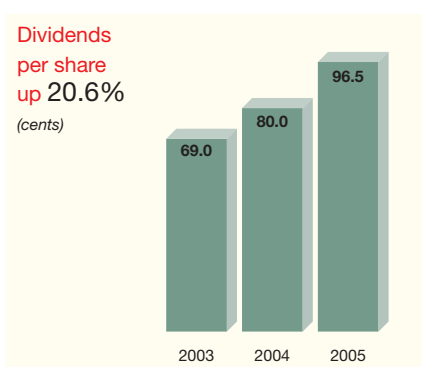
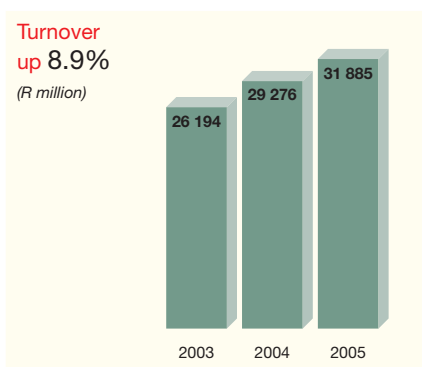
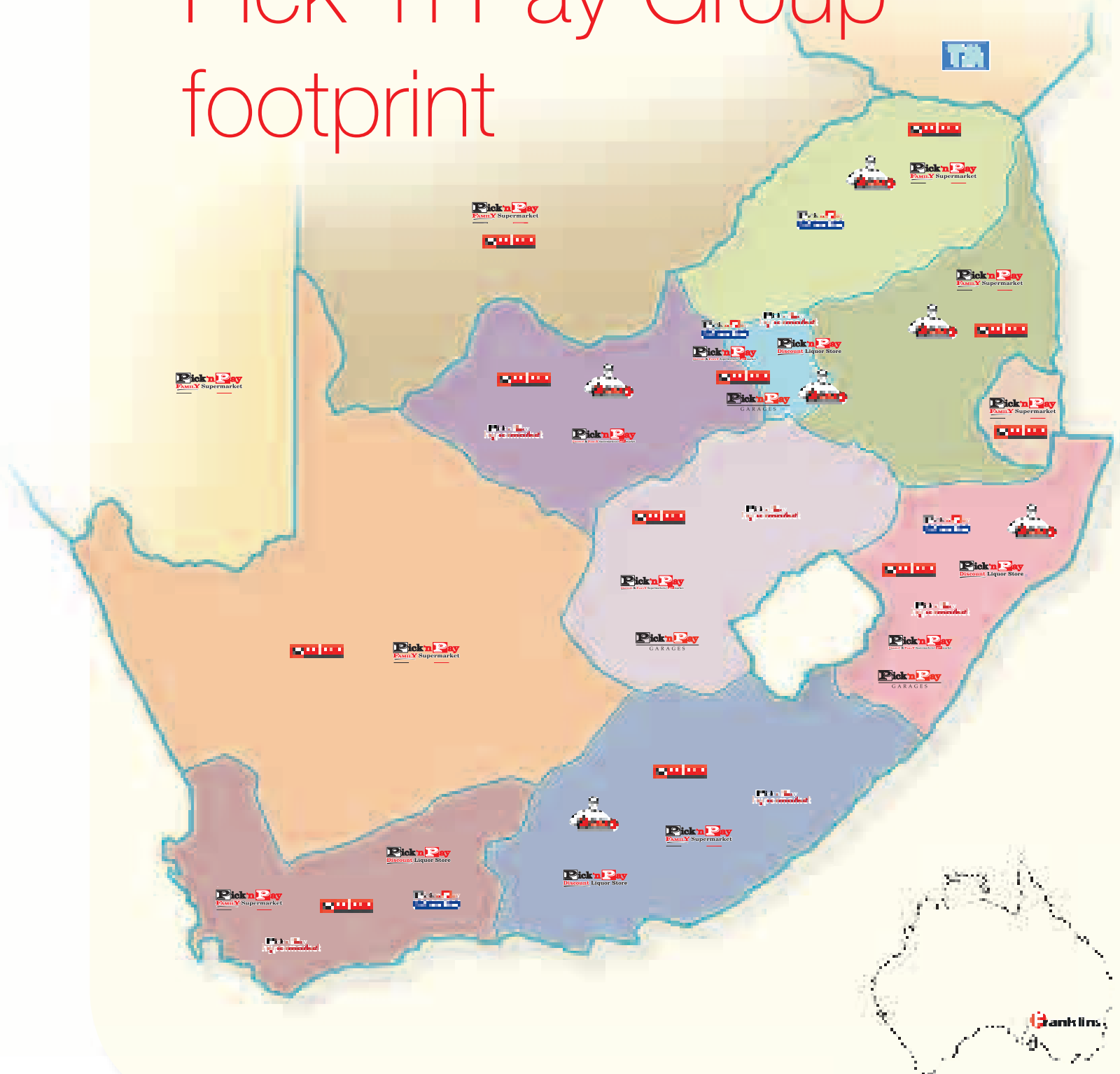


Financial Highlights



The dividend per share presented above, is the interim dividend declared during the current financial year and the final dividend declared after year-end, but in respect of the current financial year.

Pick 'n Pay Group footprint



Store locations in Southern Africa and beyond



Retail Division	Western Cape	Eastern Cape	Northern Cape	kwaZulu-Natal	Free State	Gauteng	Mpumalanga	North West	Limpopo	Botswana	Swaziland	Namibia	Zimbabwe	Sydney - Australia	Total Stores
Pick'n Pay Hypermarket	2	1	–	1	1	8	–	1	–	–	–	–	–	–	14
Pick'n Pay Discount & Family Supermarkets	34	7	1	23	7	49	5	4	5	–	–	–	–	–	135
Pick'n Pay Family Store	2	–	–	1	–	3	–	–	1	–	–	–	–	–	7
Pick'n Pay Discount Liquor Store	2	1	–	6	–	4	–	–	–	–	–	–	–	–	13
Pick'n Pay Family Supermarket	9	–	–	–	–	–	–	–	–	–	–	–	–	–	9
Pick'n Pay Family Supermarket	24	12	3	13	4	48	6	3	3	3	1	12	–	–	132
Pick'n Pay Discount & Family Supermarkets	–	–	–	5	5	22	4	2	–	–	–	–	–	–	38
Pick'n Pay GARAGES	–	–	–	1	1	3	–	–	–	–	–	–	–	–	5
Group Enterprises Division															
Pick'n Pay Enterprises	–	3	5	6	6	34	15	19	19	16	5	–	–	–	128
Pick'n Pay Enterprises	–	23	–	20	–	2	4	3	2	–	–	–	–	–	54
Pick'n Pay Enterprises	–	–	–	–	–	–	–	–	–	–	–	–	54	–	54
Australia															
Franklins	–	–	–	–	–	–	–	–	–	–	–	–	–	78	78



The twin gifts of leadership and vision

burn like embers in the hearts of many ordinary men

and women. Allow that inner flame to shine through,

and all society benefits.



Raymond Ackerman

Chairman's Report

A strong result in a year characterised by low levels of inflation, counterbalanced by increased levels of spending

Growth in spend can be attributed to good management of macro economic environment and empowerment through employment equity

Overall comment on the result

It is with great pleasure that I am able to report a strong result for this past year. Real volume growth and better operating efficiencies have fuelled growth in profit before tax of 26.1% with a corresponding Headline Earnings per Share growth of 20.6%, and final dividend per share growth of 20.8%.

The year has been characterised by low levels of inflation. Whilst I personally welcome low levels of inflation, and subscribe to the doctrine that a climate of low inflation fosters social stability by making basic food more accessible to poorer people, managing a business in such a climate can be a challenge.

This challenge has been counterbalanced by the increased levels of spending that have been apparent in our markets. This past year has generally been good for the retail industry. Spending levels have increased across most categories of consumer goods, although weighted somewhat towards household goods and clothing.

There are many theories circulating that try to explain the growth in spend, and the reasons behind it. Undoubtedly, there has been growth in our economy, and there is more disposable income in circulation. The benefits are visible across all our local operations, even

evident at Score and Boxer, where we have noticed some movement towards starches such as rice.

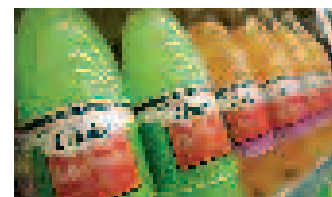
As for the reasons for economic growth, I believe that there are two issues at work.



The first is that our macro economic environment is well managed.

The leadership of the Department of Finance and the Reserve Bank have certainly justified the high regard they

have earned both locally and internationally. They have consistently demonstrated that appropriate economic policy is in place. I commend them.



I like to believe that the second factor fuelling growth is that a degree of empowerment has taken place in our economy. Employment Equity programmes have had an impact and have provided opportunities amongst young urban populations that have generated economic prosperity. If true, it would be wonderfully affirming for the future of this country.

Whilst economic growth has certainly contributed to retailers' fortunes, I am absolutely of the belief that our result has been driven by our management team and the strategies they have implemented. I thank Sean and his team for the hard work and dedication that went into ensuring that Pick 'n Pay performed well for all its stakeholders.

Features of the result

Sean will deal with the details of the result in his report. I do however, want to highlight a number of outstanding performances. The most significant is our Retail Division where Nick Badminton and his team produced an excellent result. This key division continues to grow both sales and, through operating efficiencies, profit off an already significant base. I congratulate and thank Nick and his team.

Aubrey Zelinsky and the Franklins team have achieved so much this year. They have managed the move from Metcash distribution to self-distribution, and the change from our own proprietary computer systems to SAP, a purchased system. Whilst the financial results at Franklins do not fully reflect the achievements of management, the Franklins result is in line with our plan and we are confident that margin enhancement and cost savings will flow out of self-managed distribution, and that our measured entry into franchise in Australia will start to bear fruit in the second half of the year.

We have seen a lot of progress in Score this year. Under Chris Reed, the Score team have addressed the problems of last year and have focused the business on sales growth, which they have achieved. I applaud their effort and achievements.

The Boxer team, under Hugh Bland's leadership, has produced an outstanding result. Deflation was most marked in this business, which did not inhibit the team from delivering strong top and bottom line growth. The Boxer acquisition in 2002 added more than strong financial delivery, it has brought strong human capital to the Pick 'n Pay business.

Sustainable development

Our approach to promoting sustainable development is guided by two fundamental principles that have shaped the growth and success of the Pick 'n Pay Group over almost four decades: an unwavering focus on the pursuit of

Chairman's Report (continued)

Sustainable development at Pick 'n Pay is guided by two principles – consumer sovereignty and “the more you give the more you get back”

A key BEE initiative has been our active support and development of small entrepreneurial BEE suppliers

The Raymond Ackerman Foundation launched an Academy of Entrepreneurial Development to develop entrepreneurship in the country

Our focus for the year ahead remains on sales growth, cost containment and operational efficiencies

consumer sovereignty, and an underlying belief that the more you give, the more you get back. Conducting a business according to the ethics of consumer sovereignty and social responsibility – putting principles above the mere pursuit of profit – is good for business and good for society.

It is through our commitment to consumer sovereignty that we have introduced so many of the initiatives that have set us apart from our peers. Globally, consumers are demanding evidence of a greater ethical commitment and increased accountability from companies. Consumers expect companies to demonstrate concern for their employees, to minimise the environmental impacts of their products and services, to require ethical performance of their suppliers, and to support the communities in which they do business.

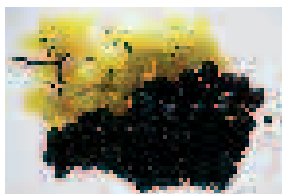
For the second year running we have included a review of our sustainability performance in our annual report. This review highlights a number of positive achievements that we have made over the year, and identifies some areas for improvement and new commitments. In addition to continuing to be a recognised leader in terms of our corporate social investment programme, a principal highlight during the year has been our work in promoting Black Economic Empowerment. Key initiatives include our active support and development of small entrepreneurial BEE suppliers.

Looking to the year ahead, we are committed to introducing a formal process of engaging with our stakeholders, as well as to implementing a structured approach to measuring and managing our environmental impacts. We are also planning to introduce an internal review process to benchmark our sustainability performance against agreed parameters. I look forward to reporting in more detail on our performance next year.

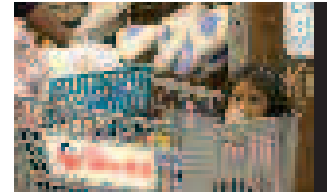
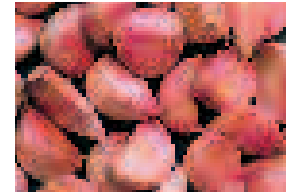
General comment

We have been honoured by a number of awards during this past year, both corporate and individual for Sean and myself. I am both humbled and proud of the recognition enjoyed by Pick 'n Pay, and am delighted that the company continues to have a culture of caring for society. Equally assuring is that each successive award has heightened management's resolve to justify the recognition and put their head down and run the business with even more determination.

Pick 'n Pay is committed to the underlying philosophy of empowerment and to the notion that there needs to be real change in the lives of ordinary South Africans in



order for our wonderful democracy to endure into the future. Transacting thirty-two billion Rand annually, we are in a position to influence economic activity in a manner that would benefit the goals of BEE. Our BEE committee has spent the past year measuring our Scorecard rating and setting goals and action plans to get us to where we want to be in the short and longer term. The committee is chaired by Isaac Motaung (Organisational Development Director and member of the Retail Management Board) and Suzanne Ackerman-Berman (GM Corporate Affairs and member of EXCO) who have initiated projects to ensure that we achieve our goals.



Employment Equity has always been a key focus in the way we run the business. We will continue to build this important leg, concentrating on developing from within and ensuring that all our programmes focus on individual opportunity and growth.

The Raymond Ackerman Foundation has launched an Academy of Entrepreneurial Development at the University of Cape Town's Graduate School of Business. The aim of this initiative is to develop entrepreneurship in the country, and to do so within the community of people who do not have formal qualifications, and that would not ordinarily gain access to an institution of this stature. I am optimistic that this initiative will positively impact on the economic prosperity of the right type of individuals, and therefore the nation as a whole.

As for the year ahead, although the increasingly high oil price threatens to impact negatively on the low inflationary climate and the low interest rate regime, we feel confident that appropriate policy from our Reserve Bank and Department of Finance will maintain current spending levels. Whilst our internal measure of food inflation indicates a marginal movement upwards, we do not anticipate major movements. Our focus during the year ahead will remain on sales growth, cost containment, and extracting better operational efficiencies from the business.

I am proud of the achievements of our young democracy and remain committed to ensuring that future generations benefit from the opportunities that we have to make this country truly great. Our people are integral to achieving our results, I thank each and every one of them for all that they have done to help deliver this result, and thank all our stakeholders for their continued support.

Handwritten signature of Raymond Ackerman in blue ink. The signature is stylized and cursive, written on a white background.

Raymond Ackerman
Chairman

Boards of Directors

PICK 'n PAY STORES LIMITED

Executive Directors

1 R D Ackerman (74)

Chairman

Appointed 1968

Years of Service 38

2 S R Summers (51)

CEO

Appointed 1988

Years of Service 31

3 D Robins (51)**

Deputy Chairman

Appointed 2002

Years of Service 11

4 W Ackerman

Employee Liaison & Benefits

Appointed 1981

Years of Service 38

5 D G Cope (54)

Group Finance

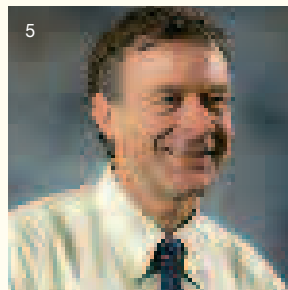
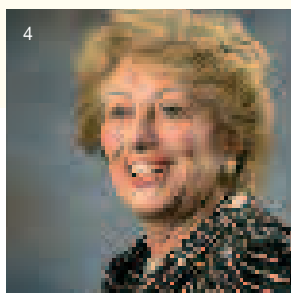
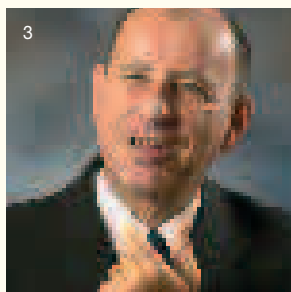
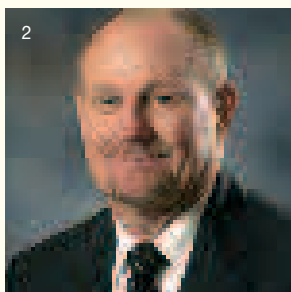
Appointed 1997

Years of Service 27

Non-Executive Director

6 G M Ackerman*† (47)

Appointed 1990



PICK 'n PAY HOLDINGS LIMITED

Independent
Non-Executive Directors

- | | |
|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
| 7 R P de Wet [†] (62)
Appointed 1975 | 11 D M Nurek ^{**†} (55)
<i>Remuneration Committee</i>
<i>Chairman – Lead Non-Executive Director</i>
Appointed 1999 |
| 8 H S Herman ^{**†} (64)
Appointed 1976 | 12 B J van der Ross [*] (58)
Appointed 2000 |
| 9 C Hultzer ^{**†} (69)
<i>Audit Committee Chairman</i>
Appointed 1991 | |
| 10 C Nkosi
Appointed 1996 | Group Secretary |
| | 13 Gary Lea (39)
Appointed 2002
Years of Service 8 |

*Member of Audit, Risk and Compliance Committee

†Member of Remuneration Committee

**German

G M Ackerman (47)

Chairman

Appointed 1987

R D Ackerman (74)

Appointed 1981

W Ackerman

Appointed 1981

R P de Wet (62)

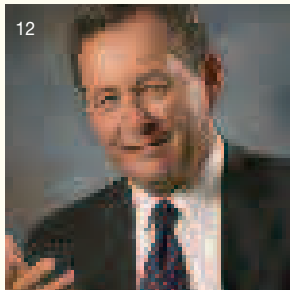
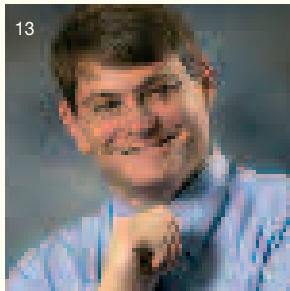
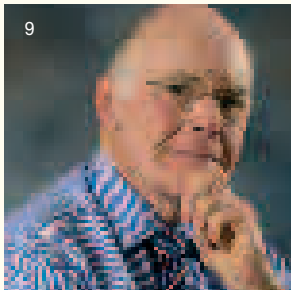
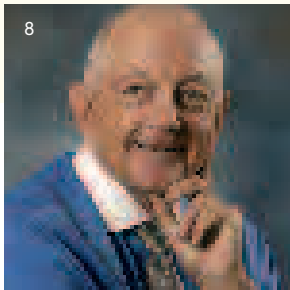
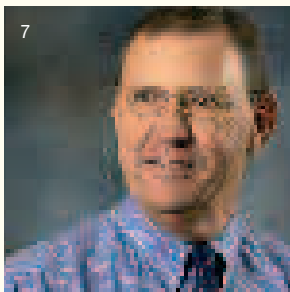
Appointed 1981

H S Herman (64)

Appointed 1981

C Hultzer (69)

Appointed 1993





Knowing what is right from what is wrong, and
defending those rights with passion. Principles with passion
distinguish extraordinary people from the ordinary.



Sean Summers

Chief Executive Officer's Report

Group overview

Operating profit margin for the year increased from 2.8% to 3.2%

We are very pleased to present these results, given the low-inflation environment we are trading in. Lower selling prices have driven up volumes which, with further enhancements in operational efficiencies, has resulted in an increase in operating profit margin from 2.8% to 3.2% this year.

This result has enabled us to increase our final dividend by 20.8%, which equates to a 20.6% increase in total dividends for the year.

Headline earnings and dividends increased by more than 20%

TURNOVER

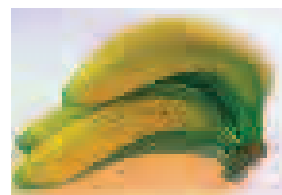
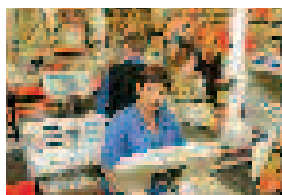
Although Group turnover increased by 8.9%, it was subdued by two factors:

- the sale of Boardmans, with only one month of its turnover included in the year-end result; and
- the continued strengthening of the South African Rand against the Australian Dollar.

Were it not for these two factors turnover rose by 10.5%. We are pleased to record significant real growth against a backdrop of 1.8%



inflation in our core Pick 'n Pay retail business, and deflation in Score and Boxer, due to their sales mix largely comprising basic food commodities.



TRADING PROFIT

Our increases in trading profit and operating profit (including interest received) of 24.1% and 21.7% respectively, are particularly gratifying and reflect the continued operational efficiencies being achieved throughout the Group.

HEADLINE EARNINGS

Headline earnings at R663.3 million for the period (2004: R552.5 million), increased by 20.1%. The growth in headline earnings per share of 20.6% was heightened due to repurchased (treasury) shares being treated as cancelled for this calculation. Headline earnings excludes goodwill amortisation and exceptional items of R21.6 million.

These exceptional items comprise:

- Profit on disposal of Boardmans R24.0 million
- Profit on disposal of property R1.4 million
- Loss on disposal of fixed assets R3.8 million

DIVIDENDS

This strong trading result enabled the Group to raise its final dividend to 76.70 cents per share for Pick 'n Pay Stores Limited and 37.43 cents per share for Pick 'n Pay Holdings Limited – both being increased by more than 20%.

CASH BALANCES

Cash balances remain strong at R1.3 billion, versus R1.5 billion last year.

This decrease in cash resulted from paying out increased dividends and secondary tax on companies (STC), while investing R525.6 million in property and new stores. The Group also repurchased 12.4 million Pick 'n Pay Stores shares for R267.3 million.



A child, with the love of thousands of bandanna-wearing friends rallying to his cause, relishes another day. We take care of our children so they can – in their turn – safeguard our nation's future.

Chief Executive Officer's Report (continued)

Pick 'n Pay Retail Division

Store format	Corporate		Franchise	
	2005	2004	2005	2004
Pick 'n Pay Hypermarkets	14	14		
Pick 'n Pay Supermarkets	135	121		
Pick 'n Pay Clothing Stores	7	3		
Pick 'n Pay Liquor Stores	13	10		
Score – Western Cape	9	—		
Pick 'n Pay Family Stores			132	121
Pick 'n Pay Mini Markets			38	41
Pick 'n Pay Auto Centres	5	5		

32 new stores were opened during the year with 21 confirmed for next year

This division remains the driving force behind the Pick 'n Pay Group and is the predominant contributor to Group profitability, with consistently good results across all divisions.

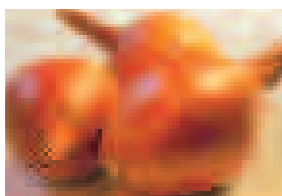
Nick Badminton (MD) and his entire team are to be congratulated on another strong performance.

During the year the Retail division continued to expand with 32 new stores, including clothing and liquor outlets being opened (in addition to the 9 Score stores taken over in the Western Cape) with a further 21 new stores confirmed for the year ahead.

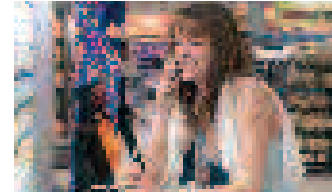
Supermarkets had good growth in turnover and profit

Supermarkets

Supermarkets showed good growth in turnover and continued to make a significant profit contribution to the Group. During the year 14 new corporate supermarkets were opened. We launched 7 stores in Gauteng,



4 in KwaZulu-Natal, 2 in Limpopo and 1 in the Eastern Cape. In the next financial year we plan to open a further 9 new supermarkets, while being mindful of the importance of site selection and possible overtrading.



The retail property industry continues to grow on the back of a stronger economy and huge demand for housing, leading to new trading opportunities.

Hypermarkets

Hypermarkets showed real growth in turnover and a substantial increase to Group profitability, mainly as a result of improved operating efficiencies. Our focus is on building sales growth through having the cheapest basket-for-basket retail outlets in the country. Given our focus in this key business area, we have secured 6 new sites for hypermarkets, which we plan to open during the next 3 to 4 years.

Clothing stores and liquor outlets

By year end we had 7 stand-alone clothing stores, which we increased by a further 2 in March 2005. The clothing format has proved to be highly popular with our customers, with all stores contributing to Group profitability. Our clothing stores offer real growth opportunities for the future.

Over the last 2 – 3 years we have opened 13 liquor stores trading adjacent to corporate supermarket stores. These outlets have also proved to be popular and we intend growing this format in suitable locations.

The retail property industry continues to grow on the back of a stronger economy

Our new clothing and liquor outlets have proved to be highly popular with customers

Chief Executive Officer's Report (continued)

The Franchise division continues to show solid growth

Franchise

This division continues to show solid growth and performance. During this year we opened 12 new stores, comprising of 9 in South Africa, 2 in Namibia and 1 in Botswana. We plan to open a further 10 new franchise stores next year.

Growth in housebrands participation remains ahead of expectations

Merchandise

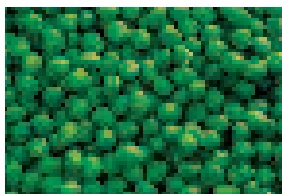
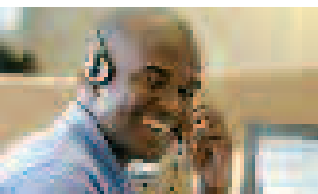
We continue to make food safety a top priority in all our stores. We simply do not compromise on compliance with legislation and our own stringent internal safety standards.

One notable aspect of this result was that our housebrand's participation continues to grow ahead of expectations.

Procurement from BEE suppliers is an area where we can make a significant difference

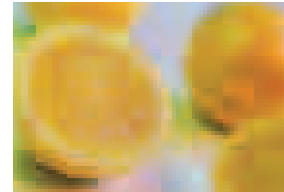
Black Economic Empowerment (BEE)

An extensive scope of work has now commenced under the direction of a new BEE committee analysing, with the help of recognised BEE ratings company Empowerdex, Pick 'n Pay's current standing on all 7 pillars of the BEE charter. This extensive survey has already shown that it is in procurement where we can make the most difference in supporting South Africa's BEE initiatives. We are already supporting smaller entrepreneurial suppliers such as our own bakery initiative (see the sustainability section of this annual report) and our support of local deciduous fruit farmers. In the years ahead, using an investment mandate already approved by the Board, we will continue to expand our support of and procurement from BEE suppliers. We also plan to work with our major suppliers to ensure that together we add impetus to this vital aspect of our country's transformation.



Marketing

For many years Pick 'n Pay has been a very active supporter of national sport, especially in cycling (Cape Argus Pick 'n Pay Cycle Tour, Pick 'n Pay 94.7 Cycle Challenge, Knysna Cycle Tour) and road running (Comrades Marathon). This year we were very proud to increase the level of our sponsorship by supporting South Africa's bid to host the Soccer World Cup in 2010. As you all know this bid was successful and South Africa will host it.



On 11 April 2005 we announced that we were a bid sponsor for the 2011 Rugby World Cup. We are proud to be associated with these World Cup events, as we feel that these positively impact on the every-day life of South Africa's people in terms of job creation, infrastructure and regular foreign currency inflows through sport and tourism.

We are proud to be associated with World Cup Soccer and Rugby

Training

The training and skills upliftment of our people remains a key focus area. To date 11 000 of our employees have completed on-the-job ABET and other external training programmes recognised by tertiary educational institutions.

The training of our people remains a key focus area

Conclusion

The Pick 'n Pay Retail division had an exceptionally busy year, with new store openings increasing total trading area by 34 000 m² to 634 000 m² by the end of the financial year. Next year will be another busy year, with numerous new store openings scheduled. We intend continuing to drive sales in a low inflation environment, while gaining further operational efficiencies from existing operations.



We are all one great family working to a common set of values. As such, we each and every one take individual responsibility to do the right thing at the right time.

Chief Executive Officer's Report (continued)

The Group Enterprises Division

Store format	2005	2004
Score Supermarkets	128	142
Boxer Superstores	54	45
TM Supermarkets	54	53
Boardmans	—	26

Turnover grew with increased volumes, fuelled by effective deflation in basic commodities

Score Supermarkets

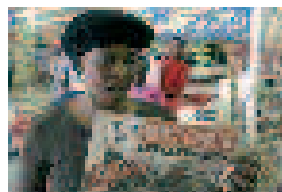
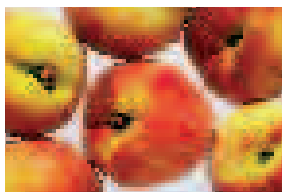
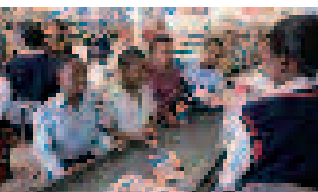
Turnover for the year grew with increased volumes, fuelled by effective deflation in basic commodities. This growth was achieved even after transferring the majority of its stores in the Eastern Cape to Boxer and its Western Cape stores as a division to Pick 'n Pay's Western Cape region. This restructure, completed in August 2004, enables Score's management to concentrate on its brand strongholds in the northern and central regions of the country.

In addition to the Eastern Cape and Western Cape store restructures, Score opened 12 new stores and refurbished many of its existing stores.

Score's management made great strides in the last six months in reducing expenses and realising further operational efficiencies. Management's renewed focus on driving sales, allied to continued cost savings, puts Score well on the way to returning to profitability.

In the year ahead we shall be making a significant investment in Score's store automation and back office system, moving to a full scanning environment. Score will also be converting their operating and financial systems to SAP in the next 18 months. We are confident this will further enhance the growth of this brand.

Score's management made great strides in the last six months in reducing expenses and realising further operational efficiencies



Boxer Superstores

Boxer had an exceptional trading year, with very good increases in both turnover and profitability.

Boxer opened 6 new stores in addition to the 8 Score stores it took over in the Eastern Cape. A further 6 new Boxer stores are planned for next year.

In the year ahead we intend to significantly invest in this highly successful brand by rolling out in-store scanning and accelerating its store refurbishment programme.



Boxer had an exceptional trading year

Pick 'n Pay Go Banking

This initiative, in partnership with Nedbank, has continued to grow its account base and funds on deposit. During the year, we successfully transferred the Pick 'n Pay Staff Saver Association accounts to Go Banking, while launching a Garage Card which has been taken up by many of its existing clients. Go Banking provides a significant platform for future growth in the evolving financial services sector, which will be enhanced by adding new banking products and facilities.

Go Banking has continued to grow its account base and funds on deposit

TM Supermarkets

TM Supermarkets in Zimbabwe continues to trade well. Increases in turnover remained above the high levels of inflation, although in the last 6 months TM management have had to deal with huge reductions in inflation. In the year ahead management will be challenged to change its strategy from that of "survival" under exceptionally difficult trading conditions to one of "growth," to again entrench this successful Zimbabwean retail brand.

During this year we were able to transfer the majority of our backlog dividends out of Zimbabwe.

TM Supermarkets continues to trade well



Disneyworld not only epitomises fun and fantasy,
but for us it is also a symbol of service excellence. We recognise
and reward our people with this incredible journey, so that
they may experience the magic of Disney and learn how to deliver
exceptional customer service.

Chief Executive Officer's Report (continued)

Franklins Australia

Store format	2005	2004
Franklins	78	78

Franklins' major focus this year was the establishment of its own channels of distribution

Our sustainable development activities have focused on BEE, people development, social responsibility and food safety

Turnover for the year at A\$841.1 million (Australian Dollars) was 2.0% below last year, largely caused by zero inflation in many key food categories and by the fact that Franklins did not open any new stores this year.

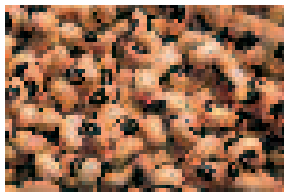
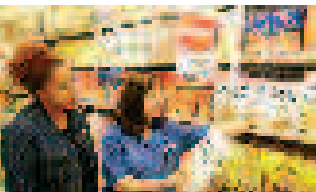
Franklins' major focus this year was the establishment of its own channels of distribution, which is our most significant step since purchasing this retail chain almost 4 years ago. At the same time the business converted its accounting and distribution systems to SAP. These 2 projects took a tremendous amount of dedication and commitment by Franklins' management. MD Aubrey Zelinsky and his team are to be commended for the successful transformation of this operation.

In moving our warehousing operations to independent operators, we now fully control all merchandise received into the warehouses and the trading terms of that supply. Franklins re-negotiated trading terms with over 600 suppliers and have begun establishing direct business relationships with these suppliers.

These transitional costs pushed the trading loss before goodwill amortisation to A\$12.8 million for the year, against the A\$8.2 million recorded last year. These additional costs were anticipated at the beginning of the year and were in line with budget.

Now that we have a self-managed distribution platform from which to operate we will be launching our franchising business which, with the opening of 3 new corporate

stores, will see a reduction in losses in the year ahead. Our goal is to continue investing in this business in the short term, moving towards profit over the next few years.



Sustainable Development

The company's commitment to consumer sovereignty and social responsibility is deeply rooted in our DNA. In terms of our social responsibility performance, the real strength of Pick 'n Pay – and a significant distinguishing feature between ourselves and some of our peers – lies in what we do, rather than in what we say we do. It is on our actions and not on our words that we should be judged.

This year we have produced our second sustainable development report, which we have once again chosen to integrate within our annual financial report. The sustainability report provides an overview of our policies, practices and performance relating to the economic, social and environmental activities of the company over the past financial year. Highlights during the year include our valuable progress in addressing the 7 pillars of the BEE Charter, our significant investments in social responsibility initiatives, our extensive staff development activities, and our ongoing focus on maintaining high levels of food safety. Our various activities in these fields have been rewarded by the trust and support that we have continued to receive from our customers, employees and shareholders.

General Comment and Prospects

We are pleased with our results for the year, which show significant real growth in profitability in a low inflation environment.

In the year ahead we will continue investing heavily in expanding our footprint through new stores as well as continuing our extensive programme of refurbishments. A major project over the next 2 years will be the implementation of SAP as an enterprise wide system for the Group and we have committed substantial capital and resource to facilitate a successful transition.

We do not foresee the current trend of low inflation levels changing materially in South Africa during the next year. With the welcome reduction in interest rates, along with initiatives underway in each of Pick 'n Pay's business units, we anticipate another year of good growth.



Sean Summers
Chief Executive Officer



We are founded in, and nurture, the communities around us. As we do every year on Arbor Day, planting trees throughout the land to anchor the soil and green our environment. Our company is now growing into its second generation, and its roots are sinking deep.

Sustainable Development Review

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GRI INDEX

Sustainable Development at Pick 'n Pay

We strive for continuous improvement in our activities in order to meet the expectations of our stakeholders and to fulfil our economic, social and environmental responsibilities

Pick 'n Pay has established a reputation for value and quality of service, which we work hard at maintaining. We strive for continuous improvement in our activities in order to meet the expectations of our stakeholders and to fulfil our economic, social and environmental responsibilities. We are committed to providing equitable and rewarding employment in a safe working environment, to promoting responsible and sustainable trading practices with our suppliers, and to upholding principles of sound environmental management. We are proud of our strong tradition of reaching out to the communities we serve, providing opportunities for social and economic development. We believe that our various activities in this regard have been rewarded by the high levels of trust and support that we have received from our customers, shareholders and peers.

Our approach to achieving sustainability is guided by two fundamental principles that have shaped the growth and success of the Pick 'n Pay Group over almost four decades: an unwavering belief in consumer sovereignty and the application of the “four legs of the table” business model.

We recognise that while we have made some significant achievements in certain aspects of our sustainability performance, we nevertheless face some important challenges. While our scores on the SRI JSE index this year reflect our strengths in the areas of governance, economy and society, they have also highlighted the need for a greater commitment to measuring our environmental activities. This is an area on which we will be focusing greater attention in the coming year.

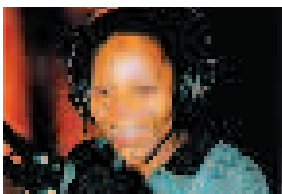
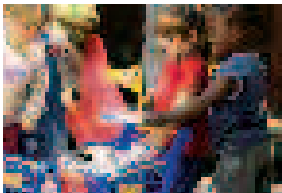
Pick 'n Pay is not here to maximise profits; it is here to maximise consumer sovereignty.

Raymond Ackerman, Chairman

Sustainable Development at Pick 'n Pay (continued)

The “four legs of the table” is an analogy used to manage the Pick 'n Pay business

Triple bottom line reporting is done under the “four legs of the table” structure



CONSUMER SOVEREIGNTY, SUSTAINABILITY AND THE “FOUR LEGS OF THE TABLE”

Our commitment to consumer sovereignty puts our customers first and is the cornerstone of our mission statement. The “four legs of the table” concept is a simple analogy in which our business is viewed as a table supported by four interdependent legs, upon which our customers sit. What happens with each leg of the business impacts on the whole business.

The structure of this report – and our current approach to managing sustainability – corresponds with the “four legs” of our business:

- **Administration:** Through effective administrative and corporate governance practices we make a positive contribution to the economy by providing employment, generating business for local service providers, paying taxes, and supplying affordable quality goods.
- **Merchandise:** Through our products and services we strive to make aspirational quality accessible to all, while ensuring customer satisfaction at all times. Key sustainability focus areas include maintaining high levels of food safety, responding to consumer interests, ensuring appropriate store design, and promoting socially and environmentally sound practices throughout our supply chain.
- **Promotion, Social and Environmental Responsibility:** We are committed to effective communication with our customers and all our stakeholders. Recognising and supporting diverse community needs countrywide has always been a core value and practice of the business, and we undertake numerous activities on environmental issues.
- **People:** We are committed to providing a place of work that inspires and rewards our employees appropriately, with an emphasis on promoting development and personal growth, and on ensuring a safe and healthy workplace that reflects the diversity of the people that shop with us.

These four legs of the business table are reinforced by a consistent set of core values and ethics.

The diagram below shows the correlation between our reporting structure based on the four legs, and the more traditional triple-bottom-line or stakeholder-based sustainability reporting structures. A more detailed breakdown of the various components that we report against is provided in the GRI table at the end of this report.

	Administration	Merchandise	Promotion, Social and Environmental Responsibility	People
Triple-Bottom-Line	Economic <ul style="list-style-type: none"> 10-year review Corporate governance Value added Shareholders' analysis 	Economic <ul style="list-style-type: none"> Maintaining low prices Supporting local and smaller suppliers Social <ul style="list-style-type: none"> Food safety Customer relations and safety Store design Supply chain management Environmental <ul style="list-style-type: none"> Supply chain practices 	Social <ul style="list-style-type: none"> Communicating with communities Social investment programme Environmental <ul style="list-style-type: none"> Environmental awareness and responsibilities Energy efficiency Waste management Transport External environmental projects Promotion <ul style="list-style-type: none"> Transparent communication with our stakeholders 	Economic <ul style="list-style-type: none"> Salaries Employee development Employee benefits Employee retirement and health insurance schemes Social <ul style="list-style-type: none"> Workforce composition Equity and diversity Health and safety Unionisation Development and training Employee benefits

When it comes to corporate social responsibility, I believe that the real strength of Pick 'n Pay – and a significant distinguishing feature between ourselves and some of our peers – lies in what we do, rather than in what we say we do.

Sean Summers – Chief Executive Officer

Sustainable Development at Pick 'n Pay (continued)

About Pick 'n Pay's Sustainability Report

This report provides an overview of the policies, practices and performance relating to the economic, social and environmental activities of the Pick 'n Pay Group for the financial year ending 28 February 2005, and builds on our initial performance assessment last year.

The Pick 'n Pay Group, hereafter referred to as Pick 'n Pay or the Group, comprises: Pick 'n Pay Holdings Limited, Pick 'n Pay Stores Limited, Pick 'n Pay Retailers (Pty) Limited, Score Supermarkets Operating Limited, Boxer Holdings (Pty) Limited, Interfrank Group Holdings Pty Limited, and all their subsidiary companies.

We aim to report on those issues that are of specific material interest primarily to analysts, investors, business and suppliers, but also to our customers, employees and the communities we reach, to whom the report will be made available. The information provided relates mainly to our South African operations, although our financial indicators are consolidated for all operations across southern Africa (South Africa, Botswana, Swaziland, Namibia and Zimbabwe) and Australia (New South Wales).

The report has drawn on the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI), as well as the criteria of the Socially Responsible Investment (SRI) Index of the JSE Securities Exchange South Africa (JSE). These criteria have been used for guidance only, with this report focusing on those issues that are seen to be specifically material to our business.

Due to the relatively limited emphasis in this report on the provision of quantitative data, the services of an independent verification agency have not been used for this report.

The Sustainable Development Report 2005 has been integrated within Pick 'n Pay's Annual Report and is also available in an electronic version as a separate PDF file that may be downloaded through our internet site at www.picknpay.co.za. Further details on our relevant policies and programmes are available from our website, or may be obtained by contacting:

Tessa Chamberlain, General Manager Corporate Marketing
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E-mail: tchamberlain@pnp.co.za

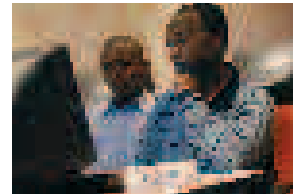
Besides being a useful predicator of performance, I believe that values are the very lifeblood of an organisation.

Raymond Ackerman, Chairman

PERFORMANCE HIGHLIGHTS

Administration

- Turnover up 8.9%
- Trading profit up 24.1%
- Operating profit up 21.7%
- Headline earnings per share up 20.6%
- Total dividend per share up 20.6%



Merchandise

- Most trusted South African company, according to Research Group Ask Africa (2003 survey)
- Establishment of a Black Economic Empowerment committee in March 2004
- Establishment of a Franchise Academy to train historically disadvantaged individuals to manage and operate a franchise store – the first eight candidates graduate in June 2005
- 51 new stores across the Group

Promotion, Social and Environmental Responsibility

- Identified for the third consecutive year as being significantly ahead of other retail companies in the independent reputations ratings in terms of “strongest contribution to development”
- R2 million raised for the Sunflower Fund
- Being an active participant in a collaborative response to the Tsunami disaster. Collection schemes amounted to R40 million in donations from the general public, and 200 tonnes of food and water were flown to South East Asia
- R3.2 million invested in internal energy saving initiatives in association with Eskom; almost 100 corporate stores have been converted to energy efficient electronic ballasts

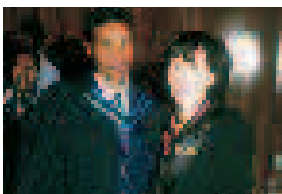
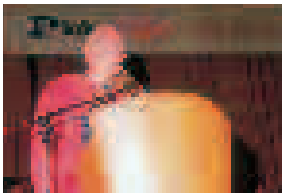
Sustainable Development at Pick 'n Pay (continued)

People

- Voted second in the annual Finance Week "Best Companies to Work For in South Africa"
- 1 530 employees graduated from in-house training programmes during the year
- Significant progress towards reaching our black economic empowerment targets for 2005
- More than R1 million in bursaries granted
- 5 529 employees currently enrolled in on-the-job training programmes
- Finalisation of an HIV/Aids policy in collaboration with the relevant Unions

CHALLENGES AND COMMITMENTS

We will in the 2006 year:

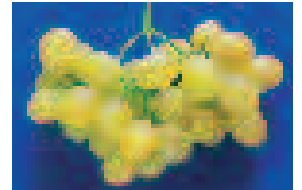
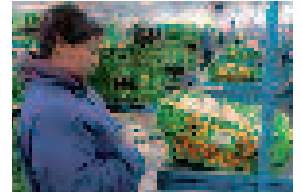


- implement a structured process of engaging with our stakeholders to better understand their expectations regarding our social and environmental performance
- measure our performance against short-term and long-term preferential procurement targets, consistent with the BEE Codes of Good Practice
- have commenced implementation of a structured environmental performance management system
- have developed specific performance indicators on our environmental performance
- introduce an internal review process to benchmark our sustainability performance against agreed parameters

Administration

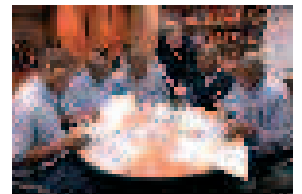
Our ability to offer our customers quality products at the lowest prices on a large scale depends on having a well organised and transparent administrative structure. This leg of the business covers all aspects of sound financial principles, corporate governance and risk management, as well as the values and ethics that underpin our business.

In this section we provide a brief review of our economic contribution, as well as an analysis of our shareholder profile and our corporate governance practices.



OUR ECONOMIC PERFORMANCE

Pick 'n Pay contributes to the local economy through its core activities by providing direct and indirect employment, generating business for local service providers and suppliers, paying corporate and local taxes, and promoting the upliftment of communities through the supply of affordable quality goods. From a quantitative financial perspective, a measure of the benefits associated with our activities include the levels of payment to employees and suppliers, and the distribution of value added (the difference between revenues and expenses) to our employees, providers of capital and to the public sector.



This positive contribution to the economic and social development of communities through our core activities is reinforced by our corporate social investment activities (outlined elsewhere in the report).

Administration (continued)

Ten Year Review

R million unless otherwise stated	10-year compound annual growth	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Operating results											
Turnover	15%	31 885.0	29 276.1	26 194.2	18 817.5	15 126.1	13 606.7	12 353.7	10 970.6	9 793.5	9 169.4
Trading profit	26%	933.6	752.2	642.1	553.7	398.6	333.9	199.1	170.0	124.8	121.8
Operating profit	24%	1 015.0	834.1	733.9	626.2	479.5	436.9	322.9	262.6	193.0	163.0
Headline earnings	24%	663.3	552.5	497.7	381.8	317.7	257.4	188.1	158.9	101.2	90.8
Consolidated balance sheets											
Assets											
Non-current assets											
Goodwill		656.4	745.1	742.1	704.1	—	—	—	—	—	—
Fixed assets		1 410.5	1 227.7	998.1	950.5	887.5	937.7	790.8	519.2	482.4	496.2
Investments		8.6	7.7	181.4	195.5	195.5	181.5	97.5	125.6	125.6	91.0
Loans		95.8	89.6	97.5	89.2	135.8	105.0	101.9	86.5	79.5	68.2
Deferred tax		129.9	99.2	68.6	43.1	—	—	—	—	—	—
Participation in export partnerships		102.7	127.6	143.3	149.3	166.2	183.4	194.6	188.3	157.1	106.9
		2 403.9	2 296.9	2 221.0	2 131.7	1 385.0	1 407.6	1 184.8	919.6	844.6	762.3
Current assets											
Inventory	12%	1 878.8	1 578.7	1 507.3	1 267.0	866.0	730.0	714.9	608.8	625.3	575.6
Trade and other receivables		634.5	628.1	495.7	357.5	287.1	301.6	165.4	136.8	60.4	67.6
Cash and cash equivalents		1 329.0	1 502.5	1 035.6	986.5	1 085.3	773.3	907.2	917.1	649.2	566.1
		3 842.3	3 709.3	3 038.6	2 611.0	2 238.4	1 804.9	1 787.5	1 662.7	1 334.9	1 209.3
Total assets		6 246.2	6 006.2	5 259.6	4 742.7	3 623.4	3 212.5	2 972.3	2 582.3	2 179.5	1 971.6
Equity and liabilities											
Ordinary shareholders' equity											
Minority interest		—	—	—	—	19.6	18.4	14.0	12.3	17.9	24.2
Non-current liabilities											
Interest-bearing debt		178.6	188.2	243.3	241.3	242.3	89.4	98.9	191.4	131.8	130.1
Retirement scheme obligation		189.8	145.0	125.9	123.5	109.2	113.4	120.6	99.5	93.6	68.1
Deferred tax		67.0	133.9	163.9	177.9	134.5	139.9	188.9	184.9	161.7	110.0
		435.4	467.1	533.1	542.7	486.0	342.7	408.4	475.8	387.1	308.2
Current liabilities											
Interest-bearing debt		56.6	159.9	186.7	17.2	15.3	13.1	95.3	4.8	0.8	1.2
Trade and other payables	14%	4 282.3	3 972.0	3 394.9	2 897.1	2 184.6	2 045.8	1 917.8	1 600.2	1 371.8	1 296.6
Tax		393.1	274.8	211.7	238.8	215.5	240.3	130.5	126.6	99.3	66.2
		4 732.0	4 406.7	3 793.3	3 153.1	2 415.4	2 299.2	2 143.6	1 731.6	1 471.9	1 364.0
Total equity and liabilities		6 246.2	6 006.2	5 259.6	4 742.7	3 623.4	3 212.5	2 972.3	2 582.3	2 179.5	1 971.6
Directors' valuation – Property		514.7	397.8	271.5	245.6	232.4	291.0	270.4	277.8	269.8	262.3
– Investments		8.6	7.7	181.4	183.8	213.6	181.5	97.5	160.0	132.5	97.6
Statistics											
Number of outlets – Corporate		438	438	394	332	221	224	234	216	237	222
– Franchise		170	162	157	139	193	176	185	237	125	47
Total selling area – Corporate 000m ²		791	800	748	678	503	492	497	465	488	497
– Franchise 000m ²		205	198	187	173	206	187	162	153	88	52
Number of TM Supermarkets stores		54	53	53	53	50	49	48	46	37	—
Number of Auto Centres		5	5	5	10	9	14	14	14	14	14
Total number of employees* 000's		47.7	44.7	31.0	27.3	24.5	24.7	25.2	25.1	25.3	22.2

*Prior to 2004 all casual employees were included as a one third equivalent of full time employees in this total. In 2004 and 2005 these employees have been fully accounted for in the total number of employees, as they now receive full proportional company benefits as variable-rate employees.

			10-year compound annual growth	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Performance measures													
Turnover growth	%	15		8.9	11.8	39.2	24.4	11.2	10.1	12.6	12.0	6.8	15.8
Trading profit growth	%	26		24.1	17.1	16.0	38.9	19.4	67.7	17.1	36.2	2.5	30.9
Operating profit growth	%	24		21.7	13.7	17.2	30.6	9.8	35.3	23.0	36.1	18.4	34.8
Headline earnings growth	%	24		20.1	11.0	30.4	20.2	23.4	36.8	18.4	57.0	11.5	14.2
Trading profit on turnover	%			2.9	2.6	2.5	2.9	2.6	2.5	1.6	1.5	1.3	1.3
Operating profit on turnover	%			3.2	2.8	2.8	3.3	3.2	3.2	2.6	2.4	2.0	1.8
Headline earnings on turnover	%			2.1	1.9	1.9	2.0	2.1	1.9	1.5	1.4	1.0	1.0
Return on shareholders' equity	%			60.0	53.5	50.3	43.7	50.6	53.7	48.9	47.8	35.0	35.4
Return on total assets	%			10.8	9.8	10.0	9.1	9.3	8.3	6.8	6.7	4.9	4.9
Headline earnings per share	cents	24%		141.5	117.4	102.9	76.5	65.0	53.0	39.2	33.7	21.8	19.5
Headline earnings per share growth	%			20.6	14.1	34.5	17.7	22.5	35.1	16.4	54.8	11.5	14.3
Net asset value per share	cents	14%		290.0	285.9	232.0	245.1	180.7	148.6	113.8	118.6	100.4	91.5
JSE Securities													
Exchange information													
Pick 'n Pay Stores Limited													
(PICKNPAY)													
Number of shares in issue (**)	millions			486.1	483.4	483.4	497.1	501.3	494.8	486.9	480.2	469.6	469.6
Market capitalisation	Rm	25%		11 229.7	8 508.6	6 018.9	4 896.9	6 040.3	5 319.4	3 634.1	3 725.0	2 413.6	2 075.2
Price earnings ratio	times			16.3	15.0	12.1	12.9	18.6	20.3	17.1	21.3	18.9	22.6
Dividend per share	cents	25%		96.5	80.0	69.0	51.8	42.9	34.8	27.6	22.3	22.8(*)	13.5
Dividend cover	times			1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.6	1.2(*)	1.7
PICKNPAY ordinary shares													
Volume of shares traded (**)	millions			140.2	133.7	171.6	191.4	128.9	130.2	97.2	75.1	49.4	26.3
Percentage of shares traded	%			28.8	27.7	35.5	38.5	25.7	26.3	20.0	15.6	10.5	16.8
Share price – High	cents			2 494	1 850	1 500	1 350	1 400	1 195	1 010	850	554	500
Share price – Low	cents			1 630	1 160	900	900	850	700	330	520	396	267
Share price – Year-end	cents			2 310	1 760	1 245	985	1 205	1 075	781	808	552	442
Pick 'n Pay Holdings Limited													
(PIKWIK)													
Number of shares in issue	millions			527.2	527.2	527.2	527.2	522.6	516.3	508.5	502.8	493.4	493.4
Group headline earnings per share	cents	23%		70.0	59.2	53.5	40.0	32.9	26.9	19.8	16.9	10.9	9.8
Dividend per share	cents	25%		47.1	39.1	33.7	25.3	20.9	17.0	13.6	11.0	11.3(*)	6.7
PIKWIK ordinary shares													
Volume of shares traded (**)	millions			61.1	49.9	72.5	90.4	108.9	115.0	101.8	58.0	54.4	19.7
Percentage of shares traded	%			11.6	9.5	13.8	17.1	20.8	22.3	20.0	11.5	11.0	11.9
Share price – High	cents			1 135	814	610	540	580	445	430	380	260	233
Share price – Low	cents			760	490	385	381	335	260	150	242	194	117
Share price – Year-end	cents			1 125	800	520	420	490	400	310	375	244	200

*Includes 5.00 cents and 2.47 cents "birthday" special dividends for PICKNPAY and PIKWIK, respectively.

**N ordinary shares were in issue during years 1997 to 2000 and share volumes and number of shares include N ordinary shares in these years.

Definitions:

Headline earnings

Net profit for the year adjusted for the after tax effect of certain capital items

Return on shareholders' equity

Headline earnings expressed as a percentage of the average ordinary shareholders' equity for the year

Return on total assets

Headline earnings expressed as a percentage of the average total assets for the year

Headline earnings per share

Headline earnings divided by the weighted average number of shares in issue for the year

Dividend cover

Headline earnings per share divided by the dividends per share which relate to those earnings

Net asset value per share

Total value of net assets at year end, adjusted for directors' valuations of property, divided by the number of shares in issue at year-end, held outside the Group

Market capitalisation

The price per share at year-end multiplied by the number of shares in issue at year-end

Price earnings ratio

The price per share at year-end divided by headline earnings per share

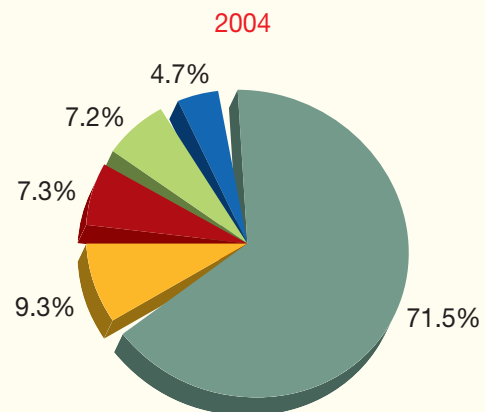
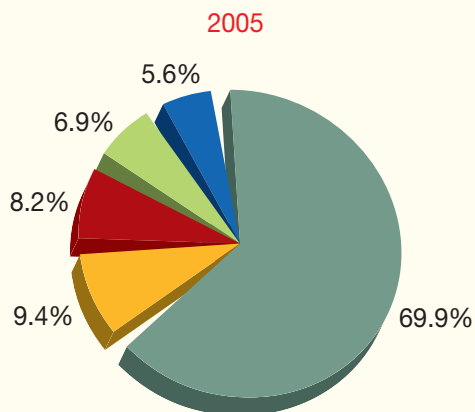
Dividends per share

The interim dividend declared during the current financial year and the final dividend declared after year-end, in respect of the current financial year.

Administration (continued)

Value Added Statement

	February 2005			February 2004		
	Rm	%	%	Rm	%	%
Sales	31 885.0			29 276.1		
Amounts paid for merchandise and expenses	(27 553.6)			(25 446.2)		
Interest and dividends received	87.5			96.1		
Value added	4 418.9	13.9	100.0	3 926.0	13.4	100.0
Utilised:						
Employees' salaries, wages and other benefits	3 090.8		69.9	2 808.5		71.5
Investors: Dividends and interest paid	414.5		9.4	363.3		9.3
Tax	360.2		8.2	286.0		7.3
Retained for:						
– replacement of assets	304.7		6.9	283.1		7.2
– growth	248.7		5.6	185.1		4.7
	4 418.9		100.0	3 926.0		100.0



■ Employees' salaries, wages and other benefits
■ Investors: dividends and interest paid
■ Tax
■ Retained for replacement of assets
■ Retained for growth

Analysis of shareholders as at 28 February 2005

PICK 'n PAY STORES LIMITED (PICKNPAY)

Category of shareholders

Non-public shareholders

Pick 'n Pay Holdings Limited	1	257.3	52.9
Pick 'n Pay Retailers (Pty) Ltd	1	22.5	4.6
Directors	2	2.9	0.6

Public shareholders

Institutional holdings	830	174.3	35.9
Individuals	5 876	29.1	5.9

Total

Number of shareholders	Shareholding millions	Shareholding %
6 710	486.1	100.0

Shareholder spread

Shareholding

1 – 1 000 shares	2 965	1.3	0.3
1 001 – 10 000 shares	2 743	9.1	1.9
10 001 – 100 000 shares	746	23.5	4.8
100 001 – 1 000 000 shares	212	59.6	12.3
1 000 001 shares and over	44	392.6	80.8

Total

Number of shareholders	Shareholding millions	Shareholding %
6 710	486.1	100.0

PICK 'n PAY HOLDINGS LIMITED (PIKWIK)

Category of shareholders

Non-public shareholders

The Ackerman Family Trust	1	253.1	48.0
Pick 'n Pay Group entities	2	27.5	5.2
Directors	4	7.7	1.5

Public shareholders

Institutional holdings	789	151.3	28.6
Individuals	9 075	87.6	16.6

Total

Number of shareholders	Shareholding millions	Shareholding %
9 871	527.2	100.0

Shareholder spread

Shareholding

1 – 1 000 shares	2 095	1.2	0.2
1 001 – 10 000 shares	5 598	23.7	4.5
10 001 – 100 000 shares	1 923	54.2	10.3
100 001 – 1 000 000 shares	219	58.1	11.0
1 000 001 shares and over	36	390	74.0

Total

Number of shareholders	Shareholding millions	Shareholding %
9 871	527.2	100.0

Effective holding of Pick 'n Pay Stores Limited

Category of shareholders

The Ackerman Family Trust	25.4
Pick 'n Pay Group entities	7.4
Directors	1.4
Institutional holdings	51.0
Individuals	14.7

Total

Shareholding %
100.0

1% or more shares are held by the following individual shareholders:

Pick 'n Pay Holdings Limited	52.9
The Ackerman Family Trust	—
Liberty Life Association of South Africa	—
The Pick 'n Pay Employee Share Purchase Trust	—
Public Investment Commissioner	4.8
Pick 'n Pay Retailers (Pty) Ltd	4.6
Old Mutual Life	3.0
Investment Solutions Limited	2.0
Mine Employees Pension Fund	2.5
Investec Investment Funds	—

PICKNPAY shareholding %	PIKWIK shareholding %
52.9	—
—	48.0
—	5.0
—	4.8
4.8	2.1
4.6	—
3.0	2.7
2.0	—
2.5	—
—	1.6

Administration (continued)

Our operational structures encourage personal growth and achievement

Commitment to uphold the seven enduring principles of Pick 'n Pay

Leadership and succession planning are key

The Board is committed to complying in all material respects with the principles contained in the King Code of Corporate Practices and Conduct

CORPORATE GOVERNANCE

The Group has a flat organisational structure. Overall responsibility lies with the Pick 'n Pay Stores Limited board. Operational responsibility for the Group is vested in three divisions: the Retail Division, the Group Enterprises Division and Franklins Australia. Each division has its own management board and Retail and Franklins have Managing Directors reporting directly to the CEO. This flat Group structure enables local operations to take ownership of decision-making and to assume individual responsibility for their actions and success. The structure encourages personal growth and achievement, ensuring that initiative is enabled, identified and rewarded.

The Board

The Board comprises twelve members, with seven non-executive directors and five executive directors. It is responsible for selecting a successful management team, overseeing corporate strategy and performance, and acting as a resource for management in matters of planning and policy. The Board is responsible for setting the governance policy and practices for the Group. It meets four times a year to monitor the performance of the Group, its executive directors and senior management.

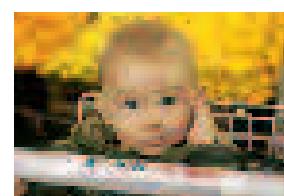
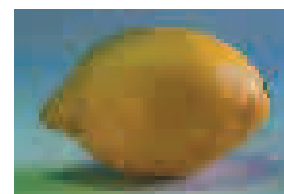
The Board of directors and senior management are committed to the highest standards of corporate governance and we take pride in our high moral and ethical business standards. The Board is committed to complying in all material respects with the principles contained in the King Code of Corporate Practices and Conduct (King II), as well as to the additional requirements for good corporate governance stipulated in the JSE SRI Index. An overview of the Group's corporate governance framework is provided in this section.

A more comprehensive review – with details of all Board and committee charters, and on the roles and responsibilities of the Chairman, CEO and managing directors – is available on the company website.

Enduring principles of Pick 'n Pay

The Board has a responsibility to ensure that the CEO and management do not depart from the following enduring principles that were applied by Raymond Ackerman while building the Group and which ensure that the spirit of Pick 'n Pay remains intact:

- Consumer sovereignty
- A flat organisational structure
- Decentralisation of authority to enable local control
- Promoting from within
- Maintaining a discount image
- Fighting collusion amongst suppliers, and rejecting collusion between retailers
- Keeping cash, buying forward on a rising market



Leadership development

The non-executive directors evaluate the CEO annually. The evaluation is based upon objective criteria including performance of the business, accomplishment of long-term strategic objectives and management development. The CEO reports to the Board on succession planning, with a defined succession plan in place should the Chairman, CEO, or MD or any of the senior management need to be replaced. The CEO's recommendation for his successor is known by the Board at all times, should the CEO be unexpectedly incapacitated. Succession planning has received specific attention across the Group to ensure continuity of the business. The CEO also reports annually to the Board on the Group's programme and performance in respect of management development and employment equity.

Board committees

The Board is assisted by the following specialised committees: Audit, Risk and Compliance, Remuneration, Nominations and Corporate Governance. Each committee has a formal charter which is periodically reviewed by the Board. Detailed information on each of the committees is available to download through our website.

Administration (continued)

The Board is assisted by specialist committees to help manage its various responsibilities

The CEO is responsible and accountable to the Board, assisted by the MD's of the operating divisions

Adequate procedures and processes are in place to manage and monitor risks

A comprehensive code of conduct is entrenched and monitored through various initiatives

- **Audit, Risk and Compliance committee:** This committee is chaired by an independent non-executive director and comprises only non-executive directors. The committee's responsibilities are varied and include ensuring that necessary risk management strategies and internal controls are in place (through consultation with internal and external auditors), establishing that management is adhering to and improving these controls, and acting as a liaison between the external auditors and the Board. The external and internal auditors have unrestricted access to the committee and all of its members throughout the year.
- **Remuneration committee:** The remuneration committee, which meets at least twice a year, is chaired by an independent non-executive director and comprises only non-executive directors. The committee is responsible for reviewing and approving the remuneration of executive and non-executive directors and senior management. The Group's philosophy is to remunerate its employees fairly in relation to the nature of the services they provide. With specific regard to senior executives, the Group aims to remunerate them in the upper quartile of their peer group in the retail industry and to ensure that an appropriate proportion of their total package is performance related. In addition to cash remuneration, executives are afforded the opportunity to participate in Group share schemes, which aligns the interests of management to that of shareholders.
- **Nominations committee:** The nominations committee is chaired by the Chairman and comprises only non-executive directors. The committee identifies and evaluates potential candidates for appointment to the Board and has strict guidelines on the qualities required of directors. These qualities include being tough-minded, independent and objective, as well as being loyal to the principles and values upon which the Group is built.
- **Corporate Governance committee:** The corporate governance committee is chaired by the Chairman and comprises non-executive directors and the Company Secretary. The committee ensures that corporate governance structures are in line with national and international standards, and are both appropriate and effective.

Accountability

The CEO is responsible and accountable to the Board for all Group operations. The CEO has appointed managing directors (MDs) of the main operating divisions to assist in discharging this responsibility. The duties and responsibilities of the MDs are detailed in a formal role description, together with limits of authority, and these are approved and reviewed annually by the CEO.

The company's policy of decentralisation and flat organisational structure means that each region is managed autonomously. Each region has its own operational, marketing and social responsibility budget. Each store is responsible for its own results and responds individually to customer needs, pricing policies, and in its choice of social responsibility programmes.

Risk management

The Board is responsible and accountable for ensuring that adequate procedures and processes are in place to identify, assess, manage and monitor key business risks. Operational and financial risks are managed through the implementation and maintenance of a system of internal and financial controls which are regularly monitored, reviewed and improved by management and Group Audit Services.

The Group's assets are insured against loss, with cover being taken out above predetermined self-insurance levels. In a disaster recovery circumstance, business continuity plans will ensure the business continues with the least amount of disruption, both from an information technology and operational viewpoint. These plans are reviewed and updated regularly.

Code of conduct

The Group has a comprehensive code of conduct founded on the highest levels of honesty, integrity and respect. All our employees are expected to comply with the code at all times. The Board confirms that systems and procedures have been implemented to entrench the values and ethics laid down in the code of conduct, and to monitor compliance with the code.

All new staff members receive training on the code of conduct at induction. These values are continuously instilled through ongoing communication and training. A function of Human Resources is to monitor compliance

Administration (continued)

with the code across the Group, to follow up complaints, to review disciplinary measures and the outcomes thereof, and to ensure the consistent application of disciplinary measures.

Further information on our code is available through our website.

Dealing in Group Company shares

All dealings in Pick 'n Pay Holdings Limited and Pick 'n Pay Stores Limited shares by both company and subsidiary company directors and the Company Secretary are reported on the JSE Stock Exchange News Service (SENS) within 48 hours of the trade having been made. Before these trades are entered into they must be pre-approved by duly authorised directors of the company concerned.

In addition to the above JSE regulated approval process, all sales of Pick 'n Pay Group shares must be approved internally as follows:

- The Chairman by the lead non-executive director
- The CEO and other directors of the Board by the Chairman
- Exco members by the Chairman and the CEO
- Management Board members and other senior executives by the CEO and the respective managing director.



All employees and Group entities are not permitted to trade in the Group's listed shares during "closed periods" which start on the day after the interim and final stock counts (occurring in mid-August and mid-February, respectively) and end with the publication of the respective result on the JSE Stock Exchange News Service (SENS).

Party political support

While it is our policy to support social initiatives across party lines, we do not support any individual political party, financially or otherwise.

Directors' attendance at meetings

Pick 'n Pay Stores Limited Board meetings					
Director	19 April 2004	11 June 2004	18 Oct 2004	18 Feb 2005	AGM 11 June 2004
R D Ackerman <i>(Chairman)</i>	Y	Y	Y	Y	Y
D Robins <i>(Deputy Chairman)</i>	Y	Y	Y	Y	Y
S R Summers <i>(CEO)</i>	Y	Y	Y	Y	Y
G M Ackerman	Y	Y	Y	Y	Y
W Ackerman	Y	Y	Y	Y	Y
D G Cope	Y	A	Y	Y	A
R P de Wet	Y	Y	Y	Y	Y
H S Herman	Y	Y	Y	Y	Y
C Hultzer	Y	Y	Y	Y	Y
D M Nurek	Y	Y	Y	Y	Y
C Nkosi	Y	Y	Y	Y	Y
B J van der Ross	Y	Y	Y	A	Y

Pick 'n Pay Holdings Limited Board meetings				
Director	19 April 2004	18 Oct 2004	18 Feb 2005	AGM 11 June 2004
G M Ackerman <i>(Chairman)</i>	Y	Y	Y	Y
R D Ackerman	Y	Y	Y	Y
W Ackerman	Y	Y	Y	Y
R P de Wet	Y	Y	Y	Y
H S Herman	Y	Y	Y	Y
C Hultzer	Y	Y	Y	Y
D M Nurek	Y	N/A	N/A	Y

Audit, Risk and Compliance Committee meetings		
Director	15 April 2004	15 Oct 2004
C Hultzer <i>(Chairman)</i>	Y	Y
G M Ackerman	Y	Y
D M Nurek	A	Y
H S Herman	Y	Y
B J van der Ross	Y	Y

Remuneration Committee meetings		
Director	23 April 2004	18 Oct 2004
D M Nurek <i>(Chairman)</i>	Y	Y
G M Ackerman	Y	Y
R P de Wet	Y	Y
H S Herman	Y	Y
C Hultzer	Y	Y

Y = Meeting attended A = Apology N/A = Not a director from 11 June 2004

Administration (continued)

Principal memberships in industry and business associations

Memberships

- Proudly South African
- CIES, the international food forum that consults on all issues relating to food retailing
- The Consumer Goods Council of South Africa (CGCSA), which plays an active role in lobbying regulators, retailers and suppliers on food safety related standards.
- The Southern African Grant Makers Association (SAGA), a forum for networking with donors and supporters of Corporate Social Responsibility programmes

We are represented on:

- The SABS/SANS workgroups for upgrading food related standards
- The Global Food Safety Initiative for establishing retail, supplier and store standards
- CIES – The Food Business Forum Marketing Committee

IT related memberships

- GS1: Global standards body (ex EAN)
- Represented on the board of the Global Commerce Initiative (GCI)
- South African Retailers Payments Instruments Forum (SARPIF)
- Europay Mastercard and Visa Forum
- Computer Society of SA
- ECR (Division of CGSA)

Sean Summers' representation:

- CIES Board of Directors
- Consumer Goods Council of SA (Co-Chair)
- SACOB (SA Chamber of Business)
- Institute of Directors of SA
- Business Against Crime
- NBI (National Business Institute)
- Free Market Foundation
- Wesgro (Cape Town Partnership to clean up the CBD)
- Ethics – SA

Human Resources representation:

- The company belongs to the Retailer's Association. Through this association we are members of BUSA (Business Unity South Africa), the consolidated body representing business interests in the country.

Food Technologists' representation:

- We are members of SAAFOST (South African Association for Food Science and Technology), which provides an excellent platform for remaining informed of the latest developments in the industry

Dietician's representation:

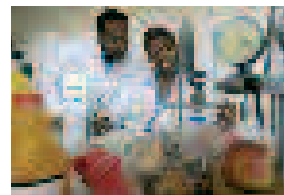
- ADSA (Association for Dietetics in South Africa)
- Registration with the HPCSA (Health Professions Council of South Africa)
- 5-a-day with CANSA (Cancer Association of South Africa)
- Diabetes Association of South Africa
- AfricaBio (a non-profit biotechnology association for the safe, ethical and responsible research, development and application of biotechnology and its products)

Consumer Federations/Organisations:

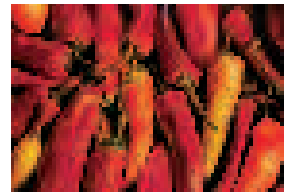
- Associate member of SANCU (South African National Consumer Union)
- Professional member of SOCAP (South African Society of Consumer Affairs Professionals)

Merchandise

Pick 'n Pay's strong brand has grown primarily through our goal of pursuing the principle of consumer sovereignty. The merchandise leg of the business covers all activities associated with our commitment to getting the right product to our customers at the best price, and ensuring customer satisfaction at all times.

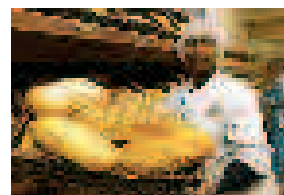


In this section of the report we outline our activities relating to food safety management (including such issues as genetically modified organisms, pesticides, food labelling and healthier eating), and briefly review our numerous initiatives relating to customer communication and satisfaction, procurement and supply chain management.



FOOD SAFETY

Food safety is our customers' right and is our priority. We take all possible precautions to ensure that products are of the highest quality and absolutely safe.



Food safety management

Our food safety is managed by two national technical managers who are responsible for ensuring safety along the supply chain, as well as for in-store food safety. Day-to-day food safety management at store level is the responsibility of regional and Hypermarket general managers who also take responsibility for staff training. External auditors perform bi-monthly checks that the food safety policy is practically implemented by the team at store level. The stores' food safety policy is updated regularly. The policy outlines the pre-requisites for safe food handling, including personal hygiene, temperature control, pest prevention and practices relating to handling cooking oil.

Our supply chain is managed by a separate Technical Team, consisting of 34 food technologists, food scientists, microbiologists and home economists. This team assists the buyers in sourcing products, developing products, and monitoring all aspects of food safety. They are responsible for the supplier standards and product integrity of the Pick 'n Pay house-branded food products.

Our products are manufactured according to a strict code of practice and to specifications that outline technical requirements – including ingredients, formulation, processing standards, microbiological standards, allergen

Merchandise (continued)

Food safety management is a priority – a technical team manage and monitor all aspects of food safety

information, analytical data, quality controls and shelf-life. Our laboratory staff and food technologists methodically test the products for potentially harmful micro-organisms and other compounds, with the aim of ensuring safe, quality products that provide for the welfare of animals and the environment.

We work closely with the Departments of Health and Agriculture and are actively engaged in upgrading industry standards.

We work closely with the Departments of Health and Agriculture and are actively engaged in upgrading industry standards

Responsible livestock practices

In response to concerns about antibiotic and hormone residues in meat and poultry products, we strive to maximise the safety and quality assurance of livestock, by ensuring that all livestock are raised in a safe, comfortable and hygienic environment. Pick 'n Pay Corporate Brands has established a formal Pick 'n Pay Free Range animal welfare standard that encompasses all aspects surrounding animal housing, feed and water management, and health and transportation. All our Free Range product suppliers comply with this standard and our food technologists regularly inspect these facilities to ensure that the standard is maintained.

We aim to provide clear and relevant labelling relating to quality, health and nutrition

A cornerstone of our Country Reared range of meat products, and Free Range egg and poultry products, is that these animals do not receive antimicrobials or growth hormones and are fed on a diet free of animal by-products, including fish meal. We are against animal testing. Extensive research has been undertaken to ensure that the suppliers of our house-brand cosmetics and detergents do not use ingredients that have been tested on animals in the past five years. We endeavour to stock a range of "animal-friendly" alternatives for our concerned customers.

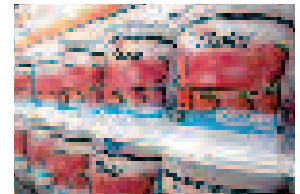
We endeavour to stock a range of "animal-friendly" alternatives for our concerned customers

Pesticides

Pick 'n Pay suppliers comply with legislation that regulates levels of pesticide use. Our policy for the testing of pesticide residues on fresh produce is enforced by the food technologists who regularly visit suppliers to ensure compliance with regulations and standards.

Genetically Modified foods

Concerns expressed by our customers around the complex and challenging issue of genetically modified (GM) products are understandable. The co-mingling of genetically modified maize in South Africa is largely uncontrolled, which means that many maize or products containing maize may contain GM material. For these reasons, it is difficult at this stage for Pick 'n Pay – and indeed for the local retail industry as a whole – to provide customers with accurate and meaningful information about the GM status of all products stocked.



The National Department of Health has issued mandatory labelling requirements for foods that contain GM material. There is, however, no guidance for the voluntary labelling of products that do not contain GM ingredients, nor are there any consistent and universal GM testing standards outlined for manufacturers.

Labelling

We aim to provide clear and relevant labelling that enables customers to make informed choices to suit their budget and any other individual requirements relating to quality, health and nutrition.

- Detailed information is provided on food ingredients, highlighting any allergens present, as well as providing warnings, usage and storage information, typical nutritional values per 100g and per serving where applicable, and suitability for vegetarians, Kosher and Halaal customers.
- Government departments and other regulatory bodies are consulted on a regular basis to ensure that all products adhere to legislation regarding packing and labelling requirements, nutritional claims, quality and safety.
- All Pick 'n Pay house-brand food items carry expiry dates as an added assurance of freshness.

Most trusted South African company

Pick 'n Pay was voted the most trusted South African company, according to a 2003 survey conducted by research group Ask Africa, in association with Business Day. The research findings were based on a survey conducted among the general public, employees, shareholders, customers and the media, to determine perceptions of thirty of the country's leading companies.

Promoting a healthier way of living

We endeavour to influence and promote a healthier way of living for our customers:

- We offer a wide selection of foods that have various health benefits. These include omega-3 enriched eggs, a range of low and fat-free products, foods with added vitamins and minerals, speciality lines suitable for gluten and wheat free diets, foods for those conscious of their heart or weight, and products recommended for people with diabetes.
- A *Health Hotline* (Toll-free 0800 11 22 88 or (011) 856-7626) with a registered dietician is available as a free service to answer our customer and staff queries, offering guidance and dietary guidelines relating to various issues, including diabetes, allergies, weight loss, sports nutrition, nutrition for children and the heart smart diet.
- A series of leaflets called *Healthy Eating Guide* is produced on various health-related topics ranging from diabetes to sports nutrition. The leaflets are displayed in all stores for the public. They are also available on our website.
- A quarterly newsletter, *Update*, is produced for distribution to our customers through the Customer Service Managers at all stores. The publication addresses topics of interest and relevance as identified through research conducted with our customers.
- We encourage a growing awareness of environmental and health issues, as well as demand for organic products. A selected range of organically certified fruit and vegetable products that are produced without the use of artificial fertilisers, chemicals and pesticides, are offered in selected stores. Although these products typically contain lower levels of agricultural residues than conventionally farmed food, general environmental pollution precludes that they be completely free of residues.

We endeavour to influence and promote a healthier way of living for our customers

Our house-brands meet stringent quality specifications

Our Customer Service Managers (Ladies in Red) manage customer service in all our stores and are our “secret weapons”

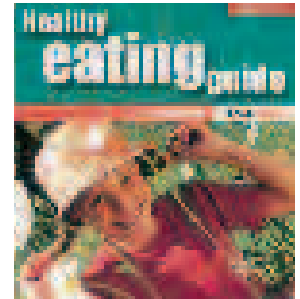
CUSTOMER SATISFACTION

Our growth and success can be directly linked to our commitment to meet and exceed our customer needs and demands. We pledge to make our products and services affordable for all by offering the best value for money combined with the best product range.

House-brands

To better meet the specific needs of each of our customers, we distribute our house-brands or private label brands – which we take responsibility for developing – alongside major brand products. The following three affordable categories of house-brands meet stringent quality specifications, and carry a “double your money back” guarantee.

- *Pick 'n Pay No Name*: straightforward “no frills” packaging has enabled Pick 'n Pay to reduce the prices of basic products.
- *Pick 'n Pay's Choice*: these products have been selected for their outstanding quality, which is equal to that of leading national brands.
- *Pick 'n Pay Foodhall*: this is a range of value added convenience foods and ready prepared meals. This house-brand offers our customers easy and convenient meal solutions, which have been prepared to the highest of food standards.



Customer service and communication

As “customer representatives”, our in-store Customer Service Managers ensure that good service levels are maintained and manage all in-store customer liaison. Customer Service Managers are also an integral part of each store's charitable work and social initiatives, addressing community needs in their trading area. They are easily identified by their red uniforms.

It is our policy to respond to every instance of communication, however minor. To process requests and complaints concerning products and services as quickly as possible and to communicate with our customers on a range of issues, we have set up some specific tools, including consumer services and toll-free numbers.

Merchandise (continued)

A number of facilities are in place at our stores to ensure disabled customers have an easier shopping experience

Our Home Shopping Service is popular with time-challenged or house-bound customers

Pick 'n Pay Go Banking offers our customers a cheaper banking alternative with all the benefits related to supermarket banking

- The Pick 'n Pay Customer Careline (0800-11 22 88) is available to customers seven days a week. Our operators are trained to assist customers with any queries and to resolve problems and complaints swiftly.
- In 1999 the company introduced internal radio stations in all corporate and franchise stores in the Group, providing a useful mechanism for direct communication with customers while they shop, as well as for staff training and communication outside of shopping hours.
- Our website is a powerful tool for communicating with our stakeholders. The information on the site expands on the contents of this report, providing much information about the company and its activities.
- Our *Talk About* series of booklets, launched in 1989, provides informative comment and sensible advice on a variety of social issues. The short and easy-to-read publications are distributed free through our stores.

Providing for our disabled customers

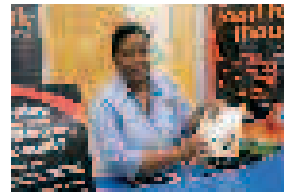
A number of facilities are in place at our stores to ensure disabled customers have an easier shopping experience. These include wide aisles for comfortable wheelchair manoeuvring and a wheel-chair friendly checkout. Each store has a Customer Service Manager to assist our customers with any specific needs, and if unavailable another staff member will assist. In accordance with national building regulations, ramps are provided, where applicable, for easier access. Parking bays for the disabled are provided at our Supermarkets and Hypermarkets and certain Hypermarkets have cordoned-off parking areas specifically reserved for disabled customers. The majority of our stores have cloakroom facilities for disabled customers. Motorised trolleys are available at all our Hypermarkets. A telephone service is also provided for hard of hearing and deaf customers through our Customer Careline on 0800 00 89 89.

Online shopping

Our online Home Shopping Service, introduced in 2002, is a popular service with time-challenged or housebound customers. Our customer database of active monthly shoppers is steadily growing.

**Go Banking**

In partnership with Nedbank, we have elevated banking in the retail environment in South Africa, offering our customers a fully transactional account that can also be used as a high interest-earning savings and investment account. Further benefits of the Go Banking account include the facility to draw cash and deposit money at Pick 'n Pay tills, at reduced rates, and request account balances and mini-statements at tills, at no cost. By maintaining a minimum balance (currently R5 000), bank charges become negligible. Our Go Banking customers receive special discounts on selected products when paying with their Go Account card.

**Store design**

Our different store formats – Supermarkets, Hypermarkets and Family stores – which range in size and layouts, are strategically located to address market growth in existing and developing areas. Stores are constantly upgraded through renovations and new equipment in line with suitable international best practice trends, which allows us to showcase and introduce new products and innovations.

Customer safety and security

In 2003 we introduced various initiatives to ensure a safe and secure environment for our customers and staff. We strive to continually improve our security and crime prevention initiatives, working in association with the Consumer Goods Council in this regard and sharing information between role players in the industry.

SUPPLIERS

As a retailer, we use a large range of raw materials to produce our goods. It is therefore critical that we manage our use of these materials sensitively and pay proper regard to how we affect natural habitats and

Merchandise (continued)

biodiversity. The criteria used in selecting suppliers includes product quality, respect for labour, and due care for the environment.

Our pledge to suppliers

To establish efficient and fair business practices for our mutual benefit and to encourage the development and marketing of products in response to consumer needs and environmental imperatives.

It is company policy to support local and small suppliers as much as possible

Procurement and supply chain management

It is our policy to support local and small suppliers as much as possible.

Supporting local suppliers helps to create economic value, as well as assisting us to integrate more effectively into the local economy.

Our procurement policy requires that buyers and procurement officers seek, identify and procure from BEE compliant suppliers and service providers.

The process is still in its infancy and improvements to a standardised benchmark are still required.

In an effort to increase our number of BEE franchise stores we established a Franchise Academy where historically disadvantaged individuals are trained on how to manage and operate a franchise store

The Technical Team responsible for overseeing food safety and quality encourages suppliers of Pick 'n Pay house-branded foods to responsibly practice waste and water management in an effort to conserve these limited resources and protect the environment from unnecessary pollution, as defined by South African legislation.

Black Economic Empowerment committee

A principal achievement this year was the establishment of our Black Economic Empowerment (BEE) committee in March 2004 to address BEE issues and make recommendations on policy and strategy to the Pick 'n Pay Retail Division management board. Subcommittees have been established to develop

strategies as directed by policy statements, and as defined by the BEE scorecard. The subcommittees are: Ownership and Management; Employment Equity; Skills Development; Preferential Procurement; Enterprise Development (suppliers); Enterprise Development (Franchise); Corporate Social Investment; and Pick 'n Pay Foundation representatives.

Promoting BEE franchise stores

In an effort to increase our number of BEE franchise stores we established a Franchise Academy where historically disadvantaged individuals are trained on how to manage and operate a franchise store. The first eight candidates will complete the programme in June 2005, and a selection process is underway to select a further 10 candidates for 2005/6.

Support Bakery BEE Project

In April 2004 we launched a Support Bakery community project aimed at generating greater variety and stock of bakery products in stores and easing the pressure on in-store production. The production facility consists of 27 members and 48 employees who were all formerly employed as contract cleaners. Production of a range of products is increasing at an unprecedented rate. Earnings are related to production – a strong motivational factor. Earnings of the members have increased by more than 50% in one year. There is escalating demand for the products and the rapidly growing project will be expanded. The aim is to provide all employees with a formal qualification, the Craft Baking and Flour Confectionery NQF2. An external accounting officer has been appointed to manage the finances and oversee administrative concerns, as well as to provide hands-on instruction to the members on business management.

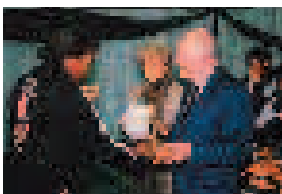
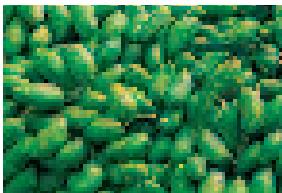
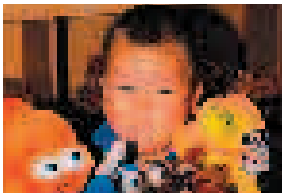


Promotion, Social and Environmental Responsibility

Accessibility to our customers has been central in the building of our brand and our image as the customer's friend

Pick 'n Pay's social responsibility policy includes providing assistance to as many small requests as possible

The Foundation was established to make a measurable contribution to sustainable development



The whole success of Pick 'n Pay is built on the philosophy: the more you give, the more you get back.

Raymond Ackerman, Chairman

All our activities under this leg of the business – namely our advertising, promotions, communications, and social and environmental responsibility initiatives – are orientated towards benefiting our customers and enabling us to make a meaningful contribution to society.

As a socially responsible business, we endeavour to respond in material and practical ways to the expectations and aspirations of our employees, customers and the local communities in which we operate. As an environmentally responsible company we seek to promote sustainable practices that will improve our environmental footprint, to raise awareness among staff and the general public around internal and external environmental issues, and where possible to use our influence to improve the environmental standards in our supply chain.

COMMUNICATING WITH COMMUNITIES

Accessibility to our customers has been central in the building of our brand and our image as the customer's friend. We rely on a variety of communication channels for different purposes. Advertising is used as a vehicle to communicate on brand issues, products and prices, as well as on environmental issues, staff training achievements, and our results and innovations. It is also used to educate our customers on products and services. We sponsor events, programmes and projects that align positively with our brand ethos. All our sponsorships have a community component.

OUR SOCIAL INVESTMENT PROGRAMME

Pick 'n Pay's social investment activities

Social investment is a core part of our values and principles, and a critical component of our corporate governance. We have always played an active role in supporting and building local

communities. Our Chairman's philosophy that "doing good, is good business" is embedded throughout the Group.

We commit major resources to social investment initiatives each year and adopt a flexible approach, responding to the needs of communities under specific circumstances.

Each autonomous region has its own social responsibility budget to allocate towards short- and long-term local needs. We strive to develop long-term sustainable partnerships with all beneficiaries, focusing on lasting commitment rather than once-off projects.

In addition to making major donations, we provide assistance to as many small requests as possible.



The Ackerman Pick 'n Pay Foundation

In addition to the Group and regional contributions, The Ackerman Pick 'n Pay Foundation was established in 2000 in honour of Raymond and Wendy Ackerman. It has since committed R9 million to sustainable community upliftment projects. The Foundation's mission is to make a measurable contribution to sustainable development by enhancing and developing skills, and supporting projects which encourage entrepreneurship, self-reliance and provide employment opportunities. Further information on the Foundation is available on our website.

Projects supported by Pick 'n Pay and by The Ackerman Pick 'n Pay Foundation

Following is a brief summary of some of the key projects supported by Pick 'n Pay and The Ackerman Pick 'n Pay Foundation:

- **Education and literacy:** Recognising the importance of education in the long-term development of the country, we support numerous education-related initiatives.
 - More than 200 students have graduated over the past 10 years through the assistance of The Ackerman Family Educational Trust. To date 35 of these students have graduated as medical doctors. The Foundation promotes literacy across SA by supporting the Booksmart Foundation, which has facilitated the collection of books from schools and universities in the US for distribution among local schools and universities countrywide.

Promotion, Social and Environmental Responsibility

(continued)

From health to housing and environment to education, our initiatives seek to make a contribution to the communities we trade in

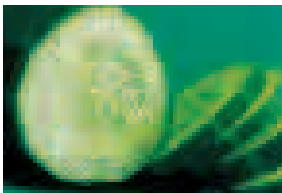
- Pick 'n Pay donated a total of 682 computers to 31 underprivileged schools during the reporting period.
- A School Club programme has been launched to provide schools with educational materials and motivate their involvement in social projects.
- In addition to the educational projects supported by Pick 'n Pay and by the Foundation, Raymond Ackerman in his personal capacity launched an Academy of Entrepreneurial Development at the UCT business school in February, to focus on developing business skills among 18 to 22-year-olds from disadvantaged backgrounds.

● **Health care:** We endeavour to promote access to primary health care across the country by assisting hospitals, specialised units, research and home care initiatives. Assistance is also provided to the disabled, street children, Aids sufferers, HIV prevention programmes and victims of rape and abuse. The specialist Red Cross Children's Hospital in Cape Town has been a focus of support over the years for fund-raising efforts. Pick 'n Pay is also a prominent supporter of the Sunflower fund, a non-profit organisation which raises funds to recruit and increase the donor database of the South African Bone Marrow Registry.

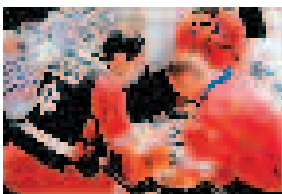


● **HIV/Aids:** Tackling issues on HIV/Aids within and outside the company is a focus of our corporate social investment programme.

● **Electricity and water:** Score Supermarkets support an initiative to make water more accessible to rural communities through the use of roundabouts that children can play on whilst pumping water for the local community.



● **Road safety:** The Pick 'n Pay "Stay Alert, Stay Alive" campaign has developed since its inception in 1992 into one of South Africa's well-known road safety initiatives. It incorporates a television campaign and a quarterly Road Traffic Safety competition which attracts over 200 000 completed entry forms each time. In association with the AA Road Traffic Safety Foundation, the Pick 'n Pay campaign has held 11 major road safety test days at Kyalami near Johannesburg.



- **The fight against crime:** In support of efforts to fight crime we assisted the South African Police Services (SAPS) with recruitment training facilities. An imitation supermarket was set up in the SAPS training facilities which will be used to stage mock soft target robberies and possible hostage situations. The facility was launched in January 2005.



- **Feeding schemes:** Significant quantities of surplus food are donated daily to the Lions Club Food Project in Cape Town, for distribution to over 40 000 people in the greater Cape Town area. Our Eastern Cape region runs a Lunch Box campaign: each Customer Service Manager selects two or three underprivileged schools to visit on their opening day in order to give the Grade 1 children a lunch box which contains juice and fruit.



- **Sport:** Pick 'n Pay has long been committed to developing South African sport. We believe that our sponsorships and involvement play an important role in enhancing the lives of many South Africans. Our initiatives range from national events – the Cape Argus Pick 'n Pay Cycle Tour and the Comrades Marathon – to donations for small events that are dependent on additional funding. We focus mainly on mass participation, family-related sporting events which benefit communities and reach out to more impoverished communities. Our support for the annual Calypso Beach Cricket sporting festival in conjunction with the United Cricket Board of South Africa has made a difference to the lives of over 7 000 children who show interest in the sport. Several young cricketers have emerged to play representative cricket in their age group.

- **The disabled:** It is our ninth year of supporting the Quadriplegic Association of South Africa (QASA) through the annual sale of over 220 000 Quadsquad badges in our stores. QASA focuses its efforts on developing self-help centres where quadriplegics live independent lives in a barrier-free environment, taking responsibility for the upkeep and sustainability of their centre.

- **Housing:** Pick 'n Pay has participated with Habitat for Humanity in building houses for previously disadvantaged people in the Western Cape and the Northern Cape. Thus far we have assisted in the building of six houses.

Promotion, Social and Environmental Responsibility

(continued)

Assistance outside South Africa

When the Indian Ocean Tsunami struck on Boxing Day 2004, we responded at once to the urgent need for disaster relief with the following initiatives:

- Partnering with Netcare 911 to raise aid-relief funds. Raymond Ackerman personally donated R100 000 to this fund and the equivalent amount was matched by Pick 'n Pay.
- Partnering with the SA Red Cross in a separate appeal to our customers to donate funds. R2.1 million was accumulated in customer donations over a period of two months.
- In support of government's appeal for food and water supplies we collected 50 tonnes of food and water.
- Pick 'n Pay trucks collected donations from all the stores for shipment from Johannesburg to South East Asia.
- Through our collaborative efforts with the SA Red Cross, government, Netcare 911, Nedbank, ABSA, Independent Press, SABC, Global Relief, Gift of the Givers and many other corporate organisations and NGOs, we believe that in excess of R40 million was raised and 200 tonnes of food was shipped.

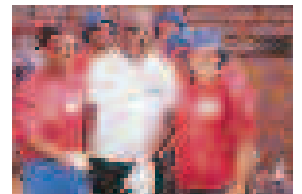
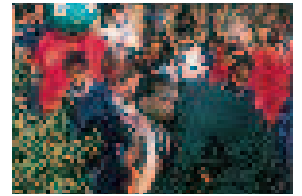


Recognition for commitment to development

Independent research undertaken by Trialogue identified Pick 'n Pay, for the third consecutive year, as being significantly ahead of other retail companies in the reputations ratings in terms of "strongest contribution to development" – both by corporate peers and the responding non-profit organisations. Pick 'n Pay is also ranked highly in the perceptions audit of South African companies, industry-wide, most strongly involved with their employees, and is also recognised as a good corporate grant-maker, with a significant CSI capacity and hands-on approach.

ENVIRONMENTAL RESPONSIBILITY

The nature and scale of our activities mean that we have significant direct and indirect impact on the natural environment. In terms of our direct impacts, our stores, product and distribution activities consume resources, energy and water, and contribute to the generation of product and packaging waste. Indirectly, we have the potential to make a significant positive contribution through our capacity to influence raw material and product suppliers, as well as through our interaction with consumers.



Environmental policy statement

Pick 'n Pay endorses the concept of sustainable development, which goes far beyond conservation, to include a sustained growth philosophy, which respects nature in the interest of long-term development. Subscribing to this viewpoint simultaneously implies a realisation that protecting nature, or at least ensuring a more efficient use of natural resources, is in the long-term interest of business.

Current environmental activities

Following is a brief summary of some of the key environmental activities that we currently undertake:

- **Energy efficiency/water saving:** Our activities to reduce resource consumption and improve levels of efficiency include:
 - All our trading floor light fittings are being converted to electronic ballasts. The expected energy saving is 25%. Approximately 100 existing corporate stores have been converted. Our new stores already have this component as a standard specification item. In addition to reducing the amount of electricity used in stores, the initiative is expected to enable a R1.5 million reduction in annual electricity expenses.
 - Energy efficient heat reclaim systems are being installed that enable us to harness the heat dispelled from our refrigeration system to provide hot water to our stores.
 - Air-conditioning plants have been changed from water-cooled to air-cooled towers.

Promotion, Social and Environmental Responsibility (continued)

Our commitment to safeguarding the environment is significant. Our focus will be to implement systems and procedures to measure our impact and to find other ways to make a difference

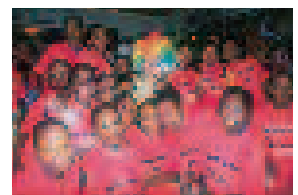
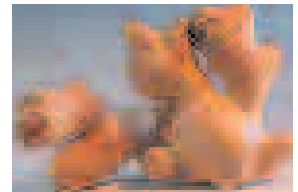
A portion of the R5 selling price finances the “Kids in Parks” environmental education project for disadvantaged children

- **Reducing transport impacts:** We have introduced a number of measures in our transportation activities to reduce our environmental impacts and encourage responsible practice:
 - Distribution vehicles use low sulphur content diesel, which is the most environmentally-friendly fuel available, and ozone-friendly lubrication; they are serviced regularly and fitted with best practice devices for noise reduction.
 - Refrigeration units in our trucks comply with EU standards. They are fitted with noise reducers and recyclable materials are used for the outer casings.
 - Vehicle emissions are regulated according to EU 2 standards.
- **Environmental awareness:** All new employees are briefed about the company's environmental responsibility, both internally and externally. The company communicates on environmental issues with customers and local communities, through environmental fact sheets and recognition and support of major environmental events.
- **Refrigeration:** All coolants containing CFCs have been phased out. Secondary refrigeration has been introduced in four of our stores and is being monitored to assess the energy saving, which is expected to be 12 – 15% compared to standard refrigeration systems.
- **Recycling initiatives:** Recycling bins are provided in our Supermarkets and Hypermarkets for plastic, cardboard and packaging recycling that is discarded from store waste.
- **Plastic bags:** In an attempt to reduce plastic waste, we support the Department of Environmental Affairs and Tourism's appeal to charge at cost for plastic bags. As an alternative, our customers are able to purchase a reusable “Green Bag”. A portion of the R5 selling price finances the “Kids in Parks” environmental education project for disadvantaged children.

External environmental projects

External environmental initiatives that we are involved with include:

- *Enviro Facts Project*, in partnership with the World Wide Fund for Nature. Environmental fact sheets, printed on recycled paper and distributed free in stores nationwide, are used as an educational resource in schools and tertiary institutions.
- *Water Week*: In association with this campaign, Pick 'n Pay has sponsored ten roundabout water play-pumps in rural communities in the Eastern Cape for 12 months, to ensure access to clean, fresh water in these communities.
- *National Arbor Week*: In support of this annual campaign to raise awareness of the importance of trees in our environment, stores and Hypermarkets build special "Arbor Week" displays and participate in community projects by donating and planting trees.
- *National Clean-up Week*: We sponsor and widely publicise the campaign in the national media.



Our commitment to consumer sovereignty and social responsibility is deeply rooted in the company's DNA.

Sean Summers – Chief Executive Officer

People

We are committed to providing a working environment that attracts and retains quality employees. Good working conditions, better rates of pay than our competitors, fringe benefits that include housing loans and a genuine interest in the welfare of every member of staff are pivotal to the way we do business.

OUR EMPLOYEES

We want our employees to feel part of a business that does the right thing. Our challenge is to provide a variety of benefits for everyone who works at Pick 'n Pay while also supporting the operational needs of the business.

Pick 'n Pay pledge to all employees:

To establish compensation, working conditions, benefits, job security, opportunity and personal recognition, in such a way as to make our company the best to work for in the retail industry

Total staff numbers – Pick 'n Pay

At 28 February 2005, we had 32 089 permanent employees and 440 casual employees.

PROMOTING EQUITY AND DIVERSITY IN THE WORKPLACE

Our employment equity and diversity policy aims to ensure that the individual talents of each member of staff are identified and promoted and that no job applicant, employee or customer receives less favourable treatment on the ground of race, gender, disability or age. Structured management training and development programmes ensure that a previous lack of education is no obstacle to success and are designed to further address the imbalances of the past.

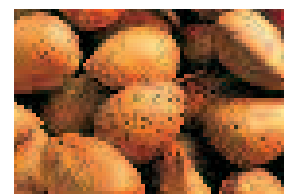
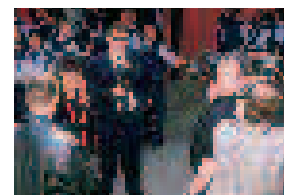
We want our employees to feel part of a business that does the right thing

Our employment equity policy affords each and every person an equal opportunity

Promotion from within provides growth opportunities for all our people

Employment equity targets

We have a clearly defined employment equity strategy. Employment targets have been set, and the results often far exceed targets set by the Company. We are confident that we will reach our targets.



Occupational levels	Target (%)	Achieved in 2005 (%)
Divisional directors and general managers	30	28
Senior managers	50	40
Store managers	50	56
Floor and assistant managers	50	77
Trainee managers	60	77
Supervisors	60	98

RECRUITMENT, DEVELOPMENT AND TRAINING

We are committed to training and developing our members of staff to advance and fill vacant positions wherever possible. This principle is underpinned by a strong policy of promotion from within. Vacancies in our operating units up to and including trainee manager are advertised internally. External recruitment only takes place where vacancies cannot be filled from within.

We are committed to an integrated approach to training that develops individual competencies, instils the Group's values and culture, and fosters effective leadership. On average, we spend 3.08% of payroll on training.

People (continued)

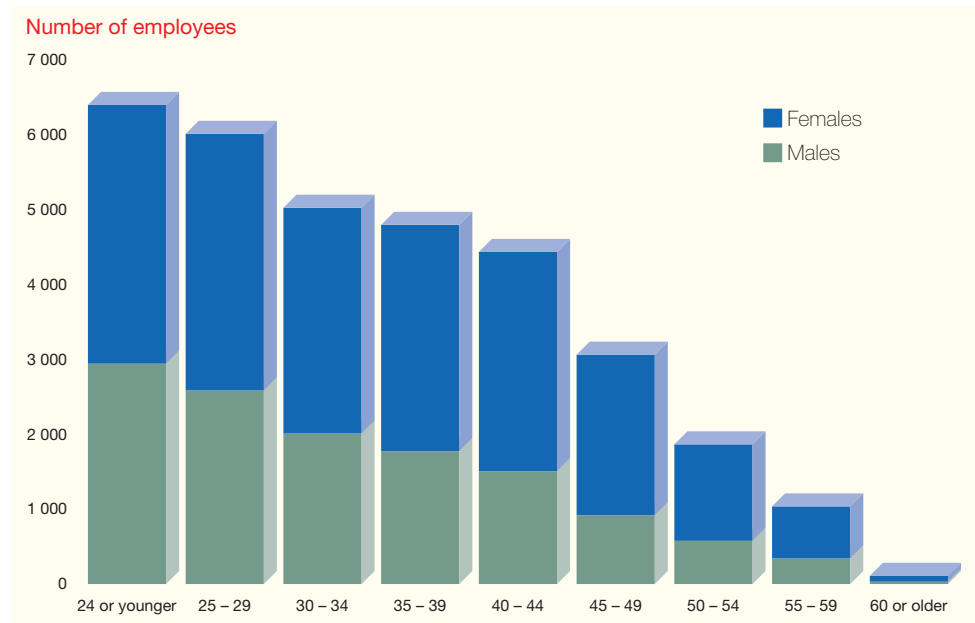
Occupational health practitioners are available to all our staff

Our HIV/Aids policy was established in collaboration with the Unions. It is a three-tier programme covering prevention, treatment and coping

During the last year 1 530 staff graduated after successfully completing various training programmes

Workforce by age band

A breakdown of the distribution of our work force by age group is provided below.



Staff turnover

Staff turnover during the review period was 5.59 %.

Educational programme

We offer a variety of development opportunities ranging from adult basic education, technical skills training, financial training and managerial skills, to executive development. During the last year, 1 530 staff graduated after successfully completing either a structured on-the-job programme or an Adult Basic Education & Training (ABET) Programme recognised by the Independent Examinations Board. This brings the number of these programmes that have been completed by our staff over the last few years to a total of 10 926. At the time of reporting a further 5 539 staff members were studying towards completion of one of these programmes.

In addition to the 110 various Technikon-recognised on-the-job and ABET programmes that staff completed, in excess of 18 000 other training interventions were delivered, aimed at providing staff with the appropriate financial, managerial and technical skills to support the needs of the business and their individual development.

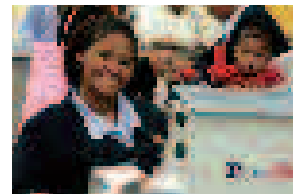


We support broader skills development initiatives. This year 75 unemployed learners from across the country were contracted to complete a Retail Learnership and are in the process of developing the skills and experience required to be gainfully employed in the industry.



HEALTH AND SAFETY

Resident occupational health practitioners are available to all our employees during working hours. To ensure that occupational health and safety standards are met we conduct formal assessments in the workplace and have introduced health and safety committees, as prescribed by the Occupational Health and Safety Act. Incidents of work-related injuries are recorded and monitored in terms of their negative implications, including absenteeism, costs, and severity.



HIV/AIDS

Recognising HIV/Aids as one of the most significant challenges affecting the country, we are committed to addressing the issue in a structured manner. In the course of the review period an HIV/Aids policy has been established in collaboration with the Unions. We respect the legal rights of all employees who are HIV positive or have Aids. On no account will any form of victimisation, prejudice or discrimination against employees with HIV/Aids be tolerated. Assistance offered to HIV-positive employees includes free anti-retroviral medication for all Pick 'n Pay pregnant women and their babies who contract AIDS. Rape victims also receive free assistance. An ongoing education and information programme facilitated by a voluntary group of peer-educators is continually reviewed and improved. The three-phased approach to the programme is outlined below. Employees have the right to confidentiality at all times and their status is not reflected in any form in the company records.

People (continued)

Our medical aid scheme is subsidised by the company and administered by outside professionals

Employee engagement and participation is encouraged through various tools of communication

We endeavour to remunerate our employees at a rate above the average for the retail industry

We believe that a broad-based employee share-ownership scheme is an important feature of a sustainable company

HIV/Aids education and information programme

Our HIV/Aids employee education and information programme comprises the following phases:

- **Phase 1 – Prevention:** Information on HIV/Aids is disseminated to our employees, to promote health awareness and knowledge and consequently discourage the spread of HIV as far as possible. Condoms are made available and a femdom programme is being investigated. Line leaders are provided with guidelines on managing and educating around HIV/Aids in the workplace.
- **Phase 2 – Treatment:** A comprehensive programme, at no charge, includes voluntary testing, pre- and post-test counselling and assistance for rape victims. Accelerated death benefits are provided to employees in the final stages of the disease.
- **Phase 3 – Coping:** We encourage a supportive and non-discriminatory working environment by dispelling myths and stereotypes; counselling and support services are available to infected and affected employees. To date, 350 members of staff have disclosed that they are HIV positive. Approximately 10% of the total staff complement have undertaken voluntary counselling and testing.

Medical scheme

Our medical scheme is designed to meet the needs of the majority of our employees at an affordable cost. It is subsidised by the company and membership is compulsory for all employees with the exception of those who form part of the non-management bargaining unit for whom membership is voluntary. The scheme is administered by outside professionals.

Further information regarding the scheme and the expected implementation of a Risk Equalisation Fund (REF) on 1 January 2007, as well as the impact of the Medicines and Related Substances Act, is available on our website.

EMPLOYEE RELATIONS

Employee participation

We pursue a policy of worker participation, and promote various tools of communication, including a monthly one-hour session prior to trading where management and staff discuss in open forum issues affecting the store, region and Group, and work towards participatory management and the best working conditions for all. This forms part of our ongoing communication, training and development programmes. Our employees may join any political, religious or cultural organisation, which will not be discriminated against.



COMPENSATION AND BENEFITS

We endeavour to remunerate our employees at a rate above the average for the retail industry and a primary issue for management is to review and ensure a wide range of employee benefits. These vary between certain divisions within the company, as well as between different subsidiary companies within the Group; divisions and subsidiary companies operate in different market segments which prohibits the standardisation of benefits.

The following sections outline benefits that are applicable throughout the Pick 'n Pay Retail Division. Other subsidiary companies align with these benefits where possible.

Staff share schemes

We believe that a broad-based employee share-ownership scheme is an important feature of a sustainable company and fosters trust and loyalty among employees. To date, more than 10 000 Pick 'n Pay employees own shares or share options in the company, acquired through the Employee Share Incentive Scheme.

- *Service shares* are issued to all permanent employees who have been with the company for five years and again for every five years thereafter.
- *Status shares* are allocated to employees who reach floor manager level and further shares are allocated at each promotion to higher levels of management.
- *Executive Share Scheme* for senior executives.

People (continued)

Funeral scheme

Our employees are covered by a non-contributory funeral scheme of up to R1 000 in the event of their death, or that of any direct dependants.

Loans

Recognising the importance of a good quality domestic life in encouraging the well-being and productivity of our employees, we seek to alleviate the inadequate housing experienced by some staff by offering housing loans at preferential interest rates to assist employees with acquiring their own houses.

Bursaries

We annually allocate a sum of money for the development of our employees and their respective families at secondary and tertiary levels. 184 applications for the fund have been received for 2005 (55 renewal applications from the previous year and 129 first-time applications.) Each applicant was awarded R5 000. Three students (renewals) received an additional R5 000 as a merit award for continuous outstanding performance. 14 students funded through this scheme graduated in 2004.

Retirement scheme

Membership of the Pick 'n Pay non-contributory provident fund, which is compulsory for all permanently employed staff members, comprises 16 890 members. We pay the full retirement fund contribution in the Pick 'n Pay scheme. In accordance with the Pension Funds Second Amendment Act, members receive full equishare when they leave the fund before retirement, through death, voluntary resignation or retrenchment.

For further information on the Board of Trustees, the Retirement Scheme Principal Officer and consultants, the Investment Officer and consultants, and the scheme's assets, please refer to our website.

We annually allocate a sum of money for the development of our employees and their respective families at secondary and tertiary levels

Disability benefits

Retirement scheme members who become disabled or so ill that they are no longer able to work qualify at the discretion of the trustees for a monthly benefit. The benefit, which is equal to 75% of the income earned at the time of ceasing work due to injury or illness, continues until the member reaches retirement age, at which time the normal retirement benefits are applicable. The scheme actively supports rehabilitation where possible, and the benefit is discontinued on successful re-employment.

**Life assurance**

Members of the retirement scheme are covered by a Group life scheme which currently pays out to dependants, after tax, 48 times the employee's monthly earnings at the time of death, in addition to the equishare withdrawal benefit. The benefits of the Group life scheme may be amended from time to time, depending on the retirement scheme's experience and affordability.

Maternity/Paternity benefits

All women who have been employed by Pick 'n Pay for at least eight months are entitled to a maximum of 11 months parental leave of which nine months are paid and two months are unpaid. Payment is made on the following basis:

- 30% of normal monthly earnings up to six months dependent on UIF entitlements;
- 75% of normal monthly earnings for the following three months;
- Unpaid leave for two months thereafter (longer unpaid leave is subject to a medical practitioner's recommendation). Where both parents work for the company, they may share the 11 months leave. Where less than 11 months is taken, the balance of leave can be utilised until the child's 4th birthday.

Fathers with eight completed months of service are also entitled to paid leave in respect of the birth of a child by their spouse or life partner or the adoption of a child younger than 12 years. This leave entitlement – up to a possible eight days of consecutive leave – is based on the nature of the employee's employment with the company (full-time, part-time or variable time).

People (continued)

Long service leave

Our employees are offered a long service leave benefit structured according to their job category. Full-time employees in positions below assistant manager level and part-time employees receive an additional week of annual leave (five weeks in total) on completion of ten years of continuous service, and a further week of annual leave on completion of every five years of continuous service thereafter. Management employees in positions from assistant manager level upwards receive two weeks of additional leave after every five years of continuous service. Long service leave does not apply to variable-time and occasional-time employees.

Awards 2004 – 2005

2004

Deloitte & Touche Good Governance Award (Ethics and Integrity Category) – Pick 'n Pay

Institute of Personnel Management President's Award – Raymond Ackerman

Raymond Ackerman the only South African Businessman rated in World's Top 100 Most Respected Business Leaders by Price Waterhouse International and the Financial Times in London

2005

Retailer of the Year – Homegrown Awards 2004 (Proudly South African)

Bridging the Divide – Homegrown Awards 2004 (Proudly South African)

Top Company in the Top 300 Company Awards – Food and Drug Retailer Category

Rated second in the Finance Week's Annual Best Companies to work for

1st in overall Corporate Care category – retail fast moving consumer goods

Pick 'n Pay 2005 Sustainable Development Report Feedback Form

Your opinion matters. Please share your views with us.

Which stakeholder groups do you belong to?

Employee ☐ Shareholder ☐ Customer ☐ Supplier ☐
Community ☐ NGO ☐ Public authority ☐ Other ☐

Does the report address issues of greatest interest to you?

Comprehensively ☐ Partially ☐ Not at all ☐

Please identify any additional issues that you think should be reported on:

What was your overall impression of the report in terms of:

	Excellent	Good	Fair	Poor
1) Content and scope	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2) Design and layout	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Do you have any additional comments on the Report – or on Pick 'n Pay's performance in general?

Would you like to be consulted when we prepare our next sustainability report?

Yes ☐ No ☐

For further information please contact:

Tessa Chamberlain (General Manager Corporate Marketing)

Tel: +27 (011) 865 7000 E-mail: tchamberlain@pnp.co.za

GRI Index

The following table provides a summary of Pick 'n Pay's reporting against the Global Reporting Initiative's Sustainability Reporting Guidelines

GRI Element		Relevant section in Pick 'n Pay Report	Page
Vision and strategy			
1.1	Sustainable development vision and strategy	Sustainable development at Pick 'n Pay	33
1.2	CEO statement	Message from the CEO	14
Profile			
2.1 – 2.8	General organisational details	Pick 'n Pay Group Profile	Cover
2.9	List of stakeholders	About Pick 'n Pay's sustainability report	36
2.10 – 2.16	Details on nature and scope of the report	About Pick 'n Pay's sustainability report	36
2.17 – 2.22	Profile of the report – including implementation of GRI principles and external assurance	About Pick 'n Pay's sustainability report	36
Governance structure and management systems			
3.1 – 3.8	Pick 'n Pay structure and governance	Administration – Corporate governance	44
3.9 – 3.12	Stakeholder engagement issues	Sustainable development at Pick 'n Pay	33
3.13 – 3.20	Overarching policies and management systems	Administration – Corporate governance	44
Economic performance indicators			
EC 1 – 2	Customers: Net sales and markets	Administration – Group Value Added Statement	42
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THE PICK 'N PAY PLEDGE

At Pick 'n Pay is to succeed,
we will do so not through complex strategies
or programmes, but through people -
individuals who make up their minds
to live and work in the spirit of Vascelta:
to be bold, to innovate,
to take responsibility, to care.

I promise to uphold the principles of Vascelta,
and to give of my best in everything I do.

A world-class yet uniquely African retail
environment created through vision and hard work.
It is our collective duty to safeguard it.

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Except where otherwise stated all amounts are presented in millions of South African Rands.

Shareholders' Information

Annual general meetings

10 June 2005

Registration commences at 08h30 for the AGMs of Pick 'n Pay Stores Limited and Pick 'n Pay Holdings Limited, to be held at 09h00 and 09h30 respectively. The venue for the AGMs will be the boardroom at the registered office (see below).

The minutes of the previous AGM held on 11 June 2004 are available on our website.

Dividends

	Pick 'n Pay Stores Ltd		Pick 'n Pay Holdings Ltd		<i>Last date of trade</i>	<i>Date of payment</i>
	Share code: PIK ISIN code: ZAE 00000 5443		Share code: PWK ISIN code: ZAE 00000 5724			
	No.	Amount (cents)	No.	Amount (cents)		
Interim	71	16.50	44	8.05	5 Dec 2003	15 Dec 2003
Final	72	63.50	45	31.00	4 June 2004	14 June 2004
Interim	73	19.80	46	9.67	3 Dec 2004	13 Dec 2004
Final	74	76.70	47	37.43	3 June 2005	13 June 2005
Interim	75		48		2 Dec 2005	12 Dec 2005
Final	76		49		2 June 2006	12 June 2006

Preliminary profit announcements

Interim to 31 August 2005: about 19 October 2005

Final to 28 February 2006: about 18 April 2006

Publication of 2006 annual report

Mid-May 2006

Registered office

5th Floor, Pick 'n Pay Centre, corner Main and Campground Roads, Claremont, Cape Town, 7708

Company Secretary

Gary Lea

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Auditors

KPMG Inc.

Attorneys

Sonnenberg Hoffmann Galombik

Principal bankers

ABSA Limited First National Bank of Southern Africa Limited

JSE Securities Exchange South Africa sponsor

Investec Bank Limited

Directors' Responsibility for the Group Annual Financial Statements

The directors are responsible for the integrity of the annual financial statements and related information included in this report.

In order for the Board to discharge its responsibilities, management has developed and continues to maintain a system of internal control. The Board has ultimate responsibility for the system of internal control and reviews its operation, primarily through the Audit, Risk and Compliance Committee and various other management tools.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable, but not absolute assurance, that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the Group's policies and procedures. These controls are implemented by trained, skilled personnel with an appropriate segregation of duties, are monitored by management and include a comprehensive budgeting and reporting system operating within strict deadlines and an appropriate control framework.

As part of the system of internal control, Group Audit Services (internal audit) conduct specific risk based audits and co-ordinate audit coverage with the external auditors. The external auditors are responsible for reporting on the annual financial statements.

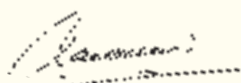
The annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice, which accord with the accounting philosophy of the Group. The accounting policies, unless otherwise stated, are consistently applied and supported by reasonable and prudent judgements and estimates.

Directors' Approval, Company Secretary's Certificate and Report of the Independent Auditors

Directors' Approval

The directors acknowledge and accept full responsibility for the preparation and integrity of the information presented in these annual financial statements.

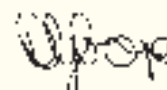
These annual financial statements and Group annual financial statements of Pick 'n Pay Stores Limited, which have been prepared in accordance with the Companies Act of South Africa and comply with South African Statements of Generally Accepted Accounting Practice, were approved by the Board of Directors on 6 May 2005 and are signed on their behalf by:



R D Ackerman
Chairman



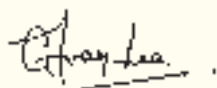
S R Summers
Chief Executive Officer



D G Cope
Group Finance Director

Company Secretary's Certificate

I certify that Pick 'n Pay Stores Limited has lodged with the Registrar of Companies all returns as required by a public company in terms of section 268G(d) of the Companies Act, 1973, as amended, and such returns are true, correct and up to date.



G F Lea
Company Secretary

6 May 2005

Report of the Independent Auditors

To the members of
Pick 'n Pay Stores Limited

We have audited the annual financial statements and Group annual financial statements of Pick 'n Pay Stores Limited and its subsidiaries, as set out on pages 86 to 123, for the year ended 28 February 2005. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and the Group at 28 February 2005 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa.



KPMG Inc
Registered Accountants and Auditors
Chartered Accountants (SA)

Cape Town
6 May 2005

Pick 'n Pay Stores Limited and its subsidiaries

Directors' Report

for the year ended 28 February

Nature of business

The Company, which is domiciled and incorporated in the Republic of South Africa and listed on the JSE Securities Exchange South Africa ("JSE"), is an investment holding company. The Group comprises trading subsidiaries which retail food, clothing and general merchandise throughout southern Africa and in New South Wales, Australia. A subsidiary company also acts as franchisor in a food retailing franchising business. Property subsidiaries acquire and, on occasion, develop retail trading sites.

General review

The Group income statement is presented on page 88 and reflects the Group's operational results.

Dividends paid and declared

A cash dividend (no. 72) of 63.50 cents per share was paid to shareholders on 14 June 2004.

A cash dividend (no. 73) of 19.80 cents per share was paid to shareholders on 13 December 2004.

The directors have declared a cash dividend (no. 74) of 76.70 cents per share. The last day of trade in order to participate in the dividend (CUM dividend) will be Friday, 3 June 2005. Shares will trade EX dividend from the commencement of business on Monday, 6 June 2005 and the record date is Friday, 10 June 2005. The dividend will be paid on Monday, 13 June 2005. Share certificates may not be dematerialised or rematerialised between Monday, 6 June 2005 and Friday, 10 June 2005, both dates inclusive.

As dividend no. 74 was declared on 18 April 2005 it will only be accounted for in the 2006 financial year.

The declaration of this dividend will result in the payment of Secondary Tax on Companies of R44.4 million, which will be accounted for in the 2006 financial year.

For further details refer to note 6 on page 101.

Share capital

The movement in the number of issued ordinary shares during the year was as follows:

1 March 2004	483 443 882
Issued on 4 June 2004 – pursuant to the take-up of share options	2 690 000
28 February 2005	486 133 882

During the year a subsidiary company repurchased 10 523 812 shares in the Company for a consideration of R229.5 million, which the subsidiary company holds as treasury shares. At year end this subsidiary company held 22 533 535 treasury shares. These repurchases were implemented in accordance with a general authority granted by shareholders.

In addition to the above, as at year end, the Pick 'n Pay Employee Share Purchase Trust held 462 910 shares in the Company and 21 559 123 shares in Pick 'n Pay Holdings Limited, which are accounted for as treasury shares. A second subsidiary company also holds 1 306 053 shares in Pick 'n Pay Holdings Limited, which are accounted for as treasury shares.

Going concern

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

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

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

Special resolution

On 11 June 2004 shareholders approved the following special resolution:

General authority to repurchase company shares

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

This general authority to repurchase Company shares shall be subject to the following provisions:

- a. any such acquisition of shares shall be effected through the open order book operated by the JSE trading system or other manner approved by the JSE;
- b. this general authority shall only be valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 months from the date of passing of this special resolution.
- c. a paid press announcement will be published as soon as the Company and/or its subsidiaries has/have acquired shares consisting, on a cumulative basis, 3 percent of the number of shares of the class of shares repurchased in issue at the time of granting of this general authority, which announcement shall contain full details of such acquisitions;
- d. in determining the price at which the Company's shares are acquired by the Company or its subsidiaries in terms of this general authority, the maximum price at which such shares may be acquired may not be 10 percent above the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 business days immediately preceding the date of repurchase of such shares by the Company or its subsidiaries; and
- e. in the case of a derivative (as contemplated in the JSE listing requirements), the price of the derivative shall be subject to the limits set out in Section 5.84(a) of the JSE Listings Requirements.

Directors and secretary

In terms of the Company's articles of association the directors listed on page 143 retire by rotation and they offer themselves for re-election. Information pertaining to the directors and the secretary appear on pages 10 and 11.

Holding company

The holding company is Pick 'n Pay Holdings Limited.

Directors' interest in shares

	2005	2004
	%	%
Beneficial	0.7	0.1
Non-beneficial	26.1	26.0
	26.8	26.1

Subsidiary companies

Details of subsidiary companies are presented in note 27 on pages 122 and 123.

Borrowings

The Company's overall level of interest-bearing debt decreased during the year. Any additional draw-down in short-term borrowings was utilised to expand trading operations.

Participation in export partnerships

The South African Revenue Service has concluded an agreement with the managing partner and its export partners regarding the tax treatment of a Group company's participation in export partnerships. This agreement has no material effect on the current or future earnings of the Group.

International Financial Reporting Standards ("IFRS")

The Group will adopt IFRS for the year ending 28 February 2006, including our interim results as at 31 August 2005. Based on our preliminary assessment we do not anticipate this transition to have a material effect on headline earnings.

Pick 'n Pay Stores Limited and its subsidiaries

Income Statement

for the year ended 28 February 2005

	Notes	2005 Rm	2004 Rm
Revenue	1	33 175.5	30 448.3
Turnover		31 885.0	29 276.1
Cost of merchandise sold		(26 597.5)	(24 420.4)
Gross profit		5 287.5	4 855.7
Other income	1	1 203.0	1 076.1
Trading expenses		(5 521.6)	(5 142.8)
Employee costs		(3 090.8)	(2 808.5)
Occupancy	2	(774.2)	(731.0)
Operations		(879.7)	(822.9)
Merchandising and administration	2	(776.9)	(780.4)
Goodwill amortisation		(35.3)	(36.8)
Trading profit	2	933.6	752.2
Interest received		81.4	81.9
Operating profit		1 015.0	834.1
Interest paid		(32.9)	(46.6)
Dividends received		6.1	14.2
Exceptional items	3	21.6	—
Profit before tax		1 009.8	801.7
Tax	4	(360.2)	(286.0)
Net profit for the year		649.6	515.7
Per share – cents			
Headline earnings	5.1	141.54	117.38
Earnings	5.1	138.60	109.55
Diluted headline earnings	5.2	134.51	111.64
Diluted earnings	5.2	131.74	104.26
Dividends paid	6	83.30	71.50

Balance Sheet

as at 28 February 2005

	Notes	2005 Rm	2004 Rm
Assets			
Non-current assets			
Goodwill	7	656.4	745.1
Fixed assets	8	1 410.5	1 227.7
Investments	9	8.6	7.7
Loans	10	95.8	89.6
Participation in export partnerships	11	102.7	127.6
Deferred tax	17	129.9	99.2
		2 403.9	2 296.9
Current assets			
Inventory	12	1 878.8	1 578.7
Trade and other receivables		634.5	628.1
Cash and cash equivalents		1 329.0	1 502.5
		3 842.3	3 709.3
Total assets		6 246.2	6 006.2
Equity and liabilities			
Capital and reserves			
Share capital	13	6.1	6.0
Share premium		26.0	13.9
Unissued shares	13	16.0	16.0
Treasury shares	14	(423.8)	(199.6)
Accumulated profits		1 408.4	1 159.7
Revaluation reserve		2.5	1.6
Foreign currency translation reserve		43.6	134.8
Total shareholders' equity		1 078.8	1 132.4
Non-current liabilities			
Interest-bearing debt	15	178.6	188.2
Retirement scheme obligations	16	189.8	145.0
Deferred tax	17	67.0	133.9
		435.4	467.1
Current liabilities			
Interest-bearing debt	15	56.6	159.9
Trade and other payables	19	4 282.3	3 972.0
Tax	4	393.1	274.8
		4 732.0	4 406.7
Total equity and liabilities		6 246.2	6 006.2

Pick 'n Pay Stores Limited and its subsidiaries

Statement of Changes in Equity

for the year ended 28 February 2005

	Notes	Share capital Rm	Share premium Rm	Unissued shares Rm	Treasury shares Rm	Accumulated profits Rm	Revaluation reserve Rm	Foreign currency translation reserve Rm	Total Rm
At 1 March 2003		6.0	13.9	16.0	(188.2)	966.2	—	110.9	924.8
Net profit for the year						515.7			515.7
Dividends paid	6					(316.7)			(316.7)
Share repurchases	14				(38.0)				(38.0)
Take-up of share options	14				26.6	(5.5)			21.1
Revaluation of listed investments	9						1.6		1.6
Foreign currency translation								23.9	23.9
At 29 February 2004		6.0	13.9	16.0	(199.6)	1 159.7	1.6	134.8	1 132.4
Net profit for the year						649.6			649.6
Dividends paid	6					(381.6)			(381.6)
Issue of new shares	13	0.1	12.1						12.2
Share repurchases	14				(267.3)				(267.3)
Take-up of share options	14				43.1	(19.3)			23.8
Revaluation of listed investments	9						0.9		0.9
Foreign currency translation								(91.2)	(91.2)
At 28 February 2005		6.1	26.0	16.0	(423.8)	1 408.4	2.5	43.6	1 078.8

Cash Flow Statement

for the year ended 28 February 2005

	Notes	2005 Rm	2004 Rm
Trading profit		933.6	752.2
Depreciation	2	304.7	283.1
Goodwill amortisation	2	35.3	36.8
Trade and other payables		365.9	592.0
Inventory		(345.5)	(71.4)
Trade and other receivables		15.7	(125.1)
Exchange rate effect on working capital		(22.2)	(19.8)
Cash generated by trading operations		1 287.5	1 447.8
Interest received		81.4	81.9
Cash generated by operations		1 368.9	1 529.7
Interest paid		(32.9)	(46.6)
Dividends received		6.1	14.2
Dividends paid	6	(381.6)	(316.7)
Tax paid	4	(341.2)	(283.5)
Net cash inflow from operating activities		619.3	897.1
Property additions	8	(79.3)	(107.7)
Proceeds on disposal of property	3, 8	5.6	33.5
Equipment and vehicles	8	(426.4)	(416.5)
Leased vehicles		(19.9)	(17.9)
Investments realised		—	175.3
Loans (advanced)/repaid		(6.7)	7.9
Proceeds on disposal of operating segments	20	78.1	—
Net cash outflow from investing activities		(448.6)	(325.4)
Interest-bearing debt repaid		(112.9)	(87.9)
Issue of new shares	13	12.2	—
Share repurchases	14	(267.3)	(38.0)
Take-up of share options		23.8	21.1
Net cash outflow from financing activities		(344.2)	(104.8)
Net (decrease)/increase in cash and cash equivalents		(173.5)	466.9
Cash and cash equivalents at 1 March		1 502.5	1 035.6
Cash and cash equivalents at 28 February		1 329.0	1 502.5

Accounting Policies

The following are the principal accounting policies of the Group, and the Company, which are consistent with those applied in the previous year. The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and on the going concern basis. The measurement basis used is the historical cost basis unless otherwise stated.

Basis of consolidation

Investment in subsidiaries

The Group financial statements include the financial statements of the Company and the entities that it controls. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The Group financial statements incorporate the assets, liabilities and results of the operations of the Company and its subsidiaries. The results of subsidiaries are included from the effective dates of acquisition and, where applicable, up to the effective dates of disposal. The accounting policies adopted by the subsidiaries are consistent with the policies adopted by the Group. Inter-company transactions and balances are eliminated on consolidation.

As the Company controls the Pick 'n Pay Employee Share Purchase Trust ("share trust"), this entity has been consolidated into the Group financial statements.

The Company carries its investments in subsidiaries at cost less impairment losses.

Investment in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee, and which is neither a subsidiary nor a joint venture of the Group. The results and assets and liabilities of associates are normally incorporated in the Group financial statements using the equity method of accounting. In applying the equity method, account would be taken of the Group's share of accumulated retained earnings and movements in reserves from the effective date on which the enterprise

became an associate and up to the effective date of disposal. Unrealised profits arising from transactions within the Group would be eliminated.

The Group, however, has elected not to equity account its share of profits in its 25% holding of its Zimbabwean investment, TM Supermarkets (Pvt) Limited, due to the difficulties in remitting dividends from Zimbabwe. This is the Group's only investment in an associate.

Goodwill

Goodwill is the premium on acquisition arising from the difference between the purchase price and the Group's interest in the fair value of the identifiable assets and liabilities acquired at the date of the transaction.

Goodwill is carried at cost, less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis over a period of the lesser of its estimated useful life and 20 years.

Intangible assets

Intangible assets are capitalised on the balance sheet on acquisition and amortised on a straight-line basis in the income statement over a period of the lesser of their economic lives and 20 years.

Where payments are made for the acquisition of trademarks or brand names, the amounts are capitalised and amortised over their anticipated useful lives. No valuation is made of internally developed and maintained trademarks or brand names. Expenditure incurred to maintain trademarks or brand names is expensed in full in the income statement.

Property

Land and buildings are stated at historical cost less accumulated depreciation and accumulated impairment losses, where applicable. Land is not depreciated, however depreciation is provided against buildings on a straight-line basis at 2.5% per annum.

Property is valued on an annual basis, based on the current open market value as determined by the directors.

Equipment and vehicles

Equipment and vehicles are stated at cost less accumulated depreciation and accumulated impairment losses, where applicable. Depreciation is provided on a straight-line basis, at the following rates per annum:

Aircraft	5.0% – 14.3%
Equipment and vehicles – owned	12.5% – 20.0%
Leased vehicles (term of lease)	20.0% – 25.0%
Computers and accessories	33.3%

Refurbishments are written off in the year incurred except to the extent that they have enduring benefits, in which case they are amortised over a period not exceeding five years.

Leases

Finance leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred from the lessor to the Group as lessee.

Assets acquired in terms of finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments at the inception of the lease. The capital element of future obligations under the leases is included as a liability in the balance sheet. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor. Finance lease assets are depreciated over the shorter of the useful life of the asset or the lease period.

Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Inventory

Inventory comprises merchandise for resale and consumables. Inventory is stated at the lower of cost (net of related incentives) and net realisable value. Cost is calculated on a first-in-first-out basis. The cost of merchandise sold includes shrinkage, waste and inventory losses.

Obsolete, redundant and slow-moving items are identified on a regular basis and are written down to their estimated net realisable values.

Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, for which it is probable that an outflow of resources will occur and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is discounted to present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Financial instruments

Financial instruments recognised on the balance sheet include cash and cash equivalents, investments, trade receivables, participation in export partnerships, payables and debt. These instruments are initially measured at cost. The subsequent measurement of financial instruments is dealt with below:

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Investments

Listed investments are valued at market value, which is calculated by reference to Stock Exchange quoted selling prices at the close of business at the balance sheet date. Other investments are shown at fair value. Investments are classified as available-for-sale assets. Gains and losses are recognised directly in equity through the statement of changes in equity.

Trade receivables

Trade receivables, which are presented net of allowances for doubtful debts, predominantly comprise amounts owing by franchise stores for their merchandise purchases through the Group's supply arrangements.

Accounting Policies (continued)

Participation in export partnerships

Participation in export partnerships is measured at amortised cost, using the effective interest rate method. Amortised cost is the cost of original participation less subsequent principal repayments received, plus the cumulative amortisation of the difference between the initial amount and the maturity amount, less any write-down for impairment or uncollectability.

Payables

Payables are recognised at amortised cost.

Debt

Debt is amortised at its original debt value less principal payments.

On the issue of convertible debentures, the fair value of the conversion option is recognised and presented separately in shareholders' equity. The remaining debt obligation to debenture holders is carried as a long-term liability on the amortised cost basis until fully repaid on the maturity of the debenture.

Impairment of assets

At each balance sheet date, the Group reviews the carrying value of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

Where the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement. The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in the income statement.

Turnover

Turnover comprises retail sales to consumers and merchandise purchased by franchisees through the Group's supply arrangements. All turnover is stated exclusive of value-added tax.

Revenue recognition

Turnover is recognised when the significant risks and rewards of ownership have been transferred to the purchaser.

Interest income is accrued on a time basis, by reference to the principal amounts outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the right to receive payment is established. Dividend income from TM Supermarkets (Pvt) Limited is accounted for when received, due to the difficulties in remitting dividends from Zimbabwe.

Incentive income and franchise fee income is recognised when the purchase/sale which gives rise to this income takes place.

Income from operating leases in respect of property is recognised in the income statement on a straight-line basis over the term of the lease.

Tax

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the balance sheet date and any adjustment of tax payable for previous years.

Deferred tax is provided using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted at the balance sheet date. Deferred tax is charged to the income statement, except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition. The effect on deferred tax of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Secondary Tax on Companies ("STC") on net dividends paid is recognised as a tax charge in the year it is incurred.

Foreign currency transactions

Transactions denominated in foreign currencies are accounted for at the rates of exchange ruling on the dates of the transactions. Gains and losses arising from the settlement of such transactions are recognised in the income statement.

Monetary assets and liabilities of South African entities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. The net effect of unrealised exchange rate differences is recognised in the income statement in the period in which they occur.

Income and expenditure of foreign entities are translated at the monthly weighted average rate of exchange for the year. Assets and liabilities of foreign entities are translated at rates of exchange ruling at the balance sheet date. Profits and losses arising on the translation of assets and liabilities of foreign entities are taken directly to non-distributable reserves and shown separately in a foreign currency translation reserve.

Employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service.

The provisions for employee entitlements to wages, salaries, annual and sick leave represent the amount which the Group has a present obligation to pay as a result of employees' services provided to the balance sheet date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates.

Retirement benefits

The Group operates several retirement schemes comprising a number of defined contribution funds (one of which has a defined benefit element), the assets of which are held in separate trustee-administered funds.

The retirement schemes are largely non-contributory and are funded by payments from the relevant Group companies.

Payments to defined contribution benefit plans are charged as an expense as they fall due.

For defined benefit retirement plans, the cost of providing benefits is determined through actuarial valuations on an annual basis. Where the Group is obliged to fund a deficit, actuarial valuation deficits are recognised in the income statement.

Where the Group is responsible for providing retirement benefits to employees with a retirement scheme outside the Group, contributions are made on behalf of the employee and the cost is accounted for in the year in which the payment is made.

Capitalisation share awards and cash dividends

The full value of capitalisation share awards and cash dividends are recorded as a deduction from equity in the statement of changes in equity. Upon allotment of shares in terms of a capitalisation share award, the election amounts are transferred to the share capital account and share premium account.

Cash dividends and the related STC charge are accounted for in the year of declaration.

Segmental reporting

The primary segments of the Group have been identified on a geographic basis.

Treasury shares

Shares in the Company held by Group entities are classified as treasury shares. These shares are treated as a deduction from the weighted average number of shares in issue and the cost price of the shares is deducted from equity in the statement of changes in equity. As Pick 'n Pay Holdings Limited's only investment is its 52.9% interest in the Company, the Pick 'n Pay Holdings Limited shares held by Group entities have been treated as treasury shares. Dividends received on treasury shares are eliminated on consolidation.

Comparative figures

Where necessary, comparative figures have been restated to accord with current year classifications. Comparative figures are restated with full disclosure of the respective change.

Notes to the Annual Financial Statements

for the year ended 28 February

	2005 Rm	2004 Rm
1. Revenue		
Revenue comprises:		
Turnover	31 885.0	29 276.1
Interest received	81.4	81.9
Dividends received	6.1	14.2
Other income	1 203.0	1 076.1
Incentive fee income	1 103.2	995.5
Franchise fee income	73.7	59.2
Property lease income	23.9	21.4
Insurance recovery	2.2	—
	33 175.5	30 448.3
2. Trading profit		
Trading profit is stated after taking into account the following expenses:		
Auditors' remuneration	6.5	6.0
Audit	4.5	4.4
Other	2.0	1.6
Depreciation (note 8)	304.7	283.1
Property	5.8	2.8
Equipment and vehicles	285.2	268.8
Leased vehicles	13.7	11.5
Operating lease charges	552.8	534.1
Property – minimum lease payments	523.8	501.9*
– turnover clause payments	29.0	32.2*
Directors' emoluments	24.7	20.7
Non-executive – for services as directors	1.4	1.3
Executive, paid by a subsidiary company for managerial services	23.3	19.4
Goodwill amortisation (note 7)	35.3	36.8

*An amount of R47.1 million of minimum lease payments was incorrectly classified as turnover clause payments in the 2004 year. The comparative figures have been restated accordingly with no effect on total operating lease charges.

A change in a current year classification has resulted in a prior year reclassification of R50.8 million from occupancy to merchandising and administration expenses.

2. Trading profit *(continued)*

Directors' emoluments

Non-executive directors

	Fees for Board meetings R'000	Fees for committee and other work R'000	Remuneration R'000	Retirement and medical contributions R'000	Performance bonus* R'000	Fringe and other benefits R'000	Total R'000
G M Ackerman	87.5	180.0					267.5
R P de Wet	87.5	130.0					217.5
H S Herman	87.5	60.0					147.5
C Hultzer	87.5	190.0					277.5
C Nkosi	87.5	30.0					117.5
D M Nurek	87.5	120.0					207.5
B J van der Ross	87.5	30.0					117.5
	612.5	740.0	—	—	—	—	1 352.5

Executive directors

R D Ackerman	1.5		2 210.2	31.1	2 500.0	92.6	4 835.4
W Ackerman	1.5		459.9	—	700.0	100.3	1 261.7
D G Cope	1.5		1 308.6	288.6	2 000.0	91.2	3 689.9
D Robins	1.5		1 179.0	276.2	1 200.0	203.6	2 860.3
S R Summers	1.5		2 930.1	618.1	6 750.0	356.5	10 656.2
	7.5	—	8 087.8	1 214.0	13 150.0	844.2	23 303.5

Total remuneration 2005

620.0	740.0	8 087.8	1 214.0	13 150.0	844.2	24 656.0
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Non-executive directors

G M Ackerman	75.0	180.0					255.0
R P de Wet	75.0	130.0					205.0
H S Herman	75.0	60.0					135.0
C Hultzer	75.0	190.0					265.0
C Nkosi	75.0	30.0					105.0
D M Nurek	75.0	120.0					195.0
B J van der Ross	75.0	30.0					105.0
	525.0	740.0	—	—	—	—	1 265.0

Executive directors

R D Ackerman	1.5		2 100.0	21.2	2 000.0	77.1	4 199.8
W Ackerman	1.5		426.7	—	600.0	93.9	1 122.1
D G Cope	1.5		1 209.7	212.6	1 300.0	98.5	2 822.3
D Robins	1.5		1 092.0	199.4	800.0	210.7	2 303.6
S R Summers	1.5		2 719.7	457.2	5 500.0	303.3	8 981.7
	7.5	—	7 548.1	890.4	10 200.0	783.5	19 429.5

Total remuneration 2004

532.5	740.0	7 548.1	890.4	10 200.0	783.5	20 694.5
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*The performance bonus relates to the results for the current financial year

Notes to the Annual Financial Statements (continued)

	2005 Rm	2004 Rm
3. Exceptional items		
Exceptional items comprise:		
Profit on disposal of Boardmans	24.0	—
Profit on disposal of property	1.4	—
Loss on disposal of equipment and vehicles	(3.8)	—
	<u>21.6</u>	<u>—</u>
4. Tax		
Tax comprises:		
South African normal tax		
– current year	411.7	305.3
Deferred tax (note 17)	(99.3)	(60.6)
Secondary Tax on Companies	47.8	41.3
Total tax charge	<u>360.2</u>	<u>286.0</u>
	%	%
Statutory tax rate	30.0	30.0
Goodwill	1.1	1.4
Exempt income	(1.1)	(0.5)
Non-deductible expenditure	0.5	0.4
Secondary Tax on Companies	4.7	5.1
Effect of change in tax rate	(0.1)	—
Other	0.6	(0.7)
Effective tax rate	<u>35.7</u>	<u>35.7</u>
	Rm	Rm
Tax paid comprises:		
Owing 1 March	274.8	211.7
Current tax charge	411.7	305.3
Secondary Tax on Companies	47.8	41.3
Owing 28 February	(393.1)	(274.8)
Total tax paid	<u>341.2</u>	<u>283.5</u>

5. Earnings per share

5.1 The calculation of earnings (net profit for the year) per share and headline earnings per share is based on:

	2005 Rm	2004 Rm
Earnings (net profit for the year)	649.6	515.7
Headline earnings	663.3	552.5
and:	No. of shares 000's	No. of shares 000's
The weighted average number of ordinary shares in issue during the year:	468 703.6	470 748.6
Reconciliation between earnings and headline earnings:	Rm	Rm
Earnings (net profit for the year)	649.6	515.7
Adjustments:	13.7	36.8
Goodwill amortisation	35.3	36.8
Profit on disposal of Boardmans	(24.0)	—
Profit on disposal of property	(1.4)	—
Loss on disposal of equipment and vehicles	3.8	—
Headline earnings	663.3	552.5
	No. of shares 000's	No. of shares 000's
Movement in the weighted average number of ordinary shares in issue comprises:		
At 1 March	470 748.6	483 779.6
Current year share issue	1 982.5	—
Current year share repurchases by a subsidiary company	(5 391.0)	(1 966.7)
Prior year share repurchases now fully weighted	(561.1)	(12 801.8)
Sale of treasury shares by the share trust, pursuant to the take-up of share options	1 924.6	1 737.5
At 28 February	468 703.6	470 748.6

Refer to note 13 for the number of shares in issue

Notes to the Annual Financial Statements (continued)

	2005 Rm	2004 Rm
5. Earnings per share (continued)		
5.2 The calculation of diluted earnings per share and diluted headline earnings per share is based on:		
Diluted earnings	654.0	520.9
Diluted headline earnings	667.7	557.7
and:	No. of shares 000's	No. of shares 000's
The diluted weighted average number of ordinary shares in issue during the year:	496 403.6	499 578.1
Reconciliation between earnings and diluted earnings:	Rm	Rm
Earnings (net profit for the year)	649.6	515.7
Debt interest after tax	4.4	5.2
Diluted earnings	654.0	520.9
Headline earnings adjustments (note 5.1)	13.7	36.8
Diluted headline earnings	667.7	557.7
Reconciliation of the weighted average number of ordinary shares in issue for diluted earnings per share:	No. of shares 000's	No. of shares 000's
Weighted average number of ordinary shares in issue (note 5.1)	468 703.6	470 748.6
Shares to be issued on conversion of debentures (note 15)	20 000.0	20 000.0
Dilutive effect of share options	7 700.0	8 829.5
Weighted average number of ordinary shares in issue for purposes of calculating diluted earnings per share	496 403.6	499 578.1

	2005 Cents	2004 Cents
6. Dividends		
No. 72 – declared 19 April 2004 – paid 14 June 2004	63.50	55.00
No. 73 – declared 18 October 2004 – paid 13 December 2004	19.80	16.50
Total dividends for the year	83.30	71.50
	Rm	Rm
Total value of dividends declared outside the Group	381.6	316.7
Dividends paid to Group entities	23.3	29.0
Total value of dividends declared and paid by the Company (note 26)	404.9	345.7
For further details, including dividends declared after the balance sheet date, refer to the Directors' Report on page 86 and shareholders' information on page 83.		
7. Goodwill		
Cost		
At 1 March	820.6	778.0
Foreign currency translation	(57.5)	42.6
At 28 February	763.1	820.6
Accumulated amortisation		
At 1 March	75.5	35.9
Amortisation charge for the year	35.3	36.8
Foreign currency translation	(4.1)	2.8
At 28 February	106.7	75.5
Net book value	656.4	745.1
Reconciliation of movement in net book value:		
At 1 March	745.1	742.1
Foreign currency translation	(53.4)	39.8
Amortisation charge for the year	(35.3)	(36.8)
At 28 February	656.4	745.1

Notes to the Annual Financial Statements (continued)

8. Fixed assets

	Property owned Rm	Equipment and vehicles owned* Rm	Vehicles leased Rm	Total 2005 Rm
Cost				
At 1 March 2004	231.8	2 246.1	84.5	2 562.4
Additions	79.3	426.4	19.9	525.6
Disposals	(6.9)	(21.3)	(8.2)	(36.4)
Disposal of operating segments (note 20)	—	(26.2)	—	(26.2)
Fully depreciated assets scrapped	—	(52.6)	—	(52.6)
Foreign currency translation	—	(29.7)	—	(29.7)
At 28 February 2005	304.2	2 542.7	96.2	2 943.1
Accumulated depreciation				
At 1 March 2004	49.5	1 275.4	9.8	1 334.7
Disposals	(2.7)	(21.3)	(8.2)	(32.2)
Disposal of operating segments (note 20)	—	(14.1)	—	(14.1)
Depreciation charge for the year	5.8	285.2	13.7	304.7
Fully depreciated assets scrapped	—	(52.6)	—	(52.6)
Foreign currency translation	—	(7.9)	—	(7.9)
At 28 February 2005	52.6	1 464.7	15.3	1 532.6
Net book value at 28 February 2005	251.6	1 078.0	80.9	1 410.5
Directors' valuation of property at 28 February 2005	514.7			

8. Fixed assets (continued)

	Property owned Rm	Equipment and vehicles owned* Rm	Vehicles leased Rm	Total 2004 Rm
Cost				
At 1 March 2003	157.6	2 304.1	84.5	2 546.2
Additions	107.7	416.5	17.9	542.1
Disposals	(33.5)	(16.8)	(17.9)	(68.2)
Fully depreciated assets scrapped	—	(471.8)	—	(471.8)
Foreign currency translation	—	14.1	—	14.1
At 29 February 2004	231.8	2 246.1	84.5	2 562.4
As previously stated	231.8	2 717.9	84.5	3 034.2
Fully depreciated assets scrapped	—	(471.8)	—	(471.8)
Accumulated depreciation				
At 1 March 2003	46.7	1 495.2	16.2	1 558.1
Depreciation charge for the year	2.8	268.8	11.5	283.1
Disposals	—	(16.8)	(17.9)	(34.7)
Fully depreciated assets scrapped	—	(471.8)	—	(471.8)
At 29 February 2004	49.5	1 275.4	9.8	1 334.7
As previously stated	49.5	1 747.2	9.8	1 806.5
Fully depreciated assets scrapped	—	(471.8)	—	(471.8)
Net book value at 29 February 2004	182.3	970.7	74.7	1 227.7
Directors' valuation of property at 28 February 2004	397.8			

Property with a net book value of R96.7 million (Directors' valuation – R122.8 million) is ceded as security for long-term borrowings. (Refer note 15)

Registers of all properties, containing statutory information, are available for inspection at the registered office of the Company.

*Including fixtures, store automation, delivery vehicles and aircraft.

Notes to the Annual Financial Statements (continued)

	2005 Rm	2004 Rm
9. Investments		
Listed shares at market value		
Prism Holdings Limited	3.2	2.3
Mobile Industries Limited	0.2	0.2
Total listed shares at 28 February	3.4	2.5
Reconciliation of carrying amount of listed shares:		
At 1 March	2.5	0.9
Unrealised surplus on revaluation	0.9	1.6
At 28 February	3.4	2.5
Unlisted shares at fair value		
Business Partners Limited – held by the Company	0.2	0.2
TM Supermarkets (Pvt) Limited (Zimbabwe)*	5.0	5.0
Total unlisted investments at 28 February	5.2	5.2
Total investments at 28 February	8.6	7.7
Directors' valuation of unlisted investments	5.2	5.2
<i>*The 25% holding in TM Supermarkets (Pvt) Limited in Zimbabwe is held at cost and has not been equity accounted due to the difficulty in remitting dividends from Zimbabwe.</i>		
10. Loans		
The following loans have been advanced by subsidiary companies:		
Employees		
Directors		
At 1 March	1.3	1.3
Advanced	—	—
Repaid	—	—
Total directors' loans	1.3	1.3
Other employees	84.8	81.4
Loans to participants of the share purchase scheme	4.5	5.2
Total employee loans	90.6	87.9
Trading loans	5.3	1.6
Holding company loan	(0.1)	0.1
Total loans at 28 February	95.8	89.6
Loans to directors and employees are secured, bear interest at varying rates subject to a maximum rate of 6% (2004 – 8%) per annum and have varying repayment terms. Loans to employees from the employee share trust are payable within ten years from the date of advance.		

	2005 Rm	2004 Rm
11. Participation in export partnerships		
During the years 1987 to 1999, a subsidiary company participated in certain export partnerships, whose business is the purchase and export sale of marine containers. The partnerships sold containers in terms of long-term credit agreements, with repayment terms usually over a 10 to 15-year period. (Refer to the Directors' Report on page 87)	102.7	127.6
Cash flows to be received by the Group have not been discounted.		
For fair presentation purposes, it is noted that any fair value impairment in the amounts due to the Group by virtue of its participation in such partnerships would result in a corresponding reduction in the fair value of the related deferred taxation liability. Consequently any such fair value impairment would have no impact on either the cash flow statement or the income statement of the Group.		
12. Inventory		
Inventory comprises:		
Merchandise for resale	1 868.7	1 572.4
Consumables	10.1	6.3
	1 878.8	1 578.7

Notes to the Annual Financial Statements (continued)

	2005 Rm	2004 Rm
13. Share capital		
Authorised		
800 000 000 ordinary shares of 1.25 cents each	10.0	10.0
Issued		
486 133 882 ordinary shares of 1.25 cents each	6.1	6.0
The movement in share capital during the year is as follows:		
At 1 March	6.0	6.0
Shares issued, pursuant to the take-up of share options	0.1	—
At 28 February	6.1	6.0
The movement in the number of shares in issue during the year is as follows:	Number of shares 000's	Number of shares 000's
At 1 March	483 443.8	483 443.8
Shares issued, pursuant to the take-up of share options	2 690.0	—
At 28 February	486 133.8	483 443.8
Number of shares in issue at 28 February is made up as follows:		
Treasury shares held in the share trust	462.9	31.1
Treasury shares held in a subsidiary company	22 533.5	12 009.7
	22 996.4	12 040.8
Shares held outside the Group	463 137.4	471 403.0
At 28 February	486 133.8	483 443.8
88.3 million of the unissued shares remain under the control of the directors until the next annual general meeting.		
Share incentive schemes	Rm	Rm
Unissued shares	16.0	16.0
20 000 000 unissued ordinary shares have been allocated to the Executive Share Incentive Scheme to be issued at R4.00 each on the final redemption of the compulsory convertible debentures on 31 December 2007 (note 15). This amount represents the value attributable to the conversion rights of the debentures on issue.		

13. Share capital *(continued)*

In terms of the **1997 Share Option Scheme**, approved by the shareholders on 22 September 1997, the directors are authorised to utilise up to 13.3% of the issued share capital for the scheme. Movement in the number of shares granted but not taken up are as follows:

	2005	2004
	Number of options 000's	Number of options 000's
At 1 March	17 627.9	15 219.0
New options granted*	4 381.5	5 440.3
Options taken up**	(4 313.2)	(2 443.3)
Options forfeited	(187.6)	(588.1)
At 28 February	17 508.6	17 627.9
Percentage of issued shares	3.6%	3.6%
*Average price of options granted during the year	R17.10	R12.95
**Average take-up price of options taken up during the year	R5.21	R4.37
Options granted may be taken up during the following financial years:		
Year	Average grant price	
2006	R 8.48	6 717.7
2007	R11.91	2 759.1
2008	R10.42	4 090.2
2009	R15.78	2 305.6
2010 and thereafter	R17.89	1 636.0
		17 508.6

Notes to the Annual Financial Statements (continued)

13. Share capital (continued)

The Employee Share Purchase Trust, which administers the 1997 Share Option Scheme, holds the following number of ordinary shares:

As a hedge against shares granted or to be granted by that scheme, reflected as treasury shares

On behalf of share purchase scheme participants

2005 Number of shares 000's	2004 Number of shares 000's
462.9	31.1
473.6	668.6
936.5	699.7

Directors' interest in shares

	Balance held at 1 March 2004	Additions during the year	Average purchase price R	Disposals during the year	Average selling price R	Net proceeds received Rm	Balance held at 28 February 2005	Beneficial/ non-beneficial interest
Dennis Cope – including holding in family trust	79 071	121 000	3.11	—	—	—	200 071	Beneficial
David Robins	—	78 000	4.34	(78 000)	23.15	1.5	—	
Sean Summers	—	2 690 000	4.56	—	—	—	2 690 000	Beneficial

Except for the indirect interest in the shares of the Company through Pick 'n Pay Holdings Limited (see page 136) no other directors have either a direct beneficial or non-beneficial interest in the shares of the Company.

The following share options are held by directors:

1997 Share Option Scheme

	Year granted	Option grant price R	Balance held at 1 March 2004	Granted in year	Taken up in year at grant price	Balance held at 28 February 2005	Taxable benefit on options taken up Rm	Available for take- up
Dennis Cope	1995	3.00	120 000		(120 000)	—	0.4	
	2003	12.00	30 000			30 000		Now
	2003	12.00	22 500			22 500		Now
	2003	12.00	97 500			97 500		April 2006
	2003	12.00	75 000			75 000		April 2008
	2003	12.00	100 000			100 000		April 2010
	2004	16.00		16 250		16 250		June 2005
	2004	16.00		12 188		12 188		June 2006
	2004	16.00		12 187		12 187		June 2007
			445 000	40 625	(120 000)	365 625	0.4	

13. Share capital (continued)

	Year granted	Option grant price R	Balance held at 1 March 2004	Granted in year	Taken up in year at grant price	Balance held at 28 February 2005	Taxable benefit on options taken up Rm	Available for take-up
David Robins	1996	4.34	78 000		(78 000)	—	0.2	
	2003	12.00	16 667			16 667		Now
	2003	12.00	12 500			12 500		Now
	2003	12.00	12 500			12 500		April 2006
	2004	16.00		10 000		10 000		June 2005
	2004	16.00		7 500		7 500		June 2006
	2004	16.00		7 500		7 500		June 2007
			119 667	25 000	(78 000)	66 667	0.2	
Sean Summers	1992	3.29	40 000		(40 000)	—	0.1	
	1995	3.00	150 000		(150 000)	—	0.5	
	1996	3.67	900 000		(900 000)	—	2.4	
	1998	4.50	1 000 000		(1 000 000)	—	—	
	1998	4.50	1 000 000			1 000 000		June 2008
	1999	6.50	300 000		(300 000)	—	0.3	
	1999	6.50	300 000		(300 000)	—	0.3	
	1999	6.50	400 000			400 000		May 2006
	2003	12.00	108 333			108 333		Now
	2003	12.00	81 250			81 250		Now
	2003	12.00	81 250			81 250		April 2006
	2004	16.00		68 750		68 750		June 2005
	2004	16.00		51 563		51 563		June 2006
	2004	16.00		51 562		51 562		June 2007
			4 360 833	171 875	(2 690 000)	1 842 708	3.6	
Executive Share Incentive Scheme								
		Number of shares at 1 March	Purchase price per share R	Shares granted during the year	Purchase price per share R	Number of shares at 28 February		Date available
Dennis Cope		1 000 000	4.80	73 446	11.29	1 073 446		December 2007
David Robins		300 000	4.80	22 034	11.29	322 034		December 2007
Sean Summers		2 500 000	4.80	183 616	11.29	2 683 616		December 2007

Notes to the Annual Financial Statements (continued)

	2005 Rm	2004 Rm
14. Treasury shares		
Pick 'n Pay Stores Limited and Pick 'n Pay Holdings Limited shares held by subsidiary companies and the share trust		
At 1 March	199.6	188.2
Share repurchases	267.3	38.0
Take-up of share options	(43.1)	(26.6)
At 28 February	423.8	199.6
The movement in the number of treasury shares held is as follows:	Number of shares 000's	Number of shares 000's
Pick 'n Pay Stores Limited		
At 1 March	12 040.8	11 944.1
Shares purchased during the year	12 384.6	2 527.8
Shares sold during the year, pursuant to the take-up of share options	(1 429.0)	(2 431.1)
At 28 February	22 996.4	12 040.8
Comprises:		
Shares held by share trust	462.9	31.1
Shares held by a subsidiary company	22 533.5	12 009.7
Average purchase price of shares purchased during the year	R21.24	R13.14
Pick 'n Pay Holdings Limited		
At 1 March	29 327.6	32 755.2
Shares purchased during the year	415.8	835.4
Shares sold during the year, pursuant to the take-up of share options	(6 878.2)	(4 263.0)
At 28 February	22 865.2	29 327.6
Comprises:		
Shares held by share trust	21 559.1	28 075.7
Shares held by a subsidiary company	1 306.1	1 251.9
Average purchase price of shares purchased during the year	R9.59	R5.76

	2005 Rm	2004 Rm
15. Interest-bearing debt		
Promissory notes issued by the Company in respect of 20 000 000 compulsory convertible debentures of R4.00 each, are redeemable in 20 bi-annual instalments at a coupon of 10.67%, ending on 31 December 2007 (notes 13 and 26).	29.4	36.1
Secured loans in respect of leased vehicles with a book value of R80.9 million (note 8) held under finance lease agreements bearing interest at prime bank rate less 2.75% and payable monthly in arrears, over a 4 year period.	85.8	78.7
Short-term loan facility guaranteed by the Company and a subsidiary company, bearing interest at a current average rate of 3.8%.	23.9	134.4
Secured loan in respect of property with a book value of R96.7 million (note 8) bearing interest at 11.4% and payable monthly in arrears, over a 15 year period.	96.1	98.9
Total interest-bearing debt at 28 February	235.2	348.1
Less: Amount repayable within one year	(56.6)	(159.9)
Amount repayable after one year	178.6	188.2
16. Retirement scheme obligations (note 25)		
At 1 March	145.0	125.9
Income statement movement (within employee costs)	171.2	198.2
Payments to retirement scheme	(126.4)	(179.1)
At 28 February	189.8	145.0
17. Deferred tax		
The movement in deferred tax is as follows:		
At 1 March	34.7	95.3
Deferred tax assets	(99.2)	(68.6)
Deferred tax liabilities	133.9	163.9
Income statement movement	(99.3)	(60.6)
Export partnerships	(50.9)	(7.3)
Trademarks	—	0.5
Fixed assets	4.6	(0.9)
Income and expense accruals	(19.1)	(19.1)
Computed tax losses	(32.6)	(33.8)
Effect of change in tax rate	(1.3)	—
Balance sheet movement		
Effect of foreign currency translation	1.7	—
At 28 February	(62.9)	34.7

Notes to the Annual Financial Statements (continued)

	2005 Rm	2004 Rm
17. Deferred tax (continued)		
Comprising:		
Deferred tax assets		
Computed tax losses*	(117.5)	(87.3)
Income and expense accruals	(12.4)	(11.9)
Total deferred tax assets	(129.9)	(99.2)
Deferred tax liabilities		
Export partnerships	82.2	136.0
Foreign currency translation	55.6	57.5
Income and expense accruals	(87.6)	(72.4)
Fixed assets	16.8	12.8
Total deferred tax liabilities	67.0	133.9
Total net deferred tax	(62.9)	34.7
<p>*These computed tax losses are in respect of Score Supermarkets and Franklins Australia.</p> <p>The directors have considered the future viability of these two operating entities and on the basis that they are projected to produce taxable income in the foreseeable future, these deferred tax assets are considered fully recoverable.</p> <p>For further information on these two entities, please refer to pages 25 and 28 of the Chief Executive Officer's Report.</p>		
18. Leases		
<p>The Group has entered into various operating lease agreements in respect of premises. Leases on premises are contracted for periods of between 10 and 20 years with renewal options for a further 10 to 20 years. Rentals comprise minimum monthly payments and additional payments based on turnover levels. Turnover rentals, where applicable, average 1.5% of turnover. Rental escalations vary, but average 6.5% per annum.</p> <p>At 28 February 2005 future non-cancellable minimum lease rentals are payable during the following financial years:</p>		
2006	563.9	534.9
2007 – 2010	2 243.6	1 589.7
2011 onwards	2 973.6	2 866.8
	5 781.1	4 991.4
At 28 February 2005 future minimum rentals receivable from non-cancellable sub-lease contracts amount to:	115.9	53.4

		2005 Rm	2004 Rm
19. Trade and other payables			
Trade and other payables comprise:			
Leave pay obligations		173.5	168.8
Trade and other creditors		4 108.8	3 803.2
		<u>4 282.3</u>	<u>3 972.0</u>
20. Disposal of operating segments			
	Boardmans division Rm	Score stores Rm	Total Rm
Net assets sold are as follows:			
Equipment and vehicles – net book value	8.3	3.8	12.1
Inventory	45.4	—	45.4
Trade and other payables	(4.8)	—	(4.8)
Trade and other receivables	2.8	—	3.2
Loans	0.4	—	—
	52.1	3.8	55.9
Goodwill	26.0	—	26.0
Loss on disposal of equipment and vehicles	—	(3.8)	(3.8)
Total cash consideration received	78.1	—	78.1
		2005 Rm	2004 Rm
21. Commitments			
All capital expenditure will be funded from internal cash flow.			
Authorised capital expenditure			
Contracted for			
Property		220.7	—
Equipment and vehicles		176.0	10.6
Not contracted for			
Property		164.4	5.9
Equipment and vehicles		40.6	302.1
Total commitments		<u>601.7</u>	<u>318.6</u>

22. Segmental report

The Group is organised into two geographical segments, which is the basis on which primary segment information is reported.

The segments are as follows:

Southern African operations

Australian operations

Financial information pertaining to geographic segments is as follows:

	Southern Africa		Australia		Total	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm	2005 Rm	2004 Rm
Turnover	27 989.2	25 068.6	3 895.8	4 207.5	31 885.0	29 276.1
Turnover – Australian dollars			841.1	858.3		
Trading profit/(loss) before goodwill amortisation	1 028.4	829.5	(59.5)	(40.5)	968.9	789.0
Trading profit/(loss) – Australian dollars			(12.8)	(8.2)		
Goodwill amortisation	(9.5)	(9.5)	(25.8)	(27.3)	(35.3)	(36.8)
Exceptional items	21.6	—	—	—	21.6	—
Depreciation, included in trading profit/(loss)	(267.9)	(248.1)	(36.8)	(35.0)	(304.7)	(283.1)
Goodwill	161.7	171.2	494.7	573.9	656.4	745.1
Fixed assets	1 203.5	1 021.0	207.0	206.7	1 410.5	1 227.7
Inventory and receivables	2 140.1	1 995.2	373.2	211.6	2 513.3	2 206.8
Trade and other payables	3 759.6	3 509.5	522.7	462.5	4 282.3	3 972.0

23. Related party transactions

Transactions between Group subsidiaries

During the year, in the ordinary course of business, certain companies within the Group entered into arm's length transactions with each other. These intra-Group transactions have been eliminated on consolidation.

Directors

A number of directors of the Company hold positions in other entities where they may have significant influence over the financial or operating policies of those entities. The following are considered to be such entities:

Director	Entity	Position held in entity
D G Cope	Pick 'n Pay Retirement Scheme	Trustee
	Pick 'n Pay Medical Scheme	Trustee
R P de Wet	Pick 'n Pay Retirement Scheme	Chairman
	Pick 'n Pay Medical Scheme	Chairman
H S Herman	Investec Asset Management Limited	Non-executive chairman
	Investec Bank Limited	Non-executive chairman
	Investec Employee Benefits Limited	Non-executive chairman
C Hultzer	Pick 'n Pay Retirement Scheme	Trustee
	Pick 'n Pay Medical Scheme	Trustee
D M Nurek	Investec Bank Limited	Senior executive
	Investec Employee Benefits Limited	Director
	Trencor Limited	Non-executive director

23. Related party transactions

Transactions between the Group and these entities have occurred under terms and conditions that are no more favourable than those entered into with third parties in arm's length transactions.

Related party transactions include:

- i) The Pick 'n Pay Retirement and Medical Schemes administer the Company's retirement and medical plans, respectively.
- ii) Investec Bank Limited manages cash resources and assets on behalf of Group companies, the Pick 'n Pay Retirement Scheme and the Pick 'n Pay Medical Scheme.
- iii) Investec Asset Management Limited manages a portion of the Pick 'n Pay Retirement Scheme's assets.
- iv) Investec Employee Benefits Limited provides the Group with life cover services.
- v) A subsidiary company participates in export partnerships with Trench Limited group entities (note 11).

Certain non-executive directors of the Group are also non-executive directors of other public companies which transact with the Group. Except as disclosed above, the relevant directors do not believe they have significant influence over the financial or operating policies of those companies. Those entities are therefore not disclosed above.

Shares held by directors

The percentage of shares held by directors of the Company at the balance sheet date is disclosed in the Directors' Report on page 87. For further information refer to note 13 on page 108.

24. Financial instruments

Currency risk

The Group is exposed to foreign currency risk through the importation of merchandise. This risk is covered by entering into forward exchange contracts. These contracts are matched with anticipated future cash outflows in foreign currencies. The Group does not use forward foreign exchange contracts for speculative purposes.

At 28 February 2005 the following amounts were outstanding under forward foreign exchange contracts, to be paid (on average) within four months of year-end:

Currency	Millions	Average exchange rate	Rand equivalent Rm
Euro	1.8	7.97	14.3
US Dollar	6.6	6.16	40.7

Credit risk

Financial assets, which potentially subject the Group to concentrations of credit risk, consist principally of cash and cash equivalents, receivables, investments, employee loans and participation in export partnerships.

The Group's cash and forward foreign exchange contracts are placed with major South African and international financial institutions of high credit standing and within specific guidelines laid down by the Group's Treasury Committee and approved by the Board. The Treasury Committee is appointed by the Board and comprises executive directors and senior executives.

Receivables, which are predominantly amounts owing by franchisees, are presented net of allowances for doubtful debts. The Group obtains collateral and other forms of tangible security from its franchise debtors. The total credit risk with respect to receivables from franchise debtors is further limited as a result of the dispersion amongst individual franchises and across different geographic areas. Accordingly, the Group has no significant concentration of credit risk.

The Group obtains appropriate forms of security when granting employee loans.

A company listed on the JSE Securities Exchange South Africa has warranted certain important cash flow aspects of our Group's participation in export partnerships (refer note 11). The Group's directors have considered the credit risk relating to these aspects warranted and have satisfied themselves to the credit worthiness of the warrantor company.

Cash flow and funding risk

This risk is managed using cash flow forecasts and by the maintenance of adequate borrowing facilities. In terms of the articles of association, the Company's borrowing powers are unlimited. However, the Treasury Committee maintains strict control over the acceptance and draw-down of any loan facility.

Notes to the Annual Financial Statements (continued)

24. Financial instruments (continued)

At 28 February the Group's loan facilities comprised:

	2005 Rm	2004 Rm
Total borrowing facilities granted by financial institutions	2 582.3	2 196.6
Total actual borrowings and utilisation of facilities	(767.1)	(734.1)
Unutilised borrowing facilities	1 815.2	1 462.5

Interest rate risk

The effective rates on financial instruments at 28 February 2005 are:

	Maturity of interest-bearing asset/liability						Total Rm
	Weighted average rate of return %	Floating interest rate %	1 year or less Rm	2 to 5 years Rm	Over 5 years Rm	Non- interest- bearing Rm	
Assets							
Cash and cash equivalents		6.5	1 329.0	—	—	—	1 329.0
Trade and other receivables			—	—	—	634.5	634.5
Participation in export partnerships			—	—	—	102.7	102.7
Loans	3.3		13.6	82.2	—	—	95.8
Investments			—	—	—	8.6	8.6
Total financial assets			1 342.6	82.2	—	745.8	2 170.6
Liabilities							
Trade and other payables			—	—	—	4 282.3	4 282.3
Interest-bearing debt		9.4	56.6	102.2	76.4	—	235.2
Retirement fund obligations			—	—	—	189.8	189.8
Total financial liabilities			56.6	102.2	76.4	4 472.1	4 707.3
Net financial assets/(liabilities)			1 286.0	(20.0)	(76.4)	(3 726.3)	(2 536.7)

Fair values of financial instruments

At 28 February 2005 the carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and retirement fund obligations approximate their fair values due to their short-term maturities.

The fair value of loans, investments and interest-bearing debt approximate their carrying value as disclosed on the balance sheet.

Participation in export partnerships – refer note 11.

25. Retirement benefits

The Group has four retirement schemes, covering:

- Pick 'n Pay Retailers (Pty) Limited**
- Score Supermarkets Trading (Pty) Limited**
- Boxer Superstores (Pty) Limited**
- Interfrank Group Holdings Pty Limited**

Pick 'n Pay Retailers (Pty) Limited

The Pick 'n Pay Retirement Scheme comprises two separate funds, the Pick 'n Pay Non-contributory Provident Fund and the Pick 'n Pay Paid-up Pension Fund.

There are 16 890 members of the Pick 'n Pay Retirement Scheme and 1 039 pensioners.

The Financial Services Board (FSB) has approved all the transfers of the members between various funds as a result of the amalgamation of the former Provident, Pension and Retirement Funds into the Pick 'n Pay Non-contributory Provident Fund and the Senior Provident Fund into the Pick 'n Pay Paid-up Pension Fund. A transfer of the investment reserve is still pending approval.

The FSB approved the rule amendments in respect of the amalgamation, however the South African Revenue Service required certain changes prior to granting their approval. As a result, certain rule amendments were redrafted, of which only one still requires approval (in respect of the Non-contributory Provident Fund).

The Pick 'n Pay Retirement Scheme is defined contribution in nature, however as part of the amalgamation certain members were guaranteed that they would not be worse off and hence they retain their previous defined benefit guarantee. Due to this guarantee, and the fact that the pensioners are also paid by this Scheme, the Scheme's liabilities may be broken down between those which are defined contribution in nature and those which are defined benefit and for which the employer has an obligation to make additional contributions to ensure this portion of the Scheme is fully funded.

Post-retirement medical benefits

Members who joined the Group prior to 1 January 1997 will receive an additional pension on retirement to assist with post-retirement medical scheme contributions. Some of the members have already retired and are in receipt of a post-retirement medical pension. The full obligation for both active members and retirees is provided for in the financial statements. There is no subsidy for members who joined the Group after 1 January 1997.

Benefit fund

There is a separate benefit fund to pay any disability benefit sanctioned by the Trustees. The fund has been reinsured by an insurer on a 100% profit share basis and hence the employer is required to make additional contributions to ensure this fund is fully funded at all times.

Advisors

The Pick 'n Pay Retirement Scheme is administered by People Administration Services. The consultants and actuaries are NMG Consultants and Actuaries. The independent investment consultant is Fifth Quadrant Actuaries and Consultants.

SACCAWU National Provident Fund

The SACCAWU Fund is administered by Old Mutual and is currently under curatorship. Employees have a choice of joining this fund instead of the Pick 'n Pay Retirement Scheme when they commence employment. There are 14 018 members of this fund.

Score Supermarkets Trading (Pty) Limited

Score Supermarkets has its own Provident Funds, one for Botswana employees and the RSA fund for all other employees. Employees of Score may also join the SACCAWU National Provident Fund.

Membership of Score Provident Funds 2 630

Membership of SACCAWU National Provident Fund 862

The Score Provident Funds are administered by Alexander Forbes Consultants and Actuaries, who also provide consulting and actuarial services. All the Score South African fund assets are managed by Investment Solutions and the Botswana assets by Investec Asset Management (Botswana).

Members of the Score Provident Fund in the Western Cape and Eastern Cape regions were transferred to the Pick 'n Pay and Boxer Retirement Schemes respectively, with effect from 1 October 2004.

25. Retirement benefits (continued)

Boxer Superstores (Pty) Limited

Employees of Boxer are members of their own Provident Funds.

A	Name of fund	Boxer Superstores (Pty) Limited Provident Fund
	Number of members	2 347
	Administrator	Old Mutual

This is a defined contribution contributory provident fund.

All staff members, except the Managing Director, belong to this Provident Fund. Executives also belong to two separate insured umbrella funds. Senior executives are in the process of being withdrawn from the Boxer Provident Fund as their contributions are now being made to the Momentum provident fund mentioned in D below. During the period March to August 2004, 368 members withdrew from the fund to join the SACCAWU National Provident Fund.

B	Name of fund	SACCAWU National Provident Fund
	Number of members	368
	Administrator	Old Mutual

This is a defined contribution contributory provident fund.

C	Name of fund	Sanlam Central Provident Fund
	Number of members	13
	Administrator	Sanlam

This is a defined contribution non-contributory provident fund.

Certain long-serving members of management belong to this Provident Fund. All of these members also belong to the Momentum Fund below.

D	Name of fund	Funds @ Work
	Number of members	23
	Administrator	Momentum Administration Services

This is a defined contribution non-contributory provident fund.

These members are senior executives who have been transferred from the Old Mutual fund.

In order to simplify the Group's retirement schemes, it is planned that the members of the Sanlam Central Provident Fund and the Momentum Provident Fund will be transferred to the Pick 'n Pay Non-Contributory Provident Fund.

Interfrank Group Holdings Pty Limited

Franklins' employees are members of one of two funds:

A	The Interfrank Superannuation fund is for all Retail Management employees, i.e. Store Managers and Department Managers. This fund is underwritten by AMP as part of their Custom Super Plan. Approximately 300 employees are members of this Scheme.	
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B	All other employees, those covered by the Enterprise Bargaining Agreement, are members of the Retail Industry Superannuation Fund. Approximately 4 334 employees are members of this fund.	
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Both these funds are non-contributory and in terms of current Australian legislation, Franklins contributes 9% of employee gross salaries to the funds.

Both funds are defined contribution and members of the Interfrank Superannuation Fund do have a choice amongst a variety of managed investments. Unit prices are calculated daily as are member account values.

Franklins has no other liability as regards retirement funding and there is no medical aid nor post-retirement medical aid liability. Medical aid is taken care of by the Australian Federal Government Medicare Scheme and personal compulsory top-up arrangements.

25. Retirement benefits *(continued)*

Employee benefit obligations

	Retirement defined contribution funds Rm	Retirement defined benefit fund Rm	Post- retirement medical fund Rm	Benefit fund Rm	Total obligation 2005 Rm	Total obligation 2004 Rm
The amount recognised in the balance sheet is as follows:						
Present value of fund obligations		372.6	102.6	15.2	490.4	534.1
Fair value of assets		(275.7)	(10.8)	(14.1)	(300.6)	(389.1)
Present value of unfunded obligations (note 16)		96.9	91.8	1.1	189.8	145.0
Amounts recognised in the income statement are as follows:						
Current service cost	86.4	23.1	2.7	3.4	115.6	165.1
Interest on the obligation	13.2	44.7	10.8	1.8	70.5	68.7
Expected return on the plan assets	(12.9)	(37.6)	(0.3)	(1.6)	(52.4)	(53.2)
Net actuarial gains/(losses) recognised	(5.7)	40.0	4.4	(1.2)	37.5	17.6
Total included in employee costs	81.0	70.2	17.6	2.4	171.2	198.2
Actual return on plan assets		(1.9%)	13.7%	14.6%	13.7%	(7.3%)
Movement in the liability recognised on the balance sheet is as follows (note 16):						
Net liability – 1 March	—	58.1	84.9	2.0	145.0	125.9
Net expense in the income statement	81.0	70.2	17.6	2.4	171.2	198.2
Contributions	(81.0)	(31.4)	(10.7)	(3.3)	(126.4)	(179.1)
Net liability – 28 February	—	96.9	91.8	1.1	189.8	145.0
The principal actuarial assumptions at the last valuation date are:						
				1 June 2004 % per annum		1 June 2003 % per annum
Discount rate				10.00		13.00
Future salary increases				6.96		11.50
Future pension increases				4.40		7.50
Annual increase in health care costs				8.31		11.50
Expected rate of return				10.00		13.00

Notes to the Annual Financial Statements (continued)

	2005 Rm	2004 Rm
Notes 26 to 27 comprise Pick 'n Pay Stores Limited's Annual Financial Statements		
26. Pick 'n Pay Stores Limited		
Income statement for the year ended 28 February		
Distributions from subsidiary companies	395.0	342.0
Distributions from share trust	10.3	11.4
Income from unlisted investments	—	14.2
Fees received from subsidiary company	7.7	6.9
Interest received	6.2	7.4
Interest paid	(6.2)	(7.4)
Administrative expenses	(4.1)	(1.3)
Profit before tax	408.9	373.2
Tax	(0.9)	(1.7)
Net profit for the year	408.0	371.5
Accumulated profit – 1 March	177.9	152.1
	585.9	523.6
Dividends paid (note 6)	(404.9)	(345.7)
Accumulated profit – 28 February	181.0	177.9
Balance sheet as at 28 February		
Assets		
Non-current assets		
Interest in subsidiary companies (note 27)	198.8	199.8
Employee share purchase trust	59.2	48.7
Investments (note 9)	0.2	0.2
	258.2	248.7
Current assets		
Trade receivables	3.6	3.5
Tax	0.7	—
	4.3	3.5
Total assets	262.5	252.2
Equity and liabilities		
Capital and reserves		
Share capital (note 13)	6.1	6.0
Share premium	26.0	13.9
Unissued shares (note 13)	16.0	16.0
Accumulated profit	181.0	177.9
	229.1	213.8
Non-current liabilities		
Debentures (note 15)	21.3	29.3
Current liabilities		
Debentures (note 15)	8.1	6.8
Trade and other payables	4.0	1.8
Tax	—	0.5
	12.1	9.1
Total equity and liabilities	262.5	252.2

	2005 Rm	2004 Rm
26. Pick 'n Pay Stores Limited (continued)		
Cash flow statement for the year ended 28 February		
Profit before tax	408.9	373.2
Dividends received in advance	—	(14.2)
Trade and other payables	2.2	(0.7)
Trade receivables	(0.1)	(0.4)
Cash generated by operations	411.0	357.9
Dividends paid (note 6)	(404.9)	(345.7)
Tax paid	(2.1)	(2.9)
Net cash inflows from operating activities	4.0	9.3
Interest in subsidiary companies' shares	(6.8)	—
Employee share purchase trust	(10.5)	17.1
Investments realised	—	175.0
Net cash (outflows)/inflows from investing activities	(17.3)	192.1
Issue of new shares pursuant to the take-up of share options	12.2	—
Debentures repaid	(6.7)	(5.7)
Net cash inflows/(outflows) from financing activities	5.5	(5.7)
Pick 'n Pay Retailers (Pty) Limited loan account		
Net movement for the year	(7.8)	195.7
Balance at 1 March	168.3	(27.4)
Balance at 28 February (note 27)	160.5	168.3

Notes to the Annual Financial Statements (continued)

	2005 Rm	2004 Rm
27. Interest in subsidiaries		
Shares at cost		
Trading	37.5	30.0
Guardrisk Insurance Company Limited		
Pick 'n Pay Retailers (Pty) Limited		
Pick 'n Pay (Gabriel Road) (Pty) Limited		
Pick 'n Pay Garages (Pty) Limited		
The Blue Ribbon Meat Corporation (Pty) Limited		
Pick 'n Pay Franchise Financing (Pty) Limited		
The Pick 'n Pay Employee Share Purchase Trust		
Property owning	0.5	0.6
Carrefour (Pty) Limited		
Pick 'n Pay (Bellville) (Pty) Limited		
Pick 'n Pay (Newton Park) (Pty) Limited		
Pick 'n Pay (Ottery) (Pty) Limited		
Pick 'n Pay (Steelpark) (Pty) Limited		
Pick 'n Pay Wholesalers (Pty) Limited		
Pick 'n Pay Wholesalers (Transvaal) (Pty) Limited		
Dormant companies	0.3	0.9
	38.3	31.5
Loan to Pick 'n Pay Retailers (Pty) Limited	160.5	168.3
Held by Pick 'n Pay Stores Limited	198.8	199.8
The attributable headline earnings of subsidiaries are	741.3	613.8
The attributable headline losses of subsidiaries are	72.9	72.5

27. Interest in subsidiaries *(continued)*

Held by other Group trading subsidiaries:

Boxer Holdings (Pty) Limited
Boxer Superstores (Pty) Limited
Boxer Fresh Meats (Pty) Limited
Mfolozi Properties (Pty) Limited
KwaZulu Cash & Carry (Pty) Limited
InterFrank Group Holdings Pty Limited
(Registered in Australia)
Franklins Pty Limited
(Registered in Australia)
Franklins Supermarkets Pty Limited
(Registered in Australia)
Fresco Supermarket Holdings Pty Limited
(Registered in Australia)
Pick 'n Pay International Limited
(Registered in the United Kingdom)
Pick 'n Pay Insurance Company Limited
Pick 'n Pay Namibia (Pty) Limited
(Registered in Namibia)
Score Supermarkets Operating Limited
Score Supermarkets (Trading) (Pty) Limited
Score Supermarkets (Botswana) (Pty) Limited
(Registered in the Republic of Botswana)
Score Supermarkets (Southern Africa) (Pty) Limited
(Registered in the Republic of Botswana)
Score Supermarkets (Swaziland) Limited
(Registered in the Kingdom of Swaziland)

All companies are 100% held and incorporated in South Africa except where indicated

A comprehensive list of Group subsidiaries is available on request at the registered office of the Company

Group Annual Financial Statements and Other Information

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PICK 'n PAY HOLDINGS LIMITED AND ITS SUBSIDIARY

Reg. No. 1981/009610/06

Share code: PWK ISIN code: ZAE 00000 5724

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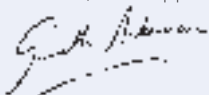


Directors' Approval, Company Secretary's Certificate and Report of the Independent Auditors

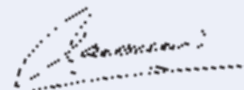
Directors' Approval

The directors acknowledge and accept full responsibility for the preparation and integrity of the information presented in these annual financial statements.

These annual financial statements and Group annual financial statements of Pick 'n Pay Holdings Limited, which were prepared in accordance with the Companies Act of South Africa and comply with South African Statements of Generally Accepted Accounting Practice, were approved by the Board of Directors on 6 May 2005 and are signed on their behalf by:



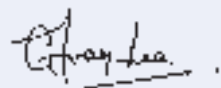
G M Ackerman
Chairman



R D Ackerman
Director

Company Secretary's Certificate

I certify that Pick 'n Pay Holdings Limited has lodged with the Registrar of Companies all returns as required by a public company in terms of section 268G(d) of the Companies Act, 1973, as amended, and such returns are true, correct and up to date.



G F Lea
Company Secretary

6 May 2005

Report of the Independent Auditors

To the members of

Pick 'n Pay Holdings Limited

We have audited the annual financial statements and Group annual financial statements of Pick 'n Pay Holdings Limited and its subsidiary, as set out on pages 126 to 137, for the year ended 28 February 2005. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and the Group at 28 February 2005 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa.

We draw attention to the manner of presentation of the Group annual financial statements of the Company as set out in note 1 to the Annual Financial Statements.



KPMG Inc
Registered Accountants and Auditors
Chartered Accountants (SA)

Cape Town
6 May 2005

Directors' Report

Structure and function

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

Relative share value

The directors consider that the ratio of the dividend per share for the year of Pick 'n Pay Holdings Limited (PIKWIK) of 40.67 cents, to that of Pick 'n Pay Stores Limited (PICKNPAY), 83.30 cents, determines the relative value of a Pick 'n Pay Holdings Limited share, which based on these figures, is 48.8% (2004: 48.8%) of a Pick 'n Pay Stores Limited share.

Disclosure

The Company's sole asset is its 52.9% (2004: 53.2%) direct shareholding in its subsidiary, Pick 'n Pay Stores Limited, and its only source of income is the dividend declared by Pick 'n Pay Stores Limited and paid to the Company.

While South African Statement of Generally Accepted Accounting Practice AC132 requires the consolidated financial statements to be the financial statements of a group presented as those of a single enterprise, the directors consider it sufficient to present summarised consolidated annual financial statements in terms of section 290 of the Companies Act of South Africa.

The summarised consolidated financial statements of the Company comprise the Group financial statements of Pick 'n Pay Stores Limited set out on pages 86 to 123, adjusted for the minority interest, and the financial statements of the Company set out on pages 128 to 137, after the elimination of balances and dividends between the Company and its subsidiary.

In compliance with AC132, the Group financial statements of the Company are detailed in note 1 to the annual financial statements of the Company on pages 130 to 133.

Dividends paid and declared

Share code: PWK ISIN: ZAE 00000 5724.

A cash dividend (No. 45) of 31.00 cents per share was paid to shareholders on 14 June 2004.

A cash dividend (No. 46) of 9.67 cents per share was paid to shareholders on 13 December 2004.

The directors have declared a cash dividend (No. 47) of 37.43 cents per share. The last day of trade in order to participate in the dividend (CUM dividend) will be Friday, 3 June 2005. Shares will trade EX dividend from the commencement of business on Monday, 6 June 2005 and the record date is Friday, 10 June 2005. The dividend will be paid on Monday, 13 June 2005. Share certificates may not be dematerialised or rematerialised between Monday, 6 June 2005 and Friday, 10 June 2005, both dates inclusive.

As dividend No. 47 was declared on 18 April 2005 it will only be accounted for in the 2006 financial year. No liability for Secondary Tax on Companies (STC) will be payable on this dividend as the Company will have sufficient STC credits to offset any liability. Refer to Shareholders' information on page 83.

Share capital

There was no movement in the number of issued ordinary shares during the year, which remains at 527 249 082.

As at year end the Pick 'n Pay Employee Share Purchase Trust and a subsidiary company held 21 559 123 and 1 306 053 shares in the Company, respectively. These shares are reflected as treasury shares in note 1 to the annual financial statements.

Going concern

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

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

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

Special resolution

On 11 June 2004 shareholders approved the following special resolution:

General authority to repurchase company shares

It was resolved that the Company and any of its subsidiaries may, in accordance with sections 85 and 89 of the Companies Act, acquire issued shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may determine from time to time, acquisition of such shares is subject to the articles of association of the Company, the provisions of the Companies Act and the Listing Requirements of the JSE Securities Exchange South Africa ("JSE"), and provided further that acquisitions by the Company may not, in the aggregate, exceed in any one financial year 5 percent of the Company's issued share capital.

This general authority to repurchase company shares shall be subject to the following provisions:

- Any such acquisition of shares shall be effected through the open order book operated by the JSE trading system or other manners approved by the JSE.
- This general authority shall only be valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 months from the date of passing of this special resolution.
- A paid press announcement will be published as soon as the Company and/or its subsidiaries has/have acquired shares consisting, on a cumulative basis, 3 percent of the number of shares of the class of shares repurchased in issue at the time of granting this general authority, which announcement shall contain full details of such acquisition.
- In determining the price at which the Company's shares are acquired by the Company or its subsidiaries in terms of this general authority, the maximum premium at which such shares may be acquired may not be 10 percent

above the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 business days immediately preceding the date of repurchase of such shares by the Company or its subsidiaries.

- In the case of a derivative (as contemplated in the JSE Listings Requirements) the price of a derivative shall be subject to the limits set out in Section 5.84(a) of the JSE Listings Requirements.

Directors and secretary

In terms of the Company's articles of association the directors listed on page 148 retire by rotation and they offer themselves for re-election. Information pertaining to the directors and the secretary appears on page 11.

Directors' interest in shares

	2005 %	2004 %
Beneficial	0.2	0.2
Non-beneficial	49.3	48.9
	<u>49.5</u>	<u>49.1</u>

Directors' emoluments

No emoluments were paid to directors for this or the previous financial year.

Borrowings

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

Corporate governance

All corporate governance structures referred to on pages 44 to 48 also apply to Pick 'n Pay Holdings Limited.

Income Statement and Balance Sheet

Income Statement

for the year ended 28 February

Income

Dividends received from Pick 'n Pay Stores Limited

2005
Rm

2004
Rm

214.4

184.0

Balance Sheet

as at 28 February

Notes

2005
Rm

2004
Rm

Assets

Non-current asset

Investment in subsidiary

3

128.0

128.0

Current asset

Loan to subsidiary company

0.1

—

Total assets

128.1

128.0

Equity and liabilities

Capital and reserves

Share capital

4

6.6

6.6

Share premium

120.8

120.8

127.4

127.4

Current liabilities

Loan from subsidiary company

—

0.1

Trade payable

0.7

0.5

0.7

0.6

Total equity and liabilities

128.1

128.0

Statement of Changes in Equity and Cash Flow Statement

Statement of Changes in Equity

for the year ended 28 February

	Note	Share capital Rm	Share premium Rm	Accu- mulated profits Rm	Total Rm
At 28 February 2003		6.6	120.8	—	127.4
Net profit for the year				184.0	184.0
Dividends paid	2			(184.0)	(184.0)
At 29 February 2004		6.6	120.8	—	127.4
Net profit for the year				214.4	214.4
Dividends paid	2			(214.4)	(214.4)
At 28 February 2005		6.6	120.8	—	127.4

Cash Flow Statement

for the year ended 28 February

	2005 Rm	2004 Rm
Dividend income	214.4	184.0
Cash generated by operations	214.4	184.0
Dividends paid	(214.4)	(184.0)
Net cash inflows from operating activities	—	—

Notes to the Annual Financial Statements

for the year ended 28 February

Accounting policies

The accounting policies are consistent with those of Pick 'n Pay Stores Limited as set out on pages 92 to 95.

1. Group financial statements

In compliance with AC 132, the Group financial statements of the Company are detailed below together with the summarised Group financial statements of its subsidiary.

	Pick 'n Pay Holdings Limited and its subsidiary		Pick 'n Pay Stores Limited and its subsidiaries	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
Income statement				
Net profit after tax	649.6	515.7	649.6	515.7
Minority interest	(305.7)	(241.3)	—	—
Net profit for the year	343.9	274.4	649.6	515.7
Per share – cents				
Headline earnings	70.08	59.28	141.54	117.38
Earnings	68.62	55.32	138.60	109.55
Diluted headline earnings	64.96	54.58	134.51	111.64
Diluted earnings	63.62	50.97	131.74	104.26
Headline earnings and earnings per share is based on:	Rm	Rm	Rm	Rm
Earnings (net profit for the year)	343.9	274.4	649.6	515.7
Headline adjustments (note 5.1)	7.2	19.6	13.7	36.8
Headline earnings	351.1	294.0	663.3	552.5
and:	No. of shares 000's	No. of shares 000's	No. of shares 000's	No. of shares 000's
Weighted average number of shares in issue	501 132.7	496 207.6	468 703.6	470 748.6

1. Group financial statements (continued)

	Pick 'n Pay Holdings Limited and its subsidiary		Pick 'n Pay Stores Limited and its subsidiaries	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
Diluted earnings per share and diluted headline earnings per share is based on:				
Diluted earnings	327.5	261.7	654.0	520.9
Diluted headline earnings	334.4	280.2	667.7	557.7
and	No. of shares 000's	No. of shares 000's	No. of shares 000's	No. of shares 000's
The diluted weighted average of ordinary shares in issue during the year:	514 808.3	513 359.9	496 403.6	499 578.1
	Rm	Rm	Rm	Rm
Reconciliation between earnings and diluted earnings:				
Earnings (net profit for the year)	343.9	274.4	649.6	515.7
Adjustments:				
Debenture interest after tax	2.2	2.6	4.4	5.2
Pick 'n Pay Stores Limited's dilution effect	(18.6)	(15.3)	—	—
Diluted earnings	327.5	261.7	654.0	520.9
Headline earnings adjustments	6.9	18.5	13.7	36.8
Diluted headline earnings	334.4	280.2	667.7	557.7
	No. of shares 000's	No. of shares 000's	No. of shares 000's	No. of shares 000's
Reconciliation of the weighted average number of ordinary shares in issue for diluted earnings per share:				
Weighted average number of ordinary shares	501 132.7	496 207.6	468 703.6	470 748.6
Shares to be issued on conversion of debentures	—	—	20 000.0	20 000.0
Dilutive effect of share options	13 675.6	17 152.3	7 700.0	8 829.5
Weighted average number of ordinary shares in issue for purposes of calculating diluted earnings per share	514 808.3	513 359.9	496 403.6	499 578.1

Notes to the Annual Financial Statements (continued)

1. Group financial statements (continued)

	Pick 'n Pay Holdings Limited and its subsidiary		Pick 'n Pay Stores Limited and its subsidiaries	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
Balance sheet				
Total assets	6 246.3	6 006.2	6 246.2	6 006.2
Equity and liabilities				
Share capital	6.6	6.6	6.1	6.0
Share premium	120.8	120.8	26.0	13.9
Unissued shares	—	—	16.0	16.0
Treasury shares	(60.9)	(74.8)	(423.8)	(199.6)
Accumulated profits	432.7	433.1	1 408.4	1 159.7
Revaluation reserve	1.3	0.9	2.5	1.6
Foreign currency translation reserve	23.1	71.7	43.6	134.8
Ordinary shareholders' interest	523.6	558.3	1 078.8	1 132.4
Minority interest	554.6	574.1	—	—
Total shareholders' interest	1 078.2	1 132.4	1 078.8	1 132.4
Liabilities	5 168.1	4 873.8	5 167.4	4 873.8
Total equity and liabilities	6 246.3	6 006.2	6 246.2	6 006.2

1. Group financial statements *(continued)*

Statement of changes in equity

The Pick 'n Pay Holdings Limited Group statement of changes in equity is as follows:

	Share capital Rm	Share premium Rm	Treasury shares Rm	Accumu- lated profits Rm	Revalu- ation reserve Rm	Foreign currency translation reserve Rm	Total Rm
At 1 March 2003	6.6	120.8	(80.9)	339.5	—	59.0	445.0
Net profit for the year				274.4			274.4
Share repurchases			(4.8)				(4.8)
Subsidiary's share repurchases				(12.2)			(12.2)
Take-up of share options			10.9				10.9
Dividends paid (note 2)				(168.6)			(168.6)
Revaluation of investment					0.9		0.9
Foreign currency translation						12.7	12.7
At 29 February 2004	6.6	120.8	(74.8)	433.1	0.9	71.7	558.3
Change in effective shareholding of Pick 'n Pay Stores Limited				(2.4)	(0.1)	(0.4)	(2.9)
Net profit for the year				343.6			343.6
Share repurchases			(3.7)				(3.7)
Subsidiary's share repurchases				(135.3)			(135.3)
Take-up of share options			17.6	(1.7)			15.9
Dividends paid (note 2)				(204.6)			(204.6)
Revaluation of investment					0.5		0.5
Foreign currency translation						(48.2)	(48.2)
At 28 February 2005	6.6	120.8	(60.9)	432.7	1.3	23.1	523.6

Cash flow statement

The cash flow statement is the same as for Pick 'n Pay Stores Limited. Please refer to page 91.

Notes to the Annual Financial Statements (continued)

	2005 Cents	2004 Cents
2. Dividends		
No 45 – declared 19 April 2004 – paid 14 June 2004	31.00	26.85
No 46 – declared – 18 October 2004 – paid 13 December 2004	9.67	8.05
Total dividends for the year	40.67	34.90
	Rm	Rm
Total value of dividends declared outside the Group	204.6	168.6
Dividends paid to Group entities	9.8	15.4
Total value of dividends declared and paid by the Company	214.4	184.0
For further details refer to the Directors' Report on page 126, and Shareholders' information on page 83.		
3. Investment in subsidiary		
Pick 'n Pay Stores Limited	Rm	Rm
257 345 334 (2004: 257 345 334) ordinary shares		
Initial investment	24.7	24.7
Capitalisation share awards received	103.3	103.3
Total investment at cost	128.0	128.0
Market value	5 944.7	4 529.3
4. Share capital	Rm	Rm
Authorised		
800 000 000 ordinary shares of 1.25 cents each	10.0	10.0
Issued		
527 249 082 ordinary shares of 1.25 cents each	6.6	6.6
Number of shares in issue at 28 February are made up as follows:	000's	000's
Treasury shares held in the share trust	21 559.1	28 075.7
Treasury shares held in a subsidiary company	1 306.1	1 251.9
	22 865.2	29 327.6
Shares held outside the Group	504 383.9	497 921.5
At 28 February	527 249.1	527 249.1
118 million unissued shares remain under the control of the directors until the next annual general meeting.		

4. Share capital *(continued)*

Share incentive scheme

In terms of the 1997 Share Option Scheme, approved by shareholders on 22 September 1997, the directors are authorised to utilise up to 17.5% of the issued share capital for the scheme.

Movement in the number of options granted but not taken up is as follows:

At 1 March

New options granted*

Options taken up**

Options forfeited

At 28 February

Percentage of issued shares

* Average grant price of options granted during the year

** Average take-up price of options taken up during the year

Options granted may be taken up during the following financial years:

Year	Average grant price
------	---------------------

2006	R2.87
2007	R4.10
2008	R5.10
2009	—
2010 and thereafter	R5.10

The Employee Share Purchase Trust, which administers the 1997 Share Option Scheme, holds the following number of ordinary shares:

As a hedge against shares granted or to be granted by that scheme, reflected as treasury shares

On behalf of share purchase scheme participants

	2005	2004
	Number of options 000's	Number of options 000's
At 1 March	29 525.7	33 424.0
New options granted*	881.2	1 467.6
Options taken up**	(7 472.9)	(4 367.5)
Options forfeited	(381.1)	(998.4)
At 28 February	22 552.9	29 525.7
Percentage of issued shares	4.3%	5.6%
* Average grant price of options granted during the year	R7.90	R4.93
** Average take-up price of options taken up during the year	R2.34	R2.39
Options granted may be taken up during the following financial years:		
Year	Average grant price	
2006	R2.87	
2007	R4.10	
2008	R5.10	
2009	—	
2010 and thereafter	R5.10	
	22 552.9	
The Employee Share Purchase Trust, which administers the 1997 Share Option Scheme, holds the following number of ordinary shares:		
As a hedge against shares granted or to be granted by that scheme, reflected as treasury shares	21 559.1	28 075.7
On behalf of share purchase scheme participants	1 097.8	1 692.4
	22 656.9	29 768.1

Notes to the Annual Financial Statements (continued)

4. Share capital (continued)

Directors' interest in shares

The following shares are held by directors and senior executives:

	Balance held at 1 March 2004 000's	Additions during the year 000's	Average purchase price R	Disposals during the year 000's	Average selling price R	Net proceeds received Rm	Balance held at 28 February 2005 000's	Beneficial/Non-beneficial interests
Directors – Pick 'n Pay Holdings Limited								
R D Ackerman	595.3	100.0	7.90	6.0	—	—	689.3	Beneficial
G M Ackerman*	957.8	1 832.1	1.50	—	—	—	2 789.9	Non-beneficial
R D Ackerman/ W Ackerman/ G M Ackerman**	256 981.2	183.3	9.70	—	—	—	257 164.5	Non-beneficial
H S Herman	65.0	65.0	8.34	—	—	—	130.0	Beneficial
Directors – Pick 'n Pay Stores Limited								
D Cope	—	200.0	3.25	—	—	—	200.0	Beneficial
D M Nurek	—	40.0	11.00	—	—	—	40.0	Beneficial
D Robins	7.7	36.0	1.50	—	—	—	43.7	Beneficial
S Summers	108.7	1 133.1	3.10	—	—	—	1 241.8	Beneficial

*The non-beneficial interest represents the holding by the Burrumbuck Trust, of which Gareth Ackerman is a trustee.

**The non-beneficial interest represents the holding by the Ackerman Family Trust of 253.2 million shares and 4.0 million shares held by the Mistral Trust, of which these directors are trustees.

The following share options are held by directors and senior executives:

1997 Share Option Scheme

	Year granted	Option grant price R	Balance held at 1 March 2004	Granted in year	Taken up in year at grant price	Balance held at 28 February 2005	Taxable benefit on options taken up Rm
Director – Pick 'n Pay Holdings Limited							
Gareth Ackerman	1987	0.21	172 800	—	(172 800)	—	—
	1990	1.14	240 000	—	(240 000)	—	0.4
	1995	1.50	180 000	—	(180 000)	—	0.2
	1996	1.83	1 200 000	—	(1 200 000)	—	1.1
	1999	1.79	18 078	—	(18 078)	—	—
	2000	2.04	10 160	—	(10 160)	—	—
	2001	1.08	11 111	—	(11 111)	—	—
			1 832 149	—	(1 832 149)	—	1.7

4. Share capital (continued)

	Year granted	Option grant price	Balance held at 1 March 2004	Granted in year	Taken up in year at grant price	Balance held at 28 February 2005	Taxable benefit on options taken up	Available for take-up
Directors – Pick 'n Pay Stores Limited		R					Rm	
Dennis Cope	2000	3.25	200 000		(200 000)	—	0.2	
	2001	3.80	33 000			33 000		Now
	2002	4.50	72 300			72 300		Now
			305 300	—	(200 000)	105 300	0.2	
David Robins	1995	1.50	36 000		(36 000)	—	—	
	1999	2.50	70 000			70 000		Now
	1999	2.50	30 000			30 000		April 2006
	1999	2.00	140 000			140 000		Now
	1999	2.00	60 000			60 000		April 2006
	2000	3.25	95 000			95 000		Now
	2001	3.80	39 500			39 500		Now
	2002	4.50	55 600			55 600		Now
	2003	5.10	180 000			180 000		April 2006
	2003	5.10	180 000			180 000		April 2008
	2003	5.10	240 000			240 000		April 2010
	2005	8.30	—	400		400		Now
			1 126 100	400	(36 000)	1 090 500	—	
Sean Summers	1984	0.38	48 000		(48 000)	—	—	
	1984	0.43	1 914		(1 914)	—	—	
	1984	1.02	387		(387)	—	—	
	1998	3.36	1 357		(1 357)	—	—	
	1999	2.09	2 168		(2 168)	—	—	
	2000	1.84	1 997		(1 997)	—	—	
	2000	3.25	1 075 000		(1 075 000)	—	0.8	
	2001	1.36	2 274		(2 274)	—	—	
	2002	4.50	222 600			222 600		Now
	2002	4.50	166 500			166 500		Now
	2002	4.50	166 500			166 500		Now
	2005	8.30	—	400		400		Now
			1 688 697	400	(1 133 097)	556 000	0.8	



An uncompromising code of honesty and integrity

in all that we do, and in the quality of our Pick 'n Pay
branded products. We stand by our “double your
money back” guarantee.

Divisional Directors

The following executives are divisional directors of our main operating companies.

CHAIRMAN'S EXECUTIVE COMMITTEE (EXCO)

Raymond Ackerman
Sean Summers
Wendy Ackerman
Suzanne Ackerman-Berman
Nick Badminton
Dennis Cope
Sakkie Joubert
David Robins
Frans van der Walt
Aubrey Zelinsky

PICK 'N PAY RETAILERS (PTY) LTD

RETAIL DIVISION MANAGEMENT BOARD

NICK BADMINTON (43)
Managing Director
Years of Service 25

JONATHAN ACKERMAN (38)
Marketing
Years of Service 14

DANIE BOSHOF (46)
Supermarkets
Years of Service 22

DENNIS COPE (54)
Group Finance
Years of Service 27

PAUL CONNELLAN (50)
Foods
Years of Service 27

HAROLD DAWSON (46)
Technology & Systems
Years of Service 15

BAKAR JAKOET (49)
Finance
Years of Service 20

IZAK JOUBERT (35)
Property and National Operations
Years of Service 12

DALLAS LANGMAN (35)
Hypermarkets
Years of Service 15

ISAAC MOTAUNG (50)
Organisational Development
Years of Service 29

NEAL QUIRK (49)
Franchise
Years of Service 23

BRONWEN ROHLAND (41)
Expense Control, Productivity &
Business Development
Years of Service 19

LINDA SAACKS (49)
Development & Compensation
Years of Service 25

SEAN SUMMERS (51)
CEO
Years of Service 31

FRANS VAN DER WALT (57)
Human Resources
Years of Service 30

CHRIS VAN ROOYEN (47)
General Merchandise
Years of Service 25

GROUP ENTERPRISES EXECUTIVE COMMITTEE

SEAN SUMMERS (51)
CEO
Years of Service 31

HUGH BLAND (50)
Boxer
Years of Service 17

DENNIS COPE (54)
Group Finance
Years of Service 27

CHRIS REED (44)
Score
Years of Service 20

DAVID ROBINS (51)
Business Development
Years of Service 10

FRANKLINS AUSTRALIA MANAGEMENT BOARD

AUBREY ZELINSKY (55)
Managing Director
Years of Service 35

DENNIS COPE (54)
Group Finance
Years of Service 27

RONI PERLOV (42)
Finance
Years of Service 6

DAVID ROBINS (51)
Deputy Chairman
Years of Service 10

SEAN SUMMERS (51)
CEO
Years of Service 31

Hypermarket

General Managers:

BOBBY BEZUIDENHOUT (59)
Durban

Years of Service 33

MARK BISHOP (42)

Faerie Glen

Years of Service 22

DAVID CREWE (41)

Norwood – Assistant GM

Years of Service 17

JAN DE BEER (32)

Ottery

Years of Service 7

ANIL GOPICHUND (36)

Princess Crossing

Years of Service 18

HOOSAIN HANSROD (52)

Norwood

Years of Service 25

IAN HUGHES (38)

Moffett Park

Years of Service 18

JOHANNES LETSWALO (45)

Steeledale

Years of Service 21

PIET LUBBE (42)

Boksburg

Years of Service 20

JOHN LUCAS (51)

Brackenfell

Years of Service 26

LOUIS NUNES (38)

Bedworth Park

Years of Service 16

DUNCAN PENTZ (48)

Bloemfontein

Years of Service 24

JACQUES VAN ROOYEN (45)

Wonderpark

Years of Service 18

JOHAN VAN ZYL (34)

Northgate

Years of Service 13

DIRK VENTER (51)

Klerksdorp

Years of Service 24

Supermarket

General Managers:

ANDRE COETZER (40)

Gauteng Corporate

Years of Service 21

SYLVESTER MOFOKENG (41)

Eastern Cape

Years of Service 18

LLYWELLYN DYER (42)

Western Cape

Years of Service 20

DION BLOM (38)

KwaZulu-Natal

Years of Service 15

DANIE BOSHOF (46)

Gauteng

Years of Service 22

LUKE LOUW (47)

Northern Region

Years of Service 23

Corporate

General Managers:

SUZANNE ACKERMAN-BERMAN (42)

Corporate & Social Affairs

Years of Service 10

MICHAEL ANDERSON (39)

Food Distribution – Gauteng

Years of Service 2

PETER ARNOLD (43)

Fresh Produce

Years of Service 21

SOLLY BENDRAU (49)

General Merchandise

Years of Service 27

TESSA CHAMBERLAIN (45)

Marketing

Years of Service 6

ROB CLIFFORD (56)

National Operations

Years of Service 11

MICHAEL COLES (50)

Clothing

Years of Service 10

CHARL COWLEY (33)

Group Audit Services

Years of Service 5

DHARMALINGUM DASS (47)

General Merchandise
Years of Service 27

LOUIS DE BEER (48)

Bakeries
Years of Service 26

HELEN DE LIGHT (50)

Industrial Relations
Years of Service 19

VAN DIEPRAAM (51)

Franchise
Years of Service 24

STUART DUFFIELD (47)

General Merchandise
Years of Service 27

SHANE GREEN (40)

Buyer – Western Cape
Years of Service 22

BRIAN GREGSON (45)

Operations – Gauteng
Years of Service 17

CORNELIUS GROBBELAAR (53)

Group Audit Services
Years of Service 23

RONNIE HERZFELD (58)

Technology & Systems
Years of Service 30

SAKKIE JOUBERT (59)

Group Audit Services
Years of Service 35

GEORGE JONES (57)

Employee Benefits
Years of Service 17

KEVIN KORB (45)

Corporate Brands
Years of Service 23

KOBUS KUYLER (46)

Safety and Security
Years of Service 2

GARY LEA (39)

Company Secretary
Group Finance
Years of Service 8

PEARLY LING (40)

National Operations
Years of Service 8

WARREN MARSDEN (50)

General Merchandise
Years of Service 27

RODNEY MUNDELL (48)

General Merchandise
Years of Service 23

RAY MURRAY (56)

National – Perishables
Eastern Cape – Foods
Years of Service 30

MALCOLM MYCROFT (48)

General Merchandise
Years of Service 27

ADRIAN NAUDE (34)

Gauteng Corporate
Years of Service 7

KADER PATEL (44)

Hypermarkets – Foods
Years of Service 23

CEDRIC ROSS (45)

Hypermarkets – Foods
Years of Service 22

FRIKKIE ROSSOUW (56)

Home Shopping
Years of Service 30

DAVE RAPPOPORT (54)

Hypermarkets –
General Merchandise
Years of Service 34

ANDRE SIEBRITS (48)

Pick 'n Pay Go Banking
Years of Service 27

DAVID SMITH (50)

Supermarkets – National Foods
Western Cape – Foods
Years of Service 30

ROB SPEEDY (35)

Business Systems
Years of Service 13

WIM THERON (37)

Franchise – Western Cape
Years of Service 7

DALENE VAN ASWEGEN (54)

Property
Years of Service 24

FRANS VAN DER COLFF (46)

Franchise – Mini Markets
Years of Service 17

LYNDSAY WEBSTER-ROZON (34)

Strategy
Years of Service 5

LEON WILKISKY (58)

Systems – Store Automation
Years of Service 33

KEVIN WYNNE (46)

Human Resources
Years of Service 24

DIVISIONAL DIRECTORS

Buyers:

ROWAN ARMSTRONG (41)

General Merchandise
Years of Service 20

GIGI BISOGNO (49)

Corporate Brands
Years of Service 28

ROY CAMPBELL (49)

General Merchandise
Years of Service 28

NEIL COOKE (47)

KwaZulu-Natal – Foods
Years of Service 25

MOOSA HANS (58)

Hypermarkets – Foods
Years of Service 25

GEOFF KAHN (56)

Hypermarkets
Years of Service 35

DES MOODLEY (50)

Eastern Cape
Years of Service 30

PETER POWELL (47)

Northern Region – Foods
Years of Service 8

HENNIE ROETS (35)

General Merchandise
Years of Service 15

ALAN VAN DEN BERG (38)

Gauteng – Foods
Years of Service 18

NAAS VAN POUCKE (47)

Western Cape – Distribution
Years of Service 22

Administration:

DAVID BRAUN (52)

Corporate Assignments
Years of Service 27

LIZA DE FREITAS (32)

Northern Region –
Chief Accountant
Years of Service 9

GRAEME GATHMANN (34)

Hypermarkets –
Chief Accountant
Years of Service 9

ABDURAHMAN HAMDULAY (33)

Western Cape –
Chief Accountant
Years of Service 12

CINDY HOFFMANN (45)

Human Resource Manager
Years of Service 16

CHRISTINE JANSE VAN

RENSBURG (46)
National Human Resources
Years of Service 16

LORETTA KELLY (50)

Corporate Accountant
Years of Service 34

GRAEME LAITHWAITE (60)

Corporate Expense Control
Years of Service 21

HENRY LEFEVRE (57)

Group Audit Services
Years of Service 33

KARYN LEIBBRANDT (45)

KwaZulu-Natal –
Chief Accountant
Years of Service 20

YACOOB MOLA (50)

KwaZulu-Natal –
Human Resources
Years of Service 16

FRED PEARL (59)

Corporate Accountant
Years of Service 34

PETRUS STEYN (35)

Gauteng – Chief Accountant
Years of Service 10

BRIAN STRYDOM (50)

Eastern Cape – Chief Accountant
Years of Service 21

DALENE VAN ASWEGEN (54)

Property
Years of Service 24

VAUGHAN VEALE (51)

Franchise
Years of Service 23

MOHAMMED VALLY (51)

Meadowbrook –
Chief Accountant
Years of Service 32

ERNA VAUSE (62)

SAP Project
Years of Service 20

Regional Manager:

FRIK MINNIE (62)

Northern Region – Operations
Years of Service 32

Divisional Directors (continued)

SCORE SUPERMARKETS

LEON DE LANGE (38)

Operations

Years of Service 17

RALENE HAYNES (36)

Finance

Years of Service 3

DAVID RAMSDEN (45)

Merchandise

Years of Service 23

ANDERSON TSHAYA (55)

Human Resources

Years of Service 15

BLUE RIBBON MEAT

Directors:

MALCOLM BAXTER (57)

National General Manager

National Service Areas

Years of Service 36

IAN CROOK (47)

National Operations

Years of Service 23

PETER ELLIOTT (50)

Gauteng

Years of Service 29

DONALD JOHNSON (58)

KwaZulu-Natal General Manager

Years of Service 34

BEVERLEY MARKS (48)

Human Resources

Years of Service 17

MALCOLM SIMPSON (57)

Western Cape General Manager

Years of Service 37

TRACEY WELLINGTON (38)

Finance

Years of Service 12

BOXER SUPERSTORES

Directors:

PAT GOSS (56)

Non-Executive

Years of Service 16

ROD BELL (52)

Operations

Years of Service 22

MAREK MASOJADA (39)

Finance

Years of Service 11

EUGENE STOOP (50)

Merchandise

Years of Service 13

IAN BAMBER (37)

Human Resources

Years of Service 9

FRANKLINS AUSTRALIA

General Managers:

GRAHAM GARDENER (49)

Property

Years of Service 3

JOHAN GROBLER (39)

Chief Accountant

Years of Service 14

ALAN MALAKOU (50)

Operations

Years of Service 4

BILL MORGAN (59)

Information Technology

Years of Service 6

STAN SRAGE (40)

Merchandise

Years of Service 15

TM SUPERMARKETS

Directors:

GRAHAM JACOBS (60)

Finance

Years of Service 19

MIKE OAKLEY (56)

Managing Director

Years of Service 35

Notice of Annual General Meeting

The 37th annual general meeting of shareholders ("AGM") of Pick 'n Pay Stores Limited ("the Company") for the year ended 28 February 2005 will be held at 09h00 on Friday, 10 June 2005. To ensure that registration procedures are completed by 09h00, please register for the AGM from 08h30.

The venue will be the boardroom at Head Office, 5th Floor, Pick 'n Pay Centre, corner Main and Campground Roads, Claremont, Cape Town.

The following business will be transacted and resolutions proposed, with or without amendment:

1. Ordinary resolution number 1

Approval of financial statements

"Resolved that the annual financial statements of the Company and its subsidiaries, for the year ended 28 February 2005, are hereby adopted."

2. Ordinary resolution number 2

Appointment of Auditors

"Resolved that KPMG Inc. are hereby re-appointed as the Auditors of the Company for the ensuing year."

3. Ordinary resolution number 3

Re-appointment of directors

Mrs Wendy Ackerman, Ms Constance Nkosi and Messrs Gareth Mark Ackerman and Hugh Sidney Herman retire in accordance with the Company's articles of association but, being eligible, offer themselves for re-election.

Wendy Ackerman

Wendy Ackerman was one of the founding senior executives when the Pick 'n Pay business was purchased in 1967. She was appointed to the Board in 1981 and is in charge of employee liaison and benefits where her passion for people in the business is unwavering. This includes the management of our large internal and external bursary funds.

Constance Nkosi

Connie is an independent non-executive director. She is chairman of Lidonga Group Holdings (Pty) Limited and serves on other boards as a non-executive director. Connie has been a valuable member of the Company's board for the past 8 years.

Gareth Mark Ackerman (47)

Gareth Ackerman was an executive director at Pick 'n Pay for 15 years before becoming the non-executive Deputy Chairman of the Company in 1999. Gareth ran many different divisions of the Company and was appointed joint managing director in 1993 and as managing director of the Group Enterprises division in 1995. Gareth was appointed to the board in 1990 and in 2002 he was appointed as Chairman of Pick 'n Pay Holdings Limited.

Hugh Sydney Herman (64)

Hugh Herman was managing director of Pick 'n Pay for many years after having joined the Group from our main legal advisory firm, Sonnenberg Hoffmann Galombik. He left Pick 'n Pay in 1993 when he joined Investec Bank, where he still serves as Chairman of the Group. Hugh serves on several of the Pick 'n Pay Board committees.

Accordingly, to consider and if deemed fit, to re-elect those directors by way of passing the separate ordinary resolutions set out below:

Ordinary resolution number 3.1

Appointment of Wendy Ackerman as director

"Resolved that Wendy Ackerman, be and is hereby elected as director of the Company."

Ordinary resolution number 3.2

Appointment of Constance Nkosi as director

"Resolved that Constance Nkosi, be and is hereby elected as director of the Company."

Ordinary resolution number 3.3

Appointment of Gareth Ackerman as director

"Resolved that Gareth Mark Ackerman, be and is hereby elected as director of the Company."

Ordinary resolution number 3.4

Appointment of Hugh Herman as director

"Resolved that Hugh Sidney Herman, be and is hereby elected as director of the Company."

Notice of Annual General Meeting (continued)

4. Ordinary resolution number 4

Directors' fees and housing loans

"Resolved that the directors' fees paid and housing loans granted to the Company's directors for the year ended 28 February 2005, as set out in the financial statements accompanying the notice of annual general meeting, are hereby approved and ratified insofar as may be necessary."

5. Special resolution number 1

General authority to repurchase Company shares

"Resolved that the Company hereby approves, as a general approval contemplated in sections 85 and 89 of the Companies Act, the acquisition by the Company or any of its subsidiaries from time to time of the issued shares of the Company or its holding company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the articles of association of the Company, the provisions of the Companies Act and the JSE Securities Exchange South Africa ("JSE") Listings Requirements as presently constituted and which may be amended from time to time, and provided further that acquisitions by the Company and its subsidiaries of shares in the capital of the Company may not, in the aggregate, exceed in any one financial year 5% (five percent) of the Company's issued share capital of the class of repurchased shares from the date of the grant of this general authority.

Additional information required by the JSE Listings Requirements

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

- a. any such acquisition of shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter party or other manner approved by the JSE;
- b. the general authority shall only be valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
- c. a paid press announcement will be published as soon as the Company and/or its subsidiaries has/have acquired shares constituting, on a cumulative basis, 3% (three

percent) of the number of shares of the class of shares repurchased in issue at the time of granting of this general authority, which announcement shall contain full details of such acquisitions;

- d. in determining the price at which the Company's shares are acquired by the Company or its subsidiaries in terms of this general authority, the maximum price at which such shares may be acquired may not be greater than 10% (ten percent) above the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date of repurchase of such shares by the Company or its subsidiaries; and
- e. in the case of a derivative (as contemplated in the JSE Listings Requirements) the price of the derivative shall be subject to the limits set out in section 5.84(a) of the JSE Listings Requirements.

Statement by the Board of directors of the Company

Pursuant to and in terms of the JSE Listings Requirements the Board of directors of the Company hereby state that:

- a. the intention of the directors of the Company is to utilise the general authority if at some future date the cash resources of the Company are in excess of its requirements or there are other good grounds for doing so. In this regard the directors will take account of, *inter alia*, an appropriate capitalisation structure for the Company, the long-term cash needs of the Company, and the interests of the Company;
- b. in determining the method by which the Company intends to repurchase its securities, the maximum number of securities to be repurchased and the date on which such repurchase will take place, the directors of the Company will only make repurchases if at the time of the repurchase they are of the opinion that:
 - b.1 the Company and its subsidiaries will, after the repurchase, be able to pay their debts as they become due in the ordinary course of business for the next 12 (twelve) months after the date of this notice of the annual general meeting;
 - b.2 the consolidated assets of the Company and its subsidiaries, fairly valued and recognised and measured in accordance with the accounting policies used in the latest audited financial statements, will, after the repurchase, be in excess of the consolidated liabilities of the Company and its subsidiaries for the next 12 (twelve) months after the date of this notice of the annual general meeting;

- b.3** the issued share capital and reserves of the Company and its subsidiaries will, after the repurchase, be adequate for the ordinary business purposes of the Company and its subsidiaries for the next 12 (twelve) months after the date of this notice of annual general meeting; and
- b.4** the working capital available to the Company and its subsidiaries will, after the repurchase, be sufficient for the Group's ordinary business requirements for the next 12 (twelve) months after the date of this notice of the annual general meeting.

The Board of directors of the Company will notify the shareholders of the terms of the repurchase of the Company's shares by publishing an announcement in the press in accordance with the JSE Listings Requirements should the Company and/or its subsidiaries cumulatively repurchase more than 3% (three percent) of any class of the Company's issued share capital.

Reason for and effect of special resolution number 1

The reason for special resolution number 1 is to grant the Company a general authority in terms of the Companies Act for the acquisition by the Company or any of its subsidiaries of shares issued by the Company or its holding company, which authority shall be valid until the earlier of the next annual general meeting of the Company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the Company, provided that the general authority shall not extend beyond 15 (fifteen) months from the date of this annual general meeting. The passing and registration of this special resolution will have the effect of authorising the Company or any of its subsidiaries to acquire shares issued by the Company or its holding company.

6. Ordinary resolution number 5

General authority over unissued shares

"Resolved that 24 million (being equivalent to 5% of issued share capital) of the unissued authorised ordinary shares in the Company (which for the purposes of the Listings Requirements of the JSE Securities Exchange South Africa ("JSE") and these resolutions shall include treasury shares) and in addition the 64 million unissued authorised ordinary shares specifically approved for issue in terms of the Company's share incentive schemes, be and are hereby placed under the control of the directors until the next annual general meeting, subject to the

provisions of the Companies Act No 61 of 1973 (as amended) ("The Companies Act") and the JSE Listings Requirements and the condition that no issue of these shares will be made if it could have the effect of changing control of the Company."

Except for the shares previously allocated to the Company's share incentive schemes, no issue of these shares is contemplated at the present time and no issue will be made that could effectively transfer control of the Company without the prior approval of shareholders in a general meeting.

7. Ordinary resolution number 6

General authority to issue shares for cash

"Resolved that, subject to not less than 75% (seventy-five percent) of the votes cast by those shareholders of the Company present in person or represented by proxy to vote at this annual general meeting voting in favour of this ordinary resolution, the directors of the Company be and are hereby authorised by way of a general authority to issue (which shall for the purposes of the JSE Listings Requirements include the sale of treasury shares) for cash (as contemplated in the JSE Listings Requirements) all or any of the authorised but unissued shares in the capital of the Company including options, as and when they in their discretion deem fit, subject to the Companies Act, the articles of association of the Company, the JSE Listings Requirements as presently constituted and which may be amended from time to time and, provided further that issues in the aggregate in any 1 (one) financial year may not exceed 5% (five percent) of the number of shares of the relevant class of shares issued before such issue."

Additional information required by the JSE Listings Requirements

It is recorded that the Company may only make an issue of shares (as defined in the JSE Listing Requirements) for cash under the above general authority if the following JSE Listings Requirements are met:

- a.** the shares which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such equity securities or rights that are convertible into a class already in issue;
- b.** the general authority shall only be valid until the Company's next annual general meeting provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this ordinary resolution;

Notice of Annual General Meeting (continued)

- c. a paid press announcement will be published giving full details, including the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 days prior to the date that the price of the issue was determined or agreed by the directors of the Company and the expected effect on the net asset value, net tangible asset value per share and earnings per share, at the time of any issue representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) of the number of shares in issue prior to the issue;
- d. that issues in the aggregate in any 1 (one) financial year may not exceed 15% (fifteen percent) of the number of the shares of the Company in issue of that class of shares before such issue, taking into account the dilution effect of convertible equity securities and options in accordance with the JSE Listings Requirements;
- e. in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of those shares measured over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the directors of the Company; and
- f. any issue will only be made to "public shareholders" as defined by the JSE Listings Requirements and not to related parties except where approved by the shareholders."

8. Ordinary resolution number 7

Approval of amendment and consolidation of amendments to the Pick 'n Pay 1997 Share Option Scheme

"Resolved that the Company hereby authorises the amendment to, and consolidation of prior amendments to, the agreement ("Agreement") establishing and regulating the Pick 'n Pay 1997 Share Option Scheme ("the 1997 Scheme"), on substantially similar terms to those contained in the draft consolidated addendum ("Addendum") between the Trustees for the time being of the Pick 'n Pay Employee Share Purchase Trust, the Company, Pick 'n Pay Holdings Limited and Pick 'n Pay Retailers (Proprietary) Limited, tabled at this meeting."

The reason and effect of Ordinary resolution number 7

The reason is to authorise the amendment of the 1997 Scheme on substantially similar terms to those contained in the draft Addendum, which includes the amendments set out in the summary of amendments on pages 152 to 154. The effect is to authorise the amendment of the Agreement.

A summary of the salient features of the proposed amendments to be made to the 1997 Scheme are set out at pages 152 to 154. A copy of the draft consolidated Addendum will be available for inspection at the registered office of the Company during ordinary business hours from the date of this notice until the date of the AGM.

9. Special resolution number 2

Amendment of the Articles of Association

"Resolved that article 63 (B) of the articles of association of the Company be and is hereby amended by the addition of the following sentence at the end thereof:

For the purposes of this Article 63 (B) "acquire" includes the acquisition of issued shares by the Company from a subsidiary pursuant to a distribution (including a dividend or other payment in terms of section 90 of the Companies Act) *in specie* of issued shares or in any other manner whatsoever, and upon such acquisition by the Company, such acquired shares shall be cancelled as issued shares and restored to the status of unissued authorised shares forthwith."

Reason for and effect of special resolution number 2

The reason for special resolution number 2 is to clarify that shares in the Company held by a subsidiary can be acquired by the Company by way of a subsidiary distributing the shares to the Company or in any other manner whatsoever and that upon such acquisition the acquired shares shall be cancelled as issued shares and restored to unissued authorised shares. The passing and registration of this special resolution shall have the effect that the Company shall cancel shares acquired from its subsidiary through the distribution of a dividend *in specie* or in any other manner.

10. Ordinary resolution number 8

Directors' authority to implement Company resolutions

"Resolved that each and every director of the Company be and is hereby authorised to do all such things and sign all such documents as may be necessary for or incidental to the implementation of the resolutions passed at this meeting."

11. To transact such other business that may be transacted at an annual general meeting

General instructions and information

The annual report to which this notice of this annual general meeting is attached provides details of:

- the directors and managers of the Company on pages 10, 11 and 140;
- the major shareholders of the Company on page 43;
- the directors' shareholding in the Company on page 108; and
- the share capital of the Company in note 13 on page 106 and an analysis of the shareholders on page 43.

There are no material changes to the Group's financial or trading position, nor are there any material, legal or arbitration proceedings that may affect the financial position of the Group between 28 February 2005 and the reporting date.

The directors, whose names are given on pages 10 and 11 of the annual report, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the annual report and this notice contains all information required by law and the JSE Listings Requirements.

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

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

- you may attend and vote at the annual general meeting; alternatively
- you may appoint a proxy to represent you at the annual general meeting by completing the attached form of proxy and returning it to the registered office of the Company by no later than 24 hours prior to the time appointed for the holding of the meeting.

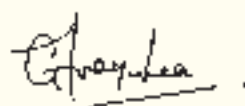
Please note that if you are the owner of dematerialised shares (i.e. have replaced the paper share certificates representing the shares with electronic records of ownership under the

JSE's electronic settlement system, Share Transactions Totally Electronic ("STRATE")) held through a CSDP or broker (or their nominee) and are not registered as an "own name dematerialised shareholder" then you are not a registered shareholder of the Company, your CSDP or broker (or their nominee) would be. Accordingly, in these circumstances, subject to the mandate between yourself and your CSDP or broker as the case may be:

- if you wish to attend the annual general meeting you must contact your CSDP or broker, as the case may be, and obtain the relevant letter of representation from it; alternatively
- if you are unable to attend the annual general meeting but wish to be represented at the meeting, you must contact your CSDP or broker, as the case may be, and furnish it with your voting instructions in respect of the annual general meeting and/or request it to appoint a proxy. You must not complete the attached form of proxy. The instructions must be provided in accordance with the mandate between yourself and your CSDP or broker, as the case may be, within the time period required by your CSDP or broker, as the case may be.

CSDPs, brokers or their nominees, as the case may be, recorded in the Company's sub-register as holders of dematerialised shares held on behalf of an investor/beneficial owner in terms of STRATE should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares in the Company, vote by either appointing a duly authorised representative to attend and vote at the annual general meeting or by completing the attached form of proxy in accordance with the instructions thereon and returning it to the registered office of the Company not less than 24 hours prior to the time appointed for the holding of the meeting.

By order of the Board



G F Lea
Company Secretary

Cape Town
6 May 2005

Notice of Annual General Meeting

The 24th annual general meeting of shareholders ("AGM") of Pick 'n Pay Holdings Limited ("the Company") for the year ended 28 February 2005 will be held at 09h30, or as soon as the AGM for Pick 'n Pay Stores Limited is completed, on Friday, 10 June 2005. Registration for attendance at the AGM will commence at 08h30.

The venue will be the boardroom at Head Office, 5th Floor, Pick 'n Pay Centre, corner Main and Campground Roads, Claremont, Cape Town.

The following business will be transacted and resolutions proposed, with or without amendment:

1. Ordinary resolution number 1

Approval of financial statements

"Resolved that the annual financial statements of the Company and its subsidiaries, for the year ended 28 February 2005, are hereby adopted."

2. Ordinary resolution number 2

Appointment of Auditors

"Resolved that KPMG Inc. are hereby re-appointed as the Auditors of the Company for the ensuing year."

3. Ordinary resolution number 3

Re-appointment of directors

Wendy Ackerman and René Pieter de Wet retire in accordance with the Company's articles of association, but being eligible, offer themselves for re-election.

Wendy Ackerman

Wendy Ackerman was one of the founding senior executives when the Pick 'n Pay business was purchased in 1967. She was appointed to the board in 1981 and is in charge of employee liaison and benefits where her passion for people in the business is unwavering. This includes the management of our large internal and external bursary funds.

René de Wet (62)

René is an independent non-executive director. René was an executive at Pick 'n Pay for 29 years, and was appointed to the board in 1975. He was then appointed Joint Managing Director in 1993 and Deputy Chairman in 1995. René retired as an executive director in 1999 but remained on the board as a non-executive director.

Accordingly, to consider and if deemed fit, to re-elect those directors by way of passing the separate ordinary resolutions set out below:

Ordinary resolution number 3.1

Appointment of Wendy Ackerman as director

"Resolved that Wendy Ackerman be and is hereby elected as director of the Company."

Ordinary resolution number 3.2

Appointment of René de Wet as director

"Resolved that René Pieter de Wet be and is hereby elected as director of the Company."

4. Special resolution number 1

General approval to repurchase Company shares

"Resolved that the Company hereby approves, as a general approval contemplated in sections 85 and 89 of the Companies Act 61 of 1973 (as amended) ("Companies Act"), the acquisition by the Company or any of its subsidiaries from time to time of the issued shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the articles of association of the Company, the provisions of the Companies Act and the JSE Securities Exchange South Africa ("JSE") Listings Requirements as presently constituted and which may be amended from time to time, and provided further that acquisitions by the Company and its subsidiaries of shares in the capital of the Company may not, in the aggregate, exceed in any one financial year 5% (five percent) of the Company's issued share capital of the class of repurchased shares from the date of the grant of this general authority."

Additional information required by the JSE Listings Requirements

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

- a. any such acquisition of shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter party or other manner approved by the JSE;
- b. the general authority shall only be valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
- c. a paid press announcement will be published as soon as the Company and/or its subsidiaries has/have acquired shares constituting, on a cumulative basis, 3% (three percent) of the number of shares of the class of shares repurchased in issue at the time of granting of this general authority, which announcement shall contain full details of such acquisitions;

- d. in determining the price at which the Company's shares are acquired by the Company or its subsidiaries in terms of this general authority, the maximum price at which such shares may be acquired may not be greater than 10% (ten percent) above the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date of repurchase of such shares by the Company or its subsidiaries; and
- e. in the case of a derivative (as contemplated in the Listings Requirements of the JSE) the price of the derivative shall be subject to the limits set out in section 5.84(a) of the JSE Listings Requirements."

Statement by the Board of directors of the Company

Pursuant to, and in terms of, the JSE Listings Requirements, the board of directors of the Company hereby state that:

- a. the intention of the directors of the Company is to utilise the general authority if at some future date the cash resources of the Company are in excess of its requirements or there are other good grounds for doing so. In this regard the directors will take account of, *inter alia*, an appropriate capitalisation structure for the Company, the long-term cash needs of the Company, and the interests of the Company;
- b. in determining the method by which the Company intends to repurchase its securities, the maximum number of securities to be repurchased and the date on which such repurchase will take place, the directors of the Company will only make repurchases if at the time of the repurchase they are of the opinion that:
 - b.1 the Company and its subsidiaries will, after the repurchase, be able to pay their debts as they become due in the ordinary course of business for the next 12 (twelve) months after the date of this notice of the annual general meeting;
 - b.2 the consolidated assets of the Company and its subsidiaries, fairly valued and recognised and measured in accordance with the accounting policies used in the latest audited financial statements, will, after the repurchase, be in excess of the consolidated liabilities of the Company and its subsidiaries for the next 12 (twelve) months after the date of this notice of the annual general meeting;
 - b.3 the issued share capital and reserves of the Company and its subsidiaries will, after the repurchase, be adequate for the ordinary business purposes of the Company and its subsidiaries for the next 12 (twelve) months after the date of this notice of annual general meeting; and
 - b.4 the working capital available to the Company and its subsidiaries will, after the repurchase, be sufficient for the Group's ordinary business requirements for the next 12 (twelve) months after the date of this notice of the annual general meeting.

The Board of directors of the Company will notify the shareholders of the terms of the repurchase of the Company's shares by publishing an announcement in the press in accordance with the JSE Listings Requirements should the Company and/or its subsidiaries cumulatively repurchase more than 3% (three percent) of any class of the Company's issued share capital.

Reason and effect of special resolution number 1

The reason for special resolution number 1 is to grant the Company a general authority in terms of the Companies Act for the acquisition by the Company or any of its subsidiaries of shares issued by the Company, which authority shall be valid until the earlier of the next annual general meeting of the Company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the Company, provided that the general authority shall not extend beyond 15 (fifteen) months from the date of this annual general meeting. The passing and registration of this special resolution will have the effect of authorising the Company and/or any of its subsidiaries to acquire shares issued by the Company.

5. Ordinary resolution number 4

General authority over unissued shares

"Resolved that 26 million (being equivalent to 5% of issued share capital) of the unissued authorised ordinary shares in the Company (which for the purposes of the Listings Requirements of the JSE Securities Exchange South Africa ("JSE") and these resolutions shall include treasury shares) and in addition the 92 million unissued authorised ordinary shares specifically approved for issue in terms of the Company's share incentive schemes, be and are hereby placed under the control of the directors until the next annual general meeting, subject to the provisions of the Companies Act and the JSE Listings Requirements and the condition that no issue of these shares will be made if it could have the effect of changing control of the Company."

Except for the shares previously allocated to the Company's share incentive schemes, no issue of these shares is contemplated at the present time and no issue will be made that could effectively transfer control of the Company without the prior approval of shareholders in a general meeting.

6. Ordinary resolution number 5

General authority to issue shares or other equities for cash

"Resolved that, subject to not less than 75% (seventy-five percent) of the votes cast by those shareholders of the Company present in person or represented by proxy to vote at this annual general meeting voting in favour of this ordinary

Notice of Annual General Meeting (continued)

resolution, the directors of the Company be and are hereby authorised by way of a general authority to issue (which shall for the purpose of the JSE Listings Requirements include the sale of treasury shares) for cash (as contemplated in the JSE Listings Requirements) all or any of the authorised but unissued shares in the capital of the Company including options and convertible securities, as and when they in their discretion deem fit, subject to the Companies Act, the articles of association of the Company and the JSE Listings Requirements as presently constituted and which may be amended from time to time, and provided further that issues in the aggregate in any 1 (one) financial year may not exceed 5% (five percent) of the number of the shares of the relevant class of shares issued before such issue.

Additional information required by the JSE Listings Requirements

It is recorded that the Company may only make an issue of shares for cash if the following JSE Listings Requirements are met:

- a. the shares which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such shares or rights that are convertible into a class already in issue;
- b. the general authority shall only be valid until the Company's next annual general meeting provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this ordinary resolution;
- c. a paid press announcement will be published giving full details, including the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 days prior to the date that the price of the issue was determined or agreed by the directors of the Company and the expected effect on the net asset value, net tangible asset value per share and earnings per share, at the time of any issue representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) or more of the number of shares in issue prior to the issue;
- d. that issues in the aggregate in any 1 (one) financial year may not exceed 15% (fifteen percent) of the number of the shares of the Company in issue of that class of equity securities before such issue, taking into account the dilution effect of convertible equity securities and options in accordance with the JSE Listings Requirements;
- e. in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of those shares measured over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the directors of the Company; and
- f. any issue will only be made to "public shareholders" as defined by the JSE Listings Requirements and not to related parties except where approved by the shareholders."

7. Ordinary resolution number 6

Approval of amendment and consolidation of amendments to the Pick 'n Pay 1997 Share Option Scheme

"Resolved that the Company hereby authorises the amendment to, and consolidation of prior amendments to, the agreement ("Agreement") establishing and regulating the Pick 'n Pay 1997 Share Option Scheme ("the 1997 Scheme"), on substantially similar terms to those contained in the draft consolidated addendum ("Addendum"), between the Trustees for the time being of the Pick 'n Pay Employee Share Purchase Trust, the Company, Pick 'n Pay Stores Limited and Pick 'n Pay Retailers (Proprietary) Limited, tabled at this meeting."

The reason and effect of Ordinary resolution number 6

The reason is to authorise the amendment of the 1997 Scheme on substantially similar terms to those contained in the draft Addendum which includes the amendments set out in the summary of amendments on pages 152 to 154. The effect is to authorise the amendment of the Agreement.

A summary of the salient features of the proposed amendments to be made to the 1997 Scheme are set out at pages 152 to 154. A copy of the draft consolidated Addendum will be available for inspection at the registered office of the Company during ordinary business hours from the date of this notice until the date of the AGM.

8. Special resolution number 2

Amendment of the Articles of Association

"Resolved that article 24(m) of the articles of association of the Company be and is hereby amended by the addition of the following sentence at the end thereof:

For the purposes of this Article 23(m) "acquire" includes the acquisition of issued shares by the Company from a subsidiary pursuant to a distribution (including a dividend or other payment in terms of section 90 of the Companies Act) *in specie* of issued shares or in any other manner whatsoever, and upon such acquisition by the Company, such acquired shares shall be cancelled as issued shares and restored to the status of unissued authorised shares forthwith."

Reason for and effect of special resolution number 2

The reason for special resolution number 2 is to clarify that shares in the Company held by a subsidiary can be acquired by the Company by way of a subsidiary distributing the shares to the Company or in any other manner whatsoever and that upon such acquisition the acquired shares shall be cancelled as issued shares and restored to unissued authorised shares. The passing and registration of this special resolution shall have the effect that the Company shall cancel shares acquired from its subsidiary through the distribution of a dividend *in specie* or in any other manner.

9. Ordinary resolution number 7

Directors' authority to implement Company resolutions

"Resolved that each and every director of the Company be and is hereby authorised to do all such things and sign all such documents as may be necessary for or incidental to the implementation of the resolutions passed at this meeting."

10. To transact such other business that may be transacted at an annual general meeting

General instructions and information

The annual report to which this notice of this annual general meeting is attached provides details of:

- the directors and managers of the Company on page 11;
- the major shareholders of the Company on page 43;
- the directors' shareholding in the Company on page 136; and
- the share capital of the Company in note 4 on page 134, and an analysis of the shareholders on page 43.

There are no material changes to the Group's financial or trading position, nor are there any material, legal or arbitration proceedings that may affect the financial position of the group between 28 February 2005 and the reporting date.

The directors, whose names are given on page 11 of the annual report collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the annual report and this notice contains all information required by law and the JSE Listings Requirements.

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

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

- you may attend and vote at the annual general meeting; alternatively
- you may appoint a proxy to represent you at the annual general meeting by completing the attached form of proxy and returning it to the registered office of the Company by no later than 24 hours prior to the time appointed for the holding of the meeting.

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

- if you wish to attend the annual general meeting you must contact your CSDP or broker (or their nominee), as the case may be, and obtain the relevant letter of representation from it; alternatively
- if you are unable to attend the annual general meeting but wish to be represented at the meeting, you must contact your CSDP or broker (or their nominee), as the case may be, and furnish it with your voting instructions in respect of the annual general meeting and/or request it to appoint a proxy. You should not complete the attached form of proxy. The instructions must be provided in accordance with the mandate between yourself and your CSDP or broker, as the case may be, within the time period required by your CSDP or broker, as the case may be.

CSDPs, brokers or their nominees, as the case may be, recorded in the Company's sub-register as holders of dematerialised shares held on behalf of an investor/beneficial owner in terms of STRATE should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares in the Company, vote by either appointing a duly authorised representative to attend and vote at the annual general meeting or by completing the attached form of proxy in accordance with the instructions thereon and returning it to the registered office of the Company not less than 24 hours prior to the time appointed for the holding of the meeting.

By order of the Board



G F Lea
Company Secretary

Cape Town
6 May 2005

Salient Features of Proposed Amendments to be made to the Agreement (the “Agreement”) Establishing and Regulating the Pick 'n Pay 1997 Share Option Scheme (the “Scheme”)

This summary has been compiled for information purposes only. It contains a short description of the most important amendments to be made to the 1997 Scheme, and is not a comprehensive record thereof. Shareholders are advised to have regard to the copy of the third Addendum to the Agreement that is available for inspection at 5th Floor, Pick 'n Pay Centre, corner Main and Campground Roads, Claremont, Cape Town, should they require more information.

1. Background

- 1.1 The existing terms of the 1997 Scheme provide for the Trustees of the Pick 'n Pay Employee Share Purchase Trust (the “Trustees”) to grant options to employees of companies within the Pick 'n Pay group (the “Group”). Whilst the terms of the 1997 Scheme provide for Pick 'n Pay Stores Limited and Pick 'n Pay Holdings Limited (the “Companies”) to issue shares to the Trustees for this purpose, no provision is made for other companies within the Group to grant options directly to employees.
- 1.2 The Trustees and the Boards are of the opinion that the terms of the 1997 Scheme should be amended so as to allow Pick 'n Pay Retailers (Pty) Limited (“Retailers”) to grant options to employees of companies within the Group. This amendment will allow Retailers to grant options in respect of the shares in Pick 'n Pay Stores Limited (“Stores”) that Retailers has purchased on the market and which it currently holds for the purposes of the 1997 Scheme, without the administrative and other inefficiencies associated with having to transfer the shares to the Trustees.
- 1.3 The existing terms of the 1997 Scheme furthermore provide that the Trustees may, in accordance with the instructions of the boards of directors of the Companies (the “Boards”), determine the time period within which options must be exercised, and also the dates on and corresponding percentages in which the employee will become entitled to pay for, and take delivery of, the offered shares. However, no provision is made for the issuing of options in respect of which the right to delivery of shares is conditional on meeting performance criteria.
- 1.4 The Trustees and the Boards are further of the opinion that it would be appropriate to amend the terms of the

1997 Scheme so as to allow the Trustees and/or Retailers (as the case may be) to grant options that are subject to performance criteria. The proposed performance criteria will be linked to the annual compound growth rate in the Companies' share prices. This will enhance the purpose of the 1997 Scheme, which is to incentivise the Group's employees by providing them with an interest in the performance of the Companies' share prices. The performance criteria will also serve to strongly align the interests of management and shareholders.

- 1.5 Various amendments to the terms of the 1997 Scheme will be made in consequence of the proposed changes referred to above. Certain amendments will also be made in order to clarify the terms of the 1997 Scheme and to address statutory requirements.

2. The amendments

The following amendments will, subject to approval by each of the Companies in general meeting and by the Listings Division of the JSE Securities Exchange South Africa (the “JSE”), be made to the current terms of the 1997 Scheme.

Amendments to allow Retailers to grant options

- 2.1 The Trustees will be entitled to grant options for and on behalf of Retailers, as its duly appointed agent for that purpose. The Agreement will apply to such options in all respects on the basis that the Trustees shall exercise their rights and powers and incur obligations in terms of the Agreement, for and on behalf of Retailers.

Amendments to allow Trustees to grant options subject to performance criteria

- 2.2 The Trustees will be entitled, at their discretion, to determine performance criteria that must be met in order for employees to obtain the right to delivery of the shares offered in terms of an option (the “Eligibility Hurdle”) and, thereafter, to qualify for reductions in the consideration payable for the shares (the “Performance Hurdles”) (collectively, the “Hurdles”). These Hurdles will be determined with reference to annual compound growth rates in the share price of the shares offered to an employee, as quoted on the JSE, which must be

achieved within specified periods of time. The Hurdles applicable to an option (if any), and the time periods within which they must be met, will be set by the Trustees in the notice in terms of which the option is granted to an employee.

2.3 The Eligibility Hurdle will operate as a suspensive condition in respect of the sale of shares under an option, so that upon failure to meet the applicable Hurdle (i.e. failure to meet the minimum annual compound growth rate in the share price of the shares offered by the specified date) the option and all rights thereunder will lapse and cease to exist forthwith.

2.4 The Performance Hurdles will apply if and to the extent that the Eligibility Hurdle is met. Compliance with a Performance Hurdle (i.e. achieving the relevant annual compound growth rate in the share price of the shares offered on the specified date) will entitle the employee to a reduction in the consideration payable in respect of the shares purchased under an option. The extent of the reduction applicable to each Performance Hurdle will be determined by the Trustees in the notice in which the option is granted to an employee, but under no circumstances will the consideration be reduced to an amount of less than R1 (one Rand).

2.5 The Trustees will not be entitled to apply one type of Hurdle in respect of an option, but will either have to apply both types of Hurdle or to grant options without Hurdles.

Consequent and clarifying amendments

2.6 The current terms of the 1997 Scheme provide that, pending the date on which employees become entitled to pay for and take delivery of their shares, the Trustees are entitled to exercise the voting rights in respect of any shares already in issue. Consequent to the amendments referred to in 2.1 above, this provision will be amended to allow Retailers to exercise such voting rights where the Trustees have granted options on its behalf.

2.7 In terms of the 1997 Scheme, shares must currently be paid for by and delivered to employees within 10 (ten) years of the date on which the option was granted. The

1997 Scheme will be amended in respect of options to which Eligibility and Performance Hurdles apply, to provide that the shares offered under such options must be paid for and delivered on the date on which the Eligibility Hurdle is met.

2.8 The terms of the 1997 Scheme currently state that if an employee's employment with the Group terminates, except as a result of death, retirement or ill-health or for another reason approved by the Boards, prior to the employee becoming entitled to pay for and take delivery of the shares, the Trustees shall be entitled to repurchase such shares at the price at which they were offered to the employee. Should an employee's employment with the Group terminate (again, other than for one of the aforementioned reasons) after the employee has become entitled to pay for and take delivery of the shares, the Trustees are entitled to repurchase such shares at their market price as determined in accordance with the 1997 Scheme. These provisions will be amended as follows:

2.8.1 to clarify that, in the situation where an option has not been exercised as at the date that an employee's employment is terminated as envisaged above, the Trustees may simply cancel the option; and

2.8.2 to determine, in respect of any option to which Eligibility and Performance Hurdles apply, that upon termination of the employee's employment as envisaged above the option and any sale agreement arising out of its exercise shall be cancelled and cease to be of any force or effect.

2.9 The terms of the 1997 Scheme currently provide the Trustees with a discretion to repurchase shares from an employee for their market value (as determined in accordance with the 1997 Scheme) where those shares have not yet been paid for or delivered to the employee and the employee surrenders his estate, is sequestrated, ceases to be employed by the Group as a result of death, ill-health, retirement or for another reason approved by the Boards, or otherwise if the Trustees consider it advisable to do so. These provisions will be amended as follows:

Salient Features of Proposed Amendments to be made to the Agreement (the “Agreement”) Establishing and Regulating the Pick ’n Pay 1997 Share Option Scheme (the “Scheme”) (continued)

- 2.9.1 to clarify that, in the situation where an option has not been exercised as at the date that one of the events described above occur, the Trustees may simply cancel the option, subject to the payment by the Trustees and by the employee (or his or her estate) of all such amounts as would have become payable by them if the option had been exercised; and
- 2.9.2 to determine, in respect of any option to which Eligibility and Performance Hurdles apply, that where the employee's employment with the Group terminates for one of the reasons referred to above:
 - 2.9.2.1 the Trustees may repurchase the employee's shares at their market value only if the relevant Eligibility Hurdle has been met as at the date of such termination; and
 - 2.9.2.2 that the consideration payable by the employee (or his or her estate) will then be reduced to the extent that any Performance Hurdles have been met as at that date.
- 2.10** The provision (the “Stop Loss Provision”) in the 1997 Scheme that allows an employee to sell his or her shares back to the Trustees at the price at which they were offered to the employee, in the event that their market price (as determined in accordance with the 1997 Scheme) is below that price on the date on which the employee becomes entitled to pay for and take delivery of his or her shares, will be amended so that it will only apply once the employee has in fact paid for and taken delivery of his or her shares. This amendment will ensure that the Stop Loss Provision cannot be applied prior to fulfilment of the Eligibility Hurdle (if any) applicable to an option. It will also effectively render the Stop Loss Provision inapplicable to options in respect of which Eligibility and Performance Hurdles apply.
- 2.11** Finally, the provisions in the 1997 Scheme which provide for the Trustees, at their discretion, to provide financial assistance to employees for the purposes of purchasing their shares will be amended:
 - 2.11.1 to determine that it is Retailers that provides such assistance, where the Trustees have granted options on its behalf; and
 - 2.11.2 to clarify that such financial assistance may not be granted to any director of the Companies or of Retailers, in order to ensure compliance with section 38 of the Companies Act, No. 61 of 1973 (as amended).

Form of Proxy

(Incorporated in the Republic of South Africa) (Registration number 1968/008034/06) (JSE code: PIK) (ISIN: ZAE000005443)
 ("Pick 'n Pay" or "the Company")

For use at the annual general meeting of the Company to be held at the registered office of the Company, 5th Floor, Pick 'n Pay Centre, corner Main and Campground Roads, Claremont, Cape Town at 09h00 on Friday, 10 June 2005 (the "annual general meeting").

Not to be used by beneficial owners of shares who have dematerialised their shares ("dematerialised shares") through a Central Securities Depository Participant ("CSDP") or broker, as the case may be, unless you are recorded on the sub-register as an "own name" dematerialised shareholder ("own name dematerialised shareholder"). Generally, you will not be an own name dematerialised shareholder unless you have specifically requested your CSDP to record you as the holder of the shares in your own name in the Company's sub-register.

Only for use by certificated, own name dematerialised shareholders and CSDPs or brokers (or their nominees) registered in the Company's sub-register as the holder of dematerialised ordinary shares.

Each shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies (none of whom need be a shareholder of the Company) to attend, speak and vote in place of that member at the annual general meeting, and at any adjournment thereafter.

Note that on a vote by way of a show of hands each member present in person will only have one vote per member, but a proxy may not vote in this manner. If a poll is called for, each member present or represented by way of proxy will be entitled to vote.

I/We (block letters) _____

of _____

Telephone: Work () _____ Telephone: Home () _____

being the holder/s of _____ ordinary shares in the Company, hereby appoint (refer note 1)

1. _____ or failing him/her,

2. _____ or failing him/her,

3. the Chairman of the annual general meeting,

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

	Number of votes (one vote per ordinary share)		
	For	Against	Abstain
Ordinary resolution no. 1: Approval of annual financial statements			
Ordinary resolution no. 2: Confirm appointment of the auditors			
Ordinary resolution no. 3.1: Election of Mrs W Ackerman as director			
Ordinary resolution no. 3.2: Election of Ms C Nkosi as director			
Ordinary resolution no. 3.3: Election of Mr G M Ackerman as director			
Ordinary resolution no. 3.4: Election of Mr H S Herman as director			
Ordinary resolution no. 4: Approval of directors' fees and housing loans			
Special resolution no. 1: General authority to repurchase company shares			
Ordinary resolution no. 5: Placing unissued shares under the control of the directors			
Ordinary resolution no. 6: General authority to issue shares for cash			
Ordinary resolution no. 7: Approval of amendments and consolidation of amendments to the Pick 'n Pay 1997 share option scheme			
Special resolution no. 2: Amendment of Articles to Association			
Ordinary resolution no. 8: General authorisation of directors			

Insert an "X" in the relevant spaces above according to how you wish your votes to be cast. If you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of shares held in respect of which you desire to vote (see note 2).

Signed at _____ on _____ 2005

Signature _____

(Authority of signatory to be attached if applicable – see note 4)

Assisted by me (where applicable) _____ Telephone number _____

Please read the notes overleaf.

NOTES

1. The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as a proxy to the exclusion of those whose names follow thereafter. If no proxy is inserted in the spaces provided, then the Chairperson shall be deemed to be appointed as the proxy to vote or abstain as the Chairperson deems fit.
2. 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 will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
3. Proxy forms must be lodged at Head Office, 5th Floor, Pick 'n Pay Centre, corner Main and Campground Roads, Claremont, Cape Town, 7708 or posted to the Company Secretary, Pick 'n Pay, PO Box 23087, Claremont, 7735. Forms of proxy must be received or lodged by no later than 24 hours before the annual general meeting, at 09h00 on Friday, 10 June 2005.
4. 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's secretary or waived by the Chairman of the annual general meeting. CSDPs or brokers registered in the Company's sub-register voting on instructions from owners of shares registered in the Company's sub-register, are requested that they identify the owner in the sub-register on whose behalf they are voting and return a copy of the instruction from such owner to the Company's secretary together with this form of proxy.
5. Any alteration or correction made to this proxy form must be initialled by the signatory/ies, but may not be accepted by the Chairperson.
6. 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 secretary of the Company.

Form of Proxy

(Incorporated in the Republic of South Africa) (Registration number 1981/009610/06) (JSE code: PWK) (ISIN: ZAE000005724)
("Pick 'n Pay" or "the Company")

For use at the annual general meeting of the Company to be held at the registered office of the Company, 5th Floor, Pick 'n Pay Centre, corner Main and Campground Roads, Claremont, Cape Town at 09h30 on Friday, 10 June 2005 (the "annual general meeting").

Not to be used by beneficial owners of shares who have dematerialised their shares ("dematerialised shares") through a Central Securities Depository Participant ("CSDP") or broker, as the case may be, unless you are recorded on the sub-register as an "own name" dematerialised shareholder ("own name dematerialised shareholder"). Generally, you will not be an own name dematerialised shareholder unless you have specifically requested your CSDP to record you as the holder of the shares in your own name in the Company's sub-register.

Only for use by certificated, own name dematerialised shareholders and CSDPs or brokers (or their nominees) registered in the Company's sub-register as the holder of dematerialised ordinary shares.

Each shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies (none of whom need be a shareholder of the Company) to attend, speak and vote in place of that member at the annual general meeting, and at any adjournment thereafter.

Note that on a vote by way of a show of hands each member present in person will only have one vote per member, but a proxy may not vote in this manner. If a poll is called for, each member present in person or represented by way of proxy will be entitled to vote.

I/We (block letters) _____

of _____

Telephone: Work () _____ Telephone: Home () _____

being the holder/s of _____ ordinary shares in the Company, hereby appoint (refer note 1)

1. _____ or failing him/her,

2. _____ or failing him/her,

3. the Chairman of the annual general meeting,

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

	Number of votes (one vote per ordinary share)		
	For	Against	Abstain
Ordinary resolution no. 1: Approval of annual financial statements			
Ordinary resolution no. 2: Confirm appointment of the auditors			
Ordinary resolution no. 3.1: Election of Mrs W Ackerman as director			
Ordinary resolution no. 3.2: Election of Mr R P de Wet as director			
Special resolution no. 1: General authority to repurchase company shares			
Ordinary resolution no. 4: Placing unissued shares under the control of the directors			
Ordinary resolution no. 5: General authority to issue shares for cash			
Ordinary resolution no. 6: Approval of amendment and consolidation of amendments to the Pick 'n Pay 1997 share options scheme			
Special resolution no. 2: Approval of amendment to Articles of Association			
Ordinary resolution no. 7: General authorisation of directors			

Insert an "X" in the relevant spaces above according to how you wish your votes to be cast. If you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of shares held in respect of which you desire to vote (see note 2).

Signed at _____ on _____ 2005

Signature _____

(Authority of signatory to be attached if applicable – see note 4)

Assisted by me (where applicable) _____ Telephone number _____

Please read the notes overleaf.

NOTES

1. The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as a proxy to the exclusion of those whose names follow thereafter. If no proxy is inserted in the spaces provided, then the Chairperson shall be deemed to be appointed as the proxy to vote or abstain as the Chairperson deems fit.
 2. 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 will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
 3. Proxy forms must be lodged at Head Office, 5th Floor, Pick 'n Pay Centre, corner Main and Campground Roads, Claremont, Cape Town, 7708 or posted to the Company Secretary, Pick 'n Pay, PO Box 23087, Claremont, 7735.
- Forms of proxy must be received or lodged by no later than 24 hours before the annual general meeting, at 09h30 on Friday, 10 June 2005.
4. 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's secretary or waived by the Chairman of the annual general meeting. CSDPs or brokers registered in the Company's sub-register voting on instructions from owners of shares registered in the Company's sub-register, are requested that they identify the owner in the sub-register on whose behalf they are voting and return a copy of the instruction from such owner to the Company's secretary together with this form of proxy.
 5. Any alteration or correction made to this proxy form must be initialled by the signatory/ies, but may not be accepted by the Chairperson.
 6. 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 secretary of the Company.