



PICK N PAY STORES LIMITED

(Incorporated on 18 July 1968 in the Republic of South Africa with limited liability under registration number 1968/008034/06)

ZAR2,000,000,000

Domestic Medium Term Note Programme

Under this ZAR2,000,000,000 Domestic Medium Term Note Programme, which (as at the date of this Programme Memorandum (as defined below)) amends, restates, replaces and supersedes the ZAR2,000,000,000 Domestic Medium Term Note Programme dated 10 March 2011 (the "**Programme**"), Pick n Pay Stores Limited (the "**Issuer**") may from time to time issue (i) unsecured or secured, or (ii) senior or subordinated registered notes of any kind (the "**Notes**"). Capitalised terms used in this Programme Memorandum are defined in the section of this Programme Memorandum headed "**Terms and Conditions of the Notes**" (the "**Terms and Conditions**"), unless separately defined, and/or in relation to a Tranche of Notes, in the Applicable Pricing Supplement.

This Programme Memorandum will apply to the Notes issued under the Programme in an aggregate outstanding Nominal Amount which will not exceed ZAR2,000,000,000 unless such amount is increased by the Issuer as set out in the section of this Programme Memorandum headed "**General Description of the Programme**".

The Notes may comprise, without limitation, Fixed Rate Notes, Floating Rate Notes, Mixed Rate Notes, Zero Coupon Notes, Indexed Notes, Dual Currency Notes, Instalment Notes, Partly Paid Notes, Exchangeable Notes, Extendible Notes and/or such combination of the foregoing Notes and/or such other type of Notes that are approved by the JSE, or its successor, or such other or further Financial Exchange(s), as may be determined by the Issuer and the relevant Dealer(s) and specified in the Applicable Pricing Supplement. Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Notes. A Tranche of Notes will be issued on, and subject to, the Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes set out in the Applicable Pricing Supplement.

This Programme Memorandum has been approved by the JSE and is listed on the Interest Rate Market of the JSE. A Tranche of Notes may be listed on the Interest Rate Market of the JSE or on such other or additional Financial Exchange(s) as may be determined by the Issuer, subject to all Applicable Laws. Unlisted Notes may also be issued under the Programme but will not be regulated by the JSE. A copy of the signed Applicable Pricing Supplement relating to a Tranche of Notes which is to be listed on the Interest Rate Market of the JSE will be delivered to the JSE and the CSD before the Issue Date, and the Notes in that Tranche may be traded by or through members of the JSE from the date specified in the Applicable Pricing Supplement, in accordance with the Applicable Procedures. The settlement of trades on the JSE will take place in accordance with the electronic settlement procedures of the JSE and the CSD for all trades done through the JSE. The placement of a Tranche of unlisted Notes may (at the sole discretion of the Issuer) be reported through the JSE reporting system, in which event the settlement of trades in such Notes will take place in accordance with the electronic settlement procedures of the JSE and the CSD for all trades done through the JSE. The settlement and redemption procedures for a Tranche of Notes listed on any Financial Exchange (other than or in addition to the JSE) will be specified in the Applicable Pricing Supplement.

The Notes may be issued on a continuing basis and be placed by one or more of the Dealers specified under the section headed "**Summary of Programme**" and any additional Dealer appointed under the Programme from time to time by the Issuer, which appointment may be for a specific issue or on an on-going basis. References in this Programme Memorandum to the "relevant Dealer" shall, in the case of Notes being (or intended to be) placed by more than one Dealer, be to all Dealers agreeing to place such Notes.

The attention of investors contemplating investing in the Notes is drawn to the section headed "Risk Factors**" for a discussion of certain factors that should be carefully considered by prospective investors in connection with an investment in the Notes.**

The Issuer may be rated by a Rating Agency on a national scale or international scale basis, which Rating (if applicable) will be reflected in the Applicable Pricing Supplement. As at the date of this Programme Memorandum, the Programme has not been rated by a Rating Agency. A Tranche of Notes may, on or before the Issue Date, be rated by a Rating Agency. The Applicable Pricing Supplement will reflect the Rating, if any, which has been assigned to the Issuer, the Programme and/or a Tranche of Notes, as the case may be, as well as the Rating Agency which assigned such Rating. For so long as any Note remains outstanding and listed on the Interest Rate Market of the JSE, any change in any assigned Rating (if applicable) will be published by the Issuer on the

Securities Exchange News Service ("**SENS**"), or any other similar service, established by the JSE. The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplementary Programme Memorandum, if appropriate, will be made available, which will describe the effect of the agreement reached in relation to such Notes.

Debt Sponsor, Arranger and Dealer

Investec Bank Limited



Dealer

**Absa Corporate and Investment Bank, a division
of Absa Bank Limited**



Attorneys to Arranger and Issuer

Edward Nathan Sonnenbergs



**Programme Memorandum dated 3 July 2014, which amends, restates, replaces and supersedes the
Programme Memorandum dated 10 March 2011**

GENERAL

Words used in this section headed "General" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The Issuer certifies that to the best of its 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, as well as that the Programme Memorandum contains all information required by law and the JSE Debt Listings Requirements. The Issuer accepts full responsibility for the accuracy of the information contained in this Programme Memorandum, Applicable Pricing Supplement(s), the annual financial report (incorporated herein by reference), any amendments to any such annual financial report and/or any supplements from time to time except as otherwise stated therein. The Issuer certifies that to the best of the knowledge and belief of the Issuer (who has taken all reasonable care to ensure that such is the case) the information contained in this Programme Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer, having made all reasonable enquiries, confirms that this Programme Memorandum contains or incorporates all information which is material in the context of the issue and the offering of Notes, that the information contained or incorporated in this Programme Memorandum is true and accurate in all material respects and is not misleading, that the opinions and the intentions expressed in this Programme Memorandum are honestly held and that there are no other facts, the omission of which would make this Programme Memorandum or any of such information or expression of any such opinions or intentions false or misleading in any material respect.

This document is to be read and construed with any amendment or supplement thereto (this document, as amended, replaced or supplemented, the "Programme Memorandum") and in conjunction with any other documents which are deemed to be incorporated herein by reference (see section headed "*Documents Incorporated by Reference*") and, in relation to any Tranche of Notes, should be read and construed together with the Applicable Pricing Supplement. This Programme Memorandum shall be read and construed on the basis that such documents are incorporated into and are deemed to form part of this Programme Memorandum.

Claims against the BESA Guarantee Fund Trust (or any successor fund) may only be made in respect of trading in Notes listed on the JSE in accordance with the rules of the BESA Guarantee Fund Trust, if listed on the Interest Rate Market, and can in no way relate to trading on another licensed or recognised exchange or to a default by the Issuer of its obligations in terms of its obligations under the Notes.

The JSE takes no responsibility for the contents of the Programme Memorandum, any supplements thereto, or the annual report (as amended or restated from time to time), makes no representation as to the accuracy or completeness of any of the foregoing documents and expressly disclaims any liability for any loss arising from or in reliance upon the whole or any part of the Programme Memorandum, supplements thereto, or the annual report (as amended and restated from time to time).

The Arranger, the Dealers, the JSE, the CSD, the Debt Sponsor or any of their respective affiliates and other professional advisors named herein have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, whether express or implied, is made and no responsibility is accepted by the Arranger, the Dealers, the JSE, the CSD, the Debt Sponsor or other professional advisors as to the accuracy or completeness of the information contained in this Programme Memorandum or any other information provided by the Issuer. The Arranger, the Dealers, the JSE, the CSD, the Debt Sponsor or their respective affiliates and other professional advisors do not accept any liability in relation to the information contained in this Programme Memorandum or any other information provided by the Issuer in connection with the Programme.

No person has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Programme Memorandum or any other document entered into in relation to the Programme or any other information supplied by the Issuer in connection with the Programme and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger, the Dealers, the JSE, the CSD, the Debt Sponsor or any of their agents or employees or other professional advisors.

Neither this Programme Memorandum nor any other information supplied in connection with the Programme is intended to provide a basis for any credit or other evaluation, or should be considered as a recommendation by the Issuer, the Arranger or any of the Dealers that any recipient of this Programme Memorandum or any other information supplied in connection with the Programme should subscribe for, or purchase, any Notes.

Each person contemplating the subscription for, or purchase of, any Notes should determine for itself the relevance of the information contained in this Programme Memorandum and should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and its subscription for, or purchase of, Notes should be based upon any such investigation as it deems necessary. Neither this Programme Memorandum nor any Applicable Pricing Supplement nor any other information supplied in connection with the Programme constitutes an offer to sell or the solicitation of an offer to buy or invitation by or on behalf of the Issuer, the Arranger, or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Programme Memorandum nor any Applicable Pricing Supplement nor the offering, sale or delivery of any Note shall at any time imply that the information contained herein is correct at any time subsequent to the date hereof or that any other financial statements or other information supplied in connection with the Programme is correct as at any time subsequent to the date indicated in the document containing the same. The Arranger and the Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme. Investors should review, inter alia, the most recent financial statements, if any, of the Issuer when deciding whether or not to subscribe for, or purchase, any Notes.

The distribution of this Programme Memorandum and any Applicable Pricing Supplement and the issue, sale or offer of Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Programme Memorandum or any Applicable Pricing Supplement or any Notes come are required by the Issuer, the Arranger and the Dealers to inform themselves about, and observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Programme Memorandum or any Applicable Pricing Supplement and other offering materially relating to the Notes, see the section headed "*Subscription and Sale*".

None of the Issuer, the Dealers, the Debt Sponsor or other professional advisors represents that this Programme Memorandum may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arranger, the Dealers, the Debt Sponsor or other professional advisors which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Programme Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any Applicable Laws and regulations, and the Dealers have represented that all offers and sales by them will be made on the same terms.

The Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "Securities Act"). Notes may not be offered, sold or delivered within the United States of America or to U.S. persons except in accordance with Regulation S under the Securities Act.

In connection with the issue and distribution of any Tranche of Notes under the Programme, the Dealer, if any, that is specified in the Applicable Pricing Supplement as the stabilising manager (or any person acting for the stabilising manager) may, if specified in that Applicable Pricing Supplement and only if such stabilising is permitted by the Applicable Laws and agreed with the JSE, over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that

which might otherwise prevail, for a limited period. However, there may be no obligation on the stabilising manager (or any agent of the stabilising manager) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with all Applicable Laws, regulations and rules.

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DOCUMENTS INCORPORATED BY REFERENCE

Words used in this section headed "Documents Incorporated by Reference" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

For so long as any Note remains outstanding, the following documents shall be deemed to be incorporated in, and to form part of, this Programme Memorandum:

- (a) all amendments and supplements to this Programme Memorandum prepared by the Issuer from time to time;
- (b) the published annual report of the Issuer incorporating its audited annual financial statements, together with such statements, reports and the notes attached to or intended to be read with such financial statements of the Issuer for its 3 (three) financial years prior to the date of such issue as well as for each financial year thereafter ending on 28 February;
- (c) each Applicable Pricing Supplement relating to any Tranche of Notes issued under the Programme;
- (d) all information pertaining to the Issuer which is relevant to the Programme and/or this Programme Memorandum which is electronically submitted, after the date of this Programme Memorandum, by the Securities Exchange News Service ("**SENS**"), or such other similar service, established by the JSE,

save that any statement contained in this Programme Memorandum or in any of the documents incorporated by reference in and forming part of this Programme Memorandum shall be deemed to be modified or superseded for the purpose of this Programme Memorandum to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

The Issuer will, for so long as any Note remains outstanding, provide at the registered office of the Issuer as set out at the end of this Programme Memorandum, without charge, upon request of such person, a copy of this Programme Memorandum and any or all of the documents which are incorporated herein by reference, unless such documents have been modified or superseded. Requests for the documents should be directed to the Issuer at its registered office as set out at the end of this Programme Memorandum. This Programme Memorandum, Applicable Pricing Supplements and any supplementary documents thereto will be available on the JSE website, www.jse.co.za, and the Issuer's annual report, including the audited annual financial statements of the Issuer and this Programme Memorandum (and any supplementary documents thereto, including the Applicable Pricing Supplements) are also available on the Issuer's website, www.picknpayinvestor.co.za.

The Issuer will, for so long as any Note remains outstanding and listed on the Interest Rate Market of the JSE, publish a new Programme Memorandum or a supplement to this Programme Memorandum, as the case may be, if:

- (a) a material change in the condition (financial or otherwise) of the Issuer occurs; or
- (b) a material event has occurred which affects any matter contained in this Programme Memorandum, the disclosure of which would reasonably be required by Noteholders and/or potential investors in the Notes; or
- (c) any of the information contained in this Programme Memorandum becomes outdated in a material respect; or
- (d) this Programme Memorandum no longer contains all the materially correct information required by the Applicable Procedures,

provided that, in the circumstances set out in paragraphs (a), (c) and (d) above, no new Programme Memorandum or supplement to this Programme Memorandum, as the case may be, is required in respect of the Issuer's audited annual financial statements if such audited annual financial statements are incorporated by reference into this Programme Memorandum and such audited annual financial statements are published, as required by the Companies Act, and submitted to the JSE within 6 (six) months after the financial year end of the Issuer.

The Issuer will, for so long as any Note remains outstanding and listed on the Interest Rate Market of the JSE, announce by electronically publishing such announcement on the Securities Exchange News Service ("**SENS**"), or any other similar service, established by the JSE, when the Issuer's audited annual financial statements are available.

GENERAL DESCRIPTION OF THE PROGRAMME

Words used in this section headed "General Description of the Programme" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The Issuer may from time to time issue one or more Tranches of Notes under the Programme, pursuant to this Programme Memorandum, provided that the aggregate outstanding Nominal Amount of all of the Notes issued under the Programme from time to time does not exceed the authorised Programme Amount.

A Tranche of Notes may be listed on the Interest Rate Market of the JSE or on such other or additional Financial Exchange(s) as may be determined by the Issuer, subject to Applicable Laws. Unlisted Notes may also be issued under the Programme but will not be regulated by the JSE. The Applicable Pricing Supplement will specify whether or not a Tranche of Notes will be listed and, if so, on which Financial Exchange. If the Issuer issues a Tranche of unlisted Notes or a Tranche of Notes is listed on any Financial Exchange other than (or in addition to) the JSE, the Issuer will, by no later than the last day of the month of issue of that Tranche of Notes, inform the JSE in writing of the aggregate Nominal Amount and the Maturity Date (if any) of that Tranche of Notes.

This Programme Memorandum and any supplement will only be valid for the issue of Notes in an aggregate Nominal Amount which, when added to the aggregate Nominal Amount then outstanding of all the Notes previously or simultaneously issued under the Programme, does not exceed the authorised amount of ZAR2,000,000,000 or its equivalent in other currencies. For the purpose of calculating the South African Rand equivalent of the aggregate Nominal Amount of the Notes issued under the Programme from time to time, the South African Rand equivalent of the Notes denominated in another Specified Currency (as specified in the Applicable Pricing Supplement) shall be determined as of the date of agreement to issue such Notes (the "**Agreement Date**") on the basis of the spot rate for the sale of the South African Rand against the purchase of such Specified Currency in the South African foreign exchange market quoted by any leading bank selected by the Issuer on the Agreement Date (the "**Conversion Rate**") and in respect of:

- (a) Zero Coupon Notes and other Notes, the Conversion Rate shall be applied to the net subscription proceeds received by the Issuer for the relevant issue; and
- (b) Partly-Paid Notes and Index-Linked Notes, the Conversion Rate shall be applied to the Nominal Amount regardless of the amount paid up on such Notes.

From time to time the Issuer may wish to increase the Programme Amount. Subject to the Applicable Procedures, all Applicable Laws and the Programme Agreement (as defined in the section headed "*Subscription and Sale*"), the Issuer may, without the consent of Noteholders, increase the Programme Amount by delivering a notice thereof to the Noteholders in accordance with Condition 18 (*Notices*) of the Terms and Conditions, and to the Arranger and the Dealer(s). Upon such notice being given to the

Noteholders and the conditions set out in the Programme Agreement to the exercise of this right having been met, all references in this Programme Memorandum (and each agreement, deed or document relating to the Programme and/or this Programme Memorandum) to the Programme Amount will be, and will be deemed to be, references to the increased Programme Amount set out in such notice.

The Issuer may be rated by a Rating Agency on a national scale or international scale basis, which Rating (if applicable) will be reflected in the Applicable Pricing Supplement. As at the date of this Programme Memorandum, the Programme has not been rated by a Rating Agency. A Tranche of Notes may, on or before the Issue Date, be rated by a Rating Agency on a national scale or international scale basis. Unrated Tranches of Notes may also be issued. A Rating of a Tranche of Notes is not a recommendation to subscribe for, buy, sell or hold any Notes, and may be subject to revision, suspension or withdrawal at any time by the Rating Agency.

This Programme Memorandum will only apply to Notes issued under the Programme.

A summary of the Programme and the Terms and Conditions appears below.

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Programme Memorandum and, in relation to the Terms and Conditions of any particular Tranche of Notes, the Applicable Pricing Supplement. Words and expressions defined in the Terms and Conditions shall have the same meanings in this summary.

Issuer	Pick n Pay Stores Limited (registration number 1968/008034/06), a public company with limited liability duly incorporated in accordance with the company laws of South Africa.
Arranger	Investec Bank Limited (registration number 1969/004763/06), a public company with limited liability duly incorporated in accordance with the company laws of South Africa and registered as a bank in terms of the Banks Act ("Investec") or such other Arranger(s) as may be appointed by the Issuer, as specified in the Applicable Pricing Supplement.
Dealers	Investec, Absa Corporate and Investment Bank, a division of Absa Bank Limited (registration number 1986/004794/06) ("Absa"), and any additional Dealer appointed under the Programme by the Issuer from time to time, which appointment may be for a specific issue or on an on-going basis, subject to the Issuer's right to terminate the appointment of such Dealer.
Transfer Agent	Investec, or such other entity appointed by the Issuer as Transfer Agent, in which event that other entity will act as Transfer Agent, as specified in the Applicable Pricing Supplement.
Paying Agent	Investec, or such other entity appointed by the Issuer as Paying Agent, in which event that other entity will act as Paying Agent, as specified in the Applicable Pricing Supplement.
Calculation Agent	Investec, or such other entity appointed by the Issuer as Calculation Agent, in which event that other entity will act as Calculation Agent, as specified in the Applicable Pricing Supplement.
Blocked Rand	Blocked Rand may be used to subscribe for, or purchase, Notes, subject to the Exchange Control Regulations.

Clearing and Settlement

Notes may be cleared and settled in accordance with the rules of the JSE and the CSD. The Notes have been accepted for clearance through the CSD, which forms part of the JSE clearing system that is managed by the CSD, and may be accepted for clearance through any additional clearing system as may be agreed between the JSE and the Issuer. As at the date of this Programme Memorandum, the Participants include (but are not limited to) FirstRand Bank Limited, Nedbank Limited, Citibank N.A., South Africa branch, Standard Chartered Bank, Johannesburg branch, Société Générale, Johannesburg branch, The Standard Bank of South Africa Limited and the South African Reserve Bank. Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme (Clearstream Luxembourg) ("**Clearstream**"), may hold Notes through their Participant.

Cross-Default

The terms of the Notes will contain a cross-default provision relating to Indebtedness for money borrowed having an aggregate outstanding amount equal to or greater than 2% (two percent) of the Total Assets of the Group (or its equivalent in any other currency or currencies), calculated at the time of the occurrence of an Event of Default.

CSD

Strate Limited (registration number 1998/022242/06), registered as a central securities depository in terms of the Financial Markets Act or such additional, alternative or successor central securities depository as may be agreed between the Issuer and the relevant Dealer(s).

Denomination

Notes will be issued in such denominations as may be agreed by the Issuer and the relevant Dealer(s) and as indicated in the Applicable Pricing Supplement, save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the central bank or regulator or any laws or regulations applicable to the Notes.

Description of Programme

Pick n Pay Stores Limited ZAR2,000,000,000 Domestic Medium Term Note Programme, which (as at the date of this Programme Memorandum) amends, restates, replaces and supersedes the Pick n Pay Stores Limited ZAR2,000,000,000 Domestic Medium

Term Note Programme dated 10 March 2011.

Distribution

Notes may be distributed by way of public auction or private placement or any other means permitted under South African law, and in each case on a syndicated or non-syndicated basis as may be determined by the Issuer and the relevant Dealer(s) and reflected in the Applicable Pricing Supplement.

Form of Notes

Notes will be issued in certificated form or electronically in uncertificated form as described in the section headed "*Form of the Notes*". Notes listed on the Interest Rate Market of the JSE must, subject to Applicable Laws and Applicable Procedures, be issued in uncertificated form in terms of section 33 of the Financial Markets Act.

Governing Law

The Notes will be governed by and construed in accordance with the laws of South Africa in force from time to time.

Interest

Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked, and the method of calculating interest may vary between the Issue Date and the Maturity Date.

Interest Period(s)/Interest Payment Date(s)

The Interest Rate, Interest Payment Date(s) and Interest Period(s), if any, applicable to a Tranche of Notes will be specified in the Applicable Pricing Supplement.

Issue and Transfer Taxes

As at the date of this Programme Memorandum, no securities transfer tax or any similar tax is payable in respect of the issue, transfer or redemption of the Notes (see the section of this Programme Memorandum headed "*South African Taxation*"). Any future transfer duties and/or taxes that may be introduced in respect of (or are applicable to) the transfer of Notes will be for the account of Noteholders.

Issue Price

Notes may be issued on a fully-paid or a partly-paid basis and at their Nominal Amount or at a discount or premium to their Nominal Amount, as specified in the Applicable Pricing Supplement.

Listing

This Programme has been approved by the JSE for the listing of the Notes on the Interest Rate Market of the JSE. Notes issued under the Programme may be listed on the Interest Rate Market

of the JSE or on such other or additional Financial Exchange(s) as may be determined by the Issuer and the Dealer(s), subject to all Applicable Laws. Unlisted Notes may also be issued under the Programme but will not be regulated by the JSE. The Applicable Pricing Supplement will specify whether or not a Tranche of Notes will be listed and, if so, on which Financial Exchange(s).

Maturities of Notes

Such maturity(ies) that is/are acceptable to the JSE and as specified in the Applicable Pricing Supplement. The Notes are not subject to any minimum or maximum maturity.

Negative Pledge

Senior Notes will have the benefit of a negative pledge as described in Condition 7 (*Negative Pledge*) of the Terms and Conditions.

Notes

Notes may comprise:

Fixed Rate Notes

Fixed Rate interest will be payable in arrear on such date or dates as may be agreed between the Issuer and the relevant Dealer(s), as indicated in the Applicable Pricing Supplement and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s).

Floating Rate Notes

Floating Rate Notes will bear interest calculated at a rate determined: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions; or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quoting service; or (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer(s).

The Margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each issue of Floating

Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

The Interest Period for Floating Rate Notes may be one, two, three, six or twelve months or such other period as the Issuer and the relevant Dealer(s) may agree, as indicated in the Applicable Pricing Supplement.

Dual Currency Notes Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer(s) may agree, as indicated in the Applicable Pricing Supplement.

Exchangeable Notes Exchangeable Notes may be redeemed by the Issuer in cash or by the delivery of securities as specified in the Applicable Pricing Supplement.

Index-Linked Notes Payments (whether in respect of interest on Indexed Interest Notes or in respect of principal on Indexed Redemption Amount Notes and whether at maturity or otherwise) will be calculated by reference to such index and/or formula as the Issuer and the relevant Dealer(s) may agree, as indicated in the Applicable Pricing Supplement.

Instalment Notes The Applicable Pricing Supplement will set out the dates on which, and the amounts in which, Instalment Notes may be redeemed. Interest will accrue on the amount outstanding on the relevant Note from time to time and otherwise as specified in the Applicable Pricing Supplement.

Mixed Rate Notes	Mixed Rate Notes will bear interest over respective periods at the rates applicable for any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or Index-Linked Notes, each as specified in the Applicable Pricing Supplement.
Partly Paid Notes	The Issue Price will be payable in 2 (two) or more instalments as set out in the Applicable Pricing Supplement.
Zero Coupon Notes	Zero Coupon Notes will be issued at their Nominal Amount or at a discount to it and will not bear interest (except in the case of late payment as specified).
Other Notes	Terms applicable to any other type of Notes that are approved by the JSE, or its successor, or such other Financial Exchange(s) as may be selected by the Issuer in relation to an issue of listed Notes, or as agreed between the Issuer and the relevant Dealer(s) in respect of unlisted Notes, will be set out in the Applicable Pricing Supplement.

Noteholders

The holders of the listed or unlisted registered Notes (as recorded in the Register). The CSD's Nominee will be named in the Register as the registered Noteholder of each Tranche of Notes in uncertificated form and which is listed on the Interest Rate Market of the JSE. Each holder of Notes which is represented by an Individual Certificate will be named in the Register as the registered Noteholder of such Notes.

Paying Agent

Investec, or such other entity appointed by the Issuer as Paying Agent, in which event that other entity will act as Paying Agent, as specified in the Applicable Pricing Supplement.

Rating

The Issuer may be rated by a Rating Agency on a national scale or international scale basis, which Rating (if applicable) will be reflected in the Applicable Pricing Supplement. As at the date of this Programme Memorandum, the Programme and the Notes to

be issued under this Programme are not rated by any Rating Agency.

Rating of Notes

A Tranche of Notes may, on or before the Issue Date, be rated by a Rating Agency. Unrated Tranches of Notes may also be issued. The Applicable Pricing Supplement will reflect the Rating, if any, which has been assigned to a Tranche of Notes, as well as the Rating Agency or Rating Agencies which assigned such Rating or Ratings. A Rating is not a recommendation to subscribe for, buy, sell or hold Notes and may be subject to revision, suspension or withdrawal at any time by the Rating Agency.

Redemption

The Applicable Pricing Supplement relating to a Tranche of Notes will indicate either that the Notes cannot be redeemed prior to their stated maturity (other than in specified instalments (see below), if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders (as the case may be) and, upon giving not less than 30 (thirty) nor more than 60 (sixty) calendar days' irrevocable notice (or such other notice period (if any) as is indicated in the Applicable Pricing Supplement) to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as are indicated in the Applicable Pricing Supplement.

The Applicable Pricing Supplement may provide that Notes may be redeemable in 2 (two) or more instalments of such amounts and on such dates as indicated in the Applicable Pricing Supplement.

Selling Restrictions

The distribution of this Programme Memorandum and any offering or sale of or subscription for a Tranche of Notes may be restricted in certain jurisdictions, and is restricted by law in the United States of America and South Africa (see the section of this Programme Memorandum headed "*Subscription and Sale*"). Any other or additional restrictions which are applicable to the placing of a Tranche of Notes will be set out in the Applicable Pricing Supplement. Persons who come into possession of this Programme Memorandum or any Applicable Pricing Supplement must inform themselves about and observe all applicable selling

restrictions.

Size of the Programme

As at the date of this Programme Memorandum, the authorised Programme Amount is ZAR2,000,000,000. This Programme Memorandum will only apply to Notes issued under the Programme in an aggregate outstanding Nominal Amount which does not exceed the Programme Amount. The Issuer may increase the Programme Amount as described in the section of this Programme Memorandum headed "*General Description of the Programme*".

Specified Currency

South African Rand ("**ZAR**") or, subject to all Applicable Laws and in the case of Notes listed on the Interest Rate Market of the JSE subject to the rules of the JSE, such other currency as is specified in the Applicable Pricing Supplement.

Stabilisation

In connection with the issue and distribution of any Tranche of Notes under the Programme, the Dealer, if any, that is specified in the Applicable Pricing Supplement as the stabilising manager (or any person acting for the stabilising manager) may, if specified in that Applicable Pricing Supplement and only if such stabilising is permitted by the Applicable Laws and agreed with the JSE, over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail, for a limited period. However, there may be no obligation on the stabilising manager (or any agent of the stabilising manager) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with all Applicable Laws, regulations and rules.

Status of Senior Notes

Unless otherwise specified in the Applicable Pricing Supplement, the Senior Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* and rateably without any preference among themselves and (save for certain debts required to be preferred by law) equally with all other unsecured and unsubordinated obligations of the Issuer from time to time outstanding.

Status and Characteristics relating

Unless otherwise specified in the Applicable Pricing Supplement, the Subordinated Notes constitute direct, unsecured and

to Subordinated Notes

subordinated obligations of the Issuer and will rank *pari passu* among themselves and will rank at least *pari passu* with all other present and future unsecured and subordinated obligations of the Issuer.

Subject to Applicable Law, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation, business rescue or wound up, then and in any such event the claims of the persons entitled to be paid amounts due in respect of the Subordinated Notes shall be subordinated to all other claims in respect of any other indebtedness of the Issuer except for other Subordinated Indebtedness of the Issuer, to the extent that, in any such event, and provided as aforesaid, no amount shall be eligible for setting-off or shall be payable to any or all of the persons entitled to be paid amounts due in respect of the Subordinated Notes in respect of the obligations of the Issuer thereunder until all other indebtedness of the Issuer which is admissible in any such dissolution, liquidation, business rescue or winding-up (other than Subordinated Indebtedness) has been paid or discharged in full.

Taxation

All payments of principal and interest in respect of the Notes will be made without withholding or deduction for or on account of taxes levied in South Africa unless such withholding or deduction is required by law.

For a summary of the current law in relation to the withholding or deduction of taxes levied in South Africa, see the section titled “*South African Taxation*” below.

In the event that withholding tax or such other deduction is required by law, then the Issuer will, subject to certain exceptions as provided in Condition 11 (*Taxation*), make such payments as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, as the case may be, in the absence of such withholding or deduction. For a summary of the position in relation to issue and transfer taxes, see “*Issue and Transfer Taxes*” above.

Transfer Agent

Investec, or such other entity appointed by the Issuer as Transfer Agent, in which event that other entity will act as Transfer Agent, as specified in the Applicable Pricing Supplement.

Use of Proceeds

The Issuer or a Wholly-Owned Subsidiary of the Issuer or a Holding Company of the Issuer (as the case may be) will use the issue proceeds of the Notes for their general corporate purposes, or as may otherwise be described in the Applicable Pricing Supplement, as permitted by the Commercial Paper Regulations.

RISK FACTORS

Words used in this section entitled "Risk Factors" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The Issuer believes that the factors described below, which are not set out in any particular order, represent key risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it, or which it may not currently be able to anticipate. Some risks are not yet known and some that are not currently deemed material could later turn out to be material. Accordingly, the Issuer does not represent or warrant that the statements below regarding the risks of holding of any Notes are exhaustive.

All of these risks could materially affect the Group, its reputation, business, results of its operations and overall financial condition.

The information set out below is therefore not intended as advice and does not purport to describe all of the considerations that may be relevant to a prospective investor.

Investors contemplating making an investment in the Notes should determine their own investment objectives and experience, and any other factors which may be relevant to them in connection with such investment.

RISK ASSOCIATED WITH THE NOTES

1. RISKS RELATING TO THE ISSUER'S BUSINESS

1.1. Strategic and Market Risk

- 1.1.1. Brand and reputation
- 1.1.2. Competition
- 1.1.3. Geographic concentration
- 1.1.4. Financial position of consumers

1.2. Financial Risk

- 1.2.1. Volatility of profit margins
- 1.2.2. Going concern

1.2.3. Liquidity and credit risk

1.2.4. Interest rate risk

1.2.5. Currency risk

1.3. **Operational Risk**

1.3.1. Product quality and third party liability

1.3.2. Safeguarding of assets

1.3.3. Supply chain

1.3.4. Sustainable food supply

1.3.5. Centralised distribution channels

1.4. **Legislative Risk**

Compliance with legislation

For further information on risks facing the Issuer's business, and the measures in place to mitigate these risks, please refer to the section of this Programme Memorandum headed "*Description of Pick n Pay Stores Limited*".

2. RISKS RELATING TO THE RETAIL CONSUMER INDUSTRY

Business may be adversely impacted by the financial position of consumers

There exists a difficult trading environment across the sector. Customers are facing increasing financial pressure as a result of rising fuel, electricity and other utility costs, rising interest rates and levels of household debt. The weak Rand is also contributing to rising commodity and consumer goods prices. As the cost of living increases there is reduced disposable income.

3. THE NOTES MAY NOT BE A SUITABLE INVESTMENT FOR ALL INVESTORS

3.1. Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

3.1.1. have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Programme Memorandum or any applicable supplement;

- 3.1.2. have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such an investment will have on its overall investment portfolio;
 - 3.1.3. have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
 - 3.1.4. understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
 - 3.1.5. be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.
- 3.2. The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial and legal adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

4. THERE IS NO ACTIVE TRADING MARKET FOR THE NOTES

The Notes issued with the Programme Memorandum will be new securities which may not be widely distributed and for which there is currently no active trading market. While application may be made for the Notes to be traded on the JSE or on such other Financial Exchange(s) as may be determined by the Issuer, there can be no assurance that the Issuer will be able to maintain such listing or that a trading market will develop for the Notes. If the Notes are traded after their initial issuance, they may trade at a discount or premium to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general political and economic conditions, the condition of the financial sector, the financial condition of the Issuer, the Issuer's financial performance and future prospects.

5. THE NOTES MAY BE REDEEMED PRIOR TO MATURITY

- 5.1. In the event that the Issuer is obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of any taxes, the Issuer may redeem all outstanding Notes in accordance with the Terms and Conditions.

- 5.2. In addition, if the Terms and Conditions provide that Notes are in certain circumstances redeemable prior to the Maturity Date, the Notes may be redeemed at times when prevailing interest rates may be relatively low. In such circumstances, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

6. RISKS RELATED TO NOTES GENERALLY

6.1. Change of law

No assurance can be given as to the impact of any possible judicial decision or change to South African law or the law of any other jurisdiction or administrative practice after the issuance of the Notes.

6.2. Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisors to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

6.3. Foreign Exchange Control

Foreign derived loan capital or equity capital may be introduced into South Africa through a formal system of Exchange Control as summarised in the section entitled "*South African Exchange Control*" of this Programme Memorandum. However, unless the prior approval of the South African Reserve Bank has been obtained, the proceeds from the sale of assets in South Africa owned by a non-resident are not remittable to the non-resident.

7. FINANCIAL MARKETS

A prospective investor of the Notes should be aware of the prevailing and widely reported global credit market conditions (which continue at the date hereof), whereby there is a general lack of liquidity in the secondary markets for instruments similar to the Notes. The Issuer cannot predict if and when these circumstances will change, and if and when they do, whether conditions of general market illiquidity for the Notes and instruments similar to the Notes will return in future.

FORM OF THE NOTES

Words used in this section headed "Form of the Notes" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

A Tranche of Notes may be issued in the form of listed or unlisted registered Notes, as specified in the Applicable Pricing Supplement.

Registered Notes

A Tranche of registered Notes will be issued in certificated form or in uncertificated form as specified in the Applicable Pricing Supplement. Each Tranche of Notes which is listed on the Interest Rate Market of the JSE must, subject to Applicable Laws and Applicable Procedures, be issued in uncertificated form in terms of section 33 of the Financial Markets Act and will be held in the CSD in the name of, and for the account of, the CSD's Nominee. A Tranche of unlisted Notes may also be held in the CSD.

Each Tranche of Notes will be issued in the form of registered Notes in accordance with the Terms and Conditions and by (i) Individual Certificates, or (ii) no Individual Certificates, if issued in uncertificated form in terms of section 33 of the Financial Markets Act.

Notes issued in certificated form

A Tranche of Notes may, subject to Applicable Laws and Applicable Procedures, be issued in certificated form.

All certificated Notes will be represented by single Individual Certificates in registered form. Notes represented by Individual Certificates will be registered in the Register in the name of the individual Noteholders of such Notes.

Title to Notes represented by Individual Certificates will pass upon registration of transfer in accordance with Condition 14.1.2 (*Transfer of Notes represented by Individual Certificates*) of the Terms and Conditions.

The Issuer shall regard the Register as the conclusive record of title to the Notes represented by Individual Certificates.

Payments of all amounts due and payable in respect of Notes represented by Individual Certificates will be made in accordance with Condition 9 (*Payments*) of the Terms and Conditions to the person reflected as the registered Noteholder of such Notes in the Register at 17h00 (South African time) on the Last Day to Register, and the Issuer will be discharged by proper payment to or to the order of such registered holder in respect of each amount so paid.

Notes issued in uncertificated form

A Tranche of Notes which is listed on the Interest Rate Market of the JSE must, subject to Applicable Laws and Applicable Procedures, be issued in uncertificated form in terms of section 33 of the Financial Markets Act.

Notes issued in uncertificated form will not be represented by any certificate or written instrument. A Tranche of Notes issued in uncertificated form will be held by the CSD, and the CSD's Nominee will be named in the Register as the registered Noteholder of that Tranche of Notes.

Beneficial Interests in Notes held in the CSD

A Tranche of Notes which is listed on the Interest Rate Market of the JSE will be issued in uncertificated form and held in the CSD. A Tranche of unlisted Notes may either be issued in certificated form or issued in uncertificated form. Unlisted, uncertificated Notes may also be lodged in the CSD. While a Tranche of Notes is held in its entirety in the CSD, the CSD's Nominee will be named in the Register as the sole Noteholder of the Notes in that Tranche.

The CSD will hold each Tranche of Notes subject to the Financial Markets Act and the Applicable Procedures. All amounts to be paid and all rights to be exercised in respect of Notes held in the CSD will be paid to and may be exercised only by the CSD's Nominee for the holders of Beneficial Interests in such Notes.

The CSD maintains central securities accounts only for Participants. As at the date of the Programme Memorandum, the Participants include (but are not limited to) FirstRand Bank Limited, Nedbank Limited, Citibank N.A., South Africa branch, Standard Chartered Bank, Johannesburg branch, Société Générale, Johannesburg branch, The Standard Bank of South Africa Limited and the South African Reserve Bank. Beneficial Interests which are held by Participants will be held directly through the CSD, and the CSD will hold such Beneficial Interests, on behalf of such Participants, through the central securities accounts maintained by the CSD for such Participants.

The Participants are in turn required to maintain securities accounts for their clients. Beneficial Interests which are held by clients of Participants will be held indirectly through such Participants, and such Participants will hold such Beneficial Interests, on behalf of such clients, through the securities accounts maintained by such Participants for such clients. The clients of Participants may include the holders of Beneficial Interests in the Notes or their custodians. The clients of Participants, as the holders of Beneficial Interests or as custodians for such holders, may exercise their rights in respect of the Notes held by them in the CSD only through their Participants. Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme, (Clearstream Luxembourg) ("Clearstream") may hold Notes through their Participant.

In relation to each person shown in the records of the CSD or the relevant Participant, as the case may be, as the holder of a Beneficial Interest in a particular outstanding Nominal Amount of Notes, a certificate or other document issued by the CSD or the relevant Participant, as the case may be, as to the outstanding Nominal Amount of such Notes standing to the account of any person shall be *prima facie* proof of such Beneficial Interest. The CSD's Nominee (as the registered Noteholder of such Notes named in the Register) will be treated by the Issuer, the Paying Agent, the Transfer Agent and the relevant Participant as the holder of that outstanding Nominal Amount of such Notes for all purposes.

Title to Beneficial Interests held by Participants directly through the CSD will pass on transfer thereof by electronic book entry in the central securities accounts maintained by the CSD for such Participants. Title to Beneficial Interests held by clients of Participants indirectly through such Participants will pass on transfer thereof by electronic book entry in the security accounts maintained by such Participants for such clients. Beneficial Interests may be transferred only in accordance with the Applicable Procedures. Holders of Beneficial Interests vote in accordance with the Applicable Procedures.

The holder of a Beneficial Interest will only be entitled to exchange such Beneficial Interest for Notes represented by an Individual Certificate in accordance with Condition 12 (*Exchange of Beneficial Interests and Replacement of Individual Certificates*) of the Terms and Conditions.

PRO FORMA APPLICABLE PRICING SUPPLEMENT

Set out below is the form of Applicable Pricing Supplement that will be completed for each Tranche of Notes issued under the Programme:



PICK N PAY STORES LIMITED

(Incorporated in the Republic of South Africa with limited liability under registration number 1968/008034/06)

(the "Issuer")

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

Under its ZAR2,000,000,000 Domestic Medium Term Note Programme

This Applicable Pricing Supplement must be read in conjunction with the Programme Memorandum, dated [•] 20[•] and approved by the JSE on [•] 20[•], prepared by Pick n Pay Stores Limited in connection with the Pick n Pay Stores Limited ZAR2,000,000,000 Domestic Medium Term Note Programme, as amended and/or supplemented from time to time (the "Programme Memorandum").

Any capitalised terms not defined in this Applicable Pricing Supplement shall have the meanings ascribed to them in the section of the Programme Memorandum headed "*Terms and Conditions of the Notes*".

This document constitutes the Applicable Pricing Supplement relating to the issue of Notes described herein. The Notes described herein are issued on and subject to the Terms and Conditions as amended and/or supplemented by the Terms and Conditions contained in this Applicable Pricing Supplement. To the extent that there is any conflict or inconsistency between the contents of this Applicable Pricing Supplement and the Programme Memorandum, the provisions of this Applicable Pricing Supplement shall prevail.

DESCRIPTION OF THE NOTES

1.	Issuer	Pick n Pay Stores Limited
2.	Status of Notes	[Secured/Unsecured]
3.	Form of Notes	[Listed/Unlisted] Registered Notes
4.	Series Number	[•]

- | | | |
|-----|---|---|
| 5. | Tranche Number | [•] |
| 6. | Aggregate Nominal Amount: | |
| | (a) Series | [•] |
| | (b) Tranche | [•] |
| 7. | Interest | [Interest-bearing/Non-interest-bearing] |
| 8. | Interest Payment Basis | [[Fixed Rate/Floating Rate/Zero Coupon/Index-Linked] Notes/other] |
| 9. | Automatic/Optional Conversion from one Interest/Redemption/Payment Basis to another | [insert details including date for conversion] |
| 10. | Form of Notes | [Registered Notes: [The Notes in this Tranche are issued in uncertificated form and held by the CSD]. [The Notes in this Tranche are issued in certificated form]]. |
| 11. | Issue Date | [•] |
| 12. | Nominal Amount per Note | [•] |
| 13. | Specified Denomination | [•] |
| 14. | Issue Price | [•] |
| 15. | Interest Commencement Date | [•] |
| 16. | Maturity Date | [•] |
| 17. | Applicable Business Day Convention | Floating Rate Business Day / Following Business Day / Modified Following Business Day / Preceding Business Day / other convention – insert details |
| 18. | Final Redemption Amount | [•] |
| 19. | Last Date to Register | [•] |
| 20. | Books Closed Period(s) | The Register will be closed from [•] to [•] and from [•] to [•] (all dates inclusive) in each year |

until the Maturity Date

21. Default Rate [•]

FIXED RATE NOTES

22. (a) Fixed Rate of Interest [•] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear]
- (b) Fixed Interest Payment Date(s) [•] in each year up to and including the Maturity Date/other
- (a) Fixed Coupon Amount(s) [•] per [•] in Nominal Amount
- (b) Initial Broken Amount [•]
- (c) Final Broken Amount [•]
- (d) Determination Date(s) [•] in each year
- (e) Day Count Fraction [•]
- (f) Any other terms relating to the particular method of calculating interest [•]

FLOATING RATE NOTES

23. (a) Floating Interest Payment Date(s) [•]
- (b) Interest Period(s) [•]
- (c) Definition of Business Day (if different from that set out in Condition 1 (*Interpretation*)) [•]
- (d) Minimum Rate of Interest [•] per cent per annum
- (e) Maximum Rate of Interest [•] per cent per annum
- (f) Other terms relating to the method of calculating interest (e.g.: Day Count Fraction, rounding up provision) [•]
24. Manner in which the Rate of Interest is to be determined [ISDA Determination / Screen Rate Determination/other – insert details]

25. Margin [[•] basis points to be added to/subtracted from the relevant ISDA Rate / Reference Rate]
26. If ISDA Determination:
- (a) Floating Rate [•]
 - (b) Floating Rate Option [•]
 - (c) Designated Maturity [•]
 - (d) Reset Date(s) [•]
 - (e) ISDA Definitions to apply [•]
27. If Screen Determination:
- (a) Reference Rate (including relevant period by reference to which the Rate of Interest is to be calculated) [•]
 - (b) Interest Rate Determination Date(s) [•]
 - (c) Relevant Screen Page and Reference Code [•]
28. If Rate of Interest to be calculated otherwise than by ISDA Determination or Screen Determination, insert basis for determining Rate of Interest/Margin/ Fall-back provisions [•]
29. Calculation Agent responsible for calculating amount of principal and interest [•]

ZERO COUPON NOTES

30. (a) Implied Yield [•]
- (b) Reference Price Percent [NACA] [NACM] [NACQ] [NACS] [other method of compounding]
- (c) Any other formula or basis for determining amount(s) payable [•]

PARTLY PAID NOTES

31. (a) Amount of each payment comprising [•]
the Issue Price
- (b) Dates upon which each payment is to [•]
be made by Noteholder
- (c) Consequences (if any) of failure to [•]
make any such payment by Noteholder
- (d) Interest Rate to accrue on the first and [•] per cent per annum
subsequent instalments after the due
date for payment of such instalments

INSTALMENT NOTES

32. Instalment Dates [•]
33. Instalment Amounts (expressed as a [•]
percentage of the aggregate Nominal Amount
of the Notes)

MIXED RATE NOTES

34. Period(s) during which the interest rate for the
Mixed Rate Notes will be (as applicable) that
for:
- (a) Fixed Rate Notes [•]
- (b) Floating Rate Notes [•]
- (c) Index-Linked Notes [•]
- (d) [Other Notes [•]]
35. The interest rate and other pertinent details are
set out under the headings relating to the
applicable forms of Notes

INDEX-LINKED NOTES

36. (a) Type of Index-Linked Notes [Indexed Interest Notes / Indexed Redemption

Amount Notes]

- (b) Index/Formula by reference to which Interest Rate / Interest Amount is to be determined [•]
- (c) Manner in which the Interest Rate / Interest Amount is to be determined [•]
- (d) Interest Period(s) [•]
- (e) Interest Payment Date(s) [•]
- (f) [Base CPI for Indexed-Linked Notes] [•]
- (g) Calculation Agent [•] [Please note: if the performance of an instrument relates to the performance of an index and/or the calculation thereof, the index Calculation Agent for Debt Securities must be registered as such with the JSE – paragraph 4.11(j) of the Debt Listings Requirements.]
- (h) Provisions where calculation by reference to Index and/or Formula is impossible or impracticable [•]
- (i) Definition of Business Day (if different from that set out in Condition 1 (*Interpretation*)) [•]
- (j) Minimum Rate of Interest [•] per cent per annum
- (k) Maximum Rate of Interest [•] per cent per annum
- (l) Other terms relating to the method of calculating interest (e.g.: Day Count Fraction, rounding up provision) [•]
- (m) Other terms relating to Index-Linked Notes [Please Note: Additional JSE requirements may be applicable if Index-Linked Notes are issued. See the JSE guidelines for Acceptable Index Providers and section 19 of the JSE Listings

Requirements.]

DUAL CURRENCY NOTES

37. (a) Type of Dual Currency Notes [Dual Currency Interest/Dual Currency Redemption Amount] Notes
- (b) Rate of Exchange/method of calculating Rate of Exchange [•]
- (c) Provisions applicable where calculation by reference to Rate of Exchange is impossible or impracticable [•]
- (e) Person at whose option Specified Currency(ies) is/are payable [•]

EXCHANGEABLE NOTES

38. (a) Mandatory Exchange applicable? [Yes/No]
- (b) Noteholders' Exchange Right applicable? [Yes/No]
- (c) Exchange Securities [•]
- (d) Manner of determining Exchange Price [•]
- (e) Exchange Period [•]
- (f) Other [•]

EXTENDIBLE NOTES

39. (a) Last date to which Redemption Date may be extended [•]
- (b) Step-up Margin [•]
- (c) Requisite Notice [•]
- (d) Other [•]

OTHER NOTES

40. If the Notes are not Fixed Rate Notes, Floating Rate Notes or Zero Coupon Notes or if the Notes are a combination of any of the foregoing, set out the relevant description and any additional Terms and Conditions, approved by the JSE, relating to such Notes. [•]
41. Issuer's Optional Redemption: [Yes/No]
- If yes:
- (a) Optional Redemption Date(s) [•]
 - (b) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s) [•]
 - (c) Minimum period of notice (if different from Condition 10.3 (*Redemption at the Option of the Issuer*)) [•]
 - (d) If redeemable in part: [•]
 - Minimum Redemption Amount(s) [•]
 - Higher Redemption Amount(s) [•]
 - (e) Other terms applicable on Redemption
42. Redemption at the Option of the Senior Noteholders: [Yes/No]
- If yes:
- (a) Optional Redemption Date(s) [•]
 - (b) Optional Redemption Amount(s) [•]
 - (c) Minimum period of notice (if different from Condition 10.4 (*Redemption at the Option of the Senior Noteholders*)) [•]

(d) If redeemable in part:

Minimum Redemption Amount(s) [•]

Higher Redemption Amount(s) [•]

(e) Other terms applicable on Redemption [•]

(f) Attach pro forma put notice(s)

43. Early Redemption Amount(s) payable on [Yes/No]
redemption for taxation reasons or on Event of
Default (if required).

If no:

(a) Amount payable; or [•]

(b) Method of calculation of amount [•]
payable

GENERAL

44. Financial Exchange [•]

45. Calculation Agent [•]

46. Paying Agent [•]

47. Specified office of the Paying Agent [•]

48. Transfer Agent [•]

49. Additional selling restrictions [•]

50. ISIN No. [•]

51. Stock Code [•]

52. Method of distribution [*Dutch auction or other*]

53. If syndicated, names of Managers [•]

54. If non-syndicated, name of Dealer [•]

55. Governing law (if the laws of South Africa are [•]

not applicable)

- | | | |
|-----|-------------------------------|---|
| 56. | Use of proceeds | [•] |
| 57. | Pricing Methodology | [Standard JSE pricing methodology / other – insert details] |
| 58. | Other provisions | [•] |
| 59. | Rating and issue date thereof | [•] |
| 60. | Date of rating review | [•] |
| 61. | Rating Agency | [•] |

Responsibility:

The Issuer certifies that to the best of its 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 as well as that this Applicable Pricing Supplement contains all information required by law and the JSE Listings Requirements. The Issuer accepts full responsibility for the accuracy of the information contained in this Applicable Pricing Supplement and the annual financial report, the amendments to the annual financial report or any supplements from time to time, except as otherwise stated therein.

Application [is hereby]/[will not be] made to list this issue of Notes [on • ••••].

SIGNED at _____ on this _____ day of _____ 20[•]

for and on behalf of

PICK N PAY STORES LIMITED

 Name:
 Capacity:
 Who warrants his/her authority hereto

 Name:
 Capacity:
 Who warrants his/her authority hereto

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes to be issued by the Issuer which will be incorporated by reference into each Note. A Tranche of Notes will be issued on, and subject to, the below Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes set out in the Applicable Pricing Supplement.

Before the Issuer issues any Tranche of listed Notes, the Issuer shall complete, sign and deliver to the JSE or such other or further Financial Exchange(s) and the CSD, a pricing supplement based on the *pro forma* Applicable Pricing Supplement included in the Programme Memorandum setting out details of such Notes.

If there is any conflict or inconsistency between provisions set out in the Applicable Pricing Supplement and the provisions set out in these Terms and Conditions of the Notes, then the provisions in the Applicable Pricing Supplement will prevail.

Words and expressions used in the Applicable Pricing Supplement shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated.

1. INTERPRETATION

In these Terms and Conditions, unless inconsistent with the context or separately defined in the Applicable Pricing Supplement, the following expressions shall have the following meanings:

“Absa”	Absa Corporate and Investment Bank, a division of Absa Bank Limited (registration number 1986/004794/06), a public company with limited liability duly incorporated in accordance with the company laws of South Africa and registered as a bank in terms of the Banks Act, in its capacity as Dealer;
“Applicable Laws”	in relation to a person, all and any (a) statutes and subordinate legislation; (b) regulations, ordinances and directives; (c) by-laws; (d) codes of practice, circulars, guidance notes, judgments and decisions of any competent authority, and (e) other similar provisions, from time to time;
“Applicable Pricing Supplement”	in relation to a Tranche of Notes, the pricing supplement completed and signed by the Issuer in relation to that Tranche of Notes, setting out the additional and/or other terms and conditions as are applicable to that Tranche of Notes, based upon the <i>pro forma</i> pricing supplement which is set out in the section of the Programme Memorandum headed “ <i>Pro Forma Applicable Pricing Supplement</i> ”;

“Applicable Procedures”	the rules and operating procedures for the time being of the CSD, the Participants and the JSE, or such other or further Financial Exchanges on which the Notes may be listed, as the case may be;
“Arranger”	Investec, or such other Arranger as may be appointed by the Issuer, as specified in the Applicable Pricing Supplement;
“Banks Act”	the Banks Act, 1990 (as amended or replaced from time to time);
“Beneficial Interest”	in relation to a Tranche of Notes which is held in the CSD, the beneficial interest as co-owner of an undivided share of all of the Notes in that Tranche, as contemplated in section 37(1) of the Financial Markets Act, the nominal value of which beneficial interest, in relation to any number of Notes in that Tranche, is determined by reference to the proportion that the aggregate outstanding Nominal Amount of such number of Notes bears to the aggregate outstanding Nominal Amount of all of the Notes in that Tranche, as provided in section 37(3) of the Financial Markets Act;
“BESA Guarantee Fund Trust”	the guarantee fund established and operated by the JSE as a separate guarantee fund, in terms of the rules of the JSE, as required by sections 8(1)(h) and 17(2)(w) of the Financial Markets Act, or any successor fund;
“Books Closed Period”	the period, as specified in the Applicable Pricing Supplement, commencing after the Last Day to Register, during which transfers of the Notes will not be registered, or such shorter period as the Issuer may decide in order to determine those Noteholders entitled to receive interest or redemption monies;
“Business Day”	a day (other than a Saturday or Sunday or public holiday within the meaning of the Public Holidays Act, 1994) on which commercial banks settle ZAR payments in Johannesburg or any other business centre specified in the Applicable Pricing Supplement;
“Calculation Agent”	Investec, unless the Issuer elects to appoint, in relation to a particular Tranche or Series of Notes, another entity as Calculation Agent in respect of that Tranche or Series of Notes;
“Change of Control”	means in relation to the Issuer, any event which results in Control of the Issuer becoming vested in a person or group of persons which did

	not, immediately before the event in question, have such Control;
“Change of Control Event”	shall occur as is described in Condition 10.5.1;
“Change of Control Period”	means, in relation to a Change of Control of the Issuer, the period starting 90 (ninety) days before and ending 90 (ninety) days after the date on which that Change of Control of the Issuer is notified to Noteholders in accordance with Condition 18 (<i>Notices</i>);
“Class of Noteholders”	the holders of a Series of Notes or, where appropriate, the holders of different Series of Notes;
“Commercial Paper Regulations”	the commercial paper regulations of 14 December 1994 issued pursuant to paragraph (cc) of the definition of “the business of a bank” in the Banks Act, set out in Government Notice 2172 and published in Government Gazette 16167 of 14 December 1994;
“Common Monetary Area”	South Africa, Lesotho, Namibia, and Swaziland;
“Companies Act”	the Companies Act, 2008 (as amended or replaced from time to time);
“Control”	means: (a) the holding, directly or indirectly, beneficially of more than 50% (fifty percent) of the issued share capital of the Issuer, or (b) the power, directly or indirectly, to cast, or control the casting of, such number of the shares in the issued share capital of the Issuer, carrying more than 50% (fifty percent) of the total number of votes that may be cast at a general meeting of the members of the Issuer, or (d) possessing, directly or indirectly, the power to (i) direct or cause the direction of the management and policies of the Issuer, whether through the ownership of voting shares, by contract or otherwise, or (ii) control in any other manner the appointment or removal of all or the majority of the directors of Issuer;
“Court Day”	during the term of a court, any day other than a Saturday, Sunday or public holiday;
“CSD”	Strate Limited (registration number 1998/022242/06), or its nominee, operating in terms of the Financial Markets Act (or any successor legislation thereto), or any additional or alternate depository approved by the Issuer;

“CSD’s Nominee”

a Wholly-Owned Subsidiary of the CSD approved by the Registrar of Securities Services in terms of the Financial Markets Act, and any reference to “CSD’s Nominee” shall, whenever the context permits, be deemed to include any successor nominee operating in terms of the Financial Markets Act;

“Day Count Fraction”

in relation to a Tranche of Notes (where applicable) and the calculation of an amount for any period of time (the “**Calculation Period**”), the day count fraction specified as such in the Terms and Conditions or the Applicable Pricing Supplement and:

- (a) if “Actual/365”, “Act/365”, or “Act/Act” is so specified, means the actual number of days in the Interest Period in respect of which payment is being made divided by 365 (three hundred and sixty-five) (or, if any portion of the Interest Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 (three hundred and sixty-six) and (ii) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365 (three hundred and sixty-five));
- (b) if “Actual/Actual (ICMA)” is so specified, means:
 - 1. where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - 2. where the calculation Period is longer than one Regular Period, the sum of:
 - a. the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - b. the actual number of days in such Calculation Period falling in the next Regular Period divided

by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year;

- (c) if "Actual/Actual (ISDA)" is so specified, means the actual number of days in the Calculation Period divided by 365 (three hundred and sixty-five) (or, if any portion of the Calculation Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 (three hundred and sixty-six) and (ii) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365 (three hundred and sixty-five));
- (d) if "Actual/365 (Fixed)" is so specified, means the actual number of days in the Calculation Period divided by 365 (three hundred and sixty-five);
- (e) if "Actual/360" is so specified, means the actual number of days in the Calculation Period divided by 360 (three hundred and sixty);
- (f) if "30/360", "360/360" or "Bond Basis" is so specified, means the number of days in the Calculation period divided by 360 (three hundred and sixty), calculated on a formula basis as follows:

$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

Day count fraction =

where:

"Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y2" is the year, expressed as a number, in which the first day immediately following the last day included in the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which

the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as a number, in which the first day immediately following the last day included in the Calculation Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31 (thirty one), in which case D1 will be 30 (thirty); and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period unless such number would be 31 (thirty one) and D1 is greater than 29 (twenty nine), in which case D2 will be 30 (thirty);

- (g) if "30E/360" or "Eurobond Basis" is so specified, means the number of days in the Calculation Period divided by 360 (three hundred and sixty), calculated on a formula basis as follows:

$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

Day count fraction =

where:

"Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation Period unless such number would be 31 (thirty one), in which case D1 will be 30 (thirty); and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period unless such number would be 31 (thirty one), in which case D2 will be 30 (thirty);

- (h) if "30E/360 (ISDA)" is so specified, means the number of days in the Calculation Period divided by 360 (three hundred and sixty), calculated on a formula basis as follows:

$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

Day Count Fraction =

where:

"Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation Period unless (i) that day is the last day of February or (ii) such number would be 31 (thirty one), in which case D1 will be 30 (thirty); and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31 (thirty one), in which case D2 will be 30 (thirty);

"Dealers"

Investec and Absa, unless the Issuer elects to appoint any other entity(ies) as Dealer, which appointment may be for a specific issue or

on an on-going basis, subject to the Issuer's right to terminate the appointment of any such Dealer, as indicated in the Applicable Pricing Supplement;

"Debt Sponsor"	<p>(a) in relation to the Programme, Investec (but only for so long as Investec is also a Dealer) or such other Debt Sponsor as may be appointed by the Issuer subject to the approval of the JSE in accordance with the Applicable Procedures, as specified in the Applicable Pricing Supplement; or</p> <p>(b) in relation to each issuance of Notes, the entity appointed by the Issuer subject to the approval of the JSE in accordance with the Applicable Procedures, as specified in the Applicable Pricing Supplement;</p>
"Default Rate"	<p>in relation to a Tranche of Notes, the default rate specified as such in the Applicable Pricing Supplement;</p>
"Determination Date"	<p>in relation to a Tranche of Fixed Rate Notes, the date specified as such in the Applicable Pricing Supplement;</p>
"Determination Period"	<p>the period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);</p>
"Dual Currency Notes"	<p>Notes which pay interest in a base currency and the principal in a non-base currency or <i>vice versa</i> as indicated in the Applicable Pricing Supplement, subject to Exchange Control Regulations;</p>
"Early Redemption Amount"	<p>the amount, as set out in Condition 10.6 (<i>Early Redemption Amounts</i>), at which the Notes will be redeemed by the Issuer, pursuant to the provisions of Conditions 10.2 (<i>Redemption for Tax Reasons</i>), 10.3 (<i>Redemption at the Option of the Issuer</i>), 10.4 (<i>Redemption at the Option of the Senior Noteholders</i>) and 10.5 (<i>Redemption in the event of a change of control and a change in the credit rating</i>) and/or Condition 16 (<i>Events of Default</i>);</p>
"Encumbrances"	<p>any mortgage, pledge, hypothecation, lien, assignment, cession <i>in securitatem debiti</i>, deposit by way of security or any other agreement</p>

or arrangement (whether conditional or not and whether relating to existing or to future assets), having the effect of providing a security interest to a creditor or any agreement or arrangement to give any form of a secured claim to a creditor but excluding statutory preferences and any security interest arising by operation of law;

“Event of Default”	any of the events described in Condition 16 (<i>Events of Default</i>);
“Exchangeable Notes”	Notes which may be redeemed by the Issuer in the manner indicated in the Applicable Pricing Supplement by the delivery to the Noteholders of cash or of so many of the Exchange Securities as is determined in accordance with the Applicable Pricing Supplement;
“Exchange Control Regulations”	the Exchange Control Regulations, 1961, promulgated pursuant to the Currency and Exchanges Act, 1933 (as amended from time to time);
“Exchange Period”	in respect of Exchangeable Notes to which the Noteholders’ Exchange Right applies (as indicated in the Applicable Pricing Supplement), the period indicated in the Applicable Pricing Supplement during which such right may be exercised;
“Exchange Price”	the amount determined in accordance with the manner described in the Applicable Pricing Supplement, according to which the number of Exchange Securities which may be delivered in redemption of an Exchangeable Note will be determined;
“Exchange Securities”	the securities indicated in the Applicable Pricing Supplement which may be delivered by the Issuer in redemption of Exchangeable Notes to the value of the Exchange Price;
“Extendible Note”	any Note with a maturity of not more than 18 (eighteen) months, which entitles the Issuer to extend the Redemption Date to a pre-determined future date, as indicated in the Applicable Pricing Supplement;
“Extraordinary Resolution”	(a) a resolution passed at a meeting (duly convened) of the Noteholders or, as the case may be, by a majority consisting of not less than 66.67% (sixty-six point six seven per cent) of the persons voting at such meeting upon a show of hands or by proxy or if a poll be duly demanded then by a majority consisting of not less than 66.67% (sixty-six point six seven per cent) of the votes given on such poll; and

- (b) a resolution passed, other than at a meeting (duly convened) of the Noteholders, in respect of which not less than 66.67% (sixty-six point six seven per cent) of the Noteholders, voted in favour by signing in writing a resolution in counterparts. Where the requisite approval is obtained within 20 (twenty) Business Days from the date the resolution is submitted to the Noteholders, such a resolution shall be as valid and effectual as if it had been passed at a meeting (duly convened) of the Noteholders, provided that notice shall have been given to all Noteholders in terms of Condition 18 (*Notices*), unless all of the Noteholders consent in writing to the waiver of the required notice contemplated in Condition 18 (*Notices*);

“Final Broken Amount”	in relation to a Tranche of Notes, the final broken amount specified as such in the Applicable Pricing Supplement;
“Final Redemption Amount”	the amount of principal specified in the Applicable Pricing Supplement payable in respect of each Tranche of Notes upon the Maturity Date;
“Financial Exchange”	the JSE and/or such other (or additional) financial exchange(s) as may be determined by the Issuer and the relevant Dealer, subject to Applicable Laws;
“Financial Markets Act”	the Financial Markets Act, 2012, as may be amended, supplemented or replaced from time to time;
“Fitch”	means Fitch Ratings Limited (or, if applicable, any South African subsidiary or associated company of Fitch Ratings Limited) and its successors in title;
“Fixed Coupon Amount”	in relation to a Tranche of Notes (where applicable), the amount specified as such in the Applicable Pricing Supplement;
“Fixed Interest Payment Date”	in relation to a Tranche of Fixed Rate Notes, the date specified as such in the Applicable Pricing Supplement;
“Fixed Interest Period”	in relation to a Tranche of Fixed Rate Notes, the period from (and including) a Fixed Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date;

“Fixed Rate Notes”	Notes which will bear interest at the Fixed Rate of Interest, as indicated in the Applicable Pricing Supplement;
“Fixed Rate of Interest”	in relation to a Tranche of Notes, the fixed rate of interest specified as such in the Applicable Pricing Supplement;
“Floating Rate Notes”	Notes which will bear interest at a floating rate as indicated in the Applicable Pricing Supplement and more fully described in Condition 8.2 (<i>Floating Rate Notes and Indexed Interest Notes</i>);
“GCR”	Global Credit Ratings Co. Proprietary Limited (Registration Number: 1995/005001/07) (or, if applicable, any South African subsidiary or associated company of Global Credit Ratings Co. Proprietary Limited) and its successors in title;
“Group”	the Issuer and any other company or entity whose financial results are consolidated with the financial results of the Issuer in accordance with IFRS;
“Higher Redemption Amount”	in relation to a Tranche of Notes, the higher redemption amount specified as such in the Applicable Pricing Supplement;
“Holding Company”	a holding company as defined in Section 1 of the Companies Act;
“IFRS”	the International Financial Reporting Standards (formerly International Accounting Standards) issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee of IASB (as amended, supplemented or re-issued from time to time);
“Implied Yield”	the yield accruing on the Issue Price of Zero Coupon Notes, as specified in the Applicable Pricing Supplement;
“Income Tax Act”	Income Tax Act, 1962 (as amended or replaced from time to time);
“Indebtedness”	in respect of the Issuer or any Material Subsidiary, as the case may be, any indebtedness in respect of monies borrowed from any third party lender, including, but not limited to indebtedness in the form of bonds, notes and debentures, and (without double counting) guarantees, suretyships and indemnities (other than those given in the ordinary course of business) given, whether present or future, actual or contingent;

“Index Interest Notes”	Notes in respect of which the Interest Amount is calculated by reference to an index and/or a formula, as indicated in the Applicable Pricing Supplement;
“Index-Linked Notes”	an Indexed Interest Note and/or an Indexed Redemption Amount Note, as applicable;
“Indexed Redemption Amount Notes”	Notes in respect of which the Final Redemption Amount is calculated by reference to an index and/or formula as may be indicated in the Applicable Pricing Supplement;
“Individual Certificate”	a Note in the definitive registered form of a single certificate and being a certificate exchanged for a Beneficial Interest in accordance with Condition 12 (<i>Exchange of Beneficial Interests and Replacement of Individual Certificates</i>) and any further certificate issued in consequence of a transfer thereof;
“Initial Broken Amount”	in relation to a Tranche of Notes, the initial broken amount specified as such in the Applicable Pricing Supplement;
“Instalment Amount”	the amount expressed as a percentage of the Nominal Amount of an Instalment Note, being an instalment of principal (other than the final instalment) on an Instalment Note;
“Instalment Dates”	in relation to a Tranche of Instalment Notes, the dates specified as such in the Applicable Pricing Supplement;
“Instalment Notes”	Notes issued on the same date but redeemed in Instalment Amounts by the Issuer on an amortised basis on different Instalment Dates, as indicated in the Applicable Pricing Supplement;
“Interest Amount”	the amount of interest payable in respect of each Nominal Amount of Fixed Rate Notes, Floating Rate Notes and Indexed-Linked Notes, as determined in accordance with Condition 8 (<i>Interest</i>);
“Interest Commencement Date”	the first date from which interest on the Notes, other than Zero Coupon Notes, will accrue, as specified in the Applicable Pricing Supplement;
“Interest Determination Date”	in relation to a Tranche of Notes, the date specified as such in the Applicable Pricing Supplement;

“Interest Payment Date”	the Interest Payment Date(s) specified in the Applicable Pricing Supplement or, if no express Interest Payment Date(s) is/are specified in the Applicable Pricing Supplement, the last day of the Interest Period commencing on the preceding Interest Payment Date, or, in the case of the first Interest Payment Date, commencing on the Interest Commencement Date;
“Interest Period”	in relation to a Tranche of Notes, each period beginning on (and including) the Interest Commencement Date or any interest Payment Date and ending on (but excluding) the next Interest Payment Date;
“Interest Rate” and “Rate of Interest”	the rate or rates of interest applicable to Notes other than Zero Coupon Notes as indicated in the Applicable Pricing Supplement;
“Interest Rate Market of the JSE”	the separate platform or sub-market of the JSE designated as the “Interest Rate Market” and on which notes (and other debt securities) may be listed;
“Investec”	Investec Bank Limited (registration number 1969/004763/06), a public company with limited liability duly incorporated in accordance with the company laws of South Africa, in its capacity as Arranger and Dealer;
“ISDA”	the International Swaps and Derivatives Association Inc.;
“ISDA Definitions”	the 2006 ISDA Definitions as published by ISDA (as amended, supplemented, revised or republished from time to time) as specified in the Applicable Pricing Supplement;
“Issue Date”	in relation to a Tranche of Notes, the date specified as such in the Applicable Pricing Supplement;
“Issue Price”	in relation to a Tranche of Notes, the price specified as such in the Applicable Pricing Supplement;
“Issuer”	Pick n Pay Stores Limited (incorporated in South Africa with limited liability under registration number 1968/008034/06);
“JSE”	the JSE Limited (registration number 2005/022939/06), a licensed financial exchange in terms of the Financial Markets Act or any other exchange which operates as a successor exchange to the JSE;
“Last Day to Register”	with respect to a particular Tranche of Notes (as reflected in the Applicable Pricing Supplement), the last date or dates preceding a

Payment Day on which the Transfer Agent will accept Transfer Forms and record the transfer of Notes in the Register for that particular Tranche of Notes and whereafter the Register is closed for further transfers or entries until the Payment Day;

“Mandatory Exchange”	in relation to a Tranche of Exchangeable Notes, the mandatory exchange specified as such in the Applicable Pricing Supplement;
“Margin”	in relation to a Tranche of Notes (where applicable), the margin specified as such in the Applicable Pricing Supplement;
“Material Indebtedness”	any Indebtedness amounting in aggregate equal to or greater than 2% (two percent) of the Total Assets of the Group from time to time, as published in the latest audited financial statements of the Group (or its equivalent in other currencies at the time of the occurrence of an Event of Default);
“Material Subsidiary”	any Subsidiary (i) of which the Issuer owns more than 50% (fifty percent) of the ordinary shares and (ii) which represents at least 10% (ten percent) of the Total Assets of the Issuer from time to time, as published in the Issuer’s latest audited financial statements;
“Maturity Date”	in relation to a Tranche of Notes, the date specified as such in the Applicable Pricing Supplement;
“Minimum Rating Level”	where a long-term national scale rating is applicable, means a national scale rating of “Baa3.za” by Moody’s or “BBB-(zaf)” by Fitch or “zaBBB-” by S&P or “BBB-” by GCR or their equivalent (from time to time), or better;
“Minimum Redemption Amount”	in relation to a Tranche of Notes, the minimum redemption amount specified as such in the Applicable Pricing Supplement;
“Mixed Rate Notes”	Notes which will bear interest over respective periods at differing Interest Rates applicable to any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or Index-Linked Notes each as indicated in the Applicable Pricing Supplement and as more fully described in Condition 8.3 (<i>Mixed Rate Notes</i>);
“Moody’s”	means Moody’s Investor Services Limited (or, if applicable, any South African subsidiary or associated company of Moody’s Investor Services Limited) and its successors in title and assigns;

“NACA”	nominal annual compounded annually;
“NACM”	nominal annual compounded monthly;
“NACQ”	nominal annual compounded quarterly;
“NACS”	nominal annual compounded semi-annually;
“Nominal Amount”	in relation to any Note, the total amount, excluding interest and any adjustments on account of any formula, owing by the Issuer under the Note;
“Noteholders”	the holders of the listed and/or unlisted registered Notes (as recorded in the Register);
“Noteholders Exchange Right”	if indicated as applicable in the Applicable Pricing Supplement, the right of Noteholders of Exchangeable Notes to elect to receive delivery of the Exchange Securities <i>in lieu</i> of cash from the Issuer upon redemption of such Notes;
“Notes”	the secured or unsecured notes issued or to be issued by the Issuer under the Programme, pursuant to this Programme Memorandum;
“Outstanding”	<p>in relation to the Notes, all the Notes issued other than:</p> <ul style="list-style-type: none"> (a) those which have been redeemed in full; (b) those in respect of which the date for redemption in accordance with the Terms and Conditions has occurred and the redemption monies wherefor (including all interest (if any) accrued thereon to the date for such redemption and any interest (if any) payable under the Terms and Conditions after such date) remain available for payment; (c) those which have been purchased and cancelled as provided in Condition 10 (<i>Redemption and Purchase</i>); (d) those which have become prescribed under Condition 15 (<i>Prescription</i>); (e) those represented by those mutilated or defaced Individual Certificates which have been surrendered in exchange for replacement Individual Certificates pursuant to Condition 12 (<i>Exchange of Beneficial Interests and Replacement of</i>

Individual Certificates);

- (f) (for the purpose only of determining how many Notes are Outstanding and without prejudice to their status for any other purpose) those Notes represented by Individual Certificates alleged to have been lost, stolen or destroyed and in respect of which replacement Individual Certificates have been issued pursuant to Condition 12 (*Exchange of Beneficial Interests and Replacement of Individual Certificates*),

provided that for each of the following purposes:

- (i) the right to attend and vote at any meeting of the Noteholders; and
- (ii) the determination of how many and which Notes are for the time being Outstanding for the purposes of Conditions 19 (*Amendment of these Conditions*) and 20 (*Meetings of Noteholders*),

all Notes (if any) which are for the time being held by the Issuer (subject to any applicable law) or by any person for the benefit of the Issuer and not cancelled shall (unless and until ceasing to be so held), be deemed not to be Outstanding;

“Optional Redemption Amount”	in relation to a Tranche of Notes, the optional redemption amount specified as such in the Applicable Pricing Supplement;
“Participant”	a person accepted by the CSD as a participant in terms of section 31 of the Financial Markets Act;
“Partly Paid Notes”	Notes which are issued with the Issue Price partly paid and which Issue Price is paid up fully by the Noteholder in instalments (as indicated in the Applicable Pricing Supplement);
“Paying Agent”	Investec, or such other entity appointed by the Issuer as Paying Agent and specified in the Applicable Pricing Supplement, in which event that other entity shall act as Paying Agent in respect of that Tranche or Series of Notes;
“Payment Day”	any day which is a Business Day and upon which a payment is due by the Issuer in respect of the Notes;

**“Permitted
Encumbrance”**

- (a) any Encumbrance existing as at the date of the Applicable Pricing Supplement; or
- (b) any Encumbrance with regard to receivables or which is created pursuant to any securitisation or like arrangement in accordance with normal market practice, provided that the proceeds of such securitisation or like arrangement are utilised in the ordinary course of the Issuer’s business and that such proceeds are not utilised to make any “distribution” as defined in the Companies Act; or
- (c) any Encumbrance in favour of the Issuer with respect to inter-company Indebtedness incurred between the Issuer and any Subsidiary; or
- (d) any Encumbrance created over any immovable asset owned, acquired, developed or constructed, provided that, at the time of its creation, the Indebtedness so secured shall not exceed the *bona fide* market value of such asset or the cost of that acquisition, development or construction (including all interest and other finance charges, adjustments due to changes in circumstances and other charges reasonably incidental to such cost, whether contingent or otherwise) and where such market value or cost both apply, the higher of the two and further provided that such Encumbrance shall not exceed in aggregate more than 10 (ten percent) of the Total Assets of the Issuer as published in the Issuer’s latest audited financial statements, at the time the Encumbrance is established; or
- (e) any Encumbrance incurred, assumed or guaranteed by the Issuer as part of any financing of all or part of the costs of the acquisition, construction or development of any project where the person or persons providing such financing expressly agrees to limit their recourse to the project financed and the revenues derived from such project as the sole source of repayment for monies advanced in relation to such financing; or
- (f) any Encumbrance created in the ordinary course of business over deposit accounts securing a loan equal to the amounts standing to the credit of such deposit accounts, including any

cash management system; or

- (g) any Encumbrance created by operation of law or statute in the ordinary course of business; or
- (h) any Encumbrance of any equity interests held by the Issuer in respect of any black economic empowerment transaction or series of transactions which may be undertaken in relation to the Issuer at an unspecified future date pursuant to or in terms of applicable black economic empowerment legislation, codes, transformation charters, regulations or practices from time to time; or
- (i) any Encumbrance subsisting over any asset of any Subsidiary of the Issuer prior to the date of such entity becoming a Subsidiary of the Issuer and not created in contemplation of such entity becoming a Subsidiary of the Issuer and any substitute Encumbrance created over that asset (but in any such case the amount of the Indebtedness secured by such Encumbrance, may not be increased, save in the ordinary course of business as set out in sub-clauses (a) to (h) above and (j) below); or
- (j) in addition to any Encumbrance referred to in (a) to (i) above, any Encumbrance securing in aggregate not more than 2% (two percent) of the Total Assets of the Issuer as published in the Issuer's latest audited financial statements, at the time the Encumbrance is established;

“Programme”

the Pick n Pay Stores Limited ZAR2,000,000,000 Domestic Medium Term Note Programme under which the Issuer may from time to time issue Notes, which (as at the date of this Programme Memorandum) amends, restates, replaces and supersedes the Pick n Pay Stores Limited ZAR2,000,000,000 Domestic Medium Term Note Programme dated 10 March 2011;

“Programme Amount”

the maximum aggregate outstanding Nominal Amount of all of the Notes that may be issued under the Programme at any one point in time, being the authorised amount of ZAR2,000,000,000 or such increased amount as is determined by the Issuer from time to time, subject to the Applicable Procedures, Applicable Laws and the

Programme Agreement, as set out in the section of this Programme Memorandum headed “*General Description of the Programme*”;

“Rating”

in relation to a Tranche of Notes (as and where applicable), the rating of the Tranche of Notes, the Issuer or the Programme granted by the Rating Agency, specified in the Applicable Pricing Supplement and in relation to the Issuer, the rating of the Issuer granted by the Rating Agency, as specified in the Applicable Pricing Supplement, and where a Tranche of Notes and/or the Issuer (as the case may be) is rated by more than 1 (one) Rating Agency, the lowest rating applied to such Tranche of Notes and/or the Issuer (as the case may be) will be deemed to be the applicable rating of such Tranche of Notes and/or the Issuer (as the case may be);

“Rating Agency”

Moody’s and/or Fitch and/or S&P and/or GCR and/or such other internationally-recognised rating agency(ies) as may be appointed by the Issuer for the purpose of rating a Tranche of Notes, the Issue or the Programme and as specified in the Applicable Pricing Supplement;

“Rating Downgrade”

shall be deemed to have occurred if the long-term national scale rating (if any) previously assigned to the Issuer, the Programme or the Notes by any Rating Agency is:

- (a) either withdrawn by the Rating Agency or cancelled by the Issuer unless in each case it is simultaneously replaced by a Rating of at least the Minimum Rating Level from another Rating Agency; or
- (b) changed to any Rating that is deemed by the relevant Rating Agency, in accordance with its rating grades and criteria, to be below the Minimum Rating Level;

“Redemption Date”

the date upon which the Notes are redeemed by the Issuer, whether by way of redemption or maturity in terms of Condition 10.1 (*Redemption at Maturity*) or redemption for tax reasons in terms of Condition 10.2 (*Redemption for Tax Reasons*), as the case may be;

“Reference Banks”

five leading banks in the South African inter-bank market selected by the Calculation Agent;

“Reference Price”

in relation to a Tranche of Notes (where applicable), the price

	specified as such in the Applicable Pricing Supplement;
"Reference Rate"	in relation to a Tranche of Notes (where applicable), the rate specified as such in the Applicable Pricing Supplement;
"Register"	the register maintained by the Transfer Agent in terms of Condition 13 (<i>Register</i>);
"Regular Period"	<p>(a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to, but excluding the first Interest Payment Date and, each successive period from and including one Interest Payment Date to, but excluding the next Interest Payment Date;</p> <p>(b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to, but excluding the next Regular Date, where "Regular Date" means the day and the month (but not the year) on which any Interest Payment Date falls; and</p> <p>(c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to ,but excluding the next Regular Date, where "Regular Date" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;</p>
"Relevant Date"	in respect of any payment relating to the Notes, the date on which such payment first becomes due, except that, in relation to monies payable to the CSD in accordance with these Terms and Conditions, it means the first date on which (a) the full amount of such monies have been received by the CSD, (b) such monies are available for payment to the holders of Beneficial Interests and (c) notice to that effect has been duly given to such holders in accordance with the Applicable Procedures;
"Relevant Screen Page"	in relation to a Tranche of Notes (where applicable), the page, section or other part of a particular information service (including, without

limitation, Reuters) specified as the Relevant Screen Page in the Applicable Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

“Representative”	a person duly authorised to act on behalf of a Noteholder, the Transfer Agent and the Paying Agent who may be regarded by the Issuer (acting in good faith) as being duly authorised based upon the tacit or express representation thereof by such Representative, in the absence of express notice to the contrary from such Noteholder, Transfer Agent or Paying Agent;
“Senior Noteholders”	the Noteholders of Senior Notes;
“Senior Notes”	Notes issued with the status and characteristics set out in Condition 5 (<i>Status of Senior Notes</i>);
“Senior Notes Credit Rating Event”	shall occur if at any time while any Senior Note remains Outstanding, a Senior Note with a Rating ceases to be rated by at least one of Moody’s, Fitch, S&P or GCR;
“Series”	a Tranche of Notes together with any further Tranche or Tranches of Notes which are: <ul style="list-style-type: none"> (i) expressed to be consolidated and form a single series; and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices;
“Specified Currency”	in relation to each Note in a Tranche of Notes, subject to all Applicable Laws and in the case of Notes listed on the Interest Rate Market of the JSE subject to the rules of the JSE, the currency specified in the Applicable Pricing Supplement;
“Specified Denomination”	in relation to each Note in a Tranche of Notes, the amount specified as such in the Applicable Pricing Supplement, save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the central bank or regulator or any laws or

	regulations applicable to the Notes;
“South Africa” or “RSA”	the Republic of South Africa;
“S&P”	means, Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies Incorporated (Registration No, 1996/014081/10), its successors-in-title and assigns;
“Subordinated Indebtedness”	in the event of the dissolution of the Issuer or if the Issuer is wound up or placed in liquidation or business rescue, any indebtedness of the Issuer, including any guarantee by the Issuer, under which the right of payment of the person(s) entitled thereto is, or is expressed to be, or is required by any present or future agreement of the Issuer to be, subordinated to the rights of all unsubordinated creditors of the Issuer;
“Subordinated Notes”	Notes issued with the status and characteristics set out in Condition 6 (<i>Status and characteristics of Subordinated Notes</i>);
“Subsidiary”	a subsidiary company as defined in Section 3(1)(a) of the Companies Act;
“Sub-unit”	with respect to any currency, the lowest amount of such currency that is available as legal tender in the country of such currency;
“Terms and Conditions” or “Conditions”	the terms and conditions incorporated in this section headed “ <i>Terms and Conditions of the Notes</i> ” and in accordance with which the Notes will be issued;
“Total Assets of the Group”	the aggregate of all of the assets of the Group as set out in the most recently published audited financial statements of the Group from time to time;
“Total Assets of the Issuer”	the aggregate of all of the assets of the Issuer as set out in the most recently published audited financial statements of the Issuer from time to time;
“Tranche”	in relation to any particular Series, all Notes which are identical in all respects (including as to listing);
“Transfer Agent”	Investec, unless the Issuer elects to appoint another entity as Transfer Agent in which event that other entity shall act as Transfer Agent in respect of that Tranche or Series of Notes, as specified in the

Applicable Pricing Supplement;

“Transfer Form”	the written form for the transfer of a Note, in the form approved by the Transfer Agent, and signed by the transferor and transferee;
“Wholly-Owned Subsidiary”	a wholly-owned subsidiary as defined in Section 1 of the Companies Act;
“ZAR”	the lawful currency of South Africa, being South African Rand, or any successor currency;
“ZAR-JIBAR-SAFEX”	the mid-market rate for deposits in ZAR for a period of the Designated Maturity (as indicated in the Applicable Pricing Supplement) that appears on the Reuters Screen SAFEX Page as at 11h00, Johannesburg time on the relevant date; and
“Zero Coupon Notes”	Notes which will be offered and sold at a discount to their Nominal Amount or at par and will not bear interest other than in the case of late payment.

2. ISSUE

- 2.1. The Issuer may, at any time and from time to time (without the consent of any Noteholder), issue one or more Tranche(s) of Notes pursuant to the Programme; provided that the aggregate outstanding Nominal Amount of all of the Notes issued under the Programme from time to time does not exceed the Programme Amount.
- 2.2. Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Notes. A Tranche of Notes will be issued on, and subject to, the applicable Terms and Conditions of that Tranche of Notes. The applicable Terms and Conditions of a Tranche of Notes are the Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes set out in the Applicable Pricing Supplement relating to that Tranche of Notes.
- 2.3. The applicable Terms and Conditions of a Tranche of Notes are incorporated by reference into the Individual Certificate(s) (if any) representing the Notes in that Tranche. The Applicable Pricing Supplement relating to a Tranche of Notes issued in certificated form will be attached to the Individual Certificate(s) representing the Notes in that Tranche.

3. FORM AND DENOMINATION

3.1. General

- 3.1.1. A Tranche of Notes may be issued in the form of listed or unlisted registered Notes, as specified in the Applicable Pricing Supplement.
- 3.1.2. Each Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index-Linked Note, a Dual Currency Note, a Mixed Rate Note, an Instalment Note, an Exchangeable Note, an Extendible Note, a Partly Paid Note or such combination of any of the foregoing or such other type of Note that are approved by the JSE, or its successor, or such other or further Financial Exchange(s), as may be determined by the Issuer and specified in the Applicable Pricing Supplement.
- 3.1.3. All payments in relation to the Notes will be made in the Specified Currency. Each Note will be issued in the Specified Denomination.
- 3.1.4. A Tranche of Notes may be listed on the Interest Rate Market of the JSE or on such other or further Financial Exchange(s) as may be determined by the Issuer and the Dealer(s), subject to any Applicable Laws. Unlisted Notes may also be issued under the Programme. Unlisted Notes are not regulated by the JSE.

3.2. Registered Notes

A Tranche of registered Notes will be issued in certificated form, as contemplated in Condition 3.2.1 (*Notes issued in certificated form*), or in uncertificated form, as contemplated in Condition 3.2.2 (*Notes issued in uncertificated form*), as specified in the Applicable Pricing Supplement. Each Tranche of Notes which is listed on the Interest Rate Market of the JSE will be held in the CSD, as contemplated in Condition 3.2.2 (*Notes issued in uncertificated form*). A Tranche of unlisted Notes may also be held in the CSD, as contemplated in Condition 3.2.2 (*Notes issued in uncertificated form*).

3.2.1. Notes issued in certificated form

- 3.2.1.1. Each Tranche of Notes may, subject to Applicable Laws and the Applicable Procedures, be issued in certificated form.
- 3.2.1.2. All Notes issued in certificated form will be represented by Individual Certificates and a Register of Noteholders will be maintained.

3.2.2. Notes issued in uncertificated form

3.2.2.1. A Tranche of Notes which is listed on the Interest Rate Market of the JSE must, subject to Applicable Laws and Applicable Procedures, be issued in uncertificated form in terms of section 33 of the Financial Markets Act. Notes issued in uncertificated form will be held in the CSD. Notes issued in uncertificated form will not be represented by any certificate or written instrument. A Note which is represented by an Individual Certificate may be replaced by uncertificated securities in terms of section 33 of the Financial Markets Act.

3.2.3. Beneficial Interests in Notes held in the CSD

3.2.3.1. A Tranche of Notes which is listed on the Interest Rate Market of the JSE will be issued in uncertificated form and held in the CSD. A Tranche of unlisted Notes may also be held in the CSD.

3.2.3.2. The CSD will hold Notes subject to the Financial Markets Act and the Applicable Procedures.

3.2.3.3. All amounts to be paid and all rights to be exercised in respect of Notes held in the CSD will be paid to and may be exercised only by the CSD's Nominee for the holders of Beneficial Interests in such Notes.

3.2.3.4. A holder of a Beneficial Interest shall only be entitled to exchange such Beneficial Interest for Notes represented by an Individual Certificate in accordance with Condition 12 (*Exchange of Beneficial Interests and Replacement of Individual Certificates*).

3.2.4. Recourse to the BESA Guarantee Fund Trust

The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the BESA Guarantee Fund Trust, even if such Notes are settled through the electronic settlement procedures of the JSE and the CSD. Claims against the BESA Guarantee Fund Trust may only be made in respect of the trading of Notes listed on the Interest Rate Market of the JSE and in accordance with the rules of the BESA Guarantee Fund Trust. Unlisted Notes are not regulated by the JSE.

4. TITLE

4.1. Notes issued in certificated form

- 4.1.1. Each holder of Notes represented by an Individual Certificate will be named in the Register as the registered holder of such Notes.
- 4.1.2. Title to Registered Notes will pass upon registration of transfer in the Register in accordance with Condition 14.1.2 (*Transfer of Notes Represented by Individual Certificates*).
- 4.1.3. The Issuer, the Transfer Agent and the Paying Agent shall recognise a Noteholder as the sole and absolute owner of the Notes registered in that Noteholder's name in the Register (notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) and shall not be bound to enter any trust in the Register or to take notice of or to accede to the execution of any trust, express, implied or constructive, to which any Note may be subject.

4.2. Notes issued in uncertificated form

The CSD's Nominee will be named in the Register as the registered holder of each Tranche of Notes which is issued in uncertificated form.

4.3. Beneficial Interests in Notes held in the CSD

- 4.3.1. While a Tranche of uncertificated Notes is held in its entirety in the CSD, the CSD's Nominee will be named in the Register as the sole Noteholder of the Notes in that Tranche.
- 4.3.2. Beneficial Interests which are held by Participants will be held directly through the CSD, and the CSD will hold such Beneficial Interests, on behalf of such Participants, through the central securities accounts maintained by the CSD for such Participants.
- 4.3.3. Beneficial Interests which are held by clients of Participants will be held indirectly through such Participants, and such Participants will hold such Beneficial Interests, on behalf of such clients, through the securities accounts maintained by such Participants for such clients. The clients of Participants may include the holders of Beneficial Interests or their custodians. The clients of Participants, as the holders of Beneficial Interests or as custodians for such holders, may exercise their rights in respect of the Notes held by them in the CSD only through their Participants.

- 4.3.4. In relation to each person shown in the records of the CSD or the relevant Participant, as the case may be, as the holder of a Beneficial Interest in a particular Nominal Amount of Notes, a certificate or other document issued by the CSD or the relevant Participant, as the case may be, as to the aggregate Nominal Amount of such Notes standing to the account of such person shall be prima facie proof of such Beneficial Interest. The CSD's Nominee (as the registered holder of such Notes named in the Register) will be treated by the Issuer, the Paying Agent, the Transfer Agent and the relevant Participant as the holder of that aggregate Nominal Amount of such Notes for all purposes.
- 4.3.5. Beneficial Interests in Notes may be transferred only in accordance with the Applicable Procedures. Such transfers will not be recorded in the Register and the CSD's Nominee will continue to be reflected in the Register as the registered holder of such Notes, notwithstanding such transfers.
- 4.3.6. Any reference in the Terms and Conditions to the relevant Participant shall, in respect of a Beneficial Interest, be a reference to the Participant appointed to act as such by the holder of such Beneficial Interest.

5. STATUS OF SENIOR NOTES

Senior Notes are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* and rateably without any preference among themselves and (save for certain debts required to be preferred by law) equally with all other unsecured and unsubordinated obligations of the Issuer from time to time outstanding.

6. STATUS AND CHARACTERISTICS OF SUBORDINATED NOTES

- 6.1. Subordinated Notes constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and subordinated obligations of the Issuer, save for those which have been accorded preferential rights by law.
- 6.2. Subject to applicable law, in the event of the Issuer commencing business rescue proceedings (whether voluntarily or otherwise) or in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation or wound-up, the claims of the persons entitled to payment of amounts due in respect of the Subordinated Notes, shall be subordinated to all other claims in respect of any other indebtedness of the Issuer except for other Subordinated Indebtedness to the extent that, in any such event and provided as aforesaid, no amount shall be eligible for setting-off or shall be payable to any or all of the persons entitled to payment of amounts due in respect of the Subordinated Notes in respect of the obligations of the Issuer thereunder until all other indebtedness of the Issuer which is

admissible in any such business rescue, dissolution, insolvency or winding-up (other than Subordinated Indebtedness) has been paid or discharged in full.

7. NEGATIVE PLEDGE

- 7.1. So long as any Tranche of the Senior Notes remains Outstanding, the Issuer undertakes that it shall not, and shall procure that no Material Subsidiary shall, create or permit the creation of any Encumbrances, other than Permitted Encumbrances, over any of its present or future business undertakings, assets or revenues to secure any present or future Indebtedness (save for those which have been accorded a preference by law) without at the same time securing all Senior Notes equally and rateably with such Indebtedness or providing such other security as may be approved by Extraordinary Resolution of the Senior Noteholders, unless the provision of any such security is waived by an Extraordinary Resolution of the Senior Noteholders.
- 7.2. For so long as no Tranche of Senior Notes remains Outstanding, the provisions of Condition 7.1 shall apply *mutatis mutandis* to the Subordinated Notes.
- 7.3. The Issuer shall be entitled, but not obliged, to form, or procure the formation of, a trust or special purpose company (or more than one), or appoint, or procure the appointment of, an agent or agents to hold any such rights of security (as described in Condition 7.1 above) for the benefit or on behalf of such Noteholders.

8. INTEREST

8.1. Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding Nominal Amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date specified in the Applicable Pricing Supplement at the rate(s) per annum equal to the Fixed Rate of Interest so specified, payable in arrear on the Fixed Interest Payment Dates in each year up to and including the Maturity Date.

The first payment of interest will be made on the Fixed Interest Payment Date next following the Interest Commencement Date.

Except as provided in the Applicable Pricing Supplement, the amount of interest payable per Note on each Fixed Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount, provided that:

- 8.1.1. if an Initial Broken Amount is specified in the Applicable Pricing Supplement, then the first Interest Amount shall equal the Initial Broken Amount specified in the Applicable Pricing Supplement; and

- 8.1.2. if a Final Broken Amount is specified in the Applicable Pricing Supplement, then the final Interest Amount shall equal the Final Broken Amount.

If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Fixed Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, as specified in the Applicable Pricing Supplement, and rounding the resultant figure to the nearest Sub-unit of the relevant Specified Currency, half such Sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

8.2. Floating Rate Notes and Indexed Interest Notes

8.2.1. Interest Payment Dates

Each Floating Rate Note and Indexed Interest Note bears interest on its outstanding Nominal Amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date specified in the Applicable Pricing Supplement, and such interest will be payable in arrears on the Interest Payment Date(s) in each year specified in the Applicable Pricing Supplement. Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

8.2.2. Rate of Interest

The Rate of Interest payable from time to time in respect of the Floating Rate Notes and Indexed Interest Notes will be determined in the manner specified in the Applicable Pricing Supplement.

8.2.3. Minimum and/or Maximum Rate of Interest

If the Applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of any such Interest Period determined in accordance with the above provisions is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest. If the Applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of any such Interest Period determined in accordance with the above provisions is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

8.2.4. Determination of Rate of Interest and Calculation of Interest Amount

The Calculation Agent, in the case of Floating Rate Notes and Indexed Interest Notes will at, or as soon as is practicable after, each time at which the Rate of Interest is to be determined, determine the Rate of Interest and calculate the Interest Amount payable in respect of each Floating Rate Note and Indexed Interest Note in respect of each Specified Denomination for the relevant Interest Period, and the Calculation Agent shall notify the Issuer of the Rate of Interest for the relevant Interest Period as soon as is practicable after calculating the same. Each Interest Amount shall be calculated by applying the Rate of Interest to the Specified Denomination, multiplying such sum by the applicable Day Count Fraction and rounding the resultant figure to the nearest Sub-unit of the relevant Specified Currency, half a Sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

8.2.5. Interest Determination, Screen Rate Determination including Fallback Provisions

Where ISDA Determination is specified in the Applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the Applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph, “ISDA Rate” for an Interest Period means a rate equal to the Floating Rate that would be determined by such agent as is specified in the Applicable Pricing Supplement under an interest rate swap transaction if that agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the most recent ISDA Definitions and under which:

- 8.2.5.1. the Floating Rate Option is as specified in the Applicable Pricing Supplement;
- 8.2.5.2. the Designated Maturity is the period specified in the Applicable Pricing Supplement; and
- 8.2.5.3. the relevant Reset Date is either (a) if the applicable Floating Rate Option is based on ZAR-JIBAR-SAFEX, the first day of that Interest Period; or (b) in any other case, as specified in the Applicable Pricing Supplement.

For the purposes of the above sub-paragraph “Floating Rate”, “Floating Rate Option”, “Designated Maturity” and “Reset Date” have the meanings given to

those terms in the ISDA Definitions specified in the Applicable Pricing Supplement.

Where Screen Rate Determination is specified in the Applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject to the provisions below, be either:

8.2.5.4. if the Relevant Screen Page is available,

8.2.5.4.1. the offered quotation (if only one quotation appears on the screen page); or

8.2.5.4.2. the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage per annum) for the Reference Rate which appears on the Relevant Screen Page as at 11h00 (or as otherwise specified in the Applicable Pricing Supplement) (Johannesburg time) on the Interest Determination Date in question plus or minus (as indicated in the Applicable Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent. If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations; or

8.2.5.5. if the Relevant Screen Page is not available or if, in the case of clause 8.2.5.4.1 above, no such offered quotation appears or, in the case of clause 8.2.5.4.2 above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph, the Calculation Agent shall request the principal Johannesburg office of each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11h00 (Johannesburg time) on the Interest Determination Date in question. If two or more of the Reference

Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent; or

- 8.2.5.6. if the Rate of Interest cannot be determined by applying the provisions of clauses 8.2.5.4 and 8.2.5.5 above, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any 2 (two) or more of them, at which such banks offered, at approximately 11h00 (Johannesburg time) on the relevant Interest Determination Date, deposits in an amount approximately equal to the nominal amount of the Notes of the relevant Series, for a period equal to that which would have been used for the Reference Rate to prime banks in the Johannesburg inter-bank market plus or minus (as appropriate) the Margin (if any). If fewer than 2 (two) of the Reference Banks provide the Calculation Agent with such offered rates, the Rate of Interest for the relevant Interest Period will be determined by the Calculation Agent as the arithmetic mean (rounded as provided above) of the rates for deposits in an amount approximately equal to the nominal amount of the Notes of the relevant Series, for a period equal to that which would have been used for the Reference Rate, quoted at approximately 11h00 (Johannesburg time) on the relevant Interest Determination Date, by the Reference Banks plus or minus (as appropriate) the Margin (if any). If the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the Applicable Pricing Supplement as being other than ZAR-JIBAR-SAFEX, the Rate of Interest in respect of such Notes will be determined as provided in the Applicable Pricing Supplement.

8.2.6. Notification of Rate of Interest and Interest Amount

The Issuer will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the JSE and the CSD and/or every other relevant Financial Exchange or authority as soon as possible after their determination but in any event no later than the fourth Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to the JSE, the CSD and/or every other relevant Financial Exchange or authority and to the Noteholders in accordance with Condition 18 (*Notices*).

8.2.7. Certificates to be Final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this sub-paragraph 8.2 (*Floating Rate Notes and Indexed Interest Notes*), by the Calculation Agent shall (in the absence of wilful deceit, bad faith or manifest error or proven error) be binding on the Issuer and all Noteholders and in the absence as aforesaid no liability to the Issuer or the Noteholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

8.3. Dual Currency Notes

In the case of Dual Currency Notes, the Interest Rate or Interest Amount payable shall be determined in the manner specified in the Applicable Pricing Supplement.

8.4. Mixed Rate Notes

The Interest Rate payable from time to time on Mixed Rate Notes shall be the Interest Rate payable on the form of interest-bearing Note (be it a Fixed Rate Note or Floating Rate Note or Index-Linked Note) specified for each respective period, each as specified in the Applicable Pricing Supplement. During each such applicable period, the Interest Rate on the Mixed Rate Notes shall be determined and fall due for payment on the basis that such Mixed

Rate Notes are Fixed Rate Notes, Floating Rate Notes or Index-Linked Notes, as the case may be.

8.5. Interest on Indexed Notes

In the case of Indexed Notes, if the Interest Rate or Final Redemption Amount falls to be determined by reference to an index and/or a formula, such rate or amount payable shall be determined in the manner specified in the Applicable Pricing Supplement. Any interest payable shall fall due for payment on the Interest Payment Date(s).

8.6. Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue on the paid-up Principal Amount of such Notes and otherwise as specified in the Applicable Pricing Supplement.

8.7. Interest on Instalment Notes

In the case of Instalment Notes, interest will accrue on the amount outstanding on the relevant Note from time to time and otherwise as specified in the Applicable Pricing Supplement.

8.8. Interest on Extendible Notes

If the Redemption Date of Extendible Notes is extended by the Issuer, the Interest Rate in respect of the Principal Amount Outstanding will be increased by the Step-up Margin, from (and including) the Redemption Date to (but excluding) the Actual Redemption Date.

8.9. Accrual of Interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date of its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue at the Default Rate specified in the Applicable Pricing Supplement until the date on which all amounts due in respect of such Note have been paid, or, in respect of uncertificated Notes, the date on which the full amount of the money payable has been received by the CSD and/or the Participants and notice to that effect has been given to Noteholders in accordance with Condition 18 (*Notices*).

8.10. Business Day Convention

If any Interest Payment Date (or other date), which is specified in the Applicable Pricing Supplement to be subject to adjustment in accordance with a Business Day Convention, falls on a day that is not a Business Day, then, if the Business Day Convention specified is:

- 8.10.1. the “**Floating Rate Business Day Convention**”, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event: (a) such Interest Payment Date (or other date) shall be brought forward to the first preceding Business Day and (b) each subsequent Interest Payment Date (or other date) shall be the last Business Day in the month which falls the number of months, or other period specified as the Interest Period in the Applicable Pricing Supplement, after the preceding applicable Interest Payment Date (or other date) has occurred; or
- 8.10.2. the “**Following Business Day Convention**”, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day; or
- 8.10.3. the “**Modified Following Business Day Convention**”, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date (or other such date) shall be brought forward to the first preceding Business Day; or
- 8.10.4. the “**Preceding Business Day Convention**”, such Interest Payment Date (or other date) shall be brought forward to the first preceding Business Day.

9. **PAYMENTS**

9.1. General

Where any amounts are due and payable under the Senior Notes, such amounts shall be settled in full before any amounts are paid under the Subordinated Notes.

Payments of principal and/or interest on an Individual Certificate shall be made to the Transfer Agent, who will in turn, acting on behalf of the Issuer in accordance with the terms and conditions of the Agency Agreement, make payment to the registered holder of such Note, as set forth in the Register on the close of business on the Last Day to Register (as specified in the Applicable Pricing Supplement). In addition to the above, in the case of a final redemption payment, the holder of the Individual Certificate shall be required, on or

before the Last Day to Register prior to the Maturity Date, to surrender such Individual Certificate at the offices of the Transfer Agent.

Payments of principal and/or interest in respect of uncertificated Notes shall be made to the CSD and/or the Participants, as shown in the Register on the Last Day to Register, and the Issuer will be discharged by proper payment to the CSD and/or the Participants, in respect of each amount so paid. Each of the persons shown in the records of the CSD and the Participants, as the case may be, shall look solely to the CSD or the Participant, as the case may be, for his share of each payment so made by the Issuer to the registered holder of such uncertificated Notes.

9.2. Method of Payment

Payments will be made in the Specified Currency by credit or transfer, by means of electronic settlement, to the Noteholder.

If the Issuer is prevented or restricted directly or indirectly from making any payment by electronic funds transfer in accordance with the preceding paragraph (whether by reason of strike, lockout, fire, explosion, floods, riot, war, accident, act of God, embargo, legislation, shortage of or breakdown in facilities, civil commotion, unrest or disturbances, cessation of labour, Government interference or control or any other cause or contingency beyond the control of the Issuer), the Issuer shall make such payment by cheque marked "not transferable" (or by such number of cheques as may be required in accordance with applicable banking law and practice to make payment of any such amounts). Such payments by cheque shall be sent by post to the address of the Noteholder as set forth in the Register or, in the case of joint Noteholders, the address set forth in the Register of that one of them who is first named in the Register in respect of that Note.

Each such cheque shall be made payable to the relevant Noteholder or, in the case of joint Noteholders, the first one of them named in the Register. Cheques may be posted by ordinary post, provided that neither the Issuer, nor the Transfer Agent shall be responsible for any loss in transmission and the postal authorities shall be deemed to be the agent of the Noteholders for the purposes of all cheques posted in terms of this Condition 9.2 (*Method of Payment*).

In the case of joint Noteholders, payment by electronic funds transfer will be made to the account of the Noteholder first named in the Register. Payment by electronic transfer to the Noteholder first named in the Register shall discharge the Issuer of its relevant payment obligations under the Notes.

Payments will be subject in all cases to any fiscal or other laws, directives and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*).

9.3. Payment Day

Unless a different Business Day Convention is specified in the Applicable Pricing Supplement and if the date for payment of any amount in respect of any Note is not a Business Day, the holder thereof shall not be entitled to payment until the next following Business Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

9.4. Interpretation of Principal and Interest

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- 9.4.1. any additional amounts which may be payable with respect to principal under Condition 11 (*Taxation*);
- 9.4.2. the Final Redemption Amount of the Notes or the Early Redemption Amount of the Notes, as the case may be;
- 9.4.3. the Optional Redemption Amount(s) (if any);
- 9.4.4. in relation to Instalment Notes, the Instalment Amounts;
- 9.4.5. in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 10.6.3); and
- 9.4.6. any premium and any other amounts which may be payable by the Issuer under or in respect of the Notes, but excluding for the avoidance of doubt, interest.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 11 (*Taxation*).

10. **REDEMPTION AND PURCHASE**

10.1. Redemption at Maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer in the Specified Currency at its Final Redemption Amount

specified in, or determined in the manner specified in, the Applicable Pricing Supplement on the Maturity Date.

10.2. Redemption for Tax Reasons

Notes may be redeemed at the option of the Issuer at any time (in the case of Notes other than Floating Rate Notes having an Interest Rate then determined on a floating basis) or on any Interest Payment Date (in the case of Floating Rate Notes), on giving not less than 30 (thirty) nor more than 60 (sixty) calendar days' notice to the Noteholders prior to such redemption, in accordance with Condition 18 (*Notices*) (which notice shall be irrevocable), if the Issuer, immediately prior to the giving of such notice, is of the reasonable opinion that:

- 10.2.1. as a result of any change in, or amendment to, the laws or regulations of South Africa or any political sub-division of, or any authority in, or of, South Africa having power to tax, or any change or amendment which becomes effective after the relevant Issue Date, the Issuer is or would be required to pay additional amounts as provided or referred to in Condition 11 (*Taxation*); and
- 10.2.2. the requirement cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 (ninety) calendar days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Notes may be redeemed by the Issuer in accordance with this Condition 10.2 (*Redemption for Tax Reasons*) in whole or in part. A redemption in part may be effected by the Issuer:

- 10.2.3. notwithstanding that such partial redemption may not entirely avoid such obligation to pay additional amounts as provided for or referred to in Condition 11 (*Taxation*); and
- 10.2.4. mutatis mutandis in the manner described in Condition 10.3 (*Redemption at the Option of the Issuer*), provided that the references to the giving of notice therein and to the Minimum Redemption Amount and the Higher Redemption Amount (both as specified in the Applicable Pricing Supplement) therein shall be disregarded for such purposes.

Notes redeemed for tax reasons pursuant to this Condition 10.2 (*Redemption for Tax Reasons*) will be redeemed at their Early Redemption Amount referred to in Condition 10.4 (*Redemption at the Option of the Senior Noteholders*), together (if appropriate) with interest accrued from (and including) the immediately preceding Interest Payment Date to (but excluding) the date of redemption or as specified in the Applicable Pricing Supplement.

10.3. Redemption at the Option of the Issuer

If the Issuer is specified in the Applicable Pricing Supplement as having an option to redeem, the Issuer may, having given not less than 30 (thirty) nor more than 60 (sixty) calendar days' irrevocable notice to the Noteholders in accordance with Condition 18 (*Notices*), redeem all or some of the Notes (to which such Applicable Pricing Supplement relates) then Outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the Applicable Pricing Supplement, together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date(s).

Any such redemption must be of a Nominal Amount equal to the Minimum Redemption Amount or a Higher Redemption Amount, both as indicated in the Applicable Pricing Supplement.

In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by Individual Certificates, and in accordance with the Applicable Procedures in the case of Redeemed Notes which are uncertificated, and in each case not more than 60 (sixty) calendar days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**").

In the case of Redeemed Notes represented by Individual Certificates, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 18 (*Notices*) not less than 30 (thirty) calendar days prior to the date fixed for redemption. The aggregate Nominal Amount of Redeemed Notes represented by Individual Certificates shall bear the same proportion to the aggregate Nominal Amount of all Redeemed Notes as the aggregate Nominal Amount of Individual Certificates outstanding bears to the aggregate Nominal Amount of the Notes outstanding, in each case on the Selection Date, provided that such first mentioned Nominal Amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination and the aggregate Nominal Amount of Redeemed Notes which are uncertificated shall be equal to the balance of the Redeemed Notes. No exchange of the relevant uncertificated Notes will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this sub-paragraph, and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 18 (*Notices*) at least 10 (ten) calendar days prior to the Selection Date.

Holders of Redeemed Notes shall surrender the Individual Certificates, if any, representing the Notes in accordance with the provisions of the notice given to them by the Issuer as contemplated above. Where only a portion of the Notes represented by such Individual

Certificates are redeemed, the Transfer Agent shall deliver new Individual Certificates to the CSD or such Noteholders, as the case may be, in respect of the balance of the Notes.

10.4. Redemption at the Option of the Senior Noteholders

If Senior Noteholders are specified in the Applicable Pricing Supplement as having an option to request the redemption of Notes, such Senior Noteholders may exercise such option in respect of such Notes represented by Individual Certificates by delivering to the Transfer Agent, in accordance with Condition 18 (*Notices*), a duly executed notice ("**Put Notice**") in unaltered form, at least 30 (thirty) calendar days but not more than 60 (sixty) calendar days, prior to the Optional Redemption Date.

Where redemption in part has been permitted in the Applicable Pricing Supplement, the redemption amount specified in such Put Notice in respect of any such Note must be of a principal amount equal to or greater than the Minimum Redemption Amount or equal to or less than the Higher Redemption Amount, each as indicated in the Applicable Pricing Supplement.

The redemption by the Senior Noteholders of uncertificated Notes shall take place in accordance with the Applicable Procedures.

The Issuer shall proceed to redeem the Notes in respect of which such option has been exercised in accordance with the terms of the Applicable Pricing Supplement, at the Optional Redemption Amount and on the Optional Redemption Date, together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date(s).

In the event that the redeeming Noteholder is the holder of an Individual Certificate, then such Noteholder shall (attached to the Put Notice) deliver the Individual Certificate to the Transfer Agent at least 1 (one) Business Day prior to the Optional Redemption Date, for cancellation failing which the Put Notice shall be invalid. A holder of an Individual Certificate shall in that holder's Put Notice specify a bank account in South Africa into which the redemption payment amount is to be paid.

The delivery of Put Notices shall be required to take place during normal office hours to the Issuer and Transfer Agent. Put Notices shall be available for inspection at the specified offices of the Transfer Agent.

Any Put Notice given by a holder of any Senior Note pursuant to this paragraph shall be irrevocable except where after giving the notice but prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such Noteholder, at its option, may elect by notice to the Issuer, delivered at least 1 (one) Business Day prior to the Optional Redemption Date, to withdraw the notice given pursuant to this paragraph and

instead to declare such Senior Note forthwith due and payable pursuant to Condition 16 (*Events of Default*).

The Issuer shall have no obligation to remedy any defects in any Put Notice or bring any such defects to the attention of any Noteholder and shall not be liable whatsoever for any claims or losses arising in connection with a defective or invalid Put Notice.

10.5. Redemption in the event of a change of control and a change in the credit rating

10.5.1. A Change of Control Event shall occur if a Change of Control occurs and within the Change of Control Period there is a Rating Downgrade in relation to the Issuer, the Programme or any Tranche of Notes rated by a Rating Agency.

10.5.2. Promptly upon the Issuer becoming aware that a Change of Control Event has occurred, the Issuer shall give notice to the Noteholders in accordance with Condition 18 (*Notices*) specifying the nature of the Change of Control Event and the circumstances giving rise to it and the procedure for exercising the option per Condition 10.5.3.

10.5.3. If at any time while any Note remains Outstanding, upon the occurrence of a Change of Control Event, the Issuer shall, and only if the Noteholders have:

10.5.3.1. in terms of Condition 18 (*Notices*) issued a notice to convene a meeting of Noteholders within 30 (thirty) days of the date of which the Change of Control Event occurred;

10.5.3.2. resolved in terms of Condition 20 (*Meetings of Noteholders*) by way of Extraordinary Resolution requiring the redemption of the Notes of that Class of Noteholders; and

10.5.3.3. issued a written notice to the Issuer from that Class of Noteholders to redeem such Note,

redeem all Notes held by that Class of Noteholders at the Early Redemption Amount together with accrued interest (if any). Such redemption shall occur on the next Interest Payment Date following such Change of Control Event unless the said Interest Payment Date falls within 14 (fourteen) days of receipt of the notice referred to in Condition 10.5.3.3, in which case the Issuer shall redeem the said Notes on the second Interest Payment Date following the said Change of Control Event.

10.6. Early Redemption Amounts

For the purpose of Condition 10.2 (*Redemption for Tax Reasons*), 10.5 (*Redemption in the event of a change of control and a change in the credit rating*) and Condition 16 (*Events of Default*), the Notes will be redeemed at the Early Redemption Amount calculated as follows:

- 10.6.1. in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or
- 10.6.2. in the case of Notes (other than Zero Coupon Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price, at the amount specified in, or determined in the manner specified in, the Applicable Pricing Supplement or, if no such amount or manner is so specified in the Pricing Supplement, at their Nominal Amount; or
- 10.6.3. in the case of Zero Coupon Notes, at an amount (the “**Amortised Face Amount**”) equal to the sum of: (a) the Reference Price; and (b) the product of the Implied Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable, or such other amount as is provided in the Applicable Pricing Supplement.

Where such calculation is to be made for a period which is not a whole number of years, it shall be calculated on the basis of actual days elapsed divided by 365 (three hundred and sixty-five), or such other calculation basis as may be specified in the Applicable Pricing Supplement.

10.7. Instalment Notes

Instalment Notes will be redeemed at the Instalment Amounts and on the Instalment Dates. In the case of early redemption in accordance with Conditions 10.2 (*Redemption for Tax Reasons*) or 16 (*Events of Default*), the Early Redemption Amount will be determined pursuant to Condition 10.6 (*Early Redemption Amounts*).

10.8. Partly Paid Notes

If the Notes are Partly Paid Notes, they will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 10.8 (*Partly Paid Notes*) and the Applicable Pricing Supplement. In the case of early redemption in accordance with Conditions 10.2 (*Redemption for Tax Reasons*) or 16 (*Events of Default*),

the Early Redemption Amount will be determined pursuant to Condition 10.6 (*Early Redemption Amounts*).

10.9. Exchangeable Notes

If the Notes are Exchangeable Notes, they will be redeemed, whether at maturity, early redemption or otherwise, in the manner indicated in the Applicable Pricing Supplement. Exchangeable Notes in respect of which Mandatory Exchange is indicated in the Applicable Pricing Supplement as applying, or upon the exercise by the Noteholder of the Noteholder's Exchange Right (if applicable), will be redeemed by the Issuer delivering to each Noteholder as many of the Exchange Securities as are required in accordance with the Exchange Price. The delivery by the Issuer of the Exchange Securities in the manner set out in the Applicable Pricing Supplement shall constitute the *in specie* redemption in full of such Notes.

10.10. Purchases

The Issuer or any of its Subsidiaries may at any time purchase Notes at any price in the open market or otherwise. Such Notes may, subject to applicable law, be held, resold, or, at the option of the Issuer, surrendered to the Transfer Agent for cancellation. The Issuer shall not have any voting rights on any Notes repurchased or otherwise held by it.

10.11. Cancellation

All Notes which have been redeemed will forthwith be cancelled. All Notes so cancelled shall be forwarded to the Issuer and cannot be re-issued or resold. Where only a portion of Notes represented by an Individual Certificate are cancelled, the Transfer Agent shall deliver an Individual Certificate to such Noteholder in respect of the balance of the Notes.

10.12. Late Payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 10 (*Redemption and Purchase*) or upon its becoming due and repayable as provided in Condition 16 (*Events of Default*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 10.6.3 as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of: (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and (b) 5 (five) calendar days after the date on which the full amount of the monies payable has been received by the CSD, and notice to that effect has been given to the Noteholder in accordance with Condition 18 (*Notices*).

10.13. Applicable Procedures

The redemption and partial redemption of Beneficial Interests shall take place in accordance with the Applicable Procedures and the Financial Markets Act.

11. **TAXATION**

11.1. Payments of principal and interest in respect of the Notes by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of South Africa or any political sub-division or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law (for a summary of the current law in relation to the withholding or deduction of taxes levied in South Africa, see "*South African Taxation*" below).

11.2. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, as the case may be, in the absence of such withholding or deduction, except that no such additional amounts shall be payable with respect to any Note:

11.2.1. held by or on behalf of a Noteholder who is liable for such taxes or duties in respect of such Note by reason of his having some connection with South Africa other than the mere holding of such Note or the receipt of principal or interest in respect thereof; or

11.2.2. held by or on behalf of a Noteholder who could lawfully avoid (but has not so avoided) such withholding or deduction by complying with any statutory requirements in force at the present time or in the future including, without limitation, by making a declaration of non-residence or other similar claim or filing for exemption to which it is entitled to the relevant tax authority or the Paying Agent (the effect of which is not to require the disclosure of the identity of the relevant Noteholder); or

11.2.3. held by or on behalf of a Noteholder who could lawfully reduce (but has not so reduced) such withholding or deduction by complying with any statutory requirements in force at the present time or in the future including, without limitation, by making a declaration of non-residence or other similar claim or filing for the reduction to which it is entitled to the relevant tax authority or the Paying Agent (the effect of which is not to require the disclosure of the identity

of the relevant Noteholder) – to the extent that such Noteholder could lawfully reduce such withholding or deduction but failed to do so; or

- 11.2.4. held by or on behalf of a Noteholder in circumstances where such party could lawfully reduce the amount of taxation otherwise levied or leviable upon the principal or interest by virtue of any non-South African tax laws applicable to such Noteholder, whether by way of a tax credit, rebate deduction or reduction equal to all or part of the amount withheld or otherwise, and whether or not it is actually claimed and/or granted and/or allowed; or
- 11.2.5. where such withholding or deduction is in respect of taxes levied or imposed on interest or principal payments only by virtue of the inclusion of such payments in the income or taxable income (as defined in section 1 of the Income Tax Act) or capital gain (as contemplated in paragraph 3 of Schedule 8 to the Income Tax Act) or taxable capital gain (as defined in paragraph 1 of Schedule 8 to the Income Tax Act) of any Noteholder; or
- 11.2.6. in respect of any present or future taxes, duties, assessments or governmental charges of whatever nature which are payable otherwise than by withholding from payment of principal or interest, if any, with respect to such Note; or
- 11.2.7. where (in the case of payment of principal and/or interest which is conditional on surrender and/or presentation of the relevant Individual Certificate in accordance with the Terms and Conditions) the relevant Individual Certificate is surrendered and/or presented more than 30 (thirty) days after the Relevant Date, except to the extent that the Noteholder thereof would have been entitled to an additional amount on presenting or surrendering the Individual Certificate for payment on such thirtieth day; or
- 11.2.8. if such withholding or deduction arises through the exercise by revenue authorities of special powers in respect of tax defaulters; or
- 11.2.9. if such withholding or deduction arises in terms of the US Foreign Account Tax Compliance Act ("**FATCA**"), any regulations or agreements thereunder, official interpretations thereof, any intergovernmental approach thereto, or implementing legislation adopted by another jurisdiction in connection with FATCA; or
- 11.2.10. where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

11.2.11. any combination of 11.2.1 to 11.2.10.

11.3. Any reference in these Terms and Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under these Terms and Conditions or under any undertakings given in addition to, or in substitution for, these Terms and Conditions.

12. EXCHANGE OF BENEFICIAL INTERESTS AND REPLACEMENT OF INDIVIDUAL CERTIFICATES

12.1. Exchange of Beneficial Interests

12.1.1. The holder of a Beneficial Interest in Notes may, in terms of the Applicable Procedures and subject to section 42 read with section 35(2)(i) of the Financial Markets Act (or such other relevant section of any successive legislation), by written notice to the holder's nominated Participant (or, if such holder is a Participant, the CSD), request that such Beneficial Interest be exchanged for Notes in definitive form represented by an Individual Certificate (the "**Exchange Notice**"). The Exchange Notice shall specify (a) the name, address and bank account details of the holder of the Beneficial Interest and (b) the day on which such Beneficial Interest is to be exchanged for an Individual Certificate; provided that such day shall be a Business Day and shall fall not less than 30 (thirty) calendar days after the day on which such Exchange Notice is given.

12.1.2. The holder's nominated Participant will, following receipt of the Exchange Notice, through the CSD, notify the Transfer Agent that it is required to exchange such Beneficial Interest for Notes represented by an Individual Certificate. The Transfer Agent will, as soon as is practicable but within 14 (fourteen) calendar days after receiving such notice, in accordance with the Applicable Procedures, procure that an Individual Certificate is prepared, authenticated and made available for delivery, on a Business Day falling within the aforementioned 14 (fourteen) day period, to the Participant acting on behalf of the holder of the Beneficial Interest in respect of the conversion at the specified office of the Transfer Agent; provided that joint holders of a Beneficial Interest shall be entitled to receive only one Individual Certificate in respect of that joint holding, and the delivery to one of those joint holders shall be delivery to all of them.

12.1.3. In the case of the exchange of a Beneficial Interest in Notes issued in uncertificated form:

12.1.3.1. the CSD's Nominee shall, prior to the Exchange Date, surrender (through the CSD system) such uncertificated Notes to the Transfer Agent at its specified office; and

12.1.3.2. the Transfer Agent will obtain the release of such uncertificated Notes from the CSD in accordance with the Applicable Procedures.

12.1.4. An Individual Certificate shall, in relation to a Beneficial Interest:

12.1.4.1. in a Tranche of Notes which is held in the CSD, represent that number of Notes as have, in the aggregate, the same aggregate Nominal Amount of Notes standing to the account of the holder of such Beneficial Interest; or

12.1.4.2. in any number of Notes issued in uncertificated form of a particular aggregate Nominal Amount standing to the account of the holder thereof, represent that number of Notes of that aggregate Nominal Amount,

as the case may be, and shall otherwise be in such form as may be agreed between the Issuer and the Transfer Agent; provided that if such aggregate Nominal Amount is equivalent to a fraction of the Specified Denomination or a fraction of any multiple thereof, such Individual Certificate shall be issued in accordance with, and be governed by, the Applicable Procedures.

12.1.5. Subject always to Applicable Laws and the Applicable Procedures, upon the replacement of a Beneficial Interest in Notes with Notes in definitive form represented by an Individual Certificate in accordance with this Condition 12 (*Exchange of Beneficial Interests and Replacement of Individual Certificates*), such Notes (now represented by an Individual Certificate) will cease to be listed on the Financial Exchange and will no longer be lodged in the CSD. Notes represented by Individual Certificates will be registered in the Register in the name of the individual Noteholders of such Notes.

12.2. Replacement

If any Individual Certificate is worn out, mutilated, defaced, stolen, destroyed or lost it may be replaced at the specified office of the Transfer Agent, on payment by the claimant of such costs and expenses as may be incurred in connection therewith and the provision of such

indemnity as the Issuer and the Transfer Agent may reasonably require. Mutilated or defaced Individual Certificates must be surrendered at the specified office of the Transfer Agent before replacements will be issued.

12.3. Death and sequestration or liquidation of Noteholder

Any person becoming entitled to Registered Notes in consequence of the death, sequestration or liquidation of the holder of such Notes may, upon producing evidence to the satisfaction of the Issuer that he holds the position in respect of which he proposes to act under this Condition 12.3 (*Death and sequestration or liquidation of Noteholder*) or of his title as the Issuer and the Transfer Agent shall require, be registered himself as the holder of such Notes or, subject to the Applicable Procedures, this Condition 12.3 (*Death and sequestration or liquidation of Noteholder*) and Condition 14.1.2 (*Transfer of Notes represented by Individual Certificates*), may transfer such Notes. The Issuer and (if applicable) the CSD and the relevant Participant shall be entitled to retain any amount payable upon the Notes to which any person is so entitled until such person shall be registered as aforesaid or shall duly transfer the Notes.

12.4. Costs

The costs and expenses of the printing, issue and delivery of each Individual Certificate and all taxes and governmental charges or insurance charges that may be imposed in relation to such Individual Certificate and/or the printing, issue and delivery of such Individual Certificate shall be borne by the holder of the Notes represented by that Individual Certificate. Separate costs and expenses relating to the provision of Individual Certificates and/or the transfer of Notes may be levied by other persons, such as a Participant, under the Applicable Procedures, and such costs and expenses shall not be borne by the Issuer.

13. REGISTER

13.1. The Register of Noteholders shall:

- 13.1.1. be kept at the specified office of the Transfer Agent or such other person as may be appointed for the time being by the Issuer to maintain the Register;
- 13.1.2. contain the names, addresses and bank account numbers of the registered Noteholders;
- 13.1.3. show the total Nominal Amount of the Notes held by Noteholders;
- 13.1.4. show the dates upon which each of the Noteholders was registered as such;

- 13.1.5. show the serial numbers of the Individual Certificates and the dates of issue thereof;
 - 13.1.6. be open for inspection at all reasonable times during business hours on Business Days by any Noteholder or any person authorised in writing by a Noteholder; and
 - 13.1.7. be closed during each Books Closed Period.
- 13.2. The Transfer Agent shall alter the Register in respect of any change of name, address or account number of any of the Noteholders of which it is notified.
- 13.3. Except as provided for in these Terms and Conditions or as required by law, in respect of Notes, the Issuer will only recognise a Noteholder as the owner of the Notes registered in that Noteholder's name as per the Register.
- 13.4. Except as provided for in these Terms and Conditions or as required by law, the Issuer shall not be bound to enter any trust in the Register or to take notice of or to accede to the execution of any trust (express, implied or constructive) to which any Individual Certificate may be subject.

14. **TRANSFER OF NOTES**

14.1. Transfer of registered Notes

14.1.1. Transfer of Beneficial Interests in Notes held in the CSD

- 14.1.1.1. Beneficial Interests may be transferred only in accordance with the Applicable Procedures through the CSD.
- 14.1.1.2. Transfers of Beneficial Interests to and from clients of Participants occur by way of electronic book entry in the securities accounts maintained by the Participants for their clients, in accordance with the Applicable Procedures.
- 14.1.1.3. Transfers of Beneficial Interests among Participants occur through electronic book entry in the central securities accounts maintained by the CSD for the Participants, in accordance with the Applicable Procedures.
- 14.1.1.4. Transfers of Beneficial Interests in Notes will not be recorded in the Register and the CSD's Nominee will continue to be reflected in the

Register as the Noteholder of such Notes notwithstanding such transfers.

14.1.2. Transfer of Notes represented by Individual Certificates

14.1.2.1. In order for any transfer of Notes represented by an Individual Certificate to be recorded in the Register, and for such transfer to be recognised by the Issuer:

14.1.2.1.1. the transfer of such Notes must be embodied in a Transfer Form;

14.1.2.1.2. the Transfer Form must be signed by the registered Noteholder of such Notes and the transferee, or any authorised representatives of that registered Noteholder or transferee; and

14.1.2.1.3. the Transfer Form must be delivered to the Transfer Agent at its specified office together with the Individual Certificate representing such Notes for cancellation.

14.1.2.2. Notes represented by an Individual Certificate may only be transferred, in whole or in part, in amounts of not less than the Specified Denomination (or any multiple thereof).

14.1.2.3. Subject to this Condition 14.1.2 (*Transfer of Notes represented by Individual Certificates*), the Transfer Agent will, within 3 (three) Business Days of receipt by it of a valid Transfer Form (or such longer period as may be required to comply with any Applicable Laws and/or Applicable Procedures), record the transfer of Notes represented by an Individual Certificate (or the relevant portion of such Notes) in the Register, and authenticate and deliver to the transferee at the Transfer Agent's specified office or, at the risk of the transferee, send by mail to such address as the transferee may request, a new Individual Certificate in respect of the Notes transferred reflecting the outstanding Nominal Amount of the Notes transferred.

14.1.2.4. Where a Noteholder has transferred a portion only of Notes represented by an Individual Certificate, the Transfer Agent will authenticate and deliver to such Noteholder at the Transfer Agent's

specified office or, at the risk of such Noteholder, send by mail to such address as such Noteholder may request, at the risk of such Noteholder, a new Individual Certificate representing the balance of the Notes held by such Noteholder.

- 14.1.2.5. The transferor of any Notes represented by an Individual Certificate will be deemed to remain the owner thereof until the transferee is registered in the Register as the holder thereof.
- 14.1.2.6. Before any transfer of Notes represented by an Individual Certificate is registered in the Register, all relevant transfer taxes (if any) must have been paid by the transferor and/or the transferee and such evidence must be furnished as the Issuer and the Transfer Agent may reasonably require as to the identity and title of the transferor and the transferee.
- 14.1.2.7. No transfer of any Notes represented by an Individual Certificate will be registered whilst the Register is closed as contemplated in Condition 13 (*Register*).
- 14.1.2.8. If a transfer of any Notes represented by an Individual Certificate is registered in the Register, the Transfer Form and cancelled Individual Certificate will be retained by the Transfer Agent.
- 14.1.2.9. If a transfer is registered then the Transfer Form and cancelled Individual Certificate will be retained by the Transfer Agent.
- 14.1.2.10. In the event of a partial redemption of Notes under Condition 10.3 (*Redemption of the Option at the Issuer*), the Transfer Agent shall not be required in terms of Condition 10.3 (*Redemption of the Option at the Issuer*), to register the transfer of any Notes during the period beginning on the tenth day before the date of the partial redemption and ending on the date of the partial redemption (both inclusive).
- 14.1.2.11. The Notes shall, upon transfer, be fully paid up.

15. PRESCRIPTION

The Notes will become void unless presented for payment of principal within a period of 3 (three) years after their redemption date, save that any Individual Certificate constituting a "*bill of exchange or other negotiable instrument*" in accordance with section 11 of the Prescription Act, 1969 will

become void unless presented for payment of principal and interest within a period of 6 (six) years from the Relevant Date.

16. EVENTS OF DEFAULT

16.1. Senior Notes

16.1.1. If, for any particular Series of Notes, one or more of the following events ("**Events of Default**") shall have occurred and be continuing:

16.1.1.1. the Issuer fails to pay any Nominal Amount due under the Senior Notes on its due date for payment thereof and any such failure continues for a period of 5 (five) Business Days, after receiving written notice from any of the Senior Noteholders demanding such payment; or

16.1.1.2. the Issuer fails to pay any interest due under the Senior Notes on its due date for payment thereof and any such failure continues for a period of 3 (three) Business Days, after receiving written notice from any of the Senior Noteholders demanding such payment; or

16.1.1.3. the Issuer fails to perform or observe any of its other material obligations or undertakings (not specifically covered elsewhere in this clause 16.1 (*Senior Notes*)) under or in respect of any of the Senior Notes and such failure continues for a period of 30 (thirty) calendar days after receipt by the Issuer of a notice from the Senior Noteholders (in accordance with Condition 18 (*Notices*)) in respect of such failure specifying the failure and requesting the Issuer to remedy same; or

16.1.1.4. the Issuer fails to remedy a breach of Condition 7 (*Negative Pledge*) within 21 (twenty-one) Business Days of receiving written notice from the Senior Noteholders demanding such remedy; or

16.1.1.5. the Issuer or any Material Subsidiary, as the case may be, defaults in the payment of the principal or interest, or any obligations in respect of Material Indebtedness of, or assumed or guaranteed by the Issuer or any Material Subsidiary, as the case may be, when and as the same shall become due and payable and where notice has been given to the Issuer or any Material Subsidiary, as the case may be, of the default and if such default shall have continued for more than the notice period (if any) applicable thereto and the time

for payment of such interest or principal or other obligation has not been effectively extended or if any such obligations constituting a Material Indebtedness of, or assumed or guaranteed by, the Issuer or any Material Subsidiary, as the case may be, shall have become repayable before the due date thereof as a result of acceleration of maturity by reason of the occurrence of any event of default thereunder; or

- 16.1.1.6. any action, condition or thing, including obtaining any consent, licence approval or authorisation now or in future necessary to enable the Issuer to comply with its respective obligations under the Notes is not in place or any such consent, licence, approval or authorisation shall be revoked, modified, withdrawn or withheld or shall cease to be in full force and effect, resulting in the Issuer being unable to perform any of its respective payment or other obligations in terms of the Notes and the Issuer fails to remedy such circumstances within 21 (twenty-one) Business Days of receiving written notice from the Noteholders demanding such remedy; or
- 16.1.1.7. the Issuer or any Material Subsidiary, as the case may be, initiates or consents to the commencement of business rescue proceedings or to judicial proceedings relating to itself, an order by any court of competent jurisdiction or authority for the liquidation, winding-up, dissolution, commencement of business rescue proceedings or analogous proceedings of the Issuer or any Material Subsidiary, as the case may be, is made whether provisionally (and not dismissed or withdrawn within 21 (twenty one) Court Days thereof) or finally, or the Issuer or any Material Subsidiary, as the case may be, is placed under business rescue, voluntary liquidation or curatorship, provided that no liquidation, curatorship, winding-up, dissolution, judicial management, business rescue or analogous proceedings shall constitute an Event of Default if (a) the liquidation, winding-up, dissolution, judicial management, business rescue or analogous proceedings is for the purposes of effecting an amalgamation, merger, demerger, consolidation, reorganisation or other similar arrangement within the Group with any third party; or (b) the liquidation, winding-up, dissolution, judicial management, business rescue or analogous proceedings is for the purposes of effecting an amalgamation, merger, demerger, consolidation, reorganization or other similar arrangement, the terms of which were approved by an

Extraordinary Resolution of Noteholders before the date of the liquidation, winding-up, dissolution, judicial management, business rescue or analogous proceedings; or

- 16.1.1.8. the Issuer or any Material Subsidiary, as the case may be, initiates or consents to the commencement of business rescue proceedings or to judicial proceedings relating to itself under any applicable compromise with creditors, liquidation, winding-up or insolvency or other similar laws or compromises or attempts to compromise, with its creditors generally (or any significant class of creditors) or any meeting of creditors is convened by the Issuer or any Material Subsidiary, as the case may be, to consider a proposal for an arrangement or compromise with its creditors generally (or any significant class of its creditors), save for any such initiation, consent, attempt or convening of a meeting which relates to the Issuer or any of its Material Subsidiaries and is for the purposes of an internal reconstruction or reorganisation within the Group; or
- 16.1.1.9. if a person validly attaches in execution the whole or a material part of the undertaking or assets of the Issuer or any Material Subsidiary, as the case may be, or an execution or attachment or other process is validly levied, enforced upon, sued out or put in force against the whole or a material part of the undertaking or assets of any of them in both instances following a judgement against the Issuer or any Material Subsidiary, as the case may be, by a court of competent jurisdiction and such is not discharged within 21 (twenty one) Court Days; or
- 16.1.1.10. the Issuer or any Material Subsidiary, as the case may be, ceases to carry on the whole or a substantial part of its business, or otherwise as approved by an Extraordinary Resolution of the Senior Noteholders and the Issuer or any Material Subsidiary, as the case may be, stops payment of, or is unable to, or admits to being unable to, pay its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts (or any class of its debts) pursuant to or for the purposes of any Applicable Law; or
- 16.1.1.11. any step is taken by or under any authority with a view to the seizure, compulsory acquisition, expropriation or nationalisation of the Issuer or any Material Subsidiary, as the case may be, or a material part of the assets of the Issuer or any Material Subsidiary,

as the case may be or any of the securities issued by the Issuer or any Material Subsidiary, as the case may be; or

16.1.1.12. any other Event of Default provided for such Series, as specified in the Applicable Pricing Supplement.

16.1.2. If any one or more of the Events of Default shall have occurred and be continuing, then any Senior Noteholder may, by written notice to the Issuer at the registered office of the Issuer, effective upon the date of receipt thereof by the Issuer, declare the Senior Note held by that Senior Noteholder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount (as described in Condition 10.4 (*Redemption at the Option of the Senior Noteholders*)), together with accrued interest (if any) to the date of repayment, or as specified in the Applicable Pricing Supplement, provided that although an amount may be due it will not be regarded as being payable if the Issuer withholds or refuses to make any such payment in order to comply with any law or regulation of South Africa or to comply with any order of a court of competent jurisdiction.

16.1.3. For the purposes of Condition 16.1.1.5, any Indebtedness which is in a currency other than South African Rand shall be converted into South African Rand at the spot rate for the sale of South African Rand against the purchase of the relevant currency quoted by any leading bank of South Africa selected on the date of such Event of Default.

16.2. Subordinated Notes

16.2.1. If the Issuer defaults in relation to Subordinated Notes in the payment of any amount payable in respect of such Notes, and such default continues for a period of 7 (seven) Business Days after receiving written notice from any of the holders of Subordinated Notes, or if an Event of Default as contemplated in Condition 16.1.1.7 occurs (other than an Event of Default contemplated in Condition 16.2.2 below), any holder of a Subordinated Note may, subject as provided below, at its discretion and without notice, institute such proceedings against the Issuer as it may think fit to enforce the obligations of the Issuer under such Subordinated Notes, provided that the Issuer shall not be obliged, save in the case of liquidation or winding up proceedings (see Condition 16.2.2 below), to pay any sum or sums sooner than the same would otherwise have been payable by it.

16.2.2. In the event of the winding-up or liquidation, whether finally or provisionally, of the Issuer, otherwise than for the purposes of an amalgamation, merger, consolidation or re-organisation not involving liquidation, winding-up or bankruptcy, then any holder of Subordinated Notes issued by the Issuer may by written notice to the Issuer at its registered office, require that its Subordinated Notes are immediately due and repayable at their Early Redemption Amount together with the accrued interest to the date of payment, save that the Noteholders of Subordinated Notes may only receive payment once all the other creditors of the Issuer have been paid in full.

16.2.3. For so long as no Tranche of Senior Notes remains Outstanding, the provisions of Condition 16.1 (*Senior Notes*) shall apply *mutatis mutandis* to the Subordinated Notes.

16.3. Notification of Event of Default

If the Issuer becomes aware of the occurrence of any Event of Default, the Issuer shall forthwith notify all Noteholders in accordance with Condition 18 (*Notices*) and the JSE in writing.

17. CALCULATION AGENT, TRANSFER AGENT, PAYING AGENT AND PARTICIPANT

Any third party appointed by the Issuer as Calculation Agent, Paying Agent, Transfer Agent, Participant or otherwise shall act solely as the agent of the Issuer and does not assume any obligation towards or relationship of agency or trust for or with any Noteholders. The Issuer is entitled to vary or terminate the appointment of such agents and/or appoint additional or other agents and/or approve any change in the specified office through which any agent acts, provided that there will at all times be a Transfer Agent, Calculation Agent, Participant and Paying Agent with an office in such place as may be required by the Applicable Procedures.

18. NOTICES

Notices to holders of Notes shall be valid if mailed to their registered addresses appearing in the Register or if electronically published on the Securities Exchange News Service ("**SENS**"), or any other similar service, established by the JSE. Any such notice shall be deemed to have been given on the seventh day after the day on which it is mailed or the day of its publication, as the case may be.

In the event of there being any Individual Certificates in issue, such notices shall be published, not earlier than 4 (four) calendar days after the date of posting of such notice in terms of this clause (a) in an English language daily newspaper of general circulation in South Africa and (b) and for so long as the Notes are listed on the Interest Rate Market of the JSE, a daily newspaper of general

circulation in the city in which the JSE is situated, and any such notices shall be deemed to have been given on the date of first publication.

If any notice is given to holders of uncertificated Notes, a copy thereof shall be delivered to the JSE (and published on SENS), the CSD and the Participants and such delivery shall discharge the Issuer of its obligations to give such notice to the holders of the Notes.

Any notice to the Issuer shall be deemed to have been received by the Issuer, if delivered to the registered office of the Issuer, on the date of delivery, and if sent by registered mail, on the seventh day after the day on which it is sent. The Issuer may change its registered office upon prior written notice to Noteholders specifying such new registered office.

For so long as any of the Notes are uncertificated, notice may be given by any holder of an uncertificated Note to the Issuer via the relevant Participant in accordance with the Applicable Procedures, in such manner as the Issuer and the relevant Participants may approve for this purpose.

19. **AMENDMENT OF THESE CONDITIONS**

- 19.1. These Conditions set out all the rights and obligations relating to the Notes and, subject to the further provisions of this Condition 19 (*Amendment of these Conditions*), no addition, variation or consensual cancellation of these Terms and Conditions shall be of any force or effect unless the JSE or such other Financial Exchange, as the case may be, has been notified and the amendments have been reduced to writing and signed by or on behalf of the Issuer and the Noteholders.
- 19.2. The Issuer may effect, without the consent of the relevant Class of Noteholders, any modification of the Terms and Conditions which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is established, provided that the JSE or such other Financial Exchange, as the case may be, shall be notified. Any such modification shall be binding on the relevant Class of Noteholders and any such modification shall be communicated to the relevant Class of Noteholders in accordance with Condition 18 (*Notices*) as soon as is practicable thereafter.
- 19.3. The Issuer may, with the prior sanction of an Extraordinary Resolution of the relevant Class of Noteholders amend these Terms and Conditions (as applicable to that Class), provided that no such amendment shall be of any force or effect unless notice of the intention to make such amendment shall have been given to the relevant Class of Noteholders in terms of Condition 18 (*Notices*).

- 19.4. Any modification of these Terms and Conditions which may have a direct effect on compliance with the debt listings requirements of the JSE or such other Financial Exchange, as the case may be, will require the approval of the JSE or such other Financial Exchange, as the case may be.

20. MEETINGS OF NOTEHOLDERS

- 20.1. The Issuer may at any time convene a meeting of all Noteholders or holders of any Series of Notes upon at least 14 (fourteen) calendar days prior written notice to such Noteholders. This notice is required to be given in terms of Condition 18 (*Notices*). Such notice shall specify the date, place and time of the meeting to be held, which place shall be in South Africa.
- 20.2. Every director or duly appointed representative of the Issuer may attend and speak (in each case including but not limited to, by means of video conferencing, telephone and other electronic means) at a meeting of Noteholders, but shall not be entitled to vote, other than as a proxy or representative of a Noteholder.
- 20.3. Noteholders holding not less than 25% (twenty-five percent) in Nominal Amount of the Outstanding Notes shall be able to request the Issuer to convene a meeting of Noteholders. Should the Issuer fail to requisition such a meeting within 10 (ten) calendar days of such a request being received by the Issuer, the Noteholders requesting such a meeting may convene such meeting.
- 20.4. A Noteholder may by an instrument in writing (a **"form of proxy"**) signed by the holder or, in the case of a corporation, executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation, appoint any person (a **"proxy"**) to act on his or its behalf in connection with any meeting or proposed meeting of the Noteholders.
- 20.5. Any Noteholder which is a corporation may by resolution of its directors or other governing body authorise any person to act as its representative (a **"representative"**) in connection with any meeting or proposed meeting of the Noteholders.
- 20.6. Any proxy or representative appointed shall, so long as the appointment remains in force, be deemed for all purposes in connection with any meeting or proposed meeting of the Noteholders specified in the appointment, to be the holder of the Notes to which the appointment relates and the holder of the Notes shall be deemed for such purposes not to be the holder.
- 20.7. The chairperson of the meeting shall be appointed by the Issuer. The procedures to be followed at the meeting shall be as determined by the chairperson subject to the remaining provisions of this Condition 20 (*Meetings of Noteholders*). Should the Noteholders requisition

a meeting, and the Issuer fail to call such a meeting within 10 (ten) calendar days of the requisition, then the chairperson of the meeting held at the instance of the Noteholders shall be selected by a majority of Noteholders present in person, by representative or by proxy.

- 20.8. At any such meeting one or more Noteholders present in person, by representative or by proxy, holding in aggregate not less than one third of the Nominal Amount of the relevant Notes for the time being Outstanding shall form a quorum for the transaction of business. On a poll, each Noteholder present in person, by representative or by proxy at the meeting shall have the number of votes equal to the number of Notes, by Specified Denomination, held by the Noteholder.

21. **FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Noteholders to create and issue further Notes having terms and conditions the same as any of the other Notes issued under the Programme or the same in all respects save for the amount and date of the first payment of interest thereon, the Issue Price and the Issue Date, so that the further Notes shall be consolidated to form a single Series with the relevant Outstanding Notes.

22. **GOVERNING LAW**

The Programme Memorandum, the Notes and all rights and obligations to the Notes are governed by, and shall be construed in accordance with, the laws of South Africa in force from time to time.

USE OF PROCEEDS

Words used in this section headed "Use of Proceeds" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

For purposes of the Commercial Paper Regulations published in Government Notice 2172 in Government Gazette 16167 of 14 December 1994 under section 90 of the Banks Act, 1990 (the "Commercial Paper Regulations") it is recorded that the "Ultimate Borrower", as defined in the Commercial Paper Regulations, of the net proceeds from each Tranche of Notes will be the Issuer or a Wholly-Owned Subsidiary of the Issuer or a Holding Company of the Issuer (as the case may be), as permitted by the Commercial Paper Regulations.

The Issuer or a Wholly-Owned Subsidiary of the Issuer or a Holding Company of the Issuer (as the case may be), will use the Issue proceeds of the Notes for their general corporate purposes, or as may otherwise be described in the Applicable Pricing Supplement, as permitted by the Commercial Paper Regulations.

SIGNED at KENILWORTH on this 3rd day of JULY 2014

For: **PICK N PAY STORES LIMITED**

Signature:


who warrants that he / she is duly authorised thereto

Name:

A. JAKOET

Capacity:

FINANCE DIRECTOR

Signature:


who warrants that he / she is duly authorised thereto

Name:

R. VAN RENSBURG

Capacity:

DIRECTOR

DESCRIPTION OF PICK N PAY STORES LIMITED

1. GROUP HISTORY AND OVERVIEW

Pick n Pay Stores Limited ("**Pick n Pay**" or the "**Group**") is an investment holding company listed on the JSE since 1968. Pick n Pay, through its subsidiaries and associates, operates in the retail sector in South Africa and in six other southern African countries.

The Group, through its Pick n Pay and Boxer brands, is a food, grocery and general merchandise retailer selling a wide range of products at great prices, in shops where our customers are welcomed and treated with respect. Since 1967 when consumer champion Raymond Ackerman purchased the first few stores, the Ackerman family's vision has grown and expanded to encompass stores in South Africa, Namibia, Botswana, Zambia, Swaziland and Lesotho. Additionally, Pick n Pay owns a 49% (forty nine percent) share of a Zimbabwean supermarket business, TM Supermarkets.

Our offer to customers focuses on food, groceries, clothing, health and beauty products and general merchandise, but also includes additional value-added services (such as financial transactions at till points, ticketing services and the sale of iTunes' vouchers) to cater for our customers' expectations and evolving needs. To ensure a convenient and accessible shopping experience the Group operates across multiple store formats, on both an owned and franchise basis and offers a growing online business. As well as offering a wide range of branded products, we have Pick n Pay branded products to suit every budget: through our Finest brand, our core Pick n Pay brand and our budget No Name brand.

Pick n Pay has a unique focus on the customer and its communities and has played a valuable role in the economic and social development of South Africa over the last five decades. Pick n Pay is a strong, much loved brand in society, which has been built on a genuine desire to make life better for our customers and to make a positive contribution to the communities in which we live and work. Brand loyalty is a key strength of our business and is what challenges us and drives us to improve each and every day in order to meet the needs of all our stakeholders.

As a major retailer in southern Africa, the Group strives to address the socio-economic challenges in the communities it serves, through the supply of high-quality, affordable food for all customers, while providing significant employment and economic opportunities across its value chain.

We know that at the heart of great customer service is a great team. We employ almost 50,000 (fifty thousand) people in our owned stores and with franchise, this extends to close to 100,000 (one hundred thousand) people working under the Pick n Pay and Boxer banners. Working at Pick n Pay is more than a job. It is an opportunity to learn, develop new skills and benefit through great teamwork. We are committed to training and empowering our people, and our aim is to be the employer of choice in the retail industry.

Store footprint

Pick n Pay has an extensive retail presence in southern Africa, with a strong and diverse portfolio of stores. Our footprint includes some of the most prime retail estate in South Africa, and we remain the anchor tenant of choice for landlords and developers. Our stores range from large hypermarkets where customers can buy everything under one roof, through to small convenience stores where customers can shop quickly for their immediate needs. We have a small and growing online business, giving customers the opportunity to shop from their homes and have their products delivered to their door in one-hour time slots.

We are an international business. The rapid emergence of a consumer economy across Africa gives us the opportunity to grow into new markets. This has the potential to be a second engine of growth for the Group, bringing safe and affordable food to many new customers and communities. In recent years we have expanded beyond the boundaries of South Africa into the adjacent markets of Namibia, Botswana, Lesotho, Swaziland, Zimbabwe, and Zambia. In total we have over 100 (one hundred) international stores generating sales of over ZAR3,000,000,000 (three billion Rand) per annum and contributing meaningfully to our profits. We tailor our ownership model to what is appropriate to the local environment, whether establishing owned stores, franchised stores or a part-investment in an independent operation.

Pick n Pay closed its franchise business in Mauritius and Mozambique during the year, exiting territories and partnerships which were not profitable for the Group, in order to focus on more strategic opportunities.

Pick n Pay is not focused on a single customer demographic, but is focused on being the supermarket of choice for all. Our expansion programme is focused on growing the business by opening stores which reflect the changing habits and needs of our customers and which will bring new customers and communities into the Pick n Pay family. Our franchise operation adds to the scale of our business and the reach of our brand, both inside and outside of South Africa. There is no doubt that partnering with experienced retailers and entrepreneurs has been positive for our business and has helped us play a significant role in the transformation of business in South Africa.

Pick n Pay has 1,076 stores (one thousand and seventy-six), having opened 111 (one hundred and eleven) stores in the 2014 financial year, adding net 3.4% to our space.

Store formats

Pick n Pay Supermarkets - our supermarkets offer a wide range of groceries, as well as a targeted range of clothing and general merchandise. Customers can get everything they need, from a quick daily "top-up" to a larger weekly or monthly bulk shop and can always rely on our quality, availability and great value. Our fresh produce and butchery offering is complemented by an in-store bakery, deli and hot food counter. Pick n Pay supermarkets serve a range of communities across southern

Africa, from lower and middle income families to the most affluent households. We ensure our ranges are tailored to meet the needs of the local communities we serve. Some stores focus on basic necessities and local produce, while others boast specialty service counters, wine rooms and sushi bars. Convenience is important and we provide our customers with easily accessible locations and good parking.

Pick n Pay Hypermarkets - our largest format store, providing customers with an expanded range of groceries, clothing and general merchandise. A hypermarket is a “one stop shop”, where customers can get everything they need under one roof. Our hypers offer fresh produce, a butchery, a deli, a bakery and a hot food counter, but also offer specialist categories not always available in a supermarket, such as home appliances, kitchenware, home improvement, garden and pool accessories, toys, stationery and an expanded health and beauty range. These retail sites are large, catering for destination shoppers, with wide aisles and clear signage and boast ample parking. Prices are very competitive, with a leaning towards multi-pack and bulk-buy items and increased targeted promotional activity. Our hypermarkets have become landmarks in their surrounding communities, regularly hosting competitions, charitable events and other community initiatives.

Pick n Pay Express - our partnership with BP, providing a small convenience Pick n Pay Express store on a BP petrol station forecourt. The express store is our smallest format store, offering a targeted convenience range that satisfies an emergency “top-up” shop or a quick meal solution. The range is small, with a limited choice and is mainly focused on daily necessities in small packages. There is a limited fresh food offer. Value-added services include an ATM, lottery, airtime and electricity purchases. Our sites are located in high traffic flow areas, including high density residential areas and public transport intersections. Express stores are open 24 (twenty-four) hours.

Pick n Pay Clothing - provides the whole family with good quality, fashionable clothing and footwear at exceptional value. Our offer is broad, from baby and children’s wear through to men’s and ladies wear and includes casual wear, sleep wear, active wear and even caters more formally for the office. Our private label Real has become a much-loved South African brand and is complemented by our exclusive rights to the international brands Cherokee and Maui & Sons. Our stand-alone clothing stores provide the same quality and value-for-money as our hypermarkets and supermarkets, but with an extended range.

Pick n Pay Liquor - our liquor stores are situated close to our supermarkets, but with a separate entrance, as South African liquor laws do not allow for alcohol (other than wine) to be sold in supermarkets. Our liquor stores provide customers with the added convenience of purchasing alcohol at the same time as doing their grocery shop.

Pick n Pay Liquor stores offer a wide range of beers, cider, fruit alcoholic beverages, wines, fortified wines and spirits. Our liquor stores help customers cater for parties and functions by providing a full delivery service, including the provision of all glassware, coolers and ice.

Pick n Pay Pharmacy - Pick n Pay operates 24 (twenty-four) pharmacies in-store, with 4 (four) stand-alone pharmacies. This is another way that we have expanded our goods and services to meet the evolving needs of our customers. We are committed to providing our customers with convenient and affordable healthcare, providing a wide range of vitamins, supplements, sports nutrition, self-medication, medical services clinics and a dispensary.

Boxer Superstores - is a full-service supermarket, offering a wide range of groceries. The fresh produce offering is complemented by an in-store butchery, bakery and hot foods counter. Our target market is the lower to middle income communities of South Africa and Swaziland and as such, price and convenience is absolutely crucial for our customers. Boxer Superstores is known for being the price-fighting champion of the people, as our customers increasingly look for value and promotion. All our stores are located close to public transportation routes to cater for our customers travelling needs and our stores have a welcoming market-style atmosphere.

Boxer Punch - is a smaller sized supermarket offering. These stores are located at smaller sites that have a lot of customer foot traffic around them. The store has basic fixtures and fittings with relatively low-expense overheads, enabling the business to further reduce the selling prices of products on shelf. Punch Stores offer customers low prices on key lines which satisfies the demand that exists within the targeted shopper base. Our focused product range includes local produce, pre-packed meat; and a limited range of breads and confectionary.

Boxer Build - stocks a diversified range of building and hardware supplies that provide the home owner and builder with all their building, DIY and home-improvement products at the most competitive prices. Boxer Build offers customers a savings card and access to short-term credit facilities. Transport for purchased products can also be arranged at store level. These builders' hardware outlets are located in the Eastern Cape and KwaZulu-Natal provinces.

Boxer liquor - stores are situated close to our supermarkets, but with a separate entrance, as South African liquor laws do not allow for alcohol (other than wine) to be sold in supermarkets. Our liquor stores provide customers with the added convenience of purchasing alcohol at the same time as doing their grocery shop. Boxer Liquors' outlets carry a focused range of basic KVI alcoholic beverages which are sold at competitive prices. Ice is available on-site.

Consumer trends

Since 1994 the South African economy has grown rapidly. This growth has fuelled increased disposable income across society and led to a rapid growth in the consumer economy. Living standards have, on average, improved and our customers are constantly aspiring to improve their living conditions. As the economy has grown, the government has increased social security payments helping to raise the conditions of the least well-off. However, the benefits have not reached everyone equally and there remains much for us to do as a nation. Unemployment remains

stubbornly high at over 25% for the quarter ending March 2014, with youth unemployment higher at just over 53%. The divergence in living standards between those with the most and those with the least is stark. Basic standards of housing, education and health remain below acceptable levels. Additionally, consumers in South Africa have come under increasing financial pressure over the past year. Living costs have risen significantly, particularly utility and fuel costs. Interest rates have also begun to rise, adding pressure to those customers who are purchasing their homes on credit or who rely on credit to fund their lifestyles. The value of the rand has fallen significantly, relative to other international currencies, putting pressure on the cost of imports and driving prices higher.

Prices at Pick n Pay and Boxer have risen substantially less sharply than CPI. However, we recognise that many of our customers are under substantial pressure to tighten their belts. They will therefore reward those retailers who provide the most compelling offer in terms of price, quality and value.

Customers in South Africa and more widely are also increasingly placing a premium on convenience. For those in work, time is an increasingly scarce commodity. Customers are seeking out those retailers who provide convenience either in the form of smaller, more local stores, or increasingly in the form of an effective online offer. Our store expansion programme recognises this trend and we are focused on opening smaller convenience stores in markets not yet widely serviced by Pick n Pay and Boxer.

Our business principles

Three enduring principles have guided our business over the past 47 (forty-seven) years and will continue to guide us into the future:

1. Consumer sovereignty	2. Business efficiency	3. Doing good is good business
We put customers at the heart of our business and create value for them by providing good quality, safe and nutritious food at the lowest prices we can. We provide customers with a wide range of high-quality food and non-food products at great prices in a variety of store formats that are appropriate to their shopping needs. We appeal broadly across society,	We negotiate the lowest possible prices from over 2,000 suppliers, and transport, store and display our products as efficiently as possible to keep costs to a minimum. The scale of our business allows us to give our suppliers sufficient volume so that they can plan and manage their operations to reduce their costs. Our scale also allows us to spread our fixed costs over	Customers reward those businesses that they believe are at the heart of society; that give back to the communities they serve. As customers reward us with their loyalty, we are able to grow, serve more customers, generate more jobs, and help more communities - whether through the support of local communities during times of crisis, or in helping to develop

exclude no-one and seek to move hand-in-hand with the changing needs and aspirations of our customers.	substantial volumes, reducing our unit costs. By becoming more efficient we are able to reinvest in improving the customer experience, ensuring we stay true to our first principle of consumer sovereignty, thereby increasing sales and in turn enabling us to run a more efficient business.	local suppliers, or building the capacity of our youth to contribute meaningfully to society. We believe that we will benefit in the future through our generosity today. As we build our business outside South Africa, this is the ethos that drives our investment in those countries.
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Our strategy

Our strategy is to:

- Grow our core South African business
- Establish the rest of Africa as a second engine of growth
- Build a high performance culture

a. Grow our core South African business

Over 90% of our turnover is generated in our domestic market. Between our two key brands, Pick n Pay and Boxer, we have stores that meet the needs of all economically active South Africans: our Pick n Pay stores largely serve middle- to upper-income customers and our Boxer stores serve lower- to middle-income customers.

Under the Pick n Pay brand, our hypermarkets provide the widest range of products under one roof at unbeatable value. Our Pick n Pay supermarkets are the core of our business and they meet the weekly and monthly food shopping requirements of our customers. Our Pick n Pay supermarkets are a combination of company-owned stores and entrepreneurial franchise stores. We have a small but growing online business which is improving every year.

Boxer provides a more limited range of products focused on fresh food and basic commodities at highly competitive prices in lower income areas.

The two brands, Pick n Pay and Boxer have demonstrated their ability to trade strongly alongside each other in many markets.

Reaching more customers - we intend to exploit the significant potential for us to reach and serve more customers by opening more stores. We do not focus on any narrow segment of the consumer market. Our aim is to be the supermarket of choice for all South Africans, and our strategy is to open stores in ways which reflect the changing aspirations of our customers. The opportunity therefore

extends across the range of our formats: Pick n Pay and Boxer, corporate and franchise. While higher-income customers are likely to be more resilient to current economic and financial pressures, we remain very excited about the opportunity to bring modern food retailing and its benefits to more emerging market communities through our Pick n Pay and Boxer brands.

Improving our customer offer - we have substantial opportunity to improve both our customer offer and sales by focusing on the range, quality, value and availability of products in our stores. By doing so we believe that we can further increase the value of our business. Over the past year we have listened hard to customers and reviewed every aspect of the shopping experience. We have substantive plans in place to improve the variety, freshness, quality of our products, to offer better value for money through stronger price discipline, more exciting promotions, and an improved loyalty programme, and to improve the speed, ease and friendliness of the shopping trip. We see the potential to expand the range of services we offer into new categories where we believe we can differentiate ourselves from established competitors.

Rewarding customer loyalty - over the past year we have also invested in our customer offer by improving our smart shopper loyalty programme. We now have almost eight million smart shopper customers. Every second our business is open, 10 (ten) smart shopper cards are swiped at our checkout. Smart shopper will now deliver more to customers at less cost to our business. It also gives us unique insight into the changing needs and aspirations of our customers.

Improving our efficiency - in recent years we have made a major investment in transforming our business from an organisation operating largely on regional lines, into one where we operate centrally those functions where our customers, employees and shareholders will benefit from our improved effectiveness. Those aspects of the business that are best handled locally will remain regionally managed. On supply chain, our Longmeadow (situated in Johannesburg) and Philippi (situated in Cape Town) central distribution centres are now fully operational. We have also centralised category management and forecasting and ordering. By doing so, we can devote more expertise into developing a more compelling product offer and making sure we improve our on-shelf availability while minimising cost and working capital. We have world-class information technology across our business, including advanced point-of-sale technology at our tills and on our shelves. Centralisation benefits our customers through better products, better prices, better availability and less cluttered stores. It also enables us to improve our operational efficiency. The work already undertaken provides a platform for us to make further operational improvements without significant additional spend. We plan to improve the efficiency of our operations by sourcing, delivering and operating at lower cost. We are continuing to work with our suppliers on shorter lead times and better communication. We see substantial potential in every part of our business to save money, much of which can then be reinvested in the customer offer, giving our customers more reasons to shop with us.

b. Establish the rest of Africa as a second engine of growth

Our operations outside South Africa are already an important contributor to the Group. We have an established presence in Namibia, Botswana, Lesotho and Swaziland, and we have performed well in each market. We are expanding rapidly in Zambia, which has contributed over R1 billion in sales this financial year, and have a minority share in TM Supermarkets in Zimbabwe.

During the year we exited our franchise operations in Mozambique and Mauritius. These closures will allow us to focus more intently on those markets where we can build a long-term market leading business, with a preference for operating the stores ourselves.

We continue to explore further opportunities to grow within the African continent, and have recently put a team on the ground to explore opportunities in Nigeria, which is the most populous country on the continent with strong growth potential. Operating outside of our home market is a challenging task and we are taking a measured approach to growth on the continent.

c. Build a high performance culture

We aspire to be the employer of choice in the retail sector in South Africa. This will be done by offering a rewarding workplace to the most talented individuals, where each employee can develop and fulfil their own personal ambitions.

We have set ambitious goals for our business for the next three to five years. To ensure that we drive our organisational development with pace and energy, we are strengthening our senior team. We have introduced a balanced scorecard to ensure that we have clarity in our objectives, and an appropriate way to measure and drive performance. Over the past 12 (twelve) months we have improved the effectiveness of our support offices, having changed the structures in each functional area. During this process we have also become more efficient and made substantial cost savings.

Pick n Pay has adopted a new share incentive plan. The Pick n Pay Stores Limited Forfeitable Share Plan ("FSP") is aimed at those executive directors and key senior management personnel who have a significant role to play in delivering the Group's strategy and in ensuring the growth and sustainability of the business in the future. An important feature of the FSP is that before employees are eligible to participate, they must first meet their individual key performance indicators, as set out in the strategic business plan or balanced scorecard - ensuring that executives are appropriately and fairly recognised and rewarded for performance delivery. Forfeitable shares are performance shares. Shares awarded under the FSP will always have performance conditions attached, and if the performance conditions are not met within the specified time period (the vesting period) the executive will forfeit the shares.

2. LEGAL STATUS

Pick n Pay was incorporated on 18 July 1968 under the laws of South Africa and is regulated under the Companies Act. The Company is a public company.

Company Secretary	Debra Muller
Email address:	demuller@pnp.co.za
Registration number	1968/008034/06
Share code	PIK
ISIN code	ZAE 000005443
Registered place of business:	Pick 'n Pay Office Park 101 Rosmead Avenue Kenilworth, Cape Town 7708
Postal Address:	PO Box 23087 Claremont 7735

3. CONTROL STRUCTURE

Pick n Pay is a family controlled company, being substantially owned by the Ackerman family, and professionally managed by a team appointed by the CEO.



The Group is controlled by Pick n Pay Holdings Limited whose only investment is its 53.57% shareholding in Pick n Pay.

4. THE PICK 'N PAY BOARD

4.1. Board composition

The Board consists of 14 (fourteen) directors. There are 5 (five) executive directors and 9 (nine) non-executive directors. 6 (six) of the non-executive directors are independent.

4.1.1. Non-executive Chairman

Gareth Ackerman

4.1.2. Executive directors

4.1.2.1. Richard Brasher (CEO)

4.1.2.2. Richard van Rensburg (Deputy CEO)

4.1.2.3. Aboubakar (Bakar) Jakoet (CFO)

4.1.2.4. Suzanne Ackerman-Berman (Transformation)

4.1.2.5. Jonathan Ackerman (Customer)

4.1.3. Non-executive directors

4.1.3.1. David Friedland

4.1.3.2. David Robins

4.1.4. Independent non-executive directors

4.1.4.1. John Gildersleeve

4.1.4.2. Hugh Herman (Lead independent director (LID))

4.1.4.3. Audrey Mothupi

4.1.4.4. Lorato Phalatse

4.1.4.5. Ben van der Ross

4.1.4.6. Jeff van Rooyen

The Company undertook a rigorous review of the composition of the Board during 2013. Consideration was given to the balance of skills and experience of directors on the Board. As a result, 3 (three) new non-executive directors were appointed, all of whom were elected by shareholders at the General Meeting held by the Company on 12 February 2014. All our non-executive directors are independent, tough-minded individuals of integrity, who are successful and experienced professionals in their respective fields. They do not depend financially on the directors' fees which they receive from the Company, and strive to preserve their reputation for independence and governance in the corporate world. Pick n Pay is confident that the Company has achieved a balanced board that exercises leadership, enterprise, integrity and judgement in directing the business of the Company so that it can thrive.

4.2. Board function

Directors are encouraged to promote rigorous debate with the aim of promoting active direction, governance and effective control of the Company. Decisions are usually made by consensus. 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.

4.3. Controlling shareholder representation on the Board

4.3.1. As representatives of the controlling shareholder, Gareth Ackerman, Suzanne Ackerman-Berman, Jonathan Ackerman and David Robins were nominated and elected by the shareholders to the Board. Between them they have 62 (sixty-two) years' executive experience in the Group. Suzanne Ackerman-Berman and Jonathan Ackerman are executive directors, while David Robins was executive for 14 (fourteen) years and has been a non-executive director since 2008.

4.3.2. The Chairman, Gareth Ackerman, has been with the Group for 30 (thirty) years, the last 14 (fourteen) years (other than an 11 (eleven) 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.

4.4. Executive representation on the Board

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

4.5. Non-executive representation on the Board

Of the 9 (nine) non-executive directors on the Board during the 2014 annual financial period, 6 are independent. Hugh Herman has been appointed as lead independent director.

4.6. Annual assessment of independence

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

4.6.1.1. The directors' involvement with other companies;

4.6.1.2. External directorships;

4.6.1.3. Relationships with material suppliers and rival companies; and

4.6.1.4. Material contracts with the Group, if any.

4.6.2. Given the recent appointment of 3 (three) non-executive directors to the Board, it has been resolved that an external assessment of the Board will be conducted during the 2015 financial year, as the accuracy of any assessment requires a period of time over which the contributions of each director can be assessed.

4.6.3. An internal assessment of the independence of non-executive directors is conducted by the Chairman, who conducts individual interviews. Findings are 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 will solicit external legal opinion regarding the status of a non-executive director. Following this assessment, the Chairman makes a recommendation to the Board as to independence. The Board interrogates the recommendations before a final decision is made.

4.6.4. 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.

4.7. 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 long-serving non-

executive directors are aware of, and vigorously exercise, their duty to act in the best interests of all the stakeholders of the Company. The Company values the balance achieved between the fresh insights from new directors and the wisdom derived from the experience of the long-serving directors.

4.8. Conclusion as to independence

4.8.1. At the time of the last assessment, 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, although Hugh Herman and Ben van der Ross have long-running relationships with the Pick n Pay, their contributions remain unbiased, objective and vigorous.

4.8.2. 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 9 (nine) years will serve 1 (one) year terms of office, instead of the standard 3 (three) year term. At the end of each term, the director and the Chairman shall 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 1 (one) year.

5. **SENIOR MANAGEMENT**

5.1. The Group has a flat organisational structure and overall responsibility lies with the board of directors of Pick n Pay (the "**Board**"). This Board appoints the CEO to be responsible for the day to day operations of the Group and in discharging this responsibility he has established a Group Executive Committee, comprising 12 (twelve) key executives to manage the core elements of the business:

5.1.1. Customer relations

5.1.2. Buying

5.1.3. Supply chain

5.1.4. Operations

5.1.5. Information systems

5.1.6. Marketing

- 5.1.7. Franchise
- 5.1.8. Finance
- 5.1.9. Corporate Affairs
- 5.1.10. Human Resources
- 5.1.11. Transformation
- 5.1.12. Africa

5.2. Each executive has their own team to control daily operations. The flat Group structure enables local operations to take ownership of decision making and to assume individual responsibility for their action and success. The structure encourages personal growth and achievement, ensuring that initiative is enabled, identified and rewarded.

6. CORPORATE GOVERNANCE AND THE APPLICATION OF KING III

Pick n Pay is committed to upholding the highest standards of ethics, transparency and good governance, while pursuing profitable growth. The Board is accountable for ethical leadership, sustainability and good corporate citizenship. The Group's commitment to good corporate governance is woven through every aspect of the management structure.

The Board takes overall responsibility for the Group, selecting the management team, overseeing corporate strategy and performance, and acting as a resource for management in matters of planning 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, and the Board fully supports the materiality approach, which emphasises 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.

The Board takes guidance from:

- The King Report on Governance for South Africa 2009 (King III)
- JSE Listings Requirements
- Companies Act, as amended
- Consultation Draft of the International Integrated Reporting Framework
- Global Reporting Initiative (GRI) G4 sustainability reporting guidelines

It is the responsibility of the Board to ensure the application of the principles contained in the King Report on Governance for South Africa 2009 (King III), while maintaining the group's focus on sustainable performance. Where the Board has deemed that recommended practices are not in the best interests of Pick n Pay, this report follows King III in explaining the reasons for the alternative application. In line with the 'apply or explain' philosophy of King III, Pick n Pay has elected not to apply certain principles and is satisfied that alternate governance controls have been implemented.

Accordingly, the Issuer complies with the King III Code of Corporate Governance, save for those principles detailed in the table below.

Summary of the application of the principles of King III

Pick n Pay has subscribed to the Governance Assessment Instrument (GAI) of the Institute of Directors Southern Africa (IoDSA). This instrument has as its primary objective the proficient discharge of responsibility relating to good governance, as GAI considers the application of the related principles and practices as follows:

- All governance best practices within the retail industry are considered, including King III, JSE Listings Requirements, Companies Act, PFMA, Pension Funds Act
- GAI is a robust framework and process methodology that IoDSA believes is complete, meaningful and credible
- GAI has an inherent scoring capability facilitating a measure of the application of good governance practices – it weights every practice and every related principle

Pick n Pay's overall Governance result on the GAI scale is AAA.

The table below summarises Pick n Pay Stores' application of the principles of King III:

Key	Applied	✓
	Not applied	×
	Partially applied	#

Chapter & principle	Application	Comments
Chapter 1 – Ethical leadership and corporate citizenship		
The Board should provide effective	✓	Refer to Pick n Pay's Code of Ethics,

leadership based on an ethical foundation		which is to be found on our website, www.picknpayinvestor.co.za , under the Corporate Profile tab.
The Board should ensure that the company is and is seen to be a responsible corporate citizen	✓	
The Board should ensure that the company's ethics are managed effectively	✓	
Chapter 2 – Board and directors		
The Board should act as the focal point for and custodian of corporate governance	✓	<p>The responsibilities of the Board are set out in the Corporate Governance Charter. The Charter aligns with the principles of King III, and establishes the responsibilities and mandates of the Board and its directors, as well as the roles of the board committees.</p> <p>An updated Charter was approved by the Board in June 2013. A copy of the Charter is to be found on our website, www.picknpayinvestor.co.za under the Corporate Profile tab.</p>
The Board should appreciate that strategy, risk, performance and sustainability are inseparable	✓	The Group recognises the importance of incorporating sustainability into our business strategy.
The Board and its directors should act in the best interests of the Company	✓	All directors submit a list of all companies in which they hold directorships or positions of influence. These lists are regularly updated, and are reviewed every quarter. This assists in ensuring that disclosure is current, transparency is maintained, and potential conflicts of interest are avoided.

The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Companies Act	✓	Not relevant during the 2014 annual financial period.
The Board should elect a Chairman of the Board who is an independent non-executive director. The CEO of the company should not also fulfil the role of Chairman of the Board	×	Refer to Note 1 below.
The Board should appoint the CEO and establish a framework for the delegation of authority	✓	Richard Brasher was appointed by the Board as CEO to the Group in January 2013. The Board contributes to all decisions made about senior executive appointments and has approved a framework for the delegation of authority.
The Board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	✓	<p>The board comprises a balance of power between the executive, the majority shareholder and the independent non-executive directors. All directors are possessed with the knowledge, skills and resources necessitated by the size and nature of the Group.</p> <p>Following recent appointments to the Board, the majority of non-executive directors are independent.</p> <p>Independence is assessed annually, and any director who has been on the Board for over nine years, if eligible, is put forward annually for election by shareholders.</p>
Directors should be appointed through a	✓	Refer to the report of the nominations committee available on our website at

formal process		www.picknpayinvestor.co.za
The induction and on-going training and development of directors should be conducted through formal processes	✓	A copy of the Corporate Governance Charter is given to each director upon induction, as is the Memorandum of Incorporation, which also addresses certain responsibilities of the directors. In addition, new directors are introduced to all members of the executive management. Directors are provided with relevant material regarding statutory and regulatory developments, including the Code of Ethics, and receive briefings on changes in risks, laws and the business environment.
The Board should be assisted by a competent, suitably qualified and experienced Company Secretary	✓	<p>The Company Secretary of the Group ensures that all directors have full and timely access to the information that helps them to perform their duties and obligations properly. The Company Secretary is not a director of any of the Group's operations and maintains an arms-length relationship with the Board. The Company Secretary reports to the head of Corporate Affairs, and has a direct channel of communication to the Chairman.</p> <p>The Company Secretary is responsible for the functions specified in section 88 of the Companies Act. Annual consideration is given by the Board to the competence, qualification and experience of the Company Secretary. At the Board meeting held in February 2014.</p>
The evaluation of the Board, its committees and the individual directors	#	Evaluations of the Board's effectiveness are regularly undertaken. Given the

<p>should be performed every year</p>		<p>recent introduction of three new non-executive directors, an external evaluation of the Board's effectiveness will be conducted in the 2015 financial year, as it is felt that the contribution of the non-executive directors to the Board can only be adequately assessed after the elapse of a period of time. Individual performance evaluations of directors are undertaken annually by the Chairman of the Board. 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.</p>
<p>The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities</p>	<p>✓</p>	<p>The Board is assisted by 6 committees:</p> <ul style="list-style-type: none"> - Social and ethics committee - Audit committee - Remuneration committee - Nominations committee - Corporate governance committee - Corporate finance committee <p>Each committee has a formal charter which is reviewed annually by the Board. Information on each of the committees is available at www.picknpayinvestor.co.za.</p>

A governance framework should be agreed between the Group and its subsidiary boards	✓	Refer to the diagram below.
Companies should remunerate directors and executives fairly and responsibly	✓	Non-executive directors have no fixed terms of appointment and no employment contracts with Pick n Pay. Their fees are not linked to the Group's financial performance, nor do they receive share options or bonuses. Executives are remunerated in terms of a formal remuneration policy.
Companies should disclose the remuneration of each individual director and prescribed officer	✓	Refer to the remuneration committee report at www.picknpayinvestor.co.za .
Shareholders should approve the Company's remuneration policy	✓	Shareholders approved the policy at the AGM held on 25 June 2013.
Chapter 3 – Audit committees		
The Board should ensure that the Company has an effective and independent audit committee	✓	Refer to the audit committee report at www.picknpayinvestor.co.za
The audit committee members should be suitably skilled and experienced independent non-executive directors	✓	
The audit committee should be chaired by an independent non-executive director	✓	
The audit committee should oversee integrated reporting	✓	
The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	#	The Board and audit committee continue working with a qualified, independent third party to develop and implement a comprehensive combined assurance approach, to ensure the integrity of financial and non-financial data

		contained within the report.
The audit committee should satisfy itself of the expertise, resources and experience of the Company's finance function	✓	Refer to the audit committee report at www.picknpayinvestor.co.za
The audit committee should be responsible for overseeing of internal audit	✓	
The audit committee should be an integral component of the risk management process	✓	
The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	✓	
The audit committee should report to the Board and shareholders on how it has discharged its duties	✓	
Chapter 4 – The governance of risk		
The Board should be responsible for the governance of risk	✓	Refer to the risk management report included below.
The Board should determine the levels of risk tolerance	✓	
The risk committee or audit committee should assist the Board in carrying out its risk responsibilities	✓	
The Board should delegate to management the responsibility to design, implement and monitor the risk management plan	✓	
The Board should ensure that risk	✓	

assessments are performed on a continual basis		
The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	✓	
The Board should ensure that management considers and implements appropriate risk responses	✓	
The Board should ensure continual risk monitoring by management	✓	
The Board should receive assurance regarding the effectiveness of the risk management process	✓	
The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	✓	
Chapter 5 – The Governance of Information Technology		
The Board should be responsible for information technology (IT) governance	✓	<p>The Board, through its audit committee, risk management and executive reporting, takes responsibility for IT governance. The management of information technology systems has been delegated to the Deputy CEO.</p> <p>An Information Technology Services (IT) governance function has been established within the IT division. The IT governance function is implementing various initiatives in order to achieve compliance with King III where feasible.</p> <p>The Group aligns its practices and processes to COBIT 5, which is the</p>

		latest edition of ISACA's globally accepted framework , providing an end-to-end business view of the governance of enterprise IT.
IT should be aligned with the performance and sustainability objectives of the Company	✓	Information technology systems are aligned with the strategy, objectives and reporting requirements of the Company.
Chapter 6 – Compliance with laws, rules, codes and standards		
The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards	✓	Refer to the Legal report at www.picknpayinvestor.co.za
The Board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the Company and its business	✓	
Compliance risk should form an integral part of the Company's risk management process	✓	
The Board should delegate to management the implementation of an effective compliance framework and processes	✓	
Chapter 7 – Internal Audit		
The Board should ensure that there is an effective risk-based internal audit	✓	Refer to the audit committee report at www.picknpayinvestor.co.za
Internal audit should follow a risk-based approach to its plan	✓	
Internal audit should provide a written assessment of the effectiveness of the Company's system of internal controls	✓	

and risk management		
The audit committee should be responsible for overseeing internal audit	✓	
Internal audit should be strategically positioned to achieve its objectives	✓	
Chapter 8 – Governing stakeholder relationships		
The Board should appreciate that stakeholders' perceptions affect a Company's reputation	✓	Refer to the stakeholder report at www.picknpayinvestor.co.za
The Board should delegate to management to proactively deal with stakeholder relationships	✓	
The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Company	✓	
Companies should ensure the equitable treatment of shareholders	✓	
Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	✓	
The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	✓	
Chapter 9 - Integrated Reporting and Disclosure		
The Board should ensure the integrity of the Company's integrated report	✓	The audit committee reviews the annual financial statements, the integrated

Sustainability reporting and disclosure should be integrated with the Company's financial reporting	✓	report and the sustainability report and makes a recommendation to the Board for approval.
Sustainability reporting and disclosures should be independently assured	×	The Board and audit committee continue working with a qualified, independent third party to develop and implement a comprehensive combined assurance approach, to ensure the integrity of financial and non-financial data contained within the report.

Note 1 – 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. The Ackerman family currently owns 51% of the shares in the holding company, Pick n Pay Holdings Limited, giving them a holding of 27.3% in the Group. Chairman Gareth Ackerman is not independent by virtue of his indirect shareholding. Perceptions of conflicts of interest may arise regarding his decisions relating to Pick n Pay and its shareholders.

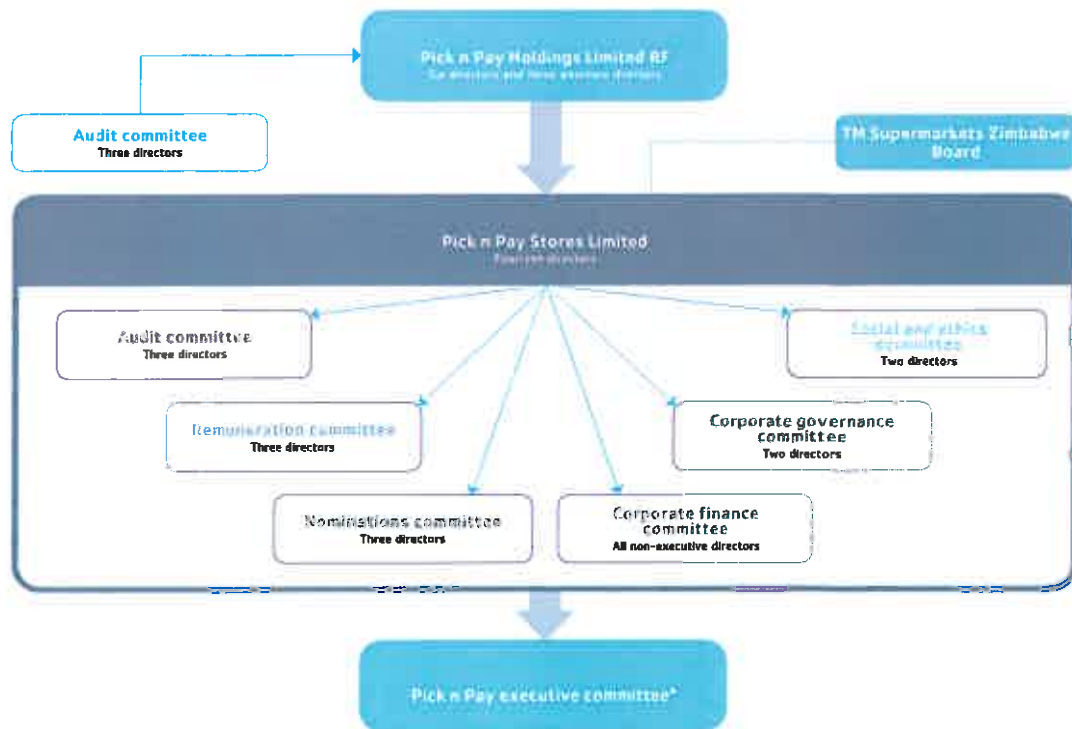
Hugh Herman has been appointed as Lead Independent Director (“LID”). The main function of an LID is to provide leadership and advice to the Board when the Chairman has a conflict of interest, without detracting from the authority of the Chairman. The LID provides an important point of contact for the 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 chairmanships of 4 (four) of the 6 (six) Board committees are held by other independent directors. Consistent with the guidelines of King III, Gareth Ackerman is not a member of the audit committee, does not chair the remuneration committee (but is a member) and is not a member of the social and ethics committee.

Governance structure and models

The Board governs decision-making and gives leadership through its committee structure. The committees operate within Board mandates, ensuring that strategy is implemented through the operations of the Group. Progress is reported to the Board.

The diagram below is a summary of the current governance structure in Pick n Pay:



* the Pick n Pay executive committee for the 2014 annual financial period consisted of Richard Brasher (CEO), Richard van Rensburg (deputy CEO) and Bakar Jakoet (CFO).

7. RISK MANAGEMENT

The Group operates in the fast moving consumer goods industry (FMCG) 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 impacts 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 Financial 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 the executive management team, 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 key 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.

Over the past few financial years the Group experienced restructuring and change, resulting in a tightly focused risk approach, albeit on a predominantly informal basis, aimed at ensuring business continuity. The current risk-related focus for the Group is to embed and stabilise the new structures, standardise systems and processes and to formalise and consolidate risk monitoring and reporting. The intent is to establish a dedicated risk management oversight function within the next two to three years.

Key business risks

The risks reported on in the 2014 financial year relate closely to the Group's ability to create value and to meet the objectives of its long-term strategic plan. The risks detailed below are by no means complete and rather focus on those risks that are considered material in the context of the Group's strategic objectives. This report mainly covers our Pick n Pay business in South Africa. Whilst the commentary in many instances is applicable to our Pick n Pay business in Zambia and our Boxer business; disclosures will be expanded over the next few years to incorporate all business units.

Pick n Pay recognises that the sustainability of the Group is wholly dependent on sustainable and mutually beneficial relationships with all our stakeholders, and has embedded strong stakeholder engagement throughout its operations. We therefore consider the material risks facing the business, per individual stakeholder group.

Customers

The central objective of our long-term plan is to be the retailer of choice for all South Africans.

Strategic objective	Key challenges and risks	Our performance
<p>To provide a leading product offering that:</p> <ul style="list-style-type: none"> gives our customers what they want (a 	<p>Consistent and outstanding execution in the purchase, distribution and selling of products that are safe. Key processes to ensure that the</p>	<p><i>The implementation of a new Forecast and Replenishment (F&R) system by the end of the 2015 financial year in order to increase the accuracy and efficiency of the replenishment of products for our customers.</i></p> <ul style="list-style-type: none"> The system enables automatic forecast-

<p>relevant range);</p> <ul style="list-style-type: none"> ▪ is available on shelf when needed; and ▪ is compliant with applicable food safety standards. 	<p>right product is on the shelf at the right time include:</p> <ul style="list-style-type: none"> ▪ supplier negotiations ▪ ordering ▪ forecasting ▪ replenishment ▪ distribution ▪ store execution 	<p>based supplier orders at our distribution centres and at store level for direct supplier deliveries.</p> <ul style="list-style-type: none"> ▪ Overall availability has increased by 2.4% during the year under review. <p><i>Ranging and clustering</i></p> <ul style="list-style-type: none"> ▪ Pick n Pay is implementing a more accurate and analytical method of ranging products appropriate to specific store "clusters", enriched by information from our smart shopper loyalty programme. <p><i>Distribution</i></p> <ul style="list-style-type: none"> ▪ Pick n Pay has a dedicated supply chain team responsible for distribution throughout the country ▪ We increased the number of products distributed through the Group's distribution centres during the year, to ensure the Group and its customers' benefits from all available synergies and efficiencies. ▪ The world-class warehouse management system (EWM) that is effective in our Philippi Distribution Centre will be rolled out into Longmeadow in the 2015 financial year, along with other relevant operational enhancements. <p><i>Food safety</i></p> <ul style="list-style-type: none"> ▪ All suppliers are audited by a third-party auditing company, and are awarded an audit score based on their performance against safety standards. The audit frequency is determined by the level of risk associated
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		<p>with the audit score.</p> <ul style="list-style-type: none"> ▪ All stores (company owned and franchise) undergo a food safety audit on a monthly basis regardless of the last audit score obtained. Should a store fail a food safety audit they are re-audited within 14 days to ensure compliance is restored.
To ensure that our store base is within reach of our customers.	Ensuring convenience for customers with the correct format store in the appropriate location while negotiating competitive rental payments and escalation terms.	<ul style="list-style-type: none"> • We remain a tenant of choice in the retail industry and continue to negotiate competitive rentals and escalation terms with our landlords. ▪ The Group opened 111 new stores during the year and closed 26 under-performing stores, adding 3.4% net new space. We grew our Pick n Pay and Boxer brands across a variety of retail formats, ranging from stores which serve lower-income communities through to new Waterfront store in Cape Town. The Group now has 1,076 stores, comprising 643 company-owned stores and 433 franchise stores, across multiple retail formats and 6 southern African countries. ▪ We have grown our online food delivery business by 27% over the year. We now serve more than 2,000 customers per week, and have extended our service during the year within the Western Cape, Kwa-Zulu Natal and the Free State.
Creating an excellent place to shop through great customer service.	Optimising the number of staff in our stores and the associated cost of labour, while providing the high level of service that our customers	<p>We implemented a new Kronos system (labour time and attendance) during 2014, which has helped us control our wage cost and improve labour productivity.</p> <ul style="list-style-type: none"> ▪ We received positive feedback from our on-going engagement with customers during 2014, indicating that our levels of customer

	deserve.	service have improved.
Ensuring our customers have knowledge of our great prices and promotions through ethical and informative marketing practices.	Customers may lose trust in the Group if marketing or promotional communication is not accurate, if advertised pricing does not reflect on shelf, advertised lines are not available, or if customers do not receive their smart shopper points in a timely manner.	<ul style="list-style-type: none"> ▪ Senior management structures and processes are in place to ensure our marketing and operational teams work together. They are able to monitor trade effectively in order to be able to address any problems swiftly and with open engagement with customers. ▪ We listen to our customers and front line staff, and use these insights, together with market share analysis to inform our trade and marketing decisions. ▪ In 2014 our enhanced point of sale system allowed us to display the smart shopper points on our till slip to ensure that our customers can readily see the points that they have earned.

Community

One of our founding principles is *"doing good is good business"*. Customers reward those businesses that they believe give back to the communities they serve. As customers reward us with their loyalty, we are able to grow, serve more customers, generate more jobs, and help more communities.

Strategic objective	Key challenges and risks	Our performance
To do good in our local communities and to ensure that our local communities benefit from our ongoing investment in social, environmental and economic recovery and development.	Empowering all our stores across our broad network to engage effectively with their local stakeholders.	<ul style="list-style-type: none"> ▪ Our regional teams are encouraged to identify opportunities to address social needs in their communities and have distributed more than R8 million in aid during the period under review. ▪ We assist schools with curriculum aligned educational material through our School Club, the membership of which increased by 250 schools to 2 750 participants during the year

		under review.
	Finding and securing the appropriate sites in lower income communities so that we can open stores and create new jobs and opportunities where they are most needed.	<ul style="list-style-type: none"> ▪ We have opened 18 stores in lower income communities during the year. ▪ We have created more than 2 600 employment opportunities in lower income communities
	Poor execution or poor administration of a charitable project may result in a community not benefitting from our initiatives in a timely or effective manner. This would not only cast doubt on our commitment and integrity, we would also not achieve the social or economic upliftment we are looking for.	<ul style="list-style-type: none"> ▪ All the charitable initiatives we undertake have clear time frames and measurable objectives, with field workers who visit and mentor our charitable projects on a regular basis. ▪ Pick n Pay does not provide funding to a project until a detailed project plan has been developed, which demonstrates that effective project management and financial administration will be a priority throughout the project implementation.
Being environmentally responsible. We care for the environment and will to show leadership in environmental responsibility and sustainability in our sector.	Finding the right balance between minimising our waste (food past its sell-by date and other unwanted materials), while providing our customers with the widest range of products and	<p>We have a number of measures in place to minimise waste, including:</p> <ul style="list-style-type: none"> ▪ Increasing the use of recycled material and material from sustainable sources in our product packaging and wrapping. ▪ The central ordering of fruit and vegetables to improve product freshness and on-shelf availability at store level. ▪ All our bakeries have a production schedule

	consistent availability.	<p>in place to ensure that products are prepared based on customer demand.</p> <p>The active monitoring of food waste at store level on a daily basis have reduced our fresh food write offs by 10% during the year under review.</p>
	Finding costs effective ways to reduce our carbon footprint and preparing for the carbon tax set to be implemented in 2016 in South Africa.	<ul style="list-style-type: none"> ▪ In 2013 the Group achieved its carbon emissions target originally set for 2015. ▪ By optimising routing and reducing the frequency of deliveries, we have reduced absolute carbon emissions of our fleet by 6% in the past year. ▪ We are the highest ranking South African retailer, and the second highest ranking retailer overall, on the Carbon Disclosure Project (CDP) for 2013, scoring 95A.

Employees

Our people are an integral part of our long-term strategy to become the retailer for every South African.

Strategic objective	Key challenges and risks	Our performance
To be the most talented South African retail business by attracting, retaining and motivating our employees through meritocracy.	Attracting and retaining scarce and skilled talent in all areas of the business.	Our remuneration policy reward employees for their individual contribution to the Group's strategic, operating and financial performance. It is aimed to ensure that top talent is developed and retained while attracting critical skill and experience in the retail industry.
We seek to create equal opportunities for our employees to prosper and develop,	Instilling diversity and transformation as an everyday practice at all levels of our business.	<ul style="list-style-type: none"> ▪ We have two diversity programmes that address the management of diversity and workplace forums assist in terms of policy development and monitoring.

<p>both professionally and personally and want the composition of our employee base to accurately reflect wider society</p>		<ul style="list-style-type: none"> ▪ Our organisational development division is dedicated to monitor our employment equity plans and employment equity forms part of senior executives' key performance indicators. ▪ Our employee base accurately reflects society at shop floor and store managerial levels. We now need to extend this to senior managerial levels. ▪ Our BEE skills development score-increased by 10% during the year under review. <p>This financial year we invested more than R91 million in skills development programmes for our employees.</p>
<p>To create an effective lean organisation structure and a cost effective support office structure</p>	<p>Finding the right balance between the levels of skills and talent required to grow the business in a sustainable manner, while managing the cost of labour optimally.</p>	<ul style="list-style-type: none"> ▪ We have successfully completed the centralisation of our buying, operational and finance support functions, removing duplicate costs and services in the business. This process necessitated tough decisions during the year and resulted in the retrenchment of some head office support staff. This was a difficult time for the business, but the rigorous review of all support structures and processes has enabled us to create a more streamlined and effective support office. ▪ A talent review conducted at a senior level twice a year to identify those employees who are valuable to the business in terms of skill, talent and potential and who need to be given development and career path opportunities. ▪ A formal process to improve career paths and development opportunities for employees will commence in March 2014, led by the CEO and head of human resources.

Franchisees

We aim to operate the most attractive and mutually beneficial franchise model in the retail industry and be the franchisor of choice for the best retail entrepreneurs across the FMCG industry.

Strategic objective	Key challenges and risks	Our performance
To operate and grow a franchise model that is mutually beneficial to both parties, resulting in sustainable and value-driven businesses.	To continuously innovate and maintain a franchise agreement that is relevant in a changing retail environment, and benefits all parties involved. Providing franchisees with the necessary financial freedom and support, while safeguarding the reputation and sustainability of the Pick n Pay brand.	<ul style="list-style-type: none"> ▪ The existing model is simple to understand and practical to implement. ▪ We are continuously investigating ways in which we can improve on agreement terms to the benefit of both franchisees and the Group. ▪ The support to our franchisees has improved by adding increased resources in general management, administration, demand-planning, and property and brand management.
	Managing our credit risk effectively and appropriately, while affording our franchisee the opportunity to grow their business.	<ul style="list-style-type: none"> ▪ Weekly meetings are held across all operating regions to evaluate franchise debt and to determine any necessary action to be taken. ▪ Ensuring that margins achievable by franchisees within the franchise module ensures a profitable business. ▪ A franchise module tailored for the emerging market has assisted franchisees trading in this environment with structured repayment of debt.

Shareholders

Our shareholders can trust that we will operate in accordance with the highest principles of good corporate governance, and will follow innovative business practices, at acceptable levels of risk, in

order to provide an attractive return on investment that is consistent and sustainable over the long-term.

Strategic objective	Key challenges and risks	Our performance
<p>To generate consistent, sustainable profits in a highly competitive environment.</p>	<p>We continuously face expansion by various retail chains and new entrants into the local retail sector as well as increasing price competitiveness.</p> <p>Customers are facing increasing financial pressure as a result of rising fuel, electricity and other utility costs, rising interest rates and levels of household debt.</p> <p>The weak Rand is also contributing to rising commodity and consumer goods prices and customers are seeking ever greater value-for-money.</p>	<ul style="list-style-type: none"> ▪ Our teams are structured in a manner which allows us to effectively monitor our trade and operational performance and react quickly and cohesively to market changes or operational challenges. <p>Strong financial control is crucial in this environment. The Group's improved financial performance reflects in large measure the encouraging progress made over the past year in reducing cost through greater organisational and operating efficiency and tighter fiscal control across the business. We reduced our operating expenses as a percentage of turnover from 17.1% to 16.7% and our trading profit margin improved from 1.3% to 1.6%.</p>
<p>To grow our business in order to compete actively and effectively in South Africa and the rest of Africa.</p>	<p>The continuous expansion of Pick n Pay's reach at an acceptable level of risk and in a sustainable manner is a challenge. Finding the right locations and expanding in the most</p>	<p><i>Opportunities in South Africa</i></p> <ul style="list-style-type: none"> ▪ Our property committee evaluates all expansion opportunities carefully. ▪ The expected returns from new sites as well as their impact on existing stores are interrogated by the finance division to ensure that they are sustainable.

	<p>efficient and economical manner is key.</p>	<ul style="list-style-type: none"> ▪ We have set very strict space, rental and capital frameworks to ensure that new stores meet trading density and cost-efficiency criteria. <p><i>Opportunities in Africa</i></p> <ul style="list-style-type: none"> ▪ Every market is carefully evaluated by the Africa division along with the strategy team. ▪ In some markets, this will include an advance team to provide detailed investigation on the ground. ▪ All new expansion must be sanctioned by our CEO and CFO and must strategically align with the longer-term Pick n Pay business plan, which is ratified by the Board.
<p>To be adequately prepared for possible future serious disruptions or disasters and to ensure that, should they occur, they have the least possible effect on the sustainable profits of the Group.</p>	<p>Unforeseen events, particularly in our supply chain or support office could have a significant impact on the Group's performance. Finding the balance between the costs of implementing these business continuity strategies versus the benefits is a challenge.</p> <p>We have a large reliance on our information systems for our day-to-day operations. With the speed of technology changes globally and our Group's</p>	<ul style="list-style-type: none"> ▪ Pick n Pay has completed a business impact analysis (BIA) using a three-tier business process criticality rating. Using the BIA, Pick n Pay's information services (IS) division developed an information systems disaster recovery (DR) strategy for the two most critical tiers, and implemented appropriate recovery solutions. ▪ The supply chain division has continued to develop and refine business continuity plans to address potential operational disruptions at the critical distribution centres. ▪ Business interruption plans identified in the BIA affecting other business areas are in various stages of development. ▪ A primary focus of the information systems division is to continue maturing the current IS processes. This will ensure that change is introduced in a responsible fashion, which meets business requirements and system

	expansion, we face tremendous challenges to keep our operating systems stable, suitable and properly managed.	<p>stability. This also includes the education of the all system users.</p> <ul style="list-style-type: none"> ▪ Where possible all Group assets are insured.
The effective management of Group assets to ensure working capital excellence and capital efficiency to minimise financial risk and maximise return on investment.	Finding the right balance of working capital (inventory, short-term receivables and payables) in order to meet all the needs of stakeholders, while reducing the liquidity and credit risks faced by the Group.	<ul style="list-style-type: none"> ▪ The Group's management of financial risk during the period under review is detailed in note 28 of the 2014 annual financial statements, which is available on our website at www.picknpayinvestor.co.za
To operate according to the highest standards of corporate governance and ensure compliance with all relevant legislation.	The Group always strives to comply with all relevant laws and regulations. However, it remains a challenge especially given our diverse trading environment and the ever increasing burden of regulatory compliance.	<ul style="list-style-type: none"> ▪ Compliance questionnaires have been prepared on all statutes where Pick n Pay is at risk for non-compliance. These questionnaires are distributed twice a year to the relevant division/store for completion. This serves the dual function of ensuring compliance, and of educating employees in relation to what is required to comply with statute and regulation.

Suppliers

We want to build a resilient supplier network that is flexible to the needs of our customers.

Strategic objective	Key challenges and risks	Our performance
Establish fair, efficient and mutually beneficial business relationships with our suppliers to	Climate changes and population growth is starting to have an impact on supply	<ul style="list-style-type: none"> ▪ We have implemented a centralised buying division to eliminate duplicate administration and reduce the cost of doing business with

ensure an efficient and sustainable supply chain, as well as the lowest possible cost of goods.	capacity.	<p>Pick n Pay.</p> <ul style="list-style-type: none"> During the past year, Pick n Pay and its suppliers focused on improving service levels, better product pricing and more effective promotional activities.
	Suppliers will supply to the retailer that is the most beneficial for their own growth and sustainability and the challenge is to ensure that we remain the most beneficial retailer for them, whilst simultaneously ensuring that we utilise and retain the suppliers that are most beneficial to us.	<ul style="list-style-type: none"> We have been building our local and international supplier base to ensure continued supply of goods at the right prices and to enhance competition among suppliers.
Developing a diverse and ethical supplier base.	Finding the balance between developing our small suppliers and suppliers in Africa, while still providing a product to our customers that will meet their requirements in terms of availability, safety, quality and price.	<p><i>South Africa</i></p> <ul style="list-style-type: none"> Our small supplier development programme supported by mentorship provided by senior executives in the Group. A supplier can only become a Pick n Pay supplier once all requirements have been met – these include health and safety audits, credit checks and a sound distribution network. We increased our preferential procurement score by 14% during the year under review. We source more than 90% of our PnP branded products locally. <p><i>Africa</i></p>

		<ul style="list-style-type: none"> ▪ In every country, our ambition is to be as local as possible. This means sourcing as much inventory as possible from local suppliers and ensuring that we remain true to our founding principles. ▪ We work hand in hand with our smaller suppliers to ensure that we can stock their products and still potentially import to South Africa.
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8. FINANCIAL PERFORMANCE – 12 MONTHS TO 2 MARCH 2014

Clear plan delivers improved results: Review of operations

Key financial indicators:	364 days 2014	Normalised trading calendar 364 days (pro- forma)* 2013	Comparable pro-forma % change*	As previously reported 368 days 2013	% change
Total till sales	R73.0 billion	R67.8 billion	7.6	R68.5 billion	6.5
Turnover	R63.1 billion	R58.6 billion	7.7	R59.3 billion	6.5
Gross profit margin	17.5%	17.5%		17.4%	
Trading profit	R1 010.3 million	R751.7 million	34.4	R852.4 million	18.5
Profit before tax	R833.1 million	R708.2 million	17.6	R808.9 million	3.0
Basic earnings per share	122.01 cents	100.50 cents	21.4	115.14 cents	6.0
Headline earnings per share**	138.51 cents	96.66 cents	43.3	111.30 cents	24.4
Total annual dividend per share	92.30 cents			84.00 cents	9.9

**The Group implemented a 52-week financial reporting calendar in February 2013. The 2014 financial year consists of 364 trading days of turnover and related gross profit, compared with 368 days in the prior year. Reviewing turnover and gross profit on a comparable 364-day basis is more*

meaningful and as such, the results in this commentary are presented on a comparable pro-forma basis (unless otherwise stated).

***The difference in the growth in headline earnings per share against basic earnings per share is the exclusion of profits and losses of a capital nature in the calculation of headline earnings. Capital losses net of tax of R78.9 million are added back to headline earnings in 2014 (mainly comprising the impairment of intangible assets), against a deduction net of tax of R18.4 million of capital profits in 2013.*

The Group has delivered an improved financial performance compared to the previous year, substantively delivering on the objectives set at the beginning of the year.

The Group increased turnover by 7.7% (compared to 6.2% the previous year). This was driven in part by an accelerated programme of new-store growth. Like-for-like growth was subdued at 2.7%, reflecting the difficult trading environment across the sector. Customers are facing increasing financial pressure as a result of rising fuel, electricity and other utility costs, rising interest rates and levels of household debt. The weak Rand is also contributing to rising commodity and consumer goods prices.

The gap between Pick n Pay's growth and overall market growth narrowed from 2.5% in the previous year to 0.7% this year.

Strong financial control is crucial in this environment. The Group's improved financial performance reflects in large measure the encouraging progress made over the past year in reducing cost through greater organisational and operating efficiency and tighter fiscal control across the business. We reduced our trading expenses as a percentage of turnover from 17.1% to 16.7% and our trading profit margin improved from 1.3% to 1.6%.

The increase in turnover and reduction in trading expenses has delivered headline earnings per share which are up 43.3% on a comparable pro-forma basis. The total dividend per share for the year is 92.30 cents, up 9.9% on the prior year, in line with the Group's policy to moderate the dividend cover to 1.5 times headline earnings per share.

Our strategy remains that of customer-focused and sales-led growth. Lower costs will enable us to invest more in our shopping trip, driving turnover growth by consistently improving our product offer, stock availability and customer service.

Clear plan: delivers stronger operations

We are a stronger business than we were 12 (twelve) months ago. We are better positioned to strengthen and grow our core South African business, and actively explore new strategic opportunities in the rest of Africa.

Despite the more challenging trading environment, the Group grew at every level, serving more customers than last year, in more stores and with higher value baskets.

The Group opened 111 (one hundred and eleven) new stores during the year and closed 26 (twenty-six) under-performing stores, adding 3.4% net new space. We grew our Pick n Pay and Boxer brands across a variety of retail formats, ranging from stores which serve lower-income communities through to our new Waterfront store in Cape Town. We are particularly proud to be serving some communities for the first time, including Chatsworth, KwaMashu and Hammersdale, which demonstrates the strength and inclusiveness of our brand. We are under-represented in the market that our Boxer brand serves and we look forward to expanding our footprint in these areas. The Group now has 1,076 (one thousand and seventy-six) stores, comprising 643 (six hundred and forty three) company-owned stores and 433 (four hundred and thirty three) franchise stores, across multiple retail formats and 6 (six) southern African countries. In addition, 52 (fifty-two) stores, 3 (three) of which trade under the Pick n Pay brand, are operated in Zimbabwe by our associate, TM Supermarkets. Our franchisees remain crucial partners in our business, exemplifying the Pick n Pay commitment to excellent customer service and we are grateful to each of them for their hard work and entrepreneurship over the past year.

We are keenly focused on improving the quality of our fresh and perishable produce and our pre-packaged convenience ranges, and are seeing good results in these areas. We are experiencing good growth in our smaller, convenience formats, reflecting the growing customer desire to shop more often in locations which are easy to reach. While our larger Hypermarket stores remain under pressure, we are implementing plans to improve the customer offer and experience in each individual Hyper. Our general merchandise team has made good progress in rationalising and focusing our general merchandise range. This will have a positive impact across the business, particularly in our Hypermarkets.

Our smaller clothing and liquor formats continue to perform well and make meaningful contributions to the turnover and profit growth of the business. We will introduce expanded and targeted clothing ranges into our supermarkets next year. We have grown our online food delivery business by 27% over the year. We now serve more than 2,000 (two thousand) customers per week, and have extended the service during the year within the Western Cape, KwaZulu-Natal and the Free State.

Customers are more engaged than ever in our smart shopper loyalty programme, which remains South Africa's favourite loyalty programme. We have made a number of improvements for customers in the course of the year, including offering loyalty points and vouchers on till slips at the point of sale, introducing instant saver promotions and a smart shopper mobile application. We have issued almost 8,000,000 (eight million) smart shopper cards and the number of customers who regularly use their card is growing steadily in response to our enhanced rewards programme.

We have supported our customers with good prices during the year, broadening our mix of promotions and fighting inflation in core commodities by tailoring ranges and promotions to specific communities. Our smart shopper programme provides us with valuable information in this regard, assisting us to tailor and target promotions where and when they will be most effective. This is in line with our strategy to continue to invest in the shopping trip. Our gross profit margin remains unchanged at 17.5%, with savings generated through improvements in supply-chain efficiency being reinvested in our customer offer.

We are pleased with the progress made across our buying and distribution channels. We continue to bring more suppliers into our central distribution channels, increasing the volume through our distribution centres by 10.8% over the year, and reducing the cost per case delivered by 6.5%.

The benefits of our central distribution strategy are increasing, with improved efficiencies and meaningful cost reductions across our supply chain, including removing 4 (four) days' value of inventory from our stock levels, providing our stores with strike-rates that are significantly better than those of direct to store suppliers and improving overall availability by 2.4 percentage points.

We completed the centralisation of our buying, operational and finance support functions, removing duplicate costs and services in the business. This process necessitated tough decisions during the year and resulted in the retrenchment of some head office support staff. This was a difficult time for the business, but the rigorous review of all support structures and processes has enabled us to create a more streamlined and effective support office.

Outside South Africa we increased segmental revenue by 27.9% on a comparable basis and increased our like-for-like segmental revenue by 9.4%. In the course of the year we took clear and decisive action to close our Mauritius and Mozambique franchise operations. In both cases we reached a firm conclusion that the businesses, as they were structured did not offer us a sound basis for sustainable growth. However, the prospects are strong in the markets in which we continue to operate as well as further afield. We have experienced good growth in Zambia, and have installed a team on the ground in Nigeria to explore opportunities in that market.

We are proud of the leadership that Pick n Pay demonstrates as a responsible and caring corporate citizen, whether it is supporting local charities and good causes in the communities we serve, helping grow emerging market suppliers through our collaboration with the Ackerman Pick n Pay Foundation, or leading on seafood sustainability and climate change. The welfare and sustainability of the communities we serve is close to our hearts and has always been a key part of our approach.

Clear plan: more to do

We are encouraged by the progress shown across the business over the past year. Our strategic goal remains that of sustainable customer-driven and sales-led growth, and the Group has more to deliver in terms of improving our customer offer and winning more customers to Pick n Pay. We have

a clear plan in place across the Group, organised on the basis of a balanced scorecard comprising five segments: our customer offer, our operations, the organisation of our people, our relationship with the communities we serve, and our financial performance. By delivering this plan, customers will experience a better Pick n Pay. We will become more efficient and reduce our costs further. Staff will be part of a more effective organisation. We will as a result deliver better returns to our shareholders and an even stronger contribution to society and our broader stakeholders.

9. FINANCIAL REVIEW

Turnover

Group turnover increased by 7.7% to R63.1 billion (2013: R58.6 billion, with 6.2% comparable growth). Like-for-like turnover growth was 2.7% (2013: 3.0%) and new stores contributed 5.0%, with our trading space growing a net 3.4% over the year. We showed stronger like-for-like growth at overall point of sale level, with like-for-like till sales from both owned and franchise stores growing by 3.5%. Pick n Pay internal selling price inflation for the year was 5.3% (2013: 4.9%), against CPI inflation of 5.8%.

Gross profit

The Group has maintained the gross margin at 17.5%. We are pleased with the progress made across our buying and distribution channels, which has resulted in improved efficiencies and meaningful cost reductions. In particular our two central distribution centres, at Longmeadow in Gauteng and Philippi in the Western Cape, have both delivered considerable operating improvements which have reduced the net cost of distribution as a percentage of turnover. We have also demonstrated improved control over waste and shrink which are below the levels of the previous year. In addition, our new reporting platform is enabling improved gross margin management through the enhanced visibility of more timely information. All the cost savings realised have been reinvested back into the selling price of goods, as part of our strategy of investing in the shopping trip.

Other trading income

Certain elements of trading income previously included under cost of merchandise sold (within gross profit) have been reclassified and disclosed separately. This has been done to improve the visibility of all other trading income, specifically commissions received. The prior year has been restated to align with the current year disclosures, please refer to note 7 of the summarised financial information presented below. The 3.5% decrease in other trading income is mainly due to reduced commissions as customers move away from purchasing airtime at the till to other digital platforms.

Trading profit

The trading profit margin improved from 1.3% to 1.6%. Expense control has been the key differentiator in our improved performance this year, countering the modest turnover growth and continued investment in gross profit margin. Trading expenses as a percentage of turnover have decreased from 17.1% to 16.7%, with like-for-like expense growth almost flat at 0.8%. We are pleased with the good work being done around tighter fiscal control, with all areas of the business contributing to the expense savings.

The following are good examples of the achievements over the past year:

- The increase in employee costs was limited to 7.6%, notwithstanding the new store growth. Furthermore, like-for-like employee costs increased by only 3.2% despite a new above-CPI wage rate agreement which came into force at the beginning of the financial year. This demonstrates increased productivity at store level, which is enabling us to staff our stores more efficiently and effectively.
- Occupancy costs are up 7.6% in line with our store expansion programme; however the like-for-like increase is only 2.6%. This is pleasing in light of the continued above-CPI regulatory increases in rates and taxes. We remain a tenant of choice in the retail industry and continue to negotiate competitive rentals and escalation terms with our landlords.
- Costs of operations are up 9.2%, again reflecting our opening of 80 company-owned stores during the year, with a like-for-like increase in costs of 4.1%. Administered increases in electricity prices are posing a significant additional burden on operational costs. We are able to mitigate this to some degree: our electricity usage is well controlled, and we have an effective programme of reducing energy use in our stores. Amortisation and depreciation has increased by 5.9%, compared with the 10.8% growth seen in 2013, which illustrates the good work being done around the control of capital expenditure and ensuring the spending is targeted at improving the customer offer.
- We are very pleased with the progress made on eliminating excess administrative costs in the business, particularly at support office level. Merchandise and administration expenses have decreased by 14.8%, with a like-for-like decrease of 17.9%. We have almost entirely removed consultancy costs from the business. As South Africa's largest acceptor of electronic tender, we have been subject to increased bank fees as our customers move from debit cards to hybrid cards. We are encouraged that the Reserve Bank has taken action to reduce bank interchange fees in respect of credit, debit and hybrid costs. The reduced fee schedule is expected to be in force from 1 January 2015, with the benefits flowing in the 2016 financial year.

There is still a great deal of work to be done to optimise our cost structure and augment our productivity and efficiency, but we are demonstrating that we can run a lower cost, more streamlined business.

Loss on capital items

The Group completed the centralisation of its buying, operational and finance support functions during the year. As a result, systems and reporting tools previously developed to support the decentralised business operation became obsolete, necessitating an impairment of R104.1 million of those intangible assets. The loss on capital items also includes a loss on the sale of fixed assets of R5.5 million, against a profit of R21.6 million in the prior year.

Interest

The net interest expense of R99.6 million is R11.1 million more than the prior year's expense of R88.5 million due to periods of elevated borrowings, particularly in the first half of the year, as a result of increased capital expenditure and inventory provisioning relating to new stores.

Earnings per share

Basic earnings per share (EPS) increased 6.0% from 115.14 to 122.01 cents per share. The new 52-week reporting calendar resulted in the current reporting period being four trading days less than the prior year. The comparable EPS growth (if the impact of 14.64 cents per share attributable to the additional trading days is excluded) is 21.4%.

Headline earnings per share (HEPS) increased 24.4% from 111.30 to 138.51 cents per share. The new 52-week reporting calendar resulted in the current reporting period being four trading days less than the prior year. The comparable HEPS growth (if the impact of 14.64 cents per share attributable to the additional trading days is excluded) is 43.3%.

The significant difference in the growth in headline earnings per share against basic earnings per share is the exclusion of profits and losses of a capital nature in the calculation of headline earnings.

Capital losses net of tax of R78.9 million are added back to headline earnings in 2014 (mainly comprising the impairment of intangible assets), against a deduction net of tax of R18.4 million of capital profits in 2013.

Financial position

	Sunday	Sunday
	2 March 2014	3 March 2013
	Rm	Rm
Inventory	3 979.8	3 996.5
Trade and other receivables	2 841.1	2 361.1
Cash and cash equivalents	1 540.3	1 255.7
Bank overdraft and overnight borrowings	(670.0)	(1 525.6)
Other current liabilities	(8 942.2)	(7 382.4)
Net working capital	(1 251.0)	(1 294.7)

We are pleased with the slight improvement in net working capital, particularly in the context of the store expansion programme. Inventory has decreased by R16.7 million or 0.4%, with like-for-like inventory (excluding the impact of new stores) decreasing by 5.7%. We have been focused on removing slow-moving inventory lines from our business, rationalising our product range to provide our customers with a more focused and relevant offering, as well as improving our supply chain efficiencies with improved strike rates to stores.

We are pleased with our progress in this area, but there is still much work to be done. The increase in trade and other receivables of R480.0 million mainly relates to 12 (twelve) net new franchise stores.

The net cash and overnight borrowing position at year-end has improved by R1,140.2 million on last year, from negative R269.9 million to R870.3 million. The improved cash position is testament to the good work being done in respect of inventory management and improved fiscal control over both capital and operating expenditure. We raised an additional R300 million borrowing under our DMTN programme to capitalise on competitive interest rates in the capital markets.

Shareholder distribution

In line with our review of all aspects of the business, the Board moderated the annual dividend cover to 1.5 times headline earnings per share. The final dividend of 77.50 cents per share brings the total dividend for the annual period to 92.30 cents per share, which is 9.9% up on last year.

In summary

It has been a challenging but rewarding year and we are pleased with this overall result. We are encouraged by the improved financial performance delivered and the progress demonstrated across all areas of our business. Our business is stronger than it was a year ago. Customers and shareholders are experiencing the benefit. Much work lies ahead in what is a difficult trading environment. We have a clear plan to improve the shopping trip for our customers, drive higher turnover growth, and deliver further operating efficiencies and cost savings. We thank all our staff who have worked so hard over the past 12 (twelve) months to improve our business and the lives of our customers.

10. **USE OF PROCEEDS OF THE DMTN PROGRAMME**

Pick n Pay utilises its DMTN Programme to access the competitive interest rates which are available in the capital markets. The Group has used the programme to fund short-term working capital needs, with its 3 (three) month paper incurring lower funding costs than that available from overnight bank finance.

It is Group policy to fund any investment in long-term assets with appropriately matched long-term finance and the programme provides an alternative to long-term bank finance, should the need arise. The programme provides the Group with flexibility in terms of borrowings and helps the Group to build new relationships in an alternative financing environment.

SETTLEMENT, CLEARING AND TRANSFER OF NOTES

Words used in this section headed "Settlement, Clearing and Transfer of Notes" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

Notes listed on the Interest Rate Market of the JSE and/or held in the CSD

Each Tranche of Notes which is listed on the Interest Rate Market of the JSE will be held in the CSD. A Tranche of unlisted Notes may also be held in the CSD.

Clearing systems

Each Tranche of Notes listed on the Interest Rate Market of the JSE and/or unlisted Notes that are held in the CSD will be issued, cleared and settled in accordance with the rules and operating procedures for the time being of the JSE and the CSD through the electronic settlement system of the CSD. Such Notes will be cleared by Participants who will follow the electronic settlement procedures prescribed by the JSE and the CSD.

The CSD has, as the operator of an electronic clearing system, been appointed by the JSE to match, clear and facilitate the settlement of transactions concluded on the JSE. Subject as aforesaid, each Tranche of Notes which is listed on the Interest Rate Market of the JSE and/or unlisted Notes that are held in the CSD will be issued, cleared and transferred in accordance with the Applicable Procedures and the Terms and Conditions, and will be settled through Participants who will comply with the electronic settlement procedures prescribed by the JSE and the CSD. The Notes may be accepted for clearance through any additional clearing system as may be agreed between the JSE, the Issuer and the Dealer(s).

Participants

The CSD maintains accounts only for Participants. As at the date of the Programme Memorandum, the Participants which are approved by the CSD, in terms of the rules of the CSD, and who act as settlement agents to perform electronic settlement of funds and scrip include (but are not limited to) FirstRand Bank Limited, Nedbank Limited, Citibank N.A., South Africa branch, Standard Chartered Bank, Johannesburg branch, Société Générale, Johannesburg branch. The Standard Bank of South Africa Limited and the South African Reserve Bank. Euroclear, as operator of the Euroclear System, and Clearstream will settle off-shore transfers in the Notes through their Participants.

Settlement and clearing

Participants will be responsible for the settlement of scrip and payment transfers through the CSD, the JSE and the South African Reserve Bank.

While a Tranche of Notes is held in its entirety in the CSD, the CSD's Nominee, a wholly-owned subsidiary of the CSD approved by the Registrar of Securities Services in terms of the Financial Markets Act, and any reference to "CSD's Nominee" shall, whenever the context permits, be deemed to include any successor nominee operating in terms of the Financial Markets Act, will be named in the Register as the sole Noteholder of the Notes in that Tranche. All amounts to be paid and all rights to be exercised in respect of Notes held in the CSD will be paid to and may be exercised only by the CSD's Nominee for the holders of Beneficial Interests in such Notes.

In relation to each person shown in the records of the CSD or the relevant Participant, as the case may be, as the holder of a Beneficial Interest in a particular Nominal Amount of Notes, a certificate or other document issued by the CSD or the relevant Participant, as the case may be, as to the Nominal Amount of such Notes standing to the account of such person shall be *prima facie* proof of such Beneficial Interest. The CSD's Nominee (as the registered Noteholder of such Notes named in the Register) will be treated by the Issuer, the Paying Agent, the Transfer Agent and the relevant Participant as the holder of that aggregate Nominal Amount of such Notes for all purposes.

Payments of all amounts in respect of a Tranche of Notes which is listed on the Interest Rate Market of the JSE and held in the CSD will be made to the CSD's Nominee, as the registered Noteholder of such Notes, which in turn will transfer such funds, via the Participants, to the holders of Beneficial Interests. Each of the persons reflected in the records of the CSD or the relevant Participant, as the case may be, as the holders of Beneficial Interests in Notes shall look solely to the CSD or the relevant Participant, as the case may be, for such person's share of each payment so made by (or on behalf of) the Issuer to, or for the order of, the CSD's Nominee, as the registered Noteholder of such Notes.

Payments of all amounts in respect of a Tranche Notes which is listed on the Interest Rate Market of the JSE and held in the CSD will be recorded by the CSD's Nominee, as the registered Noteholder of such Notes, distinguishing between interest and principal, and such record of payments by the CSD's Nominee, as the registered Noteholder of such Notes, shall be *prima facie* proof of such payments.

Transfers and exchanges

Title to Beneficial Interests held by clients of Participants indirectly through such Participants will pass on transfer thereof by electronic book entry in the securities accounts maintained by such Participants for such clients. Title to Beneficial Interests held by Participants directly through the CSD will pass on transfer thereof by electronic book entry in the central securities accounts maintained by the CSD for such Participants. Beneficial Interests may be transferred only in accordance with the Applicable Procedures.

Beneficial Interests may be exchanged for Notes represented by Individual Certificates in accordance with Condition 12.1 (*Exchange of Beneficial Interests*).

Records of payments, trust and voting

Neither the Issuer nor the Paying Agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, Beneficial Interests, or for maintaining, supervising or reviewing any records relating to Beneficial Interests. None of the Issuer, the Paying Agent or the Transfer Agent will be bound to record any trust in the Register or to take notice of or to accede to the execution of any trust (express, implied or constructive) to which any Note may be subject. Holders of Beneficial Interests vote in accordance with the Applicable Procedures.

BESA Guarantee Fund Trust

The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the BESA Guarantee Fund Trust. Claims against the BESA Guarantee Fund Trust may only be made in respect of the trading of the Notes listed on the Interest Rate Market of the JSE and in accordance with the rules of the BESA Guarantee Fund Trust. Unlisted Notes are not regulated by the JSE.

Notes listed on any Financial Exchange other than (or in addition to) the Interest Rate Market of the JSE

Each Tranche of Notes which is listed on any Financial Exchange other than (or in addition to) the Interest Rate Market of the JSE will be issued, cleared and settled in accordance with the rules and settlement procedures for the time being of that Financial Exchange. The settlement and redemption procedures for a Tranche of Notes which is listed on any Financial Exchange (other than or in addition to the JSE) will be specified in the Applicable Pricing Supplement.

SUBSCRIPTION AND SALE

Words used in this section headed "Subscription and Sale" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The Dealers have in terms of the programme agreement dated on or about the date of this Programme Memorandum, as may be amended, supplemented or restated from time to time (the "**Programme Agreement**"), agreed with the Issuer a basis upon which they may from time to time agree to subscribe for Notes or procure the subscription of the Notes.

Selling restrictions

South Africa

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that it will not solicit any offers for subscription for or sale of the Notes in that Tranche, and will itself not sell the Notes in that Tranche of Notes, in South Africa, in contravention of the Companies Act, the Banks Act, the Exchange Control Regulations and/or any other Applicable Laws and regulations of South Africa in force from time to time. Notes will not be offered for subscription to any single addressee for an amount of less than the Specified Denomination.

United States of America

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"). Notes may not be offered, sold or delivered within the United States of America or to U.S. persons except in accordance with Regulation S under the Securities Act.

General

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to agree that:

- (a) it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in each jurisdiction in which it purchases, subscribes or procures the subscription for, offers or sells Notes in that Tranche or has in its possession or distributes the Programme Memorandum and will obtain any consent, approval or permission required by it for the purchase, subscription, offer or sale by it of Notes in that Tranche under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, subscription, offers or sales; and
- (b) it will comply with such other or additional restrictions as the Issuer and such Dealer agree and as are set out in the Applicable Pricing Supplement.

Neither the Issuer nor any of the Dealers represent(s) that Notes may at any time lawfully be subscribed for or sold in compliance with any applicable registration or other requirements in any jurisdiction or pursuant to any exemption available thereunder or assume(s) any responsibility for facilitating such subscription or sale.

SOUTH AFRICAN TAXATION

Words used in this section headed "South African Taxation" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The comments below are intended as a general guide to the relevant tax laws of South Africa as at the date of the Programme Memorandum. South African tax legislation is subject to frequent change and accordingly the comments as set out below may be subject to change, possibly with retrospective effect.

The contents of this section headed "South African Taxation" do not constitute tax advice and do not purport to describe all of the considerations that may be relevant to a prospective subscriber for or purchaser of any Notes. Prospective subscribers for or purchasers of any Notes should consult their professional advisors in this regard.

Income Tax

Under current taxation law effective in South Africa, a "resident" (as defined in section 1 of the South African Income Tax Act, 1962 (the "Income Tax Act") is subject to income tax on his/her world-wide income. Accordingly, all holders of Notes who are residents of South Africa will generally be liable to pay income tax, subject to available deductions, allowances and exemptions, on any income (including income in the form of interest) earned in respect of the Notes.

Non-residents of South Africa are subject to income tax on all income derived from a South African source (subject to applicable double taxation treaties). Interest income is from a South African source if it is attributable to an amount incurred by a person that is a resident, unless the interest is attributable to a permanent establishment which is situated outside South Africa; or is derived from the utilisation or application in South Africa by any person of funds or credit obtained in terms of any form of "interest bearing arrangement". Accordingly, if the interest payments in respect of the Notes are from a South African source as set out above, the interest earned by a Noteholder will be subject to South African income tax unless such interest income is exempt from South African income tax under section 10(1)(h) of the Income Tax Act (see below).

Under section 24J of the Income Tax Act, any discount or premium to the Nominal Amount of a Tranche of Notes is treated as part of the interest income on the Notes. Interest income which accrues (or is deemed to accrue) to the Noteholder is deemed, in accordance with section 24J of the Income Tax Act, to accrue on a day to-day basis until that Noteholder disposes of the Notes or until maturity unless an election has been

made by the holder (if the holder is entitled under section 24J(9)¹ of the Income Tax Act to make such election) to treat its Notes as trading stock on a mark to market basis or if the Noteholder constitutes a "covered person" and the Notes constitute instruments to which the provisions of section 24JB of the Income Tax Act find application. This day-to-day basis accrual is determined by calculating the yield to maturity and applying it to the capital involved for the relevant tax period. The interest may qualify for the exemption under section 10(1)(h) of the Income Tax Act.

Under section 10(1)(h) of the Income Tax Act, interest received by or accruing to a Noteholder who, or which is not a resident of South Africa during any year of assessment, is exempt from income tax, unless that person:

- (a) is a natural person who was physically present in South Africa for a period exceeding 183 (one hundred and eighty-three) days in aggregate during the twelve-month period preceding the date on which the interest is received or accrued by or to that Noteholder; or
- (b) at any time during the twelve-month period preceding the date on which the interest is received or accrued by or to that Noteholder, carried on business through a permanent establishment in South Africa. With effect from 1 January 2015 this requirement will be reworded to provide that the exemption shall not be available to a person if the debt from which the interest arose is effectively connected to a permanent establishment of the Noteholder in South Africa.

If a Noteholder does not qualify for the exemption under section 10(1)(h) of the Income Tax Act, an exemption from, or reduction of any income tax liability may be available under an applicable double taxation treaty.

Certain entities may be exempt from income tax. Prospective subscribers for or purchasers of Notes are advised to consult their own professional advisors as to whether the interest income earned on the Notes will be exempt from South African income tax.

Capital Gains Tax

The disposal of Notes by residents of South Africa may be subject to the capital gains tax provisions contained in the Eighth Schedule to the Income Tax Act if the Notes are held as capital assets. Any discount or premium on acquisition which has already been treated as interest for income tax purposes, under section 24J of the Income Tax Act will not be taken into account when determining any capital gain or loss. Under section 24J(4A) of the Income Tax Act a loss on disposal will, to the extent that it has previously been included in income (as interest), be allowed as a deduction from the income of the holder when it is incurred and accordingly will not give rise to a capital loss.

¹ The provisions of section 24J(9) of the Income Tax Act will not apply to company which is a "covered person" as defined in the Income Tax Act during any year of assessment ending on or after 1 April 2014, and in respect of any other company during any year of assessment commencing on or after 1 April 2014

Capital gains tax under the Eighth Schedule to the Income Tax Act will not be levied in relation to Notes disposed of by a person who is not a resident of South Africa unless the Notes disposed of are attributable to a permanent establishment of that person in South Africa.

The capital gains tax provisions would not apply to the extent that the Noteholder were to constitute a "covered person" and section 24JB of the Income Tax Act applied to the Note.

Purchasers are advised to consult their own professional advisors as to whether a disposal of Notes will result in a liability to capital gains tax.

Securities Transfer Tax ("STT")

The issue, transfer and redemption of the Notes will not attract securities transfer tax under the Securities Transfer Tax Act, 2007 (the "STT Act") because the Notes do not constitute "securities" as defined in the STT Act.

Value-Added Tax

No value-added tax ("VAT") is payable on the issue or transfer of the Notes. The issue, sale or transfer of the Notes constitute "financial services" as defined in section 2 of the Value-Added Tax Act, 1991 (the "VAT Act"). In terms of section 2 of the VAT Act, the issue, allotment, drawing, acceptance, endorsement or transfer of ownership of a debt security as well as the buying and selling of derivatives constitute a financial service, which is exempt from VAT in terms of section 12(a) of the VAT Act.

However, commissions, fees or similar charges raised for the facilitation of the issue, allotment, drawing, acceptance, endorsement or transfer of ownership of Notes that constitute "debt securities" as defined in section 2(2)(iii) of the VAT Act will be subject to VAT at the standard rate (currently 14% (fourteen percent)), except where the recipient is a non-resident as contemplated below.

Services (including exempt financial services) rendered to non-residents who are not in South Africa when the services are rendered, may be subject to VAT at the zero rate in terms of section 11(2)(l) of the VAT Act.

Withholding tax

The withholding tax on interest will be imposed at the rate of 15% (fifteen percent) of the amount of any interest that is paid by any person to or for the benefit of any foreign person to the extent that such amount of interest is from a South African source in terms of the Income Tax Act, effective from 1 January 2015 and applicable in respect of interest that is paid or that becomes due and payable on or after 1 January 2015. For the purposes of the withholding tax, a "foreign person" is defined as any person that is not a South African tax resident. Accordingly, to the extent that any interest is paid to Noteholders who are South African tax residents, the withholding tax will not apply.

An exemption from the withholding tax on interest applies in respect of any debt listed on a recognised exchange, including any debt listed on the JSE Limited.

The interest withholding tax provisions also exempt from the withholding tax on interest, any amount of interest from a South African source paid to a foreign person if such foreign person is a natural person who was physically present in South Africa for a period exceeding 183 (one hundred and eighty three) days in aggregate during the 12 (twelve) month period preceding the date on which the interest is paid or to a foreign person if the debt claim in respect of which the interest is paid is effectively connected with a permanent establishment of that foreign person in South Africa if that foreign person is registered as a taxpayer in South Africa.

Definition of Interest

The references to "interest" above mean "interest" as understood in South African tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the Terms and Conditions of the Notes or any related documentation.

SOUTH AFRICAN EXCHANGE CONTROL

Words used in this section headed "South African Exchange Control" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The information below is intended as a general guide to the position under the Exchange Control Regulations as at the date of the Programme Memorandum. The contents of this section headed "South African Exchange Control" do not constitute exchange control advice and do not purport to describe all of the considerations that may be relevant to a prospective subscriber for or purchaser of any Notes. Prospective subscribers for or purchasers of any Notes should consult their professional advisors in this regard.

Non-South African resident Noteholders and emigrants from the Common Monetary Area

Dealings in the Notes and the performance by the Issuer of its obligations under the Notes and the applicable Terms and Conditions may be subject to the Exchange Control Regulations.

Blocked Rand

Blocked Rand may be used for the subscription for or purchase of Notes. Any amounts payable by the Issuer in respect of the Notes subscribed for or purchased with Blocked Rand may not, in terms of the Exchange Control Regulations, be remitted out of South Africa or paid into any non-South African bank account.

Emigrants from the Common Monetary Area

Any Individual Certificates issued to Noteholders who are emigrants from the Common Monetary Area will be endorsed "emigrant". Such restrictively endorsed Individual Certificates shall be deposited with an authorised foreign exchange dealer controlling such emigrant's blocked assets.

In the event that a Beneficial Interest in Notes is held by an emigrant from the Common Monetary Area through the CSD, the securities account maintained for such emigrant by the relevant Participant will be designated as an "emigrant" account.

Any payments of interest and/or principal due to a Noteholder who is an emigrant from the Common Monetary Area will be deposited into such emigrant Noteholder's Blocked Rand account, as maintained by an authorised foreign exchange dealer. The amounts are not freely transferable from the Common Monetary Area and may only be dealt with in terms of the Exchange Control Regulations.

Non-residents of the Common Monetary Area

Any Individual Certificates issued to Noteholders who are not resident in the Common Monetary Area will be endorsed "non-resident". In the event that a Beneficial Interest in Notes is held by a non-resident of the

Common Monetary Area through the CSD, the securities account for such Noteholder by the relevant Participant will be designated as a "non-resident" account.

It will be incumbent on any such non-resident Noteholder to instruct the non-resident's nominated or authorised dealer in foreign exchange as to how any funds due to such non-resident in respect of Notes are to be dealt with. Such funds may, in terms of the Exchange Control Regulations, be remitted abroad only if the relevant Notes are acquired with foreign currency introduced into South Africa and provided that the relevant Individual Certificate has been endorsed "non-resident" or the relevant securities account has been designated as a "non-resident" account, as the case may be.

Exchange Control – Issuer

As at the date of this Programme Memorandum, the Issuer does not require exchange control approval for this Programme.

GENERAL INFORMATION

Words used in this section headed "General Information" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

Authorisation

All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under the laws of South Africa as at the date of this Programme Memorandum have been given for the establishment of the Programme and the issue of Notes and for the Issuer to undertake and perform its obligations under the Programme Memorandum and the Notes.

Listing

The Programme Memorandum has been approved by the JSE. Notes to be issued under the Programme may be listed on the Interest Rate Market of the JSE or any other Financial Exchange.

Documents Available

So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available from the registered office of the Issuer as set out at the end of this Programme Memorandum:

- (a) all amendments and supplements to this Programme Memorandum prepared by the Issuer from time to time;
- (b) in respect of any issue of Notes under the Programme, the audited annual financial statements (including, where applicable, the audited interim financial statements), together with such statements, reports and the notes attached to or intended to be read with such financial statements thereto, of the Issuer for its three financial years prior to the date of such issue;
- (c) each Applicable Pricing Supplement relating to any Tranche of Notes issued under the Programme;
- (d) all information pertaining to the Issuer which is relevant to the Programme and/or this Programme Memorandum which is electronically submitted by the Securities Exchange News Service ("SENS"), or any other similar service, established by the JSE. This Programme Memorandum will be available on the JSE website, www.jse.co.za, and the audited annual financial statements of the Issuer and this Programme Memorandum are also available on the Issuer's website, www.picknpayinvestor.co.za.

Material Change

As at the date of this Programme Memorandum, and after due and careful enquiry, there has been no material change in the financial or trading position of the Issuer since the date of the Issuer's latest audited financial statements. As at the date of this Programme Memorandum, there has been no involvement by the auditors in making the aforementioned statement.

Litigation

Save as disclosed in this Programme Memorandum, neither the Issuer nor any of its respective consolidated Subsidiaries is or has been involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had a significant effect on the financial position of the Issuer or its consolidated Subsidiaries.

Auditors

KPMG Inc. have acted as the auditors of the financial statements of the Issuer for the financial year ended 28 February 2014, 2013 and 2012 and, in respect of those years, have issued unqualified audit reports.

ISSUER

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