceed 50% of the total auditor's remuneration under normal circumstances.

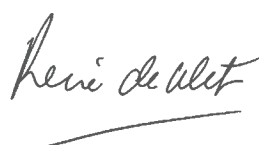
EXPERTISE AND EXPERIENCE OF CHIEF FINANCE OFFICER AND FINANCE FUNCTION

The committee considered and confirmed the composition, experience, resources and skills of the finance function. The audit committee was satisfied that Bakar Jakoet has the appropriate expertise and experience for his position of Chief Finance Officer of the Pick n Pay Group.

APPROVAL OF THE AUDIT COMMITTEE REPORT

The committee confirms that it functioned in accordance with its charter for the 2016 financial year and that its report to shareholders was approved by the Board.

The committee confirmed its satisfaction with the performance and level of service rendered by the external auditor.



Rene de Wet
Chairman: audit committee

25 April 2016

Shareholders' information

GENERAL MEETINGS (GMs) – 25 JULY 2016

The proposal to eliminate the pyramid control structure of the Group will be voted on at the general meetings to be held before the annual general meeting on 25 July 2016. Refer to the annexure of this document for further detail.

The general meeting of shareholders of **Pick n Pay Stores Limited** (Stores GM) will be held at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708 on Monday, 25 July 2016.

The general meeting of shareholders of **Pick n Pay Holdings Limited RF** (Holdings GM) will be held at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708 on Monday, 25 July 2016 as soon as the Stores GM is completed.

Registration for both GMs will commence at 08:00.

ANNUAL GENERAL MEETINGS (AGMs) – 25 JULY 2016

The 48th annual general meeting of shareholders of **Pick n Pay Stores Limited** (Stores AGM) will be held at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708 on Monday, 25 July 2016.

The 35th annual general meeting of shareholders of **Pick n Pay Holdings Limited RF** (Holdings AGM) will be held at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708 on Monday, 25 July 2016 as soon as the Stores AGM is completed.

Registration for both AGMs will commence at 08:00.

The minutes of the previous year's AGM held on 27 July 2015 are available on our Pick n Pay Investor relations website at www.picknpayinvestor.co.za.

DIVIDENDS

	Pick n Pay Stores Limited JSE share code: PIK ISIN code: ZAE00005443		Pick n Pay Holdings Limited RF JSE share code: PWK ISIN code: ZAE00005724		Last day of trade	Date of payment
	Number	Amount (cents)	Number	Amount (cents)		
Interim	93	19.60	66	9.40	5 December 2014	15 December 2014
Final	94	98.50	67	47.85	5 June 2015	15 June 2015
Interim	95	24.20	68	11.60	4 December 2015	14 December 2015
Final	96	125.20	69	60.65	3 June 2016	13 June 2016
Interim	97		70		2 December 2016*	12 December 2016*
Final	98		71		2 June 2017*	12 June 2017*

RESULT ANNOUNCEMENTS

Interim to 30 August 2016	12 October 2015
Final to 28 February 2016	25 April 2016
Interim to 28 August 2016	October 2016
Final to 26 February 2017	April 2017

PUBLICATION OF ANNUAL FINANCIAL STATEMENTS

2016: May 2016
2016: May 2017

PUBLICATION OF INTEGRATED ANNUAL REPORTS AND CORPORATE GOVERNANCE REPORTS

2016: June 2016
2017: June 2017

*Estimated

Analysis of shareholders

SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	6 238	61.95	1 996 333	0.41
1 001 – 10 000 shares	2 830	28.10	8 850 240	1.81
10 001 – 100 000 shares	759	7.54	24 166 925	4.95
100 001 – 1 000 000 shares	207	2.06	64 168 497	13.14
1 000 001 shares and over	36	0.35	389 268 326	79.69
Total	10 070	100.00	488 450 321	100.00

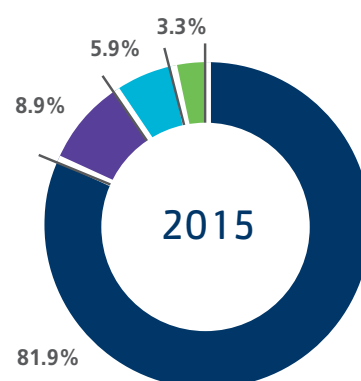
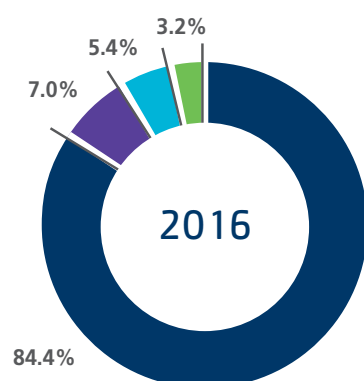
PUBLIC/NON-PUBLIC SHAREHOLDERS

Non-public shareholders	9	0.09	267 532 334	54.77
Directors	5	0.05	511 567	0.10
CSDP account holding shares on behalf of FSP participants	1	0.01	7 923 000	1.62
Pick n Pay Retailers Proprietary Limited	1	0.01	150 000	0.03
Pick n Pay Holdings Limited	1	0.01	257 345 334	52.69
Pick n Pay Employee Share Purchase Trust	1	0.01	1 602 433	0.33
Public shareholders	10 061	99.91	220 917 987	45.23
Total	10 070	100.00	488 450 321	100.00

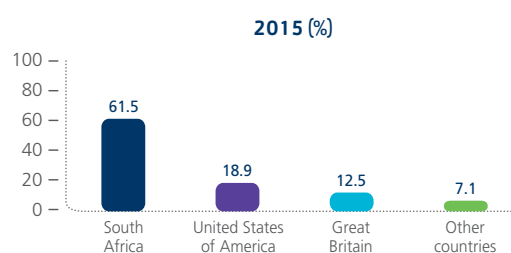
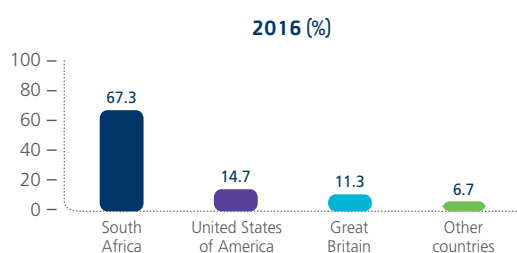
BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE

Pick n Pay Holdings Limited	257 345 334	52.69
Public Investment Corporation Limited	40 598 570	8.31
CSDP account holding shares on behalf of FSP participants	7 923 000	1.62
Liberty Life Assurance of Africa Limited	6 766 873	1.39
Genesis Emerging Markets Investment Company	6 391 195	1.31
Genesis Group Trust for Employee Benefit Plans	6 094 595	1.25
Coronation Balanced Plus Fund	6 052 614	1.24

Geographical spread of shareholders



Geographical spread of non-controlling shareholders



Notice and proxy of annual general meeting

The 48th annual general meeting (annual general meeting) of shareholders of Pick n Pay Stores Limited (the Company) for the 2016 annual financial period will be held on Monday, 25 July 2016. Shareholders, or their proxies, are invited to attend the annual general meeting at the registered office of the Company, situated at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708.

Shareholders are advised that, prior to the annual general meeting of the Company, general meetings of both the Company and Pick n Pay Holdings Limited RF will be held at the same venue. The general meetings will be held to consider and, if deemed fit, to pass the resolutions proposed to unwind the pyramid structure of the Pick n Pay Group. The general meetings will commence at 08:30. The duration of the general meetings is uncertain. The annual general meeting of the Company will commence at the later of 10:00 or as soon as the general meetings of the Company and Pick n Pay Holdings Limited RF are completed.

Given the uncertainty of the commencement time of the Company's annual general meeting, shareholders of both the Company and Pick n Pay Holdings Limited RF are invited to attend both general meetings and both annual general meetings (but to participate only in the meetings of the company in which they hold securities).

Registration for the general meetings and the annual general meetings will commence at 08:00.

All references to the "Companies Act" in this notice of annual general meeting and the ordinary and special resolutions set out below are references to the South African Companies Act, No 71 of 2008, as amended.

The Board of directors of the Company has determined that the record date for the purpose of determining which shareholders of the Company are entitled to receive notice of the 48th annual general meeting is Friday, 17 June 2016 and the record date for purposes of determining which shareholders of the Company are entitled to participate in and vote at the annual general meeting is Friday, 15 July 2016. Accordingly, only shareholders who are registered in the register of members of the Company on Friday, 15 July 2016 will be entitled to participate in and vote at the annual general meeting.

Each of the ordinary and special resolutions set out below may be proposed and passed, with or without modification or amendment, at the annual general meeting or at any postponement or adjournment of the annual general meeting.

Ordinary resolutions require the approval of at least 50% (fifty percent) of the voting rights plus 1 (one) vote exercised on the resolution. Special resolutions require the approval of at least 75% (seventy-five percent) of the voting rights exercised on the resolutions.

The purpose of the annual general meeting is for the following business to be transacted and for the following special and ordinary resolutions to be proposed:

1. TO PRESENT THE AUDITED ANNUAL FINANCIAL STATEMENTS, THE DIRECTORS' REPORT AND THE AUDIT COMMITTEE'S REPORT OF THE COMPANY FOR THE 2016 ANNUAL FINANCIAL PERIOD

The full annual financial results are published on the Pick n Pay website, www.picknpayinvestor.co.za, or can be requested from the Company Secretary at demuller@pnp.co.za. The

audited Group annual financial statements and the directors' report of the Company and its subsidiaries are set out in the separately published annual financial statements. The audit committee's report of the Company and its subsidiaries is set out on pages 10 and 11.

2. ORDINARY RESOLUTION NUMBER 1

Appointment of external auditors

"RESOLVED that Ernst & Young Inc. are hereby appointed as the external auditors of the Company, with Malcolm Rapson as the designated partner."

The audit committee has recommended the reappointment of Ernst & Young Inc. as external auditors of the Company, with Malcolm Rapson as the designated partner.

3. ORDINARY RESOLUTION NUMBER 2

Appointment of directors

Curricula vitae of directors to be elected are presented on page 42.

Hugh Herman, Lorato Phalatse, John Gildersleeve, Jeff van Rooyen and David Friedland retire in accordance with the Company's Memorandum of Incorporation. Hugh Herman, Lorato Phalatse, Jeff van Rooyen and David Friedland, being eligible, offer themselves for re-election as non-executive directors of the Company.

The Board recommends the re-election of the above directors. Shareholders are requested to consider and, if deemed fit, to re-elect Hugh Herman, Lorato Phalatse, Jeff van Rooyen and David Friedland by way of passing the separate ordinary resolutions set out below:

ORDINARY RESOLUTION 2.1

Appointment of Hugh Herman as director

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

ORDINARY RESOLUTION 2.2

Appointment of Lorato Phalatse as director

"RESOLVED that Lorato Phalatse be and is hereby elected as a director of the Company."

ORDINARY RESOLUTION 2.3

Appointment of Jeff van Rooyen as director

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

ORDINARY RESOLUTION 2.4

Appointment of David Friedland as director

"RESOLVED that David Friedland be and is hereby elected as a director of the Company."

4. ORDINARY RESOLUTION NUMBER 3

Appointment of audit committee members for the 2017 annual financial period

Curricula vitae are presented on page 42.

ORDINARY RESOLUTION NUMBER 3.1

Appointment of Jeff van Rooyen as a member of the audit committee

"RESOLVED that Jeff van Rooyen be and is hereby elected as a member of the audit committee of the Company for the 2017 annual financial period, subject to his re-election as a director of the Company in terms of ordinary resolution 2.3."

Notice and proxy of annual general meeting continued

ORDINARY RESOLUTION NUMBER 3.2

Appointment of Hugh Herman as a member of the audit committee

"RESOLVED that Hugh Herman be and is hereby elected as a member of the audit committee of the Company for the 2017 annual financial period, subject to his re-election as a director of the Company in terms of ordinary resolution 2.1."

ORDINARY RESOLUTION NUMBER 3.3

Appointment of Audrey Mothupi as a member of the audit committee

"RESOLVED that Audrey Mothupi be and is hereby elected as a member of the audit committee of the Company for the 2017 annual financial period."

ORDINARY RESOLUTION NUMBER 3.4

Appointment of David Friedland as a member of the audit committee

"RESOLVED that David Friedland be and is hereby elected as a member of the audit committee of the Company for the 2017 annual financial period, subject to his re-election as a director of the Company in terms of ordinary resolution 2.4."

5. ADVISORY VOTE

Remuneration report for the 2016 annual financial period

The directors table the remuneration report for the 2016 annual financial period. The remuneration policy and report is set out on pages 16 to 28.

As a non-binding advisory vote, "shareholders hereby endorse the remuneration report."

The vote allows shareholders to express their views on the remuneration policies adopted and their implementation, but will not be binding on the Company. For record purposes, the minimum percentage of voting rights that is required in favour of the remuneration report is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast.

6. SPECIAL RESOLUTION NUMBER 1

Directors' fees for the 2017 and 2018 annual financial periods

"RESOLVED, AS A SPECIAL RESOLUTION, that the directors' fees, to be paid to the directors in their capacity as directors only, for the 2017 annual period, and to be increased by CPI for the 2018 annual financial period, be as follows:

- Executive directors: unchanged at R1 500
- Chairman: R3 913 000 (previously R3 657 000)
- Lead non-executive director: R122 000 (previously R114 000)
- Non-executive directors: R364 000 (previously R340 000)
- Chairman of the audit committee: R300 000 (previously R280 000)
- Chairman of the remuneration committee: R160 000 (previously R150 000)
- Chairman of the corporate finance committee: R170 000 (previously R160 000)
- Member of the audit committee: R122 000 (previously R114 000)
- Member of the remuneration committee: R80 000 (previously R75 000)
- Member of the nominations committee: R75 000 (previously R70 000)

- Member of the social and ethics committee: R80 000 (previously R75 000)

- Member of the corporate finance committee: R115 000 (previously R107 000)

Reason for and effect of special resolution number 1

The reason for special resolution number 1 is to obtain shareholder approval for the remuneration of each of the directors of the Company in accordance with section 66(9) of the Companies Act. The passing of this special resolution will have the effect of approving the remuneration of each of the directors of the Company in accordance with section 66(9) of the Companies Act.

This authority will be in place for a period of two years from the date of adoption of this special resolution number 1 or until superseded by another special resolution, whichever is the shorter period of time.

7.

SPECIAL RESOLUTION NUMBER 2

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

The Board undertakes that it shall not adopt any resolution to authorise financial assistance as contemplated in special resolutions numbers 2.1 and 2.2 unless the Board of directors of the Company:

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

SPECIAL RESOLUTION NUMBER 2.1

Provision of financial assistance to related or inter-related companies

"RESOLVED, AS A SPECIAL RESOLUTION, that the Board of directors be and is hereby authorised to the extent required by section 45 of the Companies Act as a general approval, to authorise the Company to provide any direct or indirect financial assistance ("financial assistance" having the meaning attributed to such term in section 45(1) of the Companies Act) that the Board may deem fit to any one or more related or inter-related companies or corporations ("related" and "inter-related" having the meaning attributed to such terms in section 2 of the Companies Act), on the terms and conditions and for the amounts that the Board of directors may determine."

NOTES ON THE INTERPRETATION OF SPECIAL RESOLUTION NUMBER 2.1:

This authority is required in order to grant the Board of directors the authority to authorise the Company to provide inter-group loans and other financial assistance for the purpose of funding the day-to-day operational decisions of the Group.

Notice and proxy of annual general meeting continued

Reason for and effect of special resolution number 2.1

The reason for and effect of special resolution number 2.1 is to grant the directors of the Company the general authority to provide direct and indirect financial assistance to any company or corporation forming part of the Group, by way of loan, guarantee, the provision of security or otherwise. This authority will be in place for a period of two years from the date of adoption of this special resolution number 2.1, or until superseded by another special resolution, whichever is the shorter period of time.

SPECIAL RESOLUTION NUMBER 2.2

Provision of financial assistance to persons

"RESOLVED, AS A SPECIAL RESOLUTION, that the Board of directors be and is hereby authorised to the extent required by section 45 of the Companies Act as a general approval, to authorise the Company to provide any direct or indirect financial assistance ("financial assistance" having the meaning attributed to such term in section 45(1) of the Companies Act) that the Board may deem fit to an employee of the Company or its subsidiaries, on the terms and conditions and for the amounts that the Board of directors may determine, within the Company's existing housing loan policy."

NOTES ON THE INTERPRETATION OF SPECIAL RESOLUTION NUMBER 2.2:

This special resolution allows the Company to continue with its existing policy of providing financial assistance to employees. The policy will continue to be limited to housing loans that may be extended to executives and management of the Group. In terms of this policy, no loans are extended to non-executive directors or to related parties. All loans are secured against the employee's retirement funding. All loans bear interest at varying rates, subject to a maximum rate of 8% (eight percent), and have varying repayment terms. The Company does not intend to amend this policy in the foreseeable future.

This special resolution does not authorise the provision of financial assistance to a person related to an employee of the Company or any of its subsidiary companies.

Reason for and effect of special resolution number 2.2

The reason for and effect of special resolution number 2.2, is to grant the directors of the Company the general authority to provide direct and indirect financial assistance to an employee of the companies in the Group, by way of loan, guarantee, the provision of security or otherwise. This authority will be in place for a period of two years from the date of adoption of this special resolution number 2.2, or until superseded by another special resolution, whichever is the shorter period of time.

8. SPECIAL RESOLUTION NUMBER 3

General approval to repurchase Company shares

"RESOLVED, AS A SPECIAL RESOLUTION, that the Company hereby approves, as a general approval, the acquisition by the Company or any of its subsidiaries from time to time of the issued shares of the Company or its holding company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the Memorandum of Incorporation of the Company, the provisions of the Companies Act, and the JSE

Limited (JSE) Listings Requirements (JSE Listings Requirements) as presently constituted and which may be amended from time to time, and provided that acquisitions by the Company and its subsidiaries of shares in the capital of the Company or its holding company may not, in the aggregate, exceed in any one financial year 5% (five percent) of the Company's issued share capital of the class of repurchased shares from the date of the grant of this general approval."

Additional requirements imposed by the JSE Listings Requirements

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

- Any such acquisition of shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company or its subsidiaries and the counterparty or in any other manner approved by the JSE;
- The general approval shall only be valid until the Company's next annual general meeting, or for 15 (fifteen) months from the date of passing of this special resolution, whichever period is shorter;
- An announcement will be made as soon as the Company and/or its subsidiaries has/have acquired shares in terms of this authority constituting, on a cumulative basis, 3% (three percent) of the number of shares of the class of shares acquired in issue at the time of granting of this general approval and for each 3% (three percent) in aggregate of the initial number of that class of shares acquired thereafter, which announcement shall contain full details of such acquisitions as required by paragraph 11.27 of the JSE Listings Requirements;
- In determining the price at which shares are acquired by the Company or its subsidiaries in terms of this general approval, the maximum price at which such shares may be acquired may not be greater than 10% (ten percent) above the weighted average of the market value at which such shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date of the acquisition of such shares by the Company or its subsidiaries;
- A resolution by the Board of directors of the Company that they authorised the repurchase, that the Company passed the solvency and liquidity test and that since the test was done there have been no material changes to the financial position of the Group; and
- The Company and/or its subsidiaries may not repurchase any shares in terms of this authority during a prohibited period, as defined in the JSE Listings Requirements, unless there is in place a repurchase programme where dates and quantities of shares to be traded during the prohibited period are fixed and full details of the programme have been submitted to the JSE prior to the commencement of the prohibited period.

Statement by the Board of directors of the Company

Pursuant to the JSE Listings Requirements the Board of directors of the Company hereby states that:

- the intention of the directors of the Company is to utilise the general approval to repurchase shares in the capital of the Company or its holding company if at some future date the cash resources of the Company are in excess of its

Notice and proxy of annual general meeting continued

requirements or there are other good grounds for doing so. In this regard, the directors will take account of, inter alia, an appropriate capitalisation structure for the Company, the long-term cash needs of the Company and the interests of the Company;

- in determining the method by which the Company intends to repurchase its securities or the securities of its holding company, the maximum number of securities to be repurchased and the date on which such repurchase will take place, the directors of the Company will only make repurchases if, at the time of the repurchase, they are of the opinion that:
 - 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 the repurchase;
 - 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 the repurchase;
 - 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 the repurchase; and
 - the working capital available to the Company and its subsidiaries will, after the repurchase, be adequate for the ordinary business purposes of the Company and its subsidiaries for the 12 (twelve) month period following the date of the repurchase;
- the repurchase shall only be effected if the Board of directors has, at the time of the repurchase, passed a resolution authorising the repurchase in terms of sections 48 and 46 of the Companies Act and it reasonably appears that the Company and its subsidiaries have satisfied the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the Company and its subsidiaries.

Directors' responsibility statement

The directors, whose names appear on pages 8 and 9 collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted that would make any statements false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this special resolution contains all information required by law and the JSE Listings Requirements.

Material changes

Other than the facts and developments reported on in terms hereof and in the integrated annual report, there have been no material changes in the financial or trading position of the Company.

Major shareholders

Shareholders are referred to page 36.

Share capital

Shareholders are referred to note 19 of the separately published audited Group annual financial statements.

Reason for and effect of special resolution number 3

The reason for special resolution number 3 is to grant the Company a general authority in terms of the JSE Listings Requirements for the acquisition by the Company or any of its subsidiaries of shares issued by the Company or its holding company, which authority shall be valid until the earlier of the next annual general meeting of the Company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the Company, provided that the general authority shall only be valid until the Company's next annual general meeting, or for 15 (fifteen) months from the date of passing of this special resolution, whichever period is shorter. The passing of this special resolution will have the effect of authorising the Company or any of its subsidiaries to acquire shares issued by the Company, or its holding company.

The Board will exercise this resolution to buy back shares from employees who are exercising their share options, and to cover share scheme obligations, including the forfeitable share plan.

Other than as set out above, the Board has no specific intention, at present, for the Company to repurchase any of its shares, but consider that such a general authority should be put in place should an opportunity present itself to do so during the year, which the Board deems to be in the best interests of the Company and its shareholders, taking prevailing market conditions and other factors into account.

9. ORDINARY RESOLUTION NUMBER 4

Directors' authority to implement special and ordinary 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

In addition to the notice and proxy, this document contains:

- details of the directors of the Company on pages 8 and 9;
- the curricula vitae of directors up for re-election on page 42;
- the curricula vitae of directors nominated for election as members of the audit committee on page 42.
- the remuneration policy on pages 16 to 28; and
- the directors' interest in shares on page 28.

The integrated annual report and the annual financial statements, is published on Pick n Pay's website, www.picknpayinvestor.co.za, or can be requested from the Company Secretary at demuller@pnp.co.za.

Notice and proxy of annual general meeting continued

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 the 2016 financial period and 22 June 2016.

The directors, whose names are given in the Board of directors section on pages 8 and 9, 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 that would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the integrated annual report, the annual financial statements and this document contain all information required by law and the JSE Listings Requirements.

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

ENTITLEMENT TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IN PERSON OR BY PROXY

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

- you may attend and vote at the annual general meeting; alternatively
- you may appoint an individual as a proxy (who need not be a shareholder of the Company) to attend, participate in and speak and vote in your place at the annual general meeting by completing the attached form of proxy and returning it to the registered office of the Company or to the transfer secretaries, Computershare Investor Services Proprietary Limited (Computershare), the details of which are set out on page 55. It is recommended that the form of proxy be returned by no later than 10:00 on Thursday, 21 July 2016, being 2 (two) business days prior to the time appointed for the holding of the annual general meeting, for administrative reasons. Please note that your proxy may delegate his/her authority to act on your behalf to another person, subject to the restrictions set out in the attached form of proxy. Please also note that the attached form of proxy must be delivered to the registered office of the Company or to the transfer secretaries, Computershare, before your proxy may exercise any of your rights as a shareholder at the annual general meeting. The contact details of Computershare are in note 5 to the form of proxy.

Unless revoked before then, a signed proxy form shall remain valid at any adjournment or postponement of the annual general meeting and the proxy so appointed shall be entitled to vote, as indicated on the proxy form, on any resolution (including any resolution which is amended or modified) at such annual general meeting or any adjournment or postponement thereof.

Shareholders of the Company who wish to participate in the annual general meeting should please note that any shareholder of the Company that is a company may authorise any person to act as its representative at the annual general meeting. Please also note that section 63(1) of the Companies Act requires that persons wishing to participate in the annual general meeting (including the aforementioned representative) must provide reasonably satisfactory identification before they may participate.

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

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, or their nominee, 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 within the time period required by your CSDP or broker.

CSDPs, brokers or their nominees recorded in the Company's sub-register 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 55. It is recommended that the attached form of proxy be returned by no later than 10:00 on Thursday, 21 July 2016, being 2 (two) business days prior to the time appointed for the holding of the annual general meeting, for administrative reasons.

By order of the Board



Debra Muller
Company Secretary

Cape Town

22 June 2016

Curricula vitae of directors to be elected

Curricula vitae of all directors can be found in the Board of directors section on pages 8 and 9.

Curricula vitae of directors to be elected to the Board of directors, and to the audit committee, are to be found below.

BOARD OF DIRECTORS

Reappointment of directors

Hugh Herman

Attorney, BA LIB, LLD (hc)

Hugh was a partner at law firm Sonnenberg Hoffmann Galombik before joining Pick n Pay in 1976. He was Managing Director of Pick n Pay from 1986, before joining Investec Bank in 1993. Hugh was appointed Group Chairman of Investec Bank Limited in 1994, a position from which he retired in 2011. Hugh was appointed as honorary life president of the Investec Group and remains Chairman of various subsidiary companies in the Investec Group.

Other listed company directorships: Growthpoint Properties Limited, Pick n Pay Holdings Limited RF.

Lorato Phalatse

BA (Hons) MA

Lorato began her working career in the FMCG sector at Unilever and at Johnson & Johnson. After moving to Nedperm in the retail banking sector, she was seconded to the Women's Development Bank. One of the founders, and the first CEO of Nozala Investments Proprietary Limited, she sat on the boards of companies such as Tsebo/Fedics, Kyocera and Afripack. Lorato has also spent time in the public sector with both provincial and national government, ultimately heading up the Private Office of the President of South Africa. Lorato is Chairman of The Bidvest Group and is on the board of Bid Corporation Limited.

Other listed company directorships: The Bidvest Group, Bid Corporation Limited.

Jeff van Rooyen

BCom (SA), Hons BCompt SA, CA(SA)

A chartered accountant with extensive experience in both the private and public sectors, Jeff is the founder CEO of Uranus Investment Holdings (Pty) Ltd. His involvement in the accounting profession over the years is extensive. Former appointments include being a Trustee of the IFRS Foundation, Chairman of the Public Accountants and Auditors Board (now IRBA) and founder President of the Association for the Advancement of Black Accountants. His public sector record is equally extensive; former appointments include Chairman of the Financial Reporting Standards Council, Executive Officer of the Financial Services Board and member of the Standing Advisory Committee on Company Law. Jeff presently serves as a member of the Advisory Committee, Faculty of Economics and Management Sciences, University of Pretoria.

Other listed company directorships: MTN Group Limited, Exxaro Resources Limited, Pick n Pay Holdings Limited RF.

David Friedland

CA(SA)

David was the audit engagement partner and lead/relationship partner at KPMG for several listed companies, as well as large owner-managed companies, principally in the retail sector. David has been associated with Pick n Pay as an external auditor since 1977, and was the audit engagement partner from 2000 to 2007.

Other listed company directorships: Investec Limited, Investec plc, The Foschini Group Limited

AUDIT COMMITTEE

Election of audit committee members

Jeff van Rooyen

Please see curriculum vitae above

Hugh Herman

Please see curriculum vitae above

Audrey Mothupi

BA (Hons)

Audrey's experience spans various business domains including human resources, marketing, communications and corporate strategy.

Audrey was a management consultant before being appointed as head of strategy at SABC for two years for the Public Broadcasting Service. Audrey then joined Liberty Life, where she held the position of Chief Executive: Group Strategic Services, before moving to Standard Bank. At Standard Bank, Audrey was head of inclusive banking, taking responsibility for the provision of banking services to the unbanked communities. Audrey is now the Chief Executive Officer of the Systematic Logic Group, which advises on global financial innovation and technology disruptors in financial services. She is also a Fellow of the African Leadership Initiative as part of the Aspen Leadership Network and an honorary member of the Golden Key International Honour Society. Audrey is active in charities assisting education and vulnerable children.

David Friedland

Please see curriculum vitae above

Pick n Pay Stores Limited

Form of proxy

For use at the annual general meeting of Pick n Pay Stores Limited (the Company) to be held at the registered office of the Company, situated at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town at 10:00 on Monday, 25 July 2016.

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 a proxy (who need not be a shareholder of the Company) to attend, participate in and speak and vote in place of that shareholder at the annual general meeting, and at any adjournment or postponement thereafter.

Please note the following:

- The appointment of your proxy may be suspended at any time to the extent that you choose to act directly and in person in the exercise of your rights as a shareholder at the annual general meeting;
- The appointment of the proxy is revocable;
- You may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy, and to the Company; and
- Unless revoked before then, a signed proxy form shall remain valid at any adjournment or postponement of the annual general meeting and the proxy so appointed shall be entitled to vote, as indicated on the proxy form, on any resolution (including any resolution which is amended or modified) at such annual general meeting or any adjournment or postponement thereof.

Please note that any shareholder of the Company that is a company may authorise any person to act as its representative at the annual general meeting. Please also note that section 63(1) of the Companies Act, No 71 of 2008, as amended (the "Companies Act"), requires that persons wishing to participate in the annual general meeting (including the aforementioned representative) must provide reasonably satisfactory identification before they may so participate.

Note that voting will be performed by way of a poll so each shareholder present or represented by way of proxy will be entitled to vote.

I/We (block letters)

(the registered shareholder)

I/We (block letters)

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

of (address)

Telephone: Work ()

Telephone: Home ()

being the holder/s of (insert number of shares)

ordinary shares in the Company, hereby appoint (refer to note 1)

1. or failing him/her,

2. or failing him/her,

3. the Chairman of the annual general meeting,

as my/our proxy to attend, participate in and speak and vote in my/our place and on my/our behalf at the annual general meeting which will be held for the purpose of considering and, if deemed fit, passing the resolutions to be proposed thereat with or without modification or amendment, and at any postponement or adjournment thereof and to vote for or against such resolutions or to abstain from voting and to vote for or against any motions to postpone or adjourn the annual general meeting or to abstain from voting in respect of the shares in the issued capital of the Company registered in my/our name/s, in accordance with the instructions set out below (refer to note 2).

My/our proxy may delegate to another person his/her authority to act on my/our behalf at the annual general meeting, provided that my/our proxy:

- may only delegate his/her authority to act on my behalf at the annual general meeting to a director of the Company; and
- it is recommended that written notification be provided to the transfer secretaries of the Company, namely Computershare Investor Services Proprietary Limited, of the delegation by my/our proxy of his/her authority to act on my/our behalf at the general meeting by no later than 10:00 on Thursday, 21 July 2016, being 2 (two) business days before the annual general meeting to be held at 10:00 on Monday, 25 July 2016; and
- must provide to his/her delegee a copy of his/her authority to delegate his/her authority to act on my/our behalf at the annual general meeting.

		Number of votes (one vote per ordinary share)		
		In favour of	Against	Abstained
Ordinary resolution 1:	Appointment of the external auditors			
Ordinary resolution 2.1:	Election of Hugh Herman as director			
Ordinary resolution 2.2:	Election of Lorato Phalatse as director			
Ordinary resolution 2.3:	Election of Jeff van Rooyen as director			
Ordinary resolution 2.4:	Election of David Friedland as director			
Ordinary resolution 3.1:	Appointment of Jeff van Rooyen to the audit committee			
Ordinary resolution 3.2:	Appointment of Hugh Herman to the audit committee			
Ordinary resolution 3.3:	Appointment of Audrey Mothupi to the audit committee			
Ordinary resolution 3.4:	Appointment of David Friedland to the audit committee			
Non-binding advisory vote:	Endorsement of remuneration report			
Special resolution number 1:	Directors' fees			
Special resolution number 2.1:	Financial assistance to related or inter-related companies			
Special resolution number 2.2:	Financial assistance to persons			
Special resolution number 3:	General approval to repurchase Company shares			
Ordinary resolution 4:	Directors' authority to implement special and ordinary resolutions			

Insert an X in the relevant spaces above according to how you wish your votes to be cast. If you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of shares held in respect of which you desire to vote (see note 3).

I give permission to my CSDP to disclose to the Company how my votes have been cast, should the Company request such information from my CSDP

Yes ☐

Please note: if an X is not inserted into the box, it will be taken that permission has been declined and that the CSDP will not be permitted to disclose to the Company how my votes have been cast.

Signed at

on

2016

Signature

(Authority of signatory to be attached if applicable – see note 7)

Assisted by me (where applicable – see note 9)

Telephone number

Please also read the notes overleaf.



Form of proxy continued

SUMMARY OF SHAREHOLDER'S RIGHTS IN RESPECT OF PROXY APPOINTMENTS AS CONTAINED IN SECTION 58 OF THE COMPANIES ACT

Please note that in terms of section 58 of the Companies Act:

- this proxy form must be dated and signed by the shareholder appointing the proxy;
- you may appoint an individual as a proxy, including an individual who is not a shareholder of the Company, to participate in and speak and vote at a shareholders' meeting on your behalf;
- your proxy may delegate his/her authority to act on your behalf to another person, subject to any restriction set out in this proxy form;
- this proxy form must be delivered to the Company, or to the transfer secretaries of the Company, namely Computershare Investor Services Proprietary Limited, before your proxy exercises any of your rights as a shareholder at the annual general meeting;
- the appointment of your proxy or proxies will be suspended at any time to the extent that you choose to act directly and in person in the exercise of any of your rights as a shareholder at the annual general meeting;
- the appointment of your proxy is revocable unless you expressly state otherwise in this proxy form;
- as the appointment of your proxy is revocable, you may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy and to the Company. Please note the revocation of a proxy appointment constitutes a complete and final cancellation of your proxy's authority to act on your behalf as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered to the Company and the proxy as aforesaid;
- if this proxy form has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the Company's Memorandum of Incorporation to be delivered by the Company to you will be delivered by the Company to you or your proxy or proxies, if you have directed the Company to do so, in writing and paid any reasonable fee charged by the Company for doing so;
- your proxy is entitled to exercise, or abstain from exercising, any voting right of yours at the annual general meeting, but only as directed by you on this proxy form;
- the appointment of your proxy remains valid only until the end of the annual general meeting or any adjournment or postponement thereof or for a period of 6 (six) months, whichever is shortest, unless it is revoked by you before then on the basis set out above.

The proxy form shall be valid and shall apply to any adjournment or postponement of the annual general meeting to which it relates and shall apply to any resolution proposed at the annual general meeting to which it relates and to such resolution as modified or amended including any such modified or amended resolution to be voted on at any adjourned or postponed meeting of the annual general meeting to which the proxy relates, unless the proxy is revoked before the adjourned or postponed meeting.

NOTES

1. The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as a proxy to the exclusion of those whose names follow thereafter.
2. If no proxy is inserted in the spaces provided, then the Chairman shall be deemed to be appointed as the proxy to vote or abstain as the Chairman deems fit.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. If there is no clear indication as to the voting instructions to the proxy, the proxy form will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all of the shareholder's votes exercisable at the annual general meeting.
4. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy. A proxy shall be entitled to demand that voting take place on a poll.
5. Proxy forms must be lodged at the registered office of the Company, Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708, or posted to the Company Secretary at PO Box 23087, Claremont, 7735, or lodged with or posted to the transfer secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107, South Africa).
6. It is recommended that forms of proxy be received or lodged by no later than 10:00 on Thursday, 21 July 2016, being 2 (two) business days before the annual general meeting to be held at 10:00 on Monday, 25 July 2016, for administrative reasons.
7. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the Company Secretary or waived by the Chairman of the annual general meeting if he/she is reasonably satisfied that the right of the representative to participate and vote has been reasonably verified. CSDPs or brokers registered in the Company's 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.
8. Any alteration or correction made to this proxy form must be initialled by the signatory/ies, but will only be validly made if such alteration or correction is accepted by the Chairman of the annual general meeting.
9. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company Secretary.

Analysis of shareholders

SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	2 415	34.51	1 031 587	0.20
1 001 – 10 000 shares	3 248	46.42	12 282 301	2.33
10 001 – 100 000 shares	1 009	14.42	31 392 393	5.95
100 001 – 1 000 000 shares	273	3.90	81 849 565	15.52
1 000 001 shares and over	52	0.74	400 693 236	76.00
Total	6 997	100.00	527 249 082	100.00

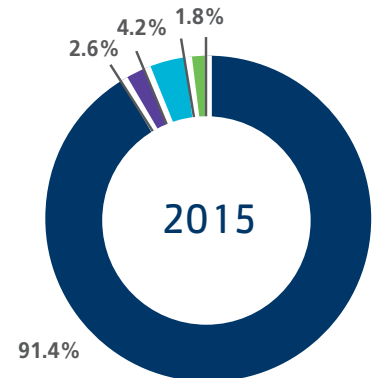
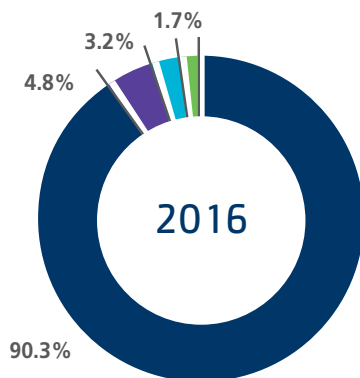
PUBLIC/NON-PUBLIC SHAREHOLDERS

Non-public shareholders	12	0.17	274 867 722	52.13
Directors and public officer	9	0.14	8 001 548	1.52
Ackerman Investment Holdings Proprietary Limited	1	0.01	255 736 850	48.50
Pick n Pay Employee Share Purchase Trust	1	0.01	9 180 621	1.74
The Blue Ribbon Meat Corporation Proprietary Limited	1	0.01	1 948 703	0.37
Public shareholders	6 985	99.83	252 381 360	47.87
Total	6 997	100.00	527 249 082	100.00

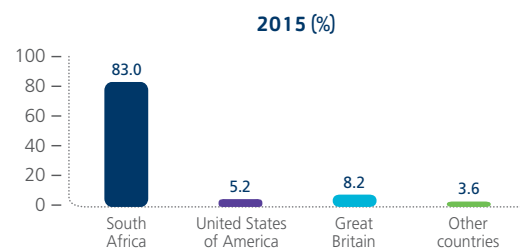
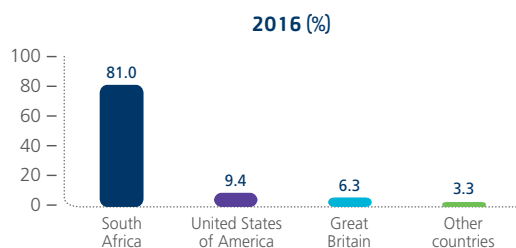
BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE

Ackerman Investment Holdings Proprietary Limited	255 736 850	48.50
Government of Norway	12 030 773	2.28
Public Investment Corporation Limited	10 703 382	2.03
Pick n Pay Employee Share Purchase Trust	9 180 621	1.74
Allan Gray Equity Fund	8 132 675	1.54
Allan Gray Balanced Fund	6 317 502	1.20
Old Mutual Symmetry Satellite Equity Fund No 1	5 602 588	1.06
Mistral's Trust	5 540 200	1.05

Geographical spread of shareholders



Geographical spread of non-controlling shareholders



Notice and proxy of annual general meeting

The 35th annual general meeting (annual general meeting) of shareholders of Pick n Pay Holdings Limited RF (the Company) for the 2016 annual financial period will be held on Monday, 25 July 2016. Shareholders, or their proxies, are invited to attend the annual general meeting at the registered office of the Company, situated at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708.

Shareholders are advised that, prior to the annual general meeting of the Company, general meetings of both the Company and Pick n Pay Stores Limited will be held at the same venue. The general meetings will be held to consider and, if deemed fit, to pass the resolutions proposed to unwind the pyramid structure of the Pick n Pay Group. The general meetings will commence at 08:30. The duration of the general meetings is uncertain, and will be followed by the annual general meeting of Pick n Pay Stores Limited. The annual general meeting of the Company will commence at the later of 10:30 or as soon as the annual general meeting of Pick n Pay Stores Limited is completed.

Given the uncertainty of the commencement time of the Company's annual general meeting, shareholders of both the Company and Pick n Pay Stores Limited are invited to attend both general meetings and both annual general meetings (but to participate only in the meetings of the company in which they hold securities).

Registration for the general meetings and the annual general meetings will commence at 08:00.

All references to the "Companies Act" in this notice of annual general meeting and the ordinary and special resolutions set out below are references to the South African Companies Act, No 71 of 2008, as amended.

The Board of directors of the Company has determined that the record date for the purpose of determining which shareholders of the Company are entitled to receive notice of the 35th annual general meeting is Friday, 17 June 2016 and the record date for purposes of determining which shareholders of the Company are entitled to participate in and vote at the annual general meeting is Friday, 15 July 2016. Accordingly, only shareholders who are registered in the register of members of the Company on Friday, 15 July 2016 will be entitled to participate in and vote at the annual general meeting.

Each of the ordinary and special resolutions set out below may be proposed and passed, with or without modification or amendment, at the annual general meeting or at any postponement or adjournment of the annual general meeting.

Ordinary resolutions require the approval of at least 50% (fifty percent) of the voting rights plus 1 (one) vote exercised on the resolution. Special resolutions require the approval of at least 75% (seventy-five percent) of the voting rights exercised on the resolutions.

The purpose of the annual general meeting is for the following business to be transacted and for the following special and ordinary resolutions to be proposed:

1. TO PRESENT THE AUDITED ANNUAL FINANCIAL STATEMENTS, THE DIRECTORS' REPORT AND THE AUDIT COMMITTEE'S REPORT OF THE COMPANY FOR THE 2016 ANNUAL FINANCIAL PERIOD

The full annual financial results are published on the Pick n Pay website, www.picknpayinvestor.co.za, or can be requested from the Company Secretary at demuller@pnp.co.za. The audited annual financial statements and the directors' report of the Company and its subsidiaries are set out in the separately published annual financial statements. The audit committee's report of the Company and its subsidiaries is set out in the corporate governance section of the integrated annual report.

**2. ORDINARY RESOLUTION NUMBER 1
Appointment of external auditors**

"RESOLVED that Ernst & Young Inc. are hereby appointed as the external auditors of the Company, with Malcolm Rapson as the designated partner."

The audit committee has recommended the reappointment of Ernst & Young Inc. as external auditors of the Company, with Malcolm Rapson as the designated partner.

**3. ORDINARY RESOLUTION NUMBER 2
Appointment of directors**

Curricula vitae of directors and alternate directors to be elected are presented on page 52.

Gareth Ackerman and Hugh Herman retire in accordance with the Company's Memorandum of Incorporation and, being eligible, offer themselves for re-election.

David Robins retires in accordance with the Company's Memorandum of Incorporation and, being eligible, offers himself for re-election as alternate director to Gareth Ackerman.

Suzanne Ackerman-Berman retires in accordance with the Company's Memorandum of Incorporation and, being eligible, offers herself for re-election as alternate director to Raymond Ackerman.

Jonathan Ackerman retires in accordance with the Company's Memorandum of Incorporation and, being eligible, offers himself for re-election as alternate director to Wendy Ackerman.

Notice and proxy of annual general meeting continued

The Board recommends the re-election of the above directors and alternate directors. Shareholders are requested to consider and, if deemed fit, to re-elect Gareth Ackerman and Hugh Herman as directors, and David Robins, Suzanne Ackerman-Berman and Jonathan Ackerman as alternate directors, by way of passing the resolutions set out below:

ORDINARY RESOLUTION NUMBER 2.1

Appointment of Gareth Ackerman as director

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

ORDINARY RESOLUTION NUMBER 2.2

Appointment of Hugh Herman as director

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

ORDINARY RESOLUTION NUMBER 2.3

Appointment of David Robins as alternate director

"RESOLVED that David Robins be and is hereby elected as an alternate director to Gareth Ackerman."

ORDINARY RESOLUTION NUMBER 2.4

Appointment of Suzanne Ackerman-Berman as alternate director

"RESOLVED that Suzanne Ackerman-Berman be and is hereby elected as an alternate director to Raymond Ackerman."

ORDINARY RESOLUTION NUMBER 2.5

Appointment of Jonathan Ackerman as alternate director

"RESOLVED that Jonathan Ackerman be and is hereby elected as an alternate director to Wendy Ackerman."

4. **ORDINARY RESOLUTION NUMBER 3**
Appointment of audit committee members for the 2017 annual financial period
Curricula vitae are presented on page 52.

ORDINARY RESOLUTION NUMBER 3.1

Appointment of René de Wet as a member of the audit committee

"RESOLVED that René de Wet be and is hereby elected as a member of the audit committee of the Company for the 2017 annual financial period."

ORDINARY RESOLUTION NUMBER 3.2

Appointment of Jeff van Rooyen as a member of the audit committee

"RESOLVED that Jeff van Rooyen be and is hereby elected as a member of the audit committee of the Company for the 2017 annual financial period."

ORDINARY RESOLUTION NUMBER 3.3

Appointment of Hugh Herman as a member of the audit committee

"RESOLVED that Hugh Herman be and is hereby elected as a member of the audit committee of the Company for the 2016 annual financial period, subject to his re-election as a director of the Company in terms of ordinary resolution number 2.2."

5. ADVISORY VOTE

Remuneration report for the 2016 annual financial period

The directors table the remuneration report for the 2016 annual financial period. The remuneration policy and report is set out on pages 30 and 16 to 28.

As a non-binding advisory vote, "shareholders hereby endorse the remuneration report."

The vote allows shareholders to express their views on the remuneration policies adopted and their implementation, but will not be binding on the Company. For record purposes, the minimum percentage of voting rights that is required in favour of the remuneration report is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast.

6. SPECIAL RESOLUTION NUMBER 1

Directors' fees for the 2017 and 2018 annual financial periods

"RESOLVED, AS A SPECIAL RESOLUTION, that the directors' fees, to be paid to the directors in their capacity as directors only, for the 2017 annual financial period, and to be increased by CPI for the 2018 annual financial period, be as follows:

- Non-executive Chairman: R70 000 (previously R65 000)
- Non-executive directors not serving on the Pick n Pay Stores Limited Board: R70 000 (previously R65 000)

NOTES ON SPECIAL RESOLUTION NUMBER 1

As a holding company, the Company has no material operating activities other than the receipt and payment of dividends and assessment of the carrying value. Accordingly, the Company has been granted an exemption from the JSE Listings Requirements regarding the King III requirement to have executive directors.

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

Notice and proxy of annual general meeting continued

If, in addition to serving on the Board of the Company, directors serve on the Board of Pick n Pay Stores Limited, they do not receive an additional fee for serving on the Board of the Company.

Reason for and effect of special resolution number 1

The reason for special resolution number 1 is to obtain shareholder approval for the remuneration of each of the directors of the Company in accordance with section 66(9) of the Companies Act. The passing of this special resolution will have the effect of approving the remuneration of each of the directors of the Company in accordance with section 66(9) of the Companies Act.

This authority will be in place for a period of two years from the date of adoption of this special resolution number 1 or until superseded by another special resolution, whichever is the shorter period of time.

7. SPECIAL RESOLUTION NUMBER 2

Provision of financial assistance to related or inter-related companies

"RESOLVED, AS A SPECIAL RESOLUTION, that the Board of directors be and is hereby authorised to the extent required by section 45 of the Companies Act as a general approval, to authorise the Company to provide any direct or indirect financial assistance ("financial assistance" having the meaning attributed to such term in section 45(1) of the Companies Act) that the Board may deem fit to any one or more related or inter-related companies or corporations ("related" and "inter-related" having the meaning attributed to such terms in section 2 of the Companies Act), on the terms and conditions and for the amounts that the Board of directors may determine."

NOTES ON SPECIAL RESOLUTION NUMBER 2:

This authority is required in order to grant the Board of directors the authority to authorise the Company to provide inter-group loans and other financial assistance for the purpose of funding the day-to-day operational decisions of the Group.

The Board undertakes that it shall not adopt any resolution to authorise such financial assistance as contemplated in this special resolution unless the Board of directors of the Company:

- is satisfied that immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act; and
- is satisfied that the terms under which such financial assistance is proposed to be given are fair and reasonable to the Company as contemplated in section 45(3)(b)(ii) of the Companies Act; and

- has ensured that, to the extent which may be applicable, any conditions or restrictions in respect of the granting of financial assistance set out in the Company's Memorandum of Incorporation have been satisfied as contemplated in section 45(4) of the Companies Act.

Reason for and effect of special resolution number 2

The reason for and effect of special resolution number 2 is to grant the directors of the Company the general authority to provide direct and indirect financial assistance to any company or corporation forming part of the Group, by way of loan, guarantee, the provision of security or otherwise. This authority will be in place for a period of two years from the date of adoption of this special resolution number 2, or until superseded by another special resolution, whichever is the shorter period of time.

8. SPECIAL RESOLUTION NUMBER 3

General approval to repurchase Company shares

"RESOLVED, AS A SPECIAL RESOLUTION, that the Company hereby approves, as a general approval, the acquisition by the Company or any of its subsidiaries from time to time of the issued shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the Memorandum of Incorporation of the Company, the provisions of the 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 or its subsidiaries may only make a general acquisition of shares if the following JSE Listings Requirements are met:

- Any such acquisition of shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company or its subsidiaries and the counterparty or other manner approved by the JSE;
- The general approval shall only be valid until the Company's next annual general meeting or for 15 (fifteen) months from the date of passing of this special resolution, whichever period is shorter;

Notice and proxy of annual general meeting continued

- An announcement will be made as soon as the Company and/or its subsidiaries has/have acquired shares in terms of this authority constituting, on a cumulative basis, 3% (three percent) of the number of shares of the class of shares acquired in issue at the time of granting of this general approval and for each 3% (three percent) in aggregate of the initial number of that class of shares acquired thereafter, which announcement shall contain full details of such acquisitions as required by paragraph 11.27 of the JSE Listings Requirements;
 - In determining the price at which the Company's shares are acquired by the Company or its subsidiaries in terms of this general approval, the maximum price at which such shares may be acquired may not be greater than 10% (ten percent) above the weighted average of the market value at which such shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date of the acquisition of such shares by the Company or its subsidiaries;
 - A resolution by the Board of directors of the Company that they authorised the repurchase, that the Company passed the solvency and liquidity test and that since the test was done there have been no material changes to the financial position of the Group; and
 - The Company and/or its subsidiaries may not repurchase any shares in terms of this authority during a prohibited period, as defined in the JSE Listings Requirements, unless the Company and/or its subsidiaries has in place a repurchase programme, where dates and quantities of shares to be traded during the prohibited period are fixed and full details of the programme have been submitted to the JSE prior to the commencement of the prohibited period.
- 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 the repurchase;
 - 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 the repurchase; and
 - 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 the repurchase;
- the repurchase shall only be effected if the Board of directors has, at the time of the repurchase, passed a resolution authorising the repurchase in terms of sections 48 and 46 of the Companies Act and it reasonably appears that the Company and its subsidiaries have satisfied the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the Company and its subsidiaries.

Statement by the Board of directors of the Company

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

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

Directors' responsibility statement

The directors, whose names appear on page 32 collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted that would make any statements false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this special resolution contains all information required by law and the JSE Listings Requirements.

Material changes

Other than the facts and developments reported on in terms hereof and in the integrated annual report, there have been no material changes in the financial or trading position of the Company.

Major shareholders

Shareholders are referred to page 45.

Share capital

Shareholders are referred to note 19 of the separately published audited Group annual financial statements.

Notice and proxy of annual general meeting continued

Reason for and effect of special resolution number 3

The reason for special resolution number 3 is to grant the Company a general authority in terms of the JSE Listings Requirements for the acquisition by the Company or any of its subsidiaries, of shares issued by the Company, which authority shall be valid until the earlier of the next annual general meeting of the Company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the Company, provided that the general authority shall only be valid until the Company's next annual general meeting, or for 15 (fifteen) months from the date of passing of this special resolution, whichever period is shorter. The passing of this special resolution will have the effect of authorising the Company, or any of its subsidiaries, to acquire shares issued by the Company.

The Board will exercise this resolution to buy back shares from employees who are exercising their share options, and to cover share scheme obligations.

Other than as set out above, the Board has no specific intention, at present, for the Company to repurchase any of its shares, but consider that such a general authority should be put in place should an opportunity present itself to do so during the year, which the Board deems to be in the best interests of the Company and its shareholders, taking prevailing market conditions and other factors into account.

9. ORDINARY RESOLUTION NUMBER 4

Directors' authority to implement special and ordinary 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

In addition to the notice and proxy, this document contains:

- details of the directors of the Company on page 32;
- the curricula vitae of directors up for re-election on page 52;
- the curricula vitae of directors nominated for election as members of the audit committee on page 52;
- the remuneration policy on pages 30 and 16 to 28; and
- the directors' interest in shares on page 33.

The integrated annual report, the corporate governance report and the annual financial statements, are published on the Pick n Pay website, www.picknpayinvestor.co.za, or can be requested from the Company Secretary at demuller@pnp.co.za.

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 the end of the 2016 financial period and 22 June 2016.

The directors, whose names are given on page 32 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 that would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the integrated annual report, the annual financial statements and this document contain all information required by law and the JSE Listings Requirements.

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

Notice and proxy of annual general meeting continued

ENTITLEMENT TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IN PERSON OR BY PROXY

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

- you may attend and vote at the annual general meeting; alternatively
- you may appoint an individual as a proxy (who need not be a shareholder of the Company) to attend, participate in and speak and vote in your place at the annual general meeting by completing the attached form of proxy and returning it to the registered office of the Company or to the transfer secretaries, Computershare Investor Services Proprietary Limited (Computershare), the details of which are set out on page 55. It is recommended that the form of proxy be returned by no later than 10:30 on Thursday, 21 July 2016 being 2 (two) business days prior to the time appointed for the holding of the annual general meeting, for administrative reasons. Please note that your proxy may delegate his/her authority to act on your behalf to another person, subject to the restrictions set out in the attached form of proxy. Please also note that the attached form of proxy must be delivered to the registered office of the Company or to the transfer secretaries, Computershare as aforesaid, before your proxy may exercise any of your rights as a shareholder at the annual general meeting. The contact details of Computershare are in note 5 to the form of proxy.

Unless revoked before then, a signed proxy form shall remain valid at any adjournment or postponement of the annual general meeting and the proxy so appointed shall be entitled to vote, as indicated on the proxy form, on any resolution (including any resolution which is amended or modified) at such annual general meeting or any adjournment or postponement thereof.

Shareholders of the Company who wish to participate in the annual general meeting should please note that any shareholder of the Company that is a company may authorise any person to act as its representative at the annual general meeting. Please also note that section 63(1) of the Companies Act requires that persons wishing to participate in the annual general meeting (including the aforementioned representative) must provide reasonably satisfactory identification before they may so participate.

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

Accordingly, in these circumstances, subject to the mandate between yourself and your CSDP or broker (or their nominee), as the case may be:

- if you wish to attend the annual general meeting, you must contact your CSDP or broker (or their nominee) 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), 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 within the time period required by your CSDP or broker.

CSDPs, brokers or their nominees recorded in the Company's sub-register 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 55. It is recommended that the attached form of proxy be returned by no later than 10:30 on Thursday, 21 July 2016, being 2 (two) business days prior to the time appointed for the holding of the annual general meeting, for administrative reasons.

By order of the Board



Debra Muller
Company Secretary

Cape Town

22 June 2016

Curricula vitae of directors to be elected

Curricula vitae of all directors are to be found in the Board of directors section on page 32.

Curricula vitae of directors to be elected to the Board of directors, and to the audit committee, are to be found below.

BOARD OF DIRECTORS

Reappointment of directors and alternate directors

Gareth Ackerman

BSocSci, CMS (Oxon)

An executive at Pick n Pay for 15 years, Gareth headed up various divisions of the Group before being appointed to the Board of Pick n Pay Stores Limited in 1990. He became a non-executive director of Pick n Pay Stores Limited in 1999 and from 2002 to 2010, Gareth served as Chairman of Pick n Pay Stores Limited. In 2010 he was appointed Chairman of Pick n Pay Stores Limited. Among his other interests, Gareth is co-chair of the Consumer Goods Council of South Africa, and serves as vice co-chair of the international Consumer Goods Forum.

Other listed company directorships: Pick n Pay Stores Limited.

Hugh Herman

Attorney, BA LIB, LLD (hc)

Audit committee member

Hugh was a partner at law firm Sonnenberg Hoffmann Galombik before joining Pick n Pay in 1976. He was Managing Director of Pick n Pay from 1986, before joining Investec Bank in 1993. Hugh was appointed Group Chairman of Investec Bank Limited in 1994, a position from which he retired in 2011. Hugh was appointed as honorary life president of the Investec Group and remains Chairman of various subsidiary companies in the Investec Group.

Other listed company directorships: Growthpoint Properties Limited, Pick n Pay Stores Limited.

David Robins

BBusSci

David joined the Group in 1994 and was appointed in 2005 as the executive responsible for expansion outside of South African borders. In 2002 he was appointed as Deputy Chairman of the Group and as an executive director. During 2008 he retired from his executive position. He remains on the Board of Pick n Pay Stores Limited as a non-executive director and as a representative of the controlling shareholder.

Other listed company directorships: Pick n Pay Stores Limited.

Suzanne Ackerman-Berman

BA, Fellow Aspen Business Institute, First Movers

Following broad executive experience in the Group, Suzanne was appointed director of transformation in 2007. In addition to her executive contribution to the Group, in March 2010 she was appointed to the Board of Pick n Pay Stores Limited as a representative of the controlling shareholder. Suzanne is very active philanthropically and is a passionate proponent of enterprise development. She is Chairman of the Ackerman Pick n Pay Enterprise Development Foundation and head of the Pick n Pay Small Business Incubator.

Other listed company directorships: Pick n Pay Stores Limited.

Jonathan Ackerman

BA Marketing

Returning to South Africa after studying and working in the USA, Jonathan joined Pick n Pay in 1992. Having worked in many divisions, Jonathan ensures that the wellbeing of Pick n Pay's customers is the primary motivating factor for any strategic decisions taken in the Group in his current role as Customer Director. In March 2010 he was appointed to the Board of Pick n Pay Stores Limited as a representative of the controlling shareholder.

Other listed company directorships: Pick n Pay Stores Limited.

AUDIT COMMITTEE

Election of audit committee members

René de Wet

B. Comm BA (Hons) CA(SA)

Audit committee chairman

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

Jeff van Rooyen

BCom (SA), Hons BCompt SA, CA(SA)

Audit committee member

A chartered accountant with extensive experience in both the private and public sectors, Jeff is the founder CEO of Uranus Investment Holdings (Pty) Limited. His involvement in the accounting profession over the years is extensive. Former appointments include being a Trustee of the IFRS Foundation, Chairman of the Public Accountants and Auditors Board (now IRBA) and founder President of the Association for the Advancement of Black Accountants. His public sector record is equally extensive; former appointments include Chairman of the Financial Reporting Standards Council, Executive Officer of the Financial Services Board and member of the Standing Advisory Committee on Company Law. Jeff presently serves as a member of the Advisory Committee, Faculty of Economics and Management Sciences, University of Pretoria.

Other listed company directorships: MTN Group Limited, Exxaro Resources Limited, Pick n Pay Stores Limited.

Hugh Herman

Please see curriculum vitae on this page.

Form of proxy

For use at the annual general meeting of Pick n Pay Holdings Limited RF (the Company) to be held at the registered office of the Company, situated at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town in the conference centre at 10:30 or as soon as the annual general meeting for Pick n Pay Stores Limited is completed, on Monday, 25 July 2016.

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 a proxy (who need not be a shareholder of the Company) to attend, participate in and speak and vote in place of that shareholder at the annual general meeting, and at any adjournment or postponement thereafter.

Please note the following:

- The appointment of your proxy may be suspended at any time to the extent that you choose to act directly and in person in the exercise of your rights as a shareholder at the annual general meeting;
- The appointment of the proxy is revocable;
- You may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy, and to the Company; and
- Unless revoked before then, a signed proxy form shall remain valid at any adjournment or postponement of the annual general meeting and the proxy so appointed shall be entitled to vote, as indicated on the proxy form, on any resolution (including any resolution which is amended or modified) at such annual general meeting or any adjournment or postponement thereof.

Please note that any shareholder of the Company that is a company may authorise any person to act as its representative at the annual general meeting. Please also note that section 63(1) of the Companies Act, No 71 of 2008, as amended (the Companies Act), requires that persons wishing to participate in the annual general meeting (including the aforementioned representative) must provide reasonably satisfactory identification before they may so participate.

Note that voting will be performed by way of a poll so each shareholder present or represented by way of proxy will be entitled to vote.

I/We (block letters)

(the registered shareholder)

I/We (block letters)

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

of (address)

Telephone: Work ()

Telephone: Home ()

being the holder/s of (insert number of shares)

ordinary shares in the Company, hereby appoint (refer to note 1)

1. or failing him/her,

2. or failing him/her,

3. the Chairman of the annual general meeting,

as my/our proxy to attend, participate in and speak and vote in my/our place and on my/our behalf at the annual general meeting which will be held for the purpose of considering and, if deemed fit, passing the resolutions to be proposed thereat with or without modification or amendment, and at any postponement or adjournment thereof and to vote for or against such resolutions or to abstain from voting and to vote for or against any motions to postpone or adjourn the annual general meeting or to abstain from voting in respect of the shares in the issued capital of the Company registered in my/our name/s, in accordance with the instructions set out below (refer to note 2).

My/our proxy may delegate to another person his/her authority to act on my/our behalf at the annual general meeting, provided that my/our proxy:

- may only delegate his/her authority to act on my/our behalf at the annual general meeting to a director of the Company; and
- it is recommended that written notification be provided to the transfer secretaries of the Company, namely Computershare Investor Services Proprietary Limited, of the delegation by my/our proxy of his/her authority to act on my/our behalf at the annual general meeting by no later than 10:30 on Thursday, 21 July 2016, 2 (two) business days before the annual general meeting to be held at 10:30 on Monday, 25 July 2016; and
- must provide to his/her delegee a copy of his/her authority to delegate his/her authority to act on my/our behalf at the annual general meeting.

		Number of votes (one vote per ordinary share)		
		In favour of	Against	Abstained
Ordinary resolution 1:	Appointment of the external auditors			
Ordinary resolution 2.1:	Election of Gareth Ackerman as director			
Ordinary resolution 2.2:	Election of Hugh Herman as director			
Ordinary resolution 2.3:	Election of David Robins as alternate director			
Ordinary resolution 2.4:	Election of Suzanne Ackerman-Berman as alternate director			
Ordinary resolution 2.5:	Election of Jonathan Ackerman as alternate director			
Ordinary resolution 3.1:	Appointment of René de Wet to the audit committee			
Ordinary resolution 3.2:	Appointment of Jeff van Rooyen to the audit committee			
Ordinary resolution 3.3:	Appointment of Hugh Herman to the audit committee			
Non-binding advisory vote:	Endorsement of remuneration report			
Special resolution 1:	Directors' fees			
Special resolution 2:	Financial assistance to related or inter-related companies			
Special resolution 3:	General approval to repurchase Company shares			
Ordinary resolution 4:	Directors' authority to implement special and ordinary resolutions			

Insert an X in the relevant spaces above according to how you wish your votes to be cast. If you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of shares held in respect of which you desire to vote (see note 3).

I give permission to my CSDP to disclose to the Company how my votes have been cast, should the Company request such information from my CSDP

Yes ☐

Please note: if an X is not inserted into the box, it will be taken that permission has been declined and that the CSDP will not be permitted to disclose to the Company how my votes have been cast.

Signed at _____ on _____ 2016

Signature

(Authority of signatory to be attached if applicable – see note 7)

Assisted by me (where applicable – see note 9)

Telephone number

Please also read the notes overleaf.

Form of proxy continued

SUMMARY OF SHAREHOLDER'S RIGHTS IN RESPECT OF PROXY APPOINTMENTS AS CONTAINED IN SECTION 58 OF THE COMPANIES ACT

Please note that in terms of section 58 of the Companies Act:

- this proxy form must be dated and signed by the shareholder appointing the proxy;
- you may appoint an individual as a proxy, including an individual who is not a shareholder of the Company, to participate in and speak and vote at a shareholders' meeting on your behalf;
- your proxy may delegate his/her authority to act on your behalf to another person, subject to any restriction set out in this proxy form;
- this proxy form must be delivered to the Company, or to the transfer secretaries of the Company, namely Computershare Investor Services Proprietary Limited, before your proxy exercises any of your rights as a shareholder at the annual general meeting;
- the appointment of your proxy or proxies will be suspended at any time to the extent that you choose to act directly and in person in the exercise of any of your rights as a shareholder at the annual general meeting;
- the appointment of your proxy is revocable unless you expressly state otherwise in this proxy form;
- as the appointment of your proxy is revocable, you may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy and to the Company. Please note the revocation of a proxy appointment constitutes a complete and final cancellation of your proxy's authority to act on your behalf as at the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered to the Company and the proxy as aforesaid;
- if this proxy form has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the Company's Memorandum of Incorporation to be delivered by the Company to you will be delivered by the Company to you or your proxy or proxies, if you have directed the Company to do so in writing and paid any reasonable fee charged by the Company for doing so;
- your proxy is entitled to exercise, or abstain from exercising, any voting right of yours at the annual general meeting, but only as directed by you on this proxy form;
- the appointment of your proxy remains valid only until the end of the annual general meeting or any adjournment or postponement thereof or for a period of 6 (six) months, whichever is shortest, unless it is revoked by you before then on the basis set out above.

The proxy form shall be valid and shall apply to any adjournment or postponement of the annual general meeting to which it relates and shall apply to any resolution proposed at the annual general meeting to which it relates and to such resolution as modified or amended, including any such modified or amended resolution to be voted on at any adjourned or postponed meeting of the annual general meeting to which the proxy relates, unless the proxy is revoked before the adjourned or postponed meeting.

NOTES

1. The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as a proxy to the exclusion of those whose names follow thereafter.
2. If no proxy is inserted in the spaces provided, then the Chairperson shall be deemed to be appointed as the proxy to vote or abstain as the Chairperson deems fit.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. If there is no clear indication as to the voting instructions to the proxy, the proxy form will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable at the annual general meeting.
4. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy. A proxy shall be entitled to demand that voting take place on a poll.
5. Proxy forms must be lodged at the registered office of the Company, Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708, or posted to the Company Secretary at PO Box 23087, Claremont, 7735, or lodged with or posted to the transfer secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107, South Africa).
6. It is recommended that forms of proxy be received or lodged by no later than 10:30 on Thursday, 21 July 2016, being 2 (two) business days before the annual general meeting to be held at 10:30 on Monday, 25 July 2016, for administrative reasons.
7. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the Company Secretary or waived by the Chairperson of the annual general meeting if he/she is reasonably satisfied that the right of the representative to participate and vote has been reasonably verified. CSDPs or brokers registered in the Company's 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.
8. Any alteration or correction made to this proxy form must be initialled by the signatory/ies, but will only be validly made if such alteration or correction is accepted by the Chairperson.
9. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company Secretary.

Corporate information



PICK N PAY STORES LIMITED

Registration number: 1968/008034/06
JSE share code: PIK
ISIN: ZAE000005443

PICK N PAY HOLDINGS LIMITED RF

Registration number: 1981/009610/06
JSE share code: PWK
ISIN: ZAE000005724

REGISTERED OFFICE

Pick n Pay Office Park
101 Rosmead Avenue
Kenilworth
Cape Town 7708
Tel +27 21 658 1000
Fax +27 21 797 0314

Postal address

PO Box 23087
Claremont 7735

REGISTRAR

Computershare Investor Services Proprietary Limited
70 Marshall Street
Johannesburg 2001
Tel +27 11 370 5000
Fax +27 11 688 5248

Postal address

PO Box 61051
Marshalltown 2107

JSE LIMITED SPONSOR

Investec Bank Limited
100 Grayston Drive
Sandton 2196

AUDITORS

Ernst & Young Inc.

ATTORNEYS

Edward Nathan Sonnenbergs

PRINCIPAL TRANSACTIONAL BANKERS

Absa Limited
First National Bank

COMPANY SECRETARY

Debra Muller
email address: demuller@pnp.co.za

PROMOTION OF ACCESS TO INFORMATION ACT

Information Officer – Penny Gerber
email address: pgerber@pnp.co.za

INVESTOR RELATIONS

David North
email address: dnorth@pnp.co.za

Penny Gerber
email address: pgerber@pnp.co.za

WEBSITE

Pick n Pay: www.picknpay.co.za
Investor relations: www.picknpayinvestor.co.za

CUSTOMER CARELINE

Tel +27 800 11 22 88
email address: customercare@pnp.co.za

ONLINE SHOPPING

Tel +27 860 30 30 30
www.picknpay.co.za

ENGAGE WITH US ON



Annexure I:

**Proposal to eliminate the
pyramid control structure**

Pick n Pay Holdings Limited RF

Proposal to eliminate the pyramid control structure

The only asset of Pick n Pay Holdings Limited RF (Holdings) is its shareholding in Pick n Pay Stores Limited (Stores). The Pick n Pay Group's listing amounts to a pyramid control structure as defined in the JSE Limited's (JSE) Listings Requirements. Under the pyramid control structure, members of the Ackerman family and their related entities (controlling shareholders) are able, through their controlling shareholding in Holdings, to exercise effective shareholder control over a 52.8% shareholding in Stores.

The controlling shareholders have made a proposal to Holdings for the elimination of the pyramid control structure, to align the Pick n Pay Group's historical structure with the current JSE's Listings Requirements, which do not encourage pyramid control structures.

Having constituted an independent Board of directors to consider the proposal, the independent Board has conducted an extensive investigation into the proposal. The independent Board of Holdings has concluded that the terms of the proposal are for the benefit of all shareholders in the Company and accordingly recommends that shareholders vote in favour of the resolutions required to implement the proposal.

The proposal is interlinked and conditional upon both Holdings' and Stores' shareholders voting in favour of the proposal.

The proposal will be put to shareholders at general meetings to be held on Monday, 25 July 2016, before the annual general meetings of the listed companies in the Pick n Pay Group.

Please note: the controlling shareholders will not vote at the Holdings general meeting, thereby leaving the decision to the other shareholders of Holdings. In addition, Holdings will not vote on the resolutions to be proposed at the Stores general meeting, thereby leaving the decision to the other shareholders of Stores.

PROPOSAL

In summary, the proposal comprises two inter-conditional and linked steps, namely:

- The unbundling by Holdings of all of its assets, being the shares it owns in Pick n Pay Stores Limited, to the Company's shareholders on the basis that each shareholder in Holdings will receive 48.75216 shares in Stores for every 100 shares in Holdings; and
- The creation and issue of B shares by Stores to the controlling shareholders. The B shares will only carry voting rights so as to put the controlling shareholders in the same voting position as they currently effectively enjoy in Stores. The B shares will not carry any right to dividends, proceeds on a winding-up or any other economic rights.

BENEFITS OF THE PROPOSAL

It is believed that the restructure will be to the benefit of Holdings and Holdings' shareholders in that:

- The restructure will eliminate the historic difference between the Holdings and Stores share prices, which has averaged between 14% to 16% in recent months;
- The restructure of the pyramid control structure will result in the elimination of the cumbersome dual listed structure, thereby removing the multiple listed entry points to the Pick n Pay Group;
- The unbundling is expected to result in an increased free float of Stores shares, which will enhance the weighting of Stores shares in stock market indices both on the JSE and internationally. The higher level of free float and enhanced weighting in stock market indices is likely to improve the demand, liquidity and marketability of Stores shares;
- It is anticipated that the unbundling will unlock value for Holdings' shareholders and, through the elimination of associated listings costs, is likely to facilitate Stores shares trading at their intrinsic value; and
- The simplified structure is likely to improve Stores' investment appeal to both foreign and local investors, enhancing its access to equity capital and therefore its long-term growth strategy.

Should the shareholders of Holdings and Stores vote in favour of the proposal, after implementation of the unbundling, Holdings will have no substantive assets and will be an empty shell. As such Holdings will not qualify to maintain a listing on the JSE. Accordingly, conditional on the unbundling of Holdings and Stores issuing B shares, it is proposed that all of the shares in Holdings be purchased by Stores pursuant to a scheme of arrangement in terms of section 114 of the Companies Act at a nominal price. Such purchase, if implemented, will result in Holdings becoming a wholly owned subsidiary of Stores, which will then attend to the orderly winding-up of Holdings.

As a consequence of the proposal being implemented, shareholders will cease to be a shareholder of Holdings. It will not result in any dilution of economic interests at all, as shares will be held directly in Stores as opposed to indirectly.

Each shareholder has been posted both the Holdings and Stores circulars, so each shareholder has full details of the proposal. In addition, the circulars are available on the website at www.picknpayinvestor.co.za. For full details of the proposal we urge you to study the circulars, and for shareholders to exercise their votes at the general meeting.

Please note that if any of the resolutions to be proposed at the general meetings of Holdings and Stores are not passed by the requisite majority, the proposal will not be implemented and the status quo will remain.

INDEPENDENT DIRECTORS' ATTENDANCE AT INDEPENDENT BOARD MEETINGS: PROPOSAL TO ELIMINATE THE PYRAMID STRUCTURE

An independent Board was duly constituted in terms of the Takeover Regulations in regard to the proposed unbundling and the proposed winding up of the Company, each of which is an affected transaction in terms of section 117(1)(c) of the Companies Act, No 71 of 2008 as amended. In particular, the independent directors independently evaluated the proposal insofar as it related to Pick n Pay Holdings Limited RF without the presence of the Controlling Shareholders, their appointed directors and their advisers; and the independent Board appointed independent advisers from the advisers appointed by the Controlling Shareholders. Attendance at the independent Board meetings is set out in the table below:

Director	Attendance	Activities 2016
René de Wet	4/4	For full details of activities, please refer to the Pick n Pay Holdings Limited RF's circular that was posted to shareholders and that is also available for viewing on the Pick n Pay website, www.picknpayinvestor.co.za .
Hugh Herman	4/4	
Jeff van Rooyen	4/4	



Pick n Pay Holdings Limited RF

(Incorporated in the Republic of South Africa)

(Registration number: 1981/009610/06)

JSE Code: PWK ISIN: ZAE000005724

("Holdings" or "the Company")

The definitions and interpretations commencing on page 5 apply mutatis mutandis throughout this Circular, including the front cover.

CIRCULAR TO HOLDINGS SHAREHOLDERS

relating to the proposed collapse of the Pyramid Control Structure embodying amongst other things:

- an Unbundling by Holdings of all of the issued ordinary shares in Stores held by Holdings at the time of the Unbundling (being 257 045 334 ordinary shares) to Holdings Shareholders, which Unbundling constitutes a disposal by Holdings of all of its investments at the time of the Unbundling in terms of section 112 of the Companies Act and which Unbundling is to be effected by way of a distribution in specie in terms of section 46 of the Income Tax Act. The distribution is to be in the Entitlement Ratio in terms of which Holdings Shareholders will receive 48.75216 issued ordinary shares in Stores for every 100 Holdings Shares held by them as at 17:00 on the Record Date, being Friday, 26 August 2016;
 - a scheme of arrangement in terms of section 114 of the Companies Act between Holdings and Holdings Shareholders pursuant to which, if implemented, Stores will acquire all of the Holdings Shares for the Scheme Consideration; and
 - the consequential Delisting of all of the Holdings Shares from the Main Board of the exchange operated by the JSE.
-

including amongst other things:

- a notice convening a General Meeting of Holdings Shareholders;
- a Form of Proxy for the General Meeting (pink) (for use by Certificated Holdings Shareholders and Dematerialised Holdings Shareholders with "own name" registration only); and
- a Form of Surrender and Transfer (green) (for use by Certificated Holdings Shareholders only).

24 June 2016

Financial Adviser and Merchant Bank to the
Controlling Shareholders and
Transaction Originator and Coordinator



Adviser and Sponsor to Holdings



Legal Adviser to the Controlling Shareholders and
Transaction Originator and Coordinator



Legal Adviser to Holdings



Independent expert in
respect of the Scheme



CORPORATE INFORMATION AND ADVISERS

Year of incorporation

1981

Place of incorporation

South Africa

Company secretary and registered office

Debra Muller (BA LLB)
Pick n Pay Holdings Limited RF
(Registration number: 1981/009610/06)
101 Rosmead Avenue
Kenilworth
Cape Town
7708
(PO Box 23087, Claremont, 7735)

Financial Adviser and Merchant Bank to the Controlling Shareholders and Transaction Originator and Coordinator

Rand Merchant Bank
(A division of FirstRand Bank Limited)
(Registration number: 1929/001225/06)
1 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton
2196
(PO Box 786273, Sandton, 2146)

Adviser and Sponsor to Holdings

Investec Bank Limited
(Registration number: 1969/004763/06)
100 Grayston Drive
Sandown
Sandton
2196
(PO Box 785700, Sandton, 2146)

Independent expert in respect of the Scheme

PricewaterhouseCoopers Corporate Finance Proprietary Limited
(Registration number: 1970/003711/07)
2 Eglin Road
Sunninghill
2191
(Private Bag X36, Sunninghill, 2157)

Transfer Secretaries

Computershare Investor Services Proprietary Limited
(Registration number: 2004/003647/07)
Ground Floor
70 Marshall Street
Johannesburg
2001
(PO Box 61051, Marshalltown, 2107)

Legal Adviser to the Controlling Shareholders and Transaction Originator and Coordinator

Edward Nathan Sonnenbergs
(Registration number: 2006/018200/21)
150 West Street
Sandton
2196
(PO Box 783347, Sandton, 2146)

Legal Adviser to Holdings

Werksmans Inc.
(Registration number: 1990/007215/21)
155 5th Street
Sandton
2196
(Private Bag 10015, Sandton, 2146)

This Circular is only available in English. Copies may be obtained from Holdings' website, <http://www.picknpayinvestor.co.za> or at the registered office of Holdings, Rand Merchant Bank, Investec Bank Limited and the Transfer Secretaries, whose addresses are set out in the "Corporate Information and Advisers" section of this Circular.

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ACTION REQUIRED BY HOLDINGS SHAREHOLDERS

The definitions and interpretations commencing on page 5 of this Circular apply to this “Action required by Holdings Shareholders” section of the Circular.

This Circular is important and requires your immediate attention. The action you need to take is set out below. If you are in any doubt as to the action you should take, please consult your Broker, CSDP, banker, attorney, accountant or other professional adviser immediately. If you have disposed of all of your Holdings Shares, please forward this Circular to the person to whom you have disposed of such Holdings Shares or the Broker, CSDP, banker or other agent through whom you disposed of such Holdings Shares.

A General Meeting of Holdings Shareholders will be held at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town at 08:30 on Monday 25 July 2016 to consider and, if deemed fit, pass the resolutions required to authorise and effect the implementation of the Transaction and the Scheme. A notice to convene the General Meeting of Holdings Shareholders is attached to and forms part of this Circular.

ACTION REQUIRED BY HOLDINGS SHAREHOLDERS:

1. DEMATERIALIZED HOLDINGS SHAREHOLDERS OTHER THAN WITH “OWN NAME” REGISTRATION

1.1. Voting at the General Meeting

Your Broker or CSDP should contact you to ascertain how you wish to cast your vote at the General Meeting and thereafter cast your vote in accordance with your instructions.

If you have not been contacted by your Broker or CSDP, it is advisable for you to contact your Broker or CSDP and furnish them with your voting instructions.

If your Broker or CSDP does not obtain voting instructions from you, they will be obliged to vote in accordance with the instructions contained in the custody agreement concluded between you and your Broker or CSDP.

You must **not** complete the attached Form of Proxy (pink).

1.2. Attendance and representation at the General Meeting

In accordance with the mandate between you and your Broker or CSDP, you must advise your Broker or CSDP if you wish to attend the General Meeting and your Broker or CSDP will issue the necessary letter of representation to you to attend the General Meeting.

1.3. Surrender of Documents of Title

You must **not** complete the attached Form of Surrender and Transfer (green).

1.4. Unbundled Stores Shares

If the Unbundling becomes effective, the accounts of Dematerialised Holdings Shareholders at their CSDPs or Brokers will be updated to reflect the Unbundled Stores Shares in respect of the Unbundling on the Operative Date.

1.5. Scheme Consideration

If the Scheme becomes operative, your account at your CSDP or Broker will be updated to reflect the receipt of the Scheme Consideration and the transfer of your Scheme Shares to Stores.

2. DEMATERIALIZED HOLDINGS SHAREHOLDERS WITH “OWN NAME” REGISTRATION

2.1. Voting and attendance at the General Meeting

You may attend the General Meeting in person and may vote at the General Meeting.

Alternatively, you may appoint a proxy to represent you at the General Meeting by completing the attached Form of Proxy (pink) in relation to the General Meeting in accordance with the instructions it contains and it is recommended that it be returned to the registered office of the Company or the Transfer Secretaries to be received by no later than 08:30 on Thursday, 21 July 2016.

2.2. Surrender of Documents of Title

You must **not** complete the attached Form of Surrender and Transfer (green).

2.3. Unbundled Stores Shares

If the Unbundling becomes effective, the accounts of Dematerialised Holdings Shareholders at their CSDPs or Brokers will be updated to reflect the Unbundled Stores Shares in respect of the Unbundling on the Operative Date.

2.4. Scheme Consideration

If the Scheme becomes operative, your account at your CSDP or Broker will be updated to reflect the receipt of the Scheme Consideration and the transfer of your Scheme Shares to Stores.

3. CERTIFICATED HOLDINGS SHAREHOLDERS:

3.1. Voting and attendance at the General Meeting

You may attend the General Meeting in person and may vote at the General Meeting.

Alternatively, you may appoint a proxy to represent you at the General Meeting by completing the attached Form of Proxy (pink) in relation to the General Meeting of the Holdings Shareholders in accordance with the instructions it contains it is recommended that it be returned to the registered office of the Company or the Transfer Secretaries to be received by no later than 08:30 on Thursday, 21 July 2016.

3.2. Unbundled Stores Shares

If the Unbundling becomes effective, the new share certificates for the Unbundled Stores Shares in respect of the Unbundling will be posted to you, at your own risk, by registered post on or about Friday, 26 August 2016 to your address as reflected in the Register on the Record Date.

3.3. Surrender of Documents and Scheme Consideration

If the Scheme becomes operative and you have, as a Scheme Participant, surrendered your share certificates or other Document of Title to the Transfer Secretaries together with a duly completed Form of Surrender and Transfer (green) by no later than 12:00, Friday, 26 August 2016, the Scheme Consideration owing to you in respect of your Scheme Shares will (i) be transferred to you by electronic funds transfer if you have stipulated a valid bank account for this purpose in the Form of Surrender and Transfer (green), or, failing that, (ii) be posted to you, at your own risk, by way of registered post, on or about Monday, 29 August 2016. Certificated Holdings Shareholders whose Holdings share certificates or other Documents of Title and duly completed Forms of Surrender and Transfer (green) are received by the Transfer Secretaries after 12:00, Friday, 26 August 2016 will have their Scheme Consideration (i) transferred to them by electronic funds transfer if they have stipulated a valid bank account for this purpose in the Form of Surrender and Transfer (green), or, failing that, (ii) posted to them, at their own risk, by way of registered post, within five business days of such receipt.

Subject to paragraphs 4 and 5 below, you must complete the Form of Surrender and Transfer (green) and return it together with the relevant share certificates or other Documents of Title to the Transfer Secretaries so as to receive the Scheme Consideration.

4. GENERAL

4.1. If you wish to Dematerialise your Holdings Shares, please contact your CSDP or Broker.

4.2. You do not need to Dematerialise your Holdings Shares to participate in the Unbundling or to receive the Scheme Consideration.

4.3. Stores may dispense with the requirement for the surrender of share certificates in respect of Scheme Shares upon the production of evidence satisfactory to Stores that such share certificates have been lost or destroyed and upon provision of a suitable indemnity on terms satisfactory to Stores.

4.4. If your share certificates relating to any Scheme Shares to be surrendered have been lost or destroyed and you are a Certificated Holdings Shareholder you should nevertheless return the Form of Surrender and Transfer (green) duly signed and completed to the Transfer Secretaries, having obtained from the Transfer Secretaries and submitted together with such Form of Surrender and Transfer (green), a duly completed indemnity form which is obtainable from the Transfer Secretaries.

5. DISSENTING HOLDINGS SHAREHOLDERS

5.1. A detailed explanation of the Dissenting Holdings Shareholders' appraisal rights is contained in paragraph 8 of the Circular on page 19.

5.2. A copy of section 164 of the Companies Act pertaining to the Dissenting Holdings Shareholders' appraisal rights is set out in Annexure 5 to this Circular.

IMPORTANT DATES AND TIMES

2016

Record Date to determine which Holdings Shareholders are entitled to receive this Circular	Friday, 17 June
Circulars posted to Holdings Shareholders and notice convening General Meeting released on SENS	Friday, 24 June
Last day to trade to be recorded in the Register in order to be eligible to attend and vote at the General Meeting	Tuesday, 12 July
Record Date for Holdings Shareholders to be recorded in the Register in order to be eligible to attend and vote at the General Meeting	Friday, 15 July
Recommended last day to lodge Forms of Proxy (pink) for the General Meeting by 08:30	Thursday, 21 July
General Meeting to be held at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town at 08:30 on	Monday, 25 July
Results of the General Meeting released on SENS	Monday, 25 July
Results of the General Meeting published in the press	Tuesday, 26 July

If (i) all of the resolutions relating to the Unbundling and the Scheme are passed by the requisite majority of Holdings Shareholders at the General Meeting, and (ii) all of the resolutions required to give effect to the Stores Transaction are passed by Stores Shareholders at the Stores General Meeting:

Last day for Holdings Minority Shareholders who voted against the Unbundling and/or Scheme to require Holdings to seek court approval for the Unbundling and/or Scheme in terms of section 115(3)(a) of the Companies Act	Monday, 1 August
Last day to send notice of adoption of special resolutions to dissenting Holdings Minority Shareholders, in accordance with section 164 of the Companies Act	Monday, 8 August
Last day for Holdings Minority Shareholders who voted against the Unbundling and/or Scheme to apply to court for leave to apply for a review of the Unbundling and/or Scheme in terms of section 115(3)(b) of the Companies Act	Tuesday, 6 September

The following dates assume that no court approval or review of the Unbundling and/or the Scheme is required and will be confirmed in the finalisation announcement if Unbundling and/or Scheme becomes unconditional:

Compliance certificate expected to be received from the TRP	Wednesday, 10 August
Finalisation announcement expected to be released on SENS	Friday, 12 August
Expected last day to trade in Holdings Shares in order to participate in the Unbundling and the Scheme	Tuesday, 23 August
Holdings Shares expected to be suspended on JSE trading system	Wednesday, 24 August
Holdings Shareholders expect to be able to trade their entitlement to Stores Shares	Wednesday, 24 August
Announcement of specified ratio apportionment and fractional amount payment expected to be released on SENS	Thursday, 25 August
Expected Record Date on which Holdings Shareholders must be recorded in the Register to participate in the Unbundling and to become a Scheme Participant	Friday, 26 August
Expected Operative Date of the Unbundling and the Scheme	Monday, 29 August
Dematerialised Holdings Shareholders' accounts at CSDP or Broker expected to be updated and credited	Monday, 29 August
Certificated Holdings Shareholders expected to have their new share certificates and Scheme Consideration posted if Forms of Surrender have been received by the Transfer Secretaries on or before 12:00 on the Record Date (See note 4)	Monday, 29 August
Expected termination of the listing of Holdings Shares at commencement of trade on the JSE	Tuesday, 30 August

Notes

1. All times shown above are South African local times.
2. The above dates and times are subject to amendment. Any material amendments will be released on SENS and published in the press.
3. Holdings will send the required notice to objecting Holdings Shareholders, if any, in terms of section 164(4) of the Companies Act on Monday, 8 August 2016, but the last day for sending this notice is ten Business Days after the date of the General Meeting.
4. Certificated Holdings Shareholders whose Holdings Share certificates and duly completed Forms of Surrender and Transfer (green) are received by the Transfer Secretaries after 12:00 on Friday, 26 August 2016 will have their Scheme consideration transferred to them by electronic funds transfer if they have stipulated a valid bank account for this in the Form of Surrender and Transfer, or failing that posted to them by registered post at their own risk within five Business Days of such receipt.
5. Share certificates in Holdings may not be dematerialised or rematerialised after Tuesday, 23 August 2016.
6. It is possible for the Transaction to proceed and be implemented but not the Scheme if the Scheme Conditions are not met.

DEFINITIONS AND INTERPRETATIONS

In this Circular and its annexures, unless otherwise stated or the context indicates otherwise, the words and expressions in the first column shall have the meanings stated opposite them in the second column, and words and expressions in the singular shall include the plural and vice versa, words importing natural persons shall include juristic persons and unincorporated associations of persons and vice versa, and any reference to one gender shall include the other genders.

"Advanced Tax Ruling" or "ATR"	a binding private ruling or a binding class ruling issued by SARS in terms of section 78(1) or section 78(2), respectively, of the Tax Administration Act No 28 of 2011;
"AIH"	Ackerman Investment Holdings Proprietary Limited (Registration number: 2010/018805/07), a private company duly registered and incorporated with limited liability in accordance with the laws of South Africa and an entity controlled by the Ackerman family, which currently directly holds 48.5% of the Total Holdings Shares (voting interest of 49.7%);
"Authorised Dealer"	a person authorised to deal in foreign exchange as contemplated in the Exchange Control Regulations of the South African Reserve Bank;
"B Share Issue Ratio"	the ratio of 198.06089 B Shares for every 100 Stapled Ordinary Shares held by the Controlling Shareholders at the time of the issue and allotment of the B Shares which ratio, for the avoidance of doubt, shall continue to apply to any B Shareholder from time to time thereafter even if such B Shareholder is not a Controlling Shareholder;
"B Share Terms"	the terms of the B Shares as summarised in paragraph 3.2 of this Circular and described more fully in Annexures 6 and 10 hereto;
"B Shareholders"	the holder(s) of the B Shares together with the corresponding number of Stapled Stores Shares determined in accordance with the B Share Issue Ratio, from time to time;
"B Shares"	the unlisted, non-convertible, non-participating, no par value shares of Stores entitling the holders thereof to 1 vote per B Share at a General Meeting of Stores Shareholders, but which shall not entitle the holders thereof to any rights to distributions or other economic benefits. The B Shares shall have the B Share Terms;
"Boxer"	a trademark owned by Boxer Superstores Proprietary Limited (Registration number: 1988/002548/07);
"Broker"	any person registered as a "broking member equities" in terms of the Rules of the JSE in accordance with the provisions of the Financial Markets Act;
"Business Day"	any day other than Saturday, Sunday or any official public holiday in South Africa;
"Certificated Holdings Shareholders"	holders of Certificated Holdings Shares;
"Certificated Holdings Shares"	Holdings Shares that have not been Dematerialised, the title to which is represented by a share certificate or other Document of Title;
"Certificated Scheme Participants"	Scheme Participants whose Scheme Shares have not been Dematerialised, the title to which is represented by a share certificate or other Document of Title;
"CGT"	Capital Gains Tax as determined in terms of the Eighth Schedule of the Income Tax Act;
"Circular"	this Circular to Holdings Shareholders, dated Friday, 24 June 2016 and the annexures and attachments hereto, incorporating amongst other things a notice of the General Meeting, a Form of Proxy (pink) for the General Meeting and a Form of Surrender and Transfer (green);
"Common Monetary Area"	collectively, South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
"Companies Act"	the Companies Act No 71 of 2008, as amended;
"Company secretary"	the company secretary of Holdings;
"Controlling Shareholders"	Collectively, AIH and the Other Ackerman Shareholders, who together hold 51.0% of the Total Holdings Shares (voting interest of 52.3%), and who have the ability to exert effective control over Stores through Holdings' 52.9% voting interest in Stores (before the Pre-Unbundling Disposal);
"CSDP"	a central securities depository participant, being a participant as defined in section 1 of the Financial Markets Act;
"Delisting"	the delisting of Holdings from the JSE with effect from the commencement of business on Tuesday, 30 August 2016, as a consequence of the Scheme;

“Dematerialisation” or “Dematerialised”	the process by which securities held in certificated form are converted to or held in electronic form as uncertificated securities and recorded in a sub-register of securities holders maintained by a CSDP, after the Documents of Title have been validated and cancelled by the Transfer Secretaries and captured onto the Strate system by the selected CSDP or Broker;
“Dematerialised Holdings Shareholders”	holders of Dematerialised Holdings Shares;
“Dematerialised Holdings Shares”	Holdings Shares which have been through the Dematerialisation process;
“Directors”	the Directors of Holdings, including non-executive and independent non-executive directors and whose names are set out on page 10 of this Circular;
“Dissenting Holdings Shareholders”	Holdings Shareholders who validly exercise their appraisal rights;
“Dividends Tax”	dividends withholding tax, as described in and regulated by the section 64D - N of the Income Tax Act;
“Documents of Title”	share certificates, certified transfer deeds, balance receipts, or any other documents of title to shares;
“ENS”	Edward Nathan Sonnenbergs Inc. (Registration number: 2006/018200/21), a personal liability company duly incorporated in accordance with the laws of South Africa;
“Entitlement Ratio”	48.75216, that is, 48.75216 Stores Shares for every 100 Holdings Shares held by a Holdings Shareholder at the Record Date;
“Exchange Control Regulations”	the Exchange Control Regulations, 1961, as amended, promulgated in terms of section 9 of the South African Currency and Exchanges Act No 9 of 1933, as amended;
“Excluded Foreign Holdings Shareholders”	Holdings Shareholders resident or who have registered addresses in the United Kingdom, European Economic Area, Canada, United States of America, Japan or Australia;
“Existing MOI of Stores”	the Memorandum of Incorporation of Stores prior to the Stores Transaction;
“Financial Markets Act”	Financial Markets Act No 19 of 2012, as amended;
“Foreign Holdings Shareholders”	Holdings Shareholders not resident in South Africa;
“FSB”	Financial Services Board;
“General Meeting”	the General Meeting of Holdings Shareholders to be held at the registered office of Holdings at 101 Rosmead Avenue, Kenilworth, Cape Town, at 08:30 on Monday, 25 July 2016 in order to consider and, if deemed fit, to pass the special and ordinary resolutions necessary to give effect to the Unbundling and the Scheme;
“Group”	Holdings and its subsidiaries;
“Holdings” or “the Company”	Pick n Pay Holdings Limited RF (Registration number: 1981/009610/06), a public company duly registered and incorporated in accordance with the laws of South Africa and listed on the JSE;
“Holdings Minority Shareholders”	all Holdings Shareholders, other than the Controlling Shareholders;
“Holdings Shareholders”	registered holders of Holdings Shares;
“Holdings Shares”	ordinary shares issued by Holdings;
“Income Tax Act”	the Income Tax Act No 58 of 1962, as amended;
“Independent Board”	those Directors who constitute the Independent Board of Holdings, being Rene de Wet, Hugh Herman and Jeff van Rooyen. The Independent Board has been duly constituted in terms of the Takeover Regulations in regard to the Unbundling and the Scheme, each of which is an affected transaction in terms of section 117(1)(c) of the Companies Act;
“Inter-Conditional”	the inter-conditionality of all resolutions and decisions of Holdings Shareholders pursuant to which the Unbundling is authorised, to the resolutions and decisions by Stores Shareholders pursuant to which the Stores Transaction is authorised and vice versa;
“Investec”	Investec Bank Limited (Registration number: 1969/004763/06), a public company duly registered and incorporated with limited liability in accordance with the laws of South Africa;
“JSE”	the stock exchange operated by the JSE Limited;
“JSE Limited”	JSE Limited (Registration number: 2005/022939/06), a public company duly registered and incorporated with limited liability in accordance with the laws of South Africa and which is licensed to operate an exchange in terms of the Financial Markets Act;

"Last Practicable Date"	Friday, 10 June 2016 being the last practicable date prior to the finalisation of this Circular;
"Listings Requirements"	the Listings Requirements published by the JSE Limited from time to time;
"MOI of Holdings"	the Memorandum of Incorporation of Holdings;
"New MOI of Stores"	the Memorandum of Incorporation of Stores embodying the B Share Terms which will replace the Existing MOI of Stores pursuant to the Stores Transaction;
"Non-resident"	a person who is not considered to be an ordinary resident in South Africa in terms of the Exchange Control Regulations;
"Operative Date"	the date upon which the Unbundling and/or the Scheme becomes operative, being the first Monday immediately following the Record Date or such other date as the JSE may direct, which Operative Date is expected to be Monday, 29 August 2016;
"Other Ackerman Shareholders"	members of the Ackerman family, their successors in title, controlled trusts, and legal entities (excluding AIH) who directly or indirectly hold in aggregate 2.5% of the Total Holdings Shares (voting interest of 2.6%). Made up as follows (expressed as a percentage of the Total Holdings Shares): • The Mistral Trust (1.05%); • Burrumbuck Investments Proprietary Limited (0.63%); • RD Ackerman (0.24%) • The Jongus Trust (0.22%) • The Bermack Trust (0.11%) • The Sudale Trust (0.07%) • J Ackerman (0.05%); • S Ackerman (0.05%); • K Robins (0.04%); • A Ackerman (0.01%); and • 15 other individuals (collectively owning 0.05%);
"Pick n Pay"	a trademark owned by Pick n Pay Retailers Proprietary Limited (Registration number: 1973/004739/07);
"Pre-Unbundling Disposal"	the on-market disposal of 300 000 Stores Shares (representing 0.1% of Stores Shares held by Holdings) by Holdings, prior to the Unbundling, at the prevailing market price, to provide Holdings with sufficient cash to discharge its costs and expenses, including but not limited to the Transaction expenses, as more fully described in paragraph 20;
"Pyramid Control Structure"	the current shareholding structure of Stores, whereby the Controlling Shareholders control Stores through a 52.3% voting interest in Holdings, which in turn holds a 52.9% voting interest in Stores, before the Pre-Unbundling Disposal;
"Rand" or "R" or "ZAR" and "cents"	South African rands and cents, the official currency of South Africa;
"Rand Merchant Bank"	Rand Merchant Bank, a division of FirstRand Bank Limited (Registration number: 1929/001225/06), a public company duly registered and incorporated with limited liability in accordance with the laws of South Africa;
"Record Date"	the last day for Holdings Shareholders to be recorded in the Register of the Company in order to participate in the Unbundling and/or to become a Scheme Participant, being 17:00 on Friday, 26 August 2016;
"Register"	the register of Certificated Holdings Shareholders maintained by the Transfer Secretaries and the sub-register of Dematerialised Holdings Shareholders maintained by the relevant CSDPs in accordance with section 50 of the Companies Act;
"Scheme"	the scheme of arrangement in terms of section 114(1)(c) of the Companies Act between Holdings and the Holdings Shareholders registered as such on the Record Date, in terms of which Stores will, if the Unbundling becomes operative and the Scheme becomes operative, acquire the Scheme Shares for the Scheme Consideration;
"Scheme Conditions"	the conditions precedent detailed in paragraph 3.7.3;

"Scheme Consideration"	the cash consideration payable to Scheme Participants in terms of the Scheme, being an amount equal to the greater of: • R0.00001 per Scheme Share, rounded up in aggregate to the nearest cent; or • the net asset value of Holdings immediately after the Unbundling, for the avoidance of doubt, including the proceeds of the Pre-Unbundling Disposal and any provision for expenses relating to the Transaction and the Scheme, expressed on a per Scheme Share basis;
"Scheme Participants"	all Holdings Shareholders who hold Holdings Shares recorded in the Register at 17:00 on the Record Date, being Holdings Shareholders who are entitled to receive the Scheme Consideration therefor but excluding Dissenting Holdings Shareholders;
"Scheme Shares"	the Holdings Shares held by Scheme Participants;
"SENS"	the Stock Exchange News Service of the JSE Limited;
"South Africa"	the Republic of South Africa;
"Stapled Ordinary Shares"	the Stores Shares held by the B Shareholders at the time of the issue and allotment of the B Shares, determined in accordance with the B Share Issue Ratio, which Stores Shares are subject to the restrictions on disposal described in paragraph 3.2.3;
"Stores"	Pick n Pay Stores Limited (Registration number: 1968/008034/06), a public company duly registered and incorporated in accordance with the laws of South Africa and listed on the JSE;
"Stores Circular"	the Circular dated Friday, 24 June 2016, issued by Stores to Stores Shareholders in respect of, inter alia, to the Stores Transaction and accompanying this Circular as a reference;
"Stores General Meeting"	the General Meeting of Stores Shareholders to be held at the registered office of Pick n Pay at 101 Rosmead Avenue, Kenilworth, Cape Town, on Monday, 25 July 2016 after the completion of the General Meeting or 09:00 (whichever is the later) in order to consider and, if deemed fit, to pass the special and ordinary resolutions necessary to replace the Existing MOI of Stores with the New MOI of Stores and to issue and allot the B Shares;
"Stores Minority Shareholders"	all Stores Shareholders excluding Holdings;
"Stores Shareholders"	registered holders of Stores Shares;
"Stores Shares"	ordinary shares issued by Stores;
"Stores Transaction"	replacement of the Existing MOI of Stores with the New MOI of Stores to create the B Shares and the subsequent issue and allotment of 259 682 928 B Shares (the exact number to be determined by applying the B Share Issue Ratio on the Record Date) to the Controlling Shareholders in terms of section 41 of the Companies Act, which is fully conditional on the fulfilment of the conditions precedent to the Stores Transaction as detailed in the Stores Circular;
"Strate"	Strate Proprietary Limited (Registration number: 1998/022242/07), a private company duly registered and incorporated in South Africa, which provides electronic settlement of equities and bonds transactions concluded on the JSE;
"STT"	securities transfer tax payable in respect of the transfer of shares in terms of the Securities Transfer Tax Act No 25 of 2007;
"Takeover Regulations"	the Takeover Regulations issued in terms of section 120 of the Companies Act;
"Total Holdings Shares"	the total issued ordinary share capital of Holdings, being 527 249 082 Holdings Shares;
"Total Stores Shares"	the total issued ordinary share capital of Stores, being 488 450 321 Stores Shares;
"Transaction"	the proposed restructure of the Pyramid Control Structure by way of the Unbundling and, Inter-Conditional thereto, the Stores Transaction;
"Transfer"	the transfer of all of the issued Holdings Shares to Stores pursuant to the Scheme;
"Transfer Secretaries" or "Computershare"	Computershare Investor Services Proprietary Limited (Registration number: 2004/003647/07), a private company duly registered and incorporated with limited liability in accordance with the laws of South Africa;

"Treasury Shares"	equity shares of an applicant issuer (as defined in the Listings Requirements) held by a subsidiary and/or by a trust through a scheme, and/or by another entity where the equity shares in the applicant issuer are controlled by the applicant issuer from a voting perspective, the votes of which will not be taken into account for the purposes of resolutions proposed pursuant to the Listings Requirements. In the case of Holdings, 13 037 487 Holdings Shares are held as Treasury Shares, and in the case of Stores, 1 599 031 Stores Ordinary Shares are held as Treasury Shares;
"TRP"	the Takeover Regulation Panel established in terms of section 196 of the Companies Act;
"Unbundled Stores Shares"	257 045 334 Stores Shares to be transferred to Holdings Shareholders pursuant to the Unbundling, in accordance with the Entitlement Ratio;
"Unbundling"	the proposed distribution in specie of the 257 045 334 Stores Shares, after the Pre-Unbundling Disposal, held by Holdings at the time of such distribution, equating to 52.6% of the Total Stores Shares to Holdings Shareholders in the Entitlement Ratio (after the Pre-Unbundling Disposal) in terms of section 46 of the Income Tax Act, and section 46 of the Companies Act, and which is regarded in terms of a section 112 of the Companies Act as the disposal of all or a greater part of the assets of Holdings;
"VAT"	value-added tax, payable in terms of the Value-Added Tax Act No 89 of 1991, as amended;
"Werksmans"	Werksmans Inc. (Registration number: 1990/007215/21), a personal liability company duly incorporated in accordance with the laws of South Africa.



Pick n Pay Holdings Limited RF

(Incorporated in the Republic of South Africa)

(Registration number: 1981/009610/06)

JSE Code: PWK ISIN: ZAE000005724

("Holdings" or "the Company")

Directors

Non-executive

Raymond Ackerman (*Chairman*)

Wendy Ackerman

Gareth Ackerman

Independent Non-executive

René de Wet

Hugh Herman

Jeff van Rooyen

CIRCULAR TO HOLDINGS SHAREHOLDERS

1. INTRODUCTION AND BACKGROUND

On Tuesday, 14 June 2016 Holdings and Stores announced on SENS the intention to restructure the Pyramid Control Structure. The restructure will comprise the Pre-Unbundling Disposal followed by the Unbundling and then the Scheme and consequential Delisting of Holdings and, Inter-Conditional on the Unbundling, the Stores Transaction, being the issue of the B Shares to the Controlling Shareholders.

Holdings has no material investments other than its holding of Stores Shares. As a result of the Unbundling leading to Holdings disposing of substantially all of its investments, Holdings Shareholders will be left holding Holdings Shares in a dormant shell, having no assets other than the cash required to discharge its costs and expenses, save as expressly provided below, and Holdings will accordingly be wound-up. To facilitate the winding-up, it is proposed that the Scheme be implemented, Holdings delisted and that the winding-up process be carried out once Holdings is a wholly-owned subsidiary of Stores.

Holdings will dispose of certain Stores Shares, prior to the Unbundling, in order to provide Holdings with sufficient cash to discharge its costs and expenses as more fully provided for in clause 21 below. To the extent that Holdings may have any surplus cash, over and above the cash required to discharge its costs and expenses, this surplus will form part of the net asset value of Holdings, factored into the Scheme Consideration (as defined), and accordingly any such surplus amounts will be payable to Holdings Shareholders upon implementation of the Scheme.

Holdings is currently the controlling shareholder of Stores, a food and general merchandise retailer listed on the JSE. Holdings holds 52.7% of the Total Stores Shares, which entitles Holdings to a voting interest of 52.9% in Stores due to Treasury Shares that do not carry voting rights. The Controlling Shareholders currently hold 51.0% of the Total Holdings Shares which entitles them to a voting interest of 52.3% in Holdings due to Treasury Shares that do not carry voting rights. Stores is the only investment of Holdings, which derives its income solely from the dividends received from Stores. Holdings is a "pyramid company" as contemplated by section 14 of the Listings Requirements in circumstances where pyramid shareholding structures are not encouraged by the JSE. This structure was however maintained due to its historical nature (i.e. being in place prior to the introduction of the JSE listing requirement prohibiting pyramid structures of this nature). The Transaction seeks to eliminate the pyramid structure.

The Pyramid Control Structure has resulted in:

- a discount between the intrinsic value of Holdings' investment in Stores and the traded market value of Holdings Shares;
- lower levels of liquidity and tradability for Stores Shares due to the control structure with multiple listed entry points into Stores;
- lower weighting in various local and international stock exchange indices as a result of the reduced free float in Holdings and Stores Shares;
- and
- additional operating expenditure and infrastructure to administer the Pyramid Control Structure.

The Controlling Shareholders have proposed and the Independent Board and the Independent Board of Directors of Stores have resolved to restructure the Pyramid Control Structure, in order to enhance the liquidity and, potentially, the value of Stores Shares on the JSE, as well as potentially Stores' ability to appeal to the broader international investor base.

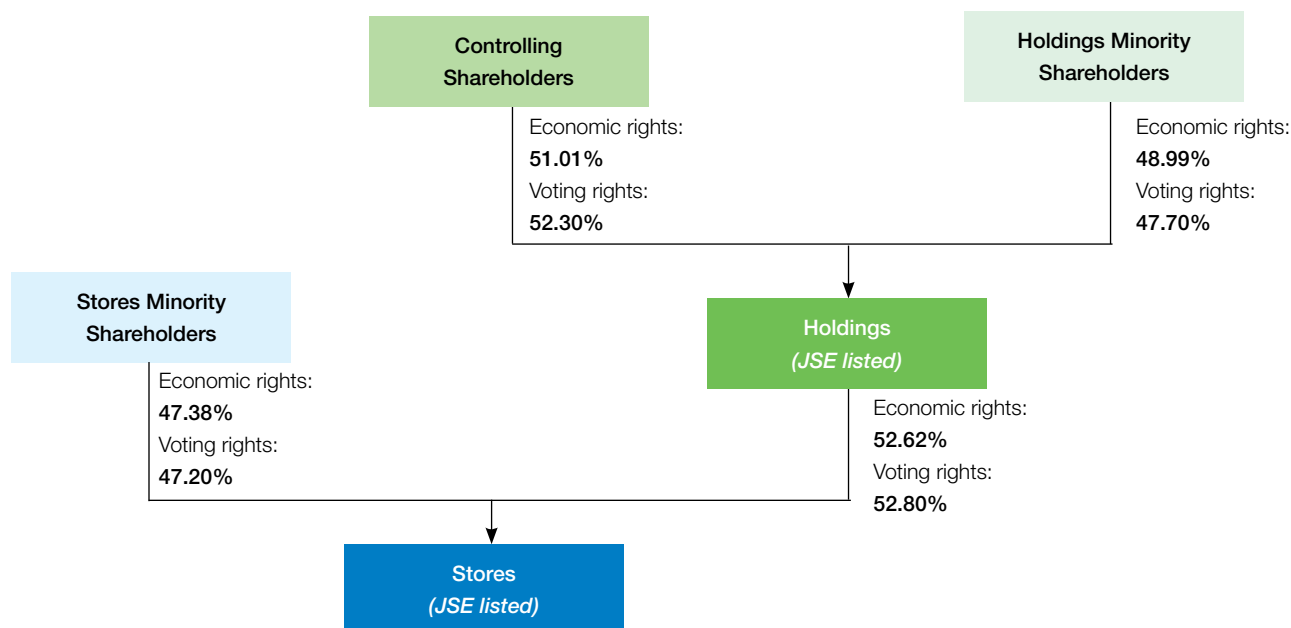
Key features of the Transaction and Scheme include:

- in the interests of good corporate governance and as required by the JSE, (i) the Controlling Shareholders have undertaken not to vote their Holdings shares on the resolutions to be proposed at the General Meetings of Holdings, and (ii) Holdings will not vote on the resolutions to be proposed at the Stores General Meeting;
- the Transaction steps, comprising the Unbundling and the Stores Transaction are fully Inter-Conditional;
- the Scheme is conditional on the Transaction becoming operative and effective. However, the Transaction can proceed without the Scheme being implemented. Should the Holdings Minority Shareholders not approve the Scheme, it is likely that Holdings would in any event be delisted in due course given it will no longer comply with the Listings Requirements;
- the Pre-Unbundling Disposal in which Holdings will dispose of 300 000 Stores Shares, will reduce Holdings' interest in the Total Stores Shares from 52.7% to 52.6% and consequently Holdings' voting interest will decrease from 52.9% to 52.8%;

- the Transaction seeks to maintain the effective 52.8% (after the Pre-Unbundling Disposal) voting position in Stores held by the Controlling Shareholders through Holdings and does not confer any additional economic rights on the Controlling Shareholders (i.e. the Controlling Shareholders are able to effectively vote Holdings' voting interest in Stores of 52.8% and have an indirect economic interest in Stores of 26.8% before the Transaction (after the Pre-Unbundling Disposal) and will have a direct voting interest of 52.8% and a direct economic interest of 26.8% in Stores after the Transaction);
- the Controlling Shareholders will retain their current level of voting control in Stores (i.e. as at the Last Practicable Date, but after taking the Pre-Unbundling Disposal into account) through the proposed creation and issue of 259 682 928 B Shares and the resulting dilution of voting rights by Stores and Holdings Minority Shareholders pursuant to the Stores Transaction. Namely, the Transaction together with the Stores Transaction envisages the restructuring of the Pyramid Control Structure, such that the Controlling Shareholders' effective interest in Stores is held by way of a direct holding rather than by way of an indirect holding;
- while Holdings Minority Shareholders currently have no direct vote in Stores, and no material influence in Stores through its minority voting right in Holdings, on the implementation of the Unbundling they will become Stores Shareholders entitled to vote Stores Shares. The votes exercisable by Holdings Minority Shareholders in Stores after the Unbundling will, despite no change in the economic position of Holdings Shareholders, be c.35.9% less than the votes they currently notionally exercise at meetings of Stores Shareholders (after the Pre-Unbundling Disposal). A table illustrating the dilutive effect on votes of Holdings Shareholders in Stores compared to the notional vote they currently enjoy in Stores is contained in Annexure 8 of this Circular. Stores Minority Shareholders will also experience a dilution in voting rights due to the Stores Transaction; and
- no Holdings Shareholder or Stores Shareholder will suffer any economic dilution as a result of the implementation of the Unbundling and the Stores Transaction.

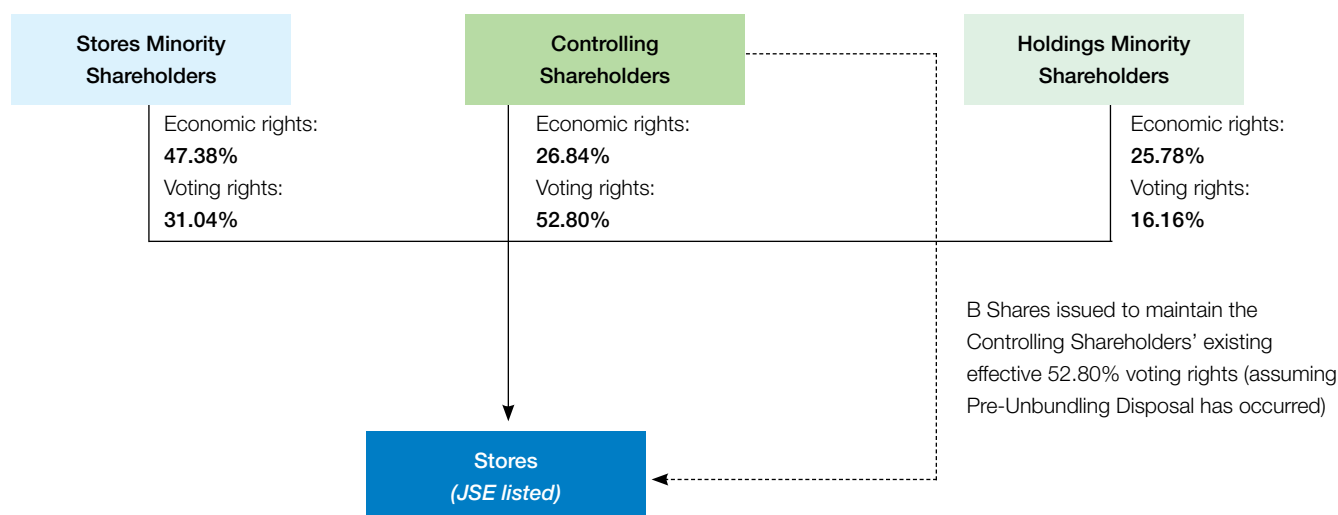
This Circular sets out, amongst other things, how the Transaction and Scheme will be implemented. However, Holdings Shareholders are encouraged to also familiarise themselves with the content of the Stores Circular for a full understanding of the Transaction.

Shareholding structure of Stores pre-implementation of the Transaction:



Note: After the Pre-Unbundling Disposal. Economic rights express Holdings Shares as a percentage of the Total Holdings Shares or Stores Shares as a percentage of the Total Stores Shares. Voting rights express Holdings Shares as a percentage of the Total Holdings Shares less Treasury Shares or Stores Shares as a percentage of the Total Stores Shares less Treasury Shares.

Shareholding structure of Stores post-implementation of the Transaction:



*Note: **The Controlling Shareholders, through their holding in Holdings, will have the same voting rights of 52.8% before and after the Transaction.** After the Pre-Unbundling Disposal. Economic rights express Stores Shares as a percentage of the Total Stores Shares. Voting rights express Stores Shares as a percentage of the sum of Total Stores Shares and the total B Shares in issue less expected number of treasury shares after the Transaction. The Holdings Minority Shareholders need to note the effective dilution in their voting rights of 35.9% post implementation of the Stores Transaction as illustrated in the table contained in Annexure 8 of the Circular.*

2. RATIONALE FOR THE TRANSACTION AND SCHEME

2.1. Rationale for the Unbundling

The Independent Board believes that the Unbundling as part of the restructure of the Pyramid Control Structure would be to the benefit of Holdings and Holdings Shareholders as follows:

- the restructure of the Pyramid Control Structure, through the Transaction, will result in the elimination of the cumbersome structure, thereby removing the multiple entry points to Stores while retaining the stability and continuity of an anchor shareholder through the maintenance of the Controlling Shareholders' interest in Stores;
- the Unbundling is expected to result in an increased free float of Stores Shares, which will enhance the weighting of Stores Shares in stock market indices both on the JSE and internationally. The higher levels of free float and enhanced weighting in stock market indices is likely to improve the demand, liquidity and marketability of the Stores Shares;
- it is anticipated that the Unbundling could unlock value for Holdings Shareholders and, through the elimination of associated regulatory costs, is likely to facilitate Stores Shares trading at their intrinsic value; and
- the simplified structure should improve Stores' investment appeal to both foreign and local investors, enhancing its access to equity capital and therefore its long-term growth strategy.

2.2. Rationale for the Scheme and Delisting

After the Unbundling through a distribution in specie of its Stores Shares, Holdings will essentially be a shell with no purpose. The Holdings Shareholders will have received shares in Stores in the Entitlement Ratio, and shares in Holdings will no longer be of any material value. In the circumstances, the Controlling Shareholders intend to wind-up Holdings. Accordingly, it is proposed that, pursuant to the Scheme, Stores will acquire Holdings Shares for nominal value, being the Scheme Consideration paid to all Scheme Participants, to facilitate the winding-up.

The Transfer will enable an orderly, effective and efficient winding-up of Holdings without impacting on the Transaction. After the Transfer, Holdings will no longer qualify for listing and will subsequently be delisted.

3. TERMS OF THE TRANSACTION AND THE SCHEME

3.1. Unbundling

3.1.1. The Unbundling

Holdings will, subject to the fulfilment of the conditions precedent set out in paragraph 3.7 below, distribute via the Unbundling all the Stores Shares held by Holdings as at the Last Practicable Date to Holdings Shareholders in the Entitlement Ratio of 48.75216 Stores Shares for every 100 Holdings Shares held on the Record Date.

In the event that the Unbundling results in a Holdings Shareholder becoming entitled to a fraction of a Stores Share, the relevant fraction will be rounded so that the Holdings Shareholder will have an entitlement to Stores Shares rounded down to the nearest whole number. Holdings will thereafter sell the aggregated fractions and pay to each Holdings Shareholder, whose fractional entitlement has been so rounded down, the value of such fractional entitlement.

The Memorandum of Incorporation of Holdings does not currently expressly cater for the above mentioned rounding down and sale of fractional entitlements, and it is accordingly proposed that the Memorandum of Incorporation of Holdings be amended in the manner set out in the Notice of General Meeting forming part of this Circular.

In the event that the Transfer Secretaries are unable to locate Holdings Shareholders in order to deliver Unbundled Stores Shares, these shares and the related share certificates (for Certificated Shareholders) will be held by the Transfer Secretaries.

Holdings Shareholders are referred to the table of entitlement to Unbundled Stores Shares in Annexure 2 of this Circular for further detail.

3.1.2. **Implementation of the Unbundling**

At the General Meeting of Holdings Shareholders convened in terms of the notice of General Meeting forming part of this Circular, Holdings Shareholders will be asked to consider and, if deemed fit, pass the resolutions necessary to give effect to the Unbundling. In terms of section 112, read with section 115, of the Companies Act the resolution to approve the Unbundling requires the approval of a 75% majority of the voting rights exercised, as the Unbundling constitutes an affected transaction in terms of section 117(1)(c) of the Companies Act and the Takeover Regulations, and a fundamental transaction in terms of section 112 of the Companies Act.

If the conditions precedent referred to in paragraph 3.7 are fulfilled:

- the Record Date to participate in the Unbundling will be 17:00 on Friday, 26 August 2016; and
- all of the Stores Shares held by Holdings will on Monday, 29 August 2016, be distributed to Holdings Shareholders, by way of a distribution in specie in accordance with the provisions of section 46 of the Income Tax Act.

Certificated Holdings Shareholders will be issued their respective Stores Shares in certificated form. Pursuant to the Unbundling share certificates will be posted, at the risk of the Certificated Holdings Shareholders, by registered post in South Africa on or about Monday, 29 August 2016 to the addresses reflected in the Register of Holdings on the Record Date. Such Certificated Holdings Shareholders are advised that they will have to dematerialise the Unbundled Stores Shares received by them in certificated form prior to trading in such Stores Shares on the JSE.

Dematerialised Holdings Shareholders will have their accounts at their CSDP or Broker updated on Monday, 29 August 2016 with the relevant Stores Shares pursuant to the Unbundling. Documents of Title in respect of Holdings Shares held are not required to be surrendered in order to receive the Stores Shares. Post the Unbundling (and the Stores Transaction more fully described herein and in the Stores Circular) the shareholding structure of Stores will be as follows:

3.2. **Salient terms of the B Shares**

B Shares will, subject to the fulfilment of the conditions precedent set out in paragraph 3.7 below, be issued to the Controlling Shareholders on a once-off basis (subject to the adjustment provisions of paragraph 3.2.4 below) in the B Share Issue Ratio of 198.06089 B Shares for every 100 Stores Shares held by the Controlling Shareholders as at the Last Practicable Date, equating to 259 682 928 of the 1 000 000 000 authorised B Shares and maintaining the current voting rights of Holdings in Stores (after the Pre-Unbundling Disposal).

Shareholders are referred to the Stores Circular for further information. Annexure 6 contains the relevant extracts of the proposed amendments to the Existing MOI of Stores to enable the creation and subsequent issue of the unlisted B Shares to the Controlling Shareholders and Annexure 10 contains a summary of the B Share terms. The following are the key salient terms of the B Shares:

3.2.1. **Economic rights of the B Shares**

The B Shares issued to the Controlling Shareholders will be entitled only to voting rights and will have no economic participation. The B Shares will be unlisted, non-convertible, non-participating, no par value shares. Furthermore, the B Shares will not be entitled to distributions and will have no rights to proceeds in the event of a winding up or liquidation of Stores.

3.2.2. **Voting rights of the B Shares**

The issue of the B Shares seeks to maintain the effective 52.8% (after the Pre-Unbundling Disposal) voting position in Stores held by the Controlling Shareholders and does not confer any additional economic rights on the Controlling Shareholders. The B Shares will provide sufficient voting rights to the Controlling Shareholders at all Stores shareholder meetings where voting is required, in order to maintain the Controlling Shareholders' 52.8% (after the Pre-Unbundling Disposal) voting position in Stores.

3.2.3. **Disposal of the B Shares**

No individual B Share can be disposed of without a concurrent disposal of a corresponding ratio of Stapled Ordinary Share(s), and any disposal of Stapled Ordinary Shares held by the B Shareholders will result in a pro rata disposal of B Shares at the B Share Issue Ratio.

Nothing contained in these B Share terms shall be construed as restricting the disposal of Stapled Ordinary Shares, provided that in such disposal the consequences insofar as the B Shares are set out below.

The B Shares will be unlisted and as such, as per the New MOI of Stores, the company secretary will need to be informed of any disposal of Stapled Ordinary Shares and the corresponding B Shares for the purposes of sufficient record keeping. The B Shares will be transferred off-market. Any disposal of which the company secretary is not informed of such transfer will result in the cessation of the voting rights attaching to those B Shares, and Stores will then be entitled, at its election, to repurchase the B Shares corresponding to the number of Stapled Ordinary Shares sold.

Stapled Ordinary Shares can be disposed of off-market (i.e. not via the JSE's normal order book) or on-market (i.e. via the JSE's normal order book). Any disposal of Stapled Ordinary Shares on-market will result in the cessation of the voting rights attaching to those B Shares, and Stores will then be entitled, at its election, to repurchase the B Shares corresponding to the number of Stapled Ordinary Shares sold on-market.

To the extent that the combined voting rights of all Stapled Ordinary Shares and B Shares held by any B Shareholder (together with such B Shareholder's related and concert parties) at a given time are less than an effective aggregate 25% voting rights of the total issued shares of Stores (including the B Shares), the voting rights attaching to such B Shares of that B Shareholder will cease, and Stores will be entitled, at its election, to repurchase that B Shareholder's B Shares.

In the event that no single B Shareholder holds more than 25% of the total voting rights of Stores (together with such B Shareholder's related and concert parties), the voting rights attaching to all B Shares will cease at that time, and Stores will be entitled, at its election, to repurchase all B Shares.

In the event that a particular B Shareholder does not hold more than 25% of the total voting rights of Stores (together with such B Shareholder's related and concert parties), the voting rights attaching to that particular B Shareholder's B Shares will cease, and Stores will be entitled, at its election, to repurchase that B Shareholder's B Shares.

Should the combined voting rights of a transferring B Shareholder(s) (the "**Transferor**") together with any other B Shareholder(s) related to or acting in concert with the Transferor comprise more than 25% of the total voting rights of the Company, and the combined voting rights of the person(s) to whom such B Shares, and a corresponding number of Ordinary Shares, are transferred (the "**Transferee**") together with any other B Shareholder(s) related to or acting in concert with the Transferee, comprise more than 25% of the total voting rights of the Company, and such Transferee does not, at its sole discretion, elect to make an offer to all of the other holders of the B Shares and the Ordinary Shares, mutatis mutandis, in accordance with section 123 of the Companies Act, then the voting rights attaching to those B Shares will cease at that time, and Stores will be entitled, at its election, to repurchase those B Shares.

In circumstances where an offer to minorities is triggered, the full consideration payable to the Transferor under the transaction which triggers the offer shall be attributed to the Ordinary Shares and no value shall be attributed to the B Shares.

Immediately following receipt of the necessary shareholder approvals and fulfilment of any and all other legal requirements (if any) required to authorise the exercise of the option to repurchase B Shares, Stores shall be entitled to exercise the option to repurchase B Shares by giving written notice to that effect to the relevant B Shareholder and paying the relevant B Shareholder consideration equal to R0,00001 (zero point zero zero zero zero one Rand) per B Share.

3.2.4. **Adjustment**

The intention of the terms described in this clause 3.2.4 is to ensure that the B Shareholders continue to exercise the same portion of the total voting rights exercisable at meetings of Stores after the occurrence of a renounceable rights issue in which the B Shareholders follow their rights or a consolidation of shares or the similar alteration of the capital structure of Stores as they did prior to the occurrence of the before mentioned (i.e. that there is no unwarranted dilution or accretion of voting rights of the B Shareholders). Accordingly, in the event of a corporate event in or alteration of capital of the Company, which has the effect of increasing or decreasing the number of Stapled Ordinary Shares held by any B Shareholder, the number of B Shares held by such B Shareholder shall be increased or decreased, as the case may be, to maintain the B Share Issue Ratio of Stapled Ordinary Shares to B Shares held by such B Shareholder.

Thus, in the event of any renounceable rights issue of Stores Shares in which the B Shareholders elect to follow their rights in terms of their Stores Shares, B Shares will be issued in the B Share Issue Ratio (of B Shares to Stapled Ordinary Shares) to the B Shareholders in order to prevent any unwarranted dilution of their voting rights. B Shares will also be issued in the B Share Issue Ratio to the B Shareholders in the event of any alteration to the capital structure of the Company which has a dilutionary effect on the voting rights of the B Shareholders, such as a share split or capital distribution.

Further, in the event of a consolidation of shares or similar alteration of the capital structure of Stores Shares which has an accretion effect on the B Shareholders, the number of B Shares held by the B Shareholders shall be decreased to accord with the B Share Issue Ratio.

Any increase in the B Shareholding of the B Shareholders in accordance with the foregoing provisions of this clause 3.2.4 shall be effected by way of the allotment and issue to the B Shareholders of the requisite number of B Shares for a subscription consideration equal to R0,00001 (zero point zero zero zero zero one Rand) per B Share.

Any decrease in the B Shareholding of the B Shareholders in accordance with the foregoing provisions of this clause 3.2.4 shall be effected by way of a repurchase by Stores of the requisite number of B Shares for a repurchase consideration of R0,00001 (zero point zero zero zero zero one Rand) per B Share, in accordance with the provisions of the Companies Act and the Listings Requirements.

For the avoidance of doubt, in the event of:

1. an issuance in respect of which Ordinary Shareholders (including the B Shareholders) are not entitled to participate, such as an increase in Stores Shares under a share incentive scheme;
2. a rights issue in respect of the Stores Shares where the B Shareholders elect not to follow their rights;
3. an issue of Stores Shares pursuant to an acquisition;
4. a vendor placing of Stores Shares;
5. an issue of Ordinary Shares for cash (or the extinction of a liability, obligation or commitment, restraint, or settlement of expenses);
6. an amalgamation or merger in accordance with the provisions of section 113 of the Companies Act; or
7. a similar alteration of capital or capital event;

there shall be no increase or decrease in the shareholding of the B Shareholders and B Shareholders will be diluted.

3.3. The Scheme

3.3.1. Pursuant to the Unbundling in terms of which Holdings will dispose of substantially all of its investments, Holdings will essentially be a shell with no material assets other than the cash required to discharge its costs and expenses, and will serve no real purpose. Accordingly, it is intended that Holdings be delisted and wound-up, pursuant to the Scheme. To the extent that Holdings may have any surplus cash, over and above the cash required to discharge its costs and expenses, this will be recognised in the Scheme Consideration payable to Holdings Shareholders upon implementation of the Scheme.

3.3.2. In terms of section 114(1)(c) of the Companies Act, the Scheme is proposed between Holdings and the Holdings Shareholders on the basis set out in this paragraph 3.3.

3.3.3. In terms of the Scheme, on the Operative Date, Stores will acquire the Scheme Shares of all Scheme Participants, and each of the Scheme Participants will receive the Scheme Consideration, payable in cash. Subject to the Scheme becoming unconditional, with effect from the Operative Date:

3.3.3.1 the Scheme Participants, whether they voted in favour of the Special Resolution to approve the Scheme or not, or abstained or refrained from voting, shall be deemed to have disposed of (or shall be deemed to have undertaken to transfer) their Scheme Shares, free of encumbrances, to Stores in exchange for the Scheme Consideration and Stores shall be deemed to have acquired all such Scheme Shares against discharge of the Scheme Consideration;

3.3.3.2 the Scheme Participants shall be deemed to have:

3.3.3.2.1 irrevocably authorised and instructed Holdings to instruct and authorise every CSDP or Broker concerned to transfer, against receipt of the Scheme Consideration, the Scheme Shares of the Scheme Participant holding Dematerialised Shares to Stores in the manner described in sections 53(1) and (2) of the Companies Act;

3.3.3.2.2 irrevocably authorised and instructed Holdings to dispose, and procure the transfer, of the Scheme Shares to Stores, which will be deemed to have acquired the Holdings Shares of the Scheme Participants holding Certificated Holdings Shares in exchange for the payment by Stores of the Scheme Consideration;

3.3.3.2.3 irrevocably authorised and instructed Holdings as their agent to procure the transfer and cession of the Scheme Shares into the name of Stores;

3.3.3.2.4 irrevocably authorised and instructed Holdings, as principal, but with the power to appoint agents, to collect from Stores the Scheme Consideration for delivery by Holdings to the Scheme Participants; and

3.3.3.2.5 ceded and transferred to Stores all of the Scheme Shares, and all right, title and interest in such Holdings Shares without any further act or instrument being required.

3.3.4. Subject to the provisions of paragraph 8 below in respect of Dissenting Holdings Shareholders, on the Operative Date Holdings shall instruct the Transfer Secretaries and relevant CSDPs to record the transfer of Scheme Shares to Stores in Holdings' Register. Holdings shall do all such things and take all such steps (including the signing of any transfer form and instructing of any CSDP or its nominee) in order to record or effect that cession and transfer of ownership and registration.

3.3.5. The Scheme Consideration shall not bear interest.

- 3.3.6. The rights of the Scheme Participants to receive the Scheme Consideration will be rights enforceable by Scheme Participants against Holdings only. Scheme Participants will be entitled to require Holdings to enforce their rights in terms of the Scheme against Stores, it being recorded that Holdings alone shall have the right to enforce the obligations of Stores under the Scheme.
- 3.3.7. Scheme Participants shall not be entitled to require Holdings to deliver or procure the delivery of the Scheme Consideration if Holdings has not received the Scheme Consideration or to hold Holdings liable for damage or the payment of any amount, save to the extent that Holdings itself is in breach of its obligations in terms of the Scheme.
- 3.3.8. The effect of the Scheme will be that Stores shall, with effect from the Operative Date and against discharge of the Scheme Consideration, become the owner of all the Scheme Shares, free of encumbrances, and the Scheme Participants shall receive the Scheme Consideration.
- 3.3.9. After implementation of the Scheme, Holdings Shares may no longer be traded on the JSE or ceded, transferred or disposed of to any person other than Stores pursuant to the Scheme, or to Holdings pursuant to the exercise by Dissenting Holdings Shareholders of their appraisal rights more fully explained in paragraph 8 below.
- 3.3.10. Stores and Holdings have agreed that, upon the Scheme becoming operative, they will give effect to the terms and conditions of the Scheme and will take all actions and sign all necessary documents to give effect to the Scheme.
- 3.3.11. Holdings will be entitled, and will have the authority, in rem suam, on behalf of each Scheme Participant, to authorise any person nominated by Holdings to sign all documents and do all such things required to carry the Scheme into effect.
- 3.3.12. Subject to the fulfilment or waiver, as the case may be, of all the Scheme Conditions, the Scheme will be implemented with effect from the Operative Date.
- 3.3.13. If the Scheme Conditions fail to be fulfilled the Scheme will not be implemented.

3.4. **Implementation of the Scheme**

Subject to the remaining provisions of this paragraph 3.4, if the Scheme becomes unconditional:

- 3.4.1. The Scheme Participants will be entitled to receive the Scheme Consideration.
- 3.4.2. Stores will deliver to Holdings, or to the Transfer Secretaries for and on behalf of Holdings, on the Operative Date, the Scheme Consideration (calculated to include all Dissenting Holdings Shareholders), in full and final discharge of Stores' obligations to pay the Scheme Consideration under the Scheme, subject to the rights of Dissenting Holdings Shareholders set out in paragraph 8 below.
- 3.4.3. Against transfer of the Scheme Shares to Stores, Holdings will administer and effect payment of the Scheme Consideration to Scheme Participants in accordance with the provisions below and without regard to any lien, right of set-off, counterclaim or other analogous right to which Holdings or Stores may otherwise be, or claim to be, entitled against any Scheme Participant.
- 3.4.4. Scheme Participants who hold Dematerialised Holdings Shares will have their accounts held at their CSDPs or Brokers credited with the Scheme Consideration and debited with the Scheme Shares they are transferring to Stores pursuant to the Scheme on the Operative Date or, in the case of Dissenting Holdings Shareholders who subsequently become Scheme Participants in terms of paragraph 8. Dematerialised Holdings Scheme Participants need not take any action regarding the surrender of their Documents of Title once the Scheme becomes operative as the process will be handled by the relevant CSDP or Broker.
- 3.4.5. Scheme Participants who hold Certificated Holdings Shares:
 - 3.4.5.1 who have surrendered their Documents of Title and completed Form of Surrender and Transfer (green) to the Transfer Secretaries on or before 12:00 on the Record Date, will have the Scheme Consideration posted to them by registered post, at their own risk, on or about Monday, 29 August 2016, unless they have elected to receive the Scheme Consideration by way of an electronic funds transfer by completing the relevant sections of the Form of Surrender and Transfer (green) and stipulating therein a valid bank account to receive payment, in which case the Scheme Consideration will be paid to them on the Operative Date; or
 - 3.4.5.2 who surrender their Documents of Title and completed Form of Surrender and Transfer (green) to the Transfer Secretaries after 12:00 on the Record Date, will have the Scheme Consideration posted to them by registered post, at their own risk, or paid to them by way of an electronic funds transfer (if this option was selected on the Form of Surrender and Transfer (green) and a valid bank account stipulated for payment), within five Business Days of the Transfer Secretaries receiving their Documents of Title and completed Form of Surrender and Transfer (green), unless such Scheme Participants are Dissenting Holdings Shareholders who have subsequently become Scheme Participants, in which case such Scheme Participants will still need to surrender their Documents of Title, together with completed Form of Surrender and Transfer (green), to the Transfer Secretaries and payment of the

Scheme Consideration will only be posted to such Scheme Participants by registered post, at their own risk, or paid to them by way of electronic funds transfer (if this option was selected on the Form of Surrender and Transfer (green)) on Monday, 29 August 2016.

- 3.4.6. In the event that any Scheme Participant who holds Certificated Holdings Shares fails to surrender its Documents of Title and completed Form of Surrender and Transfer (green) to the Transfer Secretaries, then, unless otherwise agreed between Stores, Holdings and the Scheme Participants concerned, the relevant Scheme Consideration will be held in trust by Stores (or any third party nominated by it for this purpose) for the benefit of the Scheme Participant concerned for a maximum period of five years, after which period such funds shall be paid over to the Guardian's Fund of the High Court. For the avoidance of doubt, no interest will accrue on the funds held by Stores or any such third party in accordance with this paragraph.
- 3.4.7. Where, on or subsequent to the Operative Date, a person, who is not a registered holder of Scheme Shares on the Record Date, tenders to the Transfer Secretaries his Documents of Title, together with a duly completed Form of Surrender and Transfer (green), purporting to have been executed by or on behalf of the registered holder of such Scheme Shares and, provided that the Scheme Consideration shall not already have been posted or delivered to the registered holder of the relevant Scheme Shares, then such transfer may be accepted by Stores as if it were a valid transfer to such person of the Scheme Shares concerned, provided that Stores and Holdings have been, if so required by either or both of them, provided with an indemnity on terms acceptable to them in respect of such Scheme Consideration.
- 3.4.8. No receipt will be issued for Documents of Title surrendered unless specifically requested. Persons requiring receipts must prepare a receipt and forward it, together with their Documents of Title, to be received by the Transfer Secretaries by no later than 12:00 on the Business Day before the Record Date.
- 3.4.9. Documents of Title surrendered by Certificated Scheme Participants prior to the Operative Date, in anticipation of the Scheme becoming operative, will be held in trust by the Transfer Secretaries on behalf of such Certificated Scheme Participants, at the risk of those Scheme Participants. If the Scheme does not become operative for any reason whatsoever, the Transfer Secretaries will, within five Business Days after the date on which it becomes known that the Scheme will not become operative, return the Documents of Title to the Scheme Participants concerned, by registered post, at the risk of such Scheme Participant, to the return address specified on the Form of Surrender and Transfer (green) or, if no return address is specified on the Form of Surrender and Transfer (green), to the address recorded in the Register.
- 3.4.10. If Documents of Title relating to any Scheme Shares are surrendered, are lost or destroyed, Certificated Scheme Participants should nevertheless return the Form of Surrender and Transfer (green) duly signed and completed, together with an indemnity form which is obtainable from the Transfer Secretaries.
- 3.4.11. The attention of Certificated Scheme Participants is drawn to the fact that, if they surrender their Documents of Title in advance, they will be unable to Dematerialise and/or trade in their Scheme Shares on the JSE from the date of surrender. However, their right to participate in or attend a vote at the General Meeting will remain unaffected.
- 3.4.12. Certificated Scheme Participants will, notwithstanding the transfer of ownership on the Operative Date, be entitled to receive the Scheme Consideration only once they have surrendered their Documents of Title.

3.5. **Delisting**

Pursuant to the Unbundling, Holdings will no longer meet the Listings Requirements. Holdings will accordingly be delisted pursuant to the Scheme.

Subject to the fulfilment of the Transaction Conditions, the listing of the Holdings Shares will be suspended from trading on the JSE at the commencement of business on Wednesday, 24 August 2016 and Holdings will delist from the "Consumer Services – Retail – Food and Drug – Food" sector of the JSE with effect from the commencement of business on Tuesday, 30 August 2016.

Should the Scheme not be approved, Holdings will have no material assets, other than the cash required to discharge its costs and expenses, and its listing on the JSE will be suspended as a result.

3.6. **Holdings Shareholder approvals**

The Unbundling will require the approval, by way of special resolution, of the Minority Shareholders. The Stores Transaction will require the approval, by way of special resolution, of the Stores Minority Shareholders (since the Controlling Shareholders have, in the interests of good corporate governance, undertaken not to vote their Holdings Shares at the General Meeting and Holdings will not vote its Stores Shares at the Stores General Meeting). These approvals are separate but Inter-Conditional in order for the Transaction to be approved.

The Scheme will require the approval, by way of special resolution, of Holdings Minority Shareholders (since the Controlling Shareholders have, in the interests of good corporate governance, undertaken not to vote their Holdings Shares).

The amendments required to the long-term employee share incentive schemes, described in paragraph 5 below, will require the approval, by way of special resolution, of both Stores and Holdings Minority Shareholders (since the Controlling Shareholders have, in the interests of good corporate governance, undertaken not to vote their Holdings Shares, and Holdings will not vote its Stores Shares at the Stores General Meeting).

3.7. Conditions precedent

- 3.7.1. The Unbundling and the Stores Transaction are Inter-Conditional. In addition, the Scheme is conditional on the Transaction but not vice versa. Accordingly, the conditions precedent to the Transaction and the Scheme are as described below.
- 3.7.2. The Unbundling is subject to the following conditions precedent being fulfilled, namely:
- the approval by Holdings Shareholders at the General Meeting of the special resolution to unbundle the Stores Shares held by Holdings in terms of section 46 of the Income Tax Act and section 112 (read with section 115) of the Companies Act;
 - the approval by Holdings Shareholders at the General Meeting of the special resolution to replace the existing Memorandum of Incorporation of the Company with the new Memorandum of Incorporation in terms of which, inter alia, the Company shall be permitted to round down entitlements to fractions of securities, to the nearest whole number, and to pay the value of such a fraction of a security to any such shareholder, which new Memorandum of Incorporation is tabled at this General Meeting and initialled by the Chairman for the purposes of identification in accordance with the provisions of section 16(1)(c) (read together with sections 16(5) and 36(2)(a)) of the Companies Act;
 - that within the period prescribed by section 164(7) of the Companies Act (see Annexure 4 to this Circular), no demands, or valid demands which in aggregate represent less than 5% of Holdings Shares, are received by Holdings in accordance with section 115(8) of the Companies Act; and
 - the approval by Stores Minority Shareholders at the Stores General Meeting of the special resolution to replace the Existing MOI of Stores with the New MOI of Stores incorporating the B Share Terms, together with the lodgement thereof with the Companies and Intellectual Property Commission; and
 - the approval by Stores Minority Shareholders at the Stores General Meeting of the special resolution to issue and allot the B Shares to the Controlling Shareholders.
- 3.7.3. The Scheme is subject to the following conditions precedent being fulfilled, namely:
- the fulfilment of the conditions precedent to the Unbundling described in 3.7.2;
 - the approval by Holdings Shareholders at the Holdings General Meeting of the special resolution to acquire all of the Holdings Shares from Holdings Shareholders pursuant to a scheme of arrangement as contemplated in section 114 (read with section 115 of the Companies Act); and
 - within the period prescribed by section 164(7) of the Companies Act (see Annexure 5 to this Circular), no demands, or valid demands which in aggregate represent less than 5% of the Holdings Shares, are received by Holdings in accordance with section 115(8) of the Companies Act.

4. OVERVIEW OF STORES

Stores is a food and general merchandise retailer listed in the “Consumer Services – Retail – Food and Drug – Food” sector of the JSE. Stores’ core business is the retail of food, clothing, general merchandise, pharmaceuticals, and liquor in South Africa and the rest of Africa. The company owns, franchises, and invests in supermarkets, liquor stores, hypermarkets, clothing stores, express convenience stores, and pharmacies under the Pick n Pay and Boxer brands. Stores operates 1 353 stores, including 804 owned and 549 franchised retail stores across South Africa and six southern African countries and 57 stores in Zimbabwe, as well as an Internet shopping platform, picknpayonline.co.za.

Further information on Stores may be accessed on its website www.picknpay.co.za and its most recent published financial results for the year ended 28 February 2016 and for the six month interim period ended 31 August 2015.

5. LONG-TERM EMPLOYEE SHARE INCENTIVE SCHEME

Given no acceleration of Holdings options and that option holders will not participate in the Unbundling, both Holdings and Stores have elected to restructure the relevant share options (and other rights) awarded to employees of the respective companies and other employees within the Group of companies.

The relevant scheme rules shall be amended to provide for the substitution of Holdings shares for Stores shares of equivalent value and Holdings options with Stores options of equivalent value, with the intent and purpose that the participants in question should continue to derive the same benefit in respect thereof insofar as is possible.

Shareholders are referred to Annexure 9 for further information on the amendments of the share schemes.

6. TRP IMPLICATIONS

The Transaction and Scheme have been fully canvassed with the TRP and the TRP has, without considering the commercial advantages or disadvantages thereof:

- 6.1. concluded that the Transaction does not result in a change of control of Stores which would trigger a mandatory offer as contemplated in section 123 of the Companies Act;
- 6.2. granted an exemption from the requirement that an independent expert be retained as contemplated in regulation 90 of the Companies Act Regulations, 2011 to express an opinion in respect of the Unbundling;
- 6.3. granted an exemption from the provision of regulations 106 and 111 of the Companies Act Regulations, 2011, insofar as such information is not applicable to a scheme where a shell is acquired; and

6.4. confirmed that regulation 85 of the Takeover Regulations does not apply to the Transaction.

The aforesaid decisions of the TRP are embodied in letters from the TRP dated 22 February 2016 and 19 April 2016. Such letters will be made available for inspection as per paragraph 31 below.

7. REGULATORY APPROVALS

The Transaction structure and the Circular have been approved by the JSE on the basis that the Controlling Shareholders' position in Stores will be unchanged, the Unbundling requires the approval of both the Company's Minority Shareholders and the Stores Transaction requires the approval of the Stores Minority Shareholders and that, for the Transaction to be approved, these separate but Inter-Conditional resolutions need to be approved.

SARS has issued an ATR to AIH, as well as to Holdings, noting the Transaction will have the tax consequences as described in this Circular.

8. DISSENTING HOLDINGS SHAREHOLDERS' APPRAISAL RIGHTS

8.1. Section 164 of the Companies Act provides that:

- 8.1.1 at any time before the resolution to implement the Unbundling or the Scheme to be voted on, a Holdings Shareholder may give a written notice objecting thereto ("notice of objection");
- 8.1.2 within ten Business Days after the Holdings Shareholders have adopted the resolution(s) to implement the Unbundling and/or the Scheme, as the case may be, Holdings must send a notice that the resolution(s) has/have been adopted to each Holdings Shareholder who gave notice of objection and neither withdrew the notice of objection nor voted in favour of the resolution(s) in question;
- 8.1.3 a Holdings Shareholder may demand in writing within twenty Business Days after receipt of the notice referred to in paragraph 8.1.2 that Holdings pay the Shareholder the fair value for all the Holdings Shares held by that person if:
 - 8.1.3.1 the Holdings Shareholder sent Holdings a notice of objection;
 - 8.1.3.2 Holdings has adopted the resolution(s) in question; and
 - 8.1.3.3 the Holdings Shareholder voted against the resolution(s) in question and has complied with all of the procedural requirements of section 164 of the Companies Act.
- 8.1.4 The demand sent by the Holdings Shareholders to Holdings as provided in paragraph 8.1.3 above must set out:
 - 8.1.4.1 the Holdings Shareholder's name and address;
 - 8.1.4.2 the number of Holdings Shares in respect of which the Holdings Shareholder seeks payment; and
 - 8.1.4.3 a demand for payment of the fair value of those Holdings Shares. The fair value of the Holdings Shares is determined as at the date on which, and the time immediately before, Holdings adopted the resolution(s) in question.
- 8.1.5 Any Holdings Shareholder who is in doubt as to what action to take should consult their legal or professional adviser in this regard.
- 8.1.6 Before exercising their rights under section 164 of the Companies Act, Holdings Shareholders should have regard to the fact that the court is empowered to grant a costs order in favour of, or against, a Dissenting Shareholder, as may be applicable.
- 8.1.7 It should be noted that one of the conditions precedent of the resolutions to implement the Unbundling and Scheme respectively is that within thirty Business Days following the General Meeting, Holdings Shareholders exercise appraisal rights in terms of section 164 of the Companies Act by giving valid demands in terms of section 164(7) of the Companies Act, in respect of no more than 5% of the Holdings Shares.
- 8.1.8 With respect to the Scheme, in the event that any of the circumstances in section 164(9)(a) and (b) of the Companies Act occur, then a Dissenting Shareholder shall:
 - 8.1.8.1 if such event takes place on or before the Record Date, be deemed to be a Scheme Participant and be subject to the provisions of the Scheme; and
 - 8.1.8.2 if such event takes place after the Record Date, be deemed to have been a Holdings Shareholder as at the Operative Date, provided that settlement of the Scheme Consideration and transfer of that Dissenting Holdings Shareholders' Scheme Shares to Stores shall take place on the later of: (i) the Operative Date; (ii) the date which is five Business Days after the Dissenting Holdings Shareholder so withdrew its demand or allowed Stores' offer to lapse, as the case may be; and (iii) if that Dissenting Shareholder is a Certificated Shareholder, the date which is five Business Days after that Dissenting Holdings Shareholder surrendered its Documents of Title and completed a Form of Surrender and Transfer (green) accepting the offer to the Transfer Secretaries.

8.2. A copy of section 164 of the Companies Act forms Annexure 5 to this Circular.

9. FINANCIAL EFFECTS OF THE TRANSACTION

Post implementation of the Transaction the remainder of assets and liabilities within Holdings will be of an immaterial value. Accordingly, the Scheme has been proposed to facilitate the winding-up of Holdings.

10. GOVERNING LAW

The Unbundling and the Scheme will be governed by the laws of South Africa.

11. FOREIGN HOLDINGS SHAREHOLDERS

The distribution of Stores Shares to Foreign Holdings Shareholders in terms of the Unbundling may be affected by the laws of such Foreign Holdings Shareholders' relevant jurisdiction. Those Foreign Holdings Shareholders should consult their professional advisers as to whether they require any governmental or other consent or need to observe any other formalities to enable them to realise their entitlement in terms of the Unbundling.

Foreign Holdings Shareholders are referred to Annexure 3 for further information on the restrictions applicable to Foreign Holdings Shareholders.

12. EXCHANGE CONTROL

Holdings Shareholders whose registered address is outside the Common Monetary Area will need to comply with the exchange control regulations contained in Annexure 3.

If Holdings Shareholders are in any doubt as to what action to take they should consult their professional advisers.

13. TAXATION CONSIDERATIONS RELATING TO THE UNBUNDLING AND THE SCHEME

For the benefit of Holdings Shareholders, Holdings intends to rely on the provisions of section 46 of the Income Tax Act in respect of the Unbundling. This section provides relief from income tax, CGT, Dividends Tax and STT which would ordinarily be payable in respect of an unbundling of this nature.

Holdings Shareholders are referred to Annexure 4 for information on the taxation consequences relating to the Unbundling and of the Scheme.

14. HOLDINGS' SHARE CAPITAL

The authorised and issued capital of Holdings at the Last Practicable Date is set out below:

Authorised and issued share capital

Authorised share capital

800 000 000 ordinary shares of 1.25 cents each

Issued share capital

527 249 082 ordinary shares of 1.25 cents each

1. All issued Holdings Shares are listed on the main board of the JSE

2. There is share premium of R120.8 million

3. There are 13 037 487 Holdings Shares held as Treasury Shares

15. MAJOR HOLDINGS AND STORES SHAREHOLDERS

Insofar as it is known to the applicant, the names of all Holdings Shareholders, other than a Director, that, directly or indirectly, are interested in 5% or more of Holdings Shares, together with the amount of such interests, as at 27 May 2016, are as follows:

Holdings

Shareholder	Number of Shares held	Shareholding ¹ (%)	Shareholding excluding Controlling Shareholders ² (%)
Controlling Shareholders ³	268 937 139	52.3%	N/A
Allan Gray Proprietary Limited ⁴	48 751 540	9.5%	19.9%
Visio Capital Management Proprietary Limited ⁴	43 285 875	8.4%	17.6%
Coronation Fund Managers Limited ⁴	33 040 311	6.4%	13.5%
Total	394 014 865	76.6%	51.0%

¹ Based on the total Holdings Shares of 527 249 082 less the 13 037 487 Holdings Shares held as Treasury Shares

² Based on the total Holdings Shares of 527 249 082 less the 13 037 487 Holdings Shares held as Treasury Shares and 268 937 139 Holdings Shares held by the Controlling Shareholders

³ Insofar as it is known to the Company, AIH is the only Holdings Shareholder that has a direct or indirect beneficial interest of more than 5% in the Total Holdings Shares

⁴ Includes beneficial and non-beneficial interests

Insofar as it is known to the applicant, the names of all Stores Shareholders, other than a Director, that, directly or indirectly, are interested in 5% or more of Stores Shares, together with the amount of such interests, as at 27 May 2016, are as follows:

Stores

Shareholder	Number of Shares held	Shareholding ¹ (%)	Shareholding excluding Controlling Shareholders ² (%)
Holdings ^{3,4}	257 345 334	52.9%	N/A
Coronation Fund Managers Limited ⁵	27 300 974	5.6%	11.9%
Public Investment Corporation Limited ⁴	26 732 886	5.5%	11.6%
Genesis Investment Management Limited Liability Partners ⁵	23 675 611	4.9%	10.3%
Total	335 054 805	68.9%	33.8%

¹ Based on the total Stores Shares of 488 450 321 less the 1 599 031 Stores Shares held as Treasury Shares

² Based on the total Stores Shares of 488 450 321 less the 1 599 031 Stores Shares held as Treasury Shares and 257 345 334 Stores Shares held by the Controlling Shareholders before the Pre-Unbundling Disposal

³ Before the Pre-Unbundling Disposal of 300 000 Stores Shares

⁴ Insofar as it is known to the Company, Holdings and Public Investment Corporation Limited are the only Stores Shareholders that have a direct or indirect beneficial interest of more than 5% in the Total Stores Shares

⁵ Includes beneficial and non-beneficial interests

Post the Pre-Unbundling Disposal and the Transaction the shareholders of Stores that are either directly or indirectly interested in 5% or more of Stores Shares will have the following economic and voting interest in Stores:

Stores

Shareholder	Number of Stores Shares held	Economic interest ¹	Number of Stores Shares and B Shares held	Voting interest ² (%)
Controlling Shareholders	131 112 673	26.8%	390 795 600	52.8%
Coronation Fund Managers Limited	43 408 840	8.9%	43 408 840	5.9%
Public Investment Corporation Limited	26 732 886	5.5%	26 732 886	3.6%
Genesis Investment Management Limited Liability Partners	25 819 668	5.3%	25 819 668	3.5%
Total	227 074 067	46.5%	486 756 994	65.8%

¹ Based on Total Stores Shares of 488 450 321

² Based on the sum of the Stores Shares of 448 450 321 and B Shares less the 7 955 088 Stores Shares expected to be held as Treasury Shares after the Transaction

16. MATERIAL INTERESTS OF DIRECTORS

As at the Last Practicable Date the Directors held the following voting interest in Holdings Shares:

Name of Director ²	Direct beneficial interest		Indirect beneficial interest		Total beneficial interest	
	Holdings Shares	Percentage interest ¹	Holdings Shares	Percentage interest ¹	Holdings Shares	Percentage interest ¹
Raymond Ackerman ³	1 269 400	0.25%	–	0.00%	1 269 400	0.25%
Gareth Ackerman ³	543	0.00%	3 342 900	0.65%	3 343 443	0.65%
Mistral Trust ⁴	5 540 200	1.08%	–	0.00%	5 540 200	1.08%
Hugh Herman	60 000	0.01%	527	0.00%	60 527	0.01%
Jonathan Ackerman ³ (alternate)	251 979	0.05%	1 175 459	0.23%	1 427 438	0.28%
Suzanne Ackerman-Berman ³ (alternate)	242 099	0.05%	959 090	0.19%	1 201 189	0.23%
David Robins (alternate)	2 000	0.00%	–	0.00%	2 000	0.00%
Total	7 366 221	1.44%	5 477 976	1.07%	12 844 197	2.50%

¹ Based on the total Holdings Shares of 527 249 082 less the 13 037 487 Holdings Shares held as Treasury Shares

² No Directors resigned within the last 18 months

³ Raymond Ackerman, Gareth Ackerman, Jonathan Ackerman and Suzanne Ackerman-Berman hold a non-beneficial interest in AIH and Mistral Trust that hold 48.5% and 1.1% respectively in Holdings (including Treasury Shares)

⁴ Associate of Raymond Ackerman, Gareth Ackerman, Jonathan Ackerman and Suzanne Ackerman-Berman

As at the Last Practicable Date, there were no dealings by Directors subsequent to the financial period ended 28 February 2016.

Post the Scheme being implemented the above mentioned Directors and their associates will no longer own any interest in Holdings Shares.

17. VOTING DILUTION IMPACT ON SHAREHOLDERS

The Controlling Shareholders currently have an effective voting control over Stores of 52.8% (after the Pre-Unbundling Disposal) with an effective economic interest of 26.8% (post the Pre-Unbundling Disposal). Albeit that the Transaction will result in a simplification of the current shareholder structure in Stores, the Controlling Shareholders will retain the same level of 52.8% effective voting control (after the Pre-Unbundling Disposal), and 26.8% (after the Pre-Unbundling Disposal) economic interest in Stores post implementation of the Transaction.

All shareholders, including the Controlling Shareholders, will retain the same economic rights at the Last Practicable Date and after implementation of the Transaction.

The issuance of the B Shares to the Controlling Shareholders by Stores will however result in effective voting dilution to Holdings Minority Shareholders of 35.9% as detailed in Annexure 8. While Holdings Minority Shareholders currently have no direct vote in Stores, on the implementation of the Unbundling they will become Stores Shareholders entitled to vote Stores Shares. The votes exercisable by Holdings Minority Shareholders in Stores after the Unbundling will, despite no change in the economic position of Holdings Shareholders, effectively be less than votes they currently exercise at meetings of Holdings Shareholders. In short, prior to implementation of the Transaction, Holdings Minority Shareholders held, in aggregate, a notional effective 25.2% (after the Pre-Unbundling Disposal) of the voting rights in Stores. Post implementation of the Transaction, Holdings Minority Shareholders will hold, in aggregate, 16.2% of the voting rights in Stores. Together with the Stores Minority Shareholders, the Holdings Minority Shareholders will in aggregate be able to exercise 47.2% of the voting rights in Stores.

Holdings Minority Shareholders need to note the notional effective dilution of 35.9% in their voting rights after implementation of the Transaction as detailed in Annexure 8.

Stores Minority Shareholders will also experience a voting dilution. However, their voting dilution of 34.2% (after the Pre-Unbundling Disposal) will be slightly less than the voting dilution of Holdings Minority Shareholders due to Holdings having more Treasury Shares than Stores.

18. GENERAL MEETING

A General Meeting of Shareholders will be held at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town at 08:30 on Monday, 25 July 2016, to consider and, if deemed fit, pass with or without modification the resolutions required to authorise and implement the Unbundling and the Scheme. A notice convening a General Meeting of Shareholders is attached to and forms part of this Circular.

In the interests of good corporate governance, the Controlling Shareholders have undertaken not to vote their Holdings Shares on the resolutions to be proposed at the General Meetings and Holdings will not vote its Stores Shares on the resolutions to be proposed at the Stores General Meeting.

19. INDEPENDENT BOARD'S OPINION AND RECOMMENDATIONS

Holdings established an Independent Board as is required by the Takeover Regulations to provide their opinion on the section 112 disposal of all or a greater part of the Company's assets as well as on the Scheme in terms of section 114 of the Companies Act. The Independent Board has considered the terms of the Unbundling and the Scheme and is of the opinion that such terms are for the benefit of all Holdings Shareholders and, accordingly, recommends that Holdings Shareholders vote in favour of the resolutions required to implement the Unbundling and the Scheme.

20. TRANSACTION EXPENSES

The estimated expenses (excluding VAT) that will be incurred by Holdings in the implementation of the Transaction and the Scheme, and which will be settled from Holdings' cash resources (as contemplated in paragraph 21 below), are as set out in the table below:

Service	Service provider	Estimated amount (R)
In their capacity as Transaction Originator and Coordinator	Rand Merchant Bank	6 000 000
Legal Adviser to the Controlling Shareholders and Transaction Originator and Coordinator	Edward Nathan Sonnenbergs	3 500 000
Adviser and Sponsor to Holdings	Investec	2 500 000
Legal adviser to Holdings	Werksmans	1 250 000
JSE documentation fee	JSE	82 000
Circular printing	Bastion Graphics Proprietary Limited	250 000
TRP	TRP	268 000
Transfer Secretaries	Computershare	530 000
Holdings liquidator		500 000
Independent Expert	PricewaterhouseCoopers	650 000
Total		15 530 000

The Controlling Shareholders will meet and pay their own costs and expenses.

21. SOLVENCY AND LIQUIDITY

The Independent Board has considered the effects of the Unbundling and the Scheme and believes that, immediately following implementation thereof and for a period of at least 12 months thereafter:

- Holdings will be able to pay its debts as they become due in the ordinary course of business; and
- the consolidated assets of Holdings, fairly valued, will be in excess of the consolidated liabilities of Holdings, fairly valued.

In order to ensure that Holdings has sufficient cash to discharge its costs and expenses, the Board of Directors of Holdings has authorised the Company to sell 300 000 of Stores shares, which sale shall take effect prior to the Unbundling, should the Unbundling be approved. The Entitlement Ratio has been determined after taking into account this Pre-Unbundling Disposal.

Notwithstanding the foregoing, the intention is to wind-up Holdings as soon as possible after the Scheme, if the Scheme becomes operative.

22. RESPONSIBILITY STATEMENT

The Directors, collectively and individually, accept full responsibility for the accuracy of the information given in this Circular 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 this Circular contains all information required by law and the Listings Requirements.

The Independent Board, insofar as any information in this Circular relates to Holdings or to the matters on which it is required to opine:

- accepts responsibility for the information contained in this Circular;
- certifies that, to the best of its knowledge and belief, the information contained in this Circular is true and that there are no other facts, the omission of which would make any statement false or misleading; and
- certifies that, to the best of its knowledge and belief, this Circular has not omitted anything that is likely to affect the importance of the information contained herein insofar as it relates to Holdings or to a matter on which it is required to opine.

23. CONSENTS

The adviser and sponsor to Holdings, the legal adviser to Holdings, the financial adviser and merchant bank to the Controlling Shareholders and transaction originator and coordinator, the legal adviser to the Controlling Shareholders and transaction originator and coordinator and the Transfer Secretaries to the Controlling Shareholders and Holdings, as detailed on the inside front cover of this Circular, have provided their written consent to their names being published in this Circular and have not withdrawn their consents prior to the publication of this Circular.

24. INCLUSION BY REFERENCE

As at the Last Practicable Date, the information below is the most recent available to Holdings and is available in the annual reports on Holdings' website at www.picknpayinvestor.co.za. The documents are also available for inspection at the Holdings' registered office during business hours at no charge from the date of issue of this Circular up to and including the date of the General Meeting:

Information	Reference	Page number
Directors' Details	Pick n Pay integrated annual report 2016	86
Directors' interest in Holdings Shares	Pick n Pay audited annual financial statements 2016	46
Directors' service contracts	Pick n Pay integrated annual report 2016	84
Directors' remuneration	Pick n Pay audited annual financial statements 2016	43
Historical financial information	Pick n Pay integrated annual report 2015	92 – 165
	Pick n Pay audited annual financial statements 2016	1 – 103

25. MATERIAL CHANGES

The Directors are not aware of any material changes in the financial or trading position of Holdings or its subsidiaries subsequent to the latest published annual report for the 52 weeks ended 28 February 2016, other than the changes noted in this Circular and the Stores Circular.

26. LITIGATION

There are currently no legal or arbitration proceedings, including any such proceedings that are pending or threatened, which may have, or have had, a material effect on the Group's financial position during the 12 months preceding the date of issue of this Circular.

27. MATERIAL CONTRACTS

Holdings has not entered into any material contract either verbally or in writing that is outside the ordinary course of business in the preceding two years to the date of issue of this Circular.

28. DIRECTORS' SERVICE CONTRACTS AND REMUNERATION

The Directors' service contracts and remuneration will not be varied as a result of the Transaction. If the Scheme is implemented the Directors will resign.

29. DIRECTORS' INTERESTS IN THE TRANSACTION

All Shareholders will be treated equally in relation to the Unbundling and the Scheme. The Directors will receive Stores shares in the Entitlement Ratio and if the Scheme is implemented, they will receive the Scheme Consideration for every Holdings Share that they own. The Directors' interests in Holdings are noted in paragraph 16. Directors who are members of the Ackerman family, as noted in the definition of the Other Ackerman Shareholders, have recused themselves from voting on any of the resolutions to be passed in terms of the Transaction and the Scheme.

30. WORKING CAPITAL STATEMENT

The Directors have considered the effects of the Transaction and are of the opinion that the working capital of Holdings and its subsidiaries is sufficient for the working capital requirements for the next 12 months from the date of issue of the Circular although it is the intention to wind-up Holdings as soon as possible after the Scheme, if the Scheme becomes operative.

31. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of Holdings and the registered offices of Rand Merchant Bank, Investec Bank Limited and the Transfer Secretaries, whose details can be found in the "Corporate Information and Advisers" section of this Circular, during normal business hours (excluding Saturdays, Sundays and South African public holidays) from the date of issue of this Circular up to and including the date of the General Meeting:

- the written letters of consent as given in paragraph 23 above;
- the letters from the TRP, referred to in paragraph 6 above;
- the audited annual financial statements of Holdings for the financial years ended 28 February 2016, 2015 and 2014 referred to in paragraph 24 above;
- the letter from the TRP, approving this Circular;
- the MOI of Holdings;
- Directors' service agreements;
- a signed copy of the Independent Expert's report detailed in Annexure 1;
- copies of the relevant Pick n Pay employee share schemes and the proposed amendments thereto;
- a signed copy of this Circular; and
- a signed copy of the Stores Circular (which is also available on the Pick n Pay website: <http://www.picknpayinvestor.co.za>).

For and on behalf of the Directors

Ms Debra Muller

Company secretary
Cape Town

24 June 2016

ANNEXURE 1: REPORT OF THE INDEPENDENT EXPERT

14 June 2016

The Directors
Pick n Pay Holdings Limited RF
Pick n Pay Office Park
101 Rosmead Avenue
Kenilworth
7708
South Africa

Dear Directors

Fair and Reasonable opinion on the scheme of arrangement between Pick n Pay Holdings Limited RF and its Shareholders in accordance with section 114 of the Companies Act No 71 of 2008, as amended

Introduction

Shareholders of Pick n Pay Holdings Limited RF ("Holdings" or the "Company") and Pick n Pay Stores Limited ("Stores") were advised in an announcement on SENS dated Tuesday, 14 June 2016 of the intention to restructure the Pyramid Control Structure of Stores. The restructure will comprise the unbundling of Stores shares held by Holdings to Holdings Shareholders ("the Unbundling"), followed by the consequential delisting of Holdings, and Inter-Conditional thereto, the issue of B Shares to the Stores Controlling Shareholders. After the Unbundling through a pro rata distribution in specie of its Stores shares, Holdings will be a shell, having no assets other than the cash required to discharge its costs and expenses, with no commercial purpose. It is accordingly envisaged that Holdings will be wound up. Therefore, to facilitate the winding up of Holdings, it is proposed that a scheme of arrangement ("the Scheme") in terms of section 114(1)(c) of the Companies Act No 71 of 2008, as amended ("the Companies Act") be implemented between Holdings and Holdings Shareholders, in terms of which Stores will, if the Scheme becomes operative, acquire the Holdings shares held by the Holdings Shareholders for the Scheme consideration of R0.00001 per share (rounded up in aggregate to the nearest cent) or the net asset value of Holdings, immediately after the Unbundling, including the proceeds of 300 000 Stores shares to be sold prior to the Unbundling and any provision for expenses relating to the Transaction and the Scheme, expressed on a per share basis. To the extent that Holdings may have any surplus cash, over and above the cash required to discharge its costs and expenses, this surplus will form part of the net asset value of Holdings, factored into the abovementioned Scheme consideration, and accordingly any such surplus amounts will be payable to Holdings shareholders upon implementation of the Scheme.

In accordance with section 114(2) of the Companies Act, Holdings is required to retain an independent expert to evaluate the consequences of the Scheme and assess the effect of the Scheme on the value of securities and the rights and interests of a holder of any securities. The Board of Directors of Holdings ("the Board") has therefore requested PwC to act as independent expert in terms of section 114(2) of the Companies Act.

Definition of fair and reasonable

Market value is defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the case of an expropriation of securities, a transaction is generally Fair and Reasonable if the consideration paid to shareholders is equal to or greater than the value of the securities being acquired.

Fairness is primarily based on quantitative issues but certain qualitative issues surrounding the particular transaction may also need to be considered in arriving at our conclusion. Even though the consideration may differ from the Market Value of Holdings, the entire transaction may still be fair after considering other significant factors. An individual shareholder's decision as to whether to vote in favour of a transaction may be influenced by his or her particular circumstances (for example taxation).

The fair and reasonable opinion letter will not purport to cater for individual shareholder positions but rather the general body of shareholders. Should a shareholder be in doubt, he or she should consult an independent adviser.

We also considered qualitative and other factors in reaching our conclusion.

Valuation approach

In considering the Scheme, PwC performed an independent valuation of Holdings. For the purposes of our valuation, we used the net assets approach in order to determine the market value of Holdings.

Sources of information

In the course of our valuation analysis, we relied upon financial and other information, obtained from Holdings management and from various public, financial, and industry sources. Our conclusion is dependent on such information being complete and accurate in all material respects.

The principal sources of information used in performing our valuation of Holdings:

- Discussions held with Holdings' management;
- Audited annual financial statements of Holdings for the financial years ended 2 March 2014 and 1 March 2015;
- Unaudited management accounts for Holdings as at 28 February 2016;
- Draft Holdings Circular dated 8 June 2016; and
- The PwC Valuation Methodology Survey, 2014/5 Edition.

Where practicable, we have corroborated the reasonableness of the information provided to us for the purpose of supporting our opinion, whether in writing or obtained through discussions with Holdings' management.

Our procedures and enquiries did not constitute an audit in terms of the International Standards on Auditing. Accordingly, we cannot express any opinion on the financial data or other information used in arriving at our opinion.

Procedures

In respect to Holdings, the procedures that were followed included the following:

- We held discussions concerning the historical operations of Holdings with management;
- We held discussions with management to obtain an explanation and clarification of data provided;
- We considered the financial position of Holdings as at the valuation date;
- We performed a Net Assets Approach to estimate the Market Value of Holdings, as Holdings will not have any commercial operations after the Unbundling; and
- We estimated appropriate valuation discounts or premiums (e.g., marketability and controlling or minority interest) to apply to the results of our valuation analysis.

Assumptions

Our opinion is based on the following key assumptions:

- Current economic, regulatory and market conditions will not change materially;
- Holdings is not involved in any other material legal proceedings other than those conducted in the ordinary course of business;
- Holdings does not have material outstanding disputes with the South African Revenue Service;
- There are no undisclosed contingencies that could affect the market value of Holdings;
- The Scheme will not give rise to any undisclosed tax liabilities; and
- Representations made by management during the course of forming this opinion.

Opinion

Our opinion is based on the current economic, market, regulatory and other conditions and the information made available to us by Holdings management up to 7 June 2016. Accordingly, subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm. Based on the results of our procedures performed, our detailed valuation work and other considerations, we concluded that after the Unbundling of the Stores shares, but before the sale of the 300 000 Stores shares, Holdings would not have a positive equity value. Therefore, the Scheme consideration of the greater of R0.00001 per Holdings share and the net asset value of Holdings, immediately after the Unbundling, which includes the proceeds of the 300 000 Stores shares to be sold prior to the Unbundling and any provision for expenses relating to the Transaction and the Scheme, is greater than or equal to the Market Value of Holdings after the Unbundling.

Based on the results of our procedures performed, our detailed valuation work and other considerations, we are of the opinion that the Scheme is Fair and Reasonable as the consideration paid to Holdings Shareholders is equal to or greater than the value of the securities being acquired.

Independence

We confirm that we meet the competence, experience, and impartiality requirements of section 114(2)(a) of the Companies Act and we confirm that we meet the independence requirements set out in section 114(2)(b) of the Companies Act and Regulation 90(3)(a) of the Companies Regulations.

Furthermore, we confirm that our professional fees were R170 000 (excluding VAT), payable in cash, are not contingent on the outcome of the Scheme.

Material interests of Directors

In accordance with sections 114 (3)(e) and (f) of the Companies Act, we confirm that Directors' interests in Holdings are as follows:

Name of Director	Direct beneficial interest		Indirect beneficial interest	
	Holdings Shares	Percentage interest ¹	Holdings Shares	Percentage interest ¹
Raymond Ackerman ²	1 269 400	0.25%	0	0.00%
Gareth Ackerman ²	543	0.00%	3 342 900	0.65%
Mistral Trust ³	5 540 200	1.08%	0	0.00%
Hugh Herman	60 000	0.01%	527	0.00%
Jeff van Rooyen	0	0.00%	0	0.00%
Jonathan Ackerman ² (alternate)	251 979	0.05%	1 175 459	0.23%
Suzanne Ackerman-Berman ² (alternate)	242 099	0.05%	959 090	0.19%
David Robins (alternate)	2 000	0.00%	0	0.00%
Total	7 366 221	1.43%	5 477 976	1.07%

¹ Based on the total Holdings Shares of 527 249 082 less the 13 037 487 Holdings Shares held as Treasury Shares

² Raymond Ackerman, Gareth Ackerman, Jonathan Ackerman and Suzanne Ackerman-Berman hold a non-beneficial interest in AIH and Mistral Trust that hold approximately 48% and 1% respectively in Holdings (including treasury shares)

³ Associate of Raymond Ackerman, Gareth Ackerman, Jonathan Ackerman and Suzanne Ackerman-Berman

We understand that the proposed Scheme will have the same effect on such Directors that it has on other shareholders of Holdings.

Limiting conditions

This letter and opinion is provided in terms of section 114(2) of the Companies Act. It does not constitute a recommendation to any shareholder of Holdings on any matter relating to the Scheme, nor as to the acceptance of the Scheme. Therefore, it should not be relied upon for any other purpose. We assume no responsibility to anyone if this letter and opinion are used or relied upon for anything other than its intended purpose.

While our work has involved an analysis of financial information and the preparation of financial models, our engagement does not include an audit in accordance with International Standards on Auditing of the business records and financial data of Holdings. Accordingly, we cannot express any opinion on the financial data or other information used in arriving at our opinion.

The valuation of companies and businesses is not a precise science, and conclusions arrived at in many cases will necessarily be subjective and dependent on the exercise of individual judgement. Further, whilst we consider our opinion to be defensible based on the information available to us others may have a different view and arrive at a different conclusion.

In accordance with section 114(3)(g) of the Companies Act, a copy of sections 115 and 164 of the Companies Act is attached hereto as Appendix A and also in Annexure 5 of the Circular, to which this opinion is annexed.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Matthew Human', with a stylized, cursive script.

Matthew Human

Director

ANNEXURE 2: TABLE OF ENTITLEMENT TO UNBUNDLED STORES SHARES

The following table sets out the number of Stores Shares to which a Holdings Shareholder will be entitled, pursuant to the Unbundling (thus a Pre-Unbundling Disposal of 300 000 Stores Shares), based on the Entitlement Ratio. If a Holdings Shareholder becomes entitled to a fraction of a Stores Share, the relevant fraction will be rounded so that the Holdings Shareholder will have an entitlement to Stores Shares rounded down to the nearest whole number.

Number of Holdings Shares held	Number of Unbundled Stores Shares to which a Holdings Shareholder will be entitled	Number of Holdings Shares held	Number of Unbundled Stores Shares to which a Holdings Shareholder will be entitled	Number of Holdings Shares held	Number of Unbundled Stores Shares to which a Holdings Shareholder will be entitled
1	0	36	17	71	34
2	0	37	18	72	35
3	1	38	18	73	35
4	1	39	19	74	36
5	2	40	19	75	36
6	2	41	19	76	37
7	3	42	20	77	37
8	3	43	20	78	38
9	4	44	21	79	38
10	4	45	21	80	39
11	5	46	22	81	39
12	5	47	22	82	39
13	6	48	23	83	40
14	6	49	23	84	40
15	7	50	24	85	41
16	7	51	24	86	41
17	8	52	25	87	42
18	8	53	25	88	42
19	9	54	26	89	43
20	9	55	26	90	43
21	10	56	27	91	44
22	10	57	27	92	44
23	11	58	28	93	45
24	11	59	28	94	45
25	12	60	29	95	46
26	12	61	29	96	46
27	13	62	30	97	47
28	13	63	30	98	47
29	14	64	31	99	48
30	14	65	31	100	48
31	15	66	32	500	243
32	15	67	32	1 000	487
33	16	68	33	10 000	4 875
34	16	69	33	100 000	48 752
35	17	70	34	1 000 000	487 521

ANNEXURE 3: INFORMATION FOR FOREIGN HOLDINGS SHAREHOLDERS AND FOR ALL HOLDINGS SHAREHOLDERS IN RESPECT OF EXCHANGE CONTROLS

1. DISTRIBUTIONS TO FOREIGN HOLDINGS SHAREHOLDERS

The distribution of Stores Shares to Foreign Holdings Shareholders in terms of the Unbundling may be affected by the laws of such Foreign Holdings Shareholders' relevant jurisdiction. Those Foreign Holdings Shareholders should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their entitlements.

This section sets out the restrictions applicable to Holdings Shareholders who have registered addresses outside South Africa, who are nationals, citizens or residents of countries other than South Africa, or who are persons (including, without limitation, custodians, nominees and trustees) who have a contractual or legal obligation to forward this document to a jurisdiction outside South Africa or who hold shares for the account or benefit of any such Foreign Holdings Shareholder.

It is the responsibility of any Foreign Holdings Shareholder (including, without limitation, nominees, agents and trustees for such persons) receiving this Circular and wishing to take up their entitlement to unbundled Stores Shares to satisfy themselves as to full observance of the applicable laws of any relevant territory, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. Foreign Holdings Shareholders are obliged to observe the applicable legal requirements of their relevant jurisdictions.

Receipt of this Circular will not constitute an offer of unbundled Stores Shares ("offer") in those jurisdictions in which it would be illegal to make such an offer and, in those circumstances, this Circular if sent, will be sent for information only and should not be copied or redistributed. No person receiving a copy of this Circular in any territory, other than South Africa, may treat the same as constituting an offer to such person unless, in the relevant territory, such an offer could lawfully be made to him without contravention of any registration or other legal requirements.

Accordingly, persons (including, without limitation, nominees, agents and trustees) receiving a copy of this Circular should not distribute or send the same to any person in, or citizen or resident of, or otherwise into any jurisdiction where to do so would or might contravene local securities laws or regulations. Any person who does distribute this Circular into any such territory (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this annexure.

Holdings reserves the right, but shall not be obliged, to treat as invalid any distribution of Stores Shares, in terms of the Unbundling, which appears to Holdings or its agents to have been executed, effected or dispatched in a manner which may involve a breach of the securities laws or regulations of any jurisdiction or if Holdings believes or its agents believe that the same may violate applicable legal or regulatory requirements.

An "**Excluded Foreign Holdings Shareholder**" includes any Foreign Holdings Shareholder who is unable to receive any of the Stores Shares to be distributed to him because of the laws of the jurisdiction of that shareholder, or any Foreign Holdings Shareholder that Holdings is not permitted to distribute any of the Stores Shares to because of the laws of the jurisdiction of that Holdings Shareholder. The Stores Shares to which Excluded Foreign Holdings Shareholders would be entitled in terms of the Unbundling may be aggregated and disposed of on the JSE in an orderly manner by the Transfer Secretaries on behalf of and for the benefit of Excluded Foreign Holdings Shareholders as soon as is reasonably practical after the implementation of the Unbundling at the best price that can reasonably be obtained at the time of sale. CSDPs will be responsible for informing the Transfer Secretaries of all Dematerialised Holdings Shares held by them on behalf of such Excluded Foreign Holdings Shareholders.

Excluded Foreign Holdings Shareholders will, in respect of their entitlement to the Unbundled Stores Shares, receive the average consideration per Unbundled Stores Share (net of transaction and currency conversion costs) received by the Transfer Secretaries pursuant to the sale process as set out in the preceding paragraph. The average consideration per Unbundled Stores Share due to each Excluded Foreign Holdings Shareholder will only be paid once all such Unbundled Stores Shares have been disposed of.

2. EXCHANGE CONTROL

The Unbundled Stores Shares are not freely transferable from the common monetary area and must be dealt with in terms of the Exchange Control Regulations. The following is a summary of the Exchange Control Regulations, is not comprehensive and is intended as a guide only. In the event that Holdings Shareholders have any doubts in respect of their obligations in terms of the Exchange Control Regulations they should consult their professional advisers.

2.1. Emigrants from the common monetary area

The Unbundled Stores Shares received by the Holdings Shareholders who are emigrants from the common monetary area and whose registered address is outside the common monetary area will:

- in the case of Dematerialised Holdings Shareholders be credited to their blocked share accounts at the CSDP controlling their blocked portfolios; or
- in the case of Certificated Holdings Shareholders whose Documents of Title have been restrictively endorsed under the Exchange Control Regulations, be endorsed "Non-Resident" and will be sent to the authorised dealer in foreign exchange controlling their blocked assets.

The CSDP or Broker will ensure that all requirements of the Exchange Control Regulations are adhered to in respect of their clients falling into this category of investor, whether shares are held in dematerialised or certificated form.

Any payment of the Scheme Consideration pursuant to the Scheme will, in the case of Dematerialised Holdings Shareholders, be credited to their blocked banking account at the CSDP controlling their blocked portfolios or, in the case of Certificated Holdings Shareholders whose Documents of Title have been restrictively endorsed under the Exchange Control Regulations, be sent to the Authorised Dealer in foreign exchange controlling their blocked assets for credit to their blocked Rand account.

2.2. **All other Non-Residents of the common monetary area**

The Unbundled Stores Shares received by the Holdings Shareholders who are Non-Residents of the common monetary area and who have never resided in the common monetary area and whose registered address are outside the common monetary area will:

- in the case of Dematerialised Holdings Shareholders be credited to their share accounts at the CSDP controlling their portfolios; or
- in the case of Certificated Holdings Shareholders whose Documents of Title have been restrictively endorsed under the Exchange Control Regulations, be deposited with an Authorised Dealer in foreign exchange in South Africa nominated by such Holdings Shareholder. It will be incumbent on the Holdings Shareholder concerned to nominate the Authorised Dealer and to instruct the nominated Authorised Dealer as to the disposal of the relevant Holdings Shares. If the information regarding the authorised dealer is not given, the Unbundled Stores Shares will be held in trust for the Holdings Shareholder concerned pending the receipt of the necessary information or instruction.

The CSDP or Broker will ensure that all requirements of the Exchange Control Regulations are adhered to in respect of their clients falling into this category of investor, whether held in Dematerialised or Certificated form.

Any payment of the Scheme Consideration distributed pursuant to the Scheme will be regarded as freely transferable and, in the case of Dematerialised Holdings Shareholders, be credited to their banking account at the CSDP controlling their portfolios or, in the case of Certificated Shareholders whose Documents of Title have been restrictively endorsed under the Exchange Control Regulations, be deposited with an Authorised Dealer in foreign exchange in South Africa nominated by such Holdings Shareholder. It will be incumbent on the Holdings Shareholder concerned to nominate the Authorised Dealer and to instruct the nominated Authorised Dealer as to the disposal of the relevant cash. If the information regarding the Authorised Dealer is not given, the cash will be held in trust for the Holdings Shareholder concerned pending the receipt of the necessary information or instruction.

ANNEXURE 4: TAXATION CONSIDERATIONS RELATING TO THE UNBUNDLING AND THE SCHEME

The summary below is a general guide and is not intended to constitute a complete analysis of the taxation consequences of the Unbundling provisions in terms of South African taxation law. It is not intended to be, nor should it be considered as legal or taxation advice. Holdings and its advisers cannot be held responsible for the taxation consequences of the Unbundling and the Scheme and therefore Holdings Shareholders are advised to consult their own tax advisers in this regard.

The Unbundling will constitute a disposal by Holdings of its Stores Shares to the Holdings Shareholders. The disposal will be effected utilising the tax concessions provided for in section 46 of the Income Tax Act.

The concessions provided for in section 46 of the Income Tax Act are outlined below:

1. DISPOSAL OF STORES SHARES BY HOLDINGS

The distribution of Stores Shares by Holdings, in terms of the Unbundling, will be disregarded by Holdings in determining its taxable income or assessed loss in the tax year that the Unbundling takes place. Furthermore, on the basis that Holdings holds the Stores Shares as capital assets, the Unbundling should not attract CGT.

2. HOLDINGS SHARES HELD AS TRADING STOCK

Any Holdings Shareholder holding Holdings Shares as trading stock will be deemed to acquire the unbundled Stores Shares as trading stock. The combined expenditure of such Holdings Shares and Stores Shares will be the amount originally taken into account by the Holdings Shareholder in respect of those Holdings Shares, as contemplated in section 11(a), section 22(1), or section 22(2) of the Income Tax Act.

The expenditure to be allocated to the Unbundled Stores Shares will be determined by applying the ratio that the market value of Stores Shares bears to the sum of the market value of the Stores Shares and the Holdings Shares at the end of the day after the Unbundling. Holdings will advise Shareholders of the specified ratio by way of an announcement expected to be released on SENS on or about Thursday, 25 August 2016. This ratio must be used in the determination of any profits or losses derived on any future disposals of the Unbundled Shares or Holdings Shares.

The expenditure so allocated to the Unbundled Stores Shares will reduce the expenditure of the Holdings Shares held, thus allocating the expenditure between the Holdings Shares and the Unbundled Stores Shares.

Shareholders will be deemed to have acquired the Unbundled Stores Shares on the date on which the Holdings Shares were originally acquired.

3. HOLDINGS SHARES HELD AS CAPITAL ASSETS

Any Holdings Shareholder holding Holdings Shares as capital assets will be deemed to acquire the Unbundled Stores Shares as capital assets. The expenditure incurred in respect of the Holdings Shares, in terms of paragraph 20 of the Eighth Schedule to the Income Tax Act, and (where applicable) the CGT valuation of the Holdings Shares, as contemplated in paragraph 29 of the Eighth Schedule to the Income Tax Act, will be apportioned between the Stores Shares and the Holdings Shares by applying the ratio that the market value of Stores Shares bears to the sum of the market values of the Stores Shares and Holdings Shares at the end of the day after the Unbundling. Holdings will advise Shareholders of the specified ratio by way of an announcement expected to be released on SENS on or about Thursday, 25 August 2016. This ratio must be used in the determination of the capital gain or loss derived on any future disposals of the Unbundled Stores Shares or Holdings Shares.

The base cost so allocated to the Unbundled Stores Shares will reduce the base cost of the Holdings Shares held, thus allocating the base cost between the Holdings Shares and the Unbundled Stores Shares.

Shareholders will be deemed to have acquired the Unbundled Stores Shares on the date on which the Holdings Shares were originally acquired.

4. SECURITIES TRANSFER TAX

The transfer of the Unbundled Stores Shares in the names of the Holdings Shareholders will be exempt from the payment of any STT.

5. DIVIDENDS TAX AND RETURNS OF CAPITAL

In terms of sections 46(5) and 46(5A) of the Income Tax Act, the distribution of the Stores Shares must be disregarded for Dividends Tax purposes and must also not be treated as a return of capital for the purposes of paragraph 76B of the Eighth Schedule to the Income Tax Act.

6. NON-RESIDENT SHAREHOLDERS

Holdings Shareholders who are Non-Resident for tax purposes in South Africa are advised to consult their own professional tax advisers regarding the tax treatment of the Unbundling in their respective jurisdictions, having regard to the tax laws in their jurisdiction and any applicable tax treaties between South Africa and their country of residence.

7. TAX ON RECEIPT OF THE SCHEME CONSIDERATION

In respect of Holdings Shares held by Holdings Shareholders as capital assets, to the extent that the proceeds realised by the Holdings Shareholders in respect of the disposal of such shares in terms of the Scheme exceed their base cost (as allocated above), this would give rise to a capital gain. However, on the basis that the Holdings Shares will be disposed of at a nominal market value, no material CGT (if any) should be triggered in this regard.

In respect of Holdings Shares held by Holdings Shareholders on revenue account, to the extent that the Scheme Consideration received by the Holdings Shareholders in respect of the sale of such shares exceeds their expenditure (as allocated above), this would give rise to gross income in the hands of such Shareholders. However, on the basis that the Holdings Shares will be disposed of at a nominal market value, no material income tax liability (if any) should be triggered in this regard.

ANNEXURE 5: EXTRACTS OF SECTIONS 115 AND 164 OF THE COMPANIES ACT

“Section 115: Required approval for transactions contemplated in Part A

- (1) Despite section 65, and any provision of a company's Memorandum of Incorporation, or any resolution adopted by its board or holders of its securities, to the contrary, a company may not dispose of, or give effect to an agreement or series of agreements to dispose of, all or the greater part of its assets or undertaking, implement an amalgamation or a merger, or implement a scheme of arrangement, unless:
- (a) The disposal, amalgamation or merger, or scheme of arrangement:
 - (i) has been approved in terms of this section; or
 - (ii) is pursuant to or contemplated in an approved business rescue plan for that company, in terms of Chapter 6; and
 - (b) to the extent that Parts B and C of this Chapter and the Takeover Regulations apply to a company that proposes to:
 - (i) dispose of all or the greater part of its assets or undertaking;
 - (ii) amalgamate or merge with another company; or
 - (iii) implement a scheme of arrangement,
- the Panel has issued a compliance certificate in respect of the transaction, in terms of section 119 (4)(b), or exempted the transaction in terms of section 119(6).
- (2) A proposed transaction contemplated in subsection (1) must be approved:
- (a) by a special resolution adopted by persons entitled to exercise voting rights on such a matter, at a meeting called for that purpose and at which sufficient persons are present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter, or any higher percentage as may be required by the company's Memorandum of Incorporation, as contemplated in section 64(2); and
 - (b) by a special resolution, also adopted in the manner required by paragraph (a), by the shareholders of the company's holding company if any, if:
 - (i) the holding company is a company or an external company;
 - (ii) the proposed transaction concerns a disposal of all or the greater part of the assets or undertaking of the subsidiary; and
 - (iii) having regard to the consolidated financial statements of the holding company, the disposal by the subsidiary constitutes a disposal of all or the greater part of the assets or undertaking of the holding company; and
 - (c) by the court, to the extent required in the circumstances and manner contemplated in subsections (3) to (6).
- (3) Despite a resolution having been adopted as contemplated in subsections (2)(a) and (b), a company may not proceed to implement that resolution without the approval of a court if:
- (a) the resolution was opposed by at least 15% of the voting rights that were exercised on that resolution and, within five business days after the vote, any person who voted against the resolution requires the company to seek court approval; or
 - (b) the court, on an application within 10 business days after the vote by any person who voted against the resolution, grants that person leave, in terms of subsection (6), to apply to a court for a review of the transaction in accordance with subsection (7).
- (4) For the purposes of subsections (2) and (3), any voting rights controlled by an acquiring party, a person related to an acquiring party, or a person acting in concert with either of them, must not be included in calculating the percentage of voting rights:
- (a) required to be present, or actually present, in determining whether the applicable quorum requirements are satisfied; or
 - (b) required to be voted in support of a resolution, or actually voted in support of the resolution.
- (4A) In subsection (4), ‘Act in Concert’ has the meaning set out in section 117(1)(b).
- (5) If a resolution requires approval by a court as contemplated in terms of subsection (3)(a), the company must either:
- (a) within 10 business days after the vote, apply to the court for approval, and bear the costs of that application; or
 - (b) treat the resolution as a nullity.
- (6) On an application contemplated in subsection (3)(b), the court may grant leave only if it is satisfied that the applicant:
- (a) is acting in good faith;
 - (b) appears prepared and able to sustain the proceedings; and
 - (c) has alleged facts which, if proved, would support an order in terms of subsection (7).
- (7) On reviewing a resolution that is the subject of an application in terms of subsection (5)(a), or after granting leave in terms of subsection (6), the court may set aside the resolution only if:
- (a) the resolution is manifestly unfair to any class of holders of the company's securities; or
 - (b) the vote was materially tainted by conflict of interest, inadequate disclosure, failure to comply with the Act, the Memorandum of Incorporation or any applicable rules of the company, or other significant and material procedural irregularity.

- (8) The holder of any voting rights in a company is entitled to seek relief in terms of section 164 if that person:
 - (a) notified the company in advance of the intention to oppose a special resolution contemplated in this section; and
 - (b) was present at the meeting and voted against that special resolution.
- (9) If a transaction contemplated in this Part has been approved, any person to whom assets are, or an undertaking is, to be transferred, may apply to a court for an order to effect:
 - (a) the transfer of the whole or any part of the undertaking, assets and liabilities of company contemplated in that transaction;
 - (b) the allotment and appropriation of any shares or similar interests to be allotted or appropriated as a consequence of the transaction;
 - (c) the transfer of shares from one person to another;
 - (d) the dissolution, without winding-up, of a company, as contemplated in the transaction;
 - (e) incidental, consequential and supplemental matters that are necessary for the effectiveness and completion of the transaction; or
 - (f) any other relief that may be necessary or appropriate to give effect to, and properly implement, the amalgamation or merger.”

“Section 164: Dissenting shareholders appraisal rights

- (1) This section does not apply in any circumstances relating to a transaction, agreement or offer pursuant to a business rescue plan that was approved by shareholders of a company, in terms of section 152.
- (2) If a company has given notice to shareholders of a meeting to consider adopting a resolution to:
 - (a) amend its Memorandum of Incorporation by altering the preferences, rights, limitations or other terms of any class of its shares in any manner materially adverse to the rights or interests of holders of that class of shares, as contemplated in section 37(8); or
 - (b) enter into a transaction contemplated in section 112, 113 or 114, that notice must include a statement informing shareholders of their rights under this section.
- (3) At any time before a resolution referred to in subsection (2) is to be voted on, a dissenting shareholder may give the company a written notice objecting to the resolution.
- (4) Within 10 business days after a company has adopted a resolution contemplated in this section, the company must send a notice that the resolution has been adopted to each shareholder who:
 - (a) gave the company a written notice of objection in terms of subsection (3); and
 - (b) has neither:
 - (i) withdrawn that notice; or
 - (ii) voted in support of the resolution.
- (5) A shareholder may demand that the company pay the shareholder the fair value for all of the shares of the company held by that person if:
 - (a) the shareholder:
 - (i) sent the company a notice of objection, subject to subsection (6); and
 - (ii) in the case of an amendment to the company’s Memorandum of Incorporation, holds shares of a class that is materially and adversely affected by the amendment;
 - (b) the company has adopted the resolution contemplated in subsection (2); and
 - (c) the shareholder:
 - (i) voted against that resolution; and
 - (ii) has complied with all of the procedural requirements of this section.
- (6) The requirement of subsection (5)(a)(i) does not apply if the company failed to give notice of the meeting, or failed to include in that notice a statement of the shareholder’s rights under this section.
- (7) A shareholder who satisfies the requirements of subsection (5) may make a demand contemplated in that subsection by delivering a written notice to the company within:
 - (a) 20 business days after receiving a notice under subsection (4); or
 - (b) if the shareholder does not receive a notice under subsection (4), within 20 business days after learning that the resolution has been adopted.
- (8) A demand delivered in terms of subsections (5) to (7) must also be delivered to the Panel, and must state:
 - (a) the shareholder’s name and address;
 - (b) the number and class of shares in respect of which the shareholder seeks payment; and
 - (c) a demand for payment of the fair value of those shares.

- (9) A shareholder who has sent a demand in terms of subsections (5) to (8) has no further rights in respect of those shares, other than to be paid their fair value, unless:
- (a) the shareholder withdraws that demand before the company makes an offer under subsection (11), or allows an offer made by the company to lapse, as contemplated in subsection (12)(b);
 - (b) the company fails to make an offer in accordance with subsection (11) and the shareholder withdraws the demand; or
 - (c) the company, by a subsequent special resolution, revokes the adopted resolution that gave rise to the shareholder's rights under this section.
- (10) If any of the events contemplated in subsection (9) occur, all of the shareholder's rights in respect of the shares are reinstated without interruption.
- (11) Within five business days after the later of:
- (a) the day on which the action approved by the resolution is effective;
 - (b) the last day for the receipt of demands in terms of subsection (7)(a); or
 - (c) the day the company received a demand as contemplated in subsection (7)(b), if applicable, the company must send to each shareholder who has sent such a demand a written offer to pay an amount considered by the company's directors to be the fair value of the relevant shares, subject to subsection (16), accompanied by a statement showing how that value was determined.
- (12) Every offer made under subsection (11):
- (a) in respect of shares of the same class or series must be on the same terms; and
 - (b) lapses if it has not been accepted within 30 business days after it was made.
- (13) If a shareholder accepts an offer made under subsection (12):
- (a) the shareholder must either in the case of:
 - (i) shares evidenced by certificates, tender the relevant share certificates to the company or the company's transfer agent; or
 - (ii) uncertificated shares, take the steps required in terms of section 53 to direct the transfer of those shares to the company or the company's transfer agent; and
 - (b) the company must pay that shareholder the agreed amount within 10 business days after the shareholder accepted the offer and:
 - (i) tendered the share certificates; or
 - (ii) directed the transfer to the company of uncertificated shares.
- (14) A shareholder who has made a demand in terms of subsections (5) to (8) may apply to a court to determine a fair value in respect of the shares that were the subject of that demand, and an order requiring the company to pay the shareholder the fair value so determined, if the company has:
- (a) failed to make an offer under subsection (11); or
 - (b) made an offer that the shareholder considers to be inadequate, and that offer has not lapsed.
- (15) On an application to the court under subsection (14):
- (a) all dissenting shareholders who have not accepted an offer from the company as at the date of the application must be joined as parties and are bound by the decision of the court;
 - (b) the company must notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to participate in the court proceedings; and
 - (c) the court:
 - (a) may determine whether any other person is a dissenting shareholder who should be joined as a party;
 - (b) must determine a fair value in respect of the shares of all dissenting shareholders, subject to subsection (16);
 - (c) in its discretion may:
 - (aa) appoint one or more appraisers to assist it in determining the fair value in respect of the shares; or
 - (bb) allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective, until the date of payment;
 - (d) may make an appropriate order of costs, having regard to any offer made by the company, and the final determination of the fair value by the court; and
 - (e) must make an order requiring:
 - (aa) the dissenting shareholders to either withdraw their respective demands or to comply with subsection (13)(a); and
 - (bb) the company to pay the fair value in respect of their shares to each dissenting shareholder who complies with subsection (13)(a), subject to any conditions the court considers necessary to ensure that the company fulfils its obligations under this section.

- (15A) At any time until the court has made an order contemplated in subsection (15)(c)(v), a dissenting shareholder may accept the offer made by the company in terms of subsection (11), in which case:
- (a) that shareholder must comply with the requirements of subsection 13(a); and
 - (b) the company must comply with the requirements of subsection 13(b).
- (16) The fair value in respect of any shares must be determined as at the date on which, and time immediately before, the company adopted the resolution that gave rise to a shareholder's rights under this section.
- (17) If there are reasonable grounds to believe that compliance by a company with subsection (13)(b), or with a court order in terms of subsection (15)(c)(v)(bb), would result in the company being unable to pay its debts as they fall due and payable for the ensuing 12 months:
- (a) the company may apply to a court for an order varying the company's obligations in terms of the relevant subsection; and
 - (b) the court may make an order that:
 - (i) is just and equitable, having regard to the financial circumstances of the company; and
 - (ii) ensures that the person to whom the company owes money in terms of this section is paid at the earliest possible date compatible with the company satisfying its other financial obligations as they fall due and payable.
- (18) If the resolution that gave rise to a shareholder's rights under this section authorised the company to amalgamate or merge with one or more other companies, such that the company whose shares are the subject of a demand in terms of this section has ceased to exist, the obligations of that company under this section are obligations of the successor to that company resulting from the amalgamation or merger.
- (19) For greater certainty, the making of a demand, tendering of shares and payment by a company to a shareholder in terms of this section do not constitute a distribution by the company, or an acquisition of its shares by the company within the meaning of section 48, and therefore are not subject to:
- (a) the provisions of that section; or
 - (b) the application by the company of the solvency and liquidity test set out in section 4.
- (20) Except to the extent :
- (a) expressly provided in this section; or
 - (b) that the Panel rules otherwise in a particular case,
a payment by a company to a shareholder in terms of this section does not obligate any person to make a comparable offer under section 125 to any other person."

ANNEXURE 6: EXTRACT OF THE RIGHTS, PRIVILEGES AND CONDITIONS ATTACHING TO THE B SHARES FROM THE NEW MOI OF STORES

RIGHTS, PRIVILEGES AND CONDITIONS ATTACHING TO THE B SHARES

The B Shares shall carry the following rights and privileges and shall be subject to the following conditions –

1. DEFINITIONS

- 1.1. The following words and expressions shall, when used in this Annexure D, bear the meanings assigned to them below and cognate words and expressions shall bear corresponding meanings –
 - 1.1.1. **“Act in Concert”** shall bear the meaning ascribed thereto in section 117(b) of the Companies Act construed mutatis mutandis, and the phrase “Acting in Concert” shall be construed accordingly;
 - 1.1.2. **“B Share Holding Ratio”** means the ratio of B Shares held by each B Shareholder to the total number of B Shares in issue;
 - 1.1.3. **“B Share Issue Ratio”** means the ratio of 1.98061 (one point nine eight zero six one) B Shares for every 1 (one) Stapled Ordinary Share held by the B Shareholders at the time of the issue and allotment of the B Shares which, for the avoidance of doubt, shall continue to apply to any B Shareholder from time to time thereafter;
 - 1.1.4. **“B Shares”** means the unlisted, non-convertible, non-participating, no par value B ordinary shares which the Company is authorised to issue, having the rights, privileges and conditions set out in this Annexure D;
 - 1.1.5. **“B Shareholders”** means the holders of B Shares together with the corresponding number of Stapled Ordinary Shares (as determined in accordance with the B Share Issue Ratio) from time to time;
 - 1.1.6. **“Call Option”** means in relation to B Shares, the irrevocable and unconditional right and option which each B Shareholder of a B Share grants to the Company to enable the Company at its election to oblige that B Shareholder (which shall then be obliged) to sell B Shares to the Company, each for the Option Amount, upon the happening of an Option Event on the terms set out in this Annexure D;
 - 1.1.7. **“Disposal”** or **“Transfer”** means, when used in relation to a B Share, the sale, alienation, transfer, donation or other conveyance of that B Share or any part thereof including, without limitation, any rights attaching thereto and shall include any agreement or arrangement howsoever described to give effect to the foregoing, and the expressions **“Dispose”**, **“Disposal”**, **“Transfer”** or **“Transferred”** shall be construed accordingly;
 - 1.1.8. **“Initial Ackerman Family Holders”** means the members of the Ackerman family who hold Ordinary Shares and to whom B Shares are to be issued in accordance with the B Share Issue Ratio, namely:
 - 1.1.8.1. Ackerman Investment Holdings Proprietary Limited (Registration number: 2010/018805/07) (owning 48.5%);
 - 1.1.8.2. The Mistral Trust (owning 1.05%);
 - 1.1.8.3. Burrumbuck Investments Proprietary Limited (owning 0.63%);
 - 1.1.8.4. RD Ackerman (owning 0.24%);
 - 1.1.8.5. The Jongus Trust (owning 0.22%);
 - 1.1.8.6. The Bermack Trust (owning 0.11%);
 - 1.1.8.7. The Sudale Trust (owning 0.07%);
 - 1.1.8.8. J Ackerman (owning 0.05%);
 - 1.1.8.9. S Ackerman (owning 0.05%);
 - 1.1.8.10. K Robins (owning 0.04%);
 - 1.1.8.11. A Ackerman (owning 0.01%); and
 - 1.1.8.12. 15 other individuals (collectively owning 0.05%);
 - 1.1.9. **“Option Amount”** means in relation to each B Share, an amount of R0.00001 which is payable by the Company to the B Shareholder of that B Share upon the exercise of the Call Option in respect of that B Share;

1.1.10. **"Option Event"** means in respect of the B Shares –

- 1.1.10.1. if no B Shareholder together with any other B Shareholder(s) Related to or Acting in Concert with such B Shareholder holds an amount of more than 25% (twenty five percent) of the total voting rights of the Company; or
- 1.1.10.2. if any B Shareholder fails to notify the company secretary in writing of a Disposal of B Shares, prior to such Disposal, as contemplated in clause 6 below; or
- 1.1.10.3. if any B Shareholder Disposes of or Transfers any Stapled Ordinary Shares on-market (which, for the avoidance of doubt, shall be via the JSE's normal order book); or
- 1.1.10.4. if any B Shareholder Disposes of any B Shares without the Disposal of the corresponding number of Stapled Ordinary Shares as contemplated in clause 8.1 below; or
- 1.1.10.5. if any B Shareholder Disposes of any B Shares and a corresponding number of Stapled Ordinary Shares, and the Transferee to whom such B Shares are Transferred, together with any other B Shareholder(s) Related to or Acting in Concert with such Transferee, does not, after the Disposal, hold more than 25% (twenty five percent) of the total voting rights of the Company upon Transfer of such B Shares (which amount shall, for the avoidance of doubt, be determined together with any other voting rights already held by such Transferee at the date of Transfer of the relevant B Shares);
- 1.1.10.6. if any B Shareholder Disposes of any B Shares, and a corresponding number of Stapled Ordinary Shares and, as a result of such Disposal, such B Shareholder no longer holds more than 25% (twenty five percent) of the total voting rights of the Company (together with such B Shareholder's Related and Concert Parties at the date of Transfer of the relevant B Shares) upon Transfer of such B Shares; or
- 1.1.10.7. if as a result of a transaction (or a series of integrated transactions (as contemplated in section 41(4)(b) of the Companies Act)) relating to the Disposal of B Shares, and a corresponding number of Stapled Ordinary Shares, as at the time of the transaction (or the culmination of a series of integrated transactions (as contemplated in section 41(4)(b) of the Companies Act)):
 - 1.1.10.7.1. the combined voting rights of the transferring B Shareholder(s) ("**Transferor**") together with any other B Shareholder(s) Related to or Acting in Concert with the Transferor comprise more than 25% (twenty five percent) of the total voting rights of the Company; and
 - 1.1.10.7.2. the combined voting rights of the persons(s) to whom such B Shares, and a corresponding number of Stapled Ordinary Shares, are transferred to a Transferee together with any other B Shareholder(s) and/or holders of Ordinary Shares Related to or Acting in Concert with the Transferee, comprise more than 25% (twenty five percent) of the total voting rights of the Company, and such Transferee has not, at its sole discretion, elected to make an offer to all of the other holders of the Ordinary Shares, mutatis mutandis, in accordance with section 123 of the Companies Act;

1.1.11. **"Ordinary Shareholders"** means the holders of Ordinary Shares;

1.1.12. **"Ordinary Shares"** means the ordinary shares which the Company is authorised to issue, having the rights, privileges and conditions set in this MOI;

1.1.13. **"Related"** shall have the meaning ascribed thereto in section 2 of the Companies Act;

1.1.14. **"Stapled Ordinary Shares"** means the Ordinary Shares held by the B Shareholders at the time of the issue and allotment of the B Shares, determined in accordance with the B Share Issue Ratio, which Ordinary Shares are subject to the restrictions on disposal described in clause 6 below; and

1.1.15. **"Transferee"** shall mean any person(s) to whom B Shares are Transferred (as defined in clause 1.1.7 above), and **"Transferor"** shall bear a corresponding meaning.

2. WINDING-UP AND RETURN OF CAPITAL

The B Shares shall not carry the right, on a winding-up of the Company or on any return or reduction of capital, to the payment or repayment of any amount.

3. NO PARTICIPATION

The B Shares shall not be entitled to any participation in the profits of the Company or any distribution of the assets or capital of the Company.

4. VOTING

- 4.1. At every General Meeting or adjourned General Meeting of the Company at which Ordinary Shareholders and B Shareholders are present and entitled to vote on any particular matter, upon a poll, or in respect of any written resolution contemplated in section 60 of the Companies Act on which the Ordinary Shareholders and the B Shareholders are entitled to vote, each B Shareholder shall, in respect of that particular matter, be entitled to exercise 1 (one) vote for every B Share held and entitled to vote at that time.
- 4.2. Any B Shareholder shall, by giving written notice to that effect to the Company at any time when the B Shareholders are entitled to vote in terms of clause 4.1 above, be entitled to require the Company, which shall thereupon be obliged, to call a General Meeting of its Holders, or any class of them, to consider any matter (including, without limitation, a resolution requiring the Company to comply with its obligations to the B Shareholders, and any such resolution adopted at a meeting of all shareholders of the Company shall, notwithstanding anything to the contrary contained in this MOI, be binding upon and be given effect to by the Company and the Directors).

5. MODIFICATION OF THE TERMS OF THE B SHARES

The terms of the B Shares may not be modified without a special resolution amending this MOI, which special resolution must be approved by Shareholders holding:

- 5.1. at least 75% (seventy five percent) of the voting rights exercisable at a meeting of all shareholders (which, for the avoidance of doubt, shall include the B Shareholders); and
- 5.2. at least 75% (seventy five percent) of the voting rights exercisable at a separate class meeting comprised of the B Shareholders only.

6. NOTIFICATION OF TRANSFER OF B SHARES

No B Shareholder shall be entitled to Dispose of or Transfer its B Shares or any of them (together with the corresponding number of Stapled Ordinary Shares (as determined in accordance with the B Share Issue Ratio)) unless and until it has notified the company secretary in writing thereof and any failure by a B Shareholder to so notify the company secretary will on the Date of Transfer or Disposal constitute an Option Event, which shall result in immediate cancellation of the voting rights attached to such B Shares in accordance with the provisions of the clause 7 below.

7. CALL OPTION AND CESSATION OF B SHARE VOTING RIGHTS

- 7.1. On the occurrence of an Option Event, the voting rights which attach to the B Shares, in respect of that Option Event, shall immediately cease to be of force and effect and the B Shareholder(s) concerned hereby undertakes not to exercise or purport to exercise such voting rights. For the avoidance of doubt:
 - 7.1.1. the occurrence of the Option Event set out in clause 1.1.10.1 above shall result in the cessation of the voting rights attaching to all B Shares in issue;
 - 7.1.2. the occurrence of the Option Events set out in clauses 1.1.10.2, 1.1.10.3, 1.1.10.4, 1.1.10.5, or 1.1.10.6 above shall result in the cessation of the voting rights attaching to only those B Shares:
 - 7.1.2.1. the Disposal of which the company secretary was not notified of, in terms of clause 6 above, read with clause 1.1.10.2 above;
 - 7.1.2.2. the Disposal of Stapled Ordinary shares on-market in terms of clause 1.1.10.3 above;
 - 7.1.2.3. which were Disposed of without the Disposal of the corresponding number of Stapled Ordinary Shares, in terms of clause 8.1 below read with clause 1.1.10.4 above; or
 - 7.1.2.4. which were Disposed of to a Transferee who does not, together with any other B Shareholder(s) Related to or Acting in Concert with such Transferee, hold more than 25% (twenty five percent) of the total voting rights of the Company (which amount shall, for the avoidance of doubt, be determined together with any other voting rights already held by such Transferee at the date of Transfer of the relevant B Shares) in accordance with clause 1.1.10.5 above; or
 - 7.1.2.5. which are retained by a B Shareholder in circumstances where such B Shareholder has Disposed of B Shares, together with the corresponding number of Stapled Ordinary Shares, and as a result of such Disposal the relevant B Shareholder no longer holds more than 25% (twenty five percent) of the total voting rights of the Company, as contemplated in clause 1.1.10.6 above;
 - 7.1.3. the occurrence of the Option Event set out in clause 1.1.10.7 above shall result in the cessation of the voting rights attaching to those B Shares held by the Transferee together with all of the B Shares held by any person(s) Related to or Acting in Concert with the Transferee with effect from the date of Transfer.

7.2. Notwithstanding anything to the contrary in this MOI, the B Shareholders hereby irrevocably grant the Company the Call Option, exercisable at the Company's election, to repurchase:

7.2.1. on the occurrence of the Option Event set out in clause 1.1.10.1 above, all of the B Shares in issue;

7.2.2. on the occurrence of the Option Events set out in clauses 1.1.10.2, 1.1.10.3, 1.1.10.4, 1.1.10.5, or 1.1.10.6 above, all of those B Shares:

7.2.2.1. the Disposal of which the company secretary was not notified of, in terms of clause 6 above, read with clause 1.1.10.2 above; or

7.2.2.2. the Disposal of Stapled Ordinary shares on-market in terms of clause 1.1.10.3 above;

7.2.2.3. which were Disposed of without the Disposal of the corresponding number of Stapled Ordinary Shares, in terms of clause 8.1 below read with clause 1.1.10.4 above;

7.2.2.4. which were Disposed of to a Transferee who does not, together with any other B Shareholder(s) Related to or Acting in Concert with such Transferee, hold more than 25% (twenty five percent) of the total voting rights of the Company (which amount shall, for the avoidance of doubt, be determined together with any other voting rights already held by such Transferee at the date of Transfer of the relevant B Shares) in accordance with clause 1.1.10.5 above; or

7.2.2.5. which are retained by a B Shareholder in circumstances where such B Shareholder has Disposed of B Shares, together with the corresponding number of Stapled Ordinary Shares, and as a result of such Disposal such B Shareholder no longer holds more than 25% (twenty five percent) of the total voting rights of the Company, as contemplated in clause 1.1.10.6 above;

7.2.3. on the occurrence of the Option Event set out in clause 1.1.10.7 above, and provided that the Transferee in terms of clause 1.1.10.7.2 above has, at its sole discretion, not elected to make an offer to all other holders of Ordinary Shares on the date of Transfer, mutatis mutandis, in accordance with section 123 of the Companies Act, all of those B Shares held by the Transferee together with all of the B Shares held by any person(s) Related to or Acting in Concert with the Transferee in respect of that Option Event,

at any time on or after the happening of the relevant Option Event and for the Option Amount per B Share.

7.3. In circumstances where the Transferee elects to make an offer as provided for in clauses 1.1.10.7.2 read with 7.2.3 above (or where the Transferee is obliged to do so under section 123 of the Companies Act), the full consideration payable by the Transferee to the Transferor under the transaction which triggers the offer in question shall be attributable to the Ordinary Shares forming the subject matter of such offer and no consideration shall be attributable to the B Shares.

7.4. The Company shall, subject to the passing of any and all shareholders' resolutions and the fulfilment of any and all other legal requirements (if any) required to authorise the exercise of the Call Option, be entitled to exercise the Call Option at any time after the occurrence of an Option Event and repurchase all of the relevant B Shares in terms thereof.

7.5. Immediately following receipt of the necessary shareholder approvals and fulfilment of any and all other legal requirements (if any) required to authorise the exercise of the Call Option, the Company shall be entitled to exercise the Call Option by giving written notice to that effect to the relevant B Shareholder and paying the relevant B Shareholder the Option Amount for each B Share repurchased. The Option Amount shall be paid in cash by way of electronic funds transfer into such bank account as may be recorded by the Company in its records in respect of that B Shareholder. The B Shareholder shall be obliged to surrender to the Company the share certificate/s for the B Shares (or, if such certificate has been lost or destroyed, proof of such loss or destruction) upon receipt of payment of the Option Amount in relation to any B Shares.

7.6. In the event that a B Shareholder(s) holds its B Shares together with Related Parties, or parties Acting in Concert with such B Shareholder, for the purposes hereof, then the company secretary may from time to time require that such B Shareholder(s) furnish the Company with documentary proof of their Related Party or Concert Party relationship, to the company secretary's reasonable satisfaction, and the onus of proving such a relationship shall rest on the relevant B Shareholder(s).

8. GENERAL

8.1. A B Shareholder may only dispose of B Shares if, in the same transaction, the pro rata number of Stapled Ordinary Shares held by that B Shareholder (as determined in accordance with the B Share Issue Ratio) are also disposed of and vice versa. Ordinary Shares held by a B Shareholder may be disposed of off-market or on-market via the JSE order book, subject to the provisions of clause 7 above. Each B Shareholder must at all times hold at least the B Share Issue Ratio of Stapled Ordinary Shares to B Shares.

8.2. The Board of the Company shall resolve to issue and allot B Shares initially only to the Initial Ackerman Family Holders in the B Share Issue Ratio, and thereafter from time to time only to the B Shareholders in such circumstances as may be expressly contemplated and provided for in this MOI. For the avoidance of doubt, the Board shall not have a general authority to issue and allot B Shares in circumstances not expressly contemplated herein.

- 8.3. To the extent that the application of the B Share Issue Ratio to the issue of B Shares to the initial B Shareholders, or the application of clause 9 below results in any B Shareholder becoming entitled to a fraction of a B Share, the fraction shall be rounded down to the nearest whole number.
- 8.4. In the event that all of the issued B Shares have:
- 8.4.1. ceased to exercise voting rights, in terms of clause 7.1 above; and
- 8.4.2. been repurchased by the Company in terms of clause 7.2 above (such that no B Shares are any longer in issue),
- then, for the avoidance of doubt, the Company shall thereafter no longer issue and allot B Shares, notwithstanding the number of authorised but unissued B Shares.

9. ADJUSTMENT

- 9.1. For the purpose of this clause 9 an “**Adjustment Event**” means –
- 9.1.1. a restructure of the Ordinary Share capital of the Company; or
- 9.1.2. any corporate action or event howsoever described –
- 9.1.2.1. pursuant to which new Ordinary Shares are allotted and issued to all holders of Ordinary Shares (including, without limitation, B Shareholders in respect of their Stapled Ordinary Shares); or
- 9.1.2.2. in which all holders of Ordinary Shares have a right or entitlement to participate, to the extent that the B Shareholders have exercised such right or entitlement in respect of their Stapled Ordinary Shares; or
- 9.1.2.3. pursuant to which Ordinary Shares are repurchased from all holders of Ordinary Shares (including, without limitation, the Stapled Ordinary Shares of B Shareholders); or
- 9.1.2.4. in which all holders of Ordinary Shares have a right or entitlement to participate in a repurchase of some or all of their Ordinary Shares, to the extent that the B Shareholders have exercised such right or entitlement in respect of their Stapled Ordinary Shares;
- 9.1.3. a combination of any one or more of the events referred to in 9.1.1 or 9.1.2.
- 9.2. The intention of this clause 9 is to ensure that the B Shareholders continue to exercise the same portion of the total voting rights exercisable at meetings of the Company after the occurrence of an Adjustment Event as they did prior to the occurrence of the Adjustment Event (i.e. that there is no unwarranted dilution or accretion of voting rights of the B Shareholders). Accordingly, in the event of a corporate event in or alteration of capital of the Company which has the effect of increasing or decreasing the number of Stapled Ordinary Shares held by any B Shareholder, the number of B Shares held by such B Shareholder shall be increased or decreased, as the case may be, to maintain the B Share Issue Ratio of Stapled Ordinary Shares to B Shares held by such B Shareholder.
- 9.3. Having regard to clause 9.2 and notwithstanding any other provision of this MOI, if an Adjustment Event occurs and such Adjustment Event results in –
- 9.3.1. the B Shareholders exercising a smaller portion of the total voting rights exercisable at meetings of the Company after the occurrence of the Adjustment Event than they did prior to the occurrence of the Adjustment Event, then such number of new B Shares as will result in the B Shareholders exercising the same proportion of the total voting rights exercisable at meetings of the Company as they would have had the Adjustment Event not occurred (i.e. maintaining the ratio of B Shares to Stapled Ordinary Shares in the B Share Issue Ratio) will be allotted and issued to the B Shareholders (in proportion to their holding of Stapled Stores Shares) against payment of a subscription price of R0.00001 (zero point zero zero zero zero one Rand) per B Share;
- 9.3.2. the B Shareholders exercising a greater portion of the total voting rights exercisable at meetings of the Company after the occurrence of the Adjustment Event than they did prior to the occurrence of the Adjustment Event, then the Company shall have the right and option to repurchase (in proportion to their holding of Ordinary Shares) such number of B Shares from the B Shareholders as will result in them exercising the same proportion of the total voting rights exercisable at meetings of the Company as they would have had the Adjustment Event not occurred (i.e. maintaining the ratio of B Shares to Stapled Ordinary Shares in the B Share Issue Ratio). The aforesaid right and option to repurchase shall be at a repurchase price of R0.00001 (zero point zero zero zero zero one Rand) per B Share and otherwise in accordance with clause 7.2 above which shall apply mutatis mutandis. Any B Shares which the Company is entitled to repurchase in terms of this clause 9.3.2 shall cease to enjoy voting rights immediately upon the occurrence of the Adjustment Event in question.

- 9.4. For the avoidance of doubt, it is recorded that –
- 9.4.1. the following capital restructures or corporate actions and events shall constitute an Adjustment Event, namely –
- 9.4.1.1. a sub-division or consolidation of Ordinary Shares;
- 9.4.1.2. a rights issue in respect of Ordinary Shares, to the extent that B Shareholders follow their rights in respect of their Stapled Stores Shares;
- 9.4.2. the following corporate actions and events shall not constitute an Adjustment Event –
- 9.4.2.1. any issue of Ordinary Shares in which all Ordinary Shareholders would not be entitled to participate including, without limitation, any issue of Ordinary Shares under any employee incentive scheme;
- 9.4.2.2. any acquisition issue of Ordinary Shares;
- 9.4.2.3. any vendor consideration placing of Ordinary Shares;
- 9.4.2.4. any issue of Ordinary Shares for cash or to settle any indebtedness, liability, obligation, commitment, expense or the like;
- 9.4.2.5. any amalgamation or merger in accordance with section 113 of the Act; and
- 9.4.2.6. any rights issue to the extent that the B Shareholders do not follow their rights in respect of their Stapled Ordinary Shares.

ANNEXURE 7: MANAGEMENT OF CONFLICT AND MAINTENANCE OF INDEPENDENCE

In compliance with the Companies Act and the Takeover Regulations, the Independent Board was established for the purposes of considering and dealing with the Transaction and the Scheme. The Independent Board being cognisant of actual and potential conflicts between the position of the Controlling Shareholders in relation to the Transaction and the Scheme and the position of Holdings Minority Shareholders have taken care to ensure that their independence was and will remain in place for the duration of the Transaction and the Scheme.

In particular:

- the Independent Board independently evaluated the Transaction without the presence of the Controlling Shareholders, their Directors and their advisers; and
- the Independent Board appointed independent advisers to those appointed by the Controlling Shareholders.

The Controlling Shareholders, who were likewise seized with the actual and potential conflicts flowing from their position in relation to the Transaction and the Scheme, have voluntarily undertaken (to the extent not in any event prohibited as a matter of law or the Listings Requirements) not to vote their Holdings Shares on the resolutions to be proposed at the General Meeting.

As a result of the different outcomes of the Transaction for Holdings Minority Shareholders and Stores Minority Shareholders, Holdings has undertaken not to vote its Stores Shares on the resolutions to be proposed at the Stores General Meeting.

ANNEXURE 8: ILLUSTRATIVE DILUTIVE EFFECT ON VOTES NOTIONALLY EXERCISABLE BY HOLDINGS SHAREHOLDERS IN STORES

Effective voting interest after the Pre-Unbundling Disposal, but before Unbundling and the issue and allotment of the B Shares to the Controlling Shareholders

Holdings' voting interest in Stores	52.8%
Holdings Minority Shareholders' effective economic interest in Stores	25.8%
Holdings Minority Shareholders' effective voting interest in Stores	25.2%

Effective voting interest after the Pre-Unbundling Disposal, Unbundling and the issue and allotment of the B Shares to the Controlling Shareholders

Holdings Minority Shareholders' economic interest in Stores	25.8%
Holdings Minority Shareholders' voting interest in Stores	16.2%
Holdings Minority Shareholders' percentage dilution	35.9%

Note: After the Transaction Stores Minority Shareholders will have a direct voting interest in Stores of 31.0%. The total voting interest held by Stores Minority Shareholders and Holdings Minority Shareholders equals the 47.2% voting interest that Stores Minority Shareholders had before the Transaction.

ANNEXURE 9: AMENDMENTS TO THE PICK N PAY EMPLOYEE SHARE SCHEME RULES

Pick n Pay 1997 Share Option Scheme

The deletion of clause 11.4 and the replacement thereof with the following amended clause 11.4:

“11.4 Should the Trustees cancel an unexercised Option, they shall elect to either:

- 11.4.1 pay to a Participant (or his or her estate) such sum as would have been owing by them in terms of this Agreement had the Option been exercised, but the relevant Sale Shares not paid for or delivered, as at the date of the relevant event; or
- 11.4.2 in respect of Options to acquire Shares in Pikwik, to substitute such Options with Options to acquire Shares in the Company of equivalent value, with the intent and purpose that pursuant to such substitution the Participant shall be in the same financial position but for such cancellation and substitution, insofar as is reasonably possible.”

Blue Ribbon Employee Share Purchase Trust

The addition of the following provisions:

- “11.3 It is recorded and agreed that in the event that any distribution in specie is made to participant holders of shares in the capital of Pick n Pay Holdings Limited, which distribution in specie comprises shares in the capital of Pick n Pay Stores Limited (the “**Stores Substitution Shares**”), during the currency of any pledge in terms of this clause 11, then, unless otherwise determined by way of resolution of the trustees, such Stores Substitution Shares shall:
- 11.3.1 accrue to the relevant participant, but the trustees shall be entitled irrevocably and in rem suam to receive the share certificate(s) (if applicable) relating to the relevant Stores Substitution Shares on behalf of the relevant participant;
 - 11.3.2 be subject to a pledge in favour of the trust, in terms of which the participant pledges the relevant Stores Substitution Shares, on the terms contained in clause 11.2 above mutatis mutandis, as security for the due payment by the participant of his share debt; and
 - 11.3.3 otherwise be subject to the scheme rules as contained herein mutatis mutandis.
- 11.4 Should shares in the capital of Pick n Pay Holdings Limited become subject to a scheme of arrangement, within the meaning of section 114 of the Companies Act No 71 of 2008, pursuant to which the holders thereof become obliged to dispose of such shares then, subject to the provisions of clause 11.3 above, such shares shall be released from the operation of any pledge to which they are subject to, in terms of this clause 11.
- 11.5 The intent and purpose of clauses 11.3 and 11.4 above, and the powers conferred upon the trustees thereunder, are to ensure that participants entitled to shares in the capital of Pick n Pay Holdings Limited or whom are the owners of such shares, pledged to the trustees, are not prejudiced in the event of a scheme of arrangement or other corporate action which has the effect of reducing the value of the shares in the capital of Pick n Pay Holdings Limited and/or expropriating such shares.”

ANNEXURE 10: SUMMARY OF B SHARE TERMS

KEY B SHARE TERMS

Key term	B Share disposal term
Class of shares	• Unlisted, non-convertible, non-participating, no par value shares • Voting rights but no economic participation and no veto rights • To be issued at a nominal value • B Shares will be stapled to the Stores Shares on their issue (collectively for this Annexure “B/Stapled Ordinary Shares”) and cannot be traded separately from each other • To be issued in a pre-determined ratio of B Shares to Stores Shares, i.e. the B Share Issue Ratio
Voting rights	• B Shares will provide additional voting rights to ensure that the Controlling Shareholders retain the same level of voting control in Stores after the Proposed Transaction as they currently enjoy (i.e. 52.8% of the votes in Stores.) (The current 52.9% effective control is reduced to 52.8% due to the Pre-Unbundling Disposal).
Economic rights	• B Shares will not have any economic rights: – Not entitled to participate in any profits of Stores – Not entitled to dividends – No rights in liquidation
Administering B Shares	• Disposal or transfer of B/Stapled Ordinary Shares held by a B Shareholder must be as follows: – Stapled Ordinary Shares: on- or off-market; plus – B Shares (together with Stapled Ordinary Shares linked to it): off-market disposal • In order to ensure the “stapled” nature of B/Stapled Ordinary Shares, the Stores company secretary must be informed of any proposed disposal of B/Stapled Ordinary Shares pre such disposal. Failure to notify the company secretary will result in the voting rights attaching to the B Shares linked to the Stapled Ordinary Shares being “cancelled” through a cessation of the voting rights (and subsequent repurchase by Stores)
Adjustments	• Should there be a corporate event or an alteration of the share capital of Stores, which increases or decreases the number of Stapled Ordinary Shares, then in certain circumstances the number of B Shares held by such B Shareholder shall be increased or decreased, as the case may be, to maintain the B Share Issue Ratio held by such B Shareholder

KEY B SHARE (LINKED TO STAPLED ORDINARY SHARES) DISPOSAL TERMS

Effective voting threshold/ procedural issue	Disposal term	Effect	Rationale for the term
Procedural	The Stores company secretary must be informed of any proposed disposal of B Shares linked to Stapled Ordinary Shares ((collectively for this Annexure "B/Stapled Ordinary Shares") pre such disposal. The voting rights attaching to the B Shares stapled to those Stapled Ordinary Shares will be "cancelled" through a cessation of the voting rights and subsequent repurchase if the company secretary is not informed of a disposal.	If the company secretary is not informed pre a disposal of the B Stapled Ordinary Shares, the voting rights attaching to the B Shares stapled to those Stapled Ordinary Shares will effectively be cancelled through a cessation of the voting rights and subsequent repurchase.	As the B Shares are unlisted, the transfer and holding thereof (to ensure the stapled nature of the B Shares to the Stapled Ordinary Shares) will be managed by the company secretary. The company secretary will only be able to record who the holders of B Shares (linked to Stapled Ordinary Shares) are if information on the disposal is provided to the company secretary pre a disposal.
	The trading of Stapled Ordinary Shares (linked to the B Shares) can take place "off-market" (i.e. in materialised form, or dematerialised form not via the JSE normal order book) or "on-market" (i.e. in dematerialised form via the JSE's normal order book). However, if a disposal of a Stapled Ordinary Share which is stapled to a B Share is performed "on-market" by a B Shareholder, the voting rights attaching to the B Shares stapled to those Stapled Ordinary Shares will be cancelled through a cessation of the voting rights and subsequent repurchase.	The voting rights attaching to B Shares stapled to Stapled Ordinary Shares, which are disposed of "on-market" will be cancelled through a cessation of the voting rights and subsequent repurchase.	In an "on-market" transaction of Stapled Ordinary Shares, it will not be possible to identify the purchaser and as such the company secretary will not be able to appropriately record the transfer of the B Shares. To ensure proper recording of B Shareholders the voting rights attaching to B Shares will be cancelled through a cessation of the voting rights and subsequent repurchase in an "on-market" transaction of Stapled Ordinary Shares.

Effective voting threshold/ procedural issue	Disposal term	Effect	Rationale for the term
< 25%	In a disposal of B/Stapled Ordinary Shares by a B Shareholder, where the combined voting rights of all other Stores Shares plus B/Stapled Ordinary Shares acquired by a purchaser (together with its concert parties and related parties) are not more than an effective aggregated 25% of the total Stores voting rights, the voting rights attaching to the B Shares stapled to the Stapled Ordinary Shares acquired will be cancelled through a cessation of the voting rights and subsequent repurchase. Similarly, if the combined voting rights of all other Stores Shares plus B/Stapled Ordinary Shares still held by the selling B Shareholder (together with its concert parties and related parties) (initially the Controlling Shareholders) are not more than an effective aggregated 25% of the Stores total voting rights, the voting rights attaching to the B Shares held by the seller will be cancelled through a cessation of the voting rights and subsequent repurchase.	The voting rights attaching to B Shares stapled to the Stapled Ordinary Shares are cancelled in the hands of a B Shareholder that does not hold more than 25% of Stores' total voting rights (together with its concert parties and related parties).	Ordinarily any single shareholder and its concert parties and related parties would lose so-called "negative" control below 25% shareholding, and hence the cessation of the voting rights of the B Shares is intended to simulate this loss of "negative" control. Further, it also ensures that when the B Shareholder disposes of B/Stapled Ordinary Shares in very small numbers at a time, that in those instances the voting rights attaching to the B Shares also get cancelled, as it will not be possible to administer the B Shares and their holders if too many parties started holding these.
	If at any point in time there is not a single B Shareholder (together with its concert parties and related parties) that holds more than an effective aggregate 25% of the Stores total voting rights, then the voting rights attaching to all B Shares will be cancelled through a cessation of the voting rights and subsequent repurchase.	The voting rights attaching to all B Shares are cancelled through a cessation of the voting rights and subsequent repurchase if there are no more B Shareholders (together with their concert parties and related parties) that hold more than 25% of the Stores total voting rights.	B Shares effectively provide voting rights similar to the current effective voting status quo. If no party holds more than 25%, the B Shares should not operate further to reflect the current status quo.

Effective voting threshold/ procedural issue	Disposal term	Effect	Rationale for the term
≥ 25%	If a purchaser acquires B/Stapled Ordinary Shares from a B Shareholder and post the acquisition holds more than 25% of the effective aggregated total voting rights together with its concert parties and related parties (B/Stapled Ordinary Shares acquired and existing Stores Shares) in Stores and the selling B Shareholder of the B/Stapled Ordinary Shares also still holds effective aggregated total voting rights (B/Stapled Ordinary Shares and existing Stores Shares) in Stores of more than 25%, together with its concert parties and related parties, then the purchaser of the B/Stapled Ordinary Shares will have the choice to elect to either: (i) make an offer to all other Stores Shareholders to acquire their shares at the same price paid for the B/Stapled Ordinary Shares; or (ii) to have the voting rights attaching to the B Shares stapled to the Stapled Ordinary Shares acquired cancelled through a cessation of the voting rights and subsequent repurchase ("25% Election Term"). Should an offer to minorities be made per the 25% Election Term, the full consideration payable to the B Shareholder under the transaction which triggers the offer shall be attributed to the Stapled Ordinary Shares and no value shall be attributed to the B Shares.	The purchaser of B/Stapled Ordinary Shares can either: • make the same offer to all other Stores shareholders at the same price it paid on the B/Stapled Ordinary Shares; or • have the voting rights attaching to its B Shares in respect of the B/Stapled Ordinary Shares cancelled through a cessation of the voting rights and subsequent repurchase and thus only hold Stores Shares.	The 25% Election Term is meant to counteract a "synthetic double 25%" voting position where there are two B Shareholders (after the disposal of B/Stapled Ordinary Shares) with greater than an effective 25% of the Stores total voting rights by virtue of the fact that the B Shares have voting rights. As such the purpose is to give an election to the purchaser to decide if he wishes to retain the B Shares or if the effective 25% voting (notwithstanding that the purchaser may have acquired Stores Shares of less than 25%, but get more than 25% due to the B Shares attaching to the Stapled Ordinary Shares) arising from this is important and the purchaser is willing to pay a premium for this, that all minority shareholder also get the opportunity to be paid such a premium, if any, to prevent minority shareholders from being disadvantaged. The purpose of the term ascribing the full value of an offer to minorities per the 25% Election Term is to ensure that minority shareholders enjoy the full benefit of the offer (despite not owning any B Shares).
≥ 35%	Should an offer to minorities be made the full consideration payable to the B Shareholder under the transaction which triggers the offer shall be attributed to the Stapled Ordinary Shares and no value shall be attributed to the B Shares. No further specific terms applicable.	Where B/Stapled Ordinary Shares are transferred that constitute 35% or more the usual Take Over Regulation Panel rules apply regarding a mandatory offer to all Stores shareholders.	The standard Take Over Regulation Panel rules require a mandatory offer to be made in any transaction where more than 35% is transferred. Provided the thresholds above are met, the B Shares will be transferred and not cancelled. Again, the purpose of the term ascribing the full value of an offer to minorities is to ensure that minority shareholders enjoy the full benefit of the offer (despite not owning any B Shares).



Pick n Pay Holdings Limited RF

(Incorporated in the Republic of South Africa)

(Registration number: 1981/009610/06)

JSE Code: PWK ISIN: ZAE000005724

("Holdings" or "the Company")

NOTICE OF GENERAL MEETING OF HOLDINGS SHAREHOLDERS

All terms defined in the Circular to which this notice of General Meeting is attached shall bear the same meanings herein.

Notice is hereby given that a General Meeting of Holdings Shareholders, or their proxies, will be held at the registered office of Holdings at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, on Monday, 25 July 2016 at 08:30 to consider and, if deemed fit, to pass, with or without modification, the resolutions set out in this notice of General Meeting or at any postponement or adjournment of the General Meeting. Registration for attendance at the General Meeting will commence at 08:00.

Holdings and Stores Shareholders are advised that as soon as the General Meeting of Holdings Shareholders is concluded, a General Meeting will be held at the same venue for Stores Shareholders. Given the uncertainty of the commencement time of the Stores General Meeting, Stores Shareholders are hereby invited to attend (but not to participate unless in their capacity as Holdings Shareholders) the General Meeting, given that the proposed transaction that is the subject of the General Meeting is indivisibly linked with that of the subsequent Stores General Meeting. Likewise, Holdings Shareholders are invited to attend (but not to participate unless in their capacity as Stores Shareholders) the Stores General Meeting that will commence as soon as the General Meeting is completed.

Holdings and Stores Shareholders are advised that once the Holdings General Meeting and the Stores General Meeting are completed, the Annual General Meetings of Holdings and Stores will take place. Holdings and Stores Shareholders are invited to attend the Annual General Meetings in addition to the General Meetings.

In the interests of good corporate governance, the Controlling Shareholders have undertaken not to vote their Holdings Shares on the resolutions to be proposed at this General Meeting.

Holdings has determined that the Record Date for the purpose of determining which Holdings Shareholders are entitled to receive notice of the General Meeting is Friday, 17 June 2016 and the Record Date for purposes of determining which Holdings Shareholders are entitled to participate in and vote at the General Meeting is Friday, 15 July 2016. Accordingly, only Holdings Shareholders who are registered in the securities register of members of Holdings on Friday, 15 July 2016 will be entitled to participate in and vote at the General Meeting.

All references to the MOI of Holdings in this notice of General Meeting refer to the MOI of Holdings which was adopted by special resolution under the Companies Act No 71 of 2008, as amended ("Companies Act") at the Annual General Meeting of Holdings Shareholders held on 15 June 2012.

Each of the ordinary and special resolutions set out below may be proposed and passed at the General Meeting or at any postponement or adjournment of the General Meeting.

The purpose of the General Meeting is for the following business to be transacted and for the following special and ordinary resolutions to be proposed:

SPECIAL RESOLUTION NUMBER 1 – UNBUNDLING AND CONSEQUENT DISPOSAL OF ALL OR A GREATER PART OF THE COMPANY'S ASSETS

RESOLVED THAT, subject to the passing of this special resolution as well as the passing of all resolutions to be proposed at the General Meeting of Stores scheduled to be held on the same day as this General Meeting, the Company's Shareholders hereby authorise, by way of special resolution (including for the purposes of sections 112 read together with section 115 of the Companies Act), the unbundling and distribution in specie by the Company of 257 045 334 ordinary issued shares of Stores to the Company's Shareholders in the Entitlement Ratio, such that:

1. the Controlling Shareholders shall, collectively, receive 26.8% (twenty six point eight percent) of the issued ordinary shares of Stores, in proportion and pro rata to their shareholding in the Company as at the Record Date; and
2. the Holdings Minority Shareholders shall, collectively, receive 25.8% (twenty five point eight percent) of the issued ordinary shares of Stores, in proportion and pro rata to their shareholding in the Company as at the Record Date.

Voting requirement

This resolution requires the support of at least 75% of the voting rights exercised on the resolution in terms of section 112, read with section 115, of the Companies Act.

Explanation

The purpose of this special resolution is for Holdings, as part of the Transaction, to unbundle the Stores Shares which Holdings holds to Holdings Shareholders such that the Holdings Shareholders become direct shareholders in Stores eliminating the dual point of entry to the Pick n Pay Group currently comprised by Holdings and its subsidiaries. As a consequence of this special resolution, Holdings will be constituted as a shell with no material assets or liabilities and as such Holdings shall not be entitled to retain a listing on the JSE.

SPECIAL RESOLUTION NUMBER 2 – APPROVAL OF THE SCHEME OF ARRANGEMENT

RESOLVED THAT, subject to the passing of this special resolution as well as the passing of (i) special resolution number 1 to be proposed at this General Meeting, and (ii) all resolutions to be proposed at the General Meeting of Stores scheduled to be held after this General Meeting, the scheme of arrangement in terms of section 114 of the Companies Act proposed between the Company and the Company's Shareholders and more fully described in the Circular to the Company's Shareholders dated Friday, 24 June 2016 of which this notice of General Meeting forms part, be and is hereby approved as a special resolution in terms of section 115(2)(a) of the Companies Act on the basis that if such scheme of arrangement becomes operative, Stores will acquire all of the issued shares of the Company from the Company's Shareholders.

Voting requirement

This resolution requires the support of at least 75% of the voting rights exercised on the resolution in accordance with section 114 of the Companies Act.

Explanation

The purpose of this special resolution is to approve a scheme of arrangement pursuant to which all of the Shares in Holdings are acquired from Holdings Shareholders to facilitate the winding-up of Holdings which will, as a result of the implementation of special resolution number 1 above, be no more than a shell with no material assets or liabilities.

SPECIAL RESOLUTION NUMBER 3 – AMENDMENTS TO THE PICK N PAY EMPLOYEE SHARE SCHEMES

RESOLVED THAT, subject to the passing of (i) special resolution number 1 to be proposed at this General Meeting, and (ii) all resolutions to be proposed at the General Meeting of Stores scheduled to be held after this General Meeting, the Company be and hereby is authorised to effect amendments to the scheme rules of the employee share schemes, being the Blue Ribbon Employee Share Purchase Trust and the Pick n Pay 1997 Share Option Scheme, to ensure that participants are not prejudiced pursuant to the implementation of special resolution number 1 and/or special resolution number 2 above. Accordingly, the relevant scheme rules shall be amended to provide for the substitution of Holdings Shares for Stores Shares of equivalent value, with the intent and purpose that the participants in question should continue to derive the same benefit in respect thereof insofar as is possible.

Voting requirement

This resolution requires the support of at least 75% of the voting rights exercised on the resolution, in accordance with schedule 14.1 of the JSE Listings Requirements, and is accordingly required to be framed as a special resolution in terms of the Company's Memorandum of Incorporation.

Explanation

The purpose of this special resolution is to approve amendments to the Pick n Pay employee share schemes pursuant to which employees who hold shares in Holdings, which are subject to a pledge arrangement, or who hold options to acquire shares in Holdings (whether or not exercised) will hereafter have their entitlements substituted with entitlements to acquire Stores shares or options (as the case may be) of equivalent value on the same terms and conditions.

SPECIAL RESOLUTION NUMBER 4 – AMENDMENT TO THE COMPANY'S MEMORANDUM OF INCORPORATION

RESOLVED THAT, subject to the passing of special resolution number 1 to be proposed at this General Meeting, the existing Memorandum of Incorporation of the Company be and is hereby substituted by the new Memorandum of Incorporation in terms of which, inter alia, the Company shall be permitted to round down entitlements to fractions of securities to the nearest whole number, and to pay the value of such a fraction of a security to any such shareholder, which new Memorandum of Incorporation is tabled at this General Meeting and initialled by the Chairman for the purposes of identification in accordance with the provisions of section 16(1)(c) (read together with sections 16(5) and 36(2)(a)) of the Companies Act.

Voting requirement

This resolution is a special resolution and requires the support of at least 75% of the voting rights exercised on the resolution in terms of section 16(1)(c) of the Companies Act.

Explanation

Pursuant to the passing and implementation of special resolution number 1 above, Stores shares will be distributed to Shareholders of the Company in the Entitlement Ratio, which will result in shareholders becoming entitled to fractions of securities. The purpose of this special resolution is to allow the Company to round down entitlements to fractions of securities, to the nearest whole number, and to pay the value of such a fraction of a security to any such shareholder.

ORDINARY RESOLUTION NUMBER 1 – DIRECTORS AUTHORISED TO ACT

RESOLVED THAT, subject to the passing of all of the special resolutions proposed at the General Meeting at which this resolution is proposed and subject further to the passing of all resolutions of Stores referenced therein, any director of the Company and/or the company secretary be and is hereby authorised and empowered to:

- sign all documents which may be necessary or desirable for the implementation of such special resolutions as have been passed and their filing; and
- generally do anything necessary or desirable for the implementation of such special resolutions as have been passed and all such actions taken prior hereto be and hereby are ratified.

Ordinary resolutions require the approval of at least 50% (fifty percent) of the voting rights plus 1 (one) vote exercised on the resolution.

QUORUM

The General Meeting may not begin until at least three Shareholders entitled to attend and vote at the meeting are present in person and sufficient persons are present (in person or by proxy) at the General Meeting to exercise, in aggregate, at least 25% of all the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the General Meeting. The Controlling Shareholders will be taken into account in determining quorum, but will not vote on any of the resolutions proposed in this Circular.

IDENTIFICATION

In terms of section 63(1) of the Companies Act, all General Meeting participants will be required to provide identification reasonably satisfactory to the Chairman of the General Meeting, who must be reasonably satisfied that the right of that person to participate in, and speak and vote at, the General Meeting, as a Holdings Shareholder, as a proxy for a Holdings Shareholder or as a representative of a Holdings Shareholder, has been reasonably verified.

Examples of satisfactory identification include valid South African driver's licences, identity documents or passports.

APPRAISAL RIGHTS

Holdings Shareholders are hereby advised of their appraisal rights in terms of section 164 of the Companies Act. Their attention is drawn to the provisions of that section which are set out in Annexure 5 to the Circular, and to the explanation thereof contained in paragraph 8 of the Circular commencing on page 19 of the Circular.

ENTITLEMENT TO ATTEND AND VOTE AT THE GENERAL MEETING IN PERSON OR BY PROXY

If you hold Certificated Holdings Shares (i.e. have not Dematerialised your Holdings Shares) or are registered as an Own-Name Dematerialised Holdings Shareholder (i.e. have specifically instructed your Central Securities Depository Participant (CSDP) to hold your shares in your own name in the Holdings sub-register) then:

- you may attend and vote at the General Meeting; alternatively
- you may appoint an individual as a proxy (who need not also be a Holdings Shareholder) to attend, participate in and speak and vote in your place at the General Meeting by completing the attached Form of Proxy (pink) and it is recommended that it be returned to the registered office of the Company or to the Transfer Secretaries, Computershare Investor Services Proprietary Limited ("Computershare"), the details of which are set out in the Corporate Information and Advisers section of the Circular on the inside front cover, by no later than 08:30 on Thursday, 21 July 2016. Please note that your proxy may delegate his/her authority to act on your behalf to another person, subject to the restrictions set out in the attached Form of Proxy (pink). Please also note that the attached Form of Proxy (pink) must be delivered to the registered office of Holdings or to the Transfer Secretaries, Computershare as aforesaid, before your proxy may exercise any of your rights as a Holdings Shareholder at the General Meeting.

Unless revoked before then, a signed proxy form shall remain valid at any adjournment or postponement of the General Meeting and the proxy so appointed shall be entitled to vote, as indicated on the proxy form, on any resolution at such General Meeting or any adjournment or postponement thereof.

Please note that:

- any Holdings Shareholder that is a company may authorise any person to act as its representative at the General Meeting;
- if you are the owner of Dematerialised Holdings Shares (i.e. have replaced the paper share certificates representing the Holdings Shares with electronic records of ownership under the JSE's electronic settlement system, Strate) held through a CSDP or Broker (or their nominee) and are not registered as an "Own-Name Dematerialised Holdings Shareholder" then you are not a registered Holdings Shareholder, 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 if you:

- wish to attend the General Meeting you must contact your CSDP or Broker and obtain the relevant letter of representation from it; alternatively
- are unable to attend the General Meeting but wish to be represented at the meeting, you must contact your CSDP or Broker and furnish it with your voting instructions in respect of the General Meeting and/or request it to appoint a proxy. You must not complete the attached Form of Proxy (pink). The instructions must be provided in accordance with the mandate between yourself and your CSDP or Broker within the time period required by your CSDP or Broker.

CSDPs, Brokers or their nominees recorded in the Company's sub-register as holders of Dematerialised Holdings 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 Holdings Shares, vote by either appointing a duly authorised representative to attend and vote at the General Meeting or by completing the attached Form of Proxy (pink) in accordance with the instructions thereon and it is recommended that it be returned to the registered office of the Company or to the Transfer Secretaries, Computershare, the details of which are set out below by no later than 08:30 on 21 July 2016.

For and on behalf of the Directors

Ms Debra Muller

Company secretary
Cape Town

24 June 2016

Registered office

101 Rosmead Avenue
Kenilworth
Cape Town
7708
(PO Box 23087, Claremont, 7735)

Transfer Secretaries

Computershare Investor Services Proprietary Limited
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

**Pick n Pay Holdings Limited RF**

(Incorporated in the Republic of South Africa)

(Registration number: 1981/009610/06)

JSE Code: PWK ISIN: ZAE000005724

("Holdings" or "the Company")

FORM OF PROXY – GENERAL MEETING OF HOLDINGS SHAREHOLDERS

FOR COMPLETION BY HOLDINGS SHAREHOLDERS (THE "SHAREHOLDERS") WHO HAVE NOT YET DEMATERIALISED THEIR HOLDINGS SHARES OR WHO HAVE DEMATERIALISED THEIR HOLDINGS SHARES WITH "OWN NAME" REGISTRATION ONLY

If you wish to appoint a proxy to act on your behalf at the General Meeting of Holdings Shareholders to be held on Monday, 25 July 2016 and at any adjournment or postponement thereof, please complete and return this Form of Proxy. (Also see the notes overleaf.)

All terms defined in the Circular to which this Form of Proxy is attached shall bear the same meanings herein.

Note: If your Dematerialised Holdings Shares are held through a Central Securities Depository Participant ("CSDP") or Broker and you have not provided the nominee with a general mandate to act on your behalf at shareholder meetings, and you wish to cast your vote at this General Meeting or you want to attend the General Meeting in person, please contact your CSDP or Broker.

I/WE (Full names in BLOCK LETTERS please) of

(insert address)

Telephone number

Cell phone number

email address

being the holder(s) of

Holdings shares, hereby appoint:

1. or failing him/her

2. or failing him/her

3. the chairman of the General Meeting,

as my/our proxy to act for me/us and on my/our behalf at the General Meeting which will be held for the purpose of considering, and if deemed fit, passing the special and ordinary resolutions to be proposed thereat and at any adjournment or postponement thereof and to vote for and/or against the special and ordinary resolutions and/or abstain from voting in respect of the Holdings Shares, as applicable, registered in my/our name/s as follows:

Please indicate with an "X" the instructions to your proxy in the spaces provided below. In the absence of such indication the proxy will be entitled to exercise his/her discretion in voting.

	FOR	AGAINST	ABSTAIN
Special Resolution Number 1 – Unbundling and consequent disposal of all or a greater part of the Company's assets			
Special Resolution Number 2 – Approval of the Scheme of Arrangement			
Special Resolution Number 3 – Amendments to the Pick n Pay employee share schemes			
Special Resolution Number 4 – Amendment to the Company's Memorandum of Incorporation			
Ordinary Resolution Number 1 – Directors authorised to act			

Signed at on 2016

Signature

Assisted by (where applicable)

Name

Capacity

Signature

(Please print in BLOCK LETTERS)

Please read the notes overleaf.

SUMMARY OF SHAREHOLDERS' RIGHTS IN RESPECT OF PROXY APPOINTMENTS AS CONTAINED IN SECTION 58 OF THE COMPANIES ACT

Please note that in terms of section 58 of the Companies Act:

- this proxy form must be dated and signed by the Holdings Shareholder appointing the proxy;
- you may appoint an individual as a proxy, including an individual who is not a Holdings Shareholder, to participate in and speak and vote at a Shareholders' meeting on your behalf;
- your proxy may delegate his/her authority to act on your behalf to another person, subject to any restriction set out in this proxy form;
- this proxy form must be delivered to the Company, or to the Transfer Secretaries of the Company, namely Computershare Investor Services Proprietary Limited, details of which can be found in note 5 to this Form of Proxy, before your proxy exercises any of your rights as a shareholder at the General Meeting;
- the appointment of your proxy or proxies will be suspended at any time to the extent that you choose to act directly and in person in the exercise of any of your rights as a shareholder at the General Meeting;
- the appointment of your proxy is revocable unless you expressly state otherwise in this proxy form;
- as the appointment of your proxy is revocable, you may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy and to the Company. Please note the revocation of a proxy appointment constitutes a complete and final cancellation of your proxy's authority to act on your behalf as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered to the Company and the proxy as aforesaid;
- if this proxy form has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the Company's Memorandum of Incorporation to be delivered by the Company to you will be delivered by the Company to you or your proxy or proxies, if you have directed the Company to do so, in writing and paid any reasonable fee charged by the Company for doing so;
- your proxy is entitled to exercise, or abstain from exercising, any voting right of yours at the General Meeting, but only as directed by you on this proxy form;
- the appointment of your proxy remains valid only until the end of the General Meeting or any adjournment or postponement thereof or for a period of 6 (six) months, whichever is shortest, unless it is revoked by you before then on the basis set out above.

The proxy form shall be valid and shall apply to any adjournment or postponement of the General Meeting to which it relates and shall apply to any resolution proposed at the General Meeting to which it relates and to such resolution including any such resolution to be voted on at any adjourned or postponed meeting of the General Meeting to which the proxy relates, unless the proxy is revoked before the adjourned or postponed meeting.

NOTES TO THE FORM OF PROXY

1. The person whose name stands first on the proxy form and who is present at the General Meeting will be entitled to act as a proxy to the exclusion of those whose names follow thereafter.
2. If no proxy is inserted in the spaces provided, then the chairman shall be deemed to be appointed as the proxy to vote or abstain as the chairman deems fit.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. If there is no clear indication as to the voting instructions to the proxy, the proxy form will be deemed to authorise the proxy to vote or to abstain from voting at the General Meeting as he/she deems fit in respect of all of the shareholder's votes exercisable at the General Meeting.
4. A Holdings Shareholder or his/her proxy is not obliged to use all the votes exercisable by the Holdings Shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy. A proxy shall be entitled to demand that voting takes place on a poll.
5. Proxy forms must be lodged at the registered office of the Company, Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, or posted to the company secretary at PO Box 23087, Claremont, 7735, or lodged with or posted to the Transfer Secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107, South Africa).
6. It is recommended that forms of proxy be received or lodged by no later than 08:30 on Thursday, 21 July 2016, being 2 (two) business days before the General Meeting to be held at 08:30 on Monday, 25 July 2016, for administrative reasons only.
7. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the company secretary or waived by the chairman of the General Meeting if he/she is reasonably satisfied that the right of the representative to participate and vote has been reasonably verified. CSDPs or Brokers registered in the Company's securities, sub-register voting on instructions from beneficial owners of shares registered in the Company's securities 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.
8. Any alteration or correction made to this proxy form must be initialled by the signatory/ies, but will only be validly made if such alteration or correction is accepted by the Chairman of the General Meeting.
9. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the company secretary.



Pick n Pay Holdings Limited RF

(Incorporated in the Republic of South Africa)

(Registration number: 1981/009610/06)

JSE Code: PWK ISIN: ZAE000005724

("Holdings" or "the Company")

FORM OF SURRENDER AND TRANSFER

FOR USE BY CERTIFICATED HOLDINGS SHAREHOLDERS ONLY

This Form of Surrender and Transfer (green) should be read in conjunction with the Circular sent to ordinary Shareholders dated Friday, 24 June 2016.

All terms defined in the Circular to which this Form of Surrender is attached shall bear the same meanings herein.

It should be noted that this Form of Surrender is only for use in terms of the Scheme.

Instructions:

1. A separate form is required for each Certified Holdings Shareholder
2. **Part A** must be completed by all persons who return this form.
3. **Part B** must be completed by all persons who are emigrants from or who are Non-Resident of the Republics of South Africa and Namibia and the Kingdoms of Swaziland and Lesotho ("the common monetary area") **only** (see note 2).
4. **Part C** must be completed by those persons who wish to have the cash consideration in respect of the Transfer electronically transferred into their bank accounts.

Notes:

If –

- the Scheme becomes effective and you have surrendered your share certificates in respect of your Holdings Shares to the Transfer Secretaries together with this duly completed Form of Surrender and Transfer by no later than 12:00 on Friday, 26 August 2016, the Scheme Consideration in respect of the Scheme will be (i) paid to you by electronic funds transfer if you have stipulated a valid bank account for this purpose in this Form of Surrender and Transfer, or (ii) posted to you, at your own risk, by way of registered post to your address as reflected in the securities register of the Company unless you indicate an alternate address herein, in either event on or about Monday, 29 August 2016. Certificated Holdings Shareholders whose share certificates and duly completed Forms of Surrender and Transfer (green) are received by the Transfer Secretaries after 12:00 on Friday, 26 August 2016 will have the Scheme Consideration in respect of the Transfer paid or posted to them on the same basis within five Business Days of receipt of such share certificates and duly completed Forms of Surrender and Transfer.

To: The Transfer Secretaries

Delivered to:

Computershare Investor Services Proprietary Limited
Ground Floor
70 Marshall Street
Johannesburg
2001

Posted to:

Computershare Investor Services Proprietary Limited
PO Box 61763
Marshalltown
2107

Dear Sirs

I/We hereby surrender and enclose the share certificate/s, certified transfer deed/s and/or other document/s of title listed overleaf in respect of my/our entire holding of Holdings Shares.

PART A – ALL HOLDINGS SHAREHOLDERS

NB: Please complete the following in block capitals

Surname or name of company

First names (in full)

Title (Mr/Mrs/Miss/etc.)

Physical address

Postal address

Email address

Telephone number

Cellphone number

Name of registered holder	Certificate number(s) (in numerical order)	Number of shares covered by each certificate
Total		

Signature of Shareholder	Stamp and address of agent lodging this form (if any)
Assisted by me (if applicable)	
(State full name and capacity)	
Date	

Cheques reflecting the Scheme Consideration due in terms of the Scheme will be –

- sent to the above postal address (if different from the address in the register of securities of the Company or if the same to the above address, being the address in the register of securities of the Company) by registered post at the risk of the Holdings Shareholder concerned on the Operative Date or within five Business Days of receipt of such document/s of title, as the case may be; or
- in the case of the Scheme Consideration only, transferred to them by way of electronic funds transfer on the Operative Date or within five Business Days of the date on which such Holdings Shareholder delivers his/her/its documents of title and a valid Form of Surrender and Transfer (green) to the Transfer Secretaries, as the case may be.

Contrary instructions will not be accepted.

Holdings does not accept responsibility for Documents of Title that are posted and Holdings Shareholders should be aware of the risks associated with posting original documents of title.

No receipts will be issued for documents of title lodged unless specifically requested. In compliance with the requirements of the JSE, lodging agents are requested to prepare special transaction receipts, if required.

Signatories may be called upon for evidence of their authority or capacity to sign this form.

PART B – APPLICABLE TO NON-RESIDENT SHAREHOLDERS ONLY

1. Non-Residents who are emigrants from the Republic of South Africa

Cheques will be sent to the authorised dealer in foreign exchange in South Africa controlling such holder's blocked assets in terms of the Republic of South Africa Exchange Control Regulations. Such Non-Residents must give the following information:

Name and address of authorised dealer in the Republic of South Africa:

Account number:

2. All other Non-Residents

Cheques will be sent to the registered address of the Non-Resident concerned or any other address in accordance with the posting instructions given on the face of this form in terms of the Republic of South Africa Exchange Control Regulations.

All other Non-Residents must give the following information:

Name and address of authorised dealer in the Republic of South Africa:

Account number:

3. If no nomination is made in terms of 1 or 2 above, the Scheme Consideration (in respect of 1 only) will be held in trust by the Transfer Secretaries until the information is provided, or the expiry of a three year period from the Operative Date, whichever is the earlier.

PART C – TO BE COMPLETED BY THOSE HOLDINGS SHAREHOLDERS WHO WISH TO HAVE THE CASH CONSIDERATION IN RESPECT OF THE SCHEME ELECTRONICALLY TRANSFERRED INTO THEIR BANK ACCOUNTS.

Name of bank account holder

Account number

Name of bank

Branch

Branch code

Type of bank account (cheque, savings, transmission, etc.)

The Scheme Consideration will only be electronically transferred if Part C is properly completed and this form is returned to the Transfer Secretaries together with the documents of title to be received prior to 12:00 on the Record Date.

In terms of the Financial Intelligence Centre Act, 2001 (Act No 38 of 2011) requirements, the Transfer Secretaries will only be able to record any changes in address or payment mandate if the undermentioned documentation is received from the relevant Holdings Shareholder:

- an original certified copy of an identity document (in respect of change of address and payment mandate);
- an original certified copy of an original bank statement (in respect of payment mandate);
- an original certified copy of a document issued by the South African Revenue Services to verify your tax number. If you do not have one, please submit this in writing and have the letter signed by a Commissioner of Oaths (in respect of change of address and payment mandate); and
- an original or an original certified copy of a service bill to verify your residential address (in respect of a change of address mandate).

Payment to Holdings Shareholders who do not have an existing mandate with the Transfer Secretaries or who do not provide the Transfer Secretaries with the above mentioned documents will be made by cheque and posted at the Holdings Shareholder's own risk.

NOTES TO THE FORM OF SURRENDER AND TRANSFER:

1. Emigrants from the common monetary area must complete Part B.
2. All other Non-Residents of the common monetary area must complete Part B (if they wish the consideration to be sent to an authorised dealer in South Africa).
3. If Part B is not properly completed, the Scheme Consideration (in the case of Emigrants or Non-Residents) will be held in trust by the Transfer Secretaries pending receipt of the necessary nomination or instruction.
4. If this form is returned with the relevant Documents of Title, it will be treated as a conditional surrender which is made subject to the Scheme becoming effective. Documents surrendered in anticipation of the Scheme becoming effective will be held in trust by the Transfer Secretaries until the Scheme becomes operative.
5. The Scheme Consideration will not be sent to any person unless and until Documents of Title in respect of the relevant Holdings Shares have been surrendered (together with this Form of Surrender and Transfer (green) to the Transfer Secretaries.
6. If a Holdings Shareholder produces evidence to the satisfaction of Holdings that the Documents of Title in respect of Holdings Shares have been lost or destroyed, Holdings may waive the surrender of such documents of title against delivery of an indemnity in a form and on terms and conditions approved by it, or may in its discretion waive such indemnity.
7. Persons who have acquired Certificated Shares in Holdings after the date of posting of the Circular to which this form is attached, can obtain copies of the form and the Circular from the registered office of Holdings or the Transfer Secretaries.
8. No receipts will be issued for documents lodged unless specifically requested. In compliance with the requirements of the JSE Limited, lodging agents are requested to prepare special transaction receipts. Signatories may be called upon for evidence of their authority or capacity to sign this form.
9. Any alteration to this form must be signed in full and not initialled.
10. If this form is signed under a power of attorney then such power of attorney, or a notarially certified copy thereof, must be sent with this form for noting (unless it has already been noted by Holdings or its Transfer Secretaries).
11. Where the Certificated Holdings Shareholder is a company, unless it has already been registered with Holdings or its Transfer Secretaries, a certificated copy of the Directors' resolution authorising the signing of this form must be submitted if so requested by Holdings.
12. Note 11 above does not apply in the event of this form bearing the stamp of a broking member of the JSE.
13. Where there are joint holders of any Holdings Shares, only that holder whose name stands first in the register in respect of such Holdings Shares needs to sign this form.
14. A minor must be assisted by his or her parents or guardian unless the relevant documents establishing his or her legal capacity are produced and have been registered by the Transfer Secretaries.

Annexure II:

**Proposal to eliminate the
pyramid control structure**

Pick n Pay Stores Limited

Proposal to eliminate the pyramid control structure

The holding company of Pick n Pay Stores Limited (Stores) is Pick n Pay Holdings Limited RF (Holdings). Holdings' 52.7% shareholding in the shares of Stores is its only substantive asset. Members of the Ackerman family and their related entities (controlling shareholders), in turn, currently have a 51% shareholding in Holdings, with the remaining 49% of the Holdings' shares being held by the public. As a result, Pick n Pay Group's listing amounts to a pyramid control structure as defined in the JSE Limited's (JSE) Listings Requirements. Under the pyramid control structure, the controlling shareholders are able, through their controlling interest in Holdings, to exercise effective shareholder control over Holdings' 52.8% shareholding in Stores.

The controlling shareholders have made a proposal to Holdings and Stores for the elimination of the pyramid control structure to align the Pick n Pay Group's historical structure with the current JSE's Listings Requirements, which do not encourage pyramid control structures.

Stores constituted an independent Board of directors to consider the proposal. The independent Board of Stores has conducted an extensive investigation into the proposal and has concluded that the terms of the proposal are for the benefit of all shareholders in the Pick n Pay Group. The independent Board of Stores accordingly recommends that shareholders vote in favour of the resolutions required to implement the proposal.

The proposal is interlinked and conditional upon both Holdings' and Stores' shareholders voting in favour of the proposal.

The proposal will be put to shareholders at general meetings of Holdings and Stores to be held on Monday, 25 July 2016, before the annual general meetings of the two listed companies in the Pick n Pay Group.

Please note: As a result of the different outcomes of the proposal for the shareholders of Holdings and the shareholders of Stores, the Controlling Shareholder will not vote on the resolutions to be proposed at the Holdings general meeting, and Holdings will not vote on the resolutions to be proposed at the Stores general meeting, thereby leaving the decision to the other shareholders of Holdings and Stores.

PROPOSAL

The proposal comprises two inter-conditional and linked steps, namely:

- The unbundling by Holdings of all of its shares in Stores to Holdings' shareholders on the basis that each Holdings shareholder will receive 48.75216 shares in Stores for every 100 shares in Holdings; and
- The creation and issue of B shares by Stores to the controlling shareholders. The B shares will only carry voting rights so as to put the controlling shareholders in the same voting position as they currently effectively enjoy in Stores. The B shares will not entitle the holders to have any rights to distributions or other economic benefits.

After the unbundling, Holdings will have no substantive assets and will be an empty shell. As such, Holdings will not qualify to maintain a listing on the JSE. Accordingly, if the proposal is adopted, it is proposed that all of the shares in Holdings be purchased by Stores pursuant to a scheme of arrangement in terms of section 114 of the Companies Act, No 71 of 2008 as amended (the Companies Act) at a nominal price. Such purchase would result in Holdings becoming a wholly owned subsidiary of Stores, which would then attend to the orderly winding-up of Holdings.

After the implementation of the B share issue, the controlling shareholders will retain their current level of voting control in Stores through their holding of B shares. As mentioned above, B shares will not carry any economic interest, and will only carry voting rights. This will, however, result in the current level of voting interest held by Stores' minority shareholders being diluted.

BENEFITS OF THE PROPOSED TRANSACTION

The independent directors of Stores believe that the proposal would be to the benefit of Stores and Stores' shareholders in that:

- The restructure of the pyramid control structure will result in the elimination of the cumbersome dual listed structure, thereby removing the multiple listed entry points to the Pick n Pay Group;
- The unbundling of Holdings is expected to result in an increased free float of Stores' shares, which will enhance the weighting of Stores shares in stock market indices both on the JSE and internationally. The higher levels of free float and enhanced weighting in stock market indices is likely to improve the demand, liquidity and marketability of Stores' shares; and
- The simplified structure is likely to improve Stores' investment appeal to both foreign and local investors, enhancing its access to equity capital and therefore its long-term growth strategy.

Proposal to eliminate the pyramid control structure continued

CONSEQUENCES OF THE PROPOSAL

The unbundling and issue of B shares will not result in any shareholders' economic interests in Stores being diluted in any way. The B shares will be unlisted, non-convertible, non-participating, no par value shares that do not carry any rights to dividends, proceeds on a winding-up or any other economic rights.

Notwithstanding the fact that shareholders' economic rights will not be diluted by the proposed transaction, the issuance of B shares to the controlling shareholders will dilute the voting rights of all Stores' other shareholders (including those who, as a result of the unbundling of Holdings, will hold their shares directly in Stores instead of indirectly through Holdings). Voting rights will be diluted because the B shares issued to the controlling shareholders carry with them voting rights that will ensure that the controlling shareholders are able to exercise the same level of voting control in respect of Stores as they were able to exercise prior to the implementation of the proposal.

Currently, the controlling shareholders are able, indirectly through their controlling interest in Holdings and Holdings' subsequent controlling interest in Stores, to effectively exercise 52.8% of the voting rights at Stores shareholder meetings. The issue of the B shares will ensure that the controlling shareholders are able to directly exercise 52.8% of the voting rights at Stores' shareholder meetings. The dilution of the voting rights of other shareholders, expressed as a percentage, is circa 34.2%.

Each shareholder has been sent posted the Holdings and the Stores circulars, so each shareholder has full details of the proposal. In addition, the circulars are available on the website at www.picknpayinvestor.co.za.

The circular sets out the dilutive effects of the issue of B shares on the voting rights of Stores' shareholders in more detail.

Please note: while the granting of B shares may dilute the voting rights of Stores' shareholders, the controlling shareholders will not be granted any additional economic rights in respect of Stores. In addition, the voting rights attaching to the B shares may, in certain circumstances (outlined in detail in section 3 of the Stores circular), be adjusted upwards or downwards to prevent undue accretions or dilutions in the voting rights of the controlling shareholders.

For full details of the proposal we urge you to study the circulars, and for shareholders to exercise their votes at the general meeting.

Please note that if any of the resolutions to be proposed at the general meetings of Holdings and Stores are not passed by the requisite majority, the proposal will not be implemented and the status quo will remain.

INDEPENDENT DIRECTORS' ATTENDANCE AT INDEPENDENT BOARD MEETINGS: PROPOSAL TO ELIMINATE THE PYRAMID STRUCTURE

An independent Board was duly constituted to ensure that directors' independence was in place for the duration of the proposal to eliminate the Pyramid Control Structure. In particular, the independent directors independently evaluated the proposal insofar as it related to Pick n Pay Stores Limited without the presence of the controlling shareholders, their appointed directors and their advisers; and the independent Board appointed independent advisers from the advisers appointed by the controlling shareholders. Attendance at the independent Board meetings is set out in the table below:

Director	Attendance	Activities 2016
Richard Brasher (CEO)	2/4	For full details of activities, please refer to the Pick n Pay Stores Limited circular that was posted to shareholders and that is also available for viewing on the Pick n Pay website, www.picknpayinvestor.co.za
Richard van Rensburg (deputy CEO)	3/4	
Bakar Jakoet (CFO)	4/4	
Lorato Phalatse	4/4	
John Gildersleeve	2/4	
Audrey Mothupi	4/4	
David Friedland	4/4	



Pick n Pay Stores Limited

(Incorporated in the Republic of South Africa)

(Registration number: 1968/008034/06)

JSE Code: PIK ISIN: ZAE000005443

("Stores" or "the Company")

The definitions and interpretations commencing on page 4 apply mutatis mutandis throughout this Circular, including the front cover.

CIRCULAR TO STORES SHAREHOLDERS

relating to the proposed collapse of the Pyramid Control Structure embodying amongst other things:

- the Unbundling by Holdings of its entire shareholding in Stores (being 257 045 334 ordinary shares at the time of the Unbundling) to its Shareholders;
 - the replacement of the Existing Stores Memorandum of Incorporation with the New Stores Memorandum of Incorporation containing the rights to a new class of B Shares; and
 - the issue of the newly created B Shares to the Controlling Shareholders in order to maintain the effective 52.8% voting position, after the Pre-Unbundling Disposal, held by the Controlling Shareholders in Stores through their majority shareholding in Holdings.
-

including amongst other things:

- a notice convening a General Meeting of Stores Shareholders; and
- a Form of Proxy for the General Meeting (blue) (for use by Certificated Shareholders and Dematerialised Shareholders with "own name" registration only).

24 June 2016

Financial Adviser and Merchant Bank to the
Controlling Shareholders and Transaction
Originator and Coordinator



Adviser and Sponsor to Stores



Legal Adviser to the Controlling Shareholders and
Transaction Originator and Coordinator



Independent expert
voluntarily appointed by the
Independent Directors

Legal Adviser to Stores



CORPORATE INFORMATION AND ADVISERS

Year of incorporation

1967

Place of incorporation

South Africa

Company secretary and registered office

Debra Muller (BA LLB)
Pick n Pay Stores Limited
(Registration number: 1968/008034/06)
101 Rosmead Avenue
Kenilworth
Cape Town
7708
(PO Box 23087, Claremont, 7735)

Financial Adviser and Merchant Bank to the Controlling Shareholders and Transaction Originator and Coordinator

Rand Merchant Bank
(A division of FirstRand Bank Limited)
(Registration number: 1929/001225/06)
1 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton
2196
(PO Box 786273, Sandton, 2146)

Adviser and Sponsor to Stores

Investec Bank Limited
(Registration number: 1969/004763/06)
100 Grayston Drive
Sandton
2196
(PO Box 785700, Sandton, 2146)

Independent expert voluntarily appointed by the Independent Board

PricewaterhouseCoopers Corporate Finance Proprietary Limited
(Registration number: 1970/003711/07)
2 Eglin Road
Sunninghill
2191
(Private Bag X36, Sunninghill, 2157)

Transfer Secretaries

Computershare Investor Services Proprietary Limited
(Registration number: 2004/003647/07)
Ground Floor
70 Marshall Street
Johannesburg
2001
(PO Box 61051, Marshalltown, 2107)

Legal Adviser to the Controlling Shareholders and Transaction Originator and Coordinator

Edward Nathan Sonnenbergs
(Registration number: 2006/018200/21)
150 West Street
Sandton
2196
(PO Box 783347, Sandton, 2146)

Legal Adviser to Stores

Werksmans Inc.
(Registration number: 1990/007215/21)
155 5th Street
Sandton
2196
(Private Bag 10015, Sandton, 2146)

This Circular is only available in English. Copies may be obtained from the Company's website, <http://www.picknpayinvestor.co.za> or at the registered office of the Company, Rand Merchant Bank, Investec and the Transfer Secretaries, whose addresses are set out in the "Corporate Information and Advisers" section of this Circular.

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ACTION REQUIRED BY STORES SHAREHOLDERS

The definitions and interpretations commencing on page 4 of this Circular apply to this “Action required by Shareholders” section of the Circular.

This Circular is important and requires your immediate attention. The action you need to take is set out below. If you are in any doubt as to the action you should take, please consult your Broker, CSDP, banker, attorney, accountant or other professional adviser immediately. If you have disposed of all of your Ordinary Shares, please forward this Circular to the person to whom you have disposed of such Ordinary Shares or the Broker, CSDP, banker or other agent through whom you disposed of such Ordinary Shares.

A General Meeting of the Ordinary Shareholders will be held at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town on Monday, 25 July 2016 after the completion of the Holdings General Meeting or 09:00 (whichever is the later) to consider and, if deemed fit, pass the resolutions required to authorise and effect the implementation of the Stores Transaction. A notice to convene the General Meeting of the Ordinary Shareholders is attached to and forms part of this Circular.

ACTION REQUIRED BY SHAREHOLDERS

1. DEMATERIALISED SHAREHOLDERS OTHER THAN WITH “OWN NAME” REGISTRATION

1.1. Voting at the General Meeting

Your Broker or CSDP should contact you to ascertain how you wish to cast your vote at the General Meeting and thereafter cast your vote in accordance with your instructions.

If you have not been contacted by your Broker or CSDP, it is advisable for you to contact your Broker or CSDP and furnish them with your voting instructions.

If your Broker or CSDP does not obtain voting instructions from you, they will be obliged to vote in accordance with the instructions contained in the custody agreement concluded between you and your Broker or CSDP.

You must **not** complete the attached Form of Proxy (blue).

1.2. Attendance and representation at the General Meeting

In accordance with the mandate between you and your Broker or CSDP, you must advise your Broker or CSDP if you wish to attend the General Meeting and your Broker or CSDP will issue the necessary letter of representation to you to attend the General Meeting.

2. DEMATERIALISED SHAREHOLDERS WITH “OWN NAME” REGISTRATION:

2.1. Voting and attendance at the General Meeting

You may attend the General Meeting in person and may vote at the General Meeting.

Alternatively, you may appoint a proxy to represent you at the General Meeting by completing the attached Form of Proxy (blue) in relation to the General Meeting in accordance with the instructions it contains and it is recommended that it be returned to the registered office of the Company or the Transfer Secretaries to be received by no later than 09:00 on Thursday, 21 July 2016.

3. CERTIFICATED SHAREHOLDERS:

3.1. Voting and attendance at the General Meeting

You may attend the General Meeting in person and may vote at the General Meeting.

Alternatively, you may appoint a proxy to represent you at the General Meeting by completing the attached Form of Proxy (blue) in relation to the General Meeting of the Shareholders in accordance with the instructions it contains and it is recommended that it be returned to the registered office of the Company or Transfer Secretaries to be received by no later than 09:00 on Thursday, 21 July 2016.

IMPORTANT DATES AND TIMES

2016

Record date to determine which shareholders are entitled to receive this Circular	Friday, 17 June
Circulars posted to shareholders and notice convening General Meeting released on SENS	Friday, 24 June
Last day to trade to be recorded in the Register in order to be eligible to attend and vote at the General Meeting	Tuesday, 12 July
Record date for shareholders to be recorded in the Register in order to be eligible to attend and vote at the General Meeting	Friday, 15 July
Recommended day to lodge Forms of Proxy (blue) for the General Meeting by 09:00	Thursday, 21 July
General Meeting to be held at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town after the completion of the Holdings General Meeting or at 09:00 (whichever is the later)	Monday, 25 July
Results of the General Meeting released on SENS	Monday, 25 July
Results of the General Meeting published in the press	Tuesday, 26 July

The following dates assume that no court approval or review of the Unbundling is required at Holdings level and will be confirmed in the finalisation announcement if the Unbundling becomes unconditional and all the resolutions proposed at the General Meeting and the Holdings General Meeting are passed:

Finalisation announcement expected to be released on SENS	Friday, 12 August
Expected date on which the B Shares will be issued	Monday, 29 August

Notes

1. All times shown above are South African local time.
2. All dates and times in respect of the Unbundling are subject to change. The above dates have been determined based on certain assumptions regarding the Unbundling. If the relevant dates in respect of the Unbundling change and the dates above are impacted a change will be released on SENS and published in the press.

DEFINITIONS AND INTERPRETATIONS

In this Circular and its annexures, unless otherwise stated or the context indicates otherwise, the words and expressions in the first column shall have the meanings stated opposite them in the second column, and words and expressions in the singular shall include the plural and vice versa, words importing natural persons shall include juristic persons and unincorporated associations of persons and vice versa, and any reference to one gender shall include the other genders.

"Advanced Tax Ruling" or "ATR"	a binding private ruling or a binding class ruling issued by SARS in terms of section 78(1) or section 78(2), respectively, of the Tax Administration Act No 28 of 2011;
"AIH"	Ackerman Investment Holdings Proprietary Limited (Registration number: 2010/018805/07), a private company duly registered and incorporated with limited liability in accordance with the laws of South Africa and an entity controlled by the Ackerman family, which currently directly holds 48.5% of the Total Holdings Shares (voting interest of 49.7%);
"B Share Issue Ratio"	the ratio of 198.06089 B Shares for every 100 Stapled Ordinary Shares held by the Controlling Shareholders at the time of the issue and allotment of the B Shares which ratio, for the avoidance of doubt, shall continue to apply to any B Shareholder from time to time thereafter even if such B Shareholder is not a Controlling Shareholder;
"B Share Terms"	the terms of the B Shares as summarised in paragraph 3 of this Circular and described more fully in Annexure 2 hereto;
"B Shareholders"	the holder(s) of the B Shares together with the corresponding number of Stapled Ordinary Shares determined in accordance with the B Share Issue Ratio, from time to time;
"B Shares"	the unlisted, non-convertible, non-participating, no par value shares of Stores entitling the holders thereof to 1 vote per B Share at a General Meeting of Stores Shareholders, but which shall not entitle the holders thereof to any rights to distributions or other economic benefits. The B Shares shall have the B Share Terms;
"Broker"	any person registered as a "broking member equities" in terms of the Rules of the JSE in accordance with the provisions of the Financial Markets Act;
"Business Day"	any day other than Saturday, Sunday or any official public holiday in South Africa;
"Certificated Shareholders"	holders of Certificated Shares;
"Certificated Shares"	shares that have not been Dematerialised, the title to which is represented by a share certificate or other Document of Title;
"Circular"	this Circular to Shareholders, dated Friday, 24 June 2016 and the annexures and attachments hereto, incorporating amongst other things a notice of the General Meeting and a Form of Proxy;
"Companies Act"	the Companies Act No 71 of 2008, as amended;
"Company Minority Shareholders" or "Stores Minority Shareholders"	all Shareholders excluding Holdings;
"Company secretary"	the company secretary of Stores;
"Controlling Shareholders"	collectively, AIH and the Other Ackerman Shareholders, who together hold 51.0% of the Total Holdings Shares (voting interest of 52.3%), and who have the ability to exert effective control over Stores through Holdings' 52.9% voting interest in Stores (before the Pre-Unbundling Disposal);
"CSDP"	a central securities depository participant, being a participant as defined in section 1 of the Financial Markets Act;
"Dematerialisation" or "Dematerialised"	the process by which securities held in certificated form are converted to or held in electronic form as uncertificated securities and recorded in a sub-register of securities holders maintained by a CSDP, after the Documents of Title have been validated and cancelled by the Transfer Secretaries and captured onto the Strate system by the selected CSDP or Broker;
"Dematerialised Shareholders"	holders of Dematerialised Shares;
"Dematerialised Shares"	Ordinary Shares which have been through the Dematerialisation process;

“Directors”	the directors of Stores, including non-executive and independent non-executive Directors and whose names are set out on page 12 of this Circular;
“Documents of Title”	Ordinary Share certificates, certified transfer deeds, balance receipts, or any other documents of title to Ordinary Shares;
“Entitlement Ratio”	48.75216, that is, 48.75216 Ordinary Shares for every 100 Holdings Shares held by Holdings Shareholders at the close of business on the Record Date;
“Existing Stores MOI”	the Memorandum of Incorporation of Stores prior to the implementation of the Stores Transaction;
“Financial Markets Act”	Financial Markets Act No 19 of 2012, as amended;
“FSB”	the Financial Services Board;
“General Meeting”	the General Meeting of Stores Shareholders to be held at the registered office of Stores at 101 Rosmead Avenue, Kenilworth, Cape Town, on Monday, 25 July 2016 at 09:00 or after completion of the Holdings General Meeting, whichever is later, in order to consider and, if deemed fit, to pass the special and ordinary resolutions necessary to give effect to the Stores Transaction;
“Holdings”	Pick n Pay Holdings Limited RF (Registration number: 1981/009610/06), a public company duly incorporated in South Africa and listed on the JSE;
“Holdings Circular”	the Circular dated Friday, 24 June 2016, issued by Holdings to Holdings Shareholders in respect of inter alia the Unbundling and Scheme, and accompanying this Circular as reference;
“Holdings General Meeting”	the General Meeting of Holdings Shareholders to be held at the registered office of Holdings at 101 Rosmead Avenue, Kenilworth, Cape Town, at 08:30 on Monday, 25 July 2016 in order to consider and, if deemed fit, to pass the special and ordinary resolutions necessary to give effect to the Unbundling and the Scheme;
“Holdings Minority Shareholders”	all Holdings Shareholders, excluding the Controlling Shareholders;
“Holdings Shareholders”	registered holders of Holdings Shares;
“Holdings Shares”	Ordinary Shares issued by Holdings;
“Income Tax Act”	the Income Tax Act No 58 of 1962, as amended;
“Independent Directors”	those Directors of Stores who are not conflicted insofar as the matters dealt with in this Circular are concerned, being, R Brasher, D Friedland, A Jakoet, A Mothupi, L Phalatse and R van Rensburg;
“Inter-Conditional”	the inter-conditionality of all resolutions and decisions of Stores Shareholders pursuant to which the Stores Transaction is authorised, to the resolutions and decisions of Holdings Shareholders pursuant to which the Unbundling is authorised by Holdings Shareholders, and vice versa;
“Investec”	Investec Bank Limited (Registration number: 1969/004763/06), a public company duly registered and incorporated with limited liability in accordance with the laws of South Africa;
“JSE”	the stock exchange operated by the JSE Limited;
“JSE Limited”	JSE Limited (Registration number: 2005/022939/06), a public company duly registered and incorporated with limited liability in accordance with the laws of South Africa and which is licensed to operate an exchange in terms of the Securities Services Act;
“Last Practicable Date”	Friday, 10 June 2016, being the last practicable date prior to the finalisation of this Circular;
“Listings Requirements”	the JSE Limited Listings Requirements, as amended;
“New Stores MOI”	the Memorandum of Incorporation of Stores after the implementation of the Stores Transaction which new Memorandum of Incorporation will embody the B Share Terms, contain other amendments to the Existing Stores MOI consequential to the introduction of the B Share Terms, and will update the manner of dealing with fractional entitlements in transactions so as to conform to the JSE's Service Bulletin 1 of 2016;
“Ordinary Shareholders” or “Shareholders” or “Stores Shareholders”	registered holders of Ordinary Shares;
“Ordinary Shares”	ordinary shares issued by the Company;

“Other Ackerman Shareholders”	members of the Ackerman family, their successors in title, controlled trusts, and legal entities (excluding AIH) who directly or indirectly hold in aggregate 2.5% of Total Holdings Shares (voting interest of 2.6%). Made up as follows (expressed as a percentage of the Total Holdings Shares): • The Mistral Trust (1.05%); • Burrumbuck Investments Proprietary Limited (0.63%); • RD Ackerman (0.24%); • The Jongus Trust (0.22%); • The Bermack Trust (0.11%); • The Sudale Trust (0.07%); • J Ackerman (0.05%); • S Ackerman (0.05%); • K Robins (0.04%); • A Ackerman (0.01%); and • 15 other individuals (collectively owning 0.05%);
“Pre-Unbundling Disposal”	the on-market disposal of 300 000 Ordinary Shares (representing 0.1% of Stores Shares held by Holdings), prior to the Unbundling, at the prevailing market price, to provide Holdings with sufficient cash to discharge its costs and expenses, including but not limited to relevant Transaction expenses;
“Pyramid Control Structure”	the current shareholding structure of Stores, whereby the Controlling Shareholders control Stores through a 52.3% voting interest in Holdings, which in turn holds 52.9% voting interest in Stores, before the Pre-Unbundling Disposal);
“Rand” or “R” or “ZAR” and “cents”	South African Rand and cents, the official currency of South Africa;
“Rand Merchant Bank”	Rand Merchant Bank, a division of FirstRand Bank Limited (Registration number: 1929/001225/06), a public company duly registered and incorporated with limited liability in accordance with the laws of South Africa;
“Record Date”	the last day for Holdings Shareholders to be recorded in the Register of the Company in order to participate in the Unbundling, being 17:00 on Friday, 26 August 2016;
“Register”	the register of Certificated Shareholders maintained by the Transfer Secretaries and the sub-register of Dematerialised Shareholders maintained by the relevant CSDPs in accordance with section 50 of the Companies Act;
“SARS”	the South African Revenue Service;
“Scheme”	the scheme of arrangement in terms of section 114(1)(c) of the Companies Act between Holdings and Holdings Shareholders registered as such on the Record Date, in terms of which Stores will, if the Scheme becomes operative, acquire all Holdings Shares in issue, post the Unbundling;
“Scheme Consideration”	the cash consideration payable to Scheme Participants in terms of the Scheme, being an amount equal to the greater of: • R0.00001 per Scheme Share, rounded up in aggregate to the nearest cent; or • the net asset value of Holdings immediately after the Unbundling, for the avoidance of doubt, including the proceeds of the Pre-Unbundling Disposal and any provision for expenses relating to the Transaction and the Scheme, expressed on a per Scheme Share basis;
“Scheme Participants”	all Holdings Shareholders who hold Holdings Shares recorded in the Register at 17:00 on the Record Date, being Holdings Shareholders who are entitled to receive the Scheme Consideration therefor but excluding Holdings Shareholders who validly exercise their appraisal rights;
“Scheme Shares”	the Holdings Shares held by Scheme Participants;
“SENS”	the Stock Exchange News Service of the JSE;
“Shareholders” or “Ordinary Shareholders” or “Stores Shareholders”	registered holders of Ordinary Shares;
“Stores” or “the Company”	Pick n Pay Stores Limited (Registration number: 1968/008034/06), a public company duly incorporated in South Africa and listed on the JSE;
“Stores Shareholders” or “Ordinary Shareholders” or “Shareholders”	registered holders of Ordinary Shares;

“Stores Transaction”	the replacement of the Existing Stores MOI with the New Stores MOI and the subsequent issue and allotment of 259 682 928 B Shares, in accordance with the B Share Terms embodied in the New Stores MOI to the Controlling Shareholders in terms of section 41 of the Companies Act (the exact number to be determined applying the B Share Issue Ratio on the Record Date), which is fully conditional on the fulfilment of the conditions precedent to the Stores Transaction;
“South Africa”	the Republic of South Africa;
“Stapled Ordinary Shares”	the Ordinary Shares held by the B Shareholders at the time of the issue and allotment of B Shares, determined in accordance with the B Share Issue Ratio, which Ordinary Shares are subject to the restrictions on disposal described in paragraph 3.3 below;
“Strate”	Strate Proprietary Limited (Registration number: 1998/022242/07), a private company duly registered and incorporated in South Africa, which provides electronic settlement of equities and bonds transactions concluded on the JSE;
“Takeover Regulations”	the Takeover Regulations issued in terms of section 120 of the Companies Act;
“Total Holdings Shares”	the total issued ordinary share capital of Holdings, being 527 249 082 Holdings Shares;
“Total Stores Shares”	the total issued ordinary share capital of Stores, being 488 450 321 Stores Shares;
“Transaction”	the Unbundling and the Stores Transaction, which are Inter-Conditional;
“Transfer Secretaries” or “Computershare”	Computershare Investor Services Proprietary Limited (Registration number: 2004/003647/07), a private company duly registered and incorporated with limited liability in accordance with the laws of South Africa;
“Treasury Shares”	equity shares of an applicant issuer (as defined in the Listings Requirements) held by a subsidiary and/or by a trust through a scheme, and/or by another entity where the equity shares in the applicant issuer are controlled by the applicant issuer from a voting perspective, the votes of which will not be taken into account of the purposes of resolutions proposed pursuant to the Listings Requirements. In the case of Holdings, 13 037 487 Holdings Shares are held as Treasury Shares, and in the case of Stores, 1 599 031 Ordinary Shares are held as Treasury Shares;
“TRP”	the Takeover Regulation Panel established in terms of section 196 of the Companies Act;
“Unbundling”	the proposed distribution of the 257 045 334 Ordinary Shares held by Holdings after the Pre-Unbundling Disposal, equating to 52.6% of the Total Stores Shares less the Pre-Unbundling Disposal to Holdings Shareholders in the Entitlement Ratio, in terms of section 46 of the Income Tax Act, and section 46 of the Companies Act, and which is regarded in terms of section 112 of the Companies Act as a disposal of all or a greater part of the assets of Holdings;
“VAT”	value added tax, payable in terms of the Value Added Tax Act No 89 of 1991, as amended;
“Werksmans”	Werksmans Inc. (Registration number: 1990/007215/21), a personal liability company duly incorporated in accordance with the laws of South Africa.



Pick n Pay Stores Limited

(Incorporated in the Republic of South Africa)

(Registration number: 1968/008034/06)

JSE Code: PIK ISIN: ZAE000005443

("Stores" or "the Company")

Directors

Executive

J Ackerman
S Ackerman-Berman
R Brasher
A Jakoet
R van Rensburg

Non-executive

G Ackerman
D Robins

Independent Non-executive

D Friedland
H Herman
A Mothupi
L Phalatse
J van Rooyen

Note: See the definition of "Independent Directors" on page 5 for the list of non-conflicted directors in respect of the Transaction

CIRCULAR TO STORES SHAREHOLDERS

1. INTRODUCTION AND BACKGROUND

On Tuesday, 14 June 2016 Holdings and Stores announced on SENS the intention to restructure the Pyramid Control Structure. The restructure will comprise the Pre-Unbundling Disposal, followed by the Unbundling and, as Inter-Conditional thereto, the Stores Transaction, being the issue of the B shares to the Controlling Shareholders. This will be followed by a Scheme in terms of which Stores will acquire the Total Holdings Shares.

Holdings has no material investments other than its holding of Stores Shares. The Unbundling will lead to Holdings disposing of substantially all of its investments. Holdings Shareholders will be left holding Holdings Shares in a dormant shell, which is expected to have no assets other than the cash required to discharge its costs and expenses, and accordingly a Scheme is being proposed. Pursuant to the Scheme, Holdings will be delisted, transferred to Stores and wound-up.

Holdings is currently the controlling shareholder of Stores, a food and general merchandise retailer listed on the JSE. Holdings holds 52.9% of the Total Stores Shares, which entitles Holdings to a voting interest of 52.9% in Stores due to Treasury Shares that do not carry voting rights. The Controlling Shareholders currently hold 51.0% of the Total Holdings Shares which entitles them to a voting interest of 52.3% in Holdings due to Treasury Shares that do not carry voting rights, before the Pre-Unbundling Disposal. Stores is the only investment of Holdings, which derives its income solely from the dividends received from Stores. Holdings is a "pyramid company" as contemplated by section 14 of the Listings Requirements in circumstances where pyramid shareholding structures are not encouraged by the JSE. This structure was maintained due to its historical nature (i.e. being in place prior to the introduction of the JSE listing requirement prohibiting pyramid structures of this nature). The Transaction seeks to eliminate the pyramid structure.

The Pyramid Control Structure has resulted in:

- a discount between the intrinsic value of Holdings' investment in Stores and the traded market value of Holdings Shares;
- lower levels of liquidity and tradability for Ordinary Shares due to the control structure with multiple listed entry points into Stores;
- lower weighting in various local and international stock exchange indices as a result of the reduced free float of Stores and Holdings Shares; and
- additional operating expenditure and infrastructure to administer the Pyramid Control Structure.

The Controlling Shareholders have proposed and the Independent Board of Holdings and the Independent Directors have resolved to restructure the Pyramid Control Structure as this could positively impact on the value and liquidity of the listed Ordinary Shares and appeal to the broader international investor base.

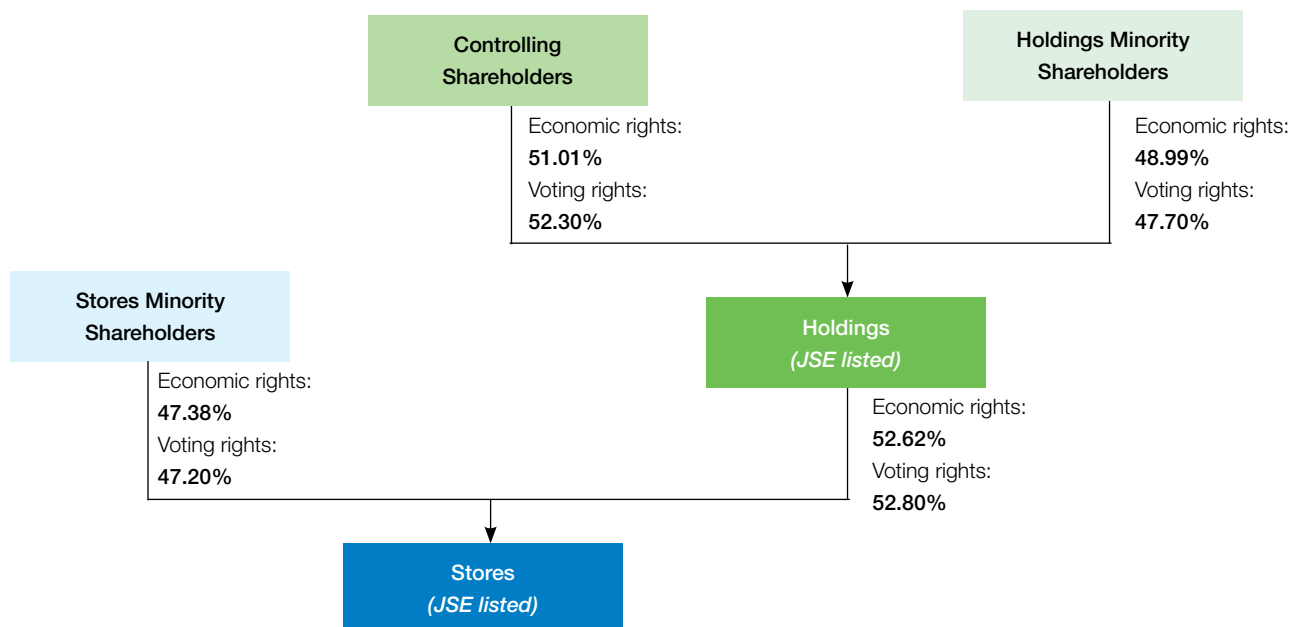
Key features of the Transaction and Scheme include:

- in the interests of good corporate governance and as required by the JSE, (i) the Controlling Shareholders have undertaken not to vote their shares on the resolutions to be proposed at the General Meetings of both Holdings (direct shareholding) and Stores (indirect voting right through its controlling interest in Holdings), and (ii) Holdings will not vote on the resolutions to be proposed at the General Meeting;
- the Transaction steps, comprising the Unbundling and the Stores Transaction, are fully Inter-Conditional;
- the Scheme is conditional on the Transaction becoming operative and effective. However, the Transaction can proceed without the Scheme being implemented;

- the Pre-Unbundling Disposal in which Holdings will dispose of 300 000 Stores Shares, will reduce Holdings' interest in the Total Stores Shares from 52.7% to 52.6% and consequently Holdings' voting interest will decrease from 52.9% to 52.8%;
- the Transaction seeks to maintain the effective 52.8% (after the Pre-Unbundling Disposal) voting position in Stores held by the Controlling Shareholders through Holdings and does not confer any additional economic rights on the Controlling Shareholders (i.e. the Controlling Shareholders are able to effectively vote Holdings' voting interest in Stores of 52.8% and have an indirect economic interest in Stores of 26.8% before the Transaction (after the Pre-Unbundling Disposal) and will have a direct voting interest of 52.8% and a direct economic interest of 26.8% in Stores after the Transaction);
- the Controlling Shareholders will retain their current level of voting control in Stores (i.e. as at the Last Practicable Date, but after taking the Pre-Unbundling Disposal into account) through the proposed creation and issue of 259 682 928 B Shares pursuant to the Stores Transaction i.e. the Transaction together with the Stores Transaction envisages the restructuring of the Pyramid Control Structure, such that the Controlling Shareholders' effective interest in Stores is held by way of a direct holding rather than by way of an indirect holding;
- no Holdings Shareholder or Stores Shareholder will suffer any economic dilution as a result of the implementation of the Unbundling and the Stores Transaction;
- while Holdings Minority Shareholders currently have no direct vote in Stores, and no material influence in Stores through their minority voting right in Holdings, on the implementation of the Unbundling they will become Stores Shareholders entitled to vote Stores Shares. The votes exercisable by Holdings Minority Shareholders in Stores after the Unbundling will, despite no change in the economic position of Holdings Shareholders, be less than the votes they currently notionally exercise at meetings of Stores Shareholders. A table illustrating the dilutive effect on votes of Holdings Shareholders in Stores compared to the notional vote they currently enjoy in Stores is contained in Annexure 4 of this Circular; and
- as a result of the issue of the B Shares as part of the Stores Transaction, the voting rights exercisable by Stores Minority Shareholders will decline from 47.2% to 31.0% (i.e. the same holding of Ordinary Shares will, effectively, give a Stores Minority Shareholder 34.2% less voting rights at a General Meeting of Stores than the holding of such Stores Minority Shareholder prior to the implementation of the Stores Transaction). Annexure 4 to this Circular illustrates the dilutive effects on the voting rights of Stores Minority Shareholders flowing from the implementation of the Stores Transaction in a tabulated format. Holdings Minority Shareholders will also experience a dilution in voting rights due to the Stores Transaction.

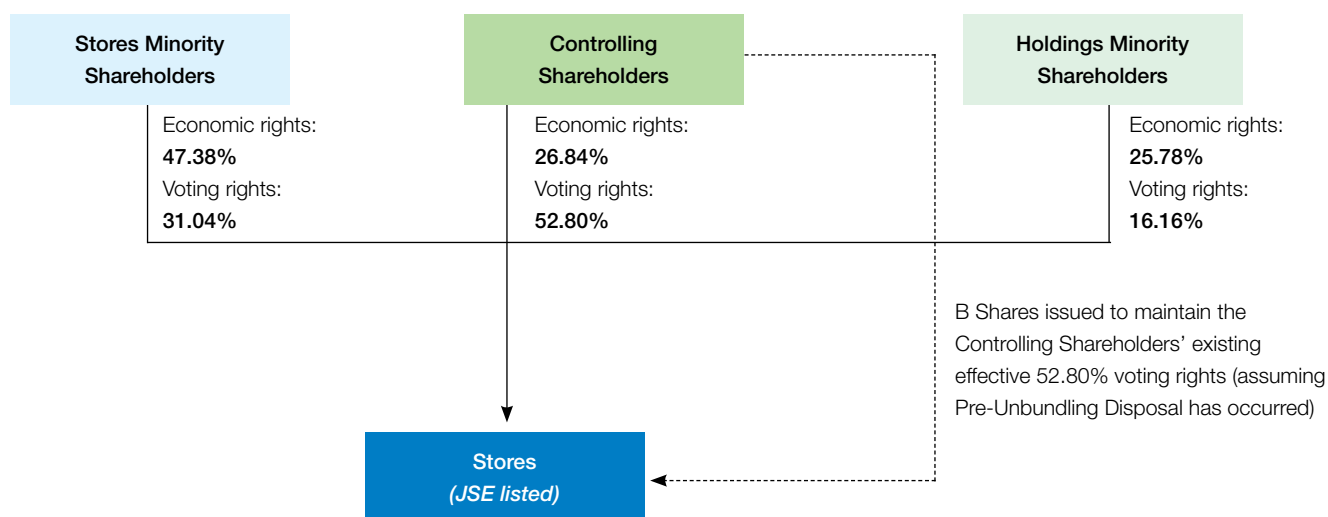
This Circular sets out how the Stores Transaction will be implemented. Shareholders are however encouraged to also familiarise themselves with the content of the Holdings Circular for a full understanding of the changes to the Pyramid Control Structure.

The Pyramid Control Structure, prior to implementation of the Unbundling, is illustrated in the following diagram:



Note: After the Pre-Unbundling Disposal. Economic rights express Holdings Shares as a percentage of the Total Holdings Shares or Stores Shares as a percentage of the Total Stores Shares. Voting rights express Holdings Shares as a percentage of the Total Holdings Shares less Treasury Shares or Stores Shares as a percentage of the Total Stores Shares less Treasury Shares.

The Company after implementation of the Transaction is illustrated in the following diagram:



Note: The Controlling Shareholders, through their holding in Holdings, will have the same voting rights of 52.8% before and after the Transaction. After the Pre-Unbundling Disposal. Economic rights express Stores Shares as a percentage of the Total Stores Shares. Voting rights express Stores Shares as a percentage of the sum of Total Stores Shares and the total B Shares in issue less expected number of treasury shares after the Transaction. The Stores Minority Shareholders need to note the effective dilution in their voting rights of 34.2% post implementation of the Stores Transaction as illustrated in the table contained in Annexure 4 of the Circular.

2. RATIONALE FOR THE TRANSACTION

The Independent Directors believe that, notwithstanding the dilutive impact on the voting rights of Stores Minority Shareholders, the Stores Transaction, when viewed in context of the broader restructure of the Pyramid Control Structure, would be to the benefit of Stores Shareholders as follows:

- the restructure of the Pyramid Control Structure will result in the elimination of the cumbersome multiple listed structure, thereby removing the multiple entry points to Stores while retaining the stability and continuity of an anchor shareholder in Stores, through the maintenance of the Controlling Shareholders' interest in Stores;
- the Unbundling is expected to result in an increased free float of Stores Ordinary Shares, which could enhance the weighting thereof in stock market indices both on the JSE and internationally. The higher levels of free float and enhanced weighting in stock market indices should improve the demand, liquidity and marketability of the Stores shares; and
- the simplified structure could improve Stores' investment appeal to both foreign and local investors which could also enhance its access to equity capital and therefore its long-term growth strategy.

3. TERMS OF THE STORES TRANSACTION

B Shares will, subject to the fulfilment of the conditions precedent set out in paragraph 6 below, be issued to the Controlling Shareholders on a once-off basis (subject to the adjustment provisions of paragraph 3.4 below), in the B Share Issue Ratio of 198.06089 B Shares for every 100 Ordinary Shares, equating to 259 682 928 of the 1 000 000 000 authorised B Shares to be issued to the Controlling Shareholders to maintain the current voting rights of Holdings in Stores (after the Pre-Unbundling Disposal). The B Shares will be issued at a nominal value of R0.00001 (zero point zero zero zero zero one Rand) per B Share.

Annexure 2 contains the relevant extracts of the New Stores MOI reflecting the B Share Terms. Such annexure also embodies the relevant extract of the New Stores MOI relating to the treatment of fractional entitlements so as to comply with the JSE's Service Bulletin 1 of 2016 and Annexure 6 contains a summary of the B Share terms. The following are the key salient terms of the B Shares:

3.1 Economic rights of the B Shares

The B Shares issued to the Controlling Shareholders will be entitled only to voting rights and will have no economic rights. The B Shares will be unlisted, non-convertible, non-participating, no par value shares. Furthermore, the B Shares will not be entitled to distributions and will have no rights to proceeds in the event of a winding up or liquidation of Stores.

3.2 Voting rights of the B Shares

The issue of the B Shares seeks to maintain the current effective 52.8% voting position held by the Controlling Shareholders (after the Pre-Unbundling Disposal) and do not confer any additional voting rights to the Controlling Shareholders. The B Shares will provide voting rights equal to a net additional 26.0% (pre-issuance of new B Shares, i.e. pre-dilution) to the Controlling Shareholders at all Stores shareholder meetings where voting is required, resulting in the maintenance of the Controlling Shareholders' current 52.8% voting position in Stores (after the Pre-Unbundling Disposal) without the conferring of any additional benefit relative to the status quo. The Transaction will not lead to any economic dilution for Company Minority Shareholders. The voting rights attaching to B Shares may in certain circumstances, all as detailed below, be adjusted upwards or downwards to prevent undue accretions or dilutions.

3.3 Disposal of the B Shares

No individual B Share can be disposed of without a concurrent disposal of a corresponding ratio of Stapled Ordinary Share(s), and any disposal of Stapled Ordinary Shares held by the B Shareholders will result in a pro rata disposal of B Shares at the B Share Issue Ratio.

Nothing contained in these B Share terms shall be construed as restricting the disposal of Stapled Ordinary Shares, provided that in such disposal the consequences insofar as the B Shares are set out below.

The B Shares will be unlisted and as such, as per the New Stores MOI, the company secretary will need to be informed of any disposal of Stapled Ordinary Shares and the corresponding B Shares for the purposes of sufficient record keeping. The B Shares will be transferred off-market. Any disposal of which the company secretary is not informed of such transfer will result in the cessation of the voting rights attaching to those B Shares, and Stores will then be entitled, at its election, to repurchase the B Shares corresponding to the number of Stapled Ordinary Shares sold.

Stapled Ordinary Shares can be disposed of off-market (i.e. not via the JSE's normal order book) or on-market (i.e. via the JSE's normal order book). Any disposal of Stapled Ordinary Shares on-market will result in the cessation of the voting rights attaching to those B Shares, and Stores will then be entitled, at its election, to repurchase the B Shares corresponding to the number of Stapled Ordinary Shares sold on-market.

To the extent that the combined voting rights of all Stapled Stores Shares and B Shares held by any B Shareholder (together with such B Shareholder's related and concert parties) at a given time are less than an effective aggregate 25% voting rights of the total issued shares of Stores (including the B Shares), the voting rights attaching to such B Shares will cease, and Stores will be entitled, at its election, to repurchase that B Shareholder's B Shares.

In the event that no single B Shareholder holds more than 25% of the total voting rights of Stores (together with such B Shareholder's related and concert parties), the voting rights attaching to all B Shares will cease, and Stores will be entitled, at its election, to repurchase all B Shares.

In the event that a particular B Shareholder does not hold more than 25% of the total voting rights of Stores (together with such B Shareholder's related and concert parties), the voting rights attaching to that particular B Shareholder's B Shares will cease, and Stores will be entitled, at its election, to repurchase that B Shareholder's B Shares.

Should the combined voting rights of a transferring B Shareholder(s) (the "**Transferor**") together with any other B Shareholder(s) related to or acting in concert with the Transferor comprise more than 25% of the total voting rights of the Company, and the combined voting rights of the persons(s) to whom such B Shares, and a corresponding number of Ordinary Shares, are transferred (the "**Transferee**") together with any other B Shareholder(s) and/or Shareholder(s) related to or acting in concert with the Transferee, comprise more than 25% of the total voting rights of the Company, and such Transferee does not, at its sole discretion, elect to make an offer to all of the other holders of the B Shares and the Ordinary Shares, mutatis mutandis, in accordance with section 123 of the Companies Act, then the voting rights attaching to such B Shares will cease at that time and Stores will be entitled, at its election, to repurchase those B Shares.

In circumstances where an offer to minorities is triggered, the full consideration payable to the Transferor under the transaction which triggers the offer shall be attributed to the Ordinary Shares and no value shall be attributed to the B Shares.

Immediately following receipt of the necessary shareholder approvals and fulfilment of any and all other legal requirements (if any) required to authorise the exercise of the option to repurchase B Shares, Stores shall be entitled to exercise the option to repurchase B Shares by giving written notice to that effect to the relevant B Shareholder. Any repurchase of B Shares by Stores as contemplated in this paragraph 3.3 shall be at a nominal value of R0.00001 (zero point zero zero zero zero one Rand) per B Share.

3.4 Adjustment of B Shares

Should there be a corporate event or an alteration of the share capital of the Company which increases or decreases the number of Stapled Ordinary Shares held by any B Shareholder, then the number of B Shares held by such B Shareholder shall be increased or decreased, as the case may be, to maintain the B Share Issue Ratio of Stapled Ordinary Shares to B Shares held by such Shareholder. This adjustment shall ensure that the B Shareholders continue to exercise the same portion of the total voting rights of the Company, after the occurrence of such a corporate event or alteration of share capital, as they did prior to such an occurrence (i.e. that there is no unwarranted dilution or accretion of voting rights of the B Shareholders).

In the event of any renounceable rights issue of Stores Shares in which the B Shareholders elect to follow their rights in terms of their Stores Shares, B Shares will be issued in the B Share Issue Ratio to the B Shareholders in order to prevent any unwarranted dilution of their voting rights. B Shares will also be issued to the B Shareholders in the event of any alteration to the capital structure of the Company which has a dilutionary effect on the voting rights of the B Shareholders, such as a share split or capital distribution.

In the event of a consolidation of shares or similar alteration of the capital structure of Stores which has an accretion effect on the B Shareholders, the number of B Shares held by the B Shareholders shall be decreased to accord with the B Share Issue Ratio. However, if a B Shareholder increases his/her interest in Stores through a purchase of Stores Ordinary Shares (not pursuant to a renounceable rights offer), no B Shares will be issued.

Any increase in the B Shareholding of the B Shareholders in accordance with the foregoing provisions of this clause 3.4 shall be effected by way of the allotment and issue to the B Shareholders of the requisite number of B Shares for a subscription consideration equal to R0.00001 (zero point zero zero zero one Rand) per B Share.

Any decrease in the B Shareholding of the B Shareholders in accordance with the foregoing provisions of this clause 3.4 shall be effected by way of a repurchase by Stores of the requisite number of B Shares for a repurchase consideration of R0.00001 (zero point zero zero zero zero one Rand) per B Share, in accordance with the provisions of the Companies Act and the Listings Requirements.

For the avoidance of doubt, in the event of:

1. an issuance in respect of which Ordinary Shareholders (including the B Shareholders) are not entitled to participate, such as an increase in Ordinary Shares under a share incentive scheme;
2. a rights issue in respect of the Ordinary Shares where the Controlling Shareholders elect not to follow their rights;
3. an issue of Ordinary Shares pursuant to an acquisition;
4. a vendor placing of Ordinary Shares;
5. an issue of Ordinary Shares for cash (or the extinction of a liability, obligation or commitment, restraint, or settlement of expenses);
6. an amalgamation or merger in accordance with the provisions of section 113 of the Companies Act; or
7. a similar alteration of capital or capital event;

there shall be no increase or decrease in the B Shareholding of the B Shareholders and the B Shareholders will be diluted.

3.5 **Governing law**

The Stores Transaction will be governed by the laws of South Africa.

3.6 **Effect on the financial statements**

The 259 682 928 B Shares will be issued for a nominal cash consideration of R0.00001 (zero point zero zero zero zero one Rand) per B Share. This will lead to an increase in cash reserves of R2 597.

4. **LONG-TERM EMPLOYEE SHARE INCENTIVE SCHEME**

Given no acceleration of Holdings options and that option holders won't participate in the Unbundling, both Holdings and Stores have elected to restructure the relevant share options and scheme shares awarded to employees within the Pick n Pay group of companies.

The relevant scheme rules shall be amended to provide for the substitution of Holdings Shares for Stores Shares of equivalent value and Holdings options with Stores options of equivalent value, with the intent and purpose that the participants in question should continue to derive the same benefit in respect thereof insofar as is possible.

Shareholders are referred to Annexure 5 for further information on the amendments of the share schemes.

5. **SHAREHOLDER APPROVAL**

The Stores Transaction will require the approval, by way of special resolution, to be voted on by the Stores Minority Shareholders (since Holdings has, in the interests of good corporate governance, undertaken not to vote its Shares).

The amendments required to the long-term employee share incentive schemes, described in paragraph 4 above, will require the approval, by way of special resolution, of both Stores and Holdings Minority Shareholders (since the Controlling Shareholders have, in the interests of good corporate governance, undertaken not to vote their Holdings Shares, and Holdings will not vote its Stores Shares at the Stores General Meeting).

6. **CONDITIONS PRECEDENT**

6.1 The Unbundling and the Stores Transaction are Inter-Conditional. In addition, the Scheme is conditional on the Unbundling and the Stores Transaction but not vice versa. Accordingly, the conditions precedent to the Stores Transaction are described below.

6.2 The Stores Transaction is subject to the following conditions precedent being fulfilled, namely –

- the Unbundling becoming effective in accordance with its terms, it being recorded that the Unbundling is subject to the following conditions precedent being fulfilled, namely:
 - approval by Holdings Shareholders at the Holdings General Meeting of the special resolution to unbundle the Stores Shares held by Holdings in terms of section 46 of the Income Tax Act and section 112 (read with section 115) of the Companies Act; and
 - within the period prescribed by section 164(7) of the Companies Act, no demands, or valid demands which in aggregate represent less than 5% of Holdings Shares, are received by Holdings in accordance with section 115(8) of the Companies Act are made in respect of the Unbundling;
- the approval by Shareholders at the General Meeting of the special resolution to replace the Existing Stores MOI with the New Stores MOI incorporating the B Share Terms, together with the lodgement thereof with the Companies and Intellectual Property Commission; and
- the approval by Shareholders at the General Meeting of the special resolution to issue and allot the B Shares to the Controlling Shareholders.

7. TRP IMPLICATIONS

The Transaction and Scheme have been fully canvassed with the TRP and the TRP has, without considering the commercial advantages or disadvantages thereof:

- 7.1 concluded that the Transaction does not result in a change of control of Stores which would trigger a mandatory offer as contemplated in section 123 of the Companies Act;
- 7.2 granted an exemption from the requirement that an independent expert be retained as contemplated in Regulation 90 of the Companies Act Regulations 2011 to express an opinion in respect of the Unbundling;
- 7.3 granted an exemption from the provision of Regulations 106 and 111 of the Companies Act Regulations, 2011, insofar as such information is not applicable to a scheme where a shell is acquired; and
- 7.4 confirmed that Regulation 85 of the Takeover Regulations does not apply to the Transaction.

The aforesaid decisions of the TRP are embodied in letters from the TRP dated 22 February 2016 and 19 April 2016. Such letters will be made available for inspection as per paragraph 22 below.

8. REGULATORY APPROVALS

The restructure of the Pyramid Control Structure and Circular has been approved by the JSE on the basis that the Controlling Shareholders' position in Stores will be unchanged, the approval of both the Stores Minority Shareholders and the Holdings Minority Shareholders is obtained.

SARS has issued an ATR to AIH, as well as Holdings, noting the Unbundling will have the tax consequences as described in the Holdings Circular and that the subscription for B Shares by the Controlling Shareholders will not constitute a disposal by Stores in terms of paragraph 11(2)(b)(i) of the Eighth Schedule to the Income Tax Act.

9. VOTING DILUTION IMPACT ON SHAREHOLDERS

The Controlling Shareholders before the Stores Transaction have an effective voting control over Stores of 52.8% (after the Pre-Unbundling Disposal) with an effective economic interest of 26.8% (after the Pre-Unbundling Disposal). Albeit that the Stores Transaction will result in a simplification of the current shareholder structure in Stores, the Controlling Shareholders will retain the same level of 52.8% (after the Pre-Unbundling Disposal) effective voting control, and 26.8% (after the Pre-Unbundling Disposal) economic interest in Stores after implementation of the Transaction.

All Shareholders, including the Controlling Shareholders, will retain the same economic rights at the Last Practicable Date and after implementation of the Stores Transaction.

However, the issuance of the B Shares to the Controlling Shareholders by Stores will result in voting dilution to Stores Minority Shareholders of 34.2%. Namely, prior to implementation of the Stores Transaction, but after the Pre-Unbundling Disposal, Stores Minority Shareholders will hold, in aggregate, 47.2% of the voting rights in Stores and after the implementation of the Stores Transaction, Stores Minority Shareholders will hold, in aggregate, 31.0% of the voting rights in Stores. Together with the Holdings Minority Shareholders the non-Controlling Shareholders will in aggregate be able to effectively exercise 47.2% of the voting rights in Stores.

The Stores Minority Shareholders need to note the effective dilution of 34.2% in their voting rights after implementation of the Stores Transaction as explained above and illustrated in the table contained in Annexure 4 of the Circular.

Holdings Minority Shareholders will also experience a voting dilution. However, their voting dilution of 35.9% will be slightly more than the voting dilution of Stores Minority Shareholders due to Holdings having more Treasury Shares than Stores.

10. MAJOR SHAREHOLDERS

Insofar as it is known to the applicant, the names of all Holdings Shareholders, other than a Director, that, directly or indirectly, are interested in 5% or more of Holdings Shares, together with the amount of such interests, as at 27 May 2016, are as follows:

Holdings

Shareholder	Number of Shares held	Shareholding ¹ (%)	Shareholding excluding Controlling Shareholders ² (%)
Controlling Shareholders ³	268 937 139	52.3	N/A
Allan Gray Proprietary Limited ⁴	48 751 540	9.5	19.9
Visio Capital Management Proprietary Limited ⁴	43 285 875	8.4	17.6
Coronation Fund Managers Limited ⁴	33 040 311	6.4	13.5
Total	394 014 865	76.6	51.0

¹Based on the total Holdings Shares of 527 249 082 less the 13 037 487 Holdings Shares held as Treasury Shares

²Based on the total Holdings Shares of 527 249 082 less the 13 037 487 Holdings Shares held as Treasury Shares and 268 937 139 Holdings Shares held by the Controlling Shareholders

³Insofar as it is known to the Company, AIH is the only Holdings Shareholder that has a direct or indirect beneficial interest of more than 5% in the Total Holdings Shares

⁴Includes beneficial and non-beneficial interests

Insofar as it is known to the applicant, the names of all Stores Shareholders, other than a Director, that, directly or indirectly, are interested in 5% or more of Stores Shares, together with the amount of such interests, as at 27 May 2016, are as follows:

Stores

Shareholder	Number of Shares held	Shareholding ¹ (%)	Shareholding excluding Controlling Shareholders ² (%)
Holdings ⁴	257 345 334	52.9	N/A
Coronation Fund Managers Limited ⁵	27 300 974	5.6	11.9
Public Investment Corporation Limited ⁴	26 732 886	5.5	11.6
Genesis Investment Management Limited Liability Partners ⁵	23 675 611	4.9	10.3
Total	335 054 805	68.8	33.9

¹Based on the total Stores Shares of 488 450 321 less the 1 599 031 Stores Shares held as Treasury Shares

²Based on the total Stores Shares of 488 450 321 less the 1 599 031 Stores Shares held as Treasury Shares and 257 345 334 Stores Shares held by the Controlling Shareholders before the Pre-Unbundling Disposal

³Before the Pre-Unbundling Disposal of 300 000 Stores Shares.

⁴Insofar as it is known to the Company, Holdings and the Public Investment Corporation Limited are the only Stores Shareholders that have a direct or indirect beneficial interest of more than 5% in the Total Stores Shares

⁵Includes beneficial and non-beneficial interests

Post the Pre-Unbundling Disposal and the Transaction the shareholders of Stores that are either directly or indirectly interested in 5% or more of Stores Shares will have the following economic and voting interest in Stores:

Stores

Shareholder	Number of Stores Shares held	Economic interest ¹	Number of Stores Shares and B Shares held	Voting interest ² (%)
Controlling Shareholders	131 112 673	26.8%	390 795 600	52.8%
Coronation Fund Managers Limited	43 408 840	8.9%	43 408 840	5.9%
Public Investment Corporation Limited	26 732 886	5.5%	26 732 886	3.6%
Genesis Investment Management Limited Liability Partners	25 819 668	5.3%	25 819 668	3.5%
Total	227 074 067	46.5%	486 756 994	65.8%

¹Based on the Total Stores Shares of 488 450 321

²Based on the sum of the Stores Shares of 488 450 321 and B Shares less the 7 955 088 Stores Shares expected to be held as Treasury Shares after the Transaction (exclusive of B Shares). Calculated after the Pre-Unbundling Disposal

11. GENERAL MEETING

A General Meeting of the Stores Shareholders will be held at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town on Monday, 25 July 2016 after the completion of the Holdings General Meeting or at 09:00 (whichever is the later), to consider and, if deemed fit, pass the resolutions required to authorise and effect the implementation of the Stores Transaction. A notice convening a General Meeting of Shareholders is attached to and forms part of this Circular.

Holdings will not participate in the voting to be held at the General Meeting of Shareholders.

12. INDEPENDENT DIRECTORS' OPINION AND RECOMMENDATIONS

Cognisant of actual and potential conflicts, the Independent Directors have considered the Stores Transaction and, notwithstanding the dilution on the voting rights of Stores Minority Shareholders but having regard to the potential benefits referred to in paragraph 2, are of the opinion that the Stores Transaction will be to the benefit of Stores Shareholders and accordingly recommend that Stores Shareholders vote in favour of the resolutions required to implement the Stores Transaction.

To assist in their deliberations, the Independent Directors voluntarily requested an opinion from an independent expert as to whether the Stores Transaction was fair and reasonable, and what would constitute an adequate consideration for the issue of the proposed B Shares, despite it not being required by any regulator as neither the TRP nor the JSE imposed any requirements on Stores with regard to obtaining a fair and reasonable opinion from an independent expert. The opinion that has been included in Annexure 7 is therefore not provided pursuant to the Listings Requirements.

13. EXPENSES

The estimated expenses (excluding VAT) that will be incurred by Stores to implement the Stores Transaction, and which will be settled out of existing Stores cash resources, are as set out in the table below:

Service	Service provider	Estimated amount (R)
In their capacity as Transaction Originator and Coordinator	Rand Merchant Bank	750 000
Adviser and sponsor to Stores	Investec	500 000
Legal adviser to Stores	Werksmans	500 000
JSE documentation fee	JSE	22 500
Circular printing	Bastion Graphics Proprietary Limited	250 000
Transfer Secretaries	Computershare	30 000
Total		2 052 500

The Controlling Shareholders will meet and pay their own costs and expenses.

14. RESPONSIBILITY STATEMENT

The Directors, collectively and individually, accept full responsibility for the accuracy of the information given in this Circular 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 this Circular contains all information required by law and the Listings Requirements.

The Independent Directors, insofar as any information in this Circular relates to Stores or to the matters on which they are required to opine:

- accept responsibility for the information contained in this Circular;
- certify that, to the best of their knowledge and belief, the information contained in this Circular is true and that there are no other facts, the omission of which would make any statement false or misleading; and
- certify that, to the best of their knowledge and belief, this Circular has not omitted anything that is likely to affect the importance of the information contained herein insofar as it relates to Stores or to a matter on which they are required to opine.

15. CONSENTS

The advisers, sponsors, legal advisers and Transfer Secretaries to Stores and the Controlling Shareholders have provided their written consent to their names being published in this Circular and have not withdrawn their consents prior to the publication of this Circular.

16. INCLUSION BY REFERENCE

At the Last Practicable Date, the information below is the most recent available to Stores and is available in the annual reports on Stores' website at www.picknpayinvestor.co.za. The documents are also available for inspection at the Stores' registered office during business hours at no charge from the date of issue of this Circular up to and including the date of the General Meeting:

Information	Reference	Page number
General description of the business	Pick n Pay audited annual financial statements 2016	2
	Pick n Pay integrated annual report 2016	4
Prospects of the business	Pick n Pay integrated annual report 2016	19 – 29
Directors' details	Pick n Pay integrated annual report 2016	68 – 69
Directors' interest in Stores shares	Pick n Pay audited annual financial statements 2016	44
Directors' service contracts	Pick n Pay integrated annual report 2016	70 – 77
Share capital of Stores	Pick n Pay audited annual financial statements 2016	67
Historical financial information	Pick n Pay integrated annual report 2015	92 – 165
	Pick n Pay audited annual financial statements 2016	1 – 103

17. MATERIAL CHANGES

The Directors are not aware of any material changes in the financial or trading position of Stores or its subsidiaries subsequent to the latest published annual report for the 52 weeks ended 28 February 2016, other than the changes noted in this Circular and the Holdings Circular.

18. LITIGATION

There are currently no legal or arbitration proceedings, including any such proceedings that are pending or threatened which may have, or have had, a material effect on Stores or any of its subsidiaries' financial position during the 12 months preceding the date of issue of this Circular.

19. MATERIAL CONTRACTS

Stores has not entered into any material contract either verbally or in writing that is outside the ordinary course of business in the preceding two years to the date of issue of this Circular.

20. DIRECTORS' SERVICE CONTRACTS AND REMUNERATION

The Directors' service contracts and remuneration will not be varied as a result of the Transaction.

21. DIRECTORS' INTEREST IN THE TRANSACTION

Directors who are members of the Ackerman family, being J Ackerman, S Ackerman-Berman, D Robins and G Ackerman, will receive B Shares in accordance with the B Share Terms in their own capacity and/or through controlled trusts and legal entities as noted in the definitions of AIH and Other Ackerman Shareholders and have therefore recused themselves from voting on any of the resolutions to be passed in terms of the Transaction and the Scheme.

22. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of Stores and the registered offices of Rand Merchant Bank, Investec and the Transfer Secretaries, whose details can be found in the "Corporate Information and Advisers" section of this Circular, during normal business hours (excluding Saturdays, Sundays and South African public holidays) from the date of issue of this Circular until the date of the General Meeting:

- the written letters of consent as given in paragraph 15 above;
- annual financial statements of Stores for the financial years ended 28 February 2016, 2015 and 2014;
- the letters from the TRP referred to in paragraph 7 above;
- the letter from the TRP, approving this Circular;
- the Existing Stores MOI;
- the New Stores MOI;
- Directors' service agreements;
- copies of the relevant Pick n Pay employee share schemes and the proposed amendments thereto;
- a signed copy of this Circular; and
- a signed copy of the Holdings Circular.

For and on behalf of the Directors

Ms Debra Muller
Company secretary
Cape Town

24 June 2016

ANNEXURE 1: EXTRACT OF SECTION 41 OF THE COMPANIES ACT

“Section 41: Shareholder approval for issuing shares in certain cases

1. Subject to subsection (2), an issue of shares or securities convertible into shares, or a grant of options contemplated in section 42, or a grant of any other rights exercisable for securities, must be approved by a special resolution of the shareholders of a company, if the shares, securities, options or rights are issued to a –
 - (a) director, future director, prescribed officer, or future prescribed officer of the company;
 - (b) person related or inter-related to the company, or to a director or prescribed officer of the company; or
 - (c) nominee of a person contemplated in paragraph (a) or (b).
2. Subsection (1) does not apply if the issue of shares, securities or rights is –
 - (a) under an agreement underwriting the shares, securities or rights;
 - (b) in the exercise of a pre-emptive right to be offered and to subscribe shares, as contemplated in section 39;
 - (c) in proportion to existing holdings, and on the same terms and conditions as have been offered to all the shareholders of the company or to all the shareholders of the class or classes of shares being issued;
 - (d) pursuant to an employee share scheme that satisfies the requirements of section 97; or
 - (e) pursuant to an offer to the public, as defined in section 95(1)(h), read with section 96.
3. An issue of shares, securities convertible into shares, or rights exercisable for shares in a transaction, or a series of integrated transactions, requires approval of the shareholders by special resolution if the voting power of the class of shares that are issued or issuable as a result of the transaction or series of integrated transactions will be equal to or exceed 30% of the voting power of all the shares of that class held by shareholders immediately before the transaction or series of transactions.
4. In subsection (3):
 - (a) for purposes of determining the voting power of shares issued and issuable as a result of a transaction or series of integrated transactions, the voting power of shares is the greater of:
 - (i) the voting power of the shares to be issued; or
 - (ii) the voting power of the shares that would be issued after giving effect to the conversion of convertible shares and other securities and the exercise of rights to be issued;
 - (b) a series of transactions is integrated if:
 - (i) consummation of one transaction is made contingent on consummation of one or more of the other transactions; or
 - (ii) the transactions are entered into within a 12-month period, and involve the same parties, or related persons; and:
 - (aa) they involve the acquisition or disposal of an interest in one particular company or asset; or
 - (bb) taken together, they lead to substantial involvement in a business activity that did not previously form part of the company's principal activity.
5. A director of a company is liable to the extent set out in section 77(3)(e)(ii) if the director –
 - (a) was present at a meeting when the board approved the issue of any securities as contemplated in this section, or participated in the making of such a decision in terms of section 74; and
 - (b) failed to vote against the issue of those securities, despite knowing that the issue of those securities was inconsistent with this section.
6. In this section, ‘future director’ or ‘future prescribed officer’ does not include a person who becomes a director or prescribed officer of the company more than six months after acquiring a particular option or right.”

ANNEXURE 2: PROPOSED ANNEXURE D TO BE EMBODIED IN THE NEW STORES MOI CONTAINING THE B SHARE TERMS

ANNEXURE D

RIGHTS, PRIVILEGES AND CONDITIONS ATTACHING TO THE B SHARES

The B Shares shall carry the following rights and privileges and shall be subject to the following conditions –

1. DEFINITIONS

- 1.1. The following words and expressions shall, when used in this Annexure D, bear the meanings assigned to them below and cognate words and expressions shall bear corresponding meanings –
 - 1.1.1. **“Act in Concert”** shall bear the meaning ascribed thereto in section 117(b) of the Companies Act construed mutatis mutandis, and the phrase **“Acting in Concert”** shall be construed accordingly;
 - 1.1.2. **“B Share Holding Ratio”** means the ratio of B Shares held by each B Shareholder to the total number of B Shares in issue;
 - 1.1.3. **“B Share Issue Ratio”** means the ratio of 1.98061 (one point nine eight zero six one) B Shares for every 1 (one) Stapled Ordinary Share held by the B Shareholders at the time of the issue and allotment of the B Shares which, for the avoidance of doubt, shall continue to apply to any B Shareholder from time to time thereafter;
 - 1.1.4. **“B Shares”** means the unlisted, non-convertible, non-participating, no par value B Ordinary Shares which the Company is authorised to issue, having the rights, privileges and conditions set out in this Annexure D;
 - 1.1.5. **“B Shareholders”** means the holders of B Shares together with the corresponding number of Stapled Ordinary Shares (as determined in accordance with the B Share Issue Ratio) from time to time;
 - 1.1.6. **“Call Option”** means in relation to B Shares, the irrevocable and unconditional right and option which each B Shareholder of a B Share grants to the Company to enable the Company at its election to oblige that B Shareholder (which shall then be obliged) to sell B Shares to the Company, each for the Option Amount, upon the happening of an Option Event on the terms set out in this Annexure D;
 - 1.1.7. **“Disposal”** or **“Transfer”** means, when used in relation to a B Share, the sale, alienation, transfer, donation or other conveyance of that B Share or any part thereof including, without limitation, any rights attaching thereto and shall include any agreement or arrangement howsoever described to give effect to the foregoing, and the expressions **“Dispose”**, **“Disposal”**, **“Transfer”** or **“Transferred”** shall be construed accordingly;
 - 1.1.8. **“Initial Ackerman Family Holders”** means the members of the Ackerman family who hold Ordinary Shares and to whom B Shares are to be issued in accordance with the B Share Issue Ratio, namely:
 - 1.1.8.1. Ackerman Investment Holdings Proprietary Limited (Registration number: 2010/018805/07) (owning 48.5%);
 - 1.1.8.2. The Mistral Trust (owning 1.05%);
 - 1.1.8.3. Burrumbuck Investments (Proprietary) Limited (owning 0.63%);
 - 1.1.8.4. RD Ackerman (owning 0.24%);
 - 1.1.8.5. The Jongus Trust (owning 0.22%);
 - 1.1.8.6. The Bermack Trust (owning 0.11%);
 - 1.1.8.7. The Sudale Trust (owning 0.07%);
 - 1.1.8.8. J Ackerman (owning 0.05%);
 - 1.1.8.9. S Ackerman (owning 0.05%);
 - 1.1.8.10. K Robins (owning 0.04%);
 - 1.1.8.11. A Ackerman (owning 0.01%); and
 - 1.1.8.12. 15 other individuals (collectively owning 0.05%);
 - 1.1.9. **“Option Amount”** means in relation to each B Share, an amount of R0.00001 which is payable by the Company to the B Shareholder of that B Share upon the exercise of the Call Option in respect of that B Share;
 - 1.1.10. **“Option Event”** means in respect of the B Shares –
 - 1.1.10.1. if no B Shareholder together with any other B Shareholder(s) Related to or Acting in Concert with such B Shareholder holds an amount of more than 25% (twenty five percent) of the total voting rights of the Company;
or

- 1.1.10.2. if any B Shareholder fails to notify the company secretary in writing of a Disposal of B Shares, prior to such Disposal, as contemplated in clause 6 below; or
- 1.1.10.3. if any B Shareholder Disposes of or Transfers any Stapled Ordinary Shares on-market (which, for the avoidance of doubt, shall be via the JSE's normal order book); or
- 1.1.10.4. if any B Shareholder Disposes of any B Shares without the Disposal of the corresponding number of Stapled Ordinary Shares as contemplated in clause 8.1 below; or
- 1.1.10.5. if any B Shareholder Disposes of any B Shares and a corresponding number of Stapled Ordinary Shares, and the Transferee to whom such B Shares are Transferred, together with any other B Shareholder(s) Related to or Acting in Concert with such Transferee, does not, after the Disposal, hold more than 25% (twenty five percent) of the total voting rights of the Company upon Transfer of such B Shares (which amount shall, for the avoidance of doubt, be determined together with any other voting rights already held by such Transferee at the date of Transfer of the relevant B Shares);
- 1.1.10.6. if any B Shareholder Disposes of any B Shares, and a corresponding number of Stapled Ordinary Shares and, as a result of such Disposal, such B Shareholder no longer holds more than 25% (twenty five percent) of the total voting rights of the Company (together with such B Shareholder's Related and Concert Parties at the date of Transfer of the relevant B Shares) upon Transfer of such B Shares; or
- 1.1.10.7. if as a result of a transaction (or a series of integrated transactions (as contemplated in section 41(4)(b) of the Companies Act)) relating to the Disposal of B Shares, and a corresponding number of Stapled Ordinary Shares, as at the time of the transaction (or the culmination of a series integrated transactions (as contemplated in section 41(4)(b) of the Companies Act)):
 - 1.1.10.7.1. the combined voting rights of the transferring B Shareholder(s) ("**Transferor**") together with any other B Shareholder(s) Related to or Acting in Concert with the Transferor comprise more than 25% (twenty five percent) of the total voting rights of the Company; and
 - 1.1.10.7.2. the combined voting rights of the persons(s) to whom such B Shares, and a corresponding number of Stapled Ordinary Shares, are transferred to a Transferee together with any other B Shareholder(s) and/or holders of Ordinary Shares Related to or Acting in Concert with the Transferee, comprise more than 25% (twenty five percent) of the total voting rights of the Company, and such Transferee has not, at its sole discretion, elected to make an offer to all of the other holders of the Ordinary Shares, mutatis mutandis, in accordance with section 123 of the Companies Act;
- 1.1.11. "**Ordinary Shareholders**" means the holders of Ordinary Shares;
- 1.1.12. "**Ordinary Shares**" means the ordinary shares which the Company is authorised to issue, having the rights, privileges and conditions set in this MOI;
- 1.1.13. "**Related**" shall have the meaning ascribed thereto in section 2 of the Companies Act;
- 1.1.14. "**Stapled Ordinary Shares**" means the Ordinary Shares held by the B Shareholders at the time of the issue and allotment of the B Shares, determined in accordance with the B Share Issue Ratio, which Ordinary Shares are subject to the restrictions on disposal described in clause 6 below; and
- 1.1.15. "**Transferee**" shall mean any person(s) to whom B Shares are Transferred (as defined in clause 1.1.7 above and "**Transferor**" shall bear a corresponding meaning).

2. WINDING-UP AND RETURN OF CAPITAL

The B Shares shall not carry the right, on a winding-up of the Company or on any return or reduction of capital, to the payment or repayment of any amount.

3. NO PARTICIPATION

The B Shares shall not be entitled to any participation in the profits of the Company or any distribution of the assets or capital of the Company.

4. VOTING

- 4.1. At every General Meeting or adjourned General Meeting of the Company at which Ordinary Shareholders and B Shareholders are present and entitled to vote on any particular matter, upon a poll, or in respect of any written resolution contemplated in section 60 of the Companies Act on which the Ordinary Shareholders and the B Shareholders are entitled to vote, each B Shareholder shall, in respect of that particular matter, be entitled to exercise 1 (one) vote for every B Share held and entitled to vote at that time.
- 4.2. Any B Shareholder shall, by giving written notice to that effect to the Company at any time when the B Shareholders are entitled to vote in terms of clause 4.1 above, be entitled to require the Company, which shall thereupon be obliged, to call a General Meeting of its Holders, or any class of them, to consider any matter (including, without limitation, a resolution requiring the Company to comply with its obligations to the B Shareholders, and any such resolution adopted at a meeting of all Shareholders of the Company shall, notwithstanding anything to the contrary contained in this MOI, be binding upon and be given effect to by the Company and the Directors).

5. MODIFICATION OF THE TERMS OF THE B SHARES

The terms of the B Shares may not be modified without a special resolution amending this MOI, which special resolution must be approved by Shareholders holding:

- 5.1. at least 75% (seventy five percent) of the voting rights exercisable at a meeting of all Shareholders (which, for the avoidance of doubt, shall include the B Shareholders); and
- 5.2. at least 75% (seventy five percent) of the voting rights exercisable at a separate class meeting comprised of the B Shareholders only.

6. NOTIFICATION OF TRANSFER OF B SHARES

No B Shareholder shall be entitled to Dispose of or Transfer its B Shares or any of them (together with the corresponding number of Stapled Ordinary Shares (as determined in accordance with the B Share Issue Ratio)) unless and until it has notified the company secretary in writing thereof and any failure by a B Shareholder to so notify the company secretary will on the Date of Transfer or Disposal constitute an Option Event, which shall result in immediate cancellation of the voting rights attached to such B Shares in accordance with the provisions of the clause 7 below.

7. CALL OPTION AND CESSATION OF B SHARE VOTING RIGHTS

- 7.1. On the occurrence of an Option Event, the voting rights which attach to the B Shares, in respect of that Option Event, shall immediately cease to be of force and effect and the B Shareholder(s) concerned hereby undertakes not to exercise or purport to exercise such voting rights. For the avoidance of doubt:
 - 7.1.1. the occurrence of the Option Event set out in clause 1.1.10.1 above shall result in the cessation of the voting rights attaching to all B Shares in issue;
 - 7.1.2. the occurrence of the Option Events set out in clauses 1.1.10.2, 1.1.10.3, 1.1.10.4, 1.1.10.5, or 1.1.10.6 above shall result in the cessation of the voting rights attaching to only those B Shares:
 - 7.1.2.1. the Disposal of which the company secretary was not notified of, in terms of clause 6 above, read with clause 1.1.10.2 above;
 - 7.1.2.2. the Disposal of Stapled Ordinary Shares on-market in terms of clause 1.1.10.3 above;
 - 7.1.2.3. which were Disposed of without the Disposal of the corresponding number of Stapled Ordinary Shares, in terms of clause 8.1 below read with clause 1.1.10.4 above; or
 - 7.1.2.4. which were Disposed of to a Transferee who does not, together with any other B Shareholder(s) Related to or Acting in Concert with such Transferee, hold more than 25% (twenty five percent) of the total voting rights of the Company (which amount shall, for the avoidance of doubt, be determined together with any other voting rights already held by such Transferee at the date of Transfer of the relevant B Shares) in accordance with clause 1.1.10.5 above; or
 - 7.1.2.5. which are retained by a B Shareholder in circumstances where such B Shareholder has Disposed of B Shares, together with the corresponding number of Stapled Ordinary Shares, and as a result of such Disposal the relevant B Shareholder no longer holds more than 25% (twenty five percent) of the total voting rights of the Company, as contemplated in clause 1.1.10.6 above;
 - 7.1.3. the occurrence of the Option Event set out in clause 1.1.10.7 above shall result in the cessation of the voting rights attaching to those B Shares held by the Transferee together with all of the B Shares held by any person(s) Related to or Acting in Concert with the Transferee with effect from the date of Transfer.
- 7.2. Notwithstanding anything to the contrary in this MOI, the B Shareholders hereby irrevocably grant the Company the Call Option, exercisable at the Company's election, to repurchase:
 - 7.2.1. on the occurrence of the Option Event set out in clause 1.1.10.1 above, all of the B Shares in issue;
 - 7.2.2. on the occurrence of the Option Events set out in clauses 1.1.10.2, 1.1.10.3, 1.1.10.4, 1.1.10.5, or 1.1.10.6 above, all of those B Shares:
 - 7.2.2.1. the Disposal of which the company secretary was not notified, in terms of clause 6 above, read with clause 1.1.10.2 above; or
 - 7.2.2.2. the Disposal of Stapled Ordinary Shares on-market in terms of clause 1.1.10.3 above;
 - 7.2.2.3. which were Disposed of without the Disposal of the corresponding number of Stapled Ordinary Shares, in terms of clause 8.1 below read with clause 1.1.10.4 above;
 - 7.2.2.4. which were Disposed of to a Transferee who does not, together with any other B Shareholder(s) Related to or Acting in Concert with such Transferee, hold more than 25% (twenty five percent) of the total voting rights of the Company (which amount shall, for the avoidance of doubt, be determined together with any other voting rights already held by such Transferee at the date of Transfer of the relevant B Shares) in accordance with clause 1.1.10.5 above; or

- 7.2.2.5. which are retained by a B Shareholder in circumstances where such B Shareholder has Disposed of B Shares, together with the corresponding number of Stapled Ordinary Shares, and as a result of such Disposal such B Shareholder no longer holds more than 25% (twenty five percent) of the total voting rights of the Company, as contemplated in clause 1.1.10.6 above;
- 7.2.3. on the occurrence of the Option Event set out in clause 1.1.10.7 above, and provided that the Transferee in terms of clause 1.1.10.7.2 above has, at its sole discretion, not elected to make an offer to all other holders of Ordinary Shares on the date of Transfer, mutatis mutandis, in accordance with section 123 of the Companies Act, all of those B Shares held by the Transferee together with all of the B Shares held by any person(s) Related to or Acting in Concert with the Transferee in respect of that Option Event,

at any time on or after the happening of the relevant Option Event and for the Option Amount per B Share.

- 7.3. In circumstances where the Transferee elects to make an offer as provided for in clauses 1.1.10.7.2 read with 7.2.3 above (or where the Transferee is obliged to do so under section 123 of the Companies Act), the full consideration payable by the Transferee to the Transferor under the transaction which triggers the offer in question shall be attributable to the Ordinary Shares forming the subject matter of such offer and no consideration shall be attributable to the B Shares.
- 7.4. The Company shall, subject to the passing of any and all shareholders' resolutions and the fulfilment of any and all other legal requirements (if any) required to authorise the exercise of the Call Option, be entitled to exercise the Call Option at any time after the occurrence of an Option Event and repurchase all of the relevant B Shares in terms thereof.
- 7.5. Immediately following receipt of the necessary shareholder approvals and fulfilment of any and all other legal requirements (if any) required to authorise the exercise of the Call Option, the Company shall be entitled to exercise the Call Option by giving written notice to that effect to the relevant B Shareholder and paying the relevant B Shareholder the Option Amount for each B Share repurchased. The Option Amount shall be paid in cash by way of electronic funds transfer into such bank account as may be recorded by the Company in its records in respect of that B Shareholder. The B Shareholder shall be obliged to surrender to the Company the share certificate/s for the B Shares (or, if such certificate has been lost or destroyed, proof of such loss or destruction) upon receipt of payment of the Option Amount in relation to any B Shares.
- 7.6. In the event that a B Shareholder(s) holds its B Shares together with Related Parties, or parties Acting in Concert with such B Shareholder, for the purposes hereof, then the company secretary may from time to time require that such B Shareholder(s) furnish the Company with documentary proof of their Related Party or Concert Party relationship, to the company secretary's reasonable satisfaction, and the onus of proving such a relationship shall rest on the relevant B Shareholder(s).

8. GENERAL

- 8.1. A B Shareholder may only dispose of B Shares if, in the same transaction, the pro rata number of Stapled Ordinary Shares held by that B Shareholder (as determined in accordance with the B Share Issue Ratio) are also disposed of and vice versa. Ordinary Shares held by a B Shareholder may be disposed of off-market or on-market via the JSE order book, subject to the provisions of clause 7 above. Each B Shareholder must at all times hold at least the B Share Issue Ratio of Stapled Ordinary Shares to B Shares.
- 8.2. The Board of the Company shall resolve to issue and allot B Shares initially only to the Initial Ackerman Family Holders in the B Share Issue Ratio, and thereafter from time to time only to the B Shareholders in such circumstances as may be expressly contemplated and provided for in this MOI. For the avoidance of doubt, the Board shall not have a general authority to issue and allot B Shares in circumstances not expressly contemplated herein.
- 8.3. To the extent that the application of the B Share Issue Ratio to the issue of B Shares to the initial B Shareholders, or the application of clause 9 below results in any B Shareholder becoming entitled to a fraction of a B Share, the fraction shall be rounded down to the nearest whole number.
- 8.4. In the event that all of the issued B Shares have:
- 8.4.1. ceased to exercise voting rights, in terms of clause 7.1 above; and
- 8.4.2. been repurchased by the Company in terms of clause 7.2 above (such that no B Shares are any longer in issue),

then, for the avoidance of doubt, the Company shall thereafter no longer issue and allot B Shares, notwithstanding the number of authorised but unissued B Shares.

9. ADJUSTMENT

- 9.1. For the purpose of this clause 9 an "Adjustment Event" means –
- 9.1.1. a restructure of the Ordinary Share capital of the Company; or
- 9.1.2. any corporate action or event howsoever described –
- 9.1.2.1. pursuant to which new Ordinary Shares are allotted and issued to all holders of Ordinary Shares (including, without limitation, B Shareholders in respect of their Stapled Ordinary Shares); or
- 9.1.2.2. in which all holders of Ordinary Shares have a right or entitlement to participate, to the extent that the B Shareholders have exercised such right or entitlement in respect of their Stapled Ordinary Shares; or

- 9.1.2.3. pursuant to which Ordinary Shares are repurchased from all holders of Ordinary Shares (including, without limitation, the Stapled Ordinary Shares of B Shareholders); or
 - 9.1.2.4. in which all holders of Ordinary Shares have a right or entitlement to participate in a repurchase of some or all of their Ordinary Shares, to the extent that the B Shareholders have exercised such right or entitlement in respect of their Stapled Ordinary Shares;
- 9.1.3. a combination of any one or more of the events referred to in 9.1.1 or 9.1.2.
- 9.2. The intention of this clause 9 is to ensure that the B Shareholders continue to exercise the same portion of the total voting rights exercisable at meetings of the Company after the occurrence of an Adjustment Event as they did prior to the occurrence of the Adjustment Event i.e. that there is no unwarranted dilution or accretion of voting rights of the B Shareholders). Accordingly, in the event of a corporate event in or alteration of capital of the Company, which has the effect of increasing or decreasing the number of Stapled Ordinary Shares held by any B Shareholder, the number of B Shares held by such B Shareholder shall be increased or decreased, as the case may be, to maintain the B Share Issue Ratio of Stapled Ordinary Shares to B Shares held by such B Shareholder.
- 9.3. Having regard to clause 9.2 and notwithstanding any other provision of this MOI, if an Adjustment Event occurs and such Adjustment Event results in –
 - 9.3.1. the B Shareholders exercising a smaller portion of the total voting rights exercisable at meetings of the Company after the occurrence of the Adjustment Event than they did prior to the occurrence of the Adjustment Event, then such number of new B Shares as will result in the B Shareholders exercising the same proportion of the total voting rights exercisable at meetings of the Company as they would have had the Adjustment Event not occurred (i.e. maintaining the ratio of B Shares to Stapled Ordinary Shares in the B Share Issue Ratio) will be allotted and issued to the B Shareholders (in proportion to their holding of Stapled Stores Shares) against payment of a subscription price of R0.00001 (zero point zero zero zero zero one Rand) per B Share;
 - 9.3.2. the B Shareholders exercising a greater portion of the total voting rights exercisable at meetings of the Company after the occurrence of the Adjustment Event than they did prior to the occurrence of the Adjustment Event, then the Company shall have the right and option to repurchase (in proportion to their holding of Ordinary Shares) such number of B Shares from the B Shareholders as will result in them exercising the same proportion of the total voting rights exercisable at meetings of the Company as they would have had the Adjustment Event not occurred (i.e. maintaining the ratio of B Shares to Stapled Ordinary Shares in the B Share Issue Ratio). The aforesaid right and option to repurchase shall be at a repurchase price of R0.00001 (zero point zero zero zero zero one Rand) per B Share and otherwise in accordance with clause 7.2 above which shall apply mutatis mutandis. Any B Shares which the Company is entitled to repurchase in terms of this clause 9.3.2 shall cease to enjoy voting rights immediately upon the occurrence of the Adjustment Event in question.
- 9.4. For the avoidance of doubt, it is recorded that –
 - 9.4.1. the following capital restructures or corporate actions and events shall constitute an Adjustment Event, namely –
 - 9.4.1.1. a sub-division or consolidation of Ordinary Shares;
 - 9.4.1.2. a rights issue in respect of Ordinary Shares, to the extent that B Shareholders follow their rights in respect of their Stapled Stores Shares;
 - 9.4.2. the following corporate actions and events shall not constitute an Adjustment Event –
 - 9.4.2.1. any issue of Ordinary Shares in which all Ordinary Shareholders would not be entitled to participate including, without limitation, any issue of Ordinary Shares under any employee incentive scheme;
 - 9.4.2.2. any acquisition issue of Ordinary Shares;
 - 9.4.2.3. any vendor consideration placing of Ordinary Shares;
 - 9.4.2.4. any issue of Ordinary Shares for cash or to settle any indebtedness, liability, obligation, commitment, expense or the like;
 - 9.4.2.5. any amalgamation or merger in accordance with section 113 of the Act; and
 - 9.4.2.6. any rights issue to the extent that the B Shareholders do not follow their rights in respect of their Stapled Ordinary Shares.

ANNEXURE 3: MANAGEMENT OF CONFLICT AND MAINTENANCE OF INDEPENDENCE

The Independent Directors being cognisant of the actual and potential conflicts between the position of the Controlling Shareholders and the Stores Minority Shareholders in relation to the Stores Transaction have taken care to ensure that their independence was and will remain in place for the duration of the Stores Transaction.

In particular:

- the Independent Directors independently evaluated the Stores Transaction without the presence of the Controlling Shareholders, their appointed directors and their advisers; and
- the Independent Board appointed independent advisers to the advisers appointed by the Controlling Shareholders.

As a result of the different outcomes of the Transaction for Holdings Minority Shareholders and Stores Minority Shareholders, Holdings has undertaken not to vote its Stores Shares on the resolutions to be proposed at the Stores General Meeting.

ANNEXURE 4: TABLE ILLUSTRATING THE DILUTIVE EFFECTS OF THE STORES TRANSACTION ON THE VOTING RIGHTS OF STORES MINORITY SHAREHOLDERS

Effective voting interest after the Pre-Unbundling Disposal, but before Unbundling and the issue and the allotment of the B Shares to the Controlling Shareholders

Stores Minority Shareholders' economic interest in Stores	47.4%
Stores Minority Shareholders' voting interest in Stores	47.2%

Effective voting interest after the Pre-Unbundling Disposal, Unbundling and the issue and allotment of the B Shares to the Controlling Shareholders

Stores Minority Shareholders' economic interest in Stores	47.4%
Stores Minority Shareholders' voting interest in Stores	31.0%
Stores Minority Shareholders' percentage dilution	34.2%

Note: Holdings Minority Shareholders will hold 16.2% of the voting rights of Stores, after the Transaction. The total voting interest held by Stores Minority Shareholders and Holdings Minority Shareholders will, at that point, equal the 47.2% voting rights that Stores Minority Shareholders had before the Transaction.

ANNEXURE 5: AMENDMENTS TO THE PICK N PAY EMPLOYEE SHARE SCHEME RULES

PICK N PAY 1997 SHARE OPTION SCHEME

The deletion of clause 11.4 and the replacement thereof with the following amended clause 11.4:

- "11.4 Should the Trustees cancel an unexercised Option, they shall elect to either:
- 11.4.1 pay to a Participant (or his or her estate) such sum as would have been owing by them in terms of this Agreement had the Option been exercised, but the relevant Sale Shares not paid for or delivered, as at the date of the relevant event; or
 - 11.4.2 in respect of Options to acquire Shares in Pikwik, to substitute such Options with Options to acquire Shares in the Company of equivalent value, with the intent and purpose that pursuant to such substitution the Participant shall be in the same financial position but for such cancellation and substitution, insofar as is reasonably possible."

BLUE RIBBON EMPLOYEE SHARE PURCHASE TRUST

The addition of the following provisions:

- "11.3 It is recorded and agreed that in the event that any distribution in specie is made to participant holders of shares in the capital of Pick n Pay Holdings Limited, which distribution in specie comprises shares in the capital of Pick n Pay Stores Limited (the "**Stores Substitution Shares**"), during the currency of any pledge in terms of this clause 11, then, unless otherwise determined by way of resolution of the trustees, such Stores Substitution Shares shall:
- 11.3.1 accrue to the relevant participant, but the Trustees shall be entitled irrevocably and in rem suam to receive the share certificate(s) (if applicable) relating to the relevant Stores Substitution Shares on behalf of the relevant participant;
 - 11.3.2 be subject to a pledge in favour of the Trust, in terms of which the participant pledges the relevant Stores Substitution Shares, on the terms contained in clause 11.2 above mutatis mutandis, as security for the due payment by the participant of his share debt; and
 - 11.3.3 otherwise be subject to the scheme rules as contained herein mutatis mutandis.
- 11.4 Should shares in the capital of Pick n Pay Holdings Limited become subject to a scheme of arrangement, within the meaning of section 114 of the Companies Act No. 71 of 2008, pursuant to which the holders thereof become obliged to dispose of such shares then, subject to the provisions of clause 11.3 above, such shares shall be released from the operation of any pledge to which they are subject, in terms of this clause 11.
- 11.5 The intent and purpose of clauses 11.3 and 11.4 above, and the powers conferred upon the trustees thereunder, are to ensure that participants entitled to shares in the capital of Pick n Pay Holdings Limited or who are the owners of such shares, pledged to the Trustees, are not prejudiced in the event of a scheme of arrangement or other corporate action which has the effect of reducing the value of the shares in the capital of Pick n Pay Holdings Limited and/or expropriating such shares."

ANNEXURE 6: SUMMARY OF B SHARE TERMS

KEY B SHARE TERMS

Key term	B Share disposal term
Class of shares	• Unlisted, non-convertible, non-participating, no par value shares • Voting rights but no economic participation and no veto rights • To be issued at a nominal value • B Shares will be stapled to the Stores Shares on their issue (collectively for this Annexure “B/Stapled Ordinary Shares”) and cannot be traded separately from each other • To be issued in a pre-determined ratio of B Shares to Stores Shares, i.e. the B Share Issue Ratio
Voting rights	• B Shares will provide additional voting rights to ensure that the Controlling Shareholders retain the same level of voting control in Stores after the Proposed Transaction as they currently enjoy (i.e. 52.8% of the votes in Stores. (The current 52.9% effective control is reduced to 52.8% due to the Pre-Unbundling Disposal.)
Economic rights	• B Shares will not have any economic rights: – Not entitled to participate in any profits of Stores – Not entitled to dividends – No rights in liquidation
Administering B Shares	• Disposal or transfer of B/Stapled Ordinary Shares held by a B Shareholder must be as follows: – Stapled Ordinary Shares (linked to B Shares): on- or off-market; plus – B Shares (linked to Stapled Ordinary Shares): off-market • In order to ensure the “stapled” nature of B/Stapled Ordinary Shares, the Stores company secretary must be informed of any proposed disposal of B/Stapled Ordinary Shares pre such disposal. Failure to notify the company secretary will result in the voting rights attaching to the B Shares linked to the Stapled Ordinary Shares being “cancelled” through a cessation of the voting rights (and subsequent repurchase by Stores)
Adjustments	• Should there be a corporate event or an alteration of the share capital of Stores, which increases or decreases the number of Stapled Ordinary Shares, then in certain circumstances the number of B Shares held by such B Shareholder shall be increased or decreased, as the case may be, to maintain the B Share Issue Ratio held by such B Shareholder

KEY B SHARE (LINKED TO STAPLED ORDINARY SHARES) DISPOSAL TERMS

Effective voting threshold/ procedural issue	Disposal term	Effect	Rationale for the term
Procedural	The Stores company secretary must be informed of any proposed disposal of B Shares linked to Stapled Ordinary Shares (collectively for this Annexure "B/Stapled Ordinary Shares") pre such disposal. The voting rights attaching to the B Shares stapled to those Stapled Ordinary Shares will be "cancelled" through a cessation of the voting rights and subsequent repurchase if the company secretary is not informed of a disposal.	If the company secretary is not informed pre a disposal of the B/ Stapled Ordinary Shares, the voting rights attaching to the B Shares stapled to those Stapled Ordinary Shares will effectively be cancelled through a cessation of the voting rights and subsequent repurchase.	As the B Shares are unlisted, the transfer and holding thereof (to ensure the stapled nature of the B Shares to the Stapled Ordinary Shares) will be managed by the company secretary. The company secretary will only be able to record who the holders of B Shares (linked to Stapled Ordinary Shares) are if information on the disposal is provided to the company secretary pre a disposal.
	The trading of Stapled Ordinary Shares (linked to the B Shares) can take place "off-market" (i.e. in materialised form, or dematerialised form not via the JSE normal order book) or "on-market" (i.e. in dematerialised form via the JSE's normal order book). However, if a disposal of a Stapled Ordinary Share which is stapled to a B Share is performed "on-market" by a B Shareholder, the voting rights attaching to the B Shares stapled to those Stapled Ordinary Shares will be cancelled through a cessation of the voting rights and subsequent repurchase.	The voting rights attaching to B Shares stapled to Stapled Ordinary Shares, which are disposed of "on-market" will be cancelled through a cessation of the voting rights and subsequent repurchase.	In an "on-market" transaction of Stapled Ordinary Shares, it will not be possible to identify the purchaser and as such the company secretary will not be able to appropriately record the transfer of the B Shares. To ensure proper recording of B Shareholders the voting rights attaching to B Shares will be cancelled through a cessation of the voting rights and subsequent repurchase in an "on-market" transaction of Stapled Ordinary Shares.

Effective voting threshold/ procedural issue	Disposal term	Effect	Rationale for the term
< 25%	In a disposal of B/Stapled Ordinary Shares by a B Shareholder, where the combined voting rights of all other Stores Shares plus B/Stapled Ordinary Shares acquired by a purchaser (together with its concert parties and related parties) are not more than an effective aggregated 25% of the total Stores voting rights, the voting rights attaching to the B Shares stapled to the Stapled Ordinary Shares acquired will be cancelled through a cessation of the voting rights and subsequent repurchase. Similarly, if the combined voting rights of all other Stores Shares plus B/Stapled Ordinary Shares still held by the selling B Shareholder (together with its concert parties and related parties) (initially the Controlling Shareholders) are not more than an effective aggregated 25% of the Stores total voting rights, the voting rights attaching to the B Shares held by the seller will be cancelled through a cessation of the voting rights and subsequent repurchase.	The voting rights attaching to B Shares stapled to the Stapled Ordinary Shares are cancelled in the hands of a B Shareholder that does not hold more than 25% of Stores' total voting rights (together with its concert parties and related parties).	Ordinarily any single shareholder and its concert parties and related parties would lose so-called "negative" control below 25% shareholding, and hence the cessation of the voting rights of the B Shares is intended to simulate this loss of "negative" control. Further, it also ensures that when the B Shareholder disposes of B/Ord Shares in very small numbers at a time, that in those instances the voting rights attaching to the B Shares also get cancelled, as it will not be possible to administer the B Shares and their holders if too many parties started holding these.
	If at any point in time there is not a single B Shareholder (together with its concert parties and related parties) that holds more than an effective aggregate 25% of the Stores total voting rights, then the voting rights attaching to all B Shares will be cancelled through a cessation of the voting rights and subsequent repurchase.	The voting rights attaching to all B Shares are cancelled through a cessation of the voting rights and subsequent repurchase if there are no more B Shareholders (together with their concert parties and related parties) that hold more than 25% of the Stores total voting rights.	B Shares effectively provide voting rights similar to the current effective voting status quo. If no party holds more than 25%, the B Shares should not operate further to reflect the current status quo.

Effective voting threshold/ procedural issue	Disposal term	Effect	Rationale for the term
≥ 25%	If a purchaser acquires B/Stapled Ordinary Shares from a B Shareholder and post the acquisition holds more than 25% of the effective aggregated total voting rights together with its concert parties and related parties (B/Stapled Ordinary Shares acquired and existing Stores Shares) in Stores and the selling B Shareholder of the B/Stapled Ordinary Shares also still holds effective aggregated total voting rights (B/Stapled Ordinary Shares and existing Stores Shares) in Stores of more than 25%, together with its concert parties and related parties, then the purchaser of the B/Stapled Ordinary Shares will have the choice to elect to either: (i) make an offer to all other Stores Shareholders to acquire their shares at the same price paid for the B/Stapled Ordinary Shares; or (ii) to have the voting rights attaching to the B Shares stapled to the Stapled Ordinary Shares acquired cancelled through a cessation of the voting rights and subsequent repurchase ("25% Election Term"). Should an offer to minorities be made per the 25% Election Term, the full consideration payable to the B Shareholder under the transaction which triggers the offer shall be attributed to the Stapled Ordinary Shares and no value shall be attributed to the B Shares.	The purchaser of B/Stapled Ordinary Shares can either: • make the same offer to all other Stores shareholders at the same price it paid on the B/Stapled Ordinary Shares; or • have the voting rights attaching to its B Shares in respect of the B/Stapled Ordinary Shares cancelled through a cessation of the voting rights and subsequent repurchase and thus only hold Stores Shares.	The 25% Election Term is meant to counteract a "synthetic double 25%" voting position where there are two B Shareholders (after the disposal of B/Stapled Ordinary Shares) with greater than an effective 25% of the Stores total voting rights by virtue of the fact that the B Shares have voting rights. As such the purpose is to give an election to the purchaser to decide if he wishes to retain the B Shares or if the effective 25% voting (notwithstanding that the purchaser may have acquired Stores Shares of less than 25%, but get more than 25% due to the B Shares attaching to the Stapled Ordinary Shares) arising from this is important and the purchaser is willing to pay a premium for this, that all minority shareholders also get the opportunity to be paid such a premium, if any, to prevent minority shareholders from being disadvantaged. The purpose of the term ascribing the full value of an offer to minorities per the 25% Election Term is to ensure that minority shareholders enjoy the full benefit of the offer (despite not owning any B Shares).
≥ 35%	Should an offer to minorities be made, the full consideration payable to the B Shareholder under the transaction which triggers the offer shall be attributed to the Stapled Ordinary Shares and no value shall be attributed to the B Shares. No further specific terms applicable.	Where B/Stapled Ordinary Shares are transferred that constitute 35% or more the usual Take Over Regulation Panel rules apply regarding a mandatory offer to all Stores shareholders.	The standard Take Over Regulation Panel rules require a mandatory offer to be made in any transaction where more than 35% is transferred. Provided the thresholds above are met, the B Shares will be transferred and not cancelled. Again, the purpose of the term ascribing the full value of an offer to minorities is to ensure that minority shareholders enjoy the full benefit of the offer (despite not owning any B Shares).

ANNEXURE 7: INDEPENDENT EXPERT REPORT

Important to note:

- Neither the TRP nor the JSE imposed any requirements on Stores with regard to obtaining a fair and reasonableness opinion from an independent expert;
- In order to evaluate the proposal to collapse the pyramid structure that the Ackerman family presented to the Board of Holdings and which Holdings subsequently presented to Stores, the Directors have voluntarily appointed the Independent Expert, to opine on the fair and reasonableness of the restructuring of the Pyramid Control Structure, despite it not being required by any regulator; and
- The Opinion is therefore not pursuant to the JSE Listings Requirements.

14 June 2016

The Directors
Pick n Pay Stores Limited
Pick n Pay Office Park
101 Rosmead Avenue
Kenilworth
7708
South Africa

Dear Directors

Fair and reasonable opinion in connection with the restructuring of the Pick n Pay Stores Limited control structure entered into between Pick n Pay Stores Limited, Pick n Pay Holdings Limited RF, Ackerman Investment Holdings Proprietary Limited and certain Ackerman family shareholders

Introduction

On 14 June 2016 a transaction was announced on SENS by Pick n Pay Stores Limited ("Stores" or "the Company") and Pick n Pay Holdings Limited RF ("Holdings") that would result in the restructuring of the Pyramid Control Structure of Stores. The restructuring will comprise the distribution of the 257 045 334 ordinary Stores shares held by Holdings, after the disposal of up to 300 000 Stores Shares for the purpose of settling costs and expenses, to Holdings shareholders ("the Unbundling") as contemplated under section 46 of the Companies Act No 71 of 2008, as amended ("the Companies Act") and Inter-Conditional thereto, the issue of unlisted, non-redeemable, non-participating, no par value shares in Stores entitling the holder thereof to one vote per B share ("the B Shares") to Ackerman Investment Holdings Proprietary Limited ("AIH") and other Ackerman family shareholders ("the Stores Transaction").

The Stores Transaction will be implemented by amending the existing Stores Memorandum of Incorporation ("MOI") with a new MOI that will embody the B Share terms and contain other amendments to the existing MOI consequential to the introduction of the B Share terms and will update the manner of dealing with fractional entitlements in transactions. The B Shares will be issued to the controlling shareholders, being collectively AIH, and members of the Ackerman family, their successors in title, controlled trusts and legal entities (excluding AIH) who directly or indirectly hold in aggregate 2.5% of the issued share capital of Holdings, excluding Treasury Shares ("the Controlling Shareholders") at a nominal subscription consideration of R0.00001.

Whilst neither the Takeover Regulation Panel established in terms of section 196 of the Companies Act ("the TRP") nor the JSE Limited ("the JSE") imposed any requirements on Stores with regard to obtaining a fair and reasonable opinion from an independent expert on the Stores Transaction, the independent Directors of Stores have voluntarily asked for an independent expert report. Therefore, the independent Directors of Stores have requested PricewaterhouseCoopers Corporate Finance Proprietary Limited ("PwC") to act as independent professional expert to confirm that the terms and conditions of the Stores Transaction are fair and reasonable as far as the Stores Shareholders are concerned.

Definition of Fair and Reasonable

Market value is defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In respect of the ordinary shareholders of Stores, the Stores Transaction would be considered fair and reasonable to the ordinary shareholders of Stores if the market value range of the ordinary shares immediately after the Stores Transaction is implemented is approximate to and within the market value range of the ordinary shares immediately before the Stores Transaction is implemented. This would confirm that the Stores Transaction does not give rise to any value dilution as far as Stores Shareholders are concerned.

In respect of the B Shares, we analysed the rights of the B Shares and the economics of the Stores Transaction and also considered the B Share consideration to form part of the broader Stores Transaction. Regarding the B Shares, the Stores Transaction would be considered fair and reasonable to the ordinary shareholders of Stores if the ordinary shareholders are not economically diluted by the issuance of the B Shares. As the B Shares are stapled to ordinary shares and cannot be traded separately, we considered the issuance of the B Shares in the context of the entire Stores Transaction.

Fairness is primarily based on quantitative issues but certain qualitative issues surrounding the particular transaction may also need to be considered in arriving at our conclusion. Even though the consideration may differ from the market value of the B Shares, the entire transaction may still be fair after considering other significant factors.

The assessment of reasonableness is generally based on qualitative issues surrounding the particular transaction. Even though the consideration may differ from the market value of the shares subject to a transaction, a transaction may still be fair and reasonable after considering other significant qualitative factors. We also considered qualitative and other factors in reaching our conclusion. These factors included the potential increased free float of Stores shares and the potential unquantifiable benefit associated with having a simplified corporate structure.

An individual shareholder's decision as to whether to vote in favour of a transaction may be influenced by his or her particular circumstances (for example taxation).

The fair and reasonable opinion will not purport to cater for individual investor positions but rather the general body of investors. Should an investor be in doubt, he or she should consult an independent adviser.

Sources of information

In the course of our valuation analysis, we relied upon financial and other information, including prospective financial information, obtained from Stores management and from various public, financial, and industry sources. Our conclusion is dependent on such information being complete and accurate in all material respects.

The principal sources of information used in performing our analysis included:

- The B Share terms as set out in the draft circular to be sent to Stores shareholders on 24 June 2016;
- Studies regarding the value of voting rights, including:
 - Stumpf, Aaron and Cline, Andrew. "Price Differentials Between Voting and Nonvoting Stock." Stout Risius Ross, Inc. 2012.
 - Cox, Steven and Roden, Dianne. "The Source of Value of Voting Rights and Related Dividend Promises." Indiana University Kokomo, School of Business.
 - Hauser, Shmuel and Lauterbach, Beni. "The Value of Voting Rights to Majority Shareholders: Evidence from Dual-Class Stock Unifications." *The Review of Financial Studies*, v 17 n 4. 2004.
 - Nenova, Tatiana. "The Value of Corporate Voting Rights and Control: A Cross-Country Analysis." *Journal of Financial Economics*, 68. 2003.
 - Zingales, Luigi. "The Value of Voting Right: A Study of the Milan Stock Exchange Experience." *The Review of Financial Studies*, v 7, n1. 1994.
- Discussions held with Stores' management and their advisers;
- For our macroeconomic research we used the following sources: Bureau for Economic Research, Business Monitor International, IHS Global Insight, International Monetary Fund, Oxford Economics; South African Reserve Bank, Nedbank, Investec, First National Bank;
- Selected analyst reports on Stores;
- Bond exchange of South Africa for interest rates used in our cost of capital calculations;
- Capital IQ for market sector beta information;
- Capital IQ for business descriptions and basic financial information used to identify comparable companies and for financial information relating to the comparable companies used in our cost of capital calculation;
- Capital IQ, analyst reports and other public sources for financial results and forecast financial results of the comparable companies analysed in our market approach; and
- PwC Valuation Methodology Survey 2014/15 Edition.

The principal sources of information used in performing our valuation of Stores included:

- Unaudited financial statements for Stores for 28 February 2016;
- Audited financial statements for Stores for 2 March 2014 and 1 March 2015; and
- Unaudited management accounts for Stores as follows:
 - Income statements as at 28 February 2011, 29 February 2012, 3 March 2013, 2 March 2014 and 1 March 2015; and
 - Forecast income statements and cash flow statements for the fiscal years ending 28 February 2017, 28 February 2018, 28 February 2019, and 28 February 2020.

In respect of assessing the market value of Stores, we considered the liquidity of the ordinary shares of Stores in order to determine whether the volume weighted price per share is reflective of market value.

Where practicable, we have corroborated the reasonableness of the information provided to us for the purpose of supporting our opinion, whether in writing or obtained through discussions with Stores' management.

Procedures

In order to determine whether the terms and conditions of the Stores Transaction are fair and reasonable as far as the ordinary shareholders of Stores are concerned, we considered the rights and interests of the Stores ordinary shareholders both before and after the Stores Transaction. This included a valuation of the ordinary shares of Stores.

The procedures that were followed in respect of the Stores valuation included the following:

- Consideration of conditions in, and the economic outlook for, the food retail industry;
- Consideration of general market data, including economic, governmental and environmental forces that may affect the value of Stores;
- Discussions concerning the historical and future operations of Stores with Stores management;
- Discussions with Stores management to obtain an explanation and clarification of data provided;
- Consideration of the operating and financial results of Stores (including audited financial statements covering five years up to the date of valuation);
- Analysis of financial and operating projections including revenues, operating margins (e.g., earnings before interest and taxes), working capital investments and capital expenditures based on the historical operating results of Stores, industry results and expectations and management representations. Such projections formed the basis for a consolidated Discounted Cash Flow analysis;
- Gathering and analysis of financial data for publicly traded or private companies engaged in the same or similar lines of business to develop appropriate valuation multiples and operating comparisons to apply to Stores as part of the Market Approach;
- Consideration of the trading history of the ordinary shares of Stores on the JSE over the past twelve months;
- Review of available analyst reports for Stores to develop an analyst view of the market value of Stores;
- Estimation of appropriate valuation discounts or premiums to apply to the results of our valuation analysis; and
- Analysis of other facts and data considered pertinent to this valuation to arrive at a conclusion of value.

In addition to the above, in relation to the specific issue of the B shares for nominal consideration, we considered from a theoretical perspective the potential market value of voting shares that have no ability to participate in any economic benefits.

Valuation approach

The following approaches are generally considered when estimating the market value of the ordinary shares of a company: the Income Approach, the Market Approach and the Net Assets Approach.

The Income Approach indicates the market value of the ordinary shares of a business based on the value of the cash flows that the company to be valued can be expected to generate in the future.

The Market Approach indicates the market value of the ordinary shares of a business based on a comparison of the company to be valued with comparable publicly traded companies and transactions in its industry as well as prior transactions involving stakes in comparable companies.

The Net Assets Approach indicates the market value of the ordinary shares of a business by adjusting the asset and liability balances on the balance sheet of the company to be valued to their market value equivalents. The approach is based on the summation of the individual piecemeal market values of the underlying assets less the market value of the liabilities.

The valuation of Stores was performed using the Income Approach. The Market Approach was used as a secondary approach.

Analysis of key value drivers

In performing our income approach analysis, the key external value drivers were considered. These key external factors include the forecast growth rates for the South African food retail industry, specifically expectations of sales growth. In addition, we considered the real gross domestic product growth and consumer price inflation based on consensus analyst forecasts for the South African economy.

The starting point of our analysis was management's current budgets and business plans available at the time of our analysis. Key internal value drivers related to revenue growth rates, forecast profitability margins, capital expenditure and working capital forecasts. We performed sensitivity analyses based on the key assumptions and key value drivers for each of the businesses where an income approach was performed. We noted that the income approach valuation was most sensitive to changes in gross margins and revenue growth.

The resultant financial forecasts were used as the basis for discounted cash flow valuations using a South African Rand weighted average cost of capital range of between 12.9% and 13.6%. We tested the sensitivity of the valuations to changes in the cost of capital and perpetuity growth rates.

Assumptions

Our opinion is based on the following key assumptions:

- Current economic, regulatory and market conditions will not change materially;
- Stores is not involved in any other material legal proceedings other than those conducted in the ordinary course of business;
- Stores has no material outstanding disputes with the South African Revenue Service;
- There are no undisclosed contingencies that could affect the value of Stores;
- The Stores Transaction will not give rise to any undisclosed tax liabilities;
- For the purposes of this engagement, we assumed the existing businesses of Stores to be ongoing under current business plans and management; and
- Representations made by Stores' management during the course of forming this opinion.

Opinion

Our opinion is based on the current economic, market, regulatory and other conditions and the information made available to us by Stores' management up to 14 June 2016. Accordingly, subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

Based on the results of our procedures performed, our detailed valuation work and other considerations, subject to the foregoing and after taking into account all financial and non-financial considerations, we are of the opinion that the terms and conditions of the Stores Transaction are fair and reasonable as far as the Stores shareholders are concerned.

In the course of our analysis we also assessed the consideration related to the issuance of the B Shares by considering the attributes of the B Shares and reviewing various published studies on shareholder voting rights. Given that the B Shares strictly confer voting rights and do not have the ability to participate in any economic benefits, the B Shares would not have material value to a hypothetical market participant.

However, as the B Shares are stapled to ordinary shares, and cannot be traded separately, it is necessary to consider the issuance of the B Shares in the context of the entire Stores Transaction. We therefore considered the B Share consideration to form part of the broader Stores Transaction, which we determined to be fair and reasonable as far as the Stores Shareholders are concerned.

Our valuation of Stores is based on a standalone valuation of Stores under its current strategy and business plans.

Independence

We confirm that PwC holds no shares in Stores or Holdings, directly or indirectly. We have no interest, direct or indirect, beneficial or non-beneficial, in Stores, Holdings, or in the outcome of the Unbundling and Stores Transaction.

Furthermore, we confirm that our professional fees, payable in cash, are not contingent on the outcome of the Unbundling and Stores Transaction.

Limiting conditions

This letter and opinion has been prepared solely for the Board of Stores in connection with the Stores Transaction to confirm that the terms and conditions of the Stores Transaction are fair and reasonable as far as the Stores Shareholders are concerned. Therefore it shall not be relied upon for any other purpose. We assume no responsibility to anyone if this letter and opinion are used for anything other than its intended purpose.

While our work has involved an analysis of financial information and the preparation of financial models, our engagement does not include an audit in accordance with International Standards on Auditing of the business records and financial data of Stores. Accordingly, we cannot express any opinion on the financial data or other information used in arriving at our opinion.

The valuation of companies and businesses is not a precise science, and conclusions arrived at in many cases will necessarily be subjective and dependent on the exercise of individual judgement. Further, whilst we consider our opinion to be defensible based on the information available to us others may have a different view and arrive at a different conclusion.

Budgets/projections/forecasts relate to future events and are based on assumptions, which may not remain valid for the whole of the relevant period. Consequently, this information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely actual results will correspond to those projected/forecast by the management of Stores.

Yours sincerely



Matthew Human
Director



Pick n Pay Stores Limited

(Incorporated in the Republic of South Africa) (Registration number: 1968/008034/06)

JSE Code: PIK ISIN: ZAE000005443

("Stores" or "the Company")

NOTICE OF GENERAL MEETING OF STORES ORDINARY SHAREHOLDERS

All terms defined in the Circular to which this notice of General Meeting is attached shall bear the same meanings herein.

Notice is given that a General Meeting of the Ordinary Shareholders, or their proxies, will be held at the registered office of the Company at 101 Rosmead Avenue, Kenilworth, Cape Town, on Monday, 25 July 2016 after the completion of the Holdings General Meeting or 09:00 (whichever is the later) to consider and, if deemed fit, to pass, with or without modification, the resolutions set out in this notice of General Meeting or at any postponement or adjournment of the General Meeting. Registration for attendance at the General Meeting will commence at 08:00.

Shareholders and Holdings Shareholders are advised of the Holdings General Meeting commencing at 08:30 which Stores Shareholders are invited to attend (but not to participate unless in their capacity as Holdings Shareholders), given that the proposed Transaction that is the subject of the General Meeting is indivisibly linked to that of the Holdings General Meeting. Likewise, Holdings Shareholders are invited to attend (but not to participate unless in their capacity as Stores Shareholders) this General Meeting.

Holdings and Stores Shareholders are advised that once the Holdings General Meeting and the Stores General Meeting are completed, the annual general meetings of Holdings and Stores will take place. Holdings and Stores Shareholders are invited to attend the annual general meetings in addition to the General Meetings.

In the interests of good corporate governance, Holdings has undertaken not to vote its Shares on the resolutions to be proposed at the General Meeting.

The Company has determined that the record date for the purpose of determining which Shareholders are entitled to receive notice of the General Meeting is Friday, 17 June 2016 and the record date for purposes of determining which Shareholders are entitled to participate in and vote at the General Meeting is Friday, 15 July 2016. Accordingly, only Shareholders who are registered in the securities register of the Company on Friday, 15 July 2016 will be entitled to participate in and vote at the General Meeting.

All references to the Company's Memorandum of Incorporation or MOI in this notice of General Meeting refer to the Company's MOI which was adopted by special resolution, under the Companies Act No 71 of 2008, as amended ("Companies Act"), at the annual general meeting of the Company held on 15 June 2012.

Each of the ordinary and special resolutions set out below may be proposed and passed at the General Meeting or at any postponement or adjournment of the General Meeting.

The purpose of the General Meeting is for the following business to be transacted and for the following special and ordinary resolutions to be proposed:

SPECIAL RESOLUTION NUMBER 1 – REPLACEMENT OF THE COMPANY'S MEMORANDUM OF INCORPORATION

RESOLVED THAT, subject to the passing of this special resolution and special resolution number 2, as well as the passing of special resolution number 1 to be proposed at the Holdings General Meeting to be held before this General Meeting, the Existing Memorandum of Incorporation of the Company be and is hereby substituted by the New Memorandum of Incorporation in terms of which, inter alia, 1 000 000 000 B Shares are authorised, which New Memorandum of Incorporation is tabled at this General Meeting and initialled by the Chairman for the purposes of identification in accordance with the provisions of section 16(1)(c) (read together with sections 16(5) and 36(2)(a)) of the Companies Act.

Voting requirement

This resolution is a special resolution and requires the support of at least 75% of the voting rights exercised on the resolution in terms of section 16(1)(c) of the Companies Act.

Explanation

The New Memorandum of Incorporation is to be adopted so as to (i) incorporate the rights, privileges and conditions attaching to the B Shares into the Memorandum of Incorporation of the Company, (ii) to make consequential amendments to the Existing Memorandum of Incorporation flowing from the creation of the B Shares, and (iii) to amend the manner in which the Company previously dealt with fractional entitlements so as to comply with the JSE's Service Bulletin 1 of 2016.

SPECIAL RESOLUTION NUMBER 2 – ISSUE AND ALLOTMENT OF THE B SHARES

RESOLVED THAT, subject to the passing of this special resolution and special resolution number 1 at this General Meeting, as well as the passing of special resolution number 1 to be proposed at the Holdings General Meeting that is to be held before this General Meeting, the shareholders hereby authorise, by way of special resolution (including for the purposes of section 41(1) and 41(3) of the Companies Act and clause 5.51 (g) of the Listings Requirements), the issue and allotment of 259 682 928 B Shares to the Controlling Shareholders for a subscription consideration of R0.00001 (zero point zero zero zero one Rand) per B Share, which the Company's Board of Directors has determined to be adequate subscription consideration.

Voting requirement

This resolution is a special resolution and requires the support of at least 75% of the voting rights exercised on the resolution in terms of sections 41(1) and 41(3) of the Companies Act and clause 5.51 (g) of the Listings Requirements.

Explanation

The purpose of this resolution is to issue and allot the newly created B Shares to the Controlling Shareholders to ensure that their effective voting interests in Stores will not be changed as a result of the Unbundling by Holdings of its shareholding in Stores to Holdings Shareholders.

SPECIAL RESOLUTION NUMBER 3 – AMENDMENTS TO THE PICK N PAY EMPLOYEE SHARE SCHEMES

RESOLVED THAT, subject to the passing of (i) all resolutions to be proposed at this General Meeting, and (ii) special resolution number 1 at the General Meeting of Holdings scheduled to be held before this General Meeting, the Company be and hereby is authorised to effect amendments to the scheme rules of the employee share schemes, being the Blue Ribbon Employee Share Purchase Trust and the Pick n Pay 1997 Share Option Scheme, to ensure that participants are not prejudiced pursuant to the implementation of special resolution number 1 and/or special resolution number 2, as well as special resolution number 1 proposed at the General Meeting of Holdings held before this General Meeting. Accordingly, the relevant scheme rules shall be amended to provide for the substitution of Holdings Shares for Stores Shares of equivalent value, with the intent and purpose that the participants in question should continue to derive the same benefit in respect thereof insofar as is possible.

Voting requirement

This resolution requires the support of at least 75% of the voting rights exercised on the resolution, in accordance with Schedule 14.1 of the JSE Listings Requirements, and is accordingly required to be framed as a special resolution in terms of the Company's Memorandum of Incorporation.

Explanation

The purpose of this special resolution is to approve amendments to the Pick n Pay employee share schemes pursuant to which employees who hold shares in Holdings which are subject to a pledge arrangement, or who hold options to acquire shares in Holdings (whether or not exercised), will hereafter have their entitlements substituted with entitlements to acquire Stores Shares or options (as the case may be) of equivalent value on the same terms and conditions.

ORDINARY RESOLUTION NUMBER 1 – DIRECTORS AUTHORISED TO ACT

RESOLVED THAT, subject to the passing of all of the special resolutions proposed at the General Meeting at which this resolution is proposed, and subject further to the passing of all resolutions of Holdings referenced therein, any director of the Company and/or the company secretary be and is hereby authorised and empowered to:

- sign all documents which may be necessary or desirable for the implementation of such special resolutions as have been passed and their filing; and
- generally do anything necessary or desirable for the implementation of such special resolutions as have been passed and all such actions taken prior hereto be and hereby are ratified.

Voting requirement

This resolution is an ordinary resolution and requires the support of at least 50% (fifty percent) of the voting rights plus 1 (one) vote exercised on the resolution.

QUORUM

The General Meeting may not begin until at least three shareholders entitled to attend and vote at the meeting are present in person and sufficient persons are present (in person or by proxy) at the General Meeting to exercise, in aggregate, at least 25% of all the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the General Meeting. Holdings will be taken into account in determining quorum, but will not vote on any of the resolutions proposed in this Circular.

IDENTIFICATION

In terms of section 63(1) of the Companies Act, all General Meeting participants will be required to provide identification reasonably satisfactory to the Chairman of the General Meeting, who must be reasonably satisfied that the right of that person to participate in, and speak and vote at, the General Meeting, as a shareholder, as a proxy for a shareholder or as a representative of a shareholder, has been reasonably verified.

Examples of satisfactory identification include valid South African drivers licences, identity documents or passports.

ENTITLEMENT TO ATTEND AND VOTE AT THE GENERAL MEETING IN PERSON OR BY PROXY

If you hold Certificated Shares (i.e. have not Dematerialised your shares in the Company) or are registered as an Own Name Dematerialised Shareholder (i.e. have specifically instructed your Central Securities Depository Participant ("CSDP") to hold your shares in your own name in the Company sub-register) then:

- you may attend and vote at the General Meeting; alternatively
- you may appoint an individual as a proxy (who need not also be a shareholder) to attend, participate in and speak and vote in your place at the General Meeting by completing the attached Form of Proxy (blue) and it is recommended that it be returned to the registered office of the Company or to the Transfer Secretaries, Computershare Investor Services Proprietary Limited "Computershare", the details of which are set out in the corporate information section of the Circular on the inside front cover, by no later than 09:00 on Thursday, 21 July 2016. Please note that your proxy may delegate his/her authority to act on your behalf to another person, subject to the restrictions set out in the attached Form of Proxy (blue). Please also note that the attached Form of Proxy (blue) must be delivered to the registered office of the Company or to the Transfer Secretaries, Computershare, before your proxy may exercise any of your rights as a shareholder at the General Meeting.

Unless revoked before then, a signed proxy form shall remain valid at any adjournment or postponement of the General Meeting and the proxy so appointed shall be entitled to vote, as indicated on the proxy form, on any resolution at such General Meeting or any adjournment or postponement thereof.

Please note that:

- any shareholder that is a company may authorise any person to act as its representative at the General Meeting; and
- 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, 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, 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:

- if you wish to attend the General Meeting you must contact your CSDP or Broker and obtain the relevant letter of representation from it; alternatively
- if you are unable to attend the General Meeting but wish to be represented at the meeting, you must contact your CSDP or Broker and furnish it with your voting instructions in respect of the General Meeting and/or request it to appoint a proxy. You must not complete the attached Form of Proxy (blue). The instructions must be provided in accordance with the mandate between yourself and your CSDP or Broker within the time period required by your CSDP or Broker.

CSDPs, Brokers or their nominees recorded in the Company's sub-register 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, vote by either appointing a duly authorised representative to attend and vote at the General Meeting or by completing the attached Form of Proxy (blue) in accordance with the instructions thereon and it is recommended that it be returned to the registered office of the Company or to the Transfer Secretaries, Computershare, the details of which are set out below, by no later than 09:00 Thursday, 21 July 2016.

For and on behalf of the Board

Ms Debra Muller

Company secretary

24 June 2016

Registered office

101 Rosmead Avenue
Kenilworth
Cape Town
7708
(PO Box 23087, Claremont, 7735)

Transfer Secretaries

Computershare Investor Services Proprietary Limited
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

**Pick n Pay Stores Limited**

(Incorporated in the Republic of South Africa)

(Registration number: 1968/008034/06)

JSE Code: PIK ISIN: ZAE000005443

("Stores" or "the Company")

FORM OF PROXY – GENERAL MEETING OF STORES ORDINARY SHAREHOLDERS

FOR COMPLETION BY STORES ORDINARY SHAREHOLDERS WHO HAVE NOT YET DEMATERIALISED THEIR SHARES OR WHO HAVE DEMATERIALISED THEIR SHARES WITH "OWN NAME" REGISTRATION ONLY

If you wish to appoint a proxy to act on your behalf at the General Meeting of the shareholders of Stores to be held at the registered office of the Company at 101 Rosmead Avenue, Kenilworth, Cape Town, on Monday, 25 July 2016 after the completion of the Holdings General Meeting or 09:00 (whichever is the later) and any adjournment or postponement thereof, please complete and return this Form of Proxy. (Also see the notes overleaf.)

All terms defined in the Circular to which this Form of Proxy is attached shall bear the same meanings herein.

Note: If your Dematerialised Shares in Stores are held through a Central Securities Depository Participant ("CSDP") or Broker and you have not provided the nominee with a general mandate to act on your behalf at shareholder meetings, and you wish to cast your vote at this General Meeting or you want to attend the General Meeting in person, please contact your CSDP or Broker.

I/We (Full names in BLOCK LETTERS please)

of (insert address)

Telephone number

Cell phone number

email address

being the holder(s) of Stores ordinary shares, hereby appoint:

1. or failing him/her

2. or failing him/her

3. the chairman of the General Meeting of Stores Shareholders,

as my/our proxy to act for me/us and on my/our behalf at the General Meeting which will be held for the purpose of considering, and if deemed fit, passing the special and ordinary resolutions to be proposed thereat and at any adjournment or postponement thereof and to vote for and/or against the special and ordinary resolutions and/or abstain from voting in respect of the ordinary shares, as applicable, in Stores registered in my/our name/s as follows:

Please indicate with an "X" the instructions to your proxy in the spaces provided below. In the absence of such indication the proxy will be entitled to exercise his/her discretion in voting.

	FOR	AGAINST	ABSTAIN
Special resolution number 1 – Replacement of the Company's Memorandum of Incorporation			
Special resolution number 2 – Issue and allotment of the B Shares to the Controlling Shareholders in terms of section 41 of the Companies Act			
Special resolution number 3 – Amendments to the Pick n Pay employee share schemes			
Ordinary Resolution Number 1 – Directors authorised to act			

Signed at on 2016

Signature

Assisted by (where applicable)

Name

Capacity

Signature

(Please print in BLOCK LETTERS)

Please read the notes overleaf.

SUMMARY OF SHAREHOLDERS' RIGHTS IN RESPECT OF PROXY APPOINTMENTS AS CONTAINED IN SECTION 58 OF THE COMPANIES ACT

Please note that in terms of section 58 of the Companies Act:

- this proxy form must be dated and signed by the shareholder appointing the proxy;
- you may appoint an individual as a proxy, including an individual who is not a shareholder of the Company, to participate in and speak and vote at a shareholders' meeting on your behalf;
- your proxy may delegate his/her authority to act on your behalf to another person, subject to any restriction set out in this proxy form;
- this proxy form must be delivered to the Company, or to the Transfer Secretaries of the Company, namely Computershare Investor Services Proprietary Limited, details of which can be found in note 5 to this Form of Proxy, before your proxy exercises any of your rights as a shareholder at the General Meeting;
- the appointment of your proxy or proxies will be suspended at any time to the extent that you choose to act directly and in person in the exercise of any of your rights as a shareholder at the General Meeting;
- the appointment of your proxy is revocable unless you expressly state otherwise in this proxy form;
- as the appointment of your proxy is revocable, you may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy and to the Company. Please note the revocation of a proxy appointment constitutes a complete and final cancellation of your proxy's authority to act on your behalf as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered to the Company and the proxy as aforesaid;
- if this proxy form has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the Company's Memorandum of Incorporation to be delivered by the Company to you will be delivered by the Company to you or your proxy or proxies, if you have directed the Company to do so in writing and paid any reasonable fee charged by the Company for doing so;
- your proxy is entitled to exercise, or abstain from exercising, any voting right of yours at the General Meeting, but only as directed by you on this proxy form;
- the appointment of your proxy remains valid only until the end of the General Meeting or any adjournment or postponement thereof or for a period of 6 (six) months, whichever is shortest, unless it is revoked by you before then on the basis set out above.

The proxy form shall be valid and shall apply to any adjournment or postponement of the General Meeting to which it relates and shall apply to any resolution proposed at the General Meeting to which it relates and to such resolution including any such resolution to be voted on at any adjourned or postponed meeting of the General Meeting to which the proxy relates, unless the proxy is revoked before the adjourned or postponed meeting.

NOTES TO THE FORM OF PROXY

1. The person whose name stands first on the proxy form and who is present at the General Meeting will be entitled to act as a proxy to the exclusion of those whose names follow thereafter.
2. If no proxy is inserted in the spaces provided, then the chairman shall be deemed to be appointed as the proxy to vote or abstain as the chairman deems fit.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. If there is no clear indication as to the voting instructions to the proxy, the proxy form will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all of the shareholder's votes exercisable at the General Meeting.
4. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy. A proxy shall be entitled to demand that voting take place on a poll.
5. Proxy forms must be lodged at the registered office of the Company, Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708, or posted to the company secretary at PO Box 23087, Claremont, 7735, or lodged with or posted to the Transfer Secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107, South Africa).
6. It is recommended that Forms of Proxy be received or lodged by no later than 09:00 on Thursday, 21 July 2016, being 2 (two) Business Days before the General Meeting to be held on Monday, 24 July 2016, after the completion of the Holdings General Meeting or 09:00 (whichever is the later), for administrative reasons only.
7. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the company secretary or waived by the chairman of the General Meeting if he/she is reasonably satisfied that the right of the representative to participate and vote has been reasonably verified. CSDPs or Brokers registered in the Company's securities, sub-register voting on instructions from beneficial owners of shares registered in the Company's securities 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.
8. Any alteration or correction made to this proxy form must be initialled by the signatory/ies, but will only be validly made if such alteration or correction is accepted by the chairman of the General Meeting.
9. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the company secretary.



Pick n Pay Office Park

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PO Box 23087
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