



## Pick n Play Holdings Limited RF

(Incorporated in the Republic of South Africa)

(Registration number: 1981/009610/06)

JSE Code: PWK ISIN: ZAE000005724

("Holdings" or "the Company")

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

### CIRCULAR TO HOLDINGS SHAREHOLDERS

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

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

*including amongst other things:*

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

24 June 2016

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



Adviser and Sponsor to Holdings



Legal Adviser to the Controlling Shareholders and  
Transaction Originator and Coordinator



Legal Adviser to Holdings



Independent expert in  
respect of the Scheme



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## CORPORATE INFORMATION AND ADVISERS

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**Year of incorporation**

1981

**Place of incorporation**

South Africa

**Company secretary and registered office**

Debra Muller (BA LLB)  
Pick n Pay Holdings Limited RF  
(Registration number: 1981/009610/06)  
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Kenilworth  
Cape Town  
7708  
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**Financial Adviser and Merchant Bank to the Controlling Shareholders and Transaction Originator and Coordinator**

Rand Merchant Bank  
(A division of FirstRand Bank Limited)  
(Registration number: 1929/001225/06)  
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2196  
(PO Box 786273, Sandton, 2146)

**Adviser and Sponsor to Holdings**

Investec Bank Limited  
(Registration number: 1969/004763/06)  
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2196  
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**Independent expert in respect of the Scheme**

PricewaterhouseCoopers Corporate Finance Proprietary Limited  
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(Private Bag X36, Sunninghill, 2157)

**Transfer Secretaries**

Computershare Investor Services Proprietary Limited  
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Ground Floor  
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2001  
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**Legal Adviser to the Controlling Shareholders and Transaction Originator and Coordinator**

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

**Legal Adviser to Holdings**

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

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

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## ACTION REQUIRED BY HOLDINGS SHAREHOLDERS

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

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

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

### ACTION REQUIRED BY HOLDINGS SHAREHOLDERS:

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

##### 1.1. Voting at the General Meeting

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

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

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

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

##### 1.2. Attendance and representation at the General Meeting

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

##### 1.3. Surrender of Documents of Title

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

##### 1.4. Unbundled Stores Shares

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

##### 1.5. Scheme Consideration

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

#### 2. DEMATERIALIZED HOLDINGS SHAREHOLDERS WITH “OWN NAME” REGISTRATION

##### 2.1. Voting and attendance at the General Meeting

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

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

##### 2.2. Surrender of Documents of Title

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

##### 2.3. Unbundled Stores Shares

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

##### 2.4. Scheme Consideration

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

### **3. CERTIFICATED HOLDINGS SHAREHOLDERS:**

#### **3.1. Voting and attendance at the General Meeting**

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

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

#### **3.2. Unbundled Stores Shares**

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

#### **3.3. Surrender of Documents and Scheme Consideration**

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

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

### **4. GENERAL**

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

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

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

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

### **5. DISSENTING HOLDINGS SHAREHOLDERS**

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

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

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## IMPORTANT DATES AND TIMES

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2016

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

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

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

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

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

### Notes

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

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## DEFINITIONS AND INTERPRETATIONS

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

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

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



“Last Practicable Date”	Friday, 10 June 2016 being the last practicable date prior to the finalisation of this Circular;
“Listings Requirements”	the Listings Requirements published by the JSE Limited from time to time;
“MOI of Holdings”	the Memorandum of Incorporation of Holdings;
“New MOI of Stores”	the Memorandum of Incorporation of Stores embodying the B Share Terms which will replace the Existing MOI of Stores pursuant to the Stores Transaction;
“Non-resident”	a person who is not considered to be an ordinary resident in South Africa in terms of the Exchange Control Regulations;
“Operative Date”	the date upon which the Unbundling and/or the Scheme becomes operative, being the first Monday immediately following the Record Date or such other date as the JSE may direct, which Operative Date is expected to be Monday, 29 August 2016;
“Other Ackerman Shareholders”	members of the Ackerman family, their successors in title, controlled trusts, and legal entities (excluding AIH) who directly or indirectly hold in aggregate 2.5% of the Total Holdings Shares (voting interest of 2.6%). Made up as follows (expressed as a percentage of the Total Holdings Shares): <ul style="list-style-type: none"> <li>• The Mistral Trust (1.05%);</li> <li>• Burrumbuck Investments Proprietary Limited (0.63%);</li> <li>• RD Ackerman (0.24%)</li> <li>• The Jongus Trust (0.22%)</li> <li>• The Bermack Trust (0.11%)</li> <li>• The Sudale Trust (0.07%)</li> <li>• J Ackerman (0.05%);</li> <li>• S Ackerman (0.05%);</li> <li>• K Robins (0.04%);</li> <li>• A Ackerman (0.01%); and</li> <li>• 15 other individuals (collectively owning 0.05%);</li> </ul>
“Pick n Pay”	a trademark owned by Pick n Pay Retailers Proprietary Limited (Registration number: 1973/004739/07);
“Pre-Unbundling Disposal”	the on-market disposal of 300 000 Stores Shares (representing 0.1% of Stores Shares held by Holdings) by Holdings, prior to the Unbundling, at the prevailing market price, to provide Holdings with sufficient cash to discharge its costs and expenses, including but not limited to the Transaction expenses, as more fully described in paragraph 20;
“Pyramid Control Structure”	the current shareholding structure of Stores, whereby the Controlling Shareholders control Stores through a 52.3% voting interest in Holdings, which in turn holds a 52.9% voting interest in Stores, before the Pre-Unbundling Disposal;
“Rand” or “R” or “ZAR” and “cents”	South African rands and cents, the official currency of South Africa;
“Rand Merchant Bank”	Rand Merchant Bank, a division of FirstRand Bank Limited (Registration number: 1929/001225/06), a public company duly registered and incorporated with limited liability in accordance with the laws of South Africa;
“Record Date”	the last day for Holdings Shareholders to be recorded in the Register of the Company in order to participate in the Unbundling and/or to become a Scheme Participant, being 17:00 on Friday, 26 August 2016;
“Register”	the register of Certificated Holdings Shareholders maintained by the Transfer Secretaries and the sub-register of Dematerialised Holdings Shareholders maintained by the relevant CSDPs in accordance with section 50 of the Companies Act;
“Scheme”	the scheme of arrangement in terms of section 114(1)(c) of the Companies Act between Holdings and the Holdings Shareholders registered as such on the Record Date, in terms of which Stores will, if the Unbundling becomes operative and the Scheme becomes operative, acquire the Scheme Shares for the Scheme Consideration;
“Scheme Conditions”	the conditions precedent detailed in paragraph 3.7.3;

“Scheme Consideration”	the cash consideration payable to Scheme Participants in terms of the Scheme, being an amount equal to the greater of: <ul style="list-style-type: none"> <li>• R0.00001 per Scheme Share, rounded up in aggregate to the nearest cent; or</li> <li>• the net asset value of Holdings immediately after the Unbundling, for the avoidance of doubt, including the proceeds of the Pre-Unbundling Disposal and any provision for expenses relating to the Transaction and the Scheme, expressed on a per Scheme Share basis;</li> </ul>
“Scheme Participants”	all Holdings Shareholders who hold Holdings Shares recorded in the Register at 17:00 on the Record Date, being Holdings Shareholders who are entitled to receive the Scheme Consideration therefor but excluding Dissenting Holdings Shareholders;
“Scheme Shares”	the Holdings Shares held by Scheme Participants;
“SENS”	the Stock Exchange News Service of the JSE Limited;
“South Africa”	the Republic of South Africa;
“Stapled Ordinary Shares”	the Stores Shares held by the B Shareholders at the time of the issue and allotment of the B Shares, determined in accordance with the B Share Issue Ratio, which Stores Shares are subject to the restrictions on disposal described in paragraph 3.2.3;
“Stores”	Pick n Pay Stores Limited (Registration number: 1968/008034/06), a public company duly registered and incorporated in accordance with the laws of South Africa and listed on the JSE;
“Stores Circular”	the Circular dated Friday, 24 June 2016, issued by Stores to Stores Shareholders in respect of, inter alia, to the Stores Transaction and accompanying this Circular as a reference;
“Stores General Meeting”	the General Meeting of Stores Shareholders to be held at the registered office of Pick n Pay at 101 Rosmead Avenue, Kenilworth, Cape Town, on Monday, 25 July 2016 after the completion of the General Meeting or 09:00 (whichever is the later) in order to consider and, if deemed fit, to pass the special and ordinary resolutions necessary to replace the Existing MOI of Stores with the New MOI of Stores and to issue and allot the B Shares;
“Stores Minority Shareholders”	all Stores Shareholders excluding Holdings;
“Stores Shareholders”	registered holders of Stores Shares;
“Stores Shares”	ordinary shares issued by Stores;
“Stores Transaction”	replacement of the Existing MOI of Stores with the New MOI of Stores to create the B Shares and the subsequent issue and allotment of 259 682 928 B Shares (the exact number to be determined by applying the B Share Issue Ratio on the Record Date) to the Controlling Shareholders in terms of section 41 of the Companies Act, which is fully conditional on the fulfilment of the conditions precedent to the Stores Transaction as detailed in the Stores Circular;
“Strate”	Strate Proprietary Limited (Registration number: 1998/022242/07), a private company duly registered and incorporated in South Africa, which provides electronic settlement of equities and bonds transactions concluded on the JSE;
“STT”	securities transfer tax payable in respect of the transfer of shares in terms of the Securities Transfer Tax Act No 25 of 2007;
“Takeover Regulations”	the Takeover Regulations issued in terms of section 120 of the Companies Act;
“Total Holdings Shares”	the total issued ordinary share capital of Holdings, being 527 249 082 Holdings Shares;
“Total Stores Shares”	the total issued ordinary share capital of Stores, being 488 450 321 Stores Shares;
“Transaction”	the proposed restructure of the Pyramid Control Structure by way of the Unbundling and, Inter-Conditional thereto, the Stores Transaction;
“Transfer”	the transfer of all of the issued Holdings Shares to Stores pursuant to the Scheme;
“Transfer Secretaries” or “Computershare”	Computershare Investor Services Proprietary Limited (Registration number: 2004/003647/07), a private company duly registered and incorporated with limited liability in accordance with the laws of South Africa;

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



**Pick n Pay Holdings Limited RF**

(Incorporated in the Republic of South Africa)

(Registration number: 1981/009610/06)

JSE Code: PWK ISIN: ZAE000005724

("Holdings" or "the Company")

**Directors**

**Non-executive**

Raymond Ackerman (*Chairman*)

Wendy Ackerman

Gareth Ackerman

**Independent Non-executive**

René de Wet

Hugh Herman

Jeff van Rooyen

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**CIRCULAR TO HOLDINGS SHAREHOLDERS**

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**1. INTRODUCTION AND BACKGROUND**

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

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

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

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

The Pyramid Control Structure has resulted in:

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

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

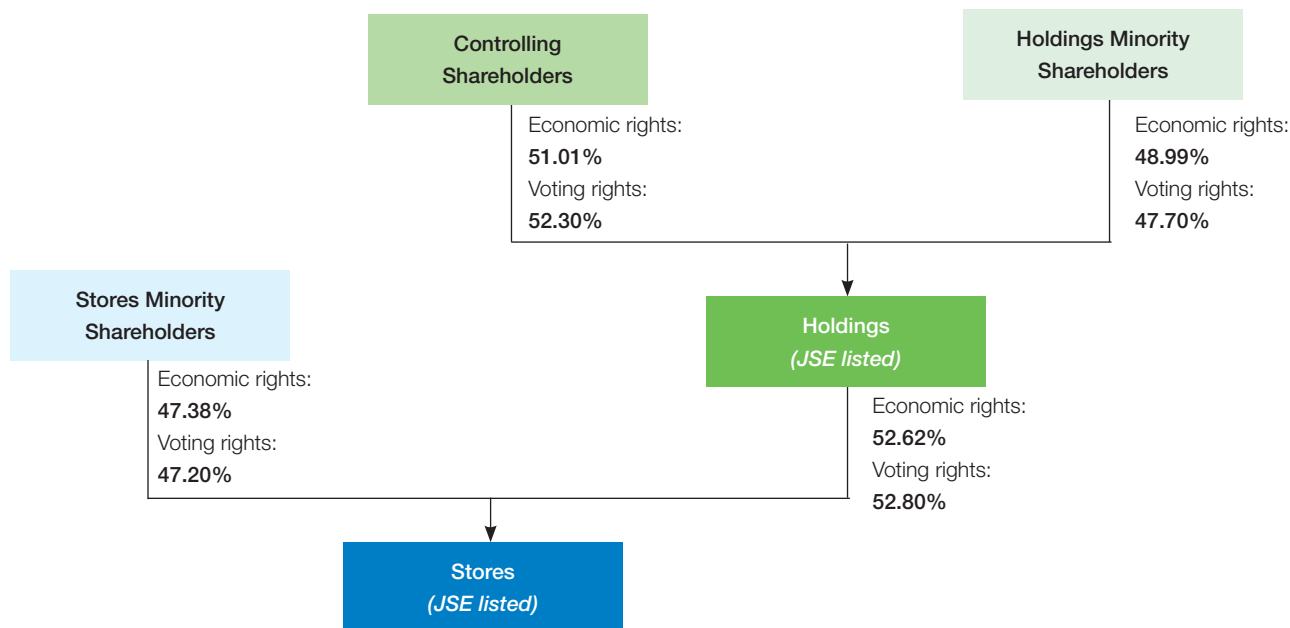
Key features of the Transaction and Scheme include:

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

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

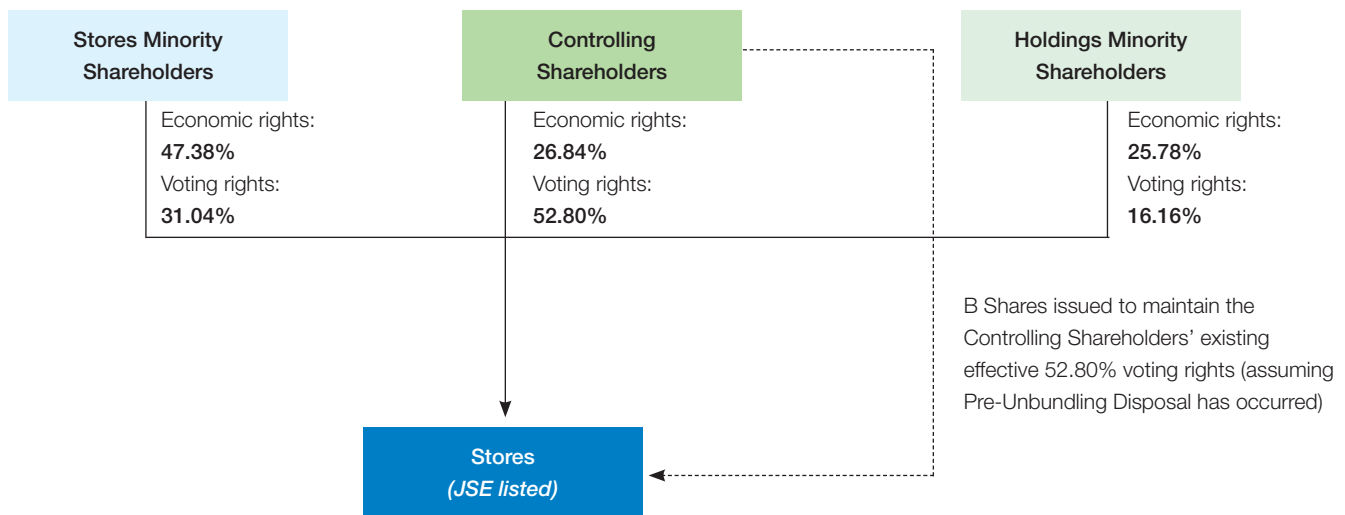
This Circular sets out, amongst other things, how the Transaction and Scheme will be implemented. However, Holdings Shareholders are encouraged to also familiarise themselves with the content of the Stores Circular for a full understanding of the Transaction.

Shareholding structure of Stores pre-implementation of the Transaction:



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

Shareholding structure of Stores post-implementation of the Transaction:



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

## 2. RATIONALE FOR THE TRANSACTION AND SCHEME

### 2.1. Rationale for the Unbundling

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

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

### 2.2. Rationale for the Scheme and Delisting

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

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

## 3. TERMS OF THE TRANSACTION AND THE SCHEME

### 3.1. Unbundling

#### 3.1.1. The Unbundling

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

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

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

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

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

### 3.1.2. **Implementation of the Unbundling**

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

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

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

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

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

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

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

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

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

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

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

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

### 3.2.3. **Disposal of the B Shares**

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

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

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

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

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

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

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

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

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

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

#### 3.2.4. **Adjustment**

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

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

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

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



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

For the avoidance of doubt, in the event of:

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

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

### 3.3. The Scheme

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

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

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

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

3.3.3.2 the Scheme Participants shall be deemed to have:

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

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

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

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

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

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

3.3.5. The Scheme Consideration shall not bear interest.

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

#### 3.4. **Implementation of the Scheme**

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

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

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

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

### 3.5. **Delisting**

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

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

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

### 3.6. **Holdings Shareholder approvals**

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

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

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

### 3.7. Conditions precedent

3.7.1. The Unbundling and the Stores Transaction are Inter-Conditional. In addition, the Scheme is conditional on the Transaction but not vice versa. Accordingly, the conditions precedent to the Transaction and the Scheme are as described below.

3.7.2. The Unbundling is subject to the following conditions precedent being fulfilled, namely:

- the approval by Holdings Shareholders at the General Meeting of the special resolution to unbundle the Stores Shares held by Holdings in terms of section 46 of the Income Tax Act and section 112 (read with section 115) of the Companies Act;
- the approval by Holdings Shareholders at the General Meeting of the special resolution to replace the existing Memorandum of Incorporation of the Company with the new Memorandum of Incorporation in terms of which, inter alia, the Company shall be permitted to round down entitlements to fractions of securities, to the nearest whole number, and to pay the value of such a fraction of a security to any such shareholder, which new Memorandum of Incorporation is tabled at this General Meeting and initialled by the Chairman for the purposes of identification in accordance with the provisions of section 16(1)(c) (read together with sections 16(5) and 36(2)(a)) of the Companies Act;
- that within the period prescribed by section 164(7) of the Companies Act (see Annexure 4 to this Circular), no demands, or valid demands which in aggregate represent less than 5% of Holdings Shares, are received by Holdings in accordance with section 115(8) of the Companies Act; and
- the approval by Stores Minority Shareholders at the Stores General Meeting of the special resolution to replace the Existing MOI of Stores with the New MOI of Stores incorporating the B Share Terms, together with the lodgement thereof with the Companies and Intellectual Property Commission; and
- the approval by Stores Minority Shareholders at the Stores General Meeting of the special resolution to issue and allot the B Shares to the Controlling Shareholders.

3.7.3. The Scheme is subject to the following conditions precedent being fulfilled, namely:

- the fulfilment of the conditions precedent to the Unbundling described in 3.7.2;
- the approval by Holdings Shareholders at the Holdings General Meeting of the special resolution to acquire all of the Holdings Shares from Holdings Shareholders pursuant to a scheme of arrangement as contemplated in section 114 (read with section 115 of the Companies Act); and
- within the period prescribed by section 164(7) of the Companies Act (see Annexure 5 to this Circular), no demands, or valid demands which in aggregate represent less than 5% of the Holdings Shares, are received by Holdings in accordance with section 115(8) of the Companies Act.

## 4. OVERVIEW OF STORES

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

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

## 5. LONG-TERM EMPLOYEE SHARE INCENTIVE SCHEME

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

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

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

## 6. TRP IMPLICATIONS

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

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

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

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

## 7. REGULATORY APPROVALS

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

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

## 8. DISSENTING HOLDINGS SHAREHOLDERS' APPRAISAL RIGHTS

8.1. Section 164 of the Companies Act provides that:

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

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

#### 9. FINANCIAL EFFECTS OF THE TRANSACTION

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

#### 10. GOVERNING LAW

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

#### 11. FOREIGN HOLDINGS SHAREHOLDERS

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

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

#### 12. EXCHANGE CONTROL

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

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

#### 13. TAXATION CONSIDERATIONS RELATING TO THE UNBUNDLING AND THE SCHEME

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

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

#### 14. HOLDINGS' SHARE CAPITAL

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

*Authorised and issued share capital*

##### **Authorised share capital**

800 000 000 ordinary shares of 1.25 cents each

##### **Issued share capital**

527 249 082 ordinary shares of 1.25 cents each

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

2. There is share premium of R120.8 million

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

#### 15. MAJOR HOLDINGS AND STORES SHAREHOLDERS

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

##### **Holdings**

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

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

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

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

<sup>4</sup> Includes beneficial and non-beneficial interests

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

#### Stores

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

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

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

<sup>3</sup> Before the Pre-Unbundling Disposal of 300 000 Stores Shares

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

<sup>5</sup> Includes beneficial and non-beneficial interests

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

#### Stores

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

<sup>1</sup> Based on Total Stores Shares of 488 450 321

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

## 16. MATERIAL INTERESTS OF DIRECTORS

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

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

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

<sup>2</sup> No Directors resigned within the last 18 months

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

<sup>4</sup> Associate of Raymond Ackerman, Gareth Ackerman, Jonathan Ackerman and Suzanne Ackerman-Berman

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

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

## 17. VOTING DILUTION IMPACT ON SHAREHOLDERS

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

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

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

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

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

## 18. GENERAL MEETING

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

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

## 19. INDEPENDENT BOARD'S OPINION AND RECOMMENDATIONS

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

## 20. TRANSACTION EXPENSES

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

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

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



## 21. SOLVENCY AND LIQUIDITY

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

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

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

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

## 22. RESPONSIBILITY STATEMENT

The Directors, collectively and individually, accept full responsibility for the accuracy of the information given in this Circular and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Circular contains all information required by law and the Listings Requirements.

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

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

## 23. CONSENTS

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

## 24. INCLUSION BY REFERENCE

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

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

## 25. MATERIAL CHANGES

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

## 26. LITIGATION

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

## 27. MATERIAL CONTRACTS

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

## 28. DIRECTORS' SERVICE CONTRACTS AND REMUNERATION

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

### **29. DIRECTORS' INTERESTS IN THE TRANSACTION**

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

### **30. WORKING CAPITAL STATEMENT**

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

### **31. DOCUMENTS AVAILABLE FOR INSPECTION**

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

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

For and on behalf of the Directors

**Ms Debra Muller**

Company secretary  
Cape Town

24 June 2016

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## ANNEXURE 1: REPORT OF THE INDEPENDENT EXPERT

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14 June 2016

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

Dear Directors

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

#### **Introduction**

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

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

#### **Definition of fair and reasonable**

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

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

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

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

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

#### **Valuation approach**

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

#### **Sources of information**

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

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

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

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

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

### Procedures

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

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

### Assumptions

Our opinion is based on the following key assumptions:

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

### Opinion

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

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

### Independence

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

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

### Material interests of Directors

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

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

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

<sup>2</sup> Raymond Ackerman, Gareth Ackerman, Jonathan Ackerman and Suzanne Ackerman-Berman hold a non-beneficial interest in AIH and Mistral Trust that hold approximately 48% and 1% respectively in Holdings (including treasury shares)

<sup>3</sup> Associate of Raymond Ackerman, Gareth Ackerman, Jonathan Ackerman and Suzanne Ackerman-Berman

We understand that the proposed Scheme will have the same effect on such Directors that it has on other shareholders of Holdings.

**Limiting conditions**

This letter and opinion is provided in terms of section 114(2) of the Companies Act. It does not constitute a recommendation to any shareholder of Holdings on any matter relating to the Scheme, nor as to the acceptance of the Scheme. Therefore, it should not be relied upon for any other purpose. We assume no responsibility to anyone if this letter and opinion are used or relied upon for anything other than its intended purpose.

While our work has involved an analysis of financial information and the preparation of financial models, our engagement does not include an audit in accordance with International Standards on Auditing of the business records and financial data of Holdings. Accordingly, we cannot express any opinion on the financial data or other information used in arriving at our opinion.

The valuation of companies and businesses is not a precise science, and conclusions arrived at in many cases will necessarily be subjective and dependent on the exercise of individual judgement. Further, whilst we consider our opinion to be defensible based on the information available to us others may have a different view and arrive at a different conclusion.

In accordance with section 114(3)(g) of the Companies Act, a copy of sections 115 and 164 of the Companies Act is attached hereto as Appendix A and also in Annexure 5 of the Circular, to which this opinion is annexed.

Yours sincerely



**Matthew Human**  
Director

## ANNEXURE 2: TABLE OF ENTITLEMENT TO UNBUNDLED STORES SHARES

The following table sets out the number of Stores Shares to which a Holdings Shareholder will be entitled, pursuant to the Unbundling (thus a Pre-Unbundling Disposal of 300 000 Stores Shares), based on the Entitlement Ratio. If a Holdings Shareholder becomes entitled to a fraction of a Stores Share, the relevant fraction will be rounded so that the Holdings Shareholder will have an entitlement to Stores Shares rounded down to the nearest whole number.

Number of Holdings Shares held	Number of Unbundled Stores Shares to which a Holdings Shareholder will be entitled	Number of Holdings Shares held	Number of Unbundled Stores Shares to which a Holdings Shareholder will be entitled	Number of Holdings Shares held	Number of Unbundled Stores Shares to which a Holdings Shareholder will be entitled
1	0	36	17	71	34
2	0	37	18	72	35
3	1	38	18	73	35
4	1	39	19	74	36
5	2	40	19	75	36
6	2	41	19	76	37
7	3	42	20	77	37
8	3	43	20	78	38
9	4	44	21	79	38
10	4	45	21	80	39
11	5	46	22	81	39
12	5	47	22	82	39
13	6	48	23	83	40
14	6	49	23	84	40
15	7	50	24	85	41
16	7	51	24	86	41
17	8	52	25	87	42
18	8	53	25	88	42
19	9	54	26	89	43
20	9	55	26	90	43
21	10	56	27	91	44
22	10	57	27	92	44
23	11	58	28	93	45
24	11	59	28	94	45
25	12	60	29	95	46
26	12	61	29	96	46
27	13	62	30	97	47
28	13	63	30	98	47
29	14	64	31	99	48
30	14	65	31	100	48
31	15	66	32	500	243
32	15	67	32	1 000	487
33	16	68	33	10 000	4 875
34	16	69	33	100 000	48 752
35	17	70	34	1 000 000	487 521

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## ANNEXURE 3: INFORMATION FOR FOREIGN HOLDINGS SHAREHOLDERS AND FOR ALL HOLDINGS SHAREHOLDERS IN RESPECT OF EXCHANGE CONTROLS

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### 1. DISTRIBUTIONS TO FOREIGN HOLDINGS SHAREHOLDERS

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

This section sets out the restrictions applicable to Holdings Shareholders who have registered addresses outside South Africa, who are nationals, citizens or residents of countries other than South Africa, or who are persons (including, without limitation, custodians, nominees and trustees) who have a contractual or legal obligation to forward this document to a jurisdiction outside South Africa or who hold shares for the account or benefit of any such Foreign Holdings Shareholder.

It is the responsibility of any Foreign Holdings Shareholder (including, without limitation, nominees, agents and trustees for such persons) receiving this Circular and wishing to take up their entitlement to unbundled Stores Shares to satisfy themselves as to full observance of the applicable laws of any relevant territory, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. Foreign Holdings Shareholders are obliged to observe the applicable legal requirements of their relevant jurisdictions.

Receipt of this Circular will not constitute an offer of unbundled Stores Shares ("offer") in those jurisdictions in which it would be illegal to make such an offer and, in those circumstances, this Circular if sent, will be sent for information only and should not be copied or redistributed. No person receiving a copy of this Circular in any territory, other than South Africa, may treat the same as constituting an offer to such person unless, in the relevant territory, such an offer could lawfully be made to him without contravention of any registration or other legal requirements.

Accordingly, persons (including, without limitation, nominees, agents and trustees) receiving a copy of this Circular should not distribute or send the same to any person in, or citizen or resident of, or otherwise into any jurisdiction where to do so would or might contravene local securities laws or regulations. Any person who does distribute this Circular into any such territory (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this annexure.

Holdings reserves the right, but shall not be obliged, to treat as invalid any distribution of Stores Shares, in terms of the Unbundling, which appears to Holdings or its agents to have been executed, effected or dispatched in a manner which may involve a breach of the securities laws or regulations of any jurisdiction or if Holdings believes or its agents believe that the same may violate applicable legal or regulatory requirements.

An "**Excluded Foreign Holdings Shareholder**" includes any Foreign Holdings Shareholder who is unable to receive any of the Stores Shares to be distributed to him because of the laws of the jurisdiction of that shareholder, or any Foreign Holdings Shareholder that Holdings is not permitted to distribute any of the Stores Shares to because of the laws of the jurisdiction of that Holdings Shareholder. The Stores Shares to which Excluded Foreign Holdings Shareholders would be entitled in terms of the Unbundling may be aggregated and disposed of on the JSE in an orderly manner by the Transfer Secretaries on behalf of and for the benefit of Excluded Foreign Holdings Shareholders as soon as is reasonably practical after the implementation of the Unbundling at the best price that can reasonably be obtained at the time of sale. CSDPs will be responsible for informing the Transfer Secretaries of all Dematerialised Holdings Shares held by them on behalf of such Excluded Foreign Holdings Shareholders.

Excluded Foreign Holdings Shareholders will, in respect of their entitlement to the Unbundled Stores Shares, receive the average consideration per Unbundled Stores Share (net of transaction and currency conversion costs) received by the Transfer Secretaries pursuant to the sale process as set out in the preceding paragraph. The average consideration per Unbundled Stores Share due to each Excluded Foreign Holdings Shareholder will only be paid once all such Unbundled Stores Shares have been disposed of.

### 2. EXCHANGE CONTROL

The Unbundled Stores Shares are not freely transferable from the common monetary area and must be dealt with in terms of the Exchange Control Regulations. The following is a summary of the Exchange Control Regulations, is not comprehensive and is intended as a guide only. In the event that Holdings Shareholders have any doubts in respect of their obligations in terms of the Exchange Control Regulations they should consult their professional advisers.

#### 2.1. Emigrants from the common monetary area

The Unbundled Stores Shares received by the Holdings Shareholders who are emigrants from the common monetary area and whose registered address is outside the common monetary area will:

- in the case of Dematerialised Holdings Shareholders be credited to their blocked share accounts at the CSDP controlling their blocked portfolios; or
- in the case of Certificated Holdings Shareholders whose Documents of Title have been restrictively endorsed under the Exchange Control Regulations, be endorsed "Non-Resident" and will be sent to the authorised dealer in foreign exchange controlling their blocked assets.

The CSDP or Broker will ensure that all requirements of the Exchange Control Regulations are adhered to in respect of their clients falling into this category of investor, whether shares are held in dematerialised or certificated form.

Any payment of the Scheme Consideration pursuant to the Scheme will, in the case of Dematerialised Holdings Shareholders, be credited to their blocked banking account at the CSDP controlling their blocked portfolios or, in the case of Certificated Holdings Shareholders whose Documents of Title have been restrictively endorsed under the Exchange Control Regulations, be sent to the Authorised Dealer in foreign exchange controlling their blocked assets for credit to their blocked Rand account.

2.2. **All other Non-Residents of the common monetary area**

The Unbundled Stores Shares received by the Holdings Shareholders who are Non-Residents of the common monetary area and who have never resided in the common monetary area and whose registered address are outside the common monetary area will:

- in the case of Dematerialised Holdings Shareholders be credited to their share accounts at the CSDP controlling their portfolios; or
- in the case of Certificated Holdings Shareholders whose Documents of Title have been restrictively endorsed under the Exchange Control Regulations, be deposited with an Authorised Dealer in foreign exchange in South Africa nominated by such Holdings Shareholder. It will be incumbent on the Holdings Shareholder concerned to nominate the Authorised Dealer and to instruct the nominated Authorised Dealer as to the disposal of the relevant Holdings Shares. If the information regarding the authorised dealer is not given, the Unbundled Stores Shares will be held in trust for the Holdings Shareholder concerned pending the receipt of the necessary information or instruction.

The CSDP or Broker will ensure that all requirements of the Exchange Control Regulations are adhered to in respect of their clients falling into this category of investor, whether held in Dematerialised or Certificated form.

Any payment of the Scheme Consideration distributed pursuant to the Scheme will be regarded as freely transferable and, in the case of Dematerialised Holdings Shareholders, be credited to their banking account at the CSDP controlling their portfolios or, in the case of Certificated Shareholders whose Documents of Title have been restrictively endorsed under the Exchange Control Regulations, be deposited with an Authorised Dealer in foreign exchange in South Africa nominated by such Holdings Shareholder. It will be incumbent on the Holdings Shareholder concerned to nominate the Authorised Dealer and to instruct the nominated Authorised Dealer as to the disposal of the relevant cash. If the information regarding the Authorised Dealer is not given, the cash will be held in trust for the Holdings Shareholder concerned pending the receipt of the necessary information or instruction.



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## ANNEXURE 4: TAXATION CONSIDERATIONS RELATING TO THE UNBUNDLING AND THE SCHEME

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The summary below is a general guide and is not intended to constitute a complete analysis of the taxation consequences of the Unbundling provisions in terms of South African taxation law. It is not intended to be, nor should it be considered as legal or taxation advice. Holdings and its advisers cannot be held responsible for the taxation consequences of the Unbundling and the Scheme and therefore Holdings Shareholders are advised to consult their own tax advisers in this regard.

The Unbundling will constitute a disposal by Holdings of its Stores Shares to the Holdings Shareholders. The disposal will be effected utilising the tax concessions provided for in section 46 of the Income Tax Act.

The concessions provided for in section 46 of the Income Tax Act are outlined below:

### 1. DISPOSAL OF STORES SHARES BY HOLDINGS

The distribution of Stores Shares by Holdings, in terms of the Unbundling, will be disregarded by Holdings in determining its taxable income or assessed loss in the tax year that the Unbundling takes place. Furthermore, on the basis that Holdings holds the Stores Shares as capital assets, the Unbundling should not attract CGT.

### 2. HOLDINGS SHARES HELD AS TRADING STOCK

Any Holdings Shareholder holding Holdings Shares as trading stock will be deemed to acquire the unbundled Stores Shares as trading stock. The combined expenditure of such Holdings Shares and Stores Shares will be the amount originally taken into account by the Holdings Shareholder in respect of those Holdings Shares, as contemplated in section 11(a), section 22(1), or section 22(2) of the Income Tax Act.

The expenditure to be allocated to the Unbundled Stores Shares will be determined by applying the ratio that the market value of Stores Shares bears to the sum of the market value of the Stores Shares and the Holdings Shares at the end of the day after the Unbundling. Holdings will advise Shareholders of the specified ratio by way of an announcement expected to be released on SENS on or about Thursday, 25 August 2016. This ratio must be used in the determination of any profits or losses derived on any future disposals of the Unbundled Shares or Holdings Shares.

The expenditure so allocated to the Unbundled Stores Shares will reduce the expenditure of the Holdings Shares held, thus allocating the expenditure between the Holdings Shares and the Unbundled Stores Shares.

Shareholders will be deemed to have acquired the Unbundled Stores Shares on the date on which the Holdings Shares were originally acquired.

### 3. HOLDINGS SHARES HELD AS CAPITAL ASSETS

Any Holdings Shareholder holding Holdings Shares as capital assets will be deemed to acquire the Unbundled Stores Shares as capital assets. The expenditure incurred in respect of the Holdings Shares, in terms of paragraph 20 of the Eighth Schedule to the Income Tax Act, and (where applicable) the CGT valuation of the Holdings Shares, as contemplated in paragraph 29 of the Eighth Schedule to the Income Tax Act, will be apportioned between the Stores Shares and the Holdings Shares by applying the ratio that the market value of Stores Shares bears to the sum of the market values of the Stores Shares and Holdings Shares at the end of the day after the Unbundling. Holdings will advise Shareholders of the specified ratio by way of an announcement expected to be released on SENS on or about Thursday, 25 August 2016. This ratio must be used in the determination of the capital gain or loss derived on any future disposals of the Unbundled Stores Shares or Holdings Shares.

The base cost so allocated to the Unbundled Stores Shares will reduce the base cost of the Holdings Shares held, thus allocating the base cost between the Holdings Shares and the Unbundled Stores Shares.

Shareholders will be deemed to have acquired the Unbundled Stores Shares on the date on which the Holdings Shares were originally acquired.

### 4. SECURITIES TRANSFER TAX

The transfer of the Unbundled Stores Shares in the names of the Holdings Shareholders will be exempt from the payment of any STT.

### 5. DIVIDENDS TAX AND RETURNS OF CAPITAL

In terms of sections 46(5) and 46(5A) of the Income Tax Act, the distribution of the Stores Shares must be disregarded for Dividends Tax purposes and must also not be treated as a return of capital for the purposes of paragraph 76B of the Eighth Schedule to the Income Tax Act.

### 6. NON-RESIDENT SHAREHOLDERS

Holdings Shareholders who are Non-Resident for tax purposes in South Africa are advised to consult their own professional tax advisers regarding the tax treatment of the Unbundling in their respective jurisdictions, having regard to the tax laws in their jurisdiction and any applicable tax treaties between South Africa and their country of residence.

### 7. TAX ON RECEIPT OF THE SCHEME CONSIDERATION

In respect of Holdings Shares held by Holdings Shareholders as capital assets, to the extent that the proceeds realised by the Holdings Shareholders in respect of the disposal of such shares in terms of the Scheme exceed their base cost (as allocated above), this would give rise to a capital gain. However, on the basis that the Holdings Shares will be disposed of at a nominal market value, no material CGT (if any) should be triggered in this regard.

In respect of Holdings Shares held by Holdings Shareholders on revenue account, to the extent that the Scheme Consideration received by the Holdings Shareholders in respect of the sale of such shares exceeds their expenditure (as allocated above), this would give rise to gross income in the hands of such Shareholders. However, on the basis that the Holdings Shares will be disposed of at a nominal market value, no material income tax liability (if any) should be triggered in this regard.

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## ANNEXURE 5: EXTRACTS OF SECTIONS 115 AND 164 OF THE COMPANIES ACT

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### “Section 115: Required approval for transactions contemplated in Part A

- (1) Despite section 65, and any provision of a company's Memorandum of Incorporation, or any resolution adopted by its board or holders of its securities, to the contrary, a company may not dispose of, or give effect to an agreement or series of agreements to dispose of, all or the greater part of its assets or undertaking, implement an amalgamation or a merger, or implement a scheme of arrangement, unless:
- (a) The disposal, amalgamation or merger, or scheme of arrangement:
    - (i) has been approved in terms of this section; or
    - (ii) is pursuant to or contemplated in an approved business rescue plan for that company, in terms of Chapter 6; and
  - (b) to the extent that Parts B and C of this Chapter and the Takeover Regulations apply to a company that proposes to:
    - (i) dispose of all or the greater part of its assets or undertaking;
    - (ii) amalgamate or merge with another company; or
    - (iii) implement a scheme of arrangement,
- the Panel has issued a compliance certificate in respect of the transaction, in terms of section 119 (4)(b), or exempted the transaction in terms of section 119(6).
- (2) A proposed transaction contemplated in subsection (1) must be approved:
- (a) by a special resolution adopted by persons entitled to exercise voting rights on such a matter, at a meeting called for that purpose and at which sufficient persons are present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter, or any higher percentage as may be required by the company's Memorandum of Incorporation, as contemplated in section 64(2); and
  - (b) by a special resolution, also adopted in the manner required by paragraph (a), by the shareholders of the company's holding company if any, if:
    - (i) the holding company is a company or an external company;
    - (ii) the proposed transaction concerns a disposal of all or the greater part of the assets or undertaking of the subsidiary; and
    - (iii) having regard to the consolidated financial statements of the holding company, the disposal by the subsidiary constitutes a disposal of all or the greater part of the assets or undertaking of the holding company; and
  - (c) by the court, to the extent required in the circumstances and manner contemplated in subsections (3) to (6).
- (3) Despite a resolution having been adopted as contemplated in subsections (2)(a) and (b), a company may not proceed to implement that resolution without the approval of a court if:
- (a) the resolution was opposed by at least 15% of the voting rights that were exercised on that resolution and, within five business days after the vote, any person who voted against the resolution requires the company to seek court approval; or
  - (b) the court, on an application within 10 business days after the vote by any person who voted against the resolution, grants that person leave, in terms of subsection (6), to apply to a court for a review of the transaction in accordance with subsection (7).
- (4) For the purposes of subsections (2) and (3), any voting rights controlled by an acquiring party, a person related to an acquiring party, or a person acting in concert with either of them, must not be included in calculating the percentage of voting rights:
- (a) required to be present, or actually present, in determining whether the applicable quorum requirements are satisfied; or
  - (b) required to be voted in support of a resolution, or actually voted in support of the resolution.
- (4A) In subsection (4), 'Act in Concert' has the meaning set out in section 117(1)(b).
- (5) If a resolution requires approval by a court as contemplated in terms of subsection (3)(a), the company must either:
- (a) within 10 business days after the vote, apply to the court for approval, and bear the costs of that application; or
  - (b) treat the resolution as a nullity.
- (6) On an application contemplated in subsection (3)(b), the court may grant leave only if it is satisfied that the applicant:
- (a) is acting in good faith;
  - (b) appears prepared and able to sustain the proceedings; and
  - (c) has alleged facts which, if proved, would support an order in terms of subsection (7).
- (7) On reviewing a resolution that is the subject of an application in terms of subsection (5)(a), or after granting leave in terms of subsection (6), the court may set aside the resolution only if:
- (a) the resolution is manifestly unfair to any class of holders of the company's securities; or
  - (b) the vote was materially tainted by conflict of interest, inadequate disclosure, failure to comply with the Act, the Memorandum of Incorporation or any applicable rules of the company, or other significant and material procedural irregularity.

- (8) The holder of any voting rights in a company is entitled to seek relief in terms of section 164 if that person:
  - (a) notified the company in advance of the intention to oppose a special resolution contemplated in this section; and
  - (b) was present at the meeting and voted against that special resolution.
- (9) If a transaction contemplated in this Part has been approved, any person to whom assets are, or an undertaking is, to be transferred, may apply to a court for an order to effect:
  - (a) the transfer of the whole or any part of the undertaking, assets and liabilities of company contemplated in that transaction;
  - (b) the allotment and appropriation of any shares or similar interests to be allotted or appropriated as a consequence of the transaction;
  - (c) the transfer of shares from one person to another;
  - (d) the dissolution, without winding-up, of a company, as contemplated in the transaction;
  - (e) incidental, consequential and supplemental matters that are necessary for the effectiveness and completion of the transaction; or
  - (f) any other relief that may be necessary or appropriate to give effect to, and properly implement, the amalgamation or merger.”

**“Section 164: Dissenting shareholders appraisal rights**

- (1) This section does not apply in any circumstances relating to a transaction, agreement or offer pursuant to a business rescue plan that was approved by shareholders of a company, in terms of section 152.
- (2) If a company has given notice to shareholders of a meeting to consider adopting a resolution to:
  - (a) amend its Memorandum of Incorporation by altering the preferences, rights, limitations or other terms of any class of its shares in any manner materially adverse to the rights or interests of holders of that class of shares, as contemplated in section 37(8); or
  - (b) enter into a transaction contemplated in section 112, 113 or 114, that notice must include a statement informing shareholders of their rights under this section.
- (3) At any time before a resolution referred to in subsection (2) is to be voted on, a dissenting shareholder may give the company a written notice objecting to the resolution.
- (4) Within 10 business days after a company has adopted a resolution contemplated in this section, the company must send a notice that the resolution has been adopted to each shareholder who:
  - (a) gave the company a written notice of objection in terms of subsection (3); and
  - (b) has neither:
    - (i) withdrawn that notice; or
    - (ii) voted in support of the resolution.
- (5) A shareholder may demand that the company pay the shareholder the fair value for all of the shares of the company held by that person if:
  - (a) the shareholder:
    - (i) sent the company a notice of objection, subject to subsection (6); and
    - (ii) in the case of an amendment to the company’s Memorandum of Incorporation, holds shares of a class that is materially and adversely affected by the amendment;
  - (b) the company has adopted the resolution contemplated in subsection (2); and
  - (c) the shareholder:
    - (i) voted against that resolution; and
    - (ii) has complied with all of the procedural requirements of this section.
- (6) The requirement of subsection (5)(a)(i) does not apply if the company failed to give notice of the meeting, or failed to include in that notice a statement of the shareholder’s rights under this section.
- (7) A shareholder who satisfies the requirements of subsection (5) may make a demand contemplated in that subsection by delivering a written notice to the company within:
  - (a) 20 business days after receiving a notice under subsection (4); or
  - (b) if the shareholder does not receive a notice under subsection (4), within 20 business days after learning that the resolution has been adopted.
- (8) A demand delivered in terms of subsections (5) to (7) must also be delivered to the Panel, and must state:
  - (a) the shareholder’s name and address;
  - (b) the number and class of shares in respect of which the shareholder seeks payment; and
  - (c) a demand for payment of the fair value of those shares.

- (9) A shareholder who has sent a demand in terms of subsections (5) to (8) has no further rights in respect of those shares, other than to be paid their fair value, unless:
- (a) the shareholder withdraws that demand before the company makes an offer under subsection (11), or allows an offer made by the company to lapse, as contemplated in subsection (12)(b);
  - (b) the company fails to make an offer in accordance with subsection (11) and the shareholder withdraws the demand; or
  - (c) the company, by a subsequent special resolution, revokes the adopted resolution that gave rise to the shareholder's rights under this section.
- (10) If any of the events contemplated in subsection (9) occur, all of the shareholder's rights in respect of the shares are reinstated without interruption.
- (11) Within five business days after the later of:
- (a) the day on which the action approved by the resolution is effective;
  - (b) the last day for the receipt of demands in terms of subsection (7)(a); or
  - (c) the day the company received a demand as contemplated in subsection (7)(b), if applicable, the company must send to each shareholder who has sent such a demand a written offer to pay an amount considered by the company's directors to be the fair value of the relevant shares, subject to subsection (16), accompanied by a statement showing how that value was determined.
- (12) Every offer made under subsection (11):
- (a) in respect of shares of the same class or series must be on the same terms; and
  - (b) lapses if it has not been accepted within 30 business days after it was made.
- (13) If a shareholder accepts an offer made under subsection (12):
- (a) the shareholder must either in the case of:
    - (i) shares evidenced by certificates, tender the relevant share certificates to the company or the company's transfer agent; or
    - (ii) uncertificated shares, take the steps required in terms of section 53 to direct the transfer of those shares to the company or the company's transfer agent; and
  - (b) the company must pay that shareholder the agreed amount within 10 business days after the shareholder accepted the offer and:
    - (i) tendered the share certificates; or
    - (ii) directed the transfer to the company of uncertificated shares.
- (14) A shareholder who has made a demand in terms of subsections (5) to (8) may apply to a court to determine a fair value in respect of the shares that were the subject of that demand, and an order requiring the company to pay the shareholder the fair value so determined, if the company has:
- (a) failed to make an offer under subsection (11); or
  - (b) made an offer that the shareholder considers to be inadequate, and that offer has not lapsed.
- (15) On an application to the court under subsection (14):
- (a) all dissenting shareholders who have not accepted an offer from the company as at the date of the application must be joined as parties and are bound by the decision of the court;
  - (b) the company must notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to participate in the court proceedings; and
  - (c) the court:
    - (a) may determine whether any other person is a dissenting shareholder who should be joined as a party;
    - (b) must determine a fair value in respect of the shares of all dissenting shareholders, subject to subsection (16);
    - (c) in its discretion may:
      - (aa) appoint one or more appraisers to assist it in determining the fair value in respect of the shares; or
      - (bb) allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective, until the date of payment;
    - (d) may make an appropriate order of costs, having regard to any offer made by the company, and the final determination of the fair value by the court; and
    - (e) must make an order requiring:
      - (aa) the dissenting shareholders to either withdraw their respective demands or to comply with subsection (13)(a); and
      - (bb) the company to pay the fair value in respect of their shares to each dissenting shareholder who complies with subsection (13)(a), subject to any conditions the court considers necessary to ensure that the company fulfils its obligations under this section.

- (15A) At any time until the court has made an order contemplated in subsection (15)(c)(v), a dissenting shareholder may accept the offer made by the company in terms of subsection (11), in which case:
- (a) that shareholder must comply with the requirements of subsection 13(a); and
  - (b) the company must comply with the requirements of subsection 13(b).
- (16) The fair value in respect of any shares must be determined as at the date on which, and time immediately before, the company adopted the resolution that gave rise to a shareholder's rights under this section.
- (17) If there are reasonable grounds to believe that compliance by a company with subsection (13)(b), or with a court order in terms of subsection (15)(c)(v)(bb), would result in the company being unable to pay its debts as they fall due and payable for the ensuing 12 months:
- (a) the company may apply to a court for an order varying the company's obligations in terms of the relevant subsection; and
  - (b) the court may make an order that:
    - (i) is just and equitable, having regard to the financial circumstances of the company; and
    - (ii) ensures that the person to whom the company owes money in terms of this section is paid at the earliest possible date compatible with the company satisfying its other financial obligations as they fall due and payable.
- (18) If the resolution that gave rise to a shareholder's rights under this section authorised the company to amalgamate or merge with one or more other companies, such that the company whose shares are the subject of a demand in terms of this section has ceased to exist, the obligations of that company under this section are obligations of the successor to that company resulting from the amalgamation or merger.
- (19) For greater certainty, the making of a demand, tendering of shares and payment by a company to a shareholder in terms of this section do not constitute a distribution by the company, or an acquisition of its shares by the company within the meaning of section 48, and therefore are not subject to:
- (a) the provisions of that section; or
  - (b) the application by the company of the solvency and liquidity test set out in section 4.
- (20) Except to the extent :
- (a) expressly provided in this section; or
  - (b) that the Panel rules otherwise in a particular case,  
a payment by a company to a shareholder in terms of this section does not obligate any person to make a comparable offer under section 125 to any other person."

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## ANNEXURE 6: EXTRACT OF THE RIGHTS, PRIVILEGES AND CONDITIONS ATTACHING TO THE B SHARES FROM THE NEW MOI OF STORES

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### RIGHTS, PRIVILEGES AND CONDITIONS ATTACHING TO THE B SHARES

The B Shares shall carry the following rights and privileges and shall be subject to the following conditions –

#### 1. DEFINITIONS

- 1.1. The following words and expressions shall, when used in this Annexure D, bear the meanings assigned to them below and cognate words and expressions shall bear corresponding meanings –
  - 1.1.1. “**Act in Concert**” shall bear the meaning ascribed thereto in section 117(b) of the Companies Act construed mutatis mutandis, and the phrase “Acting in Concert” shall be construed accordingly;
  - 1.1.2. “**B Share Holding Ratio**” means the ratio of B Shares held by each B Shareholder to the total number of B Shares in issue;
  - 1.1.3. “**B Share Issue Ratio**” means the ratio of 1.98061 (one point nine eight zero six one) B Shares for every 1 (one) Stapled Ordinary Share held by the B Shareholders at the time of the issue and allotment of the B Shares which, for the avoidance of doubt, shall continue to apply to any B Shareholder from time to time thereafter;
  - 1.1.4. “**B Shares**” means the unlisted, non-convertible, non-participating, no par value B ordinary shares which the Company is authorised to issue, having the rights, privileges and conditions set out in this Annexure D;
  - 1.1.5. “**B Shareholders**” means the holders of B Shares together with the corresponding number of Stapled Ordinary Shares (as determined in accordance with the B Share Issue Ratio) from time to time;
  - 1.1.6. “**Call Option**” means in relation to B Shares, the irrevocable and unconditional right and option which each B Shareholder of a B Share grants to the Company to enable the Company at its election to oblige that B Shareholder (which shall then be obliged) to sell B Shares to the Company, each for the Option Amount, upon the happening of an Option Event on the terms set out in this Annexure D;
  - 1.1.7. “**Disposal**” or “**Transfer**” means, when used in relation to a B Share, the sale, alienation, transfer, donation or other conveyance of that B Share or any part thereof including, without limitation, any rights attaching thereto and shall include any agreement or arrangement howsoever described to give effect to the foregoing, and the expressions “**Dispose**”, “**Disposal**”, “**Transfer**” or “**Transferred**” shall be construed accordingly;
  - 1.1.8. “**Initial Ackerman Family Holders**” means the members of the Ackerman family who hold Ordinary Shares and to whom B Shares are to be issued in accordance with the B Share Issue Ratio, namely:
    - 1.1.8.1. Ackerman Investment Holdings Proprietary Limited (Registration number: 2010/018805/07) (owning 48.5%);
    - 1.1.8.2. The Mistral Trust (owning 1.05%);
    - 1.1.8.3. Burrumbuck Investments Proprietary Limited (owning 0.63%);
    - 1.1.8.4. RD Ackerman (owning 0.24%);
    - 1.1.8.5. The Jongus Trust (owning 0.22%);
    - 1.1.8.6. The Bermack Trust (owning 0.11%);
    - 1.1.8.7. The Sudale Trust (owning 0.07%);
    - 1.1.8.8. J Ackerman (owning 0.05%);
    - 1.1.8.9. S Ackerman (owning 0.05%);
    - 1.1.8.10. K Robins (owning 0.04%);
    - 1.1.8.11. A Ackerman (owning 0.01%); and
    - 1.1.8.12. 15 other individuals (collectively owning 0.05%);
  - 1.1.9. “**Option Amount**” means in relation to each B Share, an amount of R0.00001 which is payable by the Company to the B Shareholder of that B Share upon the exercise of the Call Option in respect of that B Share;

1.1.10. “**Option Event**” means in respect of the B Shares –

- 1.1.10.1. if no B Shareholder together with any other B Shareholder(s) Related to or Acting in Concert with such B Shareholder holds an amount of more than 25% (twenty five percent) of the total voting rights of the Company; or
- 1.1.10.2. if any B Shareholder fails to notify the company secretary in writing of a Disposal of B Shares, prior to such Disposal, as contemplated in clause 6 below; or
- 1.1.10.3. if any B Shareholder Disposes of or Transfers any Stapled Ordinary Shares on-market (which, for the avoidance of doubt, shall be via the JSE’s normal order book); or
- 1.1.10.4. if any B Shareholder Disposes of any B Shares without the Disposal of the corresponding number of Stapled Ordinary Shares as contemplated in clause 8.1 below; or
- 1.1.10.5. if any B Shareholder Disposes of any B Shares and a corresponding number of Stapled Ordinary Shares, and the Transferee to whom such B Shares are Transferred, together with any other B Shareholder(s) Related to or Acting in Concert with such Transferee, does not, after the Disposal, hold more than 25% (twenty five percent) of the total voting rights of the Company upon Transfer of such B Shares (which amount shall, for the avoidance of doubt, be determined together with any other voting rights already held by such Transferee at the date of Transfer of the relevant B Shares);
- 1.1.10.6. if any B Shareholder Disposes of any B Shares, and a corresponding number of Stapled Ordinary Shares and, as a result of such Disposal, such B Shareholder no longer holds more than 25% (twenty five percent) of the total voting rights of the Company (together with such B Shareholder’s Related and Concert Parties at the date of Transfer of the relevant B Shares) upon Transfer of such B Shares; or
- 1.1.10.7. if as a result of a transaction (or a series of integrated transactions (as contemplated in section 41(4)(b) of the Companies Act)) relating to the Disposal of B Shares, and a corresponding number of Stapled Ordinary Shares, as at the time of the transaction (or the culmination of a series of integrated transactions (as contemplated in section 41(4)(b) of the Companies Act)):
  - 1.1.10.7.1. the combined voting rights of the transferring B Shareholder(s) (“**Transferor**”) together with any other B Shareholder(s) Related to or Acting in Concert with the Transferor comprise more than 25% (twenty five percent) of the total voting rights of the Company; and
  - 1.1.10.7.2. the combined voting rights of the persons(s) to whom such B Shares, and a corresponding number of Stapled Ordinary Shares, are transferred to a Transferee together with any other B Shareholder(s) and/or holders of Ordinary Shares Related to or Acting in Concert with the Transferee, comprise more than 25% (twenty five percent) of the total voting rights of the Company, and such Transferee has not, at its sole discretion, elected to make an offer to all of the other holders of the Ordinary Shares, mutatis mutandis, in accordance with section 123 of the Companies Act;

1.1.11. “**Ordinary Shareholders**” means the holders of Ordinary Shares;

1.1.12. “**Ordinary Shares**” means the ordinary shares which the Company is authorised to issue, having the rights, privileges and conditions set in this MOI;

1.1.13. “**Related**” shall have the meaning ascribed thereto in section 2 of the Companies Act;

1.1.14. “**Stapled Ordinary Shares**” means the Ordinary Shares held by the B Shareholders at the time of the issue and allotment of the B Shares, determined in accordance with the B Share Issue Ratio, which Ordinary Shares are subject to the restrictions on disposal described in clause 6 below; and

1.1.15. “**Transferee**” shall mean any person(s) to whom B Shares are Transferred (as defined in clause 1.1.7 above), and “**Transferor**” shall bear a corresponding meaning.

## 2. WINDING-UP AND RETURN OF CAPITAL

The B Shares shall not carry the right, on a winding-up of the Company or on any return or reduction of capital, to the payment or repayment of any amount.

## 3. NO PARTICIPATION

The B Shares shall not be entitled to any participation in the profits of the Company or any distribution of the assets or capital of the Company.

#### **4. VOTING**

- 4.1. At every General Meeting or adjourned General Meeting of the Company at which Ordinary Shareholders and B Shareholders are present and entitled to vote on any particular matter, upon a poll, or in respect of any written resolution contemplated in section 60 of the Companies Act on which the Ordinary Shareholders and the B Shareholders are entitled to vote, each B Shareholder shall, in respect of that particular matter, be entitled to exercise 1 (one) vote for every B Share held and entitled to vote at that time.
- 4.2. Any B Shareholder shall, by giving written notice to that effect to the Company at any time when the B Shareholders are entitled to vote in terms of clause 4.1 above, be entitled to require the Company, which shall thereupon be obliged, to call a General Meeting of its Holders, or any class of them, to consider any matter (including, without limitation, a resolution requiring the Company to comply with its obligations to the B Shareholders, and any such resolution adopted at a meeting of all shareholders of the Company shall, notwithstanding anything to the contrary contained in this MOI, be binding upon and be given effect to by the Company and the Directors).

#### **5. MODIFICATION OF THE TERMS OF THE B SHARES**

The terms of the B Shares may not be modified without a special resolution amending this MOI, which special resolution must be approved by Shareholders holding:

- 5.1. at least 75% (seventy five percent) of the voting rights exercisable at a meeting of all shareholders (which, for the avoidance of doubt, shall include the B Shareholders); and
- 5.2. at least 75% (seventy five percent) of the voting rights exercisable at a separate class meeting comprised of the B Shareholders only.

#### **6. NOTIFICATION OF TRANSFER OF B SHARES**

No B Shareholder shall be entitled to Dispose of or Transfer its B Shares or any of them (together with the corresponding number of Stapled Ordinary Shares (as determined in accordance with the B Share Issue Ratio)) unless and until it has notified the company secretary in writing thereof and any failure by a B Shareholder to so notify the company secretary will on the Date of Transfer or Disposal constitute an Option Event, which shall result in immediate cancellation of the voting rights attached to such B Shares in accordance with the provisions of the clause 7 below.

#### **7. CALL OPTION AND CESSATION OF B SHARE VOTING RIGHTS**

- 7.1. On the occurrence of an Option Event, the voting rights which attach to the B Shares, in respect of that Option Event, shall immediately cease to be of force and effect and the B Shareholder(s) concerned hereby undertakes not to exercise or purport to exercise such voting rights. For the avoidance of doubt:
  - 7.1.1. the occurrence of the Option Event set out in clause 1.1.10.1 above shall result in the cessation of the voting rights attaching to all B Shares in issue;
  - 7.1.2. the occurrence of the Option Events set out in clauses 1.1.10.2, 1.1.10.3, 1.1.10.4, 1.1.10.5, or 1.1.10.6 above shall result in the cessation of the voting rights attaching to only those B Shares:
    - 7.1.2.1. the Disposal of which the company secretary was not notified of, in terms of clause 6 above, read with clause 1.1.10.2 above;
    - 7.1.2.2. the Disposal of Stapled Ordinary shares on-market in terms of clause 1.1.10.3 above;
    - 7.1.2.3. which were Disposed of without the Disposal of the corresponding number of Stapled Ordinary Shares, in terms of clause 8.1 below read with clause 1.1.10.4 above; or
    - 7.1.2.4. which were Disposed of to a Transferee who does not, together with any other B Shareholder(s) Related to or Acting in Concert with such Transferee, hold more than 25% (twenty five percent) of the total voting rights of the Company (which amount shall, for the avoidance of doubt, be determined together with any other voting rights already held by such Transferee at the date of Transfer of the relevant B Shares) in accordance with clause 1.1.10.5 above; or
    - 7.1.2.5. which are retained by a B Shareholder in circumstances where such B Shareholder has Disposed of B Shares, together with the corresponding number of Stapled Ordinary Shares, and as a result of such Disposal the relevant B Shareholder no longer holds more than 25% (twenty five percent) of the total voting rights of the Company, as contemplated in clause 1.1.10.6 above;
  - 7.1.3. the occurrence of the Option Event set out in clause 1.1.10.7 above shall result in the cessation of the voting rights attaching to those B Shares held by the Transferee together with all of the B Shares held by any person(s) Related to or Acting in Concert with the Transferee with effect from the date of Transfer.



7.2. Notwithstanding anything to the contrary in this MOI, the B Shareholders hereby irrevocably grant the Company the Call Option, exercisable at the Company's election, to repurchase:

7.2.1. on the occurrence of the Option Event set out in clause 1.1.10.1 above, all of the B Shares in issue;

7.2.2. on the occurrence of the Option Events set out in clauses 1.1.10.2, 1.1.10.3, 1.1.10.4, 1.1.10.5, or 1.1.10.6 above, all of those B Shares:

7.2.2.1. the Disposal of which the company secretary was not notified of, in terms of clause 6 above, read with clause 1.1.10.2 above; or

7.2.2.2. the Disposal of Stapled Ordinary shares on-market in terms of clause 1.1.10.3 above;

7.2.2.3. which were Disposed of without the Disposal of the corresponding number of Stapled Ordinary Shares, in terms of clause 8.1 below read with clause 1.1.10.4 above;

7.2.2.4. which were Disposed of to a Transferee who does not, together with any other B Shareholder(s) Related to or Acting in Concert with such Transferee, hold more than 25% (twenty five percent) of the total voting rights of the Company (which amount shall, for the avoidance of doubt, be determined together with any other voting rights already held by such Transferee at the date of Transfer of the relevant B Shares) in accordance with clause 1.1.10.5 above; or

7.2.2.5. which are retained by a B Shareholder in circumstances where such B Shareholder has Disposed of B Shares, together with the corresponding number of Stapled Ordinary Shares, and as a result of such Disposal such B Shareholder no longer holds more than 25% (twenty five percent) of the total voting rights of the Company, as contemplated in clause 1.1.10.6 above;

7.2.3. on the occurrence of the Option Event set out in clause 1.1.10.7 above, and provided that the Transferee in terms of clause 1.1.10.7.2 above has, at its sole discretion, not elected to make an offer to all other holders of Ordinary Shares on the date of Transfer, mutatis mutandis, in accordance with section 123 of the Companies Act, all of those B Shares held by the Transferee together with all of the B Shares held by any person(s) Related to or Acting in Concert with the Transferee in respect of that Option Event,

at any time on or after the happening of the relevant Option Event and for the Option Amount per B Share.

7.3. In circumstances where the Transferee elects to make an offer as provided for in clauses 1.1.10.7.2 read with 7.2.3 above (or where the Transferee is obliged to do so under section 123 of the Companies Act), the full consideration payable by the Transferee to the Transferor under the transaction which triggers the offer in question shall be attributable to the Ordinary Shares forming the subject matter of such offer and no consideration shall be attributable to the B Shares.

7.4. The Company shall, subject to the passing of any and all shareholders' resolutions and the fulfilment of any and all other legal requirements (if any) required to authorise the exercise of the Call Option, be entitled to exercise the Call Option at any time after the occurrence of an Option Event and repurchase all of the relevant B Shares in terms thereof.

7.5. Immediately following receipt of the necessary shareholder approvals and fulfilment of any and all other legal requirements (if any) required to authorise the exercise of the Call Option, the Company shall be entitled to exercise the Call Option by giving written notice to that effect to the relevant B Shareholder and paying the relevant B Shareholder the Option Amount for each B Share repurchased. The Option Amount shall be paid in cash by way of electronic funds transfer into such bank account as may be recorded by the Company in its records in respect of that B Shareholder. The B Shareholder shall be obliged to surrender to the Company the share certificate/s for the B Shares (or, if such certificate has been lost or destroyed, proof of such loss or destruction) upon receipt of payment of the Option Amount in relation to any B Shares.

7.6. In the event that a B Shareholder(s) holds its B Shares together with Related Parties, or parties Acting in Concert with such B Shareholder, for the purposes hereof, then the company secretary may from time to time require that such B Shareholder(s) furnish the Company with documentary proof of their Related Party or Concert Party relationship, to the company secretary's reasonable satisfaction, and the onus of proving such a relationship shall rest on the relevant B Shareholder(s).

## 8. GENERAL

8.1. A B Shareholder may only dispose of B Shares if, in the same transaction, the pro rata number of Stapled Ordinary Shares held by that B Shareholder (as determined in accordance with the B Share Issue Ratio) are also disposed of and vice versa. Ordinary Shares held by a B Shareholder may be disposed of off-market or on-market via the JSE order book, subject to the provisions of clause 7 above. Each B Shareholder must at all times hold at least the B Share Issue Ratio of Stapled Ordinary Shares to B Shares.

8.2. The Board of the Company shall resolve to issue and allot B Shares initially only to the Initial Ackerman Family Holders in the B Share Issue Ratio, and thereafter from time to time only to the B Shareholders in such circumstances as may be expressly contemplated and provided for in this MOI. For the avoidance of doubt, the Board shall not have a general authority to issue and allot B Shares in circumstances not expressly contemplated herein.

- 8.3. To the extent that the application of the B Share Issue Ratio to the issue of B Shares to the initial B Shareholders, or the application of clause 9 below results in any B Shareholder becoming entitled to a fraction of a B Share, the fraction shall be rounded down to the nearest whole number.
- 8.4. In the event that all of the issued B Shares have:
- 8.4.1. ceased to exercise voting rights, in terms of clause 7.1 above; and
- 8.4.2. been repurchased by the Company in terms of clause 7.2 above (such that no B Shares are any longer in issue),
- then, for the avoidance of doubt, the Company shall thereafter no longer issue and allot B Shares, notwithstanding the number of authorised but unissued B Shares.

## 9. ADJUSTMENT

- 9.1. For the purpose of this clause 9 an “**Adjustment Event**” means –
- 9.1.1. a restructure of the Ordinary Share capital of the Company; or
- 9.1.2. any corporate action or event howsoever described –
- 9.1.2.1. pursuant to which new Ordinary Shares are allotted and issued to all holders of Ordinary Shares (including, without limitation, B Shareholders in respect of their Stapled Ordinary Shares); or
- 9.1.2.2. in which all holders of Ordinary Shares have a right or entitlement to participate, to the extent that the B Shareholders have exercised such right or entitlement in respect of their Stapled Ordinary Shares; or
- 9.1.2.3. pursuant to which Ordinary Shares are repurchased from all holders of Ordinary Shares (including, without limitation, the Stapled Ordinary Shares of B Shareholders); or
- 9.1.2.4. in which all holders of Ordinary Shares have a right or entitlement to participate in a repurchase of some or all of their Ordinary Shares, to the extent that the B Shareholders have exercised such right or entitlement in respect of their Stapled Ordinary Shares;
- 9.1.3. a combination of any one or more of the events referred to in 9.1.1 or 9.1.2.
- 9.2. The intention of this clause 9 is to ensure that the B Shareholders continue to exercise the same portion of the total voting rights exercisable at meetings of the Company after the occurrence of an Adjustment Event as they did prior to the occurrence of the Adjustment Event (i.e. that there is no unwarranted dilution or accretion of voting rights of the B Shareholders). Accordingly, in the event of a corporate event in or alteration of capital of the Company which has the effect of increasing or decreasing the number of Stapled Ordinary Shares held by any B Shareholder, the number of B Shares held by such B Shareholder shall be increased or decreased, as the case may be, to maintain the B Share Issue Ratio of Stapled Ordinary Shares to B Shares held by such B Shareholder.
- 9.3. Having regard to clause 9.2 and notwithstanding any other provision of this MOI, if an Adjustment Event occurs and such Adjustment Event results in –
- 9.3.1. the B Shareholders exercising a smaller portion of the total voting rights exercisable at meetings of the Company after the occurrence of the Adjustment Event than they did prior to the occurrence of the Adjustment Event, then such number of new B Shares as will result in the B Shareholders exercising the same proportion of the total voting rights exercisable at meetings of the Company as they would have had the Adjustment Event not occurred (i.e. maintaining the ratio of B Shares to Stapled Ordinary Shares in the B Share Issue Ratio) will be allotted and issued to the B Shareholders (in proportion to their holding of Stapled Stores Shares) against payment of a subscription price of R0.00001 (zero point zero zero zero zero one Rand) per B Share;
- 9.3.2. the B Shareholders exercising a greater portion of the total voting rights exercisable at meetings of the Company after the occurrence of the Adjustment Event than they did prior to the occurrence of the Adjustment Event, then the Company shall have the right and option to repurchase (in proportion to their holding of Ordinary Shares) such number of B Shares from the B Shareholders as will result in them exercising the same proportion of the total voting rights exercisable at meetings of the Company as they would have had the Adjustment Event not occurred (i.e. maintaining the ratio of B Shares to Stapled Ordinary Shares in the B Share Issue Ratio). The aforesaid right and option to repurchase shall be at a repurchase price of R0.00001 (zero point zero zero zero zero one Rand) per B Share and otherwise in accordance with clause 7.2 above which shall apply mutatis mutandis. Any B Shares which the Company is entitled to repurchase in terms of this clause 9.3.2 shall cease to enjoy voting rights immediately upon the occurrence of the Adjustment Event in question.

9.4. For the avoidance of doubt, it is recorded that –

9.4.1. the following capital restructures or corporate actions and events shall constitute an Adjustment Event, namely –

9.4.1.1. a sub-division or consolidation of Ordinary Shares;

9.4.1.2. a rights issue in respect of Ordinary Shares, to the extent that B Shareholders follow their rights in respect of their Stapled Stores Shares;

9.4.2. the following corporate actions and events shall not constitute an Adjustment Event –

9.4.2.1. any issue of Ordinary Shares in which all Ordinary Shareholders would not be entitled to participate including, without limitation, any issue of Ordinary Shares under any employee incentive scheme;

9.4.2.2. any acquisition issue of Ordinary Shares;

9.4.2.3. any vendor consideration placing of Ordinary Shares;

9.4.2.4. any issue of Ordinary Shares for cash or to settle any indebtedness, liability, obligation, commitment, expense or the like;

9.4.2.5. any amalgamation or merger in accordance with section 113 of the Act; and

9.4.2.6. any rights issue to the extent that the B Shareholders do not follow their rights in respect of their Stapled Ordinary Shares.

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## **ANNEXURE 7: MANAGEMENT OF CONFLICT AND MAINTENANCE OF INDEPENDENCE**

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In compliance with the Companies Act and the Takeover Regulations, the Independent Board was established for the purposes of considering and dealing with the Transaction and the Scheme. The Independent Board being cognisant of actual and potential conflicts between the position of the Controlling Shareholders in relation to the Transaction and the Scheme and the position of Holdings Minority Shareholders have taken care to ensure that their independence was and will remain in place for the duration of the Transaction and the Scheme.

In particular:

- the Independent Board independently evaluated the Transaction without the presence of the Controlling Shareholders, their Directors and their advisers; and
- the Independent Board appointed independent advisers to those appointed by the Controlling Shareholders.

The Controlling Shareholders, who were likewise seized with the actual and potential conflicts flowing from their position in relation to the Transaction and the Scheme, have voluntarily undertaken (to the extent not in any event prohibited as a matter of law or the Listings Requirements) not to vote their Holdings Shares on the resolutions to be proposed at the General Meeting.

As a result of the different outcomes of the Transaction for Holdings Minority Shareholders and Stores Minority Shareholders, Holdings has undertaken not to vote its Stores Shares on the resolutions to be proposed at the Stores General Meeting.

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**ANNEXURE 8: ILLUSTRATIVE DILUTIVE EFFECT ON VOTES NOTIONALLY EXERCISABLE BY  
HOLDINGS SHAREHOLDERS IN STORES**

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Effective voting interest after the Pre-Unbundling Disposal, but before Unbundling and the issue and allotment of the B Shares to the Controlling Shareholders

Holdings' voting interest in Stores	52.8%
Holdings Minority Shareholders' effective economic interest in Stores	25.8%
Holdings Minority Shareholders' effective voting interest in Stores	25.2%

Effective voting interest after the Pre-Unbundling Disposal, Unbundling and the issue and allotment of the B Shares to the Controlling Shareholders

Holdings Minority Shareholders' economic interest in Stores	25.8%
Holdings Minority Shareholders' voting interest in Stores	16.2%
Holdings Minority Shareholders' percentage dilution	35.9%

**Note:** After the Transaction Stores Minority Shareholders will have a direct voting interest in Stores of 31.0%. The total voting interest held by Stores Minority Shareholders and Holdings Minority Shareholders equals the 47.2% voting interest that Stores Minority Shareholders had before the Transaction.

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## ANNEXURE 9: AMENDMENTS TO THE PICK N PAY EMPLOYEE SHARE SCHEME RULES

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### Pick n Pay 1997 Share Option Scheme

The deletion of clause 11.4 and the replacement thereof with the following amended clause 11.4:

- “11.4 Should the Trustees cancel an unexercised Option, they shall elect to either:
- 11.4.1 pay to a Participant (or his or her estate) such sum as would have been owing by them in terms of this Agreement had the Option been exercised, but the relevant Sale Shares not paid for or delivered, as at the date of the relevant event; or
  - 11.4.2 in respect of Options to acquire Shares in Pikwik, to substitute such Options with Options to acquire Shares in the Company of equivalent value, with the intent and purpose that pursuant to such substitution the Participant shall be in the same financial position but for such cancellation and substitution, insofar as is reasonably possible.”

### Blue Ribbon Employee Share Purchase Trust

The addition of the following provisions:

- “11.3 It is recorded and agreed that in the event that any distribution in specie is made to participant holders of shares in the capital of Pick n Pay Holdings Limited, which distribution in specie comprises shares in the capital of Pick n Pay Stores Limited (the “**Stores Substitution Shares**”), during the currency of any pledge in terms of this clause 11, then, unless otherwise determined by way of resolution of the trustees, such Stores Substitution Shares shall:
- 11.3.1 accrue to the relevant participant, but the trustees shall be entitled irrevocably and in rem suam to receive the share certificate(s) (if applicable) relating to the relevant Stores Substitution Shares on behalf of the relevant participant;
  - 11.3.2 be subject to a pledge in favour of the trust, in terms of which the participant pledges the relevant Stores Substitution Shares, on the terms contained in clause 11.2 above mutatis mutandis, as security for the due payment by the participant of his share debt; and
  - 11.3.3 otherwise be subject to the scheme rules as contained herein mutatis mutandis.
- 11.4 Should shares in the capital of Pick n Pay Holdings Limited become subject to a scheme of arrangement, within the meaning of section 114 of the Companies Act No 71 of 2008, pursuant to which the holders thereof become obliged to dispose of such shares then, subject to the provisions of clause 11.3 above, such shares shall be released from the operation of any pledge to which they are subject to, in terms of this clause 11.
- 11.5 The intent and purpose of clauses 11.3 and 11.4 above, and the powers conferred upon the trustees thereunder, are to ensure that participants entitled to shares in the capital of Pick n Pay Holdings Limited or whom are the owners of such shares, pledged to the trustees, are not prejudiced in the event of a scheme of arrangement or other corporate action which has the effect of reducing the value of the shares in the capital of Pick n Pay Holdings Limited and/or expropriating such shares.”

## ANNEXURE 10: SUMMARY OF B SHARE TERMS

### KEY B SHARE TERMS

Key term	B Share disposal term
<b>Class of shares</b>	<ul style="list-style-type: none"> <li>• Unlisted, non-convertible, non-participating, no par value shares</li> <li>• Voting rights but no economic participation and no veto rights</li> <li>• To be issued at a nominal value</li> <li>• B Shares will be stapled to the Stores Shares on their issue (collectively for this Annexure “<b>B/Stapled Ordinary Shares</b>”) and cannot be traded separately from each other</li> <li>• To be issued in a pre-determined ratio of B Shares to Stores Shares, i.e. the B Share Issue Ratio</li> </ul>
<b>Voting rights</b>	<ul style="list-style-type: none"> <li>• B Shares will provide additional voting rights to ensure that the Controlling Shareholders retain the same level of voting control in Stores after the Proposed Transaction as they currently enjoy (i.e. 52.8% of the votes in Stores.) (The current 52.9% effective control is reduced to 52.8% due to the Pre-Unbundling Disposal).</li> </ul>
<b>Economic rights</b>	<ul style="list-style-type: none"> <li>• B Shares will not have any economic rights:               <ul style="list-style-type: none"> <li>– Not entitled to participate in any profits of Stores</li> <li>– Not entitled to dividends</li> <li>– No rights in liquidation</li> </ul> </li> </ul>
<b>Administering B Shares</b>	<ul style="list-style-type: none"> <li>• Disposal or transfer of B/Stapled Ordinary Shares held by a B Shareholder must be as follows:               <ul style="list-style-type: none"> <li>– Stapled Ordinary Shares: on- or off-market; plus</li> <li>– B Shares (together with Stapled Ordinary Shares linked to it): off-market disposal</li> </ul> </li> <li>• In order to ensure the “stapled” nature of B/Stapled Ordinary Shares, the Stores company secretary must be informed of any proposed disposal of B/Stapled Ordinary Shares pre such disposal. Failure to notify the company secretary will result in the voting rights attaching to the B Shares linked to the Stapled Ordinary Shares being “cancelled” through a cessation of the voting rights (and subsequent repurchase by Stores)</li> </ul>
<b>Adjustments</b>	<ul style="list-style-type: none"> <li>• Should there be a corporate event or an alteration of the share capital of Stores, which increases or decreases the number of Stapled Ordinary Shares, then in certain circumstances the number of B Shares held by such B Shareholder shall be increased or decreased, as the case may be, to maintain the B Share Issue Ratio held by such B Shareholder</li> </ul>

**KEY B SHARE (LINKED TO STAPLED ORDINARY SHARES) DISPOSAL TERMS**

Effective voting threshold/ procedural issue	Disposal term	Effect	Rationale for the term
<b>Procedural</b>	The Stores company secretary must be informed of any proposed disposal of B Shares linked to Stapled Ordinary Shares ((collectively for this Annexure <b>"B/Stapled Ordinary Shares"</b> ) pre such disposal. The voting rights attaching to the B Shares stapled to those Stapled Ordinary Shares will be "cancelled" through a cessation of the voting rights and subsequent repurchase if the company secretary is not informed of a disposal.	If the company secretary is not informed pre a disposal of the B Stapled Ordinary Shares, the voting rights attaching to the B Shares stapled to those Stapled Ordinary Shares will effectively be cancelled through a cessation of the voting rights and subsequent repurchase.	As the B Shares are unlisted, the transfer and holding thereof (to ensure the stapled nature of the B Shares to the Stapled Ordinary Shares) will be managed by the company secretary. The company secretary will only be able to record who the holders of B Shares (linked to Stapled Ordinary Shares) are if information on the disposal is provided to the company secretary pre a disposal.
	The trading of Stapled Ordinary Shares (linked to the B Shares) can take place "off-market" (i.e. in materialised form, or dematerialised form not via the JSE normal order book) or "on-market" (i.e. in dematerialised form via the JSE's normal order book). However, if a disposal of a Stapled Ordinary Share which is stapled to a B Share is performed "on-market" by a B Shareholder, the voting rights attaching to the B Shares stapled to those Stapled Ordinary Shares will be cancelled through a cessation of the voting rights and subsequent repurchase.	The voting rights attaching to B Shares stapled to Stapled Ordinary Shares, which are disposed of "on-market" will be cancelled through a cessation of the voting rights and subsequent repurchase.	In an "on-market" transaction of Stapled Ordinary Shares, it will not be possible to identify the purchaser and as such the company secretary will not be able to appropriately record the transfer of the B Shares. To ensure proper recording of B Shareholders the voting rights attaching to B Shares will be cancelled through a cessation of the voting rights and subsequent repurchase in an "on-market" transaction of Stapled Ordinary Shares.



Effective voting threshold/ procedural issue	Disposal term	Effect	Rationale for the term
< 25%	<p>In a disposal of B/Stapled Ordinary Shares by a B Shareholder, where the combined voting rights of all other Stores Shares plus B/Stapled Ordinary Shares acquired by a purchaser (together with its concert parties and related parties) are not more than an effective aggregated 25% of the total Stores voting rights, the voting rights attaching to the B Shares stapled to the Stapled Ordinary Shares acquired will be cancelled through a cessation of the voting rights and subsequent repurchase.</p> <p>Similarly, if the combined voting rights of all other Stores Shares plus B/Stapled Ordinary Shares still held by the selling B Shareholder (together with its concert parties and related parties) (initially the Controlling Shareholders) are not more than an effective aggregated 25% of the Stores total voting rights, the voting rights attaching to the B Shares held by the seller will be cancelled through a cessation of the voting rights and subsequent repurchase.</p>	<p>The voting rights attaching to B Shares stapled to the Stapled Ordinary Shares are cancelled in the hands of a B Shareholder that does not hold more than 25% of Stores' total voting rights (together with its concert parties and related parties).</p>	<p>Ordinarily any single shareholder and its concert parties and related parties would lose so-called "negative" control below 25% shareholding, and hence the cessation of the voting rights of the B Shares is intended to simulate this loss of "negative" control.</p> <p>Further, it also ensures that when the B Shareholder disposes of B/Stapled Ordinary Shares in very small numbers at a time, that in those instances the voting rights attaching to the B Shares also get cancelled, as it will not be possible to administer the B Shares and their holders if too many parties started holding these.</p>
	<p>If at any point in time there is not a single B Shareholder (together with its concert parties and related parties) that holds more than an effective aggregate 25% of the Stores total voting rights, then the voting rights attaching to all B Shares will be cancelled through a cessation of the voting rights and subsequent repurchase.</p>	<p>The voting rights attaching to all B Shares are cancelled through a cessation of the voting rights and subsequent repurchase if there are no more B Shareholders (together with their concert parties and related parties) that hold more than 25% of the Stores total voting rights.</p>	<p>B Shares effectively provide voting rights similar to the current effective voting status quo. If no party holds more than 25%, the B Shares should not operate further to reflect the current status quo.</p>

Effective voting threshold/ procedural issue	Disposal term	Effect	Rationale for the term
<p>≥ 25%</p>	<p>If a purchaser acquires B/Stapled Ordinary Shares from a B Shareholder and post the acquisition holds more than 25% of the effective aggregated total voting rights together with its concert parties and related parties (B/Stapled Ordinary Shares acquired and existing Stores Shares) in Stores and the selling B Shareholder of the B/Stapled Ordinary Shares also still holds effective aggregated total voting rights (B/Stapled Ordinary Shares and existing Stores Shares) in Stores of more than 25%, together with its concert parties and related parties, then the purchaser of the B/Stapled Ordinary Shares will have the choice to elect to either: (i) make an offer to all other Stores Shareholders to acquire their shares at the same price paid for the B/Stapled Ordinary Shares; or (ii) to have the voting rights attaching to the B Shares stapled to the Stapled Ordinary Shares acquired cancelled through a cessation of the voting rights and subsequent repurchase (“25% Election Term”).</p> <p>Should an offer to minorities be made per the 25% Election Term, the full consideration payable to the B Shareholder under the transaction which triggers the offer shall be attributed to the Stapled Ordinary Shares and no value shall be attributed to the B Shares.</p>	<p>The purchaser of B/Stapled Ordinary Shares can either:</p> <ul style="list-style-type: none"> <li>• make the same offer to all other Stores shareholders at the same price it paid on the B/Stapled Ordinary Shares; or</li> <li>• have the voting rights attaching to its B Shares in respect of the B/Stapled Ordinary Shares cancelled through a cessation of the voting rights and subsequent repurchase and thus only hold Stores Shares.</li> </ul>	<p>The 25% Election Term is meant to counteract a “synthetic double 25%” voting position where there are two B Shareholders (after the disposal of B/Stapled Ordinary Shares) with greater than an effective 25% of the Stores total voting rights by virtue of the fact that the B Shares have voting rights.</p> <p>As such the purpose is to give an election to the purchaser to decide if he wishes to retain the B Shares or if the effective 25% voting (notwithstanding that the purchaser may have acquired Stores Shares of less than 25%, but get more than 25% due to the B Shares attaching to the Stapled Ordinary Shares) arising from this is important and the purchaser is willing to pay a premium for this, that all minority shareholder also get the opportunity to be paid such a premium, if any, to prevent minority shareholders from being disadvantaged.</p> <p>The purpose of the term ascribing the full value of an offer to minorities per the 25% Election Term is to ensure that minority shareholders enjoy the full benefit of the offer (despite not owning any B Shares).</p>
<p>≥ 35%</p>	<p>Should an offer to minorities be made the full consideration payable to the B Shareholder under the transaction which triggers the offer shall be attributed to the Stapled Ordinary Shares and no value shall be attributed to the B Shares.</p> <p>No further specific terms applicable.</p>	<p>Where B/Stapled Ordinary Shares are transferred that constitute 35% or more the usual Take Over Regulation Panel rules apply regarding a mandatory offer to all Stores shareholders.</p>	<p>The standard Take Over Regulation Panel rules require a mandatory offer to be made in any transaction where more than 35% is transferred.</p> <p>Provided the thresholds above are met, the B Shares will be transferred and not cancelled.</p> <p>Again, the purpose of the term ascribing the full value of an offer to minorities is to ensure that minority shareholders enjoy the full benefit of the offer (despite not owning any B Shares).</p>



**Pick n Pay Holdings Limited RF**

(Incorporated in the Republic of South Africa)

(Registration number: 1981/009610/06)

JSE Code: PWK ISIN: ZAE000005724

("Holdings" or "the Company")

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**NOTICE OF GENERAL MEETING OF HOLDINGS SHAREHOLDERS**

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All terms defined in the Circular to which this notice of General Meeting is attached shall bear the same meanings herein.

Notice is hereby given that a General Meeting of Holdings Shareholders, or their proxies, will be held at the registered office of Holdings at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, on Monday, 25 July 2016 at 08:30 to consider and, if deemed fit, to pass, with or without modification, the resolutions set out in this notice of General Meeting or at any postponement or adjournment of the General Meeting. Registration for attendance at the General Meeting will commence at 08:00.

Holdings and Stores Shareholders are advised that as soon as the General Meeting of Holdings Shareholders is concluded, a General Meeting will be held at the same venue for Stores Shareholders. Given the uncertainty of the commencement time of the Stores General Meeting, Stores Shareholders are hereby invited to attend (but not to participate unless in their capacity as Holdings Shareholders) the General Meeting, given that the proposed transaction that is the subject of the General Meeting is indivisibly linked with that of the subsequent Stores General Meeting. Likewise, Holdings Shareholders are invited to attend (but not to participate unless in their capacity as Stores Shareholders) the Stores General Meeting that will commence as soon as the General Meeting is completed.

Holdings and Stores Shareholders are advised that once the Holdings General Meeting and the Stores General Meeting are completed, the Annual General Meetings of Holdings and Stores will take place. Holdings and Stores Shareholders are invited to attend the Annual General Meetings in addition to the General Meetings.

**In the interests of good corporate governance, the Controlling Shareholders have undertaken not to vote their Holdings Shares on the resolutions to be proposed at this General Meeting.**

Holdings has determined that the Record Date for the purpose of determining which Holdings Shareholders are entitled to receive notice of the General Meeting is Friday, 17 June 2016 and the Record Date for purposes of determining which Holdings Shareholders are entitled to participate in and vote at the General Meeting is Friday, 15 July 2016. Accordingly, only Holdings Shareholders who are registered in the securities register of members of Holdings on Friday, 15 July 2016 will be entitled to participate in and vote at the General Meeting.

All references to the MOI of Holdings in this notice of General Meeting refer to the MOI of Holdings which was adopted by special resolution under the Companies Act No 71 of 2008, as amended ("Companies Act") at the Annual General Meeting of Holdings Shareholders held on 15 June 2012.

Each of the ordinary and special resolutions set out below may be proposed and passed at the General Meeting or at any postponement or adjournment of the General Meeting.

The purpose of the General Meeting is for the following business to be transacted and for the following special and ordinary resolutions to be proposed:

**SPECIAL RESOLUTION NUMBER 1 – UNBUNDLING AND CONSEQUENT DISPOSAL OF ALL OR A GREATER PART OF THE COMPANY'S ASSETS**

**RESOLVED THAT**, subject to the passing of this special resolution as well as the passing of all resolutions to be proposed at the General Meeting of Stores scheduled to be held on the same day as this General Meeting, the Company's Shareholders hereby authorise, by way of special resolution (including for the purposes of sections 112 read together with section 115 of the Companies Act), the unbundling and distribution in specie by the Company of 257 045 334 ordinary issued shares of Stores to the Company's Shareholders in the Entitlement Ratio, such that:

1. the Controlling Shareholders shall, collectively, receive 26.8% (twenty six point eight percent) of the issued ordinary shares of Stores, in proportion and pro rata to their shareholding in the Company as at the Record Date; and
2. the Holdings Minority Shareholders shall, collectively, receive 25.8% (twenty five point eight percent) of the issued ordinary shares of Stores, in proportion and pro rata to their shareholding in the Company as at the Record Date.

**Voting requirement**

This resolution requires the support of at least 75% of the voting rights exercised on the resolution in terms of section 112, read with section 115, of the Companies Act.

**Explanation**

The purpose of this special resolution is for Holdings, as part of the Transaction, to unbundle the Stores Shares which Holdings holds to Holdings Shareholders such that the Holdings Shareholders become direct shareholders in Stores eliminating the dual point of entry to the Pick n Pay Group currently comprised by Holdings and its subsidiaries. As a consequence of this special resolution, Holdings will be constituted as a shell with no material assets or liabilities and as such Holdings shall not be entitled to retain a listing on the JSE.

**SPECIAL RESOLUTION NUMBER 2 – APPROVAL OF THE SCHEME OF ARRANGEMENT**

**RESOLVED THAT**, subject to the passing of this special resolution as well as the passing of (i) special resolution number 1 to be proposed at this General Meeting, and (ii) all resolutions to be proposed at the General Meeting of Stores scheduled to be held after this General Meeting, the scheme of arrangement in terms of section 114 of the Companies Act proposed between the Company and the Company's Shareholders and more fully described in the Circular to the Company's Shareholders dated Friday, 24 June 2016 of which this notice of General Meeting forms part, be and is hereby approved as a special resolution in terms of section 115(2)(a) of the Companies Act on the basis that if such scheme of arrangement becomes operative, Stores will acquire all of the issued shares of the Company from the Company's Shareholders.

**Voting requirement**

This resolution requires the support of at least 75% of the voting rights exercised on the resolution in accordance with section 114 of the Companies Act.

**Explanation**

The purpose of this special resolution is to approve a scheme of arrangement pursuant to which all of the Shares in Holdings are acquired from Holdings Shareholders to facilitate the winding-up of Holdings which will, as a result of the implementation of special resolution number 1 above, be no more than a shell with no material assets or liabilities.

**SPECIAL RESOLUTION NUMBER 3 – AMENDMENTS TO THE PICK N PAY EMPLOYEE SHARE SCHEMES**

**RESOLVED THAT**, subject to the passing of (i) special resolution number 1 to be proposed at this General Meeting, and (ii) all resolutions to be proposed at the General Meeting of Stores scheduled to be held after this General Meeting, the Company be and hereby is authorised to effect amendments to the scheme rules of the employee share schemes, being the Blue Ribbon Employee Share Purchase Trust and the Pick n Pay 1997 Share Option Scheme, to ensure that participants are not prejudiced pursuant to the implementation of special resolution number 1 and/or special resolution number 2 above. Accordingly, the relevant scheme rules shall be amended to provide for the substitution of Holdings Shares for Stores Shares of equivalent value, with the intent and purpose that the participants in question should continue to derive the same benefit in respect thereof insofar as is possible.

**Voting requirement**

This resolution requires the support of at least 75% of the voting rights exercised on the resolution, in accordance with schedule 14.1 of the JSE Listings Requirements, and is accordingly required to be framed as a special resolution in terms of the Company's Memorandum of Incorporation.

**Explanation**

The purpose of this special resolution is to approve amendments to the Pick n Pay employee share schemes pursuant to which employees who hold shares in Holdings, which are subject to a pledge arrangement, or who hold options to acquire shares in Holdings (whether or not exercised) will hereafter have their entitlements substituted with entitlements to acquire Stores shares or options (as the case may be) of equivalent value on the same terms and conditions.

**SPECIAL RESOLUTION NUMBER 4 – AMENDMENT TO THE COMPANY'S MEMORANDUM OF INCORPORATION**

**RESOLVED THAT**, subject to the passing of special resolution number 1 to be proposed at this General Meeting, the existing Memorandum of Incorporation of the Company be and is hereby substituted by the new Memorandum of Incorporation in terms of which, inter alia, the Company shall be permitted to round down entitlements to fractions of securities to the nearest whole number, and to pay the value of such a fraction of a security to any such shareholder, which new Memorandum of Incorporation is tabled at this General Meeting and initialled by the Chairman for the purposes of identification in accordance with the provisions of section 16(1)(c) (read together with sections 16(5) and 36(2)(a)) of the Companies Act.

**Voting requirement**

This resolution is a special resolution and requires the support of at least 75% of the voting rights exercised on the resolution in terms of section 16(1)(c) of the Companies Act.

**Explanation**

Pursuant to the passing and implementation of special resolution number 1 above, Stores shares will be distributed to Shareholders of the Company in the Entitlement Ratio, which will result in shareholders becoming entitled to fractions of securities. The purpose of this special resolution is to allow the Company to round down entitlements to fractions of securities, to the nearest whole number, and to pay the value of such a fraction of a security to any such shareholder.

## **ORDINARY RESOLUTION NUMBER 1 – DIRECTORS AUTHORISED TO ACT**

**RESOLVED THAT**, subject to the passing of all of the special resolutions proposed at the General Meeting at which this resolution is proposed and subject further to the passing of all resolutions of Stores referenced therein, any director of the Company and/or the company secretary be and is hereby authorised and empowered to:

- sign all documents which may be necessary or desirable for the implementation of such special resolutions as have been passed and their filing; and
- generally do anything necessary or desirable for the implementation of such special resolutions as have been passed and all such actions taken prior hereto be and hereby are ratified.

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

## **QUORUM**

The General Meeting may not begin until at least three Shareholders entitled to attend and vote at the meeting are present in person and sufficient persons are present (in person or by proxy) at the General Meeting to exercise, in aggregate, at least 25% of all the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the General Meeting. The Controlling Shareholders will be taken into account in determining quorum, but will not vote on any of the resolutions proposed in this Circular.

## **IDENTIFICATION**

In terms of section 63(1) of the Companies Act, all General Meeting participants will be required to provide identification reasonably satisfactory to the Chairman of the General Meeting, who must be reasonably satisfied that the right of that person to participate in, and speak and vote at, the General Meeting, as a Holdings Shareholder, as a proxy for a Holdings Shareholder or as a representative of a Holdings Shareholder, has been reasonably verified.

Examples of satisfactory identification include valid South African driver's licences, identity documents or passports.

## **APPRAISAL RIGHTS**

Holdings Shareholders are hereby advised of their appraisal rights in terms of section 164 of the Companies Act. Their attention is drawn to the provisions of that section which are set out in Annexure 5 to the Circular, and to the explanation thereof contained in paragraph 8 of the Circular commencing on page 19 of the Circular.

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

If you hold Certificated Holdings Shares (i.e. have not Dematerialised your Holdings Shares) or are registered as an Own-Name Dematerialised Holdings Shareholder (i.e. have specifically instructed your Central Securities Depository Participant (CSDP) to hold your shares in your own name in the Holdings sub-register) then:

- you may attend and vote at the General Meeting; alternatively
- you may appoint an individual as a proxy (who need not also be a Holdings Shareholder) to attend, participate in and speak and vote in your place at the General Meeting by completing the attached Form of Proxy (pink) and it is recommended that it be returned to the registered office of the Company or to the Transfer Secretaries, Computershare Investor Services Proprietary Limited ("Computershare"), the details of which are set out in the Corporate Information and Advisers section of the Circular on the inside front cover, by no later than 08:30 on Thursday, 21 July 2016. Please note that your proxy may delegate his/her authority to act on your behalf to another person, subject to the restrictions set out in the attached Form of Proxy (pink). Please also note that the attached Form of Proxy (pink) must be delivered to the registered office of Holdings or to the Transfer Secretaries, Computershare as aforesaid, before your proxy may exercise any of your rights as a Holdings Shareholder at the General Meeting.

Unless revoked before then, a signed proxy form shall remain valid at any adjournment or postponement of the General Meeting and the proxy so appointed shall be entitled to vote, as indicated on the proxy form, on any resolution at such General Meeting or any adjournment or postponement thereof.

Please note that:

- any Holdings Shareholder that is a company may authorise any person to act as its representative at the General Meeting;
- if you are the owner of Dematerialised Holdings Shares (i.e. have replaced the paper share certificates representing the Holdings Shares with electronic records of ownership under the JSE's electronic settlement system, Strate) held through a CSDP or Broker (or their nominee) and are not registered as an "Own-Name Dematerialised Holdings Shareholder" then you are not a registered Holdings Shareholder, but your CSDP or Broker (or their nominee) would be.

Accordingly, in these circumstances, subject to the mandate between yourself and your CSDP or Broker if you:

- wish to attend the General Meeting you must contact your CSDP or Broker and obtain the relevant letter of representation from it; alternatively
- are unable to attend the General Meeting but wish to be represented at the meeting, you must contact your CSDP or Broker and furnish it with your voting instructions in respect of the General Meeting and/or request it to appoint a proxy. You must not complete the attached Form of Proxy (pink). The instructions must be provided in accordance with the mandate between yourself and your CSDP or Broker within the time period required by your CSDP or Broker.

CSDPs, Brokers or their nominees recorded in the Company's sub-register as holders of Dematerialised Holdings Shares held on behalf of an investor/beneficial owner in terms of Strate should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold Dematerialised Holdings Shares, vote by either appointing a duly authorised representative to attend and vote at the General Meeting or by completing the attached Form of Proxy (pink) in accordance with the instructions thereon and it is recommended that it be returned to the registered office of the Company or to the Transfer Secretaries, Computershare, the details of which are set out below by no later than 08:30 on 21 July 2016.

For and on behalf of the Directors

**Ms Debra Muller**

Company secretary  
Cape Town

24 June 2016

**Registered office**

101 Rosmead Avenue  
Kenilworth  
Cape Town  
7708  
(PO Box 23087, Claremont, 7735)

**Transfer Secretaries**

Computershare Investor Services Proprietary Limited  
Ground Floor  
70 Marshall Street  
Johannesburg, 2001  
(PO Box 61051, Marshalltown, 2107)



**Pick n Pay Holdings Limited RF**

(Incorporated in the Republic of South Africa)

(Registration number: 1981/009610/06)

JSE Code: PWK ISIN: ZAE000005724

("Holdings" or "the Company")

**FORM OF PROXY – GENERAL MEETING OF HOLDINGS SHAREHOLDERS**

**FOR COMPLETION BY HOLDINGS SHAREHOLDERS (THE "SHAREHOLDERS") WHO HAVE NOT YET DEMATERIALISED THEIR HOLDINGS SHARES OR WHO HAVE DEMATERIALISED THEIR HOLDINGS SHARES WITH "OWN NAME" REGISTRATION ONLY**

**If you wish to appoint a proxy to act on your behalf at the General Meeting of Holdings Shareholders to be held on Monday, 25 July 2016 and at any adjournment or postponement thereof, please complete and return this Form of Proxy. (Also see the notes overleaf.)**

All terms defined in the Circular to which this Form of Proxy is attached shall bear the same meanings herein.

**Note:** If your Dematerialised Holdings Shares are held through a Central Securities Depository Participant ("CSDP") or Broker and you have not provided the nominee with a general mandate to act on your behalf at shareholder meetings, and you wish to cast your vote at this General Meeting or you want to attend the General Meeting in person, please contact your CSDP or Broker.

I/WE (Full names in BLOCK LETTERS please) of \_\_\_\_\_

(insert address) \_\_\_\_\_

Telephone number \_\_\_\_\_ Cell phone number \_\_\_\_\_

email address \_\_\_\_\_

being the holder(s) of \_\_\_\_\_ Holdings shares, hereby appoint:

1. \_\_\_\_\_ or failing him/her

2. \_\_\_\_\_ or failing him/her

3. the chairman of the General Meeting,

as my/our proxy to act for me/us and on my/our behalf at the General Meeting which will be held for the purpose of considering, and if deemed fit, passing the special and ordinary resolutions to be proposed thereat and at any adjournment or postponement thereof and to vote for and/or against the special and ordinary resolutions and/or abstain from voting in respect of the Holdings Shares, as applicable, registered in my/our name/s as follows:

Please indicate with an "X" the instructions to your proxy in the spaces provided below. In the absence of such indication the proxy will be entitled to exercise his/her discretion in voting.

	FOR	AGAINST	ABSTAIN
<b>Special Resolution Number 1</b> – Unbundling and consequent disposal of all or a greater part of the Company's assets			
<b>Special Resolution Number 2</b> – Approval of the Scheme of Arrangement			
<b>Special Resolution Number 3</b> – Amendments to the Pick n Pay employee share schemes			
<b>Special Resolution Number 4</b> – Amendment to the Company's Memorandum of Incorporation			
<b>Ordinary Resolution Number 1</b> – Directors authorised to act			

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2016

Signature \_\_\_\_\_

Assisted by (where applicable) \_\_\_\_\_

Name \_\_\_\_\_ Capacity \_\_\_\_\_ Signature \_\_\_\_\_

(Please print in BLOCK LETTERS)

**Please read the notes overleaf.**

## **SUMMARY OF SHAREHOLDERS' RIGHTS IN RESPECT OF PROXY APPOINTMENTS AS CONTAINED IN SECTION 58 OF THE COMPANIES ACT**

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

- this proxy form must be dated and signed by the Holdings Shareholder appointing the proxy;
- you may appoint an individual as a proxy, including an individual who is not a Holdings Shareholder, to participate in and speak and vote at a Shareholders' meeting on your behalf;
- your proxy may delegate his/her authority to act on your behalf to another person, subject to any restriction set out in this proxy form;
- this proxy form must be delivered to the Company, or to the Transfer Secretaries of the Company, namely Computershare Investor Services Proprietary Limited, details of which can be found in note 5 to this Form of Proxy, before your proxy exercises any of your rights as a shareholder at the General Meeting;
- the appointment of your proxy or proxies will be suspended at any time to the extent that you choose to act directly and in person in the exercise of any of your rights as a shareholder at the General Meeting;
- the appointment of your proxy is revocable unless you expressly state otherwise in this proxy form;
- as the appointment of your proxy is revocable, you may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy and to the Company. Please note the revocation of a proxy appointment constitutes a complete and final cancellation of your proxy's authority to act on your behalf as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered to the Company and the proxy as aforesaid;
- if this proxy form has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the Company's Memorandum of Incorporation to be delivered by the Company to you will be delivered by the Company to you or your proxy or proxies, if you have directed the Company to do so, in writing and paid any reasonable fee charged by the Company for doing so;
- your proxy is entitled to exercise, or abstain from exercising, any voting right of yours at the General Meeting, but only as directed by you on this proxy form;
- the appointment of your proxy remains valid only until the end of the General Meeting or any adjournment or postponement thereof or for a period of 6 (six) months, whichever is shortest, unless it is revoked by you before then on the basis set out above.

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

### **NOTES TO THE FORM OF PROXY**

1. The person whose name stands first on the proxy form and who is present at the General Meeting will be entitled to act as a proxy to the exclusion of those whose names follow thereafter.
2. If no proxy is inserted in the spaces provided, then the chairman shall be deemed to be appointed as the proxy to vote or abstain as the chairman deems fit.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. If there is no clear indication as to the voting instructions to the proxy, the proxy form will be deemed to authorise the proxy to vote or to abstain from voting at the General Meeting as he/she deems fit in respect of all of the shareholder's votes exercisable at the General Meeting.
4. A Holdings Shareholder or his/her proxy is not obliged to use all the votes exercisable by the Holdings Shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy. A proxy shall be entitled to demand that voting takes place on a poll.
5. Proxy forms must be lodged at the registered office of the Company, Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, or posted to the company secretary at PO Box 23087, Claremont, 7735, or lodged with or posted to the Transfer Secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107, South Africa).
6. It is recommended that forms of proxy be received or lodged by no later than 08:30 on Thursday, 21 July 2016, being 2 (two) business days before the General Meeting to be held at 08:30 on Monday, 25 July 2016, for administrative reasons only.
7. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the company secretary or waived by the chairman of the General Meeting if he/she is reasonably satisfied that the right of the representative to participate and vote has been reasonably verified. CSDPs or Brokers registered in the Company's securities, sub-register voting on instructions from beneficial owners of shares registered in the Company's securities sub-register, are requested that they identify the beneficial owner in the sub-register on whose behalf they are voting and return a copy of the instruction from such owner to the company secretary or to the Transfer Secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107, South Africa), together with this Form of Proxy.
8. Any alteration or correction made to this proxy form must be initialled by the signatory/ies, but will only be validly made if such alteration or correction is accepted by the Chairman of the General Meeting.
9. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the company secretary.





**Pick n Pay Holdings Limited RF**

(Incorporated in the Republic of South Africa)

(Registration number: 1981/009610/06)

JSE Code: PWK ISIN: ZAE000005724

("Holdings" or "the Company")

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**FORM OF SURRENDER AND TRANSFER**

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**FOR USE BY CERTIFICATED HOLDINGS SHAREHOLDERS ONLY**

This Form of Surrender and Transfer (green) should be read in conjunction with the Circular sent to ordinary Shareholders dated Friday, 24 June 2016.

All terms defined in the Circular to which this Form of Surrender is attached shall bear the same meanings herein.

**It should be noted that this Form of Surrender is only for use in terms of the Scheme.**

**Instructions:**

1. A separate form is required for each Certified Holdings Shareholder
2. **Part A** must be completed by all persons who return this form.
3. **Part B** must be completed by all persons who are emigrants from or who are Non-Resident of the Republics of South Africa and Namibia and the Kingdoms of Swaziland and Lesotho ("the common monetary area") **only** (see note 2).
4. **Part C** must be completed by those persons who wish to have the cash consideration in respect of the Transfer electronically transferred into their bank accounts.

Notes:

If –

- the Scheme becomes effective and you have surrendered your share certificates in respect of your Holdings Shares to the Transfer Secretaries together with this duly completed Form of Surrender and Transfer by no later than 12:00 on Friday, 26 August 2016, the Scheme Consideration in respect of the Scheme will be (i) paid to you by electronic funds transfer if you have stipulated a valid bank account for this purpose in this Form of Surrender and Transfer, or (ii) posted to you, at your own risk, by way of registered post to your address as reflected in the securities register of the Company unless you indicate an alternate address herein, in either event on or about Monday, 29 August 2016. Certificated Holdings Shareholders whose share certificates and duly completed Forms of Surrender and Transfer (green) are received by the Transfer Secretaries after 12:00 on Friday, 26 August 2016 will have the Scheme Consideration in respect of the Transfer paid or posted to them on the same basis within five Business Days of receipt of such share certificates and duly completed Forms of Surrender and Transfer.

To: The Transfer Secretaries

**Delivered to:**

Computershare Investor Services Proprietary Limited  
Ground Floor  
70 Marshall Street  
Johannesburg  
2001

**Posted to:**

Computershare Investor Services Proprietary Limited  
PO Box 61763  
Marshalltown  
2107

Dear Sirs

I/We hereby surrender and enclose the share certificate/s, certified transfer deed/s and/or other document/s of title listed overleaf in respect of my/our entire holding of Holdings Shares.

**PART A – ALL HOLDINGS SHAREHOLDERS**

**NB: Please complete the following in block capitals**

Surname or name of company \_\_\_\_\_

First names (in full) \_\_\_\_\_

Title (Mr/Mrs/Miss/etc.) \_\_\_\_\_

Physical address \_\_\_\_\_

Postal address \_\_\_\_\_

Email address \_\_\_\_\_

Telephone number \_\_\_\_\_ Cellphone number \_\_\_\_\_

Name of registered holder	Certificate number(s) (in numerical order)	Number of shares covered by each certificate
Total		

Signature of Shareholder	Stamp and address of agent lodging this form (if any)
Assisted by me (if applicable)	
(State full name and capacity)	
Date	

Cheques reflecting the Scheme Consideration due in terms of the Scheme will be –

- sent to the above postal address (if different from the address in the register of securities of the Company or if the same to the above address, being the address in the register of securities of the Company) by registered post at the risk of the Holdings Shareholder concerned on the Operative Date or within five Business Days of receipt of such document/s of title, as the case may be; or
- in the case of the Scheme Consideration only, transferred to them by way of electronic funds transfer on the Operative Date or within five Business Days of the date on which such Holdings Shareholder delivers his/her/its documents of title and a valid Form of Surrender and Transfer (green) to the Transfer Secretaries, as the case may be.

Contrary instructions will not be accepted.

Holdings does not accept responsibility for Documents of Title that are posted and Holdings Shareholders should be aware of the risks associated with posting original documents of title.

No receipts will be issued for documents of title lodged unless specifically requested. In compliance with the requirements of the JSE, lodging agents are requested to prepare special transaction receipts, if required.

Signatories may be called upon for evidence of their authority or capacity to sign this form.

**PART B – APPLICABLE TO NON-RESIDENT SHAREHOLDERS ONLY**

**1. Non-Residents who are emigrants from the Republic of South Africa**

Cheques will be sent to the authorised dealer in foreign exchange in South Africa controlling such holder's blocked assets in terms of the Republic of South Africa Exchange Control Regulations. Such Non-Residents must give the following information:

**Name and address of authorised dealer in the Republic of South Africa:**

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**Account number:**

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**2. All other Non-Residents**

Cheques will be sent to the registered address of the Non-Resident concerned or any other address in accordance with the posting instructions given on the face of this form in terms of the Republic of South Africa Exchange Control Regulations.

All other Non-Residents must give the following information:

**Name and address of authorised dealer in the Republic of South Africa:**

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**Account number:**

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3. If no nomination is made in terms of 1 or 2 above, the Scheme Consideration (in respect of 1 only) will be held in trust by the Transfer Secretaries until the information is provided, or the expiry of a three year period from the Operative Date, whichever is the earlier.

**PART C – TO BE COMPLETED BY THOSE HOLDINGS SHAREHOLDERS WHO WISH TO HAVE THE CASH CONSIDERATION IN RESPECT OF THE SCHEME ELECTRONICALLY TRANSFERRED INTO THEIR BANK ACCOUNTS.**

Name of bank account holder

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Account number

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Name of bank

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Branch

---

Branch code

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Type of bank account (cheque, savings, transmission, etc.)

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The Scheme Consideration will only be electronically transferred if Part C is properly completed and this form is returned to the Transfer Secretaries together with the documents of title to be received prior to 12:00 on the Record Date.

In terms of the Financial Intelligence Centre Act, 2001 (Act No 38 of 2011) requirements, the Transfer Secretaries will only be able to record any changes in address or payment mandate if the undermentioned documentation is received from the relevant Holdings Shareholder:

- an original certified copy of an identity document (in respect of change of address and payment mandate);
- an original certified copy of an original bank statement (in respect of payment mandate);
- an original certified copy of a document issued by the South African Revenue Services to verify your tax number. If you do not have one, please submit this in writing and have the letter signed by a Commissioner of Oaths (in respect of change of address and payment mandate); and
- an original or an original certified copy of a service bill to verify your residential address (in respect of a change of address mandate).

Payment to Holdings Shareholders who do not have an existing mandate with the Transfer Secretaries or who do not provide the Transfer Secretaries with the above mentioned documents will be made by cheque and posted at the Holdings Shareholder's own risk.

## NOTES TO THE FORM OF SURRENDER AND TRANSFER:

1. Emigrants from the common monetary area must complete Part B.
2. All other Non-Residents of the common monetary area must complete Part B (if they wish the consideration to be sent to an authorised dealer in South Africa).
3. If Part B is not properly completed, the Scheme Consideration (in the case of Emigrants or Non-Residents) will be held in trust by the Transfer Secretaries pending receipt of the necessary nomination or instruction.
4. If this form is returned with the relevant Documents of Title, it will be treated as a conditional surrender which is made subject to the Scheme becoming effective. Documents surrendered in anticipation of the Scheme becoming effective will be held in trust by the Transfer Secretaries until the Scheme becomes operative.
5. The Scheme Consideration will not be sent to any person unless and until Documents of Title in respect of the relevant Holdings Shares have been surrendered (together with this Form of Surrender and Transfer (green) to the Transfer Secretaries.
6. If a Holdings Shareholder produces evidence to the satisfaction of Holdings that the Documents of Title in respect of Holdings Shares have been lost or destroyed, Holdings may waive the surrender of such documents of title against delivery of an indemnity in a form and on terms and conditions approved by it, or may in its discretion waive such indemnity.
7. Persons who have acquired Certificated Shares in Holdings after the date of posting of the Circular to which this form is attached, can obtain copies of the form and the Circular from the registered office of Holdings or the Transfer Secretaries.
8. No receipts will be issued for documents lodged unless specifically requested. In compliance with the requirements of the JSE Limited, lodging agents are requested to prepare special transaction receipts. Signatories may be called upon for evidence of their authority or capacity to sign this form.
9. Any alteration to this form must be signed in full and not initialled.
10. If this form is signed under a power of attorney then such power of attorney, or a notarially certified copy thereof, must be sent with this form for noting (unless it has already been noted by Holdings or its Transfer Secretaries).
11. Where the Certificated Holdings Shareholder is a company, unless it has already been registered with Holdings or its Transfer Secretaries, a certificated copy of the Directors' resolution authorising the signing of this form must be submitted if so requested by Holdings.
12. Note 11 above does not apply in the event of this form bearing the stamp of a broking member of the JSE.
13. Where there are joint holders of any Holdings Shares, only that holder whose name stands first in the register in respect of such Holdings Shares needs to sign this form.
14. A minor must be assisted by his or her parents or guardian unless the relevant documents establishing his or her legal capacity are produced and have been registered by the Transfer Secretaries.