

Pledge to our Partners

Our **Customers** will select from a variety of products offering an optimal mix of quality, price and service, supported by ethical and informative marketing practices.

Our **Employees** will work for the most sought-after employer in retail, with access to recognition, opportunities, working conditions, competitive pay and benefits.

Our **Suppliers** can rely on a continual drive toward ever more efficient and mutually beneficial business relationships, while we continue to pursue new products that fulfil evolving customer needs.

Our **Shareholders** can expect us to continue generating consistent profits in a long-term, sustainable manner that is the mark of a well-established business, operating according to tried and tested principles.

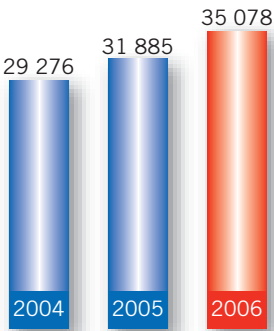
Our **Communities** will keep on benefitting from our year-after-year investment in social upliftment programmes such as housing, education and literacy, self-help, feeding schemes and child welfare. Pick 'n Pay is also a keen patron of environmental, cultural, arts and sports initiatives.

Strength in our Financial Performance

+10.0%

Turnover

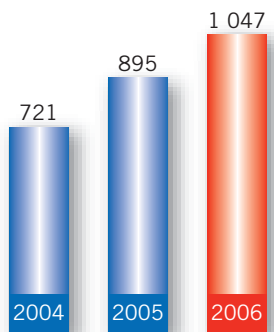
R million



+1 .9%

Trading profit

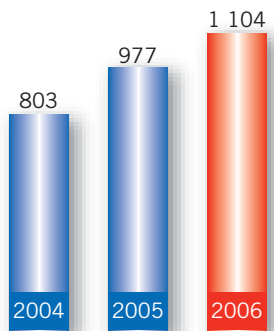
R million



+13.0%

Operating profit

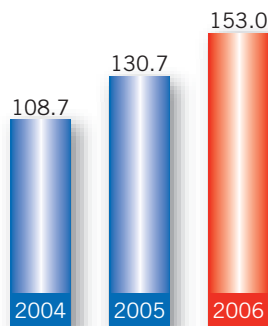
R million



+17.1%

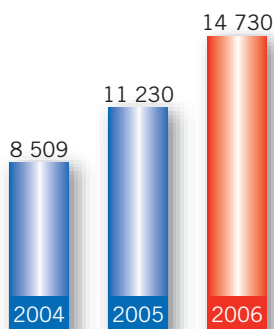
Headline earnings
per share

cen s



Market
capitalisation

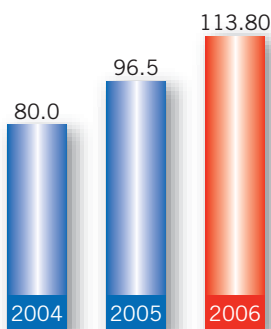
R million



+17.9%

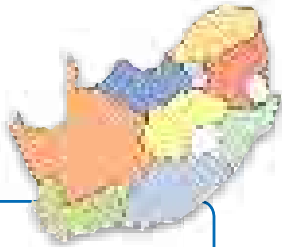
Dividend
per share

cen s





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

Store locations in South Africa and beyond

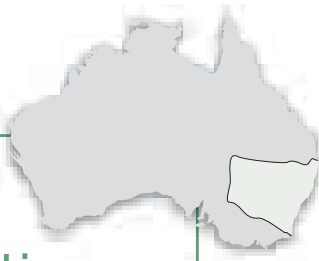


South Africa

Stores	Western Cape	Eastern Cape	Northern Cape	kwaZulu-Natal	Free State	Gauteng	Mpumalanga	North West	Limpopo	Total stores
RETAIL DIVISION										
	2	1	—	1	1	8	—	1	—	14
	40	7	1	23	7	50	5	4	5	142
	6	1	—	4	—	7	—	—	—	18
	4	1	—	8	1	8	—	—	—	22
	26	10	3	16	6	50	9	4	3	127
	—	—	—	5	4	21	3	2	—	35
	—	—	—	1	1	3	—	—	—	5

GROUP ENTERPRISES DIVISION										
	10*	3	5	5	5	34	15	19	19	115
	—	25	—	20	—	2	5	3	2	57

*Managed by the Pick 'n Pay Western Cape region

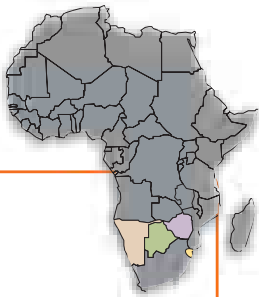


Australia

Stores

New South Wales

79



Rest of Africa

Stores

Botswana

Swaziland

Namibia

Zimbabwe

Total stores

RETAIL DIVISION



3

1

13

—

17

GROUP ENTERPRISES DIVISION



16

5

—

—

21



—

—

—

54

54

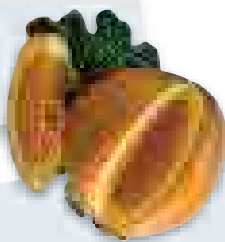
Highlights at a glance



- Proudly awarded
- Corporate Governance Award for Ethics and Integrity*
 - One of the world's 50 fastest growing retailers†

49

New stores were opened during the year with 59 confirmed for next year.



The establishment of a BEE fund to support emergent or existing BEE enterprises in communities throughout the country.

6

Trainees completed
our BEE Franchise
Academy Programme.



south africa
2011
Growing the Game

2011

Proud sponsor of
SA 2011 Rugby World
Cup Bid.



Recognising Pick 'n Pay
people for facing the daily
challenges and committing
themselves to our
communities to deliver the
dreams of tomorrow.



Our mission

We serve

With our hearts we create
a great place to be

With our minds we create an
excellent place to shop

Our values

We nurture leadership and
vision, and reward innovation

We are passionate about our
customers and will fight for
their rights

We care for, and respect each other

We take individual responsibility

We foster personal growth
and opportunity

We support and participate
in our communities

We are all accountable

We live by honesty and integrity

Partners in Entrepreneurship

Pick 'n Pay's success can be attributed to entrepreneurial flair and time invested to thoroughly understand retail – then to pioneer it. Our partnership with young entrepreneurs, through the Raymond Ackerman Academy of Entrepreneurial Development will allow us to pass our experience on to future business leaders.



Chairman's Report

We have achieved so much in our new South African democracy, yet so much still needs to be done. Ultimately economic performance is the engine that will drive greater levels of wealth creation for all South Africa.

Opening comment

It is a testament to the underlying strength of the Pick 'n Pay Group that it can deliver a 17.1% increase in Headline Earnings per share, whilst absorbing the effects of a strike in our core Retail Division as well as the once-off costs of the implementation of a new business system (SAP) and new warehousing costs at Franklins (Australia) in the first half of the year.

Chairman's Report continued

Sean will cover the result in detail in his CEO's report. However, below are a few observations on the result.

It is important to note that the entire Group is very focused on the future. Whether through the continued investment in Franklins, the capital expenditure programme undertaken this year, our capital commitments for new stores across all brands

successfully restructure the business into the 2 operating divisions, Retail and Group Enterprises. So much has changed in the world, South Africa and Pick 'n Pay in the past eleven years and it is against this background that we felt it prudent to test whether our strategic imperatives matched our vision for the future. In essence we have embarked on a strategic



The entire Group is very focused on the future. Growing the business to meet the needs of our customers.

over the next few years, or our investment in a new Fresh Distribution facility in Gauteng, we are actively focused on building future capacity.

This forward focus also extends to our investment in future operating efficiency and increased analytical capability through our investment in a new business system (SAP). After the successful installation in Franklins, this system will also be systematically rolled out in South Africa over the next 2 years.

Strategic health check

It is with this same probing to the future that we have again retained the services of Bain (Management Consultants). Eleven years ago Bain helped us

“health check”, the results of which we will report to you next year.

Observations

One of the primary goals of our investment in Franklins was around the opportunity that we saw for franchising in Australia. Our first franchise store started operating in April 2006. We are quietly confident that our franchise model will work and look forward to an improved performance at Franklins in the coming year.

The strike at Pick 'n Pay stores mid-year impacted predominantly on turnover. Whilst we have mostly recovered our top line sales, some divisions and select regions have fought hard to recover turnover.

Nick Badminton (MD of Retail Division) and his team are very focused on these issues and I am confident and hopeful that both the Union and the Company will continue to assiduously work towards resolution. The inescapable reality of our relationship with our people is that there is strong co-dependency.

Achieving both higher wage rates and increased corporate financial performance requires a strong

economically challenging. Whilst we continue to witness the benefits of Government grants at Boxer and Score, which manifest in higher levels of disposable income, and have in parallel seen greater prosperity amongst a broader spectrum of all South African customers at our core Pick 'n Pay stores, the harsh reality is that the rate of socio-economic change has been too slow for too many.

Achieving both higher wage rates and increased corporate financial performance requires a strong relationship and shared vision.



relationship and shared vision. Indeed, the stronger the relationship and unity of effort, the greater will be the rewards for us all.

The notion of giving back to society is not new at Pick 'n Pay. It is one of the principles on which I founded and grew the business. The various foundations that exist in and around the business, as well as the social caring that takes place each and every day throughout the Company is testimony to this. Our donation to Red Cross Children's Hospital to fund a new operating theatre earlier this year, is a further example of our commitment to society.

I believe that the high incidence of industrial action in the country at present is symptomatic of the fact that the everyday lives of too many South Africans remain

Corporate South Africa, including ourselves, need to extend and focus Corporate Social Investment towards public private partnerships that tackle not only transformation, but broader issues such as education, health care and entrepreneurial capacity. We have already undertaken significant projects in these vital arenas that help build society.

Acknowledgement

Our core retail division has again produced strong earnings growth under Nick Badminton's stewardship. Nick and his management team have concentrated on simultaneously evolving Pick 'n Pay and increasing its footprint. Work on the basic range and look of stores has gone well. New concept stores in the Cape and Gauteng have been positively accepted by customers.

Chairman's Report continued

Additionally, greater numbers of both corporate and franchise stores have given us greater exposure to the market in some key areas, and franchising has again delivered a strong performance. I thank Nick and his team for underpinning the Group with such strength.

Aubrey Zelinsky and his team have done a fine job at Franklins. The stores look great, the systems work well (SAP was installed last year), the warehouse

in which this business is being run gives me comfort that we have a strong player in this important part of the market. Congratulations to Hugh and his team for another strong performance.

We continue to support TM Supermarkets in Zimbabwe and applaud Mike Oakley and his team for their good result under very difficult trading conditions.



Corporate South Africa, including ourselves, need to support partnerships that tackle important social issues.

consistently delivers an efficient service, costs have been reduced, and management is motivated. Franchising growth is all that it will take to turn Franklins into the opportunity we always saw. We are confident of Franklins' performance in the coming year. I thank Aubrey and his team for all they have done.

Score achieved a strong recovery in the second half. This business has redefined itself in terms of its basic proposition and market relevance. I commend Chris Reed and his team for the renaissance they have created for the business. We are certainly looking forward to profit generation in the coming year.

Hugh Bland and his team have, once again, outperformed our expectations and continue to build Boxer into a very solid part of the Group. The manner

Looking back

I have outlined numerous ways in which Pick 'n Pay is currently focusing on the future. This year is, however, a significant year for me personally. It is my 75th birthday and my Golden Wedding Anniversary.

As with all significant milestones, I find myself looking back over the nearly forty years of Pick 'n Pay's history: at the fights for rights of our customers and our people, the fights with our competitors, reviewing all the important milestones that the business has been through, and the course through which Pick 'n Pay has evolved.

There are a great many memories that I enjoy, and there is tremendous pride that I feel in reviewing nearly forty great years. What is often overlooked, however, is the fact that my wife, Wendy, has

constantly been at my side, guiding, advising and counselling me through a myriad of decisions and issues. In this, our Golden Wedding Anniversary year, I wish to thank Wendy for her contribution to the business, for her contribution to my life and for helping me raise a family that gives us both so much joy.

We have achieved so much in our new South African democracy, yet so much still needs to be done. Ultimately, economic performance is the engine that will drive greater levels of participation and wealth creation for all South Africa. Economic performance flows from setting the correct macro economic policy framework (which our government has done) and, above all, from a strong working relationship at every level and in every enterprise.

We are proud to be family controlled and proud to be value driven and focused on our “founding principles”.



Closing Remarks

I have often spoken about the fact that we are a business that is primarily governed by its values and principles. This seems to be common practice amongst family controlled businesses internationally. We are proud to be family controlled and proud to be value driven and focused on our “founding principles”. It is this value system that forms the cornerstone of our sustainability.

I am again humbled and proud of the recognition afforded to Pick 'n Pay. This year we were recognised as the most Ethical Company at the Deloitte & Touche Corporate Governance awards. Conducting ourselves with honesty and integrity is central to the manner with which we hold ourselves accountable, and central to how we see ourselves in society.

It is always this same strong performance, or work ethic, that builds economic growth globally. My hope for South Africa is that we shift from the protest of frustration that we have witnessed in various industrial actions in the country towards working together to improve performance. This “high road” must surely be the way that we continue with the miracle that we have seen in South Africa.

I thank Sean for his leadership, and every person working at Pick 'n Pay for helping us to produce these results that will ultimately allow us to continue to make a difference to the lives of all South Africans.

A handwritten signature in blue ink, appearing to read 'Raymond Ackerman', written over a light blue dotted line.

Raymond Ackerman
Chairman

Boards of Directors

Pick 'n Pay Stores Limited

Executive Directors

1. **Raymond Ackerman** (75)

Chairman

Appointed 1968. Years of Service 39

2. **Dennis Cope** (55)

Group Finance Director

Appointed 1997. Years of Service 28

3. **Sean Summers** (52)

CEO

Appointed 1988. Years of Service 32

4. **David Robins**** (52)

Deputy Chairman

Appointed 2002. Years of Service 11

5. **Wendy Ackerman**

Employee Liaison & Benefits

Appointed 1981. Years of Service 39

Non-Executive Director

6. **Gareth Ackerman*†** (48)

Appointed 1990



Pick 'n Pay Holdings Limited

Independent Non-Executive Directors

7. **Hugh Herman**^{**†} (65)
Appointed 1976

8. **Colin Hultzer**^{**†} (70)
*Audit, Risk and Compliance
Committee Chairman.* Appointed 1991

9. **David Nurek**^{**†} (56)
*Remuneration Committee Chairman
Lead Non-Executive Director*
Appointed 1999

10. **Ben van der Ross**^{*} (59)
Appointed 2000

11. **René de Wet**[†] (63)
Appointed 1975

12. **Connie Nkosi**
Appointed 1996

Group Secretary

13. **Gary Lea** (40)
Appointed 2002.
Years of Service 9

Gareth Ackerman (48)
Chairman
Appointed 1987

Raymond Ackerman (75)
Appointed 1981

Wendy Ackerman
Appointed 1981

René de Wet (63)
Appointed 1981

Hugh Herman (65)
Appointed 1981

Colin Hultzer (70)
Appointed 1993



*Member of Audit, Risk & Compliance Committee †Member of Remuneration Committee **German



Partners in Development

Growers of crisp, crunchy apples and partners in founding new opportunities for unemployed South Africans. The Bethlehem Farmers Trust prove that – with adequate support – emerging farmers can succeed.



Chief Executive Officer's Report

We have had an exceptionally busy trading year and are pleased that the Group has again produced a strong performance.

Group overview

The result is against a background of various challenges we have had to overcome during the financial year including a very competitive trading environment, with continued low inflation and the industrial action at Pick 'n Pay in the middle of the year.

The Group has adopted International Financial Reporting Standards ("IFRS") and we draw your attention to the annual financial statements which outline the changes we have made in this regard.

Chief Executive Officer's Report continued

During the year the Group commissioned the installation of the SAP Retail, Finance and HR operating systems as an enterprise wide computer software system in our core Pick 'n Pay Retail operations. As you are aware, SAP has been successfully installed in Franklins, and over the next two years will be installed in all South African operations. The SAP development programme in South Africa started in May 2005 and to date the project is on track and within budget with the first installation at store level due for June 2006.

Turnover

Group turnover at R35.1 billion is an increase of 10.0% which shows good real growth, above the very low levels of inflation, with the Southern Africa segment achieving a growth of 11.3%. Our internal inflation for the year within the Pick 'n Pay branded business averaged 3.5%, while Boxer and Score still experienced deflation in many categories for the majority of the financial year.



The increase in trading profit of 16.9% for the Group is a good performance, with trading margin increasing from 2.8% to 3.0%.

Salient features of the result

	Rm	% increase
Turnover	35 078.4	10.0
Trading profit	1 047.4	16.9
Operating profit	1 104.1	13.0
Headline earnings	705.6	15.2
Headline earnings per share (cents)	153.02	17.1
Dividends for the year – Pick 'n Pay Stores Ltd (cents)	113.80	17.9
Dividends for the year – Pick 'n Pay Holdings Ltd. (cents)	55.55	17.9

Trading profit

The increase in trading profit of 16.9% for the Group is a good performance, with trading margin increasing from 2.8% to 3.0%.

Operating profit

Our operating profit increase of 13.0% (below that of trading profit) over last year has been impacted by the lower interest received during the year as a direct result of the significant investments we have made in both property and equipment, which reduced our average cash balances.

Headline earnings

Headline earnings at R705.6 million increased by 15.2% for the year. As a result of the concentration effect of share repurchases mainly towards the end of the prior year, our headline earnings per share at 153.02 cents is up 17.1%.

Sustainable development

We believe that while “sustainable development” may be relatively new as a specific concept within the corporate context, the thinking that underpins it has informed our business practices since our inception. Our experience of nearly 40 years of

The Group continues to generate significant cash from its operations, generating R1.6 billion in the current year.



Cash balances

The Group continues to generate significant cash from its operations, generating R1.6 billion in the current year versus R1.4 billion last year. Cash balances at year end are lower than that of last year due to the significant investments made in property (R248.2 million), equipment and vehicles (R538.6 million), SAP developments (R90.0 million) and share repurchases (R132.0 million). This is in addition to increased dividend and tax payments made during the year.

Dividends

As a consequence of continued good results, the Group was able to show strong growth in annual dividends, increasing them by 17.9% during the year.

running the business has consistently demonstrated to us that a proactive focus on addressing the needs and interests of our consumers, and of the communities within which we operate, results in valuable business benefits.

This is the third year that we have included a review of our sustainable development performance in the annual report. This section provides an overview of the policies, practices and performance relating to our economic, social and environmental activities. The review highlights a number of positive achievements during the year, and identifies some areas for improvement in the next year.

Chief Executive Officer's Report continued

Principal developments during the year include:

- The introduction of Pick 'n Pay's Sustainable Development Management Framework (SDMF) – a co-ordinated and systematic approach towards the planning, implementation, monitoring and reporting of our sustainable development strategy and performance.

During the next financial year we will finalise the Company's strategic vision for sustainability and agree priority action areas and timeframes. The implementation of this vision will include rolling out our sustainability information management system, undertaking training and awareness initiatives, and implementing specific projects in our stores and



An ongoing focus is our work in promoting Black Economic Empowerment and we are particularly active in supporting the development of small entrepreneurial BEE suppliers and Family Store Franchisees.

- A set of sustainable development key performance indicators (KPIs) has been agreed for use in the implementation of the SDMF and annual reporting activities.
- We commissioned independent facilitators to undertake a stakeholder engagement process relating specifically to our social and environmental performance.
- An intranet-based sustainability performance reporting system has been developed and is being introduced throughout the Company.

An ongoing focus is our work in promoting Black Economic Empowerment and we are particularly active in supporting the development of small entrepreneurial BEE suppliers and Family Store Franchisees.

offices and through our supply chain. We also aim to identify and implement energy, water and waste minimisation initiatives in our stores and offices. I look forward to reporting on our performance with more quantitative data next year.

PICK 'n PAY RETAIL DIVISION



Nick Badminton – Retail Managing Director

The Retail division had a commendable increase in both turnover and profitability, despite the negative impact that the industrial action had on the business. The continued low inflation rate, which averaged 3.5% for the year, has been great for consumers and continues to focus our attention on cost control.

Supermarkets – during the year 8 new corporate supermarkets were opened with a further 10 stores planned in the year ahead. The high number of new corporate supermarkets opened in the last three years is as a result of the unprecedented growth in the retail property sector. We remain cautious and selective on assessing new store opportunities.

Family and **Mini Market** franchise stores continue to make a significant contribution to the Group. Franchise stores now total 179 with 12 new Family stores being opened in the current year. In the year ahead we will open a further 24 Family stores.

Franchise Academy – as reported last year we have opened a Franchise Academy to train historically disadvantaged individuals with a view to them opening their own franchise stores. The first six graduates from the Academy graduated during the year and in the coming financial year will open their own franchise stores in partnership with more experienced traders. In June 2005 a second group of eight new students were enrolled into the Academy for their training. We are proud of the way this Academy is producing opportunities for individuals who ordinarily would have found it difficult to open their own franchise outlets.

Store format	Corporate		Franchise	
	2006	2005	2006	2005
Pick 'n Pay Hypermarkets	14	14		
Pick 'n Pay Supermarkets	142	135		
Pick 'n Pay Clothing Stores	18	7		
Pick 'n Pay Liquor Stores	22	13		
Score – Western Cape	10	9		
Pick 'n Pay Family Stores			144	132
Pick 'n Pay Mini Markets			35	38
Total stores	206	178	179	170
Pick 'n Pay Pharmacies	6	4		
Pick 'n Pay Garages	5	5		

Pick 'n Pay
hypermarket

Pick 'n Pay
Discount Supermarket

Pick 'n Pay
Clothing Store

Pick 'n Pay
Liquor Store

Pick 'n Pay
FAMILY Supermarket

Pick 'n Pay
Mini market



Chief Executive Officer's Report continued

Hypermarkets were affected by the industrial action, but as a brand still continue to be the cheapest food retail outlet in the country. The next financial year will be exciting with two new Hypermarkets in Zambezi Road, Pretoria and Old Pretoria Road, Centurion. These will be the first new Hypermarket openings in many years and shows our commitment to this large retail format. A further 2 stores are currently being constructed for opening in the year ending February 2008.

includes two weekend events, a cycle tour and a road running marathon.

When we introduced the Green Bag in 2003, we promised that R1.00 from the sale of every bag would go to an environmental initiative. We were pleased to fulfil that promise when we embarked on the "Kids in Parks" programme. With the Green Bag funds we have to date sent 2 500 children and 250 teachers to South African Game Parks to experience the



The next financial year will be exciting with two new Hypermarkets in Zambezi Road, Pretoria and Old Pretoria Road, Centurion.

Liquor outlets – the Retail division has developed the concept of liquor outlets adjacent to Hypermarkets and Supermarkets, which outlets now number 22. The idea of placing liquor outlets right next door to our stores has proven to be very popular with our customers who can combine their shopping trips, with the confidence that they will also receive good value on their liquor purchases.

Clothing stores – during the year we opened a further 11 Clothing stores bringing the total number as at February 2006 to 18. These outlets continue to receive good customer support and next year we plan to open a further 5 stores.

Marketing – the marketing year started off on a sad note with the Tsunami disaster which saw Pick 'n Pay joining forces with Netcare 911 in a fund-raising effort to help the victims of this disaster.

Pick 'n Pay continued its extensive support of major cycle events which expanded during the year with Pick 'n Pay now also being the sponsor of the Knysna Oyster Festival which

bush and learn about our eco systems. This initiative comprises three buses which on a full-time basis transport kids to and from parks. We are also pleased to report that the Green Bag is now 100% South African produced as against originally sourced from China.

I wish to thank Nick Badminton and his Retail team for a great year and wish them all the best with the significant scopes of work in the year ahead.



GROUP ENTERPRISES



Store Formats	2006	2005
Score Supermarkets	126*	128
Boxer Superstores	57	54
TM Supermarkets (Zimbabwe)	54	54

**Excluding the stores in the Western Cape which are managed by the Retail Division*



Score Supermarkets

Score had a very strong trading year showing real growth in turnover and significantly reduced losses as a result of lower expenses.

Another factor helping the turnaround at Score has been the development and customer acceptance of a completely new retail format under the Nambawane banner. In the year ahead, the rollout of this new format will include 7 new stores with 28 conversions, bringing the total number of outlets to 133 by the end of next year, of which 40 will be trading in the Nambawane format. In the year ahead Score will also complete its rollout of scanning in all stores.

I wish to thank Chris Reed and his team for a tough but successful year.



Chief Executive Officer's Report continued

Boxer Superstores

Boxer had another excellent trading year showing real increases in both turnover and profit contribution. In the current year 3 new stores were opened. Next year will see Boxer open 8 new supermarkets and the completion of its rollout of scanning in all stores.

TM Supermarkets

We continue to give TM our full support as they continue to trade under very trying circumstances with inflation reaching levels of over 900%. During the year there was a significant weakening of the Zimbabwean dollar which is currently over \$16 500 to the Rand. Although we were able to show a profit share of R23.4 million from our associate in the current year,



Boxer and Score both had good financial performances, the latter significantly reducing its losses.

Boxer will be opening 6 new hardware stores adjacent to Supermarkets bringing the total at the end of next year to 9. Over the last year, Boxer has been experimenting with these stores providing very basic building materials to its customers. Like the liquor stores, placing these outlets next to the Supermarkets provide a very cost effective means, with little additional infrastructure, of providing these services to our customers.

I wish to thank Hugh Bland and his Board for another successful year trading in a very tough deflationary environment.

due to this dramatic fall in the exchange rate, we do not anticipate being able to show such levels of contribution in the coming year.



I would like to thank Mike Oakley and his team for the exemplary work they are doing under extremely difficult circumstances.



Aubrey Zelinsky – *Franklins Managing Director*

Stores	2006	2005
Franklins	79	78



FRANKLINS AUSTRALIA

Turnover for the year at R3.9 billion, which was on a par with last year, suffered from the change-over to our own distribution channels at the beginning of the year. Following this change-over the business is far more efficient, as is evident from the trading loss in the second half of the year being reduced to R29.2 million from the R63.5 million incurred in the first half. The year ahead will see further significant reductions in the losses.

The transition to the SAP software system has been very successful and has assisted us in planning for the implementation of this system in our South African operations.

An important milestone in the last few months has been the development of our franchise model which is currently being piloted.

Our main focus at Franklins in the year ahead will be the refinement and rollout of our franchise format as well as the opening of three new corporate stores.

I wish to thank Aubrey Zelinsky and his team for delivering on the challenges this past year.

GROUP PROSPECTS

We have had an exceptionally busy trading year and are pleased that we have again produced a strong performance, despite the tough trading environment and other issues we have had to contend with during the year.

We are excited by the prospect of a significant number of new stores being opened in the 2007 financial year.

Each division within the Group is highly focused on their respective goals in the next year and we are confident that we will be able to achieve an acceptable increase in headline earnings.

We are confident of achieving another strong performance next year.

We would like to express our appreciation for the loyal support shown by all our employees, customers and suppliers.

Sean Summers

Chief Executive Officer

Sustainable Development at Pick 'n Pay



Nick Badminton – Retail Managing Director

Statement from the Retail Managing Director

As the Retail Managing Director with responsibility for overseeing management of sustainability within Pick 'n Pay, it gives me pleasure to introduce you to our third annual sustainable development report.

Being a significant player in the South African retail sector, we recognise the responsibility that we have as part of global efforts to make consumption and production patterns more sustainable. Due to the nature of our activities, we have the potential to make a valuable contribution to sustainability, both through the management of our direct impacts – relating primarily to distribution and sales – as well as through our indirect impacts arising from the influence that we have on our suppliers and on consumers.

Traditionally, we have tended to focus on addressing social and environmental issues primarily through our corporate social investment activities and through our emphasis on consumer sovereignty. Increasingly we are

seeking to broaden this focus to ensure that relevant social and environmental issues form part of our core business strategy.

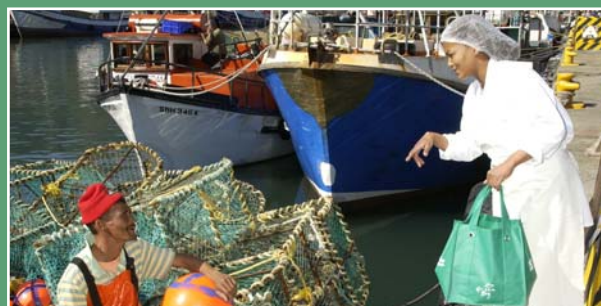
Globally, consumers and investors are demanding evidence of a greater ethical commitment and improved accountability from companies. Consumers and investors are increasingly expecting companies to demonstrate concern for their employees, to minimise the environmental impacts of their products and services, to require ethical performance of suppliers, and to support the communities in which they operate. We believe that it makes sound business sense to embrace sustainability as a strategic issue, and to proactively manage and report on our sustainability performance.

During the year we have made valuable progress in promoting a more strategic focus on sustainable development. Some of the highlights include:

- the progress we have made in implementing our sustainable development management framework and agreeing a comprehensive set of key performance indicators;
- undertaking a stakeholder engagement process relating to our sustainability performance;
- implementing various broad-based black economic empowerment initiatives;
- promoting energy efficiency in our stores through our partnership with Eskom's demand side management programme;

- developing and enforcing our Supplier Food Safety Standard; and
- our ongoing investments in promoting staff training and development, and in addressing HIV/Aids in the workplace.
- implementing new initiatives to promote broad-based black economic empowerment;
- promoting water, waste and energy efficient practices in our stores and offices; and
- identifying opportunities for further integration of social and environmental considerations within our supply chain.

We believe that it makes sound business sense to embrace sustainability as a strategic issue.



In the coming year we will be focusing our efforts on a number of areas as we seek to embed sustainable development priorities within our activities. These include:

- finalising the company's strategic vision for sustainability and identifying priority action areas and timeframes for implementation;
- further developing the skills of our employees at the shop floor level through focused training programmes;

I look forward to reporting on our progress on these initiatives, and encourage you to please read our sustainability report and to provide us with frank feedback on our performance.

Nick Badminton
Retail Managing Director

Sustainable Development at Pick 'n Pay continued



Tessa Chamberlain – *General Manager Corporate Marketing*

About Pick 'n Pay's Sustainability Report

This is our third annual review on our sustainable development performance. The 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 ended 28 February 2006.

Underlying our approach to sustainable development and to reporting on our sustainability performance is the belief that the more we address the needs and interests of our partners – particularly our consumers and employees – the more we succeed as a company. Our belief in the value of partnerships has informed our process of reporting, which this year has included an independent process of engaging with some of our key partners.

While the report has drawn on the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) and the criteria of the Socially Responsible Investment (SRI) Index on the JSE Limited's (JSE) securities exchange in South Africa, these criteria have been used for general guidance purposes only. The primary focus is on addressing those issues that are seen to be of material interest to all our key partners – our customers and the communities we serve, our employees and suppliers, our investors and analysts, and the governmental, business and non governmental organisations that we deal with.

The structure of this report corresponds with the “four legs of the table” concept, a simple analogy that underpins our overall business philosophy. In terms of this analogy, our business is viewed as a table supported by the following four interdependent legs, upon which our customers sit:

- Administration
- Merchandise
- Promotion, Social and Environmental Responsibility
- People

Our financial indicators cover the performance of 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, covering all our operations across Southern Africa (South Africa, Botswana, Swaziland, Namibia and Zimbabwe) and Australia (New South Wales). The social and environmental performance information relates primarily to the performance of the South African operations of Pick 'n Pay Holdings Limited, Pick 'n Pay Stores Limited and Pick 'n Pay Retailers (Pty) Limited.

A more detailed breakdown of the various components that we report against is provided in the GRI table at the end of this report. 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.

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

Raymond Ackerman, Chairman

The Sustainable Development Report 2006 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:

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At a glance

Pick 'n Pay's sustainable development challenges and commitments

The table below provides an indication of progress achieved against the challenges and commitments that we identified for the year ended 28 February 2006.

What we committed to do during 2005/6	What we have done
To implement a structured process of engaging with our stakeholders to better understand their expectations regarding our social and environmental performance.	<p>We commissioned independent facilitators to undertake a stakeholder engagement process relating specifically to our social and environmental performance. This process included:</p> <ul style="list-style-type: none"> • interviews with Pick 'n Pay management, shareholders, analysts, customers, suppliers and government representatives; • focus groups with employees and customers; and • an online questionnaire to employees, customers, and suppliers. <p>A summary of the outcomes of this process is provided on page 43.</p>
To commence implementation of a structured environmental performance management system.	We have commenced the process of developing and implementing a Sustainable Development Management Framework (SDMF) throughout Pick 'n Pay. This SDMF includes specific provision for environmental performance issues. A brief review of progress in implementing the SDMF is provided on page 42.
To develop specific performance indicators on our environmental performance.	We have identified a comprehensive set of sustainable development performance indicators, and are implementing a system for monitoring and reporting against these indicators, and for undertaking relevant actions to ensure their achievement. A priority sub-set of key performance indicators (KPIs) has been agreed, which includes specific indicators on our environmental performance. See page 41.
To introduce an internal review process to benchmark our sustainability performance against agreed parameters.	An internal intranet-based sustainability performance reporting system has been developed and is being introduced throughout Pick 'n Pay. This will enable us to benchmark, review and report annually on our performance against the agreed performance indicators. See page 42.
To measure our performance against short-term and long-term preferential procurement targets, consistent with the BEE Codes of Good Practice.	An external and independent data management company has been engaged on contract to measure Pick 'n Pay Retail BEE spend against total spend; inventory, capital and other items. Division Buyers and Procurement Officers are encouraged to purchase from BEE compliant companies and wherever possible develop existing or new BEE suppliers. This is consistent with Pick 'n Pay Retail BEE Policy and Strategic Implementation Plan.

Sustainable Development at Pick 'n Pay continued

What we intend to do in 2006/7

- Complete the internal consultative process aimed at finalising the company's strategic vision for sustainability and agree priority action areas and timeframes for implementation.
- Finalise the implementation and roll-out of our sustainability information management system.
- Undertake required training and awareness activities, and ensure appropriate allocation of resources and assigned responsibilities.
- Identify and implement energy, water and waste minimisation initiatives in our stores and offices, starting this year with a number of pilot projects.
- Identify opportunities for further integration of social and environmental considerations within our supply chain activities, including revising existing audits and checklists based on appropriate consultation.

Pick 'n Pay's sustainable development key performance indicators

During the year Pick 'n Pay agreed a set of sustainable development key performance indicators (KPIs) for use in the implementation of its Sustainable Development Management Framework and annual reporting activities. These indicators form a sub-set of the performance data that is collected through Pick 'n Pay's internal sustainable development information system. These indicators have been identified on the basis of workshops and interviews with divisional managers, a review of international best practice in the retail sector, and consideration of initiatives such as the JSE Limited SRI Index and the GRI Reporting Guidelines.

In certain instances, sufficiently reliable verifiable data is not yet available. In those instances where data has not yet been provided, systems are currently being developed to track this data for future reporting purposes. We intend in future to provide year-on-year performance data for monitoring and review purposes.

Key Performance Indicators	2006 KPI Performance
Economic and related core baseline indicators	
Turnover	R35.1 billion (10.0% increase)
Trading profit	R1 047.4 million (16.9% increase)
Operating profit	R1 104.1 million (13.0% increase)
Headline earnings per share	153.02 cents (17.1% increase)
Dividends per share	113.80 cents (17.9% increase)
Total number of stores	See page 6 for store numbers
Customer complaints and resolution*	32 820 92% resolved
Number of environmental, health and safety and/or governance legal incidents*	Nil

**Relates to Pick 'n Pay Corporate only*

Key Performance Indicators	2006 KPI Performance
Employment data*	
Total number of employees	34 484
New jobs created	1 955
Employee turnover	7.66%
Workforce by age group and gender	See table on page 94
Work-related fatalities	Nil
Number of classified injuries	1 074 injuries requiring time off work 926 injuries requiring minor attention
Investment in employee training and development	R35.8 million
Number of lost trading days due to industrial action	62 trading days
Environmental matters*	
Energy usage – total (in stores, excluding offices)	496 million kWh
Energy usage – per m ² per annum (in stores, excluding offices)	583 kWh
Water consumption – total (in stores, excluding offices)	1.5 million kilolitres
Water consumption – per m ² per annum (in stores, excluding offices)	1.85 kilolitres
Waste	Reliable data not currently available
Fuel usage	576 624 400 litres (diesel)
Environmental related complaints	Nil
Corporate social investment*	
CSI total spend	R45 million – 7% of post-tax profit

*Relates to Pick 'n Pay Corporate only.

Sustainable Development at Pick 'n Pay continued

Promoting Sustainable Development through Partnerships

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

- reducing our operating costs and improving our efficiencies.

While the “sustainable development” agenda may be relatively new as a specific concept within the corporate context, the thinking that underpins it has informed our business practices since our inception.



Conducting a business according to the ethics of consumer sovereignty and social responsibility, is good for business and good for society.

pursuit of consumer sovereignty, and an underlying belief that the more you give to social partners, the more you get back.

We believe that conducting a business according to the ethics of consumer sovereignty and social responsibility, in which we place principles above the mere pursuit of profit, is good for business and good for society. By embracing the sustainability agenda through the building of partnerships – with our customers and neighbouring communities, governmental departments, other businesses and non-governmental organisations – we are able to realise important benefits. These benefits include:

- providing valuable opportunities for market differentiation;
- maintaining and further improving our reputation and brand value;
- reducing the potential for liabilities through improved integrated risk management; and;

Pick 'n Pay's Sustainable Development Management Framework

An important initiative over the last year has been the development and introduction of Pick 'n Pay's Sustainable Development Management Framework (SDMF), aimed at ensuring a more co-ordinated and systematic approach towards the planning, implementation, monitoring and reporting of our sustainability strategy and performance.

Overall responsibility for the development and implementation of the SDMF rests with Tessa Chamberlain, our General Manager of Corporate Marketing. She is supported by the Board and by a management team with clearly defined responsibilities.

During 2005 a series of independently facilitated workshops and individual interviews were held with management representatives throughout the company, with the aim of identifying what sustainable development means at a practical

level for Pick 'n Pay. These workshops and interviews provided the basis for identifying our sustainable development key performance indicators (KPIs), agreeing a set of data streams for tracking our sustainability performance, and providing the foundation for implementing our SDMF.

In conjunction with this process of consulting with senior management, we commissioned an independently facilitated process of engaging with some of our key partners with the aim of further informing our sustainable development strategy

and reporting activities. An edited summary of the outcomes of this engagement process is provided below.

During the course of the 2006/7 financial year, the company's strategic vision for sustainability will be further refined, and agreement will be reached on priority action areas and timeframes for implementation. The finalisation of this vision and the identification of action areas will draw on the outcomes of the internal workshop discussions and the inputs received during the stakeholder engagement process.

Engaging with our partners on sustainability issues

In preparing Pick 'n Pay's sustainable development report, and as part of the development and implementation of its Sustainable Development Management Framework, an independent stakeholder engagement process was undertaken. The aim of this process was to inform Pick 'n Pay's sustainability strategy, and to identify those issues of material interest to the following priority stakeholders:

- Management representatives
- Employees
- Financial stakeholders
- Customers

In most instances, stakeholders were asked to identify material issues relating to Pick 'n Pay's sustainable development performance and to comment on the nature of Pick 'n Pay's overall performance and engagement on these issues. An edited summary of the outcomes of this process is provided below.

Pick 'n Pay management

A series of independently facilitated workshops and individual interviews were held with senior management representatives from across Pick 'n Pay's operating divisions, with the aim of informing the company's Sustainable Development Management Framework, identifying the business case drivers for sustainability, and agreeing a detailed set of performance indicators for tracking the company's sustainability performance. The workshops resulted in an increased appreciation of the potential business risks and opportunities presented by social and environmental issues, and provided the basis for identifying specific initiatives aimed at managing these risks and opportunities throughout the company's operations and its supply chain. These initiatives form an important part of Pick 'n Pay's Sustainable Development Management Framework.

Sustainable Development at Pick 'n Pay continued

Pick 'n Pay employees

A cross-section of employee grades from different Pick 'n Pay stores were consulted in separate focus groups. A number of employees also contributed to an anonymous on-line questionnaire. The focus group discussions, which were independently facilitated without the participation of senior management, were characterised by a very favourable attitude towards Pick 'n Pay's management, and a strong sense that the company is making a positive contribution to social and environmental issues.

The employees highlighted a number of positive benefits associated with working for Pick 'n Pay, including:

- the nature of the relationship between employees and management, and the "sense of family";
- the active and engaged role played by Raymond Ackerman in staff welfare issues;
- the company's policy of promotion from within and of no forced retrenchment;
- the policy of ensuring that no one starts the day hungry, with free nutrition provided to all employees;
- the availability to all employees of health professionals, clinical psychologists and social workers; and
- the company's progressive policy and response on HIV/Aids.

There is a strong perception that Pick 'n Pay is making an important positive contribution through its social investment activities and its strong focus on consumer sovereignty. Key issues that were highlighted include:

- the focus on employing staff from within the community where the stores are based;
- the approach of responding generously to specific needs identified in neighbouring communities, as well as responding quickly to local and international disasters;
- the strong sense of camaraderie and trust that is built up through employee involvement in community initiatives, with many of the responses being at employees' own initiative;
- the nature of the reward system in the company that encourages employees to get involved in the community;
- the perception that the company's social contribution activities are not just management driven, but part of a deep company ethos;
- the importance of the recent initiatives aimed at supporting the development of black entrepreneurs; and
- the company's various activities on environmental issues, such as its recent focus on energy efficiency, the use of ozone-friendly refrigerants, the publication of environmental pamphlets, and the planting of trees.

Notwithstanding this general positive view, there is seen to be scope for improving the company's activities in a number of areas, including:

- more explicitly stating and communicating the company's vision and strategy on sustainable development;
- improving training and management of those employees who offer insufficient levels of customer service;
- addressing concerns relating to pension benefits and the need for improved communication on potential vulnerabilities for retiring employees arising from recent legislative changes;
- implementing a more structured approach to the management of work/life balance issues; and
- further improving the company's environmental performance through providing more accessible recycling facilities, improving employee and customer education on energy, water and waste, and implementing a more systematic approach for managing the environmental impacts of new and existing stores.

In terms of Pick 'n Pay's sustainability reporting and stakeholder engagement practices very few of the surveyed employees had read Pick 'n Pay's financial and/or sustainability reports. It was suggested that a summary of the report be made available in different languages and included within the company's internal newsletter.

Financial analysts

Each analyst was sent a background briefing document outlining Pick 'n Pay's Sustainable Development Management Framework and explaining the stakeholder engagement process. These were followed up with a questionnaire and a telephone interview of between 40 and 90 minutes. The following sustainability-related issues were identified as being of greatest material interest regarding Pick 'n Pay's activities:

- the management of corporate governance issues;
- the nature of Pick 'n Pay's labour relations activities; and
- the importance of ensuring effective management of black economic empowerment (BEE).

Although the analysts recognised the growing importance of sustainable development as a corporate issue, most of those interviewed noted that they generally don't read sustainability reports. Various suggestions were provided relating to the nature of Pick 'n Pay's current disclosure practices.

Sustainable Development at Pick 'n Pay continued

Customers

In addition to conducting an extensive on-line survey of more than 3 000 customers, a number of randomly selected customers were personally interviewed at a selection of Pick 'n Pay Stores. These engagements are being followed up with a series of small focus group discussions.

Regarding Pick 'n Pay's performance:

- most expressed confidence in the quality of Pick 'n Pay's management, generally seeing the company as socially and environmentally responsible, with a strong positive association being made between Raymond Ackerman and the Pick 'n Pay brand;
- various concerns were, however, raised regarding the scope for Pick 'n Pay to improve customer service levels in certain stores, and to maintain high standards of store design and layout.

The following sustainability-related issues were identified as being of greatest material interest:

- continuing to ensure sound management of food safety and consumer health, with specific reference made to issues such as sugar and salt content and MSG;
- ensuring proactive management of BEE issues;
- the importance of supporting local industries and promoting job creation, for example through supporting the Proudly South African campaign; and
- a minority of those surveyed identified environmental issues as being a specific concern, citing the following issues as being of specific interest: improving in-store energy, water and waste management; minimising packaging; increasing the availability of environmentally-friendly products, including free-range and organic foodstuffs; ensuring effective integration of environmental issues in supply chain management; and improving the company's current communication on their environmental activities.

On Pick 'n Pay's sustainability reporting and stakeholder practices very few of those surveyed had read Pick 'n Pay's financial and/or sustainability report. Most respondents identified e-mail communication, the internet, in-store leaflets and face-to-face interaction within the stores as the preferred methods for Pick 'n Pay to communicate its messages on sustainability and other issues.

Administration



Interview with Dennis Cope – Group Finance Director

What does sustainable development mean in practice for your activities?

A strong case can be made that financial performance and corporate governance activities provide an important base for any company's approach to promoting sustainable development. At Pick 'n Pay ethical and transparent governance practices, based on a set of core values, provide the foundation for sustainability, which in turn engenders good financial performance which is critical to the ongoing sustainability of the company itself. Our positive financial performance enables us to make a significant social and economic contribution in terms of taxes and wages, payments to suppliers, dividends to shareholders, as well as through our social investment programme.

What challenges do you face in promoting sustainable development?

There are a number of challenges that we need to address as part of our approach to promoting sustainable development. Firstly, it is important that we keep abreast

of the constantly changing regulations relating to corporate governance, accounting practices and disclosure. It is critical for us to ensure that we comply with all legal requirements and, as importantly, with changing shareholder and public expectations regarding accountability and transparency. We are also committed to constantly improving our services to our various stakeholders. Each year we seek to ensure prompt and accurate processing of nearly 500 million transactions with our customers, 600 000 transactions with suppliers, and more than 400 000 in terms of employee remuneration. This is in addition to ensuring timely payment of our various taxes and duties. To assist us in improving our service we need to regularly review and upgrade our systems and technology.

What have been some of the main highlights for you during the year?

I think that an important highlight for us during this review period has been the transition that we have made to the International Financial Reporting Standards (IFRS). I am pleased with the manner in which we have done so.

What will be some of your areas of focus in terms of sustainability for the coming year?

There are two key focus areas for the finance division in the coming year: ensuring the effective implementation of an enterprise-wide procurement and accounting system, and professionally managing a massive capital expenditure programme. Both of these present us with some exciting challenges in the year ahead.

Administration continued

Our ability to offer customers quality, safe 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

Our experience of nearly 40 years of running the business has consistently demonstrated to us that a proactive focus on addressing the needs and interests of our consumers – by offering them quality, safe products at the lowest prices – results in valuable business benefits. It is through our emphasis on consumer sovereignty that the company itself is able to grow and, in turn, make an important positive

contribution to the local economy by providing employment, generating business for suppliers and service providers, paying taxes, and promoting social upliftment through our corporate social investment activities. From a quantitative perspective, these positive economic benefits are outlined in the Group value added statement.

Fitch rating reflects Pick 'n Pay's leading position

Pick 'n Pay's long-term rating at A+ and its short-term rating at F1 were affirmed by international rating agency Fitch, in October 2005. According to the agency the company's outlook remains stable and the rating reflects Pick 'n Pay's leading position within the South African retail environment.

(Source: Business Day)

Group value added statement

	Feb 2006			Feb 2005		
	Rm	% of turnover	%	Rm	% of turnover	%
Sales	35 078.4			31 885.0		
Amounts paid for merchandise and expenses	(30 268.3)			(27 562.3)		
Interest and dividends received	56.9			81.4		
Share of associate's profit	23.4			14.6		
Value added	4 890.4	13.9	100.0	4 418.7	13.9	100.0
Utilised						
Employee salaries, wages and other benefits	3 439.8		70.3	3 100.8		70.2
Investors: Dividends and interest paid	489.6		10.0	414.5		9.4
Taxation	384.5		7.9	346.2		7.8
Retained for – Replacement of assets	325.4		6.7	304.7		6.9
– Growth	251.1		5.1	252.5		5.7
	4 890.4		100.0	4 418.7		100.0

Administration continued

Pick 'n Pay Stores Limited and its subsidiaries Ten Year Review

R million unless otherwise stated	10-year compound annual growth	2006	2005	2004	2003*	2002*	2001*	2000*	1999*	1998*	1997*
OPERATING RESULTS											
Turnover	14%	35 078.4	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
Trading profit	26%	1 047.4	895.6	721.3	620.9	515.2	366.6	305.2	173.6	147.4	104.7
Operating profit	20%	1 104.1	977.0	803.2	712.7	587.7	447.5	408.2	297.5	240.0	172.9
Headline earnings	23%	705.6	612.5	511.9	457.0	357.3	300.4	243.4	175.2	147.1	90.1
CONSOLIDATED BALANCE SHEETS											
Assets											
Non-current assets											
Goodwill		634.9	634.2	687.6	742.1	704.1	—	—	—	—	—
Intangible assets		110.9	25.3	—	—	—	—	—	—	—	—
Property		499.0	251.6	182.3	110.9	95.4	70.3	119.6	129.5	111.7	112.8
Equipment and vehicles		1 349.0	1 133.6	1 045.4	877.2	855.1	817.2	818.1	661.3	407.5	369.6
Investments		9.3	3.6	2.7	176.4	195.5	195.5	181.5	97.5	125.6	125.6
Investment in associate		47.0	23.6	15.0	12.6	11.0	9.5	8.0	6.5	5.8	5.0
Loans		96.7	95.8	89.6	97.5	89.2	135.8	105.0	101.9	86.5	79.5
Operating lease asset		4.8	3.7	2.5	2.1	2.0	2.0	1.8	1.8	1.5	1.5
Participation in export partnerships		71.8	102.7	127.6	143.3	149.3	166.2	183.4	194.6	188.3	157.1
Deferred tax		234.1	205.5	94.1	32.7	(18.1)	(40.8)	(50.3)	(104.2)	(108.7)	(90.8)
		3 057.5	2 479.6	2 246.8	2 194.8	2 083.5	1 355.7	1 367.1	1 088.9	818.2	760.3
Current assets											
Inventory	12%	1 984.2	1 858.6	1 563.1	1 507.3	1 265.2	864.8	728.9	714.3	608.3	624.9
Trade and other receivables		750.7	634.5	628.1	495.7	357.5	287.1	301.6	165.4	136.8	60.4
Cash and cash equivalents		944.6	1 329.0	1 502.5	1 035.6	986.5	1 085.3	773.3	907.2	917.1	649.2
		3 679.5	3 822.1	3 693.7	3 038.6	2 609.2	2 237.2	1 803.8	1 786.9	1 662.2	1 334.5
Total assets		6 737.0	6 301.7	5 940.5	5 233.4	4 692.7	3 592.9	3 170.9	2 875.8	2 480.4	2 094.8
Equity and liabilities											
Ordinary shareholders' equity											
Minority interest		865.3	714.8	774.0	644.3	786.6	494.3	352.6	216.2	191.4	142.7
		—	—	—	—	—	19.6	18.4	14.0	12.3	17.9
Non-current liabilities											
Interest-bearing debt		172.3	178.6	188.2	243.3	241.3	242.3	89.4	98.9	191.4	131.8
Retirement scheme obligations		194.8	189.8	145.0	125.9	123.5	109.2	113.4	120.6	99.5	93.6
Operating lease liability		539.8	490.9	430.8	428.9	391.0	314.4	300.5	284.0	255.6	238.0
		906.9	859.3	764.0	798.1	755.8	665.9	503.3	503.5	546.5	463.4
Current liabilities											
Interest-bearing debt		74.4	56.6	159.9	186.7	17.2	15.3	13.1	95.3	4.8	0.8
Trade and other payables	13%	4 654.1	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
Tax		236.3	388.7	270.6	209.4	236.0	213.2	237.7	129.0	125.2	98.2
		4 964.8	4 727.6	4 402.5	3 791.0	3 150.3	2 413.1	2 296.6	2 142.1	1 730.2	1 470.8
Total equity and liabilities		6 737.0	6 301.7	5 940.5	5 233.4	4 692.7	3 592.9	3 170.9	2 875.8	2 480.4	2 094.8
Directors' valuation – Property		831.2	514.7	397.8	271.5	245.6	232.4	291.0	270.4	277.8	269.8
– Investments		9.3	3.6	2.7	176.4	195.5	195.5	181.5	97.5	125.6	125.6
STATISTICS											
Number of outlets – Corporate		468	425	428	391	332	221	224	234	216	237
– Franchise		179	172	162	157	139	193	176	185	237	125
Total selling area – Corporate	000m ²	803	790	800	748	678	503	492	497	465	488
– Franchise	000m ²	215	205	198	187	173	206	187	162	153	88
Number of TM Supermarkets		54	54	53	53	53	50	49	48	46	37
Number of Garages		5	5	5	5	10	9	14	14	14	14
Total number of employees**	000's	49.0	47.7	44.7	31.0	27.3	24.5	24.7	25.2	25.1	25.3

*The Group has adopted International Financial Reporting Standards (IFRS). The results presented above for the years after February 2004 are fully IFRS compliant and have been audited. The impact of IFRS for all years preceding February 2004 has been accounted for based on estimates, has not been audited and has only been presented to assist users with further comparative information.

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

Ten Year Review *(continued)*

		10-year compound annual growth	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
PERFORMANCE MEASURES												
Turnover growth	%	14	10.0	8.9	11.8	39.2	24.4	11.2	10.1	12.6	12.0	6.8
Trading profit growth	%	26	16.9	24.2	16.2	20.5	40.5	20.1	75.8	17.8	40.8	2.5
Operating profit growth	%	20	13.0	21.6	12.7	21.3	31.3	9.6	37.2	24.0	38.8	18.4
Headline earnings growth	%	23	15.2	19.7	12.0	27.9	18.9	23.4	38.9	19.1	63.3	11.5
Trading profit on turnover	%		3.0	2.8	2.5	2.4	2.7	2.4	2.2	1.4	1.3	1.1
Operating profit on turnover	%		3.1	3.1	2.7	2.7	3.1	3.0	3.0	2.4	2.2	1.8
Headline earnings on turnover	%		2.0	1.9	1.7	1.7	1.9	2.0	1.8	1.4	1.3	0.9
Return on shareholders' equity	%		89.3	82.3	72.2	63.9	55.8	70.9	85.6	86.0	88.1	75.0
Return on total assets	%		10.8	10.0	9.2	9.2	8.6	8.9	8.1	6.5	6.4	4.9
Headline earnings per share	cents	23%	153.0	130.7	108.7	94.5	71.6	61.4	50.1	36.6	31.2	19.4
Headline earnings per share growth	%		17.1	20.2	15.1	32.0	16.5	22.5	37.1	17.1	61.0	11.5
Net asset value per share	cents	15%	260.2	211.1	209.9	170.7	193.7	134.4	107.6	74.3	75.3	64.5
JSE LIMITED INFORMATION												
Pick 'n Pay Stores Limited (PICKNPAY)												
Number of shares in issue (**)	millions		486.1	486.1	483.4	483.4	497.1	501.3	494.8	486.9	480.2	469.6
Market capitalisation	Rm	20%	14 729.9	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
Price earnings ratio	times		19.8	17.7	16.2	13.2	13.8	19.6	21.4	17.1	21.3	18.9
Dividend per share	cents	17%	113.8	96.5	80.0	69.0	51.8	42.9	34.8	27.6	22.3	22.8*
Dividend cover	times		1.3	1.4	1.4	1.4	1.4	1.4	1.4	1.3	1.4	0.9*
PICKNPAY ordinary shares												
Volume of shares traded (**)	millions		147.9	140.2	133.7	171.6	191.4	128.9	130.2	97.2	75.1	49.4
Percentage of shares traded	%		30.4	28.8	27.7	35.5	38.5	25.7	26.3	20.0	15.6	10.5
Share price – High	cents		3 200	2 494	1 850	1 500	1 350	1 400	1 195	1 010	850	554
Share price – Low	cents		2 150	1 630	1 160	900	900	850	700	330	520	396
Share price – Year-end	cents		3 030	2 310	1 760	1 245	985	1 205	1 075	781	808	552
Pick 'n Pay Holdings Limited (PIKWIK)												
Number of shares in issue	millions		527.2	527.2	527.2	527.2	527.2	522.6	516.3	508.5	502.8	493.4
Group headline earnings per share	cents	22%	73.9	64.7	54.9	49.1	37.4	31.1	25.4	18.5	15.6	9.7
Dividend per share	cents	17%	55.0	47.1	39.1	33.7	25.3	20.9	17.0	13.6	11.0	11.3*
PIKWIK ordinary shares												
Volume of shares traded (**)	millions		32.9	61.1	49.9	72.5	90.4	108.9	115.1	101.8	58.0	54.4
Percentage of shares traded	%		7.6	11.6	9.5	13.8	17.1	20.8	22.3	20.0	11.5	11.0
Share price – High	cents		1 420	1 135	814	610	540	580	445	430	380	260
Share price – Low	cents		1 040	760	490	385	381	335	260	150	242	194
Share price – Year-end	cents		1 355	1 125	800	520	420	490	400	310	375	244

*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

Analysis of shareholders

Pick 'n Pay Stores Limited: Analysis of Shareholders as at 28 February 2006

Shareholder spread	No. of share- holders	No. of shares millions	% holding
No. of shares held			
1 – 1 000	3 212	1.4	0.3
1 001 – 10 000	2 869	9.6	2.0
10 001 – 100 000	752	23.0	4.7
100 001 – 1 000 000	186	52.7	10.8
Greater than 1 000 000	44	399.4	82.2
	7 063	486.1	100.0

Distribution of shareholders

Holding Company	1	257.3	52.9
Banks	117	49.2	10.1
Close Corporations	88	0.5	0.1
Endowment Funds	69	1.6	0.3
Individuals	5 067	20.0	4.1
Insurance Companies	35	14.6	3.0
Investment Companies	30	11.0	2.3
Medical Aid Schemes	12	0.8	0.2
Mutual Funds	169	29.5	6.1
Nominees and Trusts	1 028	10.2	2.1
Other Corporations	87	0.9	0.2
Pension Funds	200	59.9	12.3
Private Companies	147	29.0	6.0
Public Companies	12	1.2	0.2
Employee Share Trust	1	0.4	0.1
	7 063	486.1	100.0

Public/Non-public shareholders

Directors	2	2.4	0.5
Strategic Holdings (more than 10%)	1	257.3	52.9
Related Holdings	1	25.7	5.3
Employee Share Trust	1	0.4	0.1
Public Shareholders	7 058	200.3	41.2
	7 063	486.1	100.0

Beneficial shareholders holding 1% or more

Pick 'n Pay Holdings Limited	257.3	52.9
Public Investment Corporation	25.6	5.3
Pick 'n Pay Retailers (Pty) Limited	25.7	5.3
Old Mutual Group	13.4	2.8
Mines Pension Fund	6.7	1.4
Sanlam	6.3	1.3
Barclays	5.2	1.1
Sanderson Asset Management	5.0	1.0
Natexis Banques Populaires	5.0	2.0
Sasol	5.0	1.0

Pick 'n Pay Holdings Limited: Analysis of shareholders as at 28 February 2006

Shareholder spread	No. of share- holders	No. of Shares millions	%
No. of shares held			
1 – 1 000	2 303	1.3	0.3
1 001 – 10 000	6 531	27.2	5.2
10 001 – 100 000	2 051	57.6	10.9
100 001 – 1 000 000	227	63.3	12.0
Greater than 1 000 000	30	377.7	71.6
	11 142	527.1	100.0

Distribution of shareholders

Banks	57	19.7	3.7
Close Corporations	92	1.1	0.2
Endowment Funds	118	3.0	0.6
Individuals	7 965	60.2	11.4
Insurance Companies	16	18.5	3.5
Investment Companies	17	26.2	5.0
Medical Aid Schemes	7	0.5	—
Mutual Funds	72	33.4	6.3
Nominees and Trusts	2 233	303.0	57.5
Other Corporations	140	2.4	0.5
Pension Funds	132	26.7	5.1
Private Companies	275	12.0	2.3
Public Companies	17	1.0	0.2
Employee Share Trust	1	19.4	3.7
	11 142	527.1	100.0

Public/Non-public shareholders

Directors of the Company	4	8.2	1.6
Associates of the Company	4	1.5	0.3
Strategic Holdings (more than 10%)	1	253.1	48.0
Related Holdings	1	1.4	0.3
Group Pension Fund	1	0.6	0.1
Employee Share Trust	1	19.4	3.7
Public Shareholders	11 130	242.9	46.0
	11 142	527.1	100.0

Beneficial shareholders holding 1% or more

Ackerman Family Trust	253.1	48.0
Liberty Group	25.5	4.8
Pick 'n Pay Share Trust	19.4	3.7
Old Mutual Group	15.8	3.0
Public Investment Corporation	8.9	1.7
BOE Nominees	7.0	1.3
Investec	6.8	1.3
Investment Solutions	5.5	1.0

Corporate governance

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 Group is committed to sound and transparent business practices. 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 Limited ("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.

Group structure

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 seven non-executive directors and five executive directors. It is responsible for selecting a successful management team, approving corporate strategy, monitoring and assessing 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, and for appointing the Chairman and CEO, whose roles are separate. The Board meets four times a year to monitor the performance of the Group, its executive directors and senior management.

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
- Striving for a flat organisational structure
- Where appropriate, maximising decentralisation of authority to enable local control
- Promoting from within, recruiting from outside only as an exception when specialist skills are required
- Maintaining a discount image
- Fighting collusion amongst suppliers, and rejecting collusion between retailers
- Maintaining strong cash, buying forward on a rising market

Leadership development

The non-executive directors evaluate the performance of the CEO annually. The evaluation is based on 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, MD or any of the senior management personnel 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.

Administration continued

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 reviewed annually by the Board. Detailed information on each of the committees is available to download through our website. A brief outline of the role and responsibility of each committee is provided below:

- **Audit, Risk and Compliance committee:** This committee, which meets twice a year, 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. Audit committees for each major operating division also hold meetings twice a year, the chairman of which reports its findings to the Group Audit, Risk and Compliance committee. The external and internal auditors have unrestricted access and communicate with 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. The Group aims to remunerate all its employees in the upper quartile of their peer group in the retail industry and, for senior executives, to ensure that an appropriate proportion of their total package is performance related. In addition to cash remuneration, employees 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. He has a formal role description (with limits of authority) from the Board, which is reviewed and reaffirmed annually. 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 also detailed in a formal role description, together with limits of authority, and these are approved and reviewed annually by the CEO.

The Chairman's Executive Committee (Exco), which comprises top management, helps the Board assess strategic opportunities and guides the management boards on principles of strategy and policy.

The company's policy of decentralisation and flat organisational structure means that each region is managed autonomously. Each region has its own management team that manages operational, marketing and social responsibility budgets. Each store is responsible for its own results and responds individually to customer needs 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 endorsed a comprehensive code of conduct founded on the highest levels of honesty, integrity and respect. All 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 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 (where required) 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 shares in both companies 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 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.

Administration continued

Directors' attendance at meetings

Pick 'n Pay Stores Limited Board meetings					
Director	18 April 2005	10 June 2005	17 Oct 2005	17 Feb 2006	AGM 10 June 2005
R D Ackerman (<i>Chairman</i>)	P	P	P	P	P
D Robins (<i>Deputy Chairman</i>)	P	P	P	P	P
S R Summers (<i>CEO</i>)	P	P	P	P	P
G M Ackerman	P	P	P	P	P
W Ackerman	P	P	P	P	P
D G Cope	P	P	P	P	P
R P de Wet	P	P	P	P	P
H S Herman	P	P	P	P	P
C Hultzer	P	P	P	P	P
D M Nurek	P	P	P	P	P
C Nkosi	P	P	P	P	P
B J van der Ross	P	P	P	P	P

Pick 'n Pay Holdings Limited Board meetings				
Director	18 April 2005	17 Oct 2005	17 Feb 2006	AGM 10 June 2005
G M Ackerman (<i>Chairman</i>)	P	P	P	P
R D Ackerman	P	P	P	P
W Ackerman	P	P	P	P
R P de Wet	P	P	P	P
H S Herman	P	P	P	P
C Hultzer	P	P	P	P

Audit, Risk and Compliance Committee meetings		
Director	15 April 2005	14 Oct 2005
C Hultzer (<i>Chairman</i>)	P	P
G M Ackerman	P	P
D M Nurek	P	P
H S Herman	A	P
B J van der Ross	P	P

Remuneration Committee meetings		
Director	22 April 2005	10 Oct 2005
D M Nurek (<i>Chairman</i>)	P	P
G M Ackerman	P	P
R P de Wet	P	P
H S Herman	P	A
C Hultzer	P	P

P = Present A = Apology

Non-Executive Directors' remuneration

For the various services rendered on behalf of the Board the non-executive directors are remunerated per annum as follows:

Non-Executive Directors' remuneration	2006	2005
Chairman of the Board (excluding remuneration for managerial services)	R1 500	R1 500
Lead Director	R80 000	R30 000
Member of the Board	R240 000	R100 000
Chairman of the Audit, Risk and Compliance Committee	R120 000	R60 000
Member of the Audit, Risk and Compliance Committee	R40 000	R30 000
Chairman of the Remuneration Committee	R80 000	R60 000
Member of the Remuneration Committee	R40 000	R30 000

During the current year the Remuneration committee undertook an in depth study to determine the correct level of fees to be paid to non-executive directors. Given the risk undertaken in today's corporate environment and time needed by the directors to fully discharge their duties, both as directors and committee members, the Remuneration committee concluded that an adjustment to the overall level of pay was necessary. This adjustment also brings remuneration levels to more market-related levels.

Partnering with our peers – Our membership of 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
- SACOB (SA Chamber Of Business)

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 and standards related memberships

- GS1 South Africa: Global Standards Body
- Represented on the board of the Global Commerce Initiative (GCI)
- South African Retailers Payments Issues Instruments Forum (SARPIF)
- EMV Forum (Europay Mastercard and Visa)
- Computer Society of SA
- ECR South Africa (Efficient Consumer Response)

Administration continued

Raymond Ackerman representation:

- Trustee of UNISA
- National Trustee of AIESEC (Association Internationale des Etudiants en Sciences Economiques et Commerciales – International Association for Economic Science and Commerce)
- Honorary member of the Lions Club
- Patron of The Herzlia Foundation
- President of the Clovelly Country Club
- Ex-Chairman of the CIES (International Food Business Forum)
- Patron of the Free Market Foundation
- Trustee of the SA Nature Foundation
- Trustee of the Business Ethics Association
- Trustee of The Zama Trust (Zama Dance School in Gugulethu)
- Honorary Vice President of Diocesan College (Bishops)
- Patron of Business Against Crime: Western Cape
- Trustee of United Herzlia Schools
- Patron of Tikkun nationally
- Honorary member of Senior Golfers Society of the Western Province

Sean Summers' representation:

- CIES Board of Directors
- Consumer Goods Council of SA (Board member)
- 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
- Our dairy technologists are members of SASDT (South African Society of Dairy Technology)

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



Interview with Paul Connellan – Foods and Merchandise Director

What does sustainable development mean in practice for your activities?

We interact with each element of the triple-bottom-line of sustainable development:

Economically, we strive to procure products at the best price, so that we can pass this benefit on to our consumers. We also play an important economic role by supporting local and smaller suppliers, by identifying and procuring from BEE-compliant suppliers and service providers, and by implementing fair and efficient business practices with all our suppliers.

The social aspect encompasses a range of activities. In addition to ensuring that our food is absolutely safe, we are active in promoting healthier consumption patterns, for example by making healthier foods available, ensuring appropriate labelling, providing dietary guidance and awareness initiatives, and responding to consumer queries on food health and safety.

We have an important role to play in promoting environmentally responsible management practices throughout our supply chain. Key issues include the sustainable utilisation of raw materials, appropriate management of natural habitats and biodiversity, and managing the impacts associated with the transportation, storage and packaging of foods.

What have been the highlights for you during the year?

An important highlight this year has been the development and enforcement of our Supplier Food Safety Standard, as well as the important positive contributions arising from our supplier audit programme. I am also pleased with the progress we have made in promoting small and local suppliers, including in particular through our BEE initiatives. Another highlight has been the ongoing maintenance of high standards in terms of our in-store food safety practices.

What will be some of your areas of focus in terms of sustainability for the coming year?

Looking ahead, we will continue to work on ensuring appropriate integration of social and environmental considerations into our supply chain practices, and we will also play an important part in the roll-out of the company's SDMF. A critical ongoing activity will be our focus on developing BEE, as well as our funding and development of emergent farmers.

Merchandise continued



Interview with Chris van Rooyen – General Merchandise Director

What does sustainable development mean in practice for your activities?

Our key contribution to promoting sustainability is in terms of our impact on the supply chain. An important focus for us is ensuring that social and environmental considerations feature alongside price and quality when selecting products and suppliers. We also have a role to play in terms of ensuring product safety (for example through informative labelling practices), as well as minimising the possible impacts associated with the packaging, storage, transportation and disposal of our products. We provide sustainability for our suppliers by stocking a wide range of products and negotiate the best possible prices for our customers.

What have been some of the highlights in terms of sustainable development during the year?

While we have always made provision for social and environmental issues in our procurement practices, I believe that this year we have made valuable progress in terms of formalising our approach to sustainability. We have identified a set of sustainability performance indicators, and have begun to implement a more structured approach to monitoring and reporting on our performance.

What will be some of your areas of focus in terms of sustainability for the coming year?

An important focus area will be on evaluating the possibilities for further integrating social and environmental considerations within our criteria for selecting and reviewing manufacturers and products.

Food safety

Our customers have the right to be completely confident in the food they buy at Pick 'n Pay. We make it an unconditional priority to ensure that our products are of the highest quality and absolutely safe.

All food handlers in our stores are trained in food hygiene and operate strict procedures to ensure we meet the standards our customers expect. We work closely with the Departments of Health and Agriculture and are actively engaged in upgrading industry standards.

All suppliers are required to be audited by a certified food safety auditor, annually, to further ensure that standards are maintained.



Managing food safety

Food safety is considered at every stage from product design and production to transportation and sale in store. Technical managers partner with a team of food technologists, microbiologists and home economists to ensure food safety along the supply chain and in stores. Regional and Hypermarket general managers ensure day-to-day food safety management and staff training. On a monthly basis, third-party auditors check that the food safety policy is practically implemented by the team at store level.

Our corporate and franchise 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. Cleaning materials, sanitisers and pest prevention are continually reviewed to be consistent with best practice food safety applications.

Food safety in the supply chain

Suppliers are selected on the basis of a proven reputation for delivering safe, quality products. Our Technical Division is responsible for visiting and monitoring suppliers to ensure that they comply with rigorous hygiene and food safety standards stipulated in the Pick 'n Pay Supplier Food Safety Standard. This includes a programme of random sampling of products to be taken for examination, testing or analysis.

In addition, all suppliers are required to be audited by a certified food safety auditor, annually, to further ensure that standards are maintained. Compliance with the standard assists Pick 'n Pay in assuring the safety of foods sold by Pick 'n Pay. The technical department monitors customer complaints about own label products and takes necessary action to ensure customer satisfaction.

Merchandise continued

Pick 'n Pay Supplier Food Safety Standard

Considerable time and resources have been invested in developing a Pick 'n Pay Supplier Food Safety Standard, with the aim of enhancing food safety, ensuring consumer protection and strengthening consumer confidence.

The principal elements of the standard cover a range of food safety criteria, including good agricultural manufacturing and distribution processes and local legislation and standards. The standard, together with the Global Food Safety Initiative (GFSI) guidelines, specifies the minimum controls that all our suppliers must implement in their purchasing, production, storage, packaging and handling processes.

A number of Supplier Symposiums were held this year for national and house-brand suppliers. Pick 'n Pay and third party auditors spent the day with suppliers to ensure that they understand the criteria and requirements of the standard.

The production of all our agricultural produce is undertaken in compliance with the established Good Agricultural Practices (GAP) standards that have been defined by the Euro-Retailer Produce Working Group (EUREP). These EurepGAP standards for fresh produce food have been set in place by Europe's leading food retailers to give their customers more assurance of food safety. Nationally, all of our produce suppliers are audited against these standards. The Meat Safety Act addresses measures to promote the safety of meat and animal products and to establish and maintain Essential National Standards for abattoirs.

Responsible livestock practices

Pick 'n Pay continually strives towards maximising the humane treatment and quality of livestock. Although Pick 'n Pay supports the reasonable application of modern technology, provided that the toxicological significance has

been scientifically evaluated, we support all attempts by the regulatory authorities to reduce residues through restriction of their use for non-essential purposes.

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.

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 our food technologists who regularly visit suppliers to ensure compliance with regulations and standards. Produce is routinely tested.

Genetically modified foods

The genetic modification (GM) of products is a complex and challenging issue and we understand concerns expressed by our customers. It is difficult at this stage for Pick 'n Pay and the local retail industry as a whole, to provide customers with accurate and meaningful information about the genetically modified status of all products stocked. This is because there is, as yet, no Identity Preservation System in place in South Africa and the co-mingling of genetically modified maize and soya with conventionally grown crops is largely uncontrolled, with the result that many maize or soya-containing products may contain GM material.

The National Department of Health has issued mandatory labelling legislation for GM foods that are significantly different to their conventional equivalent, but these have been underwritten with a clause stating that the regulations are subject to change once an Identity Preservation System, currently in draft by the SABS, has been implemented.

Informative labelling

We recognise the importance of providing clear and relevant labelling on our house-brand products so that our customers can make informed choices to suit their budget and any requirements relating to quality, health and nutrition. Detailed information is provided on food ingredients,

We recognise the importance of providing clear and relevant labelling on our house-brand products so that our customers can make informed choices.

highlighting any allergens present, as well as providing warnings, usage and storage information, typical nutritional values per 100 g 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.

Pick 'n Pay pledge to all our customers

To make products available to customers reflecting a combination of quality, price and service, through efficient selling practices that will make our company the best from which to buy.

Promoting healthy eating

We are pleased to observe a growing awareness among our customers of food safety and the nutritional value of the products they buy. We are responsive to their nutritional concerns, interests and needs. The following measures are taken to influence and promote a healthier way of eating:



Foods

- A wide selection of foods with various health benefits is offered to our customers. These include omega-3 enriched eggs and milk, an extensive 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 low GI (glycemic index) products recommended for those with diabetes.
- We continue to expand our range of organic products and encourage a growing demand for these products.

Merchandise continued

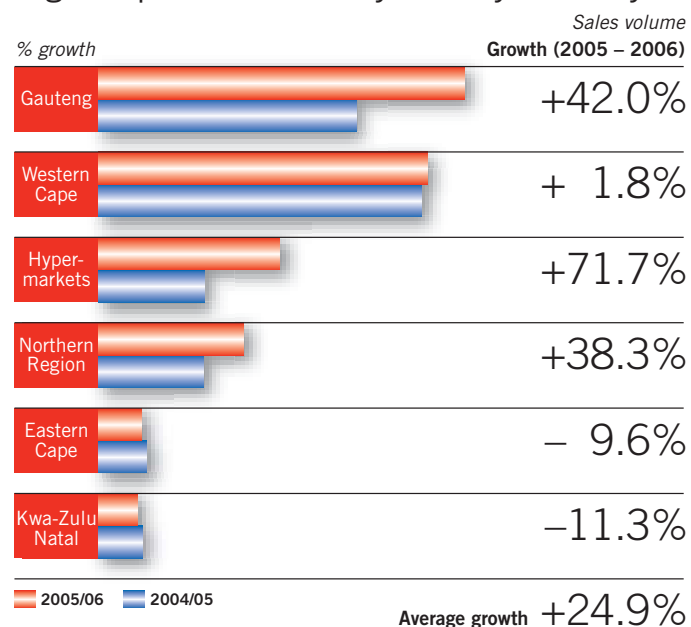
Services

- A registered dietician is available through a Health Hotline (toll free 0800 11 22 88 or (011) 856-7626) to answer customer and staff queries and offer guidance and dietary guidelines relating to various health issues. The average daily response to this free service is 15-20 customer calls, 10-15 e-mails and 2-3 queries submitted through the internet. Enquiries relate predominantly to diabetes, cholesterol, weight-loss and allergy-related information.
- A new shopping tour service is available to customers in some of our Hypermarkets. Trained dieticians provide guidance on how to plan and shop for special dietary needs, especially in the case of diabetes sufferers.
- We are in the process of developing and implementing a comprehensive product database, the first of its kind in South Africa that will provide detailed nutrition and allergen information for all products listed with Pick 'n Pay. Thus far all our house-brands and some national brands have been registered on the data base. For specific dietary requirements, for instance a wheat-free diet, a list of suitable products on offer will be simple to access and will facilitate an easier shopping experience.
- Health-related topics of interest and relevance to our customers are discussed in a series of leaflets known as the *Healthy Eating Guide* and a quarterly newsletter, *Update*. These publications are available at our stores and through our website.

Increasing demand for organic produce

South African consumers are following the global trend of eating food that is free of harmful pesticides and demand for organically grown produce is increasing dramatically. The total sales from our organic product lines increased 24% this year. A notable increase in sales was experienced in the Gauteng region (42% growth) and through our Hypermarkets (a 72% increase).

Organic product sales – year on year analysis



Ensuring customer satisfaction

We are committed to getting the right product to our customers at the best price and to ensuring customer satisfaction at all times.

Pick 'n Pay house-brands

In addition to offering major brand products, Pick 'n Pay develops and distributes its own house-brands or private label brands. 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 offer basic products at lower prices.
- *Pick 'n Pay's Choice*: These products have been selected for their outstanding quality, which is equal to that of leading national brands, at a better price.

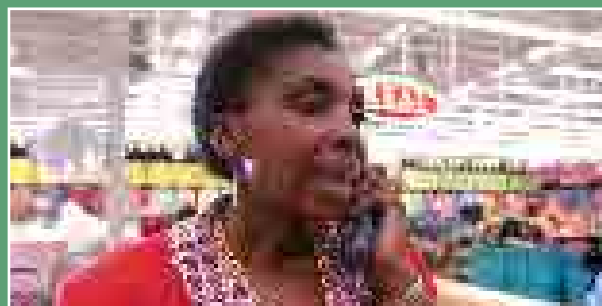
- *Pick 'n Pay Foodhall*: This house-brand offers our customers meal solutions and top quality ingredients that have been prepared to the highest of food standards.

We have a team dedicated to improving these brands, researching and developing new products to ensure we remain competitive and satisfy our customers' needs.

It is our policy to respond to every instance of communication, however minor. Our toll-free 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.

During the review period over 76 700 (this total number of calls reflects calls of a diverse nature, including queries and

Our in-store Customer Service Managers, easily identified by their red uniforms, ensure that good service levels are maintained and that all in-store customer queries and complaints are managed.



Pick 'n Pay among the top 50 fastest growing retailers

Pick 'n Pay was ranked the 31st fastest growing retail company worldwide, according to a recent 2006 Global Powers of Retailing Survey conducted by consulting firm Deloitte Touche Tohmatsu and Stores Magazine. The survey placed Pick 'n Pay 123rd in the top 250 food and general goods retailers list. This is based on retail sales for the year July 2004 to June 2005.

(Source: *Business Day*)

Customer service and communication

Our in-store Customer Service Managers, easily identified by their red uniforms, ensure that good service levels are maintained and that all in-store customer queries and complaints are managed.

complaints) calls were answered (a daily average of 210 calls), of which 81% were answered within 20 seconds. Over 203 550 outbound calls were made in response, as part of the process to ensure customer satisfaction. Follow-up calls to enquire if customers are satisfied registered a 92% satisfaction rate. An analysis is undertaken to determine the nature of all the calls received through the Careline. This enables us to identify the areas where there is particular scope to improve our performance or communication, and thereby increase customer satisfaction.

We communicate with our customers on a range of issues through various channels. These include internal radio stations in our stores, our website, a series of booklets called *Talk About* which provide sensible advice on various social issues, and our free e-mailed newsletter, *Part of Your Life*, which includes competitions, recipes and in-store special offerings. The monthly newsletter has over 200 000 subscribers.

Merchandise continued

Facilities for our disabled customers

Additional measures are taken in our stores to assist our disabled customers. These include a wheel-chair friendly checkout ramps for easier access to stores, motorised trolleys at our Hypermarkets, and reserved parking bays at our Supermarkets and Hypermarkets. The majority of our stores have cloakroom facilities for disabled customers.

environment in South Africa. In addition to a fully transactional account that can also be used as a high interest-earning savings and investment account, a Go Banking account holder can 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.



During the review period Go Banking grew its funds on deposit by 23%, its transactional volume by 36%, and extended its product range.

Each store has a Customer Service Manager to offer personal assistance with any specific needs. We also have a telephone service for hard-of-hearing and deaf customers through our Customer Careline on 0800 00 89 89.

Online shopping

Our Home Shopping Division has been restructured so that gross profit and expenses are now accounted for by respective regions, and administration is managed at our Cape Town offices. These developments have improved the effectiveness and efficiency of the division. We will be upgrading our website in order to improve the online shopping experience and forecast a steady growth in the use of this service. Turnover has increased by 63.5% over the last three years.

Go Banking

Go Banking, our initiative in partnership with Nedbank, offers our customers a superior banking facility in the retail

During the review period Go Banking grew its funds on deposit by 23%, its transactional volume by 36%, and extended its product range. Three personal accident assurance products and three MasterCard credit cards, with associated Garage Cards, were launched.

The credit cards have competitive interest rates and no annual fees. This, together with the shopping discounts offered to all Go Banking customers, will be used to drive further account acquisition in 2006.

Our stores

We are constantly reviewing our range offering and instituting innovations in our stores to ensure we maintain customer interest and satisfaction. These developments have a direct effect on store design and we therefore are on a continuous revamp cycle and developing new store formats. Each store is laid out to suit the community it serves and located to address the growing markets countrywide.

Our current range of stores has a modern, warmer image and simplification in signage and décor elements has assisted in the presentation of our merchandise. This revised design concept has been successfully implemented in a fair number of existing stores and is automatically implemented in new stores. In our Hypermarkets under construction we have created a new image by adapting current international trends to suit our local needs, with emphasis being placed on the presentation of merchandise.

Our current range of stores has a modern, warmer image and simplification in signage and décor elements has assisted in the presentation of our merchandise.

In select stores we have added our new offerings of coffee, sushi, grain and oriental hot food bars to the fresh food areas, and in select centres, liquor stores and pharmacies have also been opened. Innovative design improvements are also being made to our wine sections, health and beauty areas and digital photo counters to enhance the shopping experience.

Customer safety and security

We have ongoing initiatives to ensure a safe and secure environment for our customers and staff, and we work proactively with the Consumer Goods Council Crime Prevention programme and Business Against Crime to improve our security and crime prevention initiatives.

Suppliers

Procurement and supply chain management

It is Company 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. This process is gaining momentum and The Ackerman Pick 'n Pay Foundation has been tasked with managing the Company's BEE fund.

Along with quality, respect for labour and environmental protection represents the criteria used in selecting suppliers.

Pick 'n Pay pledge to our 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.

Merchandise continued



Interview with Suzanne Ackerman-Berman – General Manager Corporate Affairs

How is Pick 'n Pay advancing Black Economic Empowerment?

Pick 'n Pay is committed to Broad-Based Black Economic Empowerment (B-BBEE) and strives to exceed expectations set by Government. Building on our overall audit rating of B from independent rating agency Empowerdex last year, which categorised Pick 'n Pay Retail as a satisfactory BEE contributor, we have made significant strides to incorporate B-BBEE into our overall operational strategy. Policy statements and strategic implementation guidelines have been developed by our BEE committee. In an effort to meet and exceed stipulated targets, divisions and departments have focused on making progress in preferential procurement and

enterprise development – areas which have maximum impact on broad-based empowerment.

As we undergo the second B-BBEE audit under current legislation, and in acknowledgement of the latest changes contained in the Codes of Good Practice (Phase II), we are confident that we will achieve a higher rating this year.

We continue to focus on the development of BEE in all areas of our business practices: we procure from an increasing number of BEE-compliant suppliers and service providers; we are involved in numerous initiatives to fund and develop emergent farmers, and we are committed to employment equity. Employment equity targets are set each year, which we often achieve and in certain areas exceed.

Why did Pick 'n Pay establish the Franchise Academy?

As part of our longer term strategy to promote small and local suppliers we established a Franchise Academy in 2005 with the aim of training historically disadvantaged individuals to manage and operate a Pick 'n Pay franchise store. The first group of six trainees completed the programme in December 2005 with excellent results. Five of them have secured partnerships and are in the process of opening or taking over a franchise store.

A second group of eight trainees started the programme in June 2005 and we already have a number of interested applicants for the next intake in 2007.

Support Bakery BEE project on a roll

The Support Bakery community project, launched in 2004 as an initiative to promote small and local suppliers, is an unprecedented success. The venture, which involves the production and delivery of a wide variety of bakery products to be sold in our stores, is generating increasing demand for these products at our stores.

The project goes from strength to strength in every way. In the last year it has generated record turnovers. The production facility has grown from having 27 company owners in three companies, to 39 owners in five companies. An additional two companies will be operating before the end of the year, which will provide an opportunity for a further 12 company owners.

In turn, these SMEs create job opportunities for another 49 permanent staff and 25 variable-time employees. The Support Bakery project will enable the in-store bakeries to expand their product range, which will shortly include a range of continental breads and cakes, and meet increasing demand in the market place.

We have assisted 48 Support Bakery employees in obtaining a Craft Baking and Flour Confectionery NQF2 learnership. There is increasing demand for these skills in the industry.



Merchandise continued

Farmer prosperity from apples

Pick 'n Pay is a proud supporter of the Bethlehem Farmer's Trust (BFT), a successful development project for upcoming apple farmers. The BFT is an initiative of the Industrial Development Corporation and the Development Bank of South Africa, assisting emerging farmers to produce apples in the Eastern Free State. The project involves 94 previously unemployed farmers, of which 28 are women.



They have progressed to the point where they presently employ more than 350 seasonal labourers; 60% are women. The farmers have been trained in all practical and theoretical aspects regarding apple farming. Each farmer owns one or two hectares with 1 500 apple trees per hectare; the farmers expect to harvest 5 600 tons of apples in 2006/7.

Pick 'n Pay is fully behind this venture: we are the BFT's principal customer, absorbing most of the apples produced for the local market into our stores, and have made a significant contribution to finance the expansion of the grading and packing machinery at the apple packing house. This has resulted in a 50% increase in production capacity and will be vital once the farm reaches full production next year. Pick 'n Pay also conducts regular supplier audits at the pack house to ensure continuous improvement on all aspects of safety and hygiene.

The BFT is still in the developmental stage but once it is fully productive, next year, it will be a profitable and sustainable enterprise. It has received widespread acclaim as an exemplary development project for upcoming farmers in the country.

Promotion, Social and Environmental Responsibility



Interview with Jonathan Ackerman – Marketing Director

What does sustainable development mean in practice for your activities?

The growth and success of our business is dependent on the nature of our relationship with the communities in which we operate. It is these communities that provide us with our employees and customers, and with our “licence to operate”. All the activities under this leg of the business – namely our advertising, promotions, communications, and social and environmental responsibility initiatives – are orientated towards investing in our communities, benefiting our customers and making a positive contribution to society.

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

Raymond Ackerman, Chairman

Since our establishment we have played an active role in supporting and building local communities, as an important part of Raymond Ackerman's philosophy that “doing good, is good business”. Every year we commit approximately R45 million to our corporate social investment (CSI) initiatives. These range from major nationwide campaigns and the development of long-term partnerships, to spur-of-the-moment support for local needs throughout the country. An important feature of our CSI initiatives is our focus on addressing the specific needs of the communities immediately surrounding our stores.

What have been the highlights for you during the year?

An important development this year has been our progress in developing our SDMF and, as part of this, formalising our approach to environmental management issues. We have identified and begun reporting against a comprehensive set of performance indicators, and we have commenced the process of implementing various environmental management initiatives within our operations.

There have also been a number of highlights in terms of our CSI activities. Our fund raising efforts for the Sunflower Fund for the bone marrow registry, are increasingly supported by our customers each year. Our sporting events aligned with the Starfish charity helped generate significant funds to assist Aids orphans. It was our 10th year of supporting the Quad Para Association of South Africa. A further highlight this year was the establishment of a BEE Fund Committee to support emergent or existing BEE enterprises in communities throughout the country. A number of projects are currently underway and several new projects will be launched during the next financial year.

Promotion, Social and Environmental Responsibility

continued

What will be some of your areas of focus in terms of sustainability for the coming year?

An important focus in the 2006/7 financial year will be to finalise the company's strategic vision for sustainability and agree priority action areas and timeframes. The implementation of this vision will include rolling out our sustainability information management system, undertaking training and awareness initiatives, and implementing specific projects with a focus on environmental issues in our stores and offices and through our supply chain. We will also continue to be proactive in identifying opportunities to support social causes – small and large, local and national, and to be responsive to as many of these as possible.

A specific focus both in terms of our SDMF and CSI initiatives will be the implementation of BEE initiatives, with a particular emphasis on partnership- and community-based initiatives.

Our pledge to South Africa and our communities

To give back to the communities in which we operate through an investment in education and literacy programmes, housing, self help schemes, child welfare, parent support groups, feeding schemes, relief programmes, cultural and theatrical projects, sport development and environmental programmes.

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

We commit major resources to social investment initiatives each year and adopt a flexible approach, responding to the needs of communities under specific circumstances. Funds are distributed both centrally, from our regional offices and from individual stores. This ensures that the stores stay closely in touch with the communities which support them. We strive to develop long-term sustainable partnerships with all

Social investment is a core part of our values and principles, and a critical component of our corporate governance.



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 corporate social investment (CSI) programme

Our long-term success depends on the sustainable development of the communities we serve. 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, contributing approximately 7% of post tax profits in sponsorships and corporate social responsibility initiatives.

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

The Ackerman Pick 'n Pay Foundation was established in 2000 by Pick 'n Pay in honour of Raymond and Wendy Ackerman. This additional fund for philanthropic purposes has to-date committed more than R12 million to sustainable community development 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. The Foundation currently supports in the region of 30 projects. This year it has further developed and implemented policies, procedures and systems in order to enhance its CSI strategy and practice.

Promotion, Social and Environmental Responsibility

continued

During the review period Pick 'n Pay contributed a further R5 million in its drive to support emergent or existing BEE enterprises in communities throughout the country, and ensure the viability of these businesses. The Foundation has been tasked with the management of these funds.

In addition to providing access to finance, these enterprises have access to the market via the Pick 'n Pay supply chain. In the next financial year we will undertake an impact

Jala Peo Trust (Free State)

This initiative promotes food security by providing landowners with training in land preparation and small scale agriculture. Produce from the training garden is donated to crèches and pensioners. The landowners sell their produce for a profit.



During the review period Pick 'n Pay contributed a further R5 million in its drive to support emergent or existing BEE enterprises in communities throughout the country.

evaluation to assess our strategy and impact over the last three years.

Further information on the Foundation is available on our website.

Projects funded by The Ackerman Pick 'n Pay Foundation

The Ackerman Pick 'n Pay Foundation funds many national initiatives that encourage job creation, entrepreneurship and self-reliance. The following provides a brief description of a selection of regional projects supported during the review period:

Masiphathisane Leather Works Manufacturing Youth Project (Eastern Cape)

A group of youths were provided the opportunity to learn how to manufacture leather goods and repair shoes. The Foundation has contributed towards expanding this highly successful project.

Creative Inner City Initiative (Gauteng)

This initiative provides holistic, project-based training within the creative areas of visual arts, crafts and cultural entrepreneurship, at its art centre and other venues in and around the Johannesburg Inner City. The project aims to enable artists to realise their potential and gain an income from their talents.

Ncemane Sakhisizwe Construction (KwaZulu-Natal)

This rural, community-based housing project was initiated by the community in response to the high levels of unemployment, and lack of adequate housing, in the area.

Malavuwe Community Sewing Project (Limpopo)

This sewing project was started in 2001 after a group of unemployed women came together to provide school uniforms and clothing for the local community. The group has subsequently increased its workforce and has a steady customer base.

Mukhanyo Community Development (Mpumalanga)

This project focuses on training community members who are affected by the Aids pandemic to develop gardens which use space and water economically, in which to grow fresh produce for themselves and the community, as well as to generate an income. A number of individuals have also introduced tunnel gardening. The project has proven to be so successful that it is now a source of quality produce sold at retail outlets.

The 2006 programme has found support from the City of Cape Town in the form of a student bursary fund. Plans for expansion of the programme to the remaining eight provinces are underway as is the re-development of the six-month programme into a two-year programme.

Further information on the Foundation is available on our website.

7 000 Children have benefitted from our annual Calypso Beach cricket sporting festival.



Men on the Side of the Road – Furniture Making Project (Western Cape)

This initiative provides training in furniture making and basic construction to unemployed men. The furniture manufactured is designed to enhance small living spaces, which is particularly suitable for the houses the government is currently building in communities.

Raymond Ackerman Academy of Entrepreneurial Development

The Raymond Ackerman Academy of Entrepreneurial Development was launched on 14th February 2005 at the University of Cape Town's Graduate School of Business. The Academy was initiated to offer an opportunity to disadvantaged youth to enter the university environment and gain the skills and motivations required to start their own business venture. Three student cohorts have completed the six-month programme; students have been drawn predominantly from the greater Cape Town area but many have travelled from around South Africa to participate in the programme.

CSI focus areas

Pick 'n Pay and The Ackerman Pick 'n Pay Foundation support a diverse and extensive range of projects. Hundreds of charities and development projects benefit every year from the programmes we support.

The focus areas of The Ackerman Pick 'n Pay Foundation are:

- arts and culture;
- rural and community development; and;
- job creation initiatives.

The focus areas for Pick 'n Pay's investment are:

- education and literacy programmes and institutions;
- promoting 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;
- entrepreneurship development;

Promotion, Social and Environmental Responsibility continued

- road safety;
- housing;
- feeding schemes; and
- sponsoring various sporting events.

Forming Partnerships for CSI – Pick 'n Pay Highlights for 2006

- *Sunflower Fund*: our support for this non-profit organisation committed to expanding the bone marrow registry is raised through the sale of sunflower bandanas in our stores countrywide. R1.5-million was raised this year.
- *Starfish campaign*: this national charity in support of Aids orphans nationwide is closely associated with our sporting events. Individuals are called upon to be a “Greatheart” and either run or ride for charity. R975 000 was raised this year.
- It was our 10th year of supporting the Quad Para Association. The revenue generated from this campaign goes towards building self help centres for disabled people. R1 million was raised this year.
- The Pick 'n Pay “Stay Alert, Stay Alive” campaign, launched in 1992, is a widely recognised South African road safety initiative that continues to expand its reach. It incorporates a television campaign and a bi-annual competition to promote road traffic safety. This year a record count of 376 000 forms was recorded. The initiative also hosted its 13th annual “Project DAD” which involves a day of road safety research at Kyalami race track in Johannesburg.
- This year was the largest field ever for the Pick 'n Pay 94.7 Cycle Challenge and the Cape Argus Pick 'n Pay Cycle Tour, the two biggest timed races in the world, bringing communities together.
- *Tsunami village*: Pick 'n Pay, in partnership with Netcare 911, generated funds through customers and business activities, for the building of a village in Banda Aceh. The village will provide housing for a hundred families and each family will adopt an orphan of the Tsunami disaster. The building of the village is almost complete and we look forward to handing it over to the families.
- *Earthquake in Pakistan*: Pick 'n Pay donated R50 000 towards a South African group of volunteers who went to Pakistan to assist with relief efforts.



National campaigns

- *“Back to School” stationery donation campaign*: Pick 'n Pay partnered with MWeb, DSTV and SMILE education to promote a campaign to collect stationery for needy schools nationwide. At thirty selected stores, customers were encouraged to purchase items of stationery, to donate towards the campaign. A collection of stationery valued at R95 000 was generated and a further R95 000 was donated by MWeb.
- *School Club*: The Pick 'n Pay School Club programme, now in its third year, has made a significant impact on the South African educational landscape. Over 1 000 schools across the country are competing for R50 000 prizes; in the process they rely on outstanding educational material and application methodologies generated by the Club.
- *Reach for a Dream Foundation*: blue bands were sold throughout Pick 'n Pay stores nationwide, at R5 each, to raise funds for the Foundation. Many local sports heroes and celebrities supported this campaign, which generated extensive publicity and public support. A total of R1.3 million rand was raised.

- *Kids in Parks*: the generous support provided by customers who have purchased Pick 'n Pay Green Bags, has enabled 2 500 children to experience a national park, many for the first time. Pick 'n Pay donated R1 from every R5 Green Bag sold to an environmental fund, to enable it to launch and manage the “Kids in Parks” programme.

Hypermarket Activities

- Brackenfell Hypermarket is the sole sponsor of the R.E.A.C.T. Social Crime Prevention Project, initiated five years ago in conjunction with the South African Police Services (SAPS), to instruct people on how to avoid becoming a victim of crime. To date, approximately 70 000 – 80 000 people have been exposed to the programme, operated by SAPS.
- Hypermarket national office embarked on a drive to feed undernourished people, in partnership with the Salvation Army. Packets of No-Name soup were sold below cost and customers were encouraged to donate packets of soup at stores. Over 150 000 packets of soup were donated by customers and the Hypermarket office donated a further 10 000, to the Salvation Army.



Regional Office Initiatives

- Eastern Cape suppliers attended a golf day to raise funds for the Childline charity; R50 000 was raised.
- The Eastern Cape office has adopted an Aids Orphanage and donated R7 500 towards its maintenance.
- The Western Cape office held an annual 24-hour trackathon to sew tracksuits for HIV/Aids orphans, in anticipation of winter. The general public was invited to participate, gathering to sew for this worthy cause; 1 000 tracksuits were sewn in a period of 24 hours and donated to needy children in the area.
- “Feedback”, a scheme in the Western Cape to collect excess food from companies and the film industry for re-distribution to impoverished communities, has grown impressively. Close to 600 000 kilograms of food were redistributed last year.
- In October 2005, our Gauteng office launched a “Cents for Sight” campaign during Eye Care awareness week, to raise funds for the National Council for the Blind to restore the gift of sight to underprivileged South Africans. We encouraged our customers to donate 95 cents at our tills. Over R400 000 was generated nationally to fund 2 000 operations.

Promotion, Social and Environmental Responsibility

continued

Sports marketing

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. Last year we introduced a sports marketing policy which includes corporate business and charities, as well as family-related sporting events.

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.



Our sponsorships and involvement with sport plays an important role in enhancing the lives of many South Africans.

Our initiatives range from large national events – including the Cape Argus Pick 'n Pay Cycle Tour (36 000 participants), the Pick 'n Pay 94.7 Cycle Challenge (31 000 participants), the Knysna Oyster Festival (10 000 participants and a major tourist attraction) and the Comrades Marathon – to donations for small events that are dependent on additional funding.

A focus this year has been the development of talented cyclists in the Western Cape. A hundred children from various impoverished communities are being coached and mentored in cycling, with a view to them competing professionally. They all rode in the 2006 Cape Argus Pick 'n Pay Cycle Tour.

Other sporting events of importance to the Group include:

- The Hyper to Hyper Cycle Challenge from Steeledale Hypermarket to Bedworth Park Hypermarket has grown over the years from 1 000 to 13 000 cyclists. Funds raised are administered to various charities through the Rotary Club and Pedal Power.
- Hypermarket Golf Day: funds raised went to SA Guide Dogs Association, Drive for Charity and SA Care Trust.

BEE initiatives supported by Pick 'n Pay

The following provides a brief description of the principal BEE initiative funded by Pick 'n Pay in each region.

Fort Hare Agricultural Project (Eastern Cape)

This initiative is facilitated by Partnerships for Food Industry Development (PFID) in conjunction with USAID and the University of Fort Hare. It aims to assist 30 farmers working on 60 hectares of land to produce high volumes of quality vegetables and sell these to identified markets, including Pick 'n Pay stores.

Bethlehem Farmers Trust (Free State)

This initiative to assist emerging farmers in producing apples in the Eastern Free State is discussed in more detail earlier in this section.

KM Cosmetics (Gauteng)

This initiative involves the manufacture of hair care products for the ethnic market; these products are sold to various retail outlets in Gauteng and the Northern Region.

Coastal Cashews (KwaZulu-Natal)

This is a cashew nut producing agri-business in rural KwaZulu-Natal which supplies some of our retail stores in Gauteng.

Houses to build a dream on

This year we supported two of our Western Cape employees through the Habitat for Humanity programme to realise their dreams of having a house. Adielah Josephs and Florence Smith, who previously lived in a Wendy-house with their respective families, have now built their own homes with the help of their colleagues, as part of this initiative. The experience of Adielah and Florence is simply one example of the valuable benefits of this programme which Pick 'n Pay has supported in various regions throughout the country.



Promotion, Social and Environmental Responsibility

continued



Interview with Izak Joubert – Property and Operations Director

What does sustainable development mean in practice for your activities?

The nature and scale of our activities mean that we have significant impacts – direct and indirect – on the natural environment. For instance, our stores, product and distribution activities consume resources, energy and water, and contribute to the generation of product and packaging waste. We can contribute to sustainable development by ensuring that our consumption and production patterns are more sustainable. To this end we are committed to developing ways to reduce our impacts more systematically. Indirectly, we have the potential to make a significant positive contribution to sustainable development through our capacity to promote and influence greater environmental awareness and responsible environmental practices among raw material and product suppliers, as well as through our interaction with consumers.

What have been the highlights for you during the year?

During the year we have continued to work with Eskom as part of their Demand Side Management (DSM) programme aimed at reduced commercial energy consumption. Since 2000 all our new stores are fitted with electronic ballast lighting, and we are continuing to convert the light fittings in our established stores. It is anticipated that this conversion will reduce energy consumption from our light fittings by 22%.

What will be some of your areas of focus in terms of sustainability for the coming year?

The recently introduced SDMF and KPIs for environmental performance will help us to monitor our impacts more systematically and work towards targets. We will be focusing in particular on our waste management activities, identifying opportunities for reducing the generation of waste and increasing the volume and type of waste being recycled.

Environmental responsibility

Environmental responsibility is fundamental in our approach to sustainability. Our environmental strategy comprises three focus areas:

- the Company's commitment to ensuring sound environmental management practices within its activities;

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.

- **Property development:** In terms of property development projects, developers are required to undertake environment impact assessments and to comply with relevant requirements.

In terms of our recently introduced SDMF, KPIs have been introduced to enable us to monitor our performance in the principal areas.



- promoting environmental awareness and education of our customers and staff; and
- establishment of new partnerships aimed at proactively addressing environmental concerns.

In fulfilment of this strategy we have a clearly defined structure of responsibility on our technical side with support from the Board. Overall responsibility for our environment management currently rests with the General Manager of Corporate Marketing, Tessa Chamberlain. We are setting objectives and targets for managing direct environmental impacts and are in the process of assigning responsibility for each of our KPIs.

In terms of our recently introduced SDMF, KPIs have been introduced to enable us to monitor our performance in the following principal areas: our natural resource use; energy, water and waste generation, and recycling rates.

- **Environmental awareness:** All new employees are briefed about the Company's environmental responsibility, both

Most of our sites operate in urban areas where there are limited implications for biodiversity management.

Environmental liabilities

We are not aware of any instance of non-compliance with environmental legislation during the review period, or any uncontrolled releases, discharges or spills of hydrocarbons of a material nature at any of the sites for which we are responsible. In terms of procurement practices we support the use of certification schemes such as the Forest Stewardship Council (FSC) through some of our procurement activities.

Hazardous waste is not considered to be a material issue to be reported on due to the very low levels of potentially "hazardous" waste. This is mainly used cooking oils, all of which is removed by contractors for recycling purposes.

Promotion, Social and Environmental Responsibility

continued

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.

- Since 2001 all new stores have been using fluorescent light fittings with electronic ballasts, which are more energy efficient than magnetic ballasts. During the year we began a process of converting the balance of our stores to electronic ballasts, which use approximately 22% less energy.



We have implemented a number of measures to reduce environmental impacts of our transportation activities.

Current environmental activities

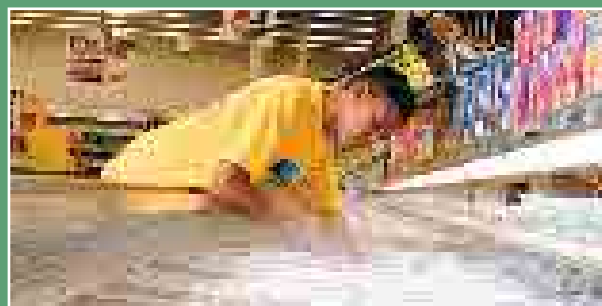
Following is a brief summary of some of the principal environmental activities that we are currently undertaking:

- **Energy efficiency/water saving:** Our energy source for store operation is electricity, externally provided by local authorities sourced from the national grid. Our water is also sourced from local authorities. We have introduced initiatives to reduce energy and water consumption and aim to introduce additional innovative initiatives, in future. The following initiatives have already been undertaken:
 - In 1998 we introduced upright merchandise freezers with glass doors in all new stores and most refurbished stores; energy consumption with these freezers is as much as 60% less than with the open-coffin cabinets.
 - Since 2001 all new refrigeration has been air-cooled as opposed to water-cooled, resulting in a significant reduction in water consumption.
- Since 2001 all new stores have been using heat-reclaim systems, which harness heat dispelled from our refrigeration systems to provide hot water, as opposed to using electricity to heat water. All the larger stores have also been using the same heat-reclaim systems for comfort heating through the air-conditioning system.
- Since 2005 all new stores have been using air-cooled towers for their air-conditioning systems, as opposed to water-cooled towers, resulting in a further reduction of water usage.
- Water consumption is closely monitored by the regions, to ensure that wastage, as a result of faulty or damaged reticulation, is kept to a minimum.
- **Reducing transport impacts:** We have implemented a number of measures to reduce the environmental impacts of our transportation activities and to encourage more responsible practice:
 - Since 2001 all new stores have been using fluorescent light fittings with electronic ballasts, which are more energy efficient than magnetic ballasts. During the year we began a process of converting the balance of our stores to electronic ballasts, which use approximately 22% less energy.

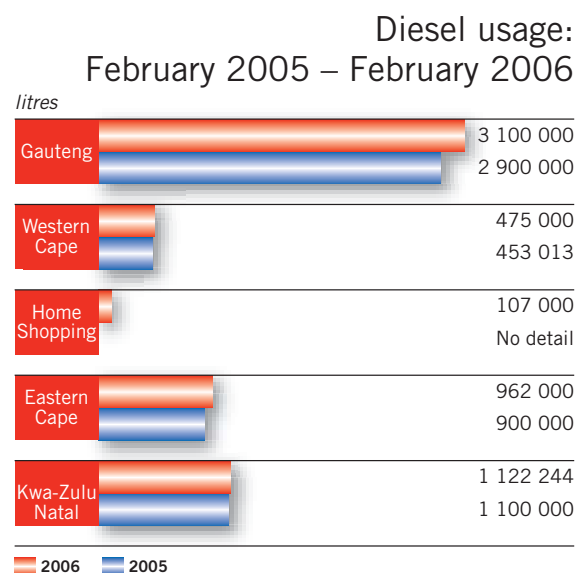
- All our distribution vehicles use low sulphur content diesel and ozone-friendly lubrication (oils); they are serviced regularly and fitted with best practice devices for noise reduction.
- Refrigeration units in our trucks comply with EU standards. They use ozone-friendly gas and are fitted with noise reducers. Recyclable materials are used for the outer casings.

- **Refrigeration:** In compliance with the Montreal protocol, all coolants containing CFCs have been phased out.
- **Recycling initiatives:** Recycling bins are provided at our Supermarkets and Hypermarkets for plastic, cardboard and packaging recycling that is discarded from store waste.

Efforts are in progress to reduce unnecessary packaging, make packaging more recyclable, and to research alternative and renewable technologies to use in future.



- Vehicle emissions are regulated according to EU standards.



- **Packaging:** Paper, glass, metal and plastic are used widely for food packaging. We are aware of the indirect impact that packaging and plastic bags have on the environment. In addition to our recycling bins at stores, a number of our suppliers take back packaging. Efforts are in progress to reduce unnecessary packaging, make packaging more recyclable, and to research alternative and renewable technologies to use in future.
- **Shopping bags:** In an attempt to reduce plastic waste, we support the DEAT (Department of Environmental Affairs and Tourism) appeal to charge at cost for plastic bags, and also provide an alternative to purchase a reusable “Green Bag” (R5) or “Kool Bag” (R10). A portion of the selling price is contributed to a project, undertaken in partnership with the DEAT, to educate underprivileged children about National Parks.

Promotion, Social and Environmental Responsibility

continued

Forming partnerships for the environment

We are involved with a number of external environmental initiatives and partnerships. These 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
- *Kids in Parks Programme*: Incredible support from Pick 'n Pay shoppers who bought the Company's Green Bags, enabled 2 500 children to experience a National Park, many for the first time in their lives. Pick 'n Pay donated R1.00 from every R5.00 Green Bag sold to an environmental fund that has enabled the 'Kids in Parks' programme to become a reality.



Incredible support from Pick 'n Pay shoppers who bought the company's Green Bags, enabled 2 500 children to experience a National Park.

institutions. These fact sheets are also available on our website.

- *Water Week*: In association with this campaign, Pick 'n Pay has in this financial period sponsored 10 Roundabout water play-pumps in rural communities in the Eastern Cape, 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. In addition, with the assistance of Food and Trees for Africa we donated 3 000 trees to underprivileged communities across South Africa in celebration of Arbor Week 2005.
- *National Clean-up Week*: We sponsor and widely publicise this campaign in the national media.

The main objectives of the initiative is to provide meaningful environmental education through the enhancement of cultural resource management and indigenous knowledge, a strengthening of community relations to generate support for conservation and a contribution to local economic development through subcontracting, community-driven enterprises, joint ventures and employment.

People



Interview with Isaac Motaung – Human Resources Director

What does sustainable development mean in practice for your activities?

Being responsible for human resources and industrial relations, our greatest contribution to sustainability is in terms of the opportunities that we provide to our employees and their immediate families. We strive to offer a working environment that attracts and retains quality employees by providing them with good working conditions, including attractive rates of pay and valuable fringe benefits, as well as opportunities for personal growth and development. We are committed to promoting employment equity, as well as to addressing the challenges of HIV/Aids based on a collaborative approach with all stakeholders. I believe that taking a genuine interest in the welfare of our employees is pivotal to the way in which we do business.

What have been some of the highlights in terms of sustainable development during the year?

This year we have maintained a strong focus on the training and development of our employees and have also invested significantly in addressing the challenges of HIV and Aids. I am also particularly pleased with our progress in terms of employment equity, where we have achieved most of our targets.

What will be some of your areas of focus in terms of sustainability for the coming year?

During the coming year we will be focusing our efforts on addressing the following areas in particular:

- building up the skills of our employees at the shop floor level;
- identifying and implementing further initiatives aimed at promoting Broad-Based Black Economic Empowerment; and
- responding to the needs and interests of our external and internal customers

People continued

Our employees

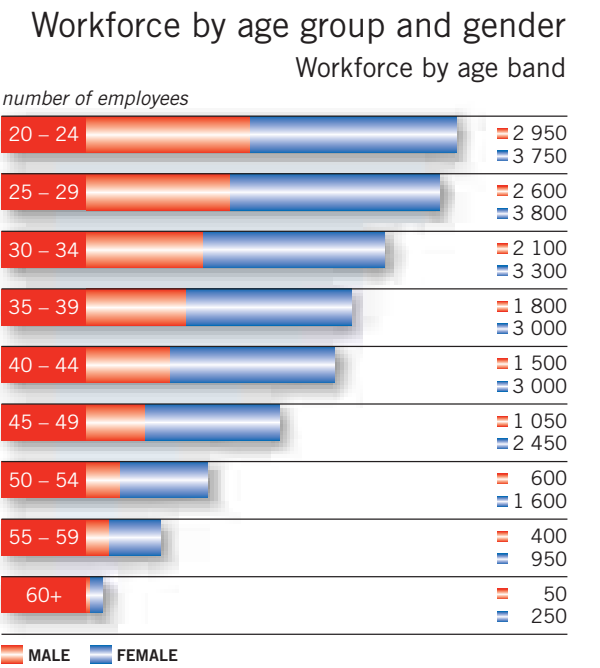
We are committed to ensuring high standards in the workplace and supporting all our employees in developing their careers. We provide a variety of benefits and endeavour to make our employees feel valued and a part of a business that does the right thing.

Pick 'n Pay pledge to all employees
Create an environment that is conducive for our people to realise their dreams by doing the following:

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 2006, we had a total of 34 484 employees, 18 623 full-time employees, 15 293 variable-time employees (VTE) and 568 occasional-time employees.



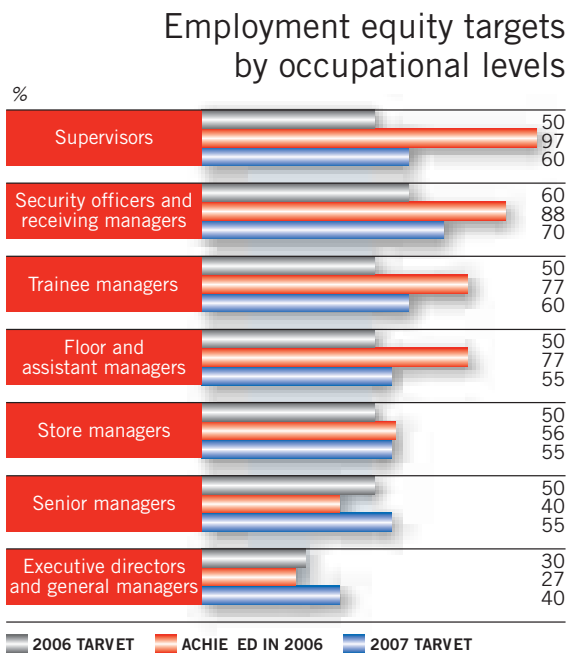
Staff turnover

Staff turnover during the review period was 7.66%, which represents a 2.07% increase on last year. The higher figure this year may be as a result of the inclusion, for the first time in the annual calculation of annual turnover, of the VTE component of employees, who are considered permanent staff.

Promoting equity and diversity in the workplace

We have an employment equity strategy and a clearly defined policy aimed at ensuring 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 grounds of race, gender, disability or age. Our black economic empowerment committee oversees the advancement of empowerment within Pick 'n Pay.

Employment equity targets are set each year, which we often achieve and in certain areas exceed.



We work with trade unions to facilitate empowerment from the bottom up. 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.

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, 710 members of staff graduated after successfully completing either a structured on-the-job programme or an Adult Basic Education and Training (ABET) Programme recognised by UNISA. This brings the total

We offer a variety of development opportunities ranging from adult basic education, technical skills training, financial training and managerial skills, to executive development.



Recruitment, development and training

We provide diverse opportunities for training and development to all our employees and are committed to a policy of promotion from within the Company. External recruitment only takes place where vacancies cannot be filled from within and specialist skills are required to help develop our internal capacity.

All new employees undertake a five-day induction programme to ensure an understanding of basic conditions of employment, including disciplinary code and grievance procedures. Relevant information is shared, discussed, distributed and published on our intranet. Our integrated approach to training aims to develop individual competencies, instil the Group's values and culture, and foster effective leadership.

The implementation of the SDMF will assist in the process of further monitoring and driving employee development. This initiative is fully supported by the Board.

number of graduates who have completed these programmes over the last few years to 11 684. At the time of reporting a further 5 228 staff members were studying towards completion of one of these programmes.

Approximately 18 000 additional training interventions were delivered during the review period, aimed at providing staff with the appropriate financial, managerial and technical skills to support the needs of the business and their individual development.

During the year 129 store employees in our Bakery Division completed a Craft Baking Learnership. Skills in the baking industry are in short supply and this initiative is important for developing individuals to work in our fresh food operations of the business.

As part of our efforts to develop the next tier of Pick 'n Pay leadership, we have introduced an initiative called Voyages of Discovery which aims to expose a selected group of 105 managers, representative of South Africa's society, to

People continued

experiences that will broaden their perspectives. The programme is run over a period of 18 months and covers business, politics and key social issues through a series of monthly 'voyages'. In addition, the delegates are engaged in personal development activities to heighten their self-awareness and personal effectiveness.

We review internal and external requests for bursaries and learnerships and offer assistance wherever possible.



instances of injury incurred at work, which required members of staff to be booked off work, and 926 injuries requiring first aid or the assistance of an OHP or doctor.

HIV/Aids

We are committed to addressing the challenge of HIV/Aids in a structured manner. We have an HIV/Aids policy statement that has been drafted and ratified in partnership with

Our policy makes a clear commitment to minimise the effect of HIV/Aids on the employees of Pick 'n Pay and on broader society.

Occupational health and safety

Occupational health and safety is a core management issue and we aim to provide the safest possible working environment for all our employees, as well as the shopping environment. All stores are compliant with the Occupational Health and Safety Act for the health and safety of both staff and customers. Formal assessments are conducted monthly at each of our stores by external third-party auditors, to ensure compliance with the Act in all areas of our business. Any deviations identified during these audits are addressed and monitored on a continuous basis.

Medical assistance is available to our in-store employees during staffing hours. The more common health and safety risks in our business include members of staff slipping in the stores, incurring strains and sprains on stairways, harm from falling objects and trolley use, and cuts from handling equipment.

Incidents of work-related injuries are recorded and monitored in terms of their negative implications, including absenteeism, costs and severity. During the review period, there were 1 074

SACCAWU. The policy makes a clear commitment to minimise the effect of HIV/Aids on the employees of Pick 'n Pay and on broader society. We respect the legal rights of all employees who are HIV positive or have Aids and the policy makes clear that on no account will any form of victimisation, prejudice or discrimination against employees with HIV/Aids be tolerated.

We have an ongoing HIV/Aids prevention and support programme which is facilitated by a voluntary group of over a thousand peer-educators. The programme is continually reviewed and improved, and currently includes:

- anti-retrovirals for pregnant mothers and rape victims;
- milk-formula and medication for newborn babies that are HIV-positive;
- voluntary counselling and testing (at no cost);
- job-adaptation;
- accelerated death benefits;
- awareness;
- participation in international events – including World Aids Day;

- peer-education programme;
- HIV/Aids helpline; and
- participation in community outreach programmes.

We are in the process of formulating a partnership with government which will enable our employees to have access to anti-retrovirals from established sites.

part of our ongoing communication, training and development programmes. Our employees may join any political, religious or cultural organisation, and will not be discriminated against.

Relationship with labour unions

Pick 'n Pay has developed a strong and mature working relationship over many years with organised labour, specifically

We engage with our employees in various ways and encourage their participation in reviewing and developing the best working conditions.



Employees have the right to confidentiality at all times and their status is not reflected in any form in the company records.

A trust fund was established three years ago to assist children of our employees who have been orphaned through HIV/Aids. The trust fund caters for the following needs: school fees, school books, school uniforms, health care, transport and subsistence. The appointed trustees will review applications to the trust on a monthly basis. Payments are made in four instalments each year. Beneficiaries and guardians are visited on a regular basis by the trustees.

Employee relations

Employee participation

We engage with our employees in various ways and encourage their participation in reviewing and developing the best working conditions for all. This includes a monthly one-hour session prior to trading where management and staff discuss in open forum issues affecting the store, region and Group. This forms

SACCAWU and its National Shop Stewards Body. We recognise the important role that the unions and their representatives play in representing the interests of its members, our employees. Concerns and considerations regarding working conditions, development, training and other sustainability issues are generously debated.

Of our total 34 484 employees, 61.21% are members of SACCAWU and 11.16% are members of Jamafo. In July 2005 we experienced a 10-day wage strike by a section of our workforce.

Whistle blowing and disciplinary actions

We do not subscribe to a formal whistle-blowing facility but this remains an issue for consideration in the future. We are generally satisfied that our open-door culture and policy of encouraging open and confidential communication facilitates disclosure of potential irregularities.

People continued

Policies relating to disciplinary procedures are described in detail in our Human Resources manual which is available through HR representatives in all our stores and through the intranet.

Compensation and benefits

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

medical scheme, and the impact of the Medicines and Related Substances Act, is available on our website.

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



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.

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.

Medical scheme

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

The implementation of a Risk Equalisation Fund (REF) is anticipated for January 2007. Further information on this, our

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.
- *An Executive Share Scheme* is in place for senior executives.

Retirement scheme

We have a compulsory non-contributory provident fund for all permanently employed staff members and are responsible for 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, resignation, retrenchment or other service termination.

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.

Life assurance

A Group life scheme is in place for all members of the retirement scheme. In the event of an employee's death, their

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.

A total of 214 bursaries (R5 000 each) were awarded this year: 178 first-time applications and 36 renewal applications from last year.



dependants will receive 48 times the employee's monthly earnings (after tax) at that time, 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.

Bursaries

Every year we allocate funds for the development of our employees and their respective families at secondary and tertiary levels. A total of 214 bursaries (R5 000 each) were awarded this year: 178 first-time applications and 36 renewal applications from last year. Twenty-seven students funded through this scheme graduated in 2005.

Housing loans

We seek to alleviate the inadequate housing experienced by some of our members of staff by offering housing loans at preferential interest rates, to assist them in acquiring a house.

Disability benefits

Members of our retirement scheme 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. This 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.

Maternity/paternity benefits

Our female employees who have been employed for at least 8 months are entitled to a maximum of 11 months of parental leave of which 9 are paid and 2 are unpaid. Conditions of payment are detailed in our HR manual and are available through our intranet. Fathers with 8 completed months of service are entitled to 8 days paid leave to support their partners.

People continued

Long-service leave

A long-service leave benefit for our employees is structured according to job category. Full-time employees in positions below assistant manager level and part-time employees receive an additional week of annual leave 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 and recognition 2005-2006

2005

- Top Company in the Top 300 Company Awards – Food and Drug Retailer Category
- Best Grocery/General Store – Sunday Times Generation Next 10-13 Youth Brand Survey 2005
- Third Most Admired Company in SA
- One of South Africa's top 10 brands – Markinor Sunday Times Top Brands Survey 2005
- The “Jewish National Fund” paid tribute to Raymond and Wendy Ackerman for their Business and Social commitment to South Africa.

2006

- Deloitte & Touche Corporate Governance Awards – Ethics and Integrity
- One of the world's 50 fastest growing retailers in the past five years, according to Global Powers of Retailing survey
- Raymond Ackerman (Chairman) awarded the Lifetime Achievement Award for Consumerism from the Department of Trade and Industry.

Pick 'n Pay 2006 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 the following:

	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?

Please tick here if we may include your comments in any future reports? Yes ☐ No ☐

Your name and email address (optional) _____

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

Yes ☐ No ☐

Your name and email address (optional) _____

For further information please contact:

Tessa Chamberlain (General Manager Corporate Marketing)

Tel: +27 (011) 856 7000 Email: 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;

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Vision and strategy			
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1.2	CEO statement	Message from the CEO – earlier in annual report	18
Profile			
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2.9	List of stakeholders	About Pick 'n Pay's sustainable development report	43
2.10 – 2.16	Details on nature and scope of the report	About Pick 'n Pay's sustainable development report	38
2.17 – 2.22	Profile of the report – including implementation of GRI principles and external assurance	About Pick 'n Pay's sustainable development report	42
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EC 8 – 9	Public sector: Taxes and subsidies	Administration – Group Value Added Statement	51
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GRI element		Relevant section in Pick 'n Pay Report	Page
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Shareholders' Information

Annual general meetings ("AGMs")

15 June 2006

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 conference centre at the new registered office, 101 Rosmead Avenue, Kenilworth, Cape Town.**

The minutes of the previous AGMs held on 10 June 2005 are available on our website.

Dividends

Pick 'n Pay Stores Ltd			Pick 'n Pay Holdings Ltd			
Share code: PIK			Share code: PWK			
ISIN code: ZAE 00000 5443			ISIN code: ZAE 00000 5724			
	No.	Amount (cents)	No.	Amount (cents)	Last date of trade	Date of payment
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	23.30	48	11.37	2 Dec 2005	12 Dec 2005
Final	76	90.50	49	44.18	2 June 2006	12 June 2006
Interim	77		50		1 Dec 2006	11 Dec 2006
Final	78		51		1 June 2007	11 June 2007

Preliminary profit announcements

Interim to 31 August 2006: about 17 October 2006

Final to 28 February 2007: about 17 April 2007

Publication of 2007 annual report

Mid-May 2007

Registered office

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Company Secretary

Gary Lea

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KPMG Inc.

Attorneys

Sonnenberg Hoffmann Galombik

Principal bankers

ABSA Limited

First National Bank of Southern Africa Limited

JSE Limited Sponsor

Investec Bank Limited, 100 Grayston Drive, Sandton 2196

Directors' Responsibility for the Group Annual Financial Statements

The directors are responsible for the integrity of the Group 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 systems.

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 Group annual financial statements.

The Group annual financial statements are prepared in accordance with International Financial Reporting Standards. The accounting policies, unless otherwise stated, are consistently applied and supported by reasonable and prudent judgements and estimates.

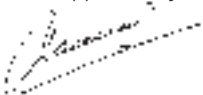
Pick 'n Pay Stores Limited and its subsidiaries

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 and Group 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 International Financial Reporting Standards, were approved by the Board of Directors on 8 May 2006 and are signed on their behalf by:



R D Ackerman
Chairman



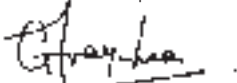
S R Summers
Chief Executive Officer



D G Cope
Group Finance Director

Company Secretary's Certificate

In terms of section 268G(d) of the Companies Act 61 of 1973, as amended, I certify that Pick 'n Pay Stores Limited has lodged with the Registrar of Companies all such returns as are required by the Companies Act, and that all such returns are true, correct and up to date.



G F Lea
Company Secretary
8 May 2006

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 109 to 163, for the year ended 28 February 2006. 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 about whether 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 2006 and the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.



KPMG Inc
Registered Accountants and Auditors
Chartered Accountants (SA)

Cape Town
8 May 2006

Pick 'n Pay Stores Limited and its subsidiaries

Directors' Report

for the year ended 28 February 2006

Nature of business

The Company, which is domiciled and incorporated in the Republic of South Africa and listed on the JSE Limited, the recognised securities exchange in South Africa, is an investment holding company. The Group comprises trading subsidiaries that retail food, clothing and general merchandise throughout southern Africa and in New South Wales, Australia, both on an owned and franchise basis. Property subsidiaries acquire and, on occasion, develop retail trading sites.

General review

The Group income statement is presented on page 111 and reflects the Group's operational results.

The Group's basic earnings, headline earnings and dividends paid for the year are as follows:

Per share – cents	2006	% increase	2005
Basic earnings (note 7)	152.49	12.7	135.30
Headline earnings (note 7)	153.02	17.1	130.70
Dividends paid (note 8)	100.00	20.0	83.30

Dividends paid and declared

A cash dividend (no. 74) of 76.70 cents per share was paid to shareholders on 13 June 2005.

A cash dividend (no. 75) of 23.30 cents per share was paid to shareholders on 12 December 2005.

This brings the total dividend paid in the year to 100.00 cents per share, an increase of 20.0% on the dividend of 83.30 cents per share paid last year (see note 8 for further details).

The directors have declared a cash dividend (no. 76) of 90.50 cents per share. The last day of trade in order to participate in the dividend (CUM dividend) will be Friday, 2 June 2006. Shares will trade EX dividend from the commencement of business on Monday, 5 June 2006 and the record date is Friday, 9 June 2006. The dividend will be paid on Monday, 12 June 2006. Share certificates may not be dematerialised or rematerialised between Monday, 5 June 2006 and Friday, 9 June 2006, both dates inclusive.

As dividend no. 76 was declared on 19 April 2006 it will only be accounted for in the 2007 financial year.

The declaration of this dividend will result in a charge for Secondary Tax on Companies of R52.1 million, which will be accounted for in the 2007 financial year.

Share capital

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

1 March 2005	486 133 882
Issued during the year	—
28 February 2006	486 133 882

During the year a subsidiary company repurchased 3 203 026 shares in the Company for a consideration of R79.9 million, which the subsidiary company holds as treasury shares. At year end this subsidiary company held 25 736 561 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 130 997 shares in the Company and 19 368 433 shares in Pick 'n Pay Holdings Limited, which are accounted for as treasury shares. These shares are held to meet options granted. A second subsidiary company also holds 1 488 753 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.

Pick 'n Pay Stores Limited and its subsidiaries

Directors' Report continued

for the year ended 28 February 2006

Special resolutions

On 10 June 2005 the Company's shareholders approved the following special resolutions:

General authority to repurchase company shares

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

Amendment to Articles of Association

It was resolved that the Company's Articles of Association be amended to facilitate the restoring of shares to the status of unissued once received by the Company as a result of a distribution in specie.

Subsidiary company special resolution

On 18 August 2005 a subsidiary company, Pick 'n Pay Retailers (Pty) Limited passed a special resolution adopting a new Memorandum and Articles of Association.

Directors and secretary

In terms of the Company's Articles of Association the directors listed on page 185 retire by rotation and they offer themselves for re-election. Information pertaining to the directors and the secretary appear on pages 16 and 17.

Holding company

The holding company is Pick 'n Pay Holdings Limited.

Directors' interest in shares

	2006 %	2005 %
Beneficial	0.7	0.7
Non-beneficial	26.2	26.1
	26.9	26.8

Subsidiary companies

Details of subsidiary companies are presented in note 31.

Borrowings

The Company's overall level of interest-bearing debt increased from R235.2 million to R246.7 million during the year. This additional draw-down in borrowings was utilised to expand trading operations.

International Financial Reporting Standards ("IFRS")

The Group adopted IFRS during the financial year. Please refer to note 28 for further information.

Pick 'n Pay Stores Limited and its subsidiaries

Income Statement

for the year ended 28 February 2006

	Notes	2006 Rm	2005 Rm
Revenue	1	36 784.6	33 343.9
Turnover		35 078.4	31 885.0
Cost of merchandise sold		(29 060.1)	(26 388.2)
Gross profit		6 018.3	5 496.8
Other trading income	1	1 649.3	1 377.5
Trading expenses		(6 620.2)	(5 978.7)
Employee costs	3,4	(3 439.8)	(3 100.8)
Occupancy		(901.3)	(834.2)
Operations		(954.3)	(879.7)
Merchandising and administration		(1 324.8)	(1 164.0)
Trading profit	2	1 047.4	895.6
Interest received		56.7	81.4
Operating profit		1 104.1	977.0
Interest paid		(37.6)	(32.9)
Dividends received		0.2	—
Share of associate's profit		23.4	14.6
Exceptional items	5	(2.5)	21.6
Profit before tax		1 087.6	980.3
Tax	6	(384.5)	(346.2)
Profit for the year		703.1	634.1
Per share – cents			
Basic earnings	7	152.49	135.30
Diluted basic earnings	7	144.42	129.20

Pick 'n Pay Stores Limited and its subsidiaries

Balance Sheet

as at 28 February 2006

	Notes	2006 Rm	2005 Rm
Assets			
Non-current assets			
Goodwill	9	634.9	634.2
Intangible assets	10	110.9	25.3
Property, equipment and vehicles	11	1 848.0	1 385.2
Investments	12	9.3	3.6
Investment in associate	13	47.0	23.6
Loans	14	96.7	95.8
Operating lease asset	22	4.8	3.7
Participation in export partnerships	15	71.8	102.7
Deferred tax	16	234.1	205.5
		3 057.5	2 479.6
Current assets			
Inventory	17	1 984.2	1 858.6
Trade and other receivables		750.7	634.5
Cash and cash equivalents		944.6	1 329.0
		3 679.5	3 822.1
Total assets		6 737.0	6 301.7
Equity and liabilities			
Capital and reserves			
Share capital	18	6.1	6.1
Share premium		26.0	26.0
Equity element of convertible debentures	18	16.0	16.0
Treasury shares	19	(509.9)	(423.8)
Share-based payment reserve	4	38.8	16.4
Accumulated profits		1 258.5	1 028.1
Revaluation reserve		8.2	2.5
Foreign currency translation reserve		21.6	43.5
Total equity		865.3	714.8
Non-current liabilities			
Interest-bearing debt	20	172.3	178.6
Retirement scheme obligations	21	194.8	189.8
Operating lease liability	22	539.8	490.9
		906.9	859.3
Current liabilities			
Interest-bearing debt	20	74.4	56.6
Trade and other payables	23	4 654.1	4 282.3
Tax	6	236.3	388.7
		4 964.8	4 727.6
Total equity and liabilities		6 737.0	6 301.7

Pick 'n Pay Stores Limited and its subsidiaries

Statement of Changes in Equity

for the year ended 28 February 2006

	Notes	Share capital Rm	Share premium Rm	Equity element of convertible debentures Rm	Treasury shares Rm	Share-based payment reserve Rm	Accumulated profits Rm	Revaluation reserve Rm	Foreign currency translation reserve Rm	Total Rm
At 1 March 2004 – under SA GAAP		6.0	13.9	16.0	(199.6)	—	1 159.7	1.6	134.8	1 132.4
Impact of conversion to IFRS	28	—	—	—	—	6.4	(364.8)	—	—	(358.4)
At 1 March 2004 – under IFRS		6.0	13.9	16.0	(199.6)	6.4	794.9	1.6	134.8	774.0
Profit for the year – under IFRS							634.1			634.1
Profit for the year – under SA GAAP							649.6			
IFRS adjustments:	28									
IAS 17 Operating leases							(46.1)			
IAS 2 Inventory valuation							(3.2)			
IAS 28 Investment in associate							8.5			
IFRS 2 Share options expense							(10.0)			
IFRS 3 Goodwill amortisation							35.3			
Dividends paid	8						(381.6)			(381.6)
Issue of new shares	18	0.1	12.1							12.2
Share repurchases	19				(267.3)					(267.3)
Take-up of share options	19				43.1		(19.3)			23.8
Share options expense	4					10.0				10.0
Revaluation of listed investments	12							0.9		0.9
Foreign currency translation									(91.3)	(91.3)
At 28 February 2005		6.1	26.0	16.0	(423.8)	16.4	1 028.1	2.5	43.5	714.8
Profit for the year							703.1			703.1
Dividends paid	8						(452.0)			(452.0)
Share repurchases	19				(132.0)					(132.0)
Take-up of share options	19				45.9		(20.7)			25.2
Share options expense	4					22.4				22.4
Revaluation of listed investments	12							5.7		5.7
Foreign currency translation									(21.9)	(21.9)
At 28 February 2006		6.1	26.0	16.0	(509.9)	38.8	1 258.5	8.2	21.6	865.3

Pick 'n Pay Stores Limited and its subsidiaries

Cash Flow Statement

for the year ended 28 February 2006

	Notes	2006 Rm	2005 Rm
Trading profit		1 047.4	895.6
Depreciation and amortisation	2	325.4	304.7
Share options expense	4	22.4	10.0
Net operating lease obligations	22	47.8	58.9
Trade and other payables		377.9	365.9
Inventory		(125.6)	(341.1)
Trade and other receivables		(85.2)	15.7
Cash generated from trading operations		1 610.1	1 309.7
Interest received		56.7	81.4
Cash generated from operations		1 666.8	1 391.1
Interest paid		(37.6)	(32.9)
Dividend received from associate	13	—	6.1
Dividends received		0.2	—
Dividends paid	8	(452.0)	(381.6)
Tax paid	6	(565.5)	(341.1)
Net cash generated from operating activities		611.9	641.6
Acquisition of stores	9	(5.2)	—
Intangible asset additions	10	(90.0)	(25.3)
Property additions	11	(273.5)	(79.3)
Proceeds on disposal of property		25.3	5.6
Equipment and vehicle additions	11	(537.6)	(401.1)
Proceeds on disposal of equipment and vehicles		24.3	—
Leased vehicle additions	11	(25.3)	(19.9)
Loans advanced		(0.9)	(6.7)
Proceeds from sale of Boardmans		—	78.1
Net cash utilised in investing activities		(882.9)	(448.6)
Interest-bearing debt raised/(repaid)		11.4	(112.9)
Issue of new shares		—	12.2
Share repurchases	19	(132.0)	(267.3)
Take-up of share options		25.2	23.8
Net cash utilised in financing activities		(95.4)	(344.2)
Net decrease in cash and cash equivalents		(366.4)	(151.2)
Cash and cash equivalents at 1 March		1 329.0	1 502.5
Effect of exchange rate fluctuations on cash and cash equivalents		(18.0)	(22.3)
Cash and cash equivalents at 28 February		944.6	1 329.0

Pick 'n Pay Stores Limited and its subsidiaries

Accounting Policies

Pick 'n Pay Stores Limited is domiciled in South Africa. The consolidated financial statements of the Company for the year ended 28 February 2006 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in its associate, TM Supermarkets (Pvt) Limited.

The financial statements were authorised for issue by the directors on 8 May 2006.

The financial statements are presented in South African Rands, rounded to the nearest million, unless otherwise stated. They are prepared on the going concern and historical cost bases, unless otherwise stated.

Non-current assets and asset disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

Statement of compliance with International Financial Reporting Standards (IFRS)

The consolidated financial statements have been prepared in accordance with IFRS and its interpretations adopted by the International Accounting Standards Board (IASB). These are the Group's first consolidated financial statements under IFRS and IFRS 1 has been applied. An explanation of how the transition to IFRS has affected the reported financial position and financial performance of the Group is provided in note 28.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates, and associated assumptions, are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of

assets and liabilities. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements and in preparing an opening IFRS balance sheet at 1 March 2004 for the purposes of the transition to IFRS.

The accounting policies have been applied consistently by all Group entities.

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 directly or indirectly to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements of the Group, from the date that control commences until the date that control ceases.

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.

Pick 'n Pay Stores Limited and its subsidiaries

Accounting Policies continued

Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses using the equity method of accounting, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its investment in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Goodwill

All business combinations are accounted for by applying the purchase method.

Goodwill represents the difference between the cost of the acquisition and the fair value of the identifiable net assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment. In respect of associates, the carrying amount of goodwill is

included in the carrying amount of the investment in the associate.

Negative goodwill arising on an acquisition is charged directly to the income statement.

In respect of acquisitions prior to 1 March 2004, goodwill is included on the basis of its deemed cost, which represents the amount recorded under SA GAAP. The classification and accounting treatment of business combinations that occurred prior to 1 March 2004 has not been reconsidered in preparing the Group's opening IFRS balance sheet at 1 March 2004.

Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Where payments are made for the acquisition of trademarks or brand names, the amounts are capitalised and amortised over their anticipated useful lives. Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. 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.

Where costs are incurred in the development of an intangible asset, such as software, this expenditure is capitalised at cost and amortised over the anticipated useful life of the asset.

The estimated useful lives are as follows:

Development costs in respect of SAP software – 7 years

Intangible assets with an indefinite useful life and intangible assets not yet brought into use are systematically tested for impairment at each balance sheet date.

Pick 'n Pay Stores Limited and its subsidiaries

Property, equipment and vehicles

Property owned by the Group is classified as owner-occupied property and is shown at cost less accumulated depreciation and impairment losses.

Equipment and vehicles are stated at cost less accumulated depreciation and impairment losses. Where significant components of an item of property, equipment or vehicles have different useful lives, they are accounted for as separate assets.

The Group recognises in the carrying amount of property, equipment and vehicles the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Property, equipment and vehicles are depreciated on a straight-line basis over their estimated useful lives to their expected residual values. Land is not depreciated.

The current estimated useful lives are as follows:

Buildings	40 years
Major property components	10 to 20 years
Aircraft	7 to 20 years
Equipment and vehicles – owned	5 to 10 years
Leased vehicles (term of lease)	4 years
Computers and accessories	2 to 7 years

Estimates of useful lives, residual values and methods of depreciation are reviewed annually. Any changes are accounted for prospectively as a change in accounting estimate. If the expected residual value of an asset is equal to or greater than its carrying value, depreciation on that asset is ceased. Depreciation is resumed when the expected residual value falls below the asset's carrying value.

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. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance lease assets are carried at the initial recognised amount less accumulated depreciation and impairment losses.

Finance lease assets are depreciated over the shorter of the useful life of the asset or the lease term.

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 and net realisable value. Cost is calculated on a first-in first-out basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition and is stated net of relevant purchase incentives. The cost of merchandise sold includes shrinkage, waste and

Pick 'n Pay Stores Limited and its subsidiaries

Accounting Policies continued

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 in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Guarantees

A financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

These financial guarantees are classified as insurance contracts as defined in IFRS 4 Insurance Contracts. A liability is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the contract and a reliable estimate can be made of the amount of the obligation. The amount recognised is the best estimate of the expenditure required to settle the contract at the balance sheet date. Where the effect of discounting is material, the liability is discounted. 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.

The Group performs liability adequacy tests on financial guarantee contract liabilities to ensure that the carrying amount of the liabilities is sufficient in view of estimated future cash flows. When performing the liability adequacy test, the Group discounts all expected contractual cash flows and compares this amount to the carrying value of the liability. Where a shortfall is identified, an additional provision is made.

Financial instruments

Financial instruments recognised on the balance sheet include cash and cash equivalents, investments, trade receivables and loans, participation in export partnerships, payables and debt. These instruments are initially recognised at fair value less transaction costs. The subsequent measurement of financial instruments is stated below:

Cash and cash equivalents

Cash and cash equivalents are measured at fair value. Cash and cash equivalents comprise cash on hand and amounts held on deposit at financial institutions.

Investments

Investments are classified as available-for-sale assets. 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. Gains and losses are recognised directly in equity in the revaluation reserve except for impairment losses, which are expensed in the income statement.

Trade receivables and loans

Trade receivables and loans are measured at amortised cost less impairment losses.

Pick 'n Pay Stores Limited and its subsidiaries

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 the 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.

Trade and other payables

Trade and other payables are recognised at amortised cost.

Interest-bearing debt

Interest-bearing debt is carried at amortised cost.

Convertible debentures, that can be converted to share capital where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments. The equity element of convertible debentures, shown as a reserve in equity, is calculated as the excess of the issue proceeds over the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The interest expense recognised in the income statement is calculated using the effective interest rate method.

Impairment of assets

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amounts of goodwill with an indefinite useful life and intangible assets that are not yet available for use, are estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units (or groups of units) and then to reduce the carrying amount of the other assets in the unit (or groups of units) on a pro rata basis.

When a decline in the fair value of an available-for-sale asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is charged to the income statement. The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost and current fair value, less any impairment loss previously recognised in the income statement.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or

Pick 'n Pay Stores Limited and its subsidiaries

Accounting Policies continued

amortisation, if no impairment loss had been recognised.

Impairment losses in respect of goodwill and investments in equity instruments classified as available for sale are not reversed.

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.

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

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Interest income

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

Dividend income

Dividend income from investments is recognised when the right to receive payment is established.

Incentive income

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

Lease income

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

Borrowing costs

Borrowing costs are recognised as incurred and are accrued on a time basis by reference to the principal amounts outstanding and at the interest rate applicable.

Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax

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

Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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

Pick 'n Pay Stores Limited and its subsidiaries

enacted or substantively 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 expensed to the extent that it is no longer probable that the related tax benefit will be realised.

Secondary Tax on Companies

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.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at

the monthly weighted average rate of exchange for the year. Profits and losses arising on the translation of assets and liabilities of foreign entities are taken directly to equity and shown separately in a foreign currency translation reserve.

TM Supermarkets (Pvt) Limited is operating in a hyper-inflationary economy in Zimbabwe. Prior to translating and equity accounting the financial statements of this associate, the financial statements are restated to account for changes in the general purchasing power of the Zimbabwean Dollar. The restatement is based on relevant price indices at the balance sheet date.

Employee benefits

The cost of all short-term employee benefits is recognised as an expense during the year in which the employee renders the related service.

Liabilities 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 employee services provided to the balance sheet date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates.

Share-based payment transactions

The share option programme allows Group employees to acquire shares in Pick 'n Pay Holdings Limited or Pick 'n Pay Stores Limited. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. This treatment is consistently applied throughout the Group for both Pick 'n Pay Stores Limited and Pick 'n Pay Holdings Limited shares. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an actuarial binomial

Pick 'n Pay Stores Limited and its subsidiaries

Accounting Policies continued

option pricing model, taking into account the terms and conditions upon which the options are granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due to share prices not achieving the threshold for vesting.

A vested share option is “taken up” when the Group delivers the share to the employee on receipt of payment.

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.

Defined contribution plans

Obligations for contributions to defined contribution retirement plans are recognised as an expense in the income statement as incurred.

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.

Defined benefit plans

The Group's net obligation in respect of the defined benefit element is calculated separately by estimating

the amount of future benefit that qualifying employees have earned in respect of their service to date; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The calculation is performed by an actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

Actuarial gains and losses are recognised in the income statement as incurred.

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 share 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.

Pick 'n Pay Stores Limited and its subsidiaries

Notes to the Annual Financial Statements

for the year ended 28 February 2006

	2006 Rm	2005 Rm
1. Revenue		
Revenue comprises:		
Turnover	35 078.4	31 885.0
Interest received	56.7	81.4
Dividends received	0.2	—
Other trading income	1 649.3	1 377.5
Incentive fee income	1 534.5	1 277.7
Franchise fee income	87.4	73.7
Property lease income	27.4	23.9
Insurance recovery	—	2.2
	36 784.6	33 343.9
2. Trading profit		
Trading profit is stated after taking into account the following expenses:		
Auditors' remuneration	6.7	6.5
Audit	5.6	4.5
Other	1.1	2.0
Amortisation (note 10)		
Intangible assets	4.5	—
Depreciation (note 11)	320.9	304.7
Property	5.1	5.8
Equipment and vehicles	302.3	285.2
Leased vehicles	13.5	13.7
Operating lease charges	641.0	611.5
Property – minimum lease payments	620.1	582.5
– turnover clause payments	20.9	29.0
Directors' emoluments (note 3)	27.9	25.9
Non-executive – for services as directors	2.7	1.4
Executive, paid by a subsidiary company for managerial services	25.2	24.5

Pick 'n Pay Stores Limited and its subsidiaries

Notes to the Annual Financial Statements continued

for the year ended 28 February 2006

3. Directors' remuneration and interest in shares		Fees for Board meetings	Fees for committee and other work	Remuneration	Retirement and medical contributions	Performance bonus*	Fringe and other benefits	Expense relating to share options granted	Total
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
3.1 Directors' remuneration	Non-executive directors								
	Gareth Ackerman**	240.0	220.0						460.0
	René de Wet**	240.0	180.0						420.0
	Hugh Herman**	240.0	80.0						320.0
	Colin Hultzer**	240.0	300.0						540.0
	Connie Nkosi	240.0	40.0						280.0
	David Nurek	240.0	200.0						440.0
	Ben van der Ross	240.0	40.0						280.0
		1 680.0	1 060.0	—	—	—	—	—	2 740.0
	Executive directors								
	Raymond Ackerman**	1.5		2 361.8	24.6	2 000.0	185.6	—	4 573.5
	Wendy Ackerman**	1.5		495.0	—	650.0	108.0	—	1 254.5
	Dennis Cope	1.5		1 356.0	309.4	1 800.0	165.9	719.6	4 352.4
	David Robins	1.5		1 263.0	291.4	1 100.0	217.6	539.9	3 413.4
	Sean Summers	1.5		3 135.1	668.6	6 000.0	386.7	1 386.2	11 578.1
		7.5	—	8 610.9	1 294.0	11 550.0	1 063.8	2 645.7	25 171.9
	Total remuneration 2006	1 687.5	1 060.0	8 610.9	1 294.0	11 550.0	1 063.8	2 645.7	27 911.9
	Non-executive directors								
	Gareth Ackerman**	87.5	180.0						267.5
	René de Wet**	87.5	130.0						217.5
	Hugh Herman**	87.5	60.0						147.5
	Colin Hultzer**	87.5	190.0						277.5
	Connie Nkosi	87.5	30.0						117.5
	David Nurek	87.5	120.0						207.5
	Ben van der Ross	87.5	30.0						117.5
		612.5	740.0	—	—	—	—	—	1 352.5
	Executive directors								
	Raymond Ackerman**	1.5		2 210.2	31.1	2 500.0	92.6	—	4 835.4
	Wendy Ackerman**	1.5		459.9	—	700.0	100.3	—	1 261.7
	Dennis Cope	1.5		1 308.6	288.6	2 000.0	91.2	370.8	4 060.7
	David Robins	1.5		1 179.0	276.2	1 200.0	203.6	276.1	3 136.4
	Sean Summers	1.5		2 930.1	618.1	6 750.0	356.5	581.9	11 238.1
		7.5	—	8 087.8	1 214.0	13 150.0	844.2	1 228.8	24 532.3
	Total remuneration 2005	620.0	740.0	8 087.8	1 214.0	13 150.0	844.2	1 228.8	25 884.8

*The performance bonus relates to the amount provided for in the current financial year.

**Also directors of Pick 'n Pay Holdings Limited.

Pick 'n Pay Stores Limited and its subsidiaries

3. Directors' remuneration and interest in shares

(continued)

3.2 Share options held by directors

1997 Share Option Scheme

	Year granted	Option grant price	Balance held at 1 March 2005	Granted during the year	Balance held at 28 February 2006	Available for take-up
Dennis Cope	2003	12.00	30 000		30 000	Now
	2003	12.00	22 500		22 500	Now
	2003	12.00	97 500		97 500	Now
	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	Now
	2004	16.00	12 188		12 188	June 2006
	2004	16.00	12 187		12 187	June 2007
	2005	20.70		16 103	16 103	Now
	2005	20.70		16 103	16 103	May 2007
	2005	20.70		16 103	16 103	May 2008
	2005	22.30		250 000	250 000*	June 2010
			365 625	298 309	663 934	
David Robins	2003	12.00	16 667		16 667	Now
	2003	12.00	12 500		12 500	Now
	2003	12.00	12 500		12 500	Now
	2004	16.00	10 000		10 000	Now
	2004	16.00	7 500		7 500	June 2006
	2004	16.00	7 500		7 500	June 2007
	2005	20.70		9 662	9 662	Now
	2005	20.70		9 662	9 662	May 2007
	2005	20.70		9 662	9 662	May 2008
	2005	22.30		200 000	200 000*	June 2010
			66 667	228 986	295 653	
Sean Summers	1998	4.50	1 000 000		1 000 000	June 2008
	1999	6.50	400 000		400 000	Now
	2003	12.00	108 333		108 333	Now
	2003	12.00	81 250		81 250	Now
	2003	12.00	81 250		81 250	Now
	2004	16.00	68 750		68 750	Now
	2004	16.00	51 563		51 563	June 2006
	2004	16.00	51 562		51 562	June 2007
	2005	20.70		54 347	54 347	Now
	2005	20.70		54 348	54 348	May 2007
	2005	20.70		54 348	54 348	May 2008
	2005	22.30		500 000	500 000*	June 2010
			1 842 708	663 043	2 505 751	

*The exercising of these options is subject to specific performance criteria relating to the growth of the Company's share price over the term of the option.

For directors share options in Pick 'n Pay Holdings Limited refer to page 173.

Pick 'n Pay Stores Limited and its subsidiaries

Notes to the Annual Financial Statements continued

for the year ended 28 February 2006

	Balance held at 1 March 2005	Average purchase price per share R	Shares granted during the year	Balance held at 28 February 2006	Available for take-up
3. Directors' remuneration and interest in shares <i>(continued)</i>					
3.3 Executive Share Incentive Scheme*					
Dennis Cope	1 073 446	5.24	—	1 073 446	December 2007
David Robins	322 034	5.24	—	322 034	December 2007
Sean Summers	2 683 616	5.24	—	2 683 616	December 2007
<i>*Granted prior to 7 November 2002.</i>					

	Balance held at 1 March 2005	Additions during the year	Disposals during the year	Average selling price per share R	Net proceeds received Rm	Balance held at 28 February 2006	Beneficial/ non- beneficial interest
3.4 Directors' direct interest in shares							
Dennis Cope	200 071	—	—	—	—	200 071	Beneficial
Sean Summers	2 690 000	—	500 000	27.01	13.5	2 190 000	Beneficial

Except for the indirect interest in the shares of the Company through Pick 'n Pay Holdings Limited (see page 174) no other directors have either a direct beneficial or non-beneficial interest in the shares of the Company.

Pick 'n Pay Stores Limited and its subsidiaries

4. Share-based payments

The Group operates the 1997 Employee Share Option Scheme (“the Scheme”) in order to facilitate broad-based employee share ownership and to foster trust and loyalty amongst employees. The Scheme incentivises key management and staff to promote growth in profits by providing them with an opportunity to acquire shares in the Group, thereby aligning their interests with shareholders and at the same time encouraging employee retention.

The Scheme is administered by the Employee Share Purchase Trust and its Board of Trustees.

All options are granted in accordance with the rules of the Scheme, which have been approved by the shareholders and the JSE Limited.

All options are granted at a 10% discount to the volume weighted average market price (“VWAP”) for the 20 trading days preceding the option grant date.

All vested share options must be exercised, paid for and taken up within ten years of the grant date.

The directors are authorised to utilise up to 13.3% of the issued share capital for the scheme.

The Scheme grants the following options to employees:

Service Share Options – are granted to all permanent employees who have been with the Group for five years and further options are granted every five years thereafter.

Service share options may be taken up immediately on granting.

Status Share Options – are granted to employees who attain floor manager status and further options are granted at each promotion to higher levels of management.

Status share options may be taken up in three tranches as follows:

40% after 3 years

30% after 5 years

30% after 7 years

Executive Share Options – are granted to senior executives. These five-year options may only be taken up when prescribed performance conditions linked to the growth of the Company's share price are met. If the conditions are not met these options are automatically forfeited. Should further performance hurdles be achieved, discounted grant prices may apply.

Pick 'n Pay Stores Limited and its subsidiaries

Notes to the Annual Financial Statements *continued*

for the year ended 28 February 2006

4. Share-based payments <i>(continued)</i>	2006 Number of options 000's	2005 Number of options 000's
Outstanding share options		
Movement in the total number of Company share options granted are as follows:		
At 1 March	17 508.6	17 627.9
New options granted*	12 969.7	4 381.5
Options taken up**	(1 622.4)	(4 313.2)
Options forfeited	(892.7)	(187.6)
At 28 February	27 963.2	17 508.6
Percentage of issued shares	5.7%	3.6%
*Average price of options granted during the year	R22.22	R17.10
**Average grant price of options taken up during the year	R8.82	R5.21
Outstanding options may be taken up during the following financial years:		
Year Average grant price		
2007 R10.72	8 546.2	
2008 R13.20	4 679.8	
2009 R16.10	2 486.3	
2010 R21.85	11 308.2	
2011 and thereafter R20.91	942.7	
	27 963.2	
For the movement in the number of Pick 'n Pay Holdings Limited (PIKWIK) share options granted, please refer to note 5 of the Pick 'n Pay Holdings Limited financial statements on page 178.		
For details of share options held by directors refer to note 3.		
The Employee Share Purchase Trust, which administers the 1997 Employee Share Option Scheme, holds the following number of ordinary shares:		
As a hedge against share options granted or to be granted by that Scheme, reflected as treasury shares	131.0	462.9
On behalf of share purchase scheme participants	299.4	473.6
	430.4	936.5

Pick 'n Pay Stores Limited and its subsidiaries

4. Share-based payments *(continued)*

Fair value

The Group now accounts for share option expenses in accordance with IFRS 2 Share-based payments, which requires the fair value of share options granted to employees to be valued at the grant date and expensed through the income statement over the vesting period of the option. This standard has been implemented for options granted after 7 November 2002 that had not vested at 1 January 2005, and comparative figures have been restated accordingly.

The fair value of each option grant in Pick 'n Pay Stores Limited (PIK) and Pick 'n Pay Holdings Limited (PIKWIK) has been estimated on the grant date using an actuarial binomial option pricing model. The assumptions used in determining the fair value of the options granted in each financial year are as follows:

Financial year of grant	Options granted	Number of options granted 000's	Expected life of options (years)	Share price at grant date	Grant price	Expected volatility ^a	Expected dividend yield ^b %	Risk-free rate ^c %
2003	PIKWIK	637.8	1	R5.50	R5.20	28.20	5.18	11.59
2003	PIK	617.6	4 – 8	R12.15 – R13.90	R11.00 – R12.50	39.74 – 39.78	3.32 – 3.70	9.88 – 10.52
2004	PIKWIK	862.4	1 – 8	R5.43 – R5.85	R5.10 – R5.25	19.34 – 41.65	3.24 – 5.66	9.67 – 10.96
2004	PIK	5 232.3	2 – 8	R11.67 – R16.35	R10.50 – R14.85	30.66 – 39.78	3.79 – 3.86	8.70 – 10.62
2005	PIKWIK	881.2	1	8.75	7.90	38.80	3.80	9.74
2005	PIK	4 381.5	2 – 8	R17.16 – R23.10	R16.00 – R21.00	28.48 – 39.33	3.76 – 4.32	7.58 – 9.95
2006	PIKWIK	1 076.4	1	12.75	11.49	29.56	3.84	8.20
2006	PIK	12 969.7	2 – 8	R23.25 – R31.00	R21.00 – R27.90	22.61 – 35.94	3.80 – 4.23	7.15 – 8.01

- The expected volatility is determined based on the rolling historical volatility over the expected option term that prevailed at the grant date.
- The expected dividend yield is the best estimate of the forward looking dividend yield over the expected life of the option. This has been estimated by reference to the historical average dividend yield during the period preceding the grant, equal to the vesting period of the grant.
- The risk-free rate is the yield on zero-coupon South African Government bonds of a term consistent with the estimated option term.

Share-based payment reserve

The movement in the share-based payment reserve is as follows:

At 1 March – under SA GAAP

IFRS 2 – Share options expense (note 28)

At 1 March – under IFRS

Share options expense for the year (note 28)

At 28 February

2006 Rm	2005 Rm
	—
	6.4
16.4	6.4
22.4	10.0
38.8	16.4

Pick 'n Pay Stores Limited and its subsidiaries

Notes to the Annual Financial Statements continued

for the year ended 28 February 2006

	2006 Rm	2005 Rm
5. Exceptional items		
Exceptional items comprise:		
Profit on sale of property	4.3	1.4
Loss on sale of equipment and vehicles	(6.8)	(3.8)
Profit on sale of Boardmans	—	24.0
	(2.5)	21.6
6. Tax		
Tax comprises:		
South African normal tax		
– current year	383.3	411.3
– prior year overprovision	(44.6)	—
Deferred tax (note 16)		
– current year	46.3	(112.9)
– prior year overprovision	(55.6)	—
Secondary Tax on Companies		
– current	74.4	47.8
– deferred (note 16)	(19.3)	—
Total tax charge	384.5	346.2
	%	%
Statutory tax rate	29.0	30.0
Exempt income	(0.2)	(0.2)
Secondary Tax on Companies	5.1	4.9
Non-deductible exceptional items	—	(0.8)
Non-deductible share options expense	0.6	0.3
Other non-deductible expenditure	0.9	0.6
Share of associate's profit	(0.6)	(0.5)
Deferred tax and prior year tax reversals	(1.7)	—
Tax losses not utilised	2.6	—
Effect of change in tax rate	—	0.4
Other	(0.3)	0.6
Effective tax rate	35.4	35.3

Pick 'n Pay Stores Limited and its subsidiaries

	2006 Rm	2005 Rm
6. Tax (continued)		
Tax paid comprises:		
Owing 1 March	388.7	270.7
Current tax charge	383.3	411.3
Prior year overprovision	(44.6)	—
Secondary Tax on Companies	74.4	47.8
Owing 28 February	(236.3)	(388.7)
Total tax paid	565.5	341.1
	Cents per share	Cents per share
7. Basic, headline and diluted earnings per share		
Basic earnings (note 7.1)	152.49	135.30
Headline earnings (note 7.1)	153.02	130.70
Diluted basic earnings (note 7.2)	144.42	129.20
Diluted headline earnings (note 7.2)	144.92	124.84
	Rm	Rm
7.1 Basic and headline earnings per share		
The calculation of basic earnings (profit for the year) per share and headline earnings per share is based on:		
Basic earnings (profit for the year)	703.1	634.1
Headline earnings	705.6	612.5
	No. of shares 000's	No. of shares 000's
and:		
The weighted average number of ordinary shares in issue during the year	461 072.2	468 703.6
Reconciliation between basic and headline earnings:		
Basic earnings (profit for the year)	703.1	634.1
Adjustments (exceptional items – note 5):	2.5	(21.6)
Profit on sale of property	(4.3)	(1.4)
Loss on sale of equipment and vehicles	6.8	3.8
Profit on sale of Boardmans	—	(24.0)
Headline earnings	705.6	612.5

Pick 'n Pay Stores Limited and its subsidiaries

Notes to the Annual Financial Statements *continued*

for the year ended 28 February 2006

	2006 No. of shares 000's	2005 No. of shares 000's
7. Basic, headline and diluted earnings per share <i>(continued)</i>		
7.1 Basic and headline earnings per share <i>(continued)</i>		
Movement in the weighted average number of ordinary shares in issue comprises:		
At 1 March	468 703.6	470 748.6
Share issue	—	1 982.5
Prior year share issue now fully weighted	707.5	—
Current year share repurchases by a subsidiary company	(2 231.2)	(5 391.0)
Prior year share repurchases now fully weighted	(6 658.4)	(561.1)
Sale of treasury shares by the share trust, pursuant to the take-up of share options	550.7	1 924.6
At 28 February	461 072.2	468 703.6
	Rm	Rm
7.2 Diluted basic and headline earnings per share		
The calculation of diluted basic earnings per share and diluted headline earnings per share is based on:		
Diluted basic earnings	706.5	638.5
Diluted headline earnings	709.0	616.9
	No. of shares 000's	No. of shares 000's
and:		
The diluted weighted average number of ordinary shares in issue during the year:	489 171.2	494 200.9

Pick 'n Pay Stores Limited and its subsidiaries

	2006 Rm	2005 Rm
7. Basic, headline and diluted earnings per share <i>(continued)</i>		
7.2 Diluted basic and headline earnings per share <i>(continued)</i>		
Reconciliation between basic earnings and diluted basic earnings:		
Basic earnings (profit for the year)	703.1	634.1
Debenture interest after tax	3.4	4.4
Diluted basic earnings	706.5	638.5
Headline earnings adjustments (note 7.1)	2.5	(21.6)
Diluted headline earnings	709.0	616.9
	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 in issue	461 072.2	468 703.6
Shares to be issued on conversion of debentures (note 18)	20 000.0	20 000.0
Dilutive effect of share options	8 099.0	5 497.3
Weighted average number of ordinary shares in issue for purposes of calculating diluted earnings per share	489 171.2	494 200.9
<i>Refer to note 18 for the number of shares in issue</i>		
	Cents per share	Cents per share
8. Dividends		
No. 74 – declared 18 April 2005 – paid 13 June 2005	76.70	63.50
No. 75 – declared 17 October 2005 – paid 12 December 2005	23.30	19.80
Total dividends paid for the year	100.00	83.30
	Rm	Rm
Total value of dividends paid outside the Group	452.0	381.6
Dividends paid to Group entities	34.1	23.3
Total value of dividends paid by the Company (note 30)	486.1	404.9
For further details, including dividends declared after 28 February 2006, refer to the Directors' Report on page 109 and shareholders' information on page 106.		

Pick 'n Pay Stores Limited and its subsidiaries

Notes to the Annual Financial Statements continued

for the year ended 28 February 2006

	2006 Rm	2005 Rm
9. Goodwill		
Cost		
At 1 March – under SA GAAP		820.6
IAS 38 – an element of goodwill recognised in error now reversed (note 28)		(57.5)
IFRS 3 – accumulated amortisation netted off against cost		(71.4)
At 1 March – under IFRS	634.2	691.7
Acquisition of stores	5.2	—
Foreign currency translation effect	(4.5)	(57.5)
At 28 February	634.9	634.2
Accumulated amortisation		
At 1 March – under SA GAAP	—	75.5
Foreign currency translation effect	—	(4.1)
Amortisation charge for the year	—	35.3
IFRS 3 – accumulated amortisation netted off against cost	—	(71.4)
IFRS 3 – 2005 amortisation written back (note 28)	—	(35.3)
At 28 February	—	—
Net book value at 28 February	634.9	634.2
In accordance with the Group's accounting policies, an impairment test of goodwill has been performed. The underlying key assumptions of the tests of impairment include, but are not limited to, cash flow forecasts and multiples of weekly turnover. The tests performed did not identify any impairments.		
10. Intangible assets		
Software development		
Cost		
At 1 March	25.3	—
Additions (comparative previously included with equipment)	90.0	25.3
Foreign currency translation effect	0.1	—
At 28 February	115.4	25.3
Accumulated amortisation		
At 1 March	—	—
Amortisation charge for the year	4.5	—
At 28 February	4.5	—
Net book value at 28 February	110.9	25.3

Pick 'n Pay Stores Limited and its subsidiaries

11. Property, equipment and vehicles	Property owned Rm	Equipment and vehicles owned Rm	Vehicles leased Rm	Total 2006 Rm
Cost				
At 1 March 2005	304.2	2 517.4	96.2	2 917.8
Additions	273.5	537.6	25.3	836.4
Disposals	(25.0)	(59.8)	(7.5)	(92.3)
Foreign currency translation effect	—	(0.4)	—	(0.4)
At 28 February 2006	552.7	2 994.8	114.0	3 661.5
Accumulated depreciation				
At 1 March 2005	52.6	1 464.7	15.3	1 532.6
Disposals	(4.0)	(28.7)	(7.5)	(40.2)
Depreciation charge for the year	5.1	302.3	13.5	320.9
Foreign currency translation effect	—	0.2	—	0.2
At 28 February 2006	53.7	1 738.5	21.3	1 813.5
Net book value at 28 February 2006	499.0	1 256.3	92.7	1 848.0
Directors' valuation of property at 28 February 2006	831.2			

Equipment and vehicles include fixtures, store automation, delivery vehicles and aircraft.

Property with a net book value of R93.1 million (Directors' valuation – R131.5 million) is ceded as security for long-term borrowings (refer note 20).

The estimated useful lives of certain categories of assets included within equipment were revised in the current year. Had the useful lives not been revised, depreciation for the year would have been increased by R24 million.

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

Pick 'n Pay Stores Limited and its subsidiaries

Notes to the Annual Financial Statements *continued*

for the year ended 28 February 2006

	Property owned Rm	Equipment and vehicles owned Rm	Vehicles leased Rm	Total 2005 Rm
11. Property, equipment and vehicles <i>(continued)</i>				
Cost				
At 1 March 2004	231.8	2 246.1	84.5	2 562.4
Additions	79.3	401.1*	19.9	500.3
Disposals	(6.9)	(21.3)	(8.2)	(36.4)
Disposal of operating segments	—	(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	2 517.4	96.2	2 917.8
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	—	(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	1 052.7	80.9	1 385.2
Directors' valuation of property at 28 February 2005	514.7			

*Previously included R25.3 million of software development costs now shown separately in intangible assets (note 10)

Pick 'n Pay Stores Limited and its subsidiaries

	2006 Rm	2005 Rm
12. Investments		
Listed shares at market value		
Prism Holdings Limited	8.7	3.2
Mobile Industries Limited	0.4	0.2
Total listed shares at 28 February	9.1	3.4
Reconciliation of carrying amount of listed shares:		
At 1 March	3.4	2.5
Unrealised surplus on fair value adjustment	5.7	0.9
At 28 February	9.1	3.4
Unlisted shares at fair value		
Business Partners Limited – held by the Company (note 30)	0.2	0.2
Total investments at 28 February	9.3	3.6
Directors' valuation of unlisted investments	0.2	0.2

Pick 'n Pay Stores Limited and its subsidiaries

Notes to the Annual Financial Statements continued

for the year ended 28 February 2006

	Country	2006 Ownership	2005 Ownership
13. Investment in associate			
The Group has the following investment in an associate:			
TM Supermarkets (Pvt) Limited	Zimbabwe	25%	25%
		Rm	Rm
At 1 March – under SA GAAP			—
IAS 28 – cost of investment in associate (note 28)			5.0
IAS 28 – share of post-acquisition profit (note 28)			10.1
At 1 March – under IFRS		23.6	15.1
Current share of profit (note 28)		23.4	14.6
Dividend received from associate		—	(6.1)
At 28 February		47.0	23.6
Comprising:			
Cost of investment		5.0	5.0
Share of post-acquisition profits		42.0	18.6
Summary financial information of TM Supermarkets (Pvt) Limited – 100%			
Assets		253.6	171.4
Liabilities		157.0	130.2
Equity		96.6	41.2
Turnover		1 338.1	1 355.7
Profit for the year		117.0	73.0
The hyper-inflated turnover and profit (net of withholding tax) of TM Supermarkets (Pvt) Limited have been translated using the monthly weighted average official auction rate of exchange, while the balance sheet information presented above has been translated at the official auction rate of R1: Z\$ 16 568.12 ruling at 28 February 2006 (2005: R1: Z\$ 999.53).			
Although the Group equity accounts this investment, TM Supermarkets (Pvt) Limited continues to encounter difficulties in sourcing foreign currency to remit the Group's dividends from Zimbabwe.			

Pick 'n Pay Stores Limited and its subsidiaries

	2006 Rm	2005 Rm
14. Loans		
The following loans have been advanced by subsidiary companies:		
Employees		
Directors		
At 1 March	1.3	1.3
Advanced	—	—
Repaid	—	—
At 28 February	1.3	1.3
Other employees	88.4	84.8
Loans to participants of the share purchase scheme	3.3	4.5
Total employee loans	93.0	90.6
Trading loans	4.0	5.3
Holding company loan	(0.3)	(0.1)
Total loans at 28 February	96.7	95.8
Loans to directors and employees are secured and bear interest at varying rates subject to a maximum rate of 8% (2005 – 8%) per annum and have varying repayment terms. Loans to employees from the employee share purchase trust are payable within ten years from the date of advance.		
15. 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 by way of long-term credit agreements, with repayment terms usually over a 10 to 15 year period.	71.8	102.7
The cash flows from the participation in export partnerships to be received by the Group have not been discounted. For fair presentation purposes, any impairment to the participation in export partnerships will result in a corresponding reduction in the related deferred tax liability and thus there would be no impact on the cash flow statement and the income statement of the Group.		

Pick 'n Pay Stores Limited and its subsidiaries

Notes to the Annual Financial Statements continued

for the year ended 28 February 2006

	2006 Rm	2005 Rm
16. Deferred tax		
At 1 March – under SA GAAP		(34.7)
IAS 2 Inventory (note 28)		0.6
IAS 17 Leases (note 28)		128.3
At 1 March – under IFRS	205.5	94.2
Deferred tax assets	205.5	111.8
Deferred tax liabilities	—	(17.6)
Income statement movement	9.3	112.9
Export partnerships	6.7	50.9
Property, equipment and vehicles	5.6	(4.6)
Income and expense accruals	22.1	34.3
Reversal of deferred tax asset– Franklins	(81.4)	—
Computed tax losses	0.7	35.9
Tax rate change effect	—	(3.6)
Overprovision in respect of foreign currency translation	55.6	—
Secondary tax on companies	19.3	—
Balance sheet movement	—	(1.6)
Foreign currency translation effect	—	(1.6)
At 28 February	234.1	205.5
Comprising:		
Deferred tax assets		
Computed tax losses*	33.4	114.1
Income and expense accruals	268.2	246.1
Secondary tax on companies	19.3	—
Export partnerships	(75.6)	(82.3)
Property, equipment and vehicles	(11.2)	(16.8)
Foreign currency translation	—	(55.6)
Total deferred tax assets	234.1	205.5

*These computed tax losses are in respect of the Score Supermarkets Operating Limited Group. The directors have considered the future viability of these 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. For further information on Score Supermarkets, please refer to page 29 of the Chief Executive Officer's Report.

In respect of Interfrank Group Holdings Pty Limited (Franklins) in Australia, approximately R367 million of computed tax losses, for which no deferred tax asset has been raised, are available for set-off against future taxable income.

Pick 'n Pay Stores Limited and its subsidiaries

	2006 Rm	2005 Rm
17. Inventory		
Inventory comprises:		
Merchandise for resale	1 971.6	1 848.5
Consumables	12.6	10.1
	1 984.2	1 858.6
18. 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	6.1
The movement in share capital during the year is as follows:		
At 1 March	6.1	6.0
Shares issued, pursuant to the take-up of share options	—	0.1
At 28 February	6.1	6.1
	Number of shares 000's	Number of shares 000's
The movement in the number of shares in issue during the year is as follows:		
At 1 March	486 133.8	483 443.8
Shares issued, pursuant to the take-up of share options	—	2 690.0
At 28 February	486 133.8	486 133.8
Number of shares in issue at 28 February is made up as follows:		
Treasury shares held in the share trust	131.0	462.9
Treasury shares held in a subsidiary company	25 736.6	22 533.5
	25 867.6	22 996.4
Shares held outside the Group	460 266.2	463 137.4
At 28 February	486 133.8	486 133.8
88.0 million of the unissued shares remain under the control of the directors until the next annual general meeting.		

Pick 'n Pay Stores Limited and its subsidiaries

Notes to the Annual Financial Statements *continued*

for the year ended 28 February 2006

	2006 Rm	2005 Rm
18. Share capital <i>(continued)</i>		
Equity element of convertible debentures	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 conversion of the compulsory convertible debentures on 31 December 2007 (note 20). This amount represents the value attributable to the conversion rights of the debentures at time of issue. For directors' interests in shares refer to note 3. For details of share options granted refer to note 4.		
19. Treasury shares		
Treasury shares comprise Pick 'n Pay Stores Limited and Pick 'n Pay Holdings Limited shares held by subsidiary companies and the share trust		
At 1 March	423.8	199.6
Share repurchases	132.0	267.3
Take-up of share options	(45.9)	(43.1)
At 28 February	509.9	423.8
	Number of shares 000's	Number of shares 000's
The movement in the number of treasury shares held is as follows:		
Pick 'n Pay Stores Limited		
At 1 March	22 996.4	12 040.8
Shares purchased during the year	4 319.7	12 384.6
Shares sold during the year, pursuant to the take-up of share options	(1 448.5)	(1 429.0)
At 28 February	25 867.6	22 996.4
Comprises:		
Shares held by share trust	131.0	462.9
Shares held by a subsidiary company	25 736.6	22 533.5
Average purchase price of shares purchased during the year	R25.87	R21.24

Pick 'n Pay Stores Limited and its subsidiaries

	2006 Number of shares 000's	2005 Number of shares 000's
19. Treasury shares (continued)		
Pick 'n Pay Holdings Limited		
At 1 March	22 865.2	29 327.6
Shares purchased during the year	1 594.7	415.8
Shares sold during the year, pursuant to the take-up of share options	(3 602.7)	(6 878.2)
At 28 February	20 857.2	22 865.2
Comprises:		
Shares held by share trust	19 368.4	21 559.1
Shares held by a subsidiary company	1 488.8	1 306.1
Average purchase price of shares purchased during the year	R12.99	R9.59
	Rm	Rm
20. Interest-bearing debt		
Promissory notes issued by the Company in respect of the debt element of the convertible debentures are redeemable in 20 bi-annual instalments at a coupon rate of 10.67%, ending on 31 December 2007 (notes 18 and 30).	21.3	29.4
Secured loans in respect of leased vehicles with a book value of R92.7 million (note 11) held under finance lease agreements bearing interest at prime bank rate less 2% and payable monthly in arrears, over a 4-year period.	95.0	85.8
Short-term loan facility guaranteed by the Company and a subsidiary company, bearing interest at a current average rate of 3.8%.	37.4	23.9
Secured loan in respect of property with a book value of R93.1 million (note 11) bearing interest at 11.4% and payable monthly in arrears, over a 15-year period.	93.0	96.1
Total interest-bearing debt at 28 February	246.7	235.2
Less: Amount repayable within one year	(74.4)	(56.6)
Amount repayable after one year	172.3	178.6

Pick 'n Pay Stores Limited and its subsidiaries

Notes to the Annual Financial Statements continued

for the year ended 28 February 2006

21. Retirement benefits

The Group has four retirement schemes, covering:

Score Supermarkets Trading (Pty) Limited

Boxer Superstores (Pty) Limited

Interfrank Group Holdings Pty Limited

Pick 'n Pay Retailers (Pty) Limited

21.1 Score Supermarkets Trading (Pty) Limited

Score Supermarkets has its own defined contribution Provident Funds, one for Botswana employees and the South African fund for all other employees. Employees who are union members have the choice to join the SACCAWU National Provident Fund.

Membership of Score Provident Funds	2 609
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Membership of SACCAWU National Provident Fund	806
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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).

21.2 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	2 753
	Administrator	Old Mutual

This is the main Boxer retirement plan and is a defined contribution contributory provident fund.

B	Name of fund	SACCAWU National Provident Fund
	Number of members	342
	Administrator	Old Mutual

This is a defined contribution contributory provident fund.

Union members may elect to join this fund on commencement of working at Boxer.

C	Name of fund	Personal Provident Fund
	Number of members	45
	Administrator	Momentum Administration Services

This is a defined contribution contributory provident fund for senior management of the company.

Pick 'n Pay Stores Limited and its subsidiaries

21. Retirement benefits *(continued)*

21.3 Interfrank Group Holdings Pty Limited (Franklins)

Franklins' employees are members of one of two funds:

- A The Interfrank Superannuation Fund is for all corporate, head office and other non-retail employees. This fund is underwritten by AMP Life Limited as part of their Custom Super Plan. Approximately 350 employees are members of this Scheme.
- B All other employees, those covered by the Enterprise Bargaining Agreement, are members of the Retail Industry Superannuation Fund. Approximately 5 000 employees are members of this fund.

Both funds are defined contribution and non-contributory and in terms of current Australian legislation, Franklins contributes 9% of employee gross salaries to the funds.

Members of the Interfrank Superannuation Fund have a choice from 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 care is provided by the Australian Federal Government Medicare Scheme and personal compulsory top-up arrangements.

21.4 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 17 438 members of the Pick 'n Pay Retirement Scheme and 1 080 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.

All the rule amendments pertaining to the transfer have been registered by the FSB and approved by the South African Revenue Service. The funds have however drafted new rules which have not yet been registered by the FSB, although they have been submitted for registration. The new rules contain amendments subsequent to the amalgamation date.

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 element of the Scheme is fully funded.

Post-retirement medical benefits

Members who joined the Pick 'n Pay Medical Scheme 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 Pick 'n Pay Medical Scheme 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 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.

Pick 'n Pay Stores Limited and its subsidiaries

Notes to the Annual Financial Statements *continued*

for the year ended 28 February 2006

21. Retirement benefits *(continued)*

21.4 Pick 'n Pay Retailers (Pty) Limited *(continued)*

Advisors

The Pick 'n Pay Retirement Scheme is administered by NMG Consultants and Actuaries Administrators. The consultants and actuaries are NMG Consultants and Actuaries. The investment advisor is Fifth Quadrant Actuaries and Consultants.

SACCAWU National Provident Fund

The SACCAWU Fund is administered by Old Mutual and is currently under curatorship. Employees, who are union members, have a choice of joining this fund instead of the Pick 'n Pay Retirement Scheme when they commence employment. There are 15 923 employees who have elected to join this fund.

The Pick 'n Pay Retirement Scheme defined benefit obligations

	Pensioners' defined benefit guarantee Rm	Retirement defined benefit guarantee Rm	Post- retirement medical guarantee Rm	Benefit fund Rm	Total obligation 2006 Rm	Total obligation 2005 Rm
The amount recognised in the balance sheet is as follows:						
Present value of funded obligations	147.7	456.9	113.9	18.3	736.8	651.5
Fair value of assets	(147.7)	(314.0)	(46.9)	(19.2)	(527.8)	(434.5)
Funded position	—	142.9	67.0	(0.9)	209.0	217.0
Unrecognised actuarial gain/(loss)	—	(15.1)	—	0.9	(14.2)	(27.2)
Present value of unfunded obligations	—	127.8	67.0	—	194.8	189.8
Amounts recognised in the income statement are as follows:						
Current service cost	23.2	21.1	2.1	4.3	50.7	49.8
Interest on the obligation	13.7	40.5	10.2	1.5	65.9	70.5
Expected return on the plan assets	(13.5)	(28.0)	(2.8)	(1.4)	(45.7)	(52.4)
Net actuarial gains/(losses) recognised	(2.6)	16.9	1.7	(0.9)	15.1	37.5
Total included in employee costs	20.8	50.5	11.2	3.5	86.0	105.4

Pick 'n Pay Stores Limited and its subsidiaries

21. Retirement benefits *(continued)*

	Pensioners defined benefit guarantee Rm	Retirement defined benefit guarantee Rm	Post- retirement medical guarantee Rm	Benefit fund Rm	Total obligation 2006 Rm	Total obligation 2005 Rm
Cumulative unrecognised gains/ (losses):						
Net cumulative unrecognised gain/ (loss) – 1 March	—	(27.2)	—	—	(27.2)	—
Actuarial gain/(loss) – obligation	5.1	(7.3)	(1.5)	(1.1)	(4.8)	(56.7)
Actuarial gain/(loss) – assets	(2.5)	2.5	(0.2)	2.9	2.7	(8.0)
Actuarial gain/(loss) to be recognised	(2.6)	16.9	1.7	(0.9)	15.1	37.5
Net cumulative unrecognised gain/ (loss) – 28 February	—	(15.1)	—	0.9	(14.2)	(27.2)
In terms of IAS 19, the Company does not recognise the excess assets in the benefit fund.						
Movement in the liability recognised on the balance sheet is as follows:						
Net liability – 1 March	—	96.9	91.8	1.1	189.8	145.0
Net expense in the income statement	20.8	50.5	11.2	3.5	86.0	105.4
Contributions	(20.8)	(19.6)	(36.0)	(4.6)	(81.0)	(60.6)
Net liability – 28 February	—	127.8	67.0	—	194.8	189.8

Pick 'n Pay Stores Limited and its subsidiaries

Notes to the Annual Financial Statements *continued*

for the year ended 28 February 2006

	2006 % per annum	2005 % per annum
21. Retirement benefits <i>(continued)</i>		
The principal actuarial assumptions at the last valuation date (1 June each year) are:		
Discount rate	10.00	10.00
Future salary increases	7.01	6.96
Future pension increases	4.40	4.40
Annual increase in health care costs	8.31	8.31
Expected rate of return	10.00	10.00
 The Pick 'n Pay Retirement Scheme Defined Contribution Fund		
The salient features of the defined contribution funds are as follows:		
	Defined contribution benefits Rm	Defined contribution benefits Rm
Present value of funded obligations	892.4	745.3
Fair value of assets	1 014.7	730.9*
Present value of unfunded obligations	—	—
Current contributions	98.5	83.2

The assets at both dates include the pending transfer of the investment reserve from the previous Pick 'n Pay Provident Fund.

The assets in excess of the members' liabilities are allocated to an investment reserve.

*The total assets have a guaranteed value of R787.5 million.

Pick 'n Pay Stores Limited and its subsidiaries

22. Leases

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.

Following a change in the interpretation of IAS 17 – Leases, operating leases with fixed rental escalations are now charged to the income statement on a straight-line basis as opposed to the cash basis in previous years. This has necessitated the raising of a provision for lease expenses and an asset for lease income on the balance sheet. This provision and asset will reverse during the latter part of each lease term when the actual cash flow exceeds the income statement amounts.

	2006 Rm	2005 Rm
Operating lease asset		
At 1 March – under SA GAAP		—
Recognition of lease income on a straight-line basis – asset created (note 28)		2.5
At 1 March – under IFRS	3.7	2.5
Provision for future lease income (note 28)	1.1	1.2
At 28 February	4.8	3.7
Operating lease liability		
At 1 March – under SA GAAP		—
Recognition of lease expense on a straight-line basis – liability created (note 28)		430.8
At 1 March – under IFRS	490.9	430.8
Provision for future lease expenditure (note 28)	48.9	60.1
At 28 February	539.8	490.9

Pick 'n Pay Stores Limited and its subsidiaries

Notes to the Annual Financial Statements *continued*

for the year ended 28 February 2006

	2006 Rm	2005 Rm
22. Leases <i>(continued)</i>		
At 28 February 2006, future non-cancellable minimum lease rentals are payable during the following financial years:		
Cash flow due in 2007	606.1	558.4
Creation of lease liability	36.6	49.6
Income statement expense	642.7	608.0
Cash flow due in 2008 – 2011	2 319.4	2 159.9
(Reversal of)/creation of lease liability	(43.5)	19.2
Income statement expense	2 275.9	2 179.1
Cash flow due after 2012	2 918.5	3 090.8
Reversal of lease liability	(532.9)	(559.7)
Income statement expense	2 385.6	2 531.1
Total operating lease commitments	5 304.2	5 318.2
Total future cash flows	5 844.0	5 809.1
Operating lease liability	(539.8)	(490.9)
At 28 February 2006, future minimum rentals receivable from non-cancellable sub-lease contracts amount to:		
Total future cash flows	81.3	115.9
Operating lease asset	(4.8)	(3.7)
Total operating lease income receivable	76.5	112.2

Pick 'n Pay Stores Limited and its subsidiaries

	2006 Rm	2005 Rm
23. Trade and other payables		
Trade and other payables comprise:		
Leave pay obligations	195.8	173.5
Trade and other creditors	4 458.3	4 108.8
	4 654.1	4 282.3
24. Commitments		
All capital expenditure will be funded from internal cash flow.		
Authorised capital expenditure		
Contracted for		
Property	139.3	220.7
Equipment and vehicles	14.3	176.0
Intangible assets	43.2	—
Not contracted for		
Property	511.7	164.4
Equipment and vehicles	639.6	40.6
Total commitments	1 348.1	601.7

Pick 'n Pay Stores Limited and its subsidiaries

Notes to the Annual Financial Statements continued

for the year ended 28 February 2006

25. Segmental report

The Group is organised into two geographic 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 the geographic segments is as follows:

	Southern Africa		Australia		Total	
	2006 Rm	2005 Rm	2006 Rm	2005 Rm	2006 Rm	2005 Rm
Segment revenue	32 549.1	29 173.8	4 235.5	4 170.1	36 784.6	33 343.9
Turnover	31 143.6	27 989.2	3 934.8	3 895.8	35 078.4	31 885.0
Turnover – Australian dollars			810.9	841.1		
Segment result						
Trading profit/(loss)	1 140.1	958.0	(92.7)	(62.4)	1 047.4	895.6
Trading profit/(loss) – Australian dollars			(19.0)	(13.4)		
Depreciation and amortisation, included in trading profit/(loss)	(279.7)	(267.9)	(45.7)	(36.8)	(325.4)	(304.7)
Goodwill, included in total assets	171.2	171.2	463.7	463.0	634.9	634.2
Total assets	5 581.1	5 150.8	1 155.9	1 150.9	6 737.0	6 301.7
Total liabilities	5 410.2	5 120.3	461.5	466.6	5 871.7	5 586.9
Capital expenditure	815.6	483.0	110.8	42.6	926.4	525.6

Pick 'n Pay Stores Limited and its subsidiaries

26. Related party transactions

Transactions between Group subsidiaries

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

Directors

A number of directors of the Company hold positions in related 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
Dennis Cope	Pick 'n Pay Retirement Scheme	Trustee
	Pick 'n Pay Medical Scheme	Trustee
René de Wet	Pick 'n Pay Retirement Scheme	Chairman
	Pick 'n Pay Medical Scheme	Chairman
Hugh Herman	Investec Asset Management Limited	Non-executive chairman
	Investec Bank Limited	Non-executive chairman
	Investec Employee Benefits Limited	Non-executive chairman
Colin Hultzer	Pick 'n Pay Retirement Scheme	Trustee
	Pick 'n Pay Medical Scheme	Trustee
David Nurek	Investec Bank Limited	Senior executive
	Investec Employee Benefits Limited	Director
	Trencor Limited	Non-executive director

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:

- The Pick 'n Pay Retirement and Medical Schemes administer the Company's retirement and medical plans respectively.
- 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.
- Investec Asset Management Limited manages a portion of the Pick 'n Pay Retirement Scheme's assets.
- Investec Employee Benefits Limited provides the Group with life cover services.
- A subsidiary company participates in export partnerships with Trencor Limited group entities (note 15).

Certain non-executive directors of the Group are also non-executive directors of other public companies which may 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 110. For further information refer to note 3.

Key management personnel

Key management personnel are directors and those executives having authority and responsibility for planning, directing and controlling the activities of the Group. No key management personnel had a material interest in any contract of significance with any Group Company during the year under review.

Key management personnel remuneration comprises:

	2006 Rm	2005 Rm
Directors' fees	2 747.5	1 360.0
Remuneration for management services	16 791.4	15 622.2
Retirement and medical aid contributions	2 546.8	2 044.3
Performance bonus	18 987.5	22 475.0
Fringe and other benefits	1 335.8	1 073.8
Expense relating to share options granted	5 467.0	2 698.9
	47 876.0	45 274.2

Pick 'n Pay Stores Limited and its subsidiaries

Notes to the Annual Financial Statements continued

for the year ended 28 February 2006

27. 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 2006, 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	0.9	7.33	6.6
US Dollar	6.0	6.35	38.1

Credit risk

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

The Group's cash is 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.

Trade and other receivables, which are predominantly amounts owing by franchisees, are presented net of impairment losses. 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 Limited has warranted certain important cash flow aspects of the Group's participation in export partnerships (refer note 15). The Group's directors have considered the credit risk relating to these aspects warranted and have satisfied themselves as 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 its 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.

Pick 'n Pay Stores Limited and its subsidiaries

	2006 Rm	2005 Rm
27. Financial instruments <i>(continued)</i>		
At 28 February the Group's loan facilities comprised:		
Total borrowing facilities granted by financial institutions	2 731.8	2 582.3
Total actual borrowings and utilisation of facilities	(771.2)	(767.1)
Unutilised borrowing facilities	1 960.6	1 815.2

Interest rate risk

The effective rates on financial instruments at 28 February 2006 are:

	Maturity of interest-bearing asset/liability						
	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	Total Rm
Assets							
Cash and cash equivalents		6.6	944.6				944.6
Trade and other receivables						750.7	750.7
Participation in export partnerships						71.8	71.8
Loans	3.3		40.3	56.4			96.7
Investments						9.3	9.3
Total financial assets			984.9	56.4	—	831.8	1 873.1
Liabilities							
Trade and other payables						4 654.1	4 654.1
Interest-bearing debt		9.2	74.4	101.4	70.9		246.7
Total financial liabilities			74.4	101.4	70.9	4 654.1	4 900.8
Net financial assets/ (liabilities)			910.5	(45.0)	(70.9)	(3 822.3)	(3 027.7)

Notes to the Annual Financial Statements *continued*

for the year ended 28 February 2006

27. Financial instruments *(continued)*

Fair values of financial instruments

At 28 February 2006 the carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables 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 15.

28. Impact of conversion to International Financial Reporting Standards (IFRS)

For the year ended 28 February 2005, the Group prepared its financial statements under South African Statements of Generally Accepted Practice (SA GAAP). JSE Limited (JSE) Listings Requirements prescribe that the Group prepare its annual financial statements in accordance with IFRS. IFRS refers to the application of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS).

This requirement applies to all listed companies for financial reporting periods beginning on or after 1 January 2005 and, consequently, the year ended 28 February 2006 is the Group's first published annual financial statements under IFRS. As the Group publishes comparative information for one year, the date of transition to IFRS is 1 March 2004, which represents the start of the earliest period of comparative information presented.

In order to explain how the Group's reported performance and financial position are impacted by IFRS, the Group has restated information previously published under SA GAAP to the equivalent basis under IFRS. This restatement follows the guidelines set out in IFRS 1 First-time Adoption of International Financial Reporting Standards (IFRS 1).

As required by IFRS 1 the Group's opening balance sheet at 1 March 2004 has been restated to reflect all existing IFRS statements applicable at 28 February 2006.

First time application of IFRS has resulted in the following adjustments:

IAS 36 Impairment of assets; IAS 38 Intangible assets; IFRS 3 Business Combinations

The revised IAS 36 and IAS 38 were issued simultaneously with IFRS 3. The changes to IAS 38 mainly relate to clarifying the identifiability of intangible assets, the useful lives and amortisation of intangible assets and the accounting for in-process research and development costs acquired in business combinations. Goodwill arising from business combinations prior to 1 March 2004 has been included at the amount recognised under SA GAAP. The classifications and accounting treatment of business combinations prior to 1 March 2004 has not been reconsidered.

Amortisation of goodwill has ceased with effect from the beginning of the previous financial year. Amortisation of R35.3 million recognised in 2005 has been reversed. An element of goodwill amounting to R57.5 million recognised in error under SA GAAP has been reversed, with a consequent impact on opening accumulated profits.

IAS 28 Investments in Associates

The main objective in revising IAS 28 was to reduce alternatives in the accounting for investments in associates and the application of the equity method of accounting. Prior to revision, where an associate was trading under severe long-term restrictions that significantly impaired its ability to transfer funds to the investor, the investor was not required to apply the equity method. This exclusion no longer applies. Significant influence must now be lost before the equity method ceases to be applicable. In the past the Group did not equity account its 25% investment in TM Supermarkets (Pvt) Limited due to the difficulties in transferring dividends from Zimbabwe. Dividend income from TM Supermarkets (Pvt) Limited was accounted for only when received. Now that the exclusion has fallen away, the Group recognises its share of the after-tax profits of TM Supermarkets (Pvt) Limited in terms of the equity accounting method. The investment has been reclassified from Investments to Investment in Associate.

IAS 2 Inventories

IAS 2 requires trade discounts, rebates and other similar items to be deducted from the costs of purchase of an item of inventory. There has been divergence in South African retail industry practice in the past over interpreting the words "similar items". In prior years, cash discounts received from suppliers were included in "other trading income". Cash discounts are now shown as a reduction of cost of merchandise sold for the year, with a consequent reduction in the inventory valuation at reporting date, consistent with current interpretation.

Pick 'n Pay Stores Limited and its subsidiaries

28. Impact of conversion to International Financial Reporting Standards (IFRS) *(continued)*

IAS 17 Leases

The change in the manner of recognising lease payments arises as a result of a change in interpretation of IAS 17 by South African entities in order to align the South African practice with that applied internationally. The effect of the revised interpretation is that operating lease payments are recognised on a straight line basis over the lease term, and not on a cash basis. The required adjustment has been made to opening retained income and the comparative periods accordingly.

IFRS 2 Share-based payments

In terms of this new standard all share-based payment transactions must be recognised in the financial statements using a fair value measurement basis and charged when the goods or services are consumed. It requires the fair value of all equity instruments granted to be based on market prices, if available, and to take into account the terms and conditions upon which those instruments were granted. This standard impacts on the Group in respect of the share options granted to employees after 7 November 2002 that had not vested at 1 January 2005. Share options are valued using an actuarial binomial option pricing model and this fair value is charged to the income statement over the expected vesting period of the option.

Income statement reclassifications

Cash discounts and related purchase incentives have been reclassified within the income statement to accord with IFRS requirements. Comparative figures have been restated accordingly. These reclassifications have had no effect on profit.

The impact of conversion to IFRS is as follows:

	Adjustments							IFRS Rm
	SA GAAP Rm	Goodwill Rm	Goodwill IFRS 3 Rm	Investment in associate IAS 28 Rm	Inventory IAS 2 Rm	Leases IAS 17 Rm	Share-based payments IFRS 2 Rm	
Balance Sheet 1 March 2004								
Goodwill	745.1	(57.5)						687.6
Investments	7.7			(5.0)				2.7
Investment in associate	—			15.1				15.1
Net deferred tax asset	(34.7)				0.6	128.3		94.2
Inventory	1 578.7				(15.7)			1 563.0
Operating lease asset	—					2.5		2.5
Share-based payment reserve	—						6.4	6.4
Accumulated profits	1 159.7	(57.5)		10.1	(11.0)	(300.0)	(6.4)	794.9
Operating lease liability	—					430.8		430.8
Tax	274.8				(4.1)			270.7

Pick 'n Pay Stores Limited and its subsidiaries

Notes to the Annual Financial Statements *continued*

for the year ended 28 February 2006

28. Impact of conversion to International Financial Reporting Standards (IFRS) *(continued)*

The impact of conversion to IFRS is as follows: *(continued)*

Balance Sheet 28 February 2005	Adjustments								IFRS Rm
	SA GAAP Rm	Goodwill Rm	Goodwill IFRS 3 Rm	Investment in associate IAS 28 Rm	Inventory IAS 2 Rm	Leases IAS 17 Rm	Share- based payments IFRS 2 Rm	Re- classifi- cations	
Goodwill	656.4	(57.5)	35.3						634.2
Investments	8.6			(5.0)					3.6
Investment in associate	—			23.6					23.6
Net deferred tax asset	62.9				1.5	141.1			205.5
Inventory	1 878.8				(20.2)				1 858.6
Operating lease asset	—					3.7			3.7
Share-based payment reserve	—						16.4		16.4
Accumulated profits	1 408.4	(57.5)	35.3	18.6	(14.2)	(346.1)	(16.4)		1 028.1
Operating lease liability	—					490.9			490.9
Tax	393.2				(4.5)				388.7
Detailed income statement impact for the year ended 28 February 2005									
Cost of merchandise sold	(26 597.5)				(4.5)			213.8	(26 388.2)
Other trading income	1 203.0					1.2		173.3	1 377.5
Employee costs	(3 090.8)						(10.0)		(3 100.8)
Occupancy costs	(774.1)					(60.1)			(834.2)
Merchandising and administration costs	(776.9)							(387.1)	(1 164.0)
Goodwill amortisation	(35.3)		35.3						—
Dividends received from associate	6.1			(6.1)					—
Share of associate's profit	—			14.6					14.6
Tax	(360.3)				1.3	12.8			(346.2)
Total IFRS impact		—	35.3	8.5	(3.2)	(46.1)	(10.0)	—	

Pick 'n Pay Stores Limited and its subsidiaries

29. Accounting standards and interpretations to be adopted in future years

International Financial Reporting Interpretations Committee (IFRIC)

IFRIC 4

This interpretation is effective for the Group from the year ending 28 February 2007. It states that where an entity enters into an arrangement that depends on the use of a specific asset and that arrangement conveys the right to control the specific asset, then this arrangement should be treated as a lease under IAS 17 Leases. Arrangements that are in substance leases should be assessed against the criteria included in IAS 17 Leases to determine whether the arrangement should be accounted for as a finance lease or an operating lease. Transitional provisions require the Group to assess all existing arrangements at the beginning of the comparative period of the first period in which the interpretation is adopted.

The Group is in the process of evaluating the effects of this interpretation. We have identified arrangements in respect of outsourced warehousing and distribution services where embedded leases may be present. These include finance leases for equipment used in distribution centres and operating leases in respect of distribution vehicles. Whilst the Group has elected not to early adopt this interpretation, it does not anticipate that its adoption will have a material effect on the Group financial statements.

International Financial Reporting Standards (IFRS)

IFRS 7

The disclosures provided in respect of financial instruments in the financial statements for the year ending 28 February 2008, as well as comparative information, will be compliant with IFRS 7. IFRS 7 requires additional disclosure compared to that required in terms of existing IFRSs in respect of, amongst others, capital objectives and policies.

The adoption of IFRS 7 will not have any impact on the accounting policies adopted for financial instruments.

Notes 30 and 31 comprise Pick 'n Pay Stores Limited's Annual Financial Statements

30. Pick 'n Pay Stores Limited

Income statement for the year ended 28 February

Dividends from subsidiary companies
Distributions from share trust
Fees received from subsidiary company
Interest received
Interest paid
Administrative expenses

Profit before tax

Tax

Profit for the year

2006 Rm	2005 Rm
475.5	395.0
10.2	10.3
8.8	7.7
4.8	6.2
(10.9)	(6.2)
(5.3)	(4.1)
483.1	408.9
(34.5)	(0.9)
448.6	408.0

Pick 'n Pay Stores Limited and its subsidiaries

Notes to the Annual Financial Statements *continued*

for the year ended 28 February 2006

	2006 Rm	2005 Rm
30. Pick 'n Pay Stores Limited <i>(continued)</i>		
Balance sheet as at 28 February		
Assets		
Non-current assets		
Interest in subsidiary companies (note 31)	132.4	198.8
Loan to employee share purchase trust	81.3	59.2
Investments (note 12)	0.2	0.2
	213.9	258.2
Current assets		
Trade receivables	—	3.6
Tax	0.8	0.7
	0.8	4.3
Total assets	214.7	262.5
Equity and liabilities		
Capital and reserves		
Share capital (note 18)	6.1	6.1
Share premium	26.0	26.0
Equity element of convertible debentures (note 18)	16.0	16.0
Accumulated profits	143.5	181.0
	191.6	229.1
Non-current liabilities		
Debentures (note 20)	11.6	21.3
Current liabilities		
Debentures (note 20)	9.7	8.1
Trade and other payables	1.8	4.0
	11.5	12.1
Total equity and liabilities	214.7	262.5

Pick 'n Pay Stores Limited and its subsidiaries

30. Pick 'n Pay Stores Limited (continued)

Equity statement for the year ended 28 February	Share capital Rm	Share premium Rm	Equity element of convertible debentures Rm	Accumulated profit Rm	Total Rm
At 1 March 2004	6.0	13.9	16.0	177.9	213.8
Profit for the year				408.0	408.0
Issue of new shares	0.1	12.1			12.2
Dividends paid (note 8)				(404.9)	(404.9)
At 28 February 2005	6.1	26.0	16.0	181.0	229.1
Profit for the year				448.6	448.6
Dividends paid (note 8)				(486.1)	(486.1)
At 28 February 2006	6.1	26.0	16.0	143.5	191.6

	2006 Rm	2005 Rm
Pick 'n Pay Stores Limited		
Cash flow statement for the year ended 28 February		
Profit before tax	483.1	408.9
Trade and other payables	(2.2)	2.2
Trade receivables	3.6	(0.1)
Cash generated from operations	484.5	411.0
Dividends paid (note 8)	(486.1)	(404.9)
Tax paid	(34.6)	(2.1)
Net cash (utilised in)/generated from operating activities	(36.2)	4.0
Interest in subsidiary companies' shares	—	(6.8)
Loan to employee share purchase trust	(22.1)	(10.5)
Net cash utilised in investing activities	(22.1)	(17.3)
Issue of new shares pursuant to the take-up of share options	—	12.2
Debentures repaid	(8.1)	(6.7)
Net cash (utilised in)/generated from financing activities	(8.1)	5.5
Pick 'n Pay Retailers (Pty) Limited loan account		
Net movement for the year	(66.4)	(7.8)
Balance at 1 March	160.5	168.3
Balance at 28 February (note 31)	94.1	160.5

Pick 'n Pay Stores Limited and its subsidiaries

Notes to the Annual Financial Statements continued

for the year ended 28 February 2006

	2006 Rm	2005 Rm
31. Interest in subsidiaries		
Shares at cost		
Trading	37.5	37.5
Guardrisk Insurance Company Limited "A122 ordinary shares"		
Pick 'n Pay Retailers (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		
Raymond Ackerman Holdings Limited		
Property owning	0.5	0.5
Alstar (Pty) Limited		
Bedworth Sentrum (Pty) Limited		
Carrefour (Pty) Limited		
Pick 'n Pay (Bellville) (Pty) Limited		
Pick 'n Pay (Mitchells Plain) Limited		
Pick 'n Pay (Newton Park) (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	0.3
	38.3	38.3
Loan to Pick 'n Pay Retailers (Pty) Limited	94.1	160.5
Held by Pick 'n Pay Stores Limited	132.4	198.8
The attributable earnings of subsidiaries are	848.5	724.0
The attributable losses of subsidiaries are	99.6	84.7

Pick 'n Pay Stores Limited and its subsidiaries

31. Interest in subsidiaries *(continued)*

Held by other Group trading subsidiaries:

Pick 'n Pay (Gabriel Road) (Pty) Limited
Pick 'n Pay Insurance Company Limited
Pick 'n Pay Namibia (Pty) Limited
(Registered in Namibia)
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)
Score Supermarkets Operating Limited
Score Supermarkets (Trading) (Pty) Limited
Score Supermarkets (Botswana) (Pty) Limited
(Registered in Botswana)
Score Supermarkets (Southern Africa) (Pty) Limited
(Registered in Botswana)
Score Supermarkets (Swaziland) Limited
(Registered in 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.

Pick 'n Pay Holdings Limited and its subsidiaries

Group Annual Financial Statements and Other Information

CONTENTS

PICK 'n PAY HOLDINGS LIMITED AND ITS SUBSIDIARIES

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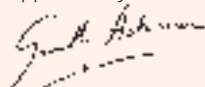
Pick 'n Pay Holdings Limited and its subsidiaries

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

Directors' Approval

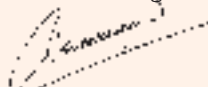
The directors acknowledge and accept full responsibility for the preparation and integrity of the information presented in these annual financial statements and Group annual financial statements.

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 International Financial Reporting Standards, were approved by the Board of Directors on 8 May 2006 and are signed on their behalf by:



G M Ackerman

Chairman

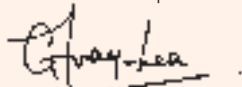


R D Ackerman

Director

Company Secretary's Certificate

In terms of section 268G(d) of the Companies Act 61 of 1973, as amended, I certify that Pick 'n Pay Holdings Limited has lodged with the Registrar of Companies all such returns as required by the Companies Act, and that all such returns are true, correct and up to date.



G F Lea

Company Secretary

8 May 2006

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 subsidiaries, as set out on pages 166 to 179, for the year ended 28 February 2006. 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 about whether 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 2006 and the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.



KPMG Inc

Registered Accountants and Auditors

Chartered Accountants (SA)

Cape Town

8 May 2006

Pick 'n Pay Holdings Limited and its subsidiaries

Directors' Report

Structure and function

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

General review

The Group income statement is presented on page 168 and reflects the Group's operational results.

The Group's basic earnings, headline earnings and dividends paid for the year are as follows:

Per share – cents	2006	% increase	2005
Basic earnings (note 2)	73.65	9.9	66.99
Headline earnings(note 2)	73.90	14.2	64.71
Dividends paid (note 3)	48.80	20.0	40.67

Relative share value

The directors consider that the ratio of the dividend paid per share for the year of Pick 'n Pay Holdings Limited (PIKWIK) of 48.80 cents, to that of Pick 'n Pay Stores Limited (PICKNPAY), 100.00 cents, determines the relative value of a Pick 'n Pay Holdings Limited share, which based on these figures, is 48.8% (2005: 48.8%) of a Pick 'n Pay Stores Limited share.

Investment

The Company's sole asset is its 52.9% (2005: 52.9%) direct shareholding in its subsidiary, Pick 'n Pay Stores Limited, and its only source of income is the dividend received from Pick 'n Pay Stores Limited.

Dividends paid and declared

Share code: PWK ISIN: ZAE 00000 5724.

A cash dividend (No. 47) of 37.43 cents per share was paid to shareholders on 13 June 2005.

A cash dividend (No. 48) of 11.37 cents per share was paid to shareholders on 12 December 2005.

The directors have declared a cash dividend (No. 49) of 44.18 cents per share. The last day of trade in order to participate in the dividend (CUM dividend) will be Friday, 2 June 2006. Shares will trade EX dividend from the commencement of business on Monday, 5 June 2006 and the record date is Friday, 9 June 2006. The dividend will be paid on Monday, 12 June 2006. Share certificates may not be dematerialised or rematerialised between Monday, 5 June 2006 and Friday, 9 June 2006, both dates inclusive.

As dividend No. 49 was declared on 19 April 2006 it will only be accounted for in the 2007 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 106.

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 19 368 433 and 1 488 753 shares in the Company, respectively. These shares are reflected as treasury shares in the annual financial statements.

Pick 'n Pay Holdings Limited and its subsidiaries

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 resolutions

On 10 June 2005, the Company's shareholders approved the following special resolutions:

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 Listings Requirements of the JSE Limited ("JSE"), and provided further that acquisitions by the Company may not, in the aggregate, exceed in any one financial year 5% of the Company's issued share capital.

Amendment to Articles of Association

It was resolved that the Company's Articles of Association be amended to facilitate the restoring of shares to the status of unissued once received by the Company as a result of a distribution in specie.

Subsidiary company special resolutions

On 10 June 2005, Pick 'n Pay Stores Limited passed the same special resolutions as the Company.

On 18 August 2005, Pick 'n Pay Retailers (Pty) Limited passed a special resolution adopting a new Memorandum and Articles of Association.

Directors and secretary

In terms of the Company's Articles of Association the directors listed on page 193 retire by rotation and they offer themselves for re-election. Information pertaining to the directors and the secretary appears on page 17.

Directors' interest in shares

	2006 %	2005 %
Beneficial	0.2	0.2
Non-beneficial	49.4	49.4
	49.6	49.6

Borrowings

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

Corporate governance

All corporate governance structures referred to on pages 55 to 59 also apply to Pick 'n Pay Holdings Limited.

Pick 'n Pay Holdings Limited and its subsidiaries

Income Statement

for the year ended 28 February 2006

		GROUP		COMPANY	
	Notes	2006 Rm	2005 Rm	2006 Rm	2005 Rm
Revenue		36 784.6	33 343.9	—	—
Turnover		35 078.4	31 885.0	—	—
Cost of merchandise sold		(29 060.1)	(26 388.2)	—	—
Gross profit		6 018.3	5 496.8	—	—
Other trading income		1 649.3	1 377.5	—	—
Trading expenses		(6 620.2)	(5 978.7)	—	—
Employee costs		(3 439.8)	(3 100.8)	—	—
Occupancy		(901.3)	(834.2)	—	—
Operations		(954.3)	(879.7)	—	—
Merchandising and administration		(1 324.8)	(1 164.0)	—	—
Trading profit		1 047.4	895.6	—	—
Interest received		56.7	81.4	—	—
Operating profit		1 104.1	977.0	—	—
Interest paid		(37.6)	(32.9)	—	—
Dividends received		0.2	—	257.3	214.4
Share of associate's profit		23.4	14.6	—	—
Exceptional items		(2.5)	21.6	—	—
Profit before tax		1 087.6	980.3	257.3	214.4
Tax		(384.5)	(346.2)	—	—
Profit for the year		703.1	634.1	257.3	214.4
Profit for the year attributable to:					
Equity holders of the Company		372.2	335.7	257.3	214.4
Minority shareholders		330.9	298.4	—	—
		703.1	634.1	257.3	214.4
Per share – cents					
Basic earnings	2	73.65	66.99	50.91	42.78
Diluted basic earnings	2	68.22	62.39	49.65	41.65

Pick 'n Pay Holdings Limited and its subsidiaries

Balance Sheet

as at 28 February 2006

		GROUP		COMPANY	
	Notes	2006 Rm	2005 Rm	2006 Rm	2005 Rm
Assets					
Non-current assets					
Goodwill		634.9	634.2	—	—
Intangible assets		110.9	25.3	—	—
Property, equipment and vehicles		1 848.0	1 385.2	—	—
Investments	4	9.3	3.6	128.0	128.0
Investment in associate		47.0	23.6	—	—
Loans		97.0	95.9	—	—
Operating lease asset		4.8	3.7	—	—
Participation in export partnerships		71.8	102.7	—	—
Deferred tax		234.1	205.5	—	—
		3 057.8	2 479.7	128.0	128.0
Current assets					
Inventory		1 984.2	1 858.6	—	—
Trade and other receivables		750.7	634.5	0.3	0.1
Cash and cash equivalents		944.6	1 329.0	—	—
		3 679.5	3 822.1	0.3	0.1
Total assets		6 737.3	6 301.8	128.3	128.1
Equity and liabilities					
Capital and reserves					
Share capital	5	6.6	6.6	6.6	6.6
Share premium		120.8	120.8	120.8	120.8
Treasury shares	6	(71.5)	(60.9)	—	—
Share-based payment reserve		20.5	8.7	—	—
Accumulated profits		287.0	221.9	—	—
Revaluation reserve		4.3	1.3	—	—
Foreign currency translation reserve		13.4	23.1	—	—
Attributable to equity holders of the Company		381.1	321.5	127.4	127.4
Minority interest		484.2	393.3	—	—
Total equity		865.3	714.8	127.4	127.4
Non-current liabilities					
Interest-bearing debt		172.3	178.6	—	—
Retirement scheme obligations		194.8	189.8	—	—
Operating lease liability		539.8	490.9	—	—
		906.9	859.3	—	—
Current liabilities					
Interest-bearing debt		74.4	56.6	—	—
Trade and other payables		4 654.4	4 282.4	0.9	0.7
Tax		236.3	388.7	—	—
		4 965.1	4 727.7	0.9	0.7
Total equity and liabilities		6 737.3	6 301.8	128.3	128.1

Pick 'n Pay Holdings Limited and its subsidiaries

Statement of Changes in Equity

for the year ended 28 February 2006

GROUP

	Notes	Share capital Rm	Share premium Rm	Treasury shares Rm	Share-based payment reserve Rm	Accumulated profits Rm	Revaluation reserve Rm	Foreign currency translation reserve Rm	Minority interest Rm	Total Rm
At 1 March 2004 – under SA GAAP		6.6	120.8	(74.8)	—	430.7	0.8	71.3	577.0	1 132.4
Impact of conversion to IFRS					3.4	(193.1)			(168.7)	(358.4)
At 1 March 2004 – under IFRS		6.6	120.8	(74.8)	3.4	237.6	0.8	71.3	408.3	774.0
Profit for the year						335.7			298.4	634.1
Issue of subsidiary's shares									12.2	12.2
Share repurchases	6			(3.7)						(3.7)
Subsidiary's share repurchases						(139.5)			(124.1)	(263.6)
Take-up of share options	6			17.6		(1.7)				15.9
Take-up of subsidiary's share options						4.2			3.7	7.9
Dividends paid	3					(214.4)				(214.4)
Dividends paid by subsidiary to minorities									(167.2)	(167.2)
Share options expense					5.3				4.7	10.0
Revaluation of listed investments							0.5		0.4	0.9
Foreign currency translation								(48.2)	(43.1)	(91.3)
At 28 February 2005		6.6	120.8	(60.9)	8.7	221.9	1.3	23.1	393.3	714.8
Profit for the year						372.2			330.9	703.1
Share repurchases	6			(20.7)						(20.7)
Subsidiary's share repurchases						(58.9)			(52.4)	(111.3)
Take-up of share options	6			10.1		2.3				12.4
Take-up of subsidiary's share options						6.8			6.0	12.8
Dividends paid	3					(257.3)				(257.3)
Dividends paid by subsidiary to minorities									(194.7)	(194.7)
Share options expense					11.8				10.6	22.4
Revaluation of listed investments							3.0		2.7	5.7
Foreign currency translation								(9.7)	(12.2)	(21.9)
At 28 February 2006		6.6	120.8	(71.5)	20.5	287.0	4.3	13.4	484.2	865.3

Pick 'n Pay Holdings Limited and its subsidiaries

Statement of Changes in Equity

for the year ended 28 February 2006

COMPANY

	Notes	Share capital Rm	Share premium Rm	Treasury shares Rm	Share-based payment reserve Rm	Accumulated profits Rm	Revaluation reserve Rm	Foreign currency translation reserve Rm	Minority interest Rm	Total Rm
At 1 March 2004		6.6	120.8	—	—	—	—	—	—	127.4
Profit for the year						214.4				214.4
Dividends paid	3					(214.4)				(214.4)
At 28 February 2005		6.6	120.8	—	—	—	—	—	—	127.4
Profit for the year						257.3				257.3
Dividends paid	3					(257.3)				(257.3)
At 28 February 2006		6.6	120.8	—	—	—	—	—	—	127.4

Pick 'n Pay Holdings Limited and its subsidiaries

Cash Flow Statement

for the year ended 28 February 2006

	Notes	GROUP		COMPANY	
		2006 Rm	2005 Rm	2006 Rm	2005 Rm
Trading profit		1 047.4	895.6		
Depreciation and amortisation		325.4	304.7		
Share options expense		22.4	10.0		
Net operating lease obligations		47.8	58.9		
Trade and other payables		378.1	366.0	0.2	0.1
Inventory		(125.6)	(341.1)		
Trade and other receivables		(85.2)	15.7	(0.2)	(0.1)
Cash generated from trading operations		1 610.3	1 309.8	—	—
Interest received		56.7	81.4	—	—
Cash generated from operations		1 667.0	1 391.2	—	—
Interest paid		(37.6)	(32.9)		
Dividend received from associate		—	6.1		
Dividends received		0.2	—	257.3	214.4
Dividends paid by Company	3	(257.3)	(214.4)	(257.3)	(214.4)
Dividends paid to minorities		(194.7)	(167.2)		
Tax paid		(565.5)	(341.1)		
Net cash generated from operating activities		612.1	641.7	—	—
Acquisition of stores		(5.2)	—		
Intangible asset additions		(90.0)	(25.3)		
Property additions		(273.5)	(79.3)		
Proceeds on disposal of property		25.3	5.6		
Equipment and vehicle additions		(537.6)	(401.1)		
Proceeds on disposal of equipment and vehicles		24.3	—		
Leased vehicle additions		(25.3)	(19.9)		
Loans advanced		(1.1)	(6.8)		
Proceeds from sale of Boardmans		—	78.1		
Net cash utilised in investing activities		(883.1)	(448.7)	—	—
Interest-bearing debt raised/(repaid)		11.4	(112.9)		
Issue of new shares by a subsidiary		—	12.2		
Share repurchases		(132.0)	(267.3)		
Take-up of share options from share trust		25.2	23.8		
Net cash utilised in financing activities		(95.4)	(344.2)	—	—
Net decrease in cash and cash equivalents		(366.4)	(151.2)		
Cash and cash equivalents at 1 March		1 329.0	1 502.5		
Effect of exchange rate fluctuations on cash and cash equivalents		(18.0)	(22.3)		
Cash and cash equivalents at 28 February		944.6	1 329.0	—	—

Pick 'n Pay Holdings Limited and its subsidiaries

Notes to the Annual Financial Statements

for the year ended 28 February 2006

Except as presented below, the accounting policies and the notes to the annual financial statements and Group annual financial statements for Pick 'n Pay Holdings Limited are identical to those disclosed for Pick 'n Pay Stores Limited on pages 115 to 163.

1. Directors' emoluments and directors' interest in shares

For emoluments paid to directors refer to note 3 of the Pick 'n Pay Stores Limited financial statements on page 124.

The following share options are held by directors:

1997 Share Option Scheme

Directors – Pick 'n Pay Stores Limited	Year granted	Option grant price	Balance held at	Granted during the year	Balance held at	Available for take-up
			1 March 2005		28 February 2006	
Dennis Cope	2001	3.80	33 000	—	33 000	Now
	2002	4.50	72 300	—	72 300	Now
			105 300	—	105 300	
David Robins	1999	2.00	200 000	—	200 000	Now
	1999	2.50	100 000	—	100 000	Now
	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	Now
	2003	5.10	180 000	—	180 000	April 2008
	2003	5.10	240 000	—	240 000	April 2010
	2005	8.30	400	—	400	Now
			1 090 500	—	1 090 500	
Sean Summers	2002	4.50	555 600	—	555 600	Now
	2005	8.30	400	—	400	Now
			556 000	—	556 000	

Pick 'n Pay Holdings Limited and its subsidiaries

Notes to the Annual Financial Statements *continued*

for the year ended 28 February 2006

1. Directors' emoluments and directors' interest in shares *(continued)*

Directors' direct interest in shares

The following shares are held by directors and senior executives:

	Balance held at 1 March 2005 000's	Additions during the year 000's	Average purchase price per share R	Disposals during the year 000's	Average selling price per share R	Net proceeds received Rm	Balance held at 28 February 2006 000's	Beneficial/ non- beneficial interest
Directors – Pick 'n Pay Holdings Limited								
Raymond Ackerman	689.3	—	—	24.6***	—	—	664.7	Beneficial
Gareth Ackerman*	2 789.9	41.3	12.45	—	—	—	2 831.2	Non- beneficial
Raymond Ackerman/ Wendy Ackerman/ Gareth Ackerman**	257 164.5	637.5	13.05	—	—	—	257 802.0	Non- beneficial
Hugh Herman	130.0	—	—	—	—	—	130.0	Beneficial
Directors – Pick 'n Pay Stores Limited								
Dennis Cope	200.0	—	—	—	—	—	200.0	Beneficial
David Nurek	40.0	—	—	—	—	—	40.0	Non- beneficial
David Robins	36.2	—	—	—	—	—	36.2	Beneficial
Sean Summers	1 241.8	—	—	—	—	—	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 253.1 million shares and 4.7 million shares held by the Mistral Trust, of which these directors are trustees.

***Donated for nil consideration.

Pick 'n Pay Holdings Limited and its subsidiaries

	GROUP		COMPANY	
	2006 Cents per share	2005 Cents per share	2006 Cents per share	2005 Cents per share
2. Basic, headline and diluted earnings per share				
Basic earnings (note 2.1)	73.65	66.99	50.91	42.78
Headline earnings (note 2.1)	73.90	64.71	50.91	42.78
Diluted basic earnings (note 2.2)	68.22	62.39	49.65	41.65
Diluted headline earnings (note 2.2)	68.46	60.28	49.65	41.65
2.1 Basic and headline earnings per share	Rm	Rm	Rm	Rm
The calculation of basic earnings (profit for the year) per share and headline earnings per share is based on:				
Basic earnings (profit for the year)	372.2	335.7	257.3	214.4
Headline earnings	373.5	324.3	257.3	214.4
and:	No. of shares 000's	No. of shares 000's	No. of shares 000's	No. of shares 000's
The weighted average number of ordinary shares in issue during the year:	505 367.9	501 132.7	505 367.9	501 132.7
Reconciliation between basic and headline earnings:	Rm	Rm	Rm	Rm
Basic earnings (profit for the year)	372.2	335.7	257.3	214.4
Adjustments (exceptional items):	1.3	(11.4)	—	—
Profit on sale of property	(2.3)	(0.7)	—	—
Loss on sale of equipment and vehicles	3.6	2.0	—	—
Profit on sale of Boardmans	—	(12.7)	—	—
Headline earnings	373.5	324.3	257.3	214.4
Movement in the weighted average number of ordinary shares in issue comprises:	No. of shares 000's	No. of shares 000's	No. of shares 000's	No. of shares 000's
At 1 March	501 132.7	496 207.6	501 132.7	496 207.6
Sale of treasury shares by the share trust, pursuant to the take-up of share options	4 235.2	4 925.1	4 235.2	4 925.1
At 28 February	505 367.9	501 132.7	505 367.9	501 132.7

Pick 'n Pay Holdings Limited and its subsidiaries

Notes to the Annual Financial Statements *continued*

for the year ended 28 February 2006

	GROUP		COMPANY	
	2006 Rm	2005 Rm	2006 Rm	2005 Rm
2. Basic, headline and diluted earnings per share <i>(continued)</i>				
2.2 Diluted basic and headline earnings per share				
The calculation of diluted basic earnings per share and diluted headline earnings per share is based on:				
Diluted basic earnings	353.5	321.2	257.3	214.4
Diluted headline earnings	354.8	310.3	257.3	214.4
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 number of ordinary shares in issue during the year:	518 214.7	514 808.3	518 214.7	514 808.3
Reconciliation between basic earnings and diluted basic earnings:	Rm	Rm	Rm	Rm
Basic earnings (profit for the year)	372.2	335.7	257.3	214.4
Debt interest after tax	1.7	2.2	—	—
Pick 'n Pay Stores Limited's dilution effect	(20.4)	(16.7)	—	—
Diluted basic earnings	353.5	321.2	257.3	214.4
Diluted headline earnings adjustments	1.3	(10.9)	—	—
Diluted headline earnings	354.8	310.3	257.3	214.4
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	No. of shares 000's	No. of shares 000's
Weighted average number of ordinary shares in issue	505 367.9	501 132.7	505 367.9	501 132.7
Dilutive effect of share options	12 846.8	13 675.6	12 846.8	13 675.6
Weighted average number of ordinary shares in issue for purposes of calculating diluted earnings per share	518 214.7	514 808.3	518 214.7	514 808.3

Pick 'n Pay Holdings Limited and its subsidiaries

COMPANY		
	2006 Cents per share	2005 Cents per share
3. Dividends		
No. 47 – declared 18 April 2005 – paid 13 June 2005	37.43	31.00
No. 48 – declared 17 October 2005 – paid 12 December 2005	11.37	9.67
Total dividends paid for the year	48.80	40.67
	Rm	Rm
Total value of dividends paid by the Company	257.3	214.4
For further details, including dividends declared after 28 February 2006, refer to the Directors' Report on page 166 and shareholders' information on page 106.		
4. Investment in subsidiary		
Pick 'n Pay Stores Limited		
257 345 334 (2005: 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	7 797.6	5 944.7

Pick 'n Pay Holdings Limited and its subsidiaries

Notes to the Annual Financial Statements continued

for the year ended 28 February 2006

	COMPANY	
	2006 Rm	2005 Rm
5. Share capital		
Authorised		
800 000 000 ordinary shares of 1.25 cents each	10.0	10.0
Issued		
527 249 082 ordinary shares of 1.25 cents each	6.6	6.6
	000's	000's
Number of shares in issue at 28 February is made up as follows:		
Treasury shares held in the share trust (note 6)	19 368.4	21 559.1
Treasury shares held in a subsidiary company (note 6)	1 488.8	1 306.1
	20 857.2	22 865.2
Shares held outside the Group	506 391.9	504 383.9
At 28 February	527 249.1	527 249.1

118 million of the unissued shares remain under the control of the directors until the next annual general meeting.

Share incentive scheme

In terms of the 1997 Share Option Scheme, approved by the 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 shares granted but not taken up are as follows:

At 1 March

New options granted*

Options taken up**

Options forfeited

At 28 February

Percentage of issued shares

*Average price of options granted during the year

**Average price of options taken up during the year

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

Year	Average grant price
2007	R3.80
2008	R5.10
2009	—
2010	R5.10

Number of options 000's	Number of options 000's
22 552.9	29 525.7
1 076.4	881.2
(3 993.4)	(7 472.9)
(54.4)	(381.1)
19 581.5	22 552.9
3.7%	4.3%
R11.49	R7.90
R3.42	R2.34
19 161.5	
180.0	
—	
240.0	
19 581.5	

Pick 'n Pay Holdings Limited and its subsidiaries

COMPANY		
	2006 Number of shares 000's	2005 Number of shares 000's
5. Share capital <i>(continued)</i>		
The Employee Share Purchase Trust, which administers the 1997 Share Option Scheme, holds the following number of ordinary shares:		
As a hedge against share options granted or to be granted by that scheme, reflected as treasury shares	19 368.4	21 559.1
On behalf of share purchase scheme participants	707.0	1 097.8
	20 075.4	22 656.9

GROUP		
	Rm	Rm
6. Treasury shares		
Treasury shares comprise Pick 'n Pay Holdings Limited shares held by a subsidiary company and the share trust		
At 1 March	60.9	74.8
Share repurchases	20.7	3.7
Take-up of share options	(10.1)	(17.6)
At 28 February	71.5	60.9
	Number of shares 000's	Number of shares 000's
The movement in the number of treasury shares is as follows:		
At 1 March	22 865.2	29 327.6
Shares purchased during the year	1 594.7	415.8
Shares sold during the year, pursuant to the take-up of share options	(3 602.7)	(6 878.2)
At 28 February	20 857.2	22 865.2
Comprises:		
Shares held by share trust	19 368.4	21 559.1
Shares held by a subsidiary company	1 488.8	1 306.1
Average purchase price of shares purchased during the year	R12.99	R9.59

Divisional Directors

The following executives are divisional directors of the main operating companies:

PICK 'n PAY RETAILERS (PTY) LTD.

CHAIRMAN'S EXECUTIVE COMMITTEE (EXCO)

Raymond Ackerman
Sean Summers
Wendy Ackerman
Suzanne Ackerman-Berman
Nick Badminton
Dennis Cope
Isaac Motaung
David Robins
Aubrey Zelinsky

Retired – 1 April 2006

Frans van der Walt
Sakkie Joubert

RETAIL DIVISION MANAGEMENT BOARD

Nick Badminton (44)
Managing Director
Years of Service 26

Jonathan Ackerman (39)
Marketing
Years of Service 15

Dennis Cope (55)
Group Finance
Years of Service 28

Paul Connellan (51)
Foods
Years of Service 28

Harold Dawson (47)
Technology & Systems
Years of Service 16

Bakar Jakoet (50)
Finance
Years of Service 21

Izak Joubert (36)
Property & Operations
Years of Service 13

Dallas Langman (36)
Hypermarkets
Years of Service 16

Isaac Motaung (51)
Human Resources
Years of Service 30

Neal Quirk (50)
Franchise
Years of Service 24

Bronwen Rohland (42)
Expense Control
Years of Service 20

Linda Saacks (50)
Employee Training & Development
Years of Service 26

Sean Summers (52)
CEO
Years of Service 32

Frans van der Walt (58)
Human Resources
Years of Service 31
Retired – 1 April 2006

Chris van Rooyen (48)
General Merchandise
Years of Service 26

GROUP ENTERPRISES EXECUTIVE COMMITTEE

Sean Summers (52)
CEO
Years of Service 32

Hugh Bland (51)
Boxer
Years of Service 18

Dennis Cope (55)
Group Finance
Years of Service 28

Chris Reed (45)
Score
Years of Service 21

David Robins (52)
Deputy Chairman
Years of Service 11

FRANKLINS AUSTRALIA MANAGEMENT BOARD

Directors:

Aubrey Zelinsky (56)
Managing Director
Years of Service 36

Dennis Cope (55)
Group Finance
Years of Service 28

Roni Perlov (43)
Finance
Years of Service 7

David Robins (52)
Deputy Chairman
Years of Service 11

Sean Summers (52)
CEO
Years of Service 32

HYPERMARKET GENERAL MANAGERS:

Bobby Bezuidenhout (60)
Durban
Years of Service 34
Retired – 1 April 2006

George Barry (48)
Durban
Years of Service 15

Mark Bishop (43)
Wonderpark
Years of Service 23

David Crewe (42)
Princess Crossing
Years of Service 18

Jan de Beer (33)
Ottery
Years of Service 8

Hoosain Hansrod (53)
Norwood
Years of Service 26

Ian Hughes (39)
Moffett Park
Years of Service 19

Johannes Letswalo (46)
Bedworth Park
Years of Service 22

Piet Lubbe (43)
Boksburg
Years of Service 21

John Lucas (52)
Brackenfell
Years of Service 27

Louis Nunes (39)
Northgate
Years of Service 17

Devin Richter (32)
Bloemfontein
Years of Service 13

Jacques van Rooyen (46)
Faerie Glen
Years of Service 19

Johan van Zyl (35)
Steele dale
Years of Service 14

Dirk Venter (52)
Klerksdorp
Years of Service 25

SUPERMARKET GENERAL MANAGERS:

Dion Blom (39)
KwaZulu-Natal
Years of Service 16

Andre Coetzer (41)

Gauteng
Years of Service 22

Kevin Korb (46)

Gauteng
Years of Service 24

Llywellyn Dyer (43)

Western Cape
Years of Service 21

Anil Gopichund (37)

Gauteng Corporate
Years of Service 19

Abdurahman Hamdulay (34)

Eastern Cape
Years of Service 13

Luke Louw (48)

Northern Region
Years of Service 24

Duncan Pentz (49)

Free State
Years of Service 25

Wim Theron (38)

Western Cape Corporate
Years of Service 8

**CORPORATE
GENERAL MANAGERS:****Suzanne Ackerman-Berman (43)**

Corporate & Social Affairs
Years of Service 11

Michael Anderson (40)

Food Distribution – Gauteng
Years of Service 3

Peter Arnold (44)

Fresh Foods
Years of Service 22

Malcolm Baxter (58)

Store Planning
Years of Service 37

Solly Bendrau (50)

General Merchandise
Years of Service 28

Gigi Bisogno (50)

National Perishable Buyer
Years of Service 29

Tessa Chamberlain (46)

Marketing
Years of Service 7

Rob Clifford (57)

National Operations
Years of Service 12

Michael Coles (51)

Clothing
Years of Service 11

Charl Cowley (34)

Group Audit Services
Years of Service 6

Dharmalingum Dass (48)

General Merchandise
Years of Service 28

Louis de Beer (49)

Bakeries
Years of Service 27

Helen de Light (51)

Industrial Relations
Years of Service 20

Ivan Diepraam (52)

Franchise – Merchandise
Years of Service 25

Stuart Duffield (48)

General Merchandise
Years of Service 28

Brian Gregson (46)

Operations – Gauteng
Years of Service 18

Shane Green (41)

Senior Buyer – Western Cape
Years of Service 23

Cornelius Grobbelaar (54)

Group Audit Services
Years of Service 24

Ronnie Herzfeld (59)

Corporate Finance
Years of Service 31

Cindy Jenks (36)

Corporate Brands
Years of Service 15

Sakkie Joubert (60)

Group Audit Services
Years of Service 36
Retired – 1 April 2006

George Jones (58)

Employee Benefits
Years of Service 18

Kobus Kuyler (47)

Safety & Security
Years of Service 3

Gary Lea (40)

Group Finance
Company Secretary
Years of Service 9

Pearly Ling (41)

National Operations
Years of Service 9

Warren Lupke (33)

National Produce
Years of Service 13

Warren Marsden (51)

General Merchandise –
Store Liaison
Years of Service 28

Rodney Mundell (49)

General Merchandise
Years of Service 24

Ray Murray (57)

Corporate
Years of Service 31

Malcolm Mycroft (49)

General Merchandise
Years of Service 28

Adrian Naude (35)

Buyer – Gauteng
Years of Service 8

Kader Patel (45)

Hypermarkets – Foods
Years of Service 23

Cedric Ross (45)

Hypermarkets – Foods
Years of Service 23

Frikkie Rossouw (57)

Home Shopping
Years of Service 31

Dave Rappoport (55)

Hypermarkets – General
Merchandise
Years of Service 35

Andre Siebrits (49)

Pick 'n Pay Go Banking
Years of Service 28

David Smith (51)

Supermarkets – National
Foods
Years of Service 31

Rob Speedy (36)

Business Systems
Years of Service 14

Dalene van Aswegen (55)

Property
Years of Service 25

Frans van der Colff (47)

Franchise
Years of Service 18

Lyndsay Webster-Rozon (35)

Strategy
Years of Service 6

Leon Wilkisky (59)

Systems – Store Automation
Years of Service 34

Kevin Wynne (47)

Human Resources
Years of Service 25

BUYERS:**Rowan Armstrong (42)**

General Merchandise
Years of Service 21

Roy Campbell (50)

General Merchandise
Years of Service 29

Divisional Directors continued

Neil Cooke (48)
Corporate Brands
Years of Service 26

Moosa Hans (59)
Hypermarkets
Years of Service 26

Geoff Kahn (57)
Hypermarkets
Years of Service 26

Des Moodley (51)
KwaZulu-Natal
Years of Service 31

Peter Powell (48)
Northern Region
Years of Service 9

Hennie Roets (36)
General Merchandise
Years of Service 16

Alan van den Berg (39)
Gauteng
Years of Service 19

Naas van Poucke (48)
Western Cape – Distribution
Years of Service 23

ADMINISTRATION

David Braun (53)
Vuselela 365
Years of Service 28

Liza de Freitas (33)
Northern Region – Chief Accountant
Years of Service 10

Graeme Gathmann (35)
Hypermarkets – Chief Accountant
Years of Service 10

Cindy Hoffmann (46)
Human Resources – Gauteng
Years of Service 17

Christine Janse van Rensburg (47)
National Human Resources
Years of Service 17

Loretta Kelly (51)
Corporate Accountant
Years of Service 35

Graeme Laithwaite (61)
Corporate Expense Control
Years of Service 22

Henry Lefevre (58)
Group Audit Services
Years of Service 34

Karyn Leibbrandt (46)
KwaZulu-Natal – Chief Accountant
Years of Service 21

Yacoob Mola (51)
Human Resources
Years of Service 17

Fred Pearl (60)
Corporate Accountant
Years of Service 35
Retired – 1 April 2006

Petrus Steyn (36)
Gauteng – Chief Accountant
Years of Service 11

Brian Strydom (51)
Eastern Cape – Chief Accountant
Years of Service 22

Mohammed Vally (52)
FDC – Chief Accountant
Years of Service 33

Erna Vause (63)
SAP development
Years of Service 21

Vaughan Veale (52)
Franchise
Years of Service 24

SCORE SUPERMARKETS

General Managers:

Leon de Lange (39)
Operations
Years of Service 18

Ralene Haynes (37)
Finance
Years of Service 4

David Ramsden (46)
Merchandise
Years of Service 24

Anderson Tshaya (56)
Human Resources
Years of Service 16

BLUE RIBBON MEAT

Operational Directors:

Ian Crook (48)
National General Manager
Years of Service 24

Donald Johnson (59)
Kwa-Zulu Natal General Manager
Years of Service 35

Beverley Marks (49)
Human Resources
Years of Service 18

Malcolm Simpson (58)
Western Cape General Manager
Years of Service 38
Retired – 1 April 2006

Tracey Wellington (39)
Finance
Years of Service 13

General Managers:

Peter Elliot (51)
Gauteng
Years of Service 30

Donavan Hayes (43)
Western Cape
Years of Service 23

BOXER SUPERSTORES

Directors:

Pat Goss (57)
Non-Executive
Years of Service 17

Rod Bell (53)
Operations
Years of Service 23

Marek Masojada (40)
Finance
Years of Service 12

Eugene Stoop (51)
Merchandise
Years of Service 14

Ian Bamber (38)
Human Resources
Years of Service 10

FRANKLINS AUSTRALIA

General Managers:

Graham Gardener (50)
Property
Years of Service 4

Johan Grobler (40)
Finance
Years of Service 15

Alan Malakou (50)
Operations
Years of Service 5

Bill Morgan (61)
Franchise
Years of Service 7

Stan Srage (41)
Merchandise
Years of Service 16

TM SUPERMARKETS

Executive Directors:

Graham Jacobs (61)
Finance
Years of Service 20

Mike Oakley (57)
Managing Director
Years of Service 36

Pick 'n Pay Stores Limited

Notice of Annual General Meeting

The 38th annual general meeting ("AGM") of shareholders of Pick 'n Pay Stores Limited ("the Company") for the year ended 28 February 2006 will be held at 09h00 on Thursday, 15 June 2006. To ensure that registration procedures are completed by 09h00, please register for the AGM from 08h30.

The venue will be the conference centre at the new registered office, Pick 'n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town 7708.

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

1. Ordinary resolution number 1

Approval of annual financial statements

"Resolved that the annual financial statements of the Company and its subsidiaries, for the year ended 28 February 2006, 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

Mr Raymond David Ackerman, Mr Dennis Gershon Cope, Mr David Robins and Mr Benedict James van der Ross retire in accordance with the Company's articles of association but, being eligible, offer themselves for re-election.

Raymond David Ackerman (75)

Raymond Ackerman founded Pick 'n Pay in 1967 and has been its Chairman ever since. He was also CEO of the Group until 1999 when he appointed Sean Summers in that position. He has won many

accolades during the years as a leader, a businessman and as the champion of the consumer.

Dennis Gershon Cope (55)

Dennis has been with the Group for 28 years, initially joining the Pick 'n Pay Butcheries division as the accountant and then Finance Director. In 1986 Dennis joined the Pick 'n Pay corporate finance team responsible for various financial areas. In 1995 he was appointed Finance Director of the Group Enterprises division and then in 1999 as Group Finance Director.

David Robins (52)

David joined the Group in 1994 and was appointed to the Group Enterprises management board in 2005 as the executive responsible for expansion outside our South African borders. In 2002 David was appointed as Deputy Chairman of the Group and also as an executive director of the Company.

Benedict James van der Ross (59)

Ben van der Ross is a director of companies. Ben qualified as an attorney, was admitted to the Cape Side Bar and was in private practice for 16 years. Thereafter, Ben became an executive director with the Urban Foundation, deputy chief executive of the Rail Commuter Corporation and Chief Executive of Business South Africa from 2003 to 2004. He was appointed to the Board in 2000 and is a member of the Audit and Corporate Governance 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 Raymond David Ackerman as director

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

Notice of Annual General Meeting continued

Ordinary resolution number 3.2

Appointment of Dennis Gershon Cope as director

“Resolved that Dennis Gershon Cope, be and is hereby elected as director of the Company.”

Ordinary resolution number 3.3

Appointment of David Robins as director

“Resolved that David Robins, be and is hereby elected as director of the Company.”

Ordinary resolution number 3.4

Appointment of Benedict James van der Ross as director

“Resolved that Benedict James van der Ross, be and is hereby elected as director of the Company.”

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 2006, 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 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) (“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 Limited (“JSE”) Listings Requirements (“JSE Listings Requirements”) as presently constituted and which may be amended from time to time, and provided that acquisitions by the Company and its subsidiaries, of shares in the capital of the Company may not, in the aggregate, exceed in any one financial year 5% (five percent) of the Company's issued share capital of the class of repurchased shares from the date of the grant of this general approval.

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 approval 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 approval and for each 3% (three percent) in aggregate of the initial number of that class of shares acquired thereafter, which announcement shall contain full details of such acquisitions;
- d. in determining the price at which the Company's shares are acquired by the Company or its

Pick 'n Pay Stores Limited

subsidiaries in terms of this general approval, the maximum price at which such shares may be acquired may not be greater than 10% (ten percent) above the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date of the acquisition of such shares by the Company or its subsidiaries; 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 limitations 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 approval to repurchase shares in the capital of the Company if at some future date the cash resources of the Company are in excess of its requirements or there are other good grounds for doing so. In this regard the directors will take account of, *inter alia*, an appropriate capitalisation structure for the Company, the long-term cash needs of the Company, and the interests of the Company;
- 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 the annual general meeting; and
- b.4 the working capital available to the Company and its subsidiaries will, after the repurchase, be sufficient for the ordinary business requirements of the Company and its subsidiaries for the next 12 (twelve) months after the date of this notice of the annual general meeting.

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)

Notice of Annual General Meeting continued

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 JSE Listings Requirements 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 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 and the JSE Listings Requirements as presently constituted and which may be amended from time to time and, provided that such issues for cash may not, in the aggregate, in any 1 (one) financial year, exceed 5% (five percent) of the number of shares of the relevant class of shares issued prior to 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 Listings 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;
- 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

Pick 'n Pay Stores Limited

effect on the net asset value, net tangible asset value per share and earnings per share and headline 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 general 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."

8. Special resolution number 2

Amendment of the articles of association

"The Company hereby resolved that the Company's articles of association be amended by the deletion of and substitution for Articles 134 and 137 to 145 with the following new Articles 134.1, 134.2 and 137 to 145:

- 134.1** A copy of the Company's annual financial statements, including every document required by the Statutes to be attached thereto which is to be laid before the

Company in general meeting, shall, pursuant to the Statutes and Articles 137 to 145 setting forth the notice requirements be sent to every member or debenture holder or any other person entitled to receive notices of general meetings of the Company at the same time and in the same manner as notices of general meetings are given to members.

- 134.2** Not later than three months after the expiration of the first period of six months of its financial year the Company shall, pursuant to Articles 137 to 145 setting forth the notice requirements, send to every member and debenture holder the interim report prescribed by the Act containing the information referred to in the Act.

Notices

- 137** Notwithstanding anything contained in these Articles, the Company may give or send to any member, director and/or member of a committee any notice or other document by delivery, post or (except for a share certificate) by telefax, e-mail or other electronic communication insofar and in such manner as is permitted by law including, without limitation, by way of notification to the member, director and/or member of a committee of its publication on a website.
- 138** Any member or director shall be entitled to have a notice served on him/her at any address outside the Republic of South Africa; provided that if on three consecutive occasions a notice to such member addressed to that address is returned undelivered, such member shall not thereafter be entitled to receive notices from the Company until the member gives notice in writing to the Company of a new address for the service of

Notice of Annual General Meeting continued

notices. For this purpose, a notice sent by post shall be treated as returned undelivered if the notice is sent back to the Company or its agent and a notice sent by electronic communication shall be treated as returned undelivered if the Company or its agent receives notification that the notice was not delivered to the address to which it was sent.

139 Every notice or document sent to:

139.1 a director or other committee member at his/her address shown in the register of directors or committee members, as the case may be, or in the case of an electronic communication any telefax number, e-mail or other electronic communication address provided by the director or other committee member for the purposes of Article 137, whether or not such address is included in the relevant register; or

139.2 a member at his/her address shown in the register of members or in the case of an electronic communication any telefax number, e-mail or other electronic communication address provided by the member for the purposes of Article 137, whether or not such address is included in the register of members;

shall be deemed to have been received:

139.3 if it is delivered by an employee or officer of the Company, on the date on which it is so delivered;

139.4 if it is delivered by way of a courier or delivery service provider, 48 hours after it is given to the courier or other delivery service provider for delivery and in proving the giving of the

notice/document by courier or delivery service it shall be sufficient to prove that the notice/document was properly addressed and given to the courier or delivery service provider;

139.5 if it is sent by post, 48 hours after it is so posted and in proving the giving of the notice/document by post, it shall be sufficient to prove that the letter containing the notice/document was properly addressed and posted; and

139.6 if it is sent by e-mail, telefax or other electronic communication, 24 hours after the e-mail, telefax or other electronic communication containing same is sent (despatched) to the relevant e-mail address, telefax number or other electronic address and in proving the giving of the such notice/document it shall be sufficient to prove that it was sent (as opposed to received) to the proper e-mail address, fax number or other electronic communication address and a printout of the electronic confirmation of despatch of the telefax, e-mail or electronic communication shall constitute conclusive proof that it was sent, unless the contrary is proved.

140 Any notice or other document may be served or delivered by the Company by reference to the register as it stands at the close of business on such day as the Board shall determine not being more than 21 (twenty one) days before the date of the despatch of the notice. No change in the register after such time shall invalidate a notice or other document so served or delivered.

Pick 'n Pay Stores Limited

141 Whenever a notice is to be given it may be given by the Company to the joint holders of a share by giving the notice to the joint holder named first in the register in respect of the share.

142 Whenever a notice is to be given in any of the aforementioned methods, the notice may be given by the Company to the persons entitled to a share in consequence of the death or insolvency of a member or any other event giving rise to the transmission of the shares by law (including, without limitation, any executor, trustee or administrator), at the address (including telefax number, e-mail or other electronic communication address) supplied for that purpose by the persons claiming to be so entitled with reference to the name of such representative, the deceased or insolvent member or the title of the representative or any like description. Until such an address has been so supplied the Company may give the notice in any manner in which the same might have been given if the death, insolvency or other event giving rise to the transmission had not occurred. A notice given to the registered member shall be binding on all persons claiming on the member's death, insolvency or other event giving rise to the transmission of the member's interests.

143 The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings of that meeting.

144 When a given number of days' notice or notice extending over any other period is required to be given, the day of service shall not be counted in such number of days or period.

145 The signature to any notice given by the Company may be written or printed, or partly written and partly printed."

Reason for and effect of special resolution number 2

The reason for special resolution number 2 is to amend the articles of association of the Company to allow for notices to be sent to directors and members via electronic means of communication.

9. 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."

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 pages 16 and 182;
- the major shareholders of the Company on page 54;
- the directors' shareholding in the Company on page 126; and
- the share capital of the Company in note 18 on page 141 and an analysis of the shareholders on page 54.

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 2006 and the reporting date.

The directors, whose names are given on pages 16 and 17 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

Pick 'n Pay Stores Limited

Notice of Annual General Meeting continued

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 or to the transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, the details of which are set out on page 106 of the annual report, by no later than 09h00 on Wednesday, 14 June 2006, being 24 hours prior to the time appointed for the holding of the annual general 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:

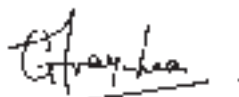
- if you wish to attend the annual general meeting you must contact your CSDP or broker, as the

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 or to the transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, the details of which are set out on page 106 of the annual report, by no later than 09h00 on Wednesday, 14 June 2006, being 24 hours prior to the time appointed for the holding of the annual general meeting.

By order of the Board



G F Lea

Company Secretary

Cape Town
8 May 2006

Pick 'n Pay Holdings Limited

Notice of Annual General Meeting

The 25th annual general meeting ("AGM") of shareholders of Pick 'n Pay Holdings Limited ("the Company") for the year ended 28 February 2006 will be held at 09h30, or as soon as the annual general meeting for Pick 'n Pay Stores Limited is completed, on Thursday, 15 June 2006. Registration for attendance at the AGM will commence at 08h30.

The venue will be the conference centre at the new registered office, Pick 'n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town 7708.

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

1. Ordinary resolution number 1

Approval of annual financial statements

"Resolved that the annual financial statements of the Company and its subsidiaries, for the year ended 28 February 2006, 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

Gareth Mark Ackerman and Colin Hultzer retire in accordance with the Company's articles of association, but being eligible, offer themselves for re-election.

Gareth Mark Ackerman (48)

Gareth 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 the Company.

Colin Hultzer (70)

Colin is an independent non-executive director. Colin was appointed to the Board in 1993 after a career with Arthur Andersen. Colin serves on other boards as a non-executive director and has been a member of the Pick 'n Pay Audit, Risk and Compliance Committee since its inception and as Chairman of that committee since 1999.

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 Gareth Mark Ackerman as director

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

Ordinary resolution number 3.2

Appointment of Colin Hultzer as director

"Resolved that Colin Hultzer 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

Notice of Annual General Meeting continued

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

Additional 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 approval 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 acquired in issue at the time of granting of this general approval and for each 3% (three percent) in aggregate of the initial number of

that class of shares acquired thereafter, which announcement(s) 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 approval, the maximum price at which such shares may be acquired may not be greater than 10% (ten percent) above the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date of acquisition 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 limitations 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 to acquire shares in the capital of the Company if at some future date the cash resources of the Company are in excess of its requirements or there are other good grounds for doing so. In this regard the directors will take account of, *inter alia*, an appropriate capitalisation structure for the Company, the long-term cash needs of the Company, and the interests of the Company;
- 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

Pick 'n Pay Holdings Limited

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

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 JSE Listings Requirements 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.

Notice of Annual General Meeting continued

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 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 that such issues for cash may not, in the aggregate, in any 1 (one) financial year, exceed 5% (five percent) of the number of the shares of the relevant class of shares issued prior to 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, earnings per share and headline 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 general 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

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- f. any issue will only be made to “public shareholders” as defined by the JSE Listings Requirements and not to related parties.”

7. Special resolution number 2

Amendment of the articles of association

“The Company hereby resolved that the Company's Articles of Association be amended by the deletion of and substitution for Articles 101, 102 and 106 to 114 with the following new Articles 101, 102 and 106 to 114:

101 A copy of the company's annual financial statements, including every document required by the Statutes to be attached thereto which is to be laid before the company in general meeting, shall, pursuant to the Statutes and Articles 106 to 114 setting forth the notice requirements, be sent to every member or debenture holder or any other person entitled to receive notices of general meetings of the company at the same time and in the same manner as notices of the ordinary meeting are given to members.

102 Not later than three months after the expiration of the first period of six months of its financial year the company shall, pursuant to Articles 106 to 114 setting forth the notice requirements, send every member and debenture holder the interim report prescribed by the Companies Act containing the information referred to in the Companies Act.

Notices

106 Notwithstanding anything contained in these Articles, the company may give or send to any member, director and/or member of a committee any notice or other document by

delivery, post or (except for a share certificate) by telefax, e-mail or other electronic communication insofar and in such manner as is permitted by law including, without limitation, by way of notification to the member, director and/or member of a committee of its publication on a website.

107 Any member or director shall be entitled to have a notice served on him/her at any address outside the Republic of South Africa; provided that if on three consecutive occasions a notice to such member addressed to that address is returned undelivered, such member shall not thereafter be entitled to receive notices from the company until the member gives notice in writing to the company of a new address for the service of notices. For this purpose, a notice sent by post shall be treated as returned undelivered if the notice is sent back to the company or its agent and a notice sent by electronic communication shall be treated as returned undelivered if the company or its agent receives notification that the notice was not delivered to the address to which it was sent.

108 Every notice or document sent to:

108.1 a director or other committee member at his/her address shown in the register of directors or committee members, as the case may be, or in the case of an electronic communication any telefax number, e-mail or other electronic communication address provided by the director or other committee member for the purposes of Article 106, whether or not such address is included in the relevant register; or

Notice of Annual General Meeting continued

108.2 a member at his/her address shown in the register of members or in the case of an electronic communication any telefax number, e-mail or other electronic communication address provided by the member for the purposes of Article 106, whether or not such address is included in the register of members;

shall be deemed to have been received:

108.3 if it is delivered by an employee or officer of the company, on the date on which it is so delivered;

108.4 if it is delivered by way of a courier or delivery service provider, 48 hours after it is given to the courier or other delivery service provider for delivery and in proving the giving of the notice/document by courier or delivery service it shall be sufficient to prove that the notice/document was properly addressed and given to the courier or delivery service provider;

108.5 if it is sent by post, 48 hours after it is so posted and in proving the giving of the notice/document by post, it shall be sufficient to prove that the letter containing the notice/document was properly addressed and posted; and

108.6 if it is sent by e-mail, telefax or other electronic communication, 24 hours after the e-mail, telefax or other electronic communication containing same is sent (despatched) to the relevant e-mail address, telefax number or other electronic address and in proving the giving of the such notice/document it shall be sufficient

to prove that it was sent (as opposed to received) to the proper e-mail address, telefax number or other electronic communication address and a printout of the electronic confirmation of despatch of the telefax, e-mail or electronic communication shall constitute conclusive proof that it was sent, unless the contrary is proved.

109 Any notice or other document may be served or delivered by the company by reference to the register as it stands at the close of business on such day as the board shall determine not being more than 21 (twenty one) days before the date of the despatch of the notice. No change in the register after such time shall invalidate a notice or other document so served or delivered.

110 Whenever a notice is to be given it may be given by the company to the joint holders of a share by giving the notice to the joint holder named first in the register in respect of the share.

111 Whenever a notice is to be given in any of the aforementioned methods, the notice may be given by the company to the persons entitled to a share in consequence of the death or insolvency of a member or any other event giving rise to the transmission of the shares by law (including, without limitation, any executor, trustee or administrator), at the address (including telefax number, e-mail or other electronic communication address) supplied for that purpose by the persons claiming to be so entitled with reference to the name of such representative, the deceased or insolvent member or the title of the representative or

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any like description. Until such an address has been so supplied the company may give the notice in any manner in which the same might have been given if the death, insolvency or other event giving rise to the transmission had not occurred. A notice given to the registered member shall be binding on all persons claiming on the member's death, insolvency or other event giving rise to the transmission of the member's interests.

- 112** The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings of that meeting.
- 113** When a given number of days' notice or notice extending over any other period is required to be given, the day of service shall not be counted in such number of days or period.
- 114** The signature to any notice given by the company may be written or printed, or partly written and partly printed."

Reason for and effect of special resolution number 2

The reason for special resolution number 2 is to amend the articles of association of the Company to allow for notices to be sent to directors and members via electronic means of communication.

8. 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."

9. 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 17;
- the major shareholders of the Company on page 54;
- the directors' shareholding in the Company on page 174; and
- the share capital of the Company in note 5 on page 178, and an analysis of the shareholders on page 54.

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 2006 and the reporting date.

The directors, whose names are given on page 17 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

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Notice of Annual General Meeting continued

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 or to the transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, the details of which are set out on page 106 of the annual report, by no later than 09h30 on Tuesday, 13 June 2006, being 48 hours prior to the time appointed for the holding of the annual general meeting.

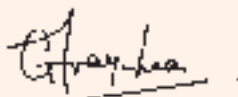
Please note that if you are the owner of dematerialised shares (i.e. have replaced the paper share certificates representing the shares with electronic records of ownership under the JSE's electronic settlement system, Share Transactions Totally Electronic ("STRATE")) held through a CSDP or broker and 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 or to the transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, the details of which are set out on page 106 of the annual report, by no later than 09h30 on Tuesday, 13 June 2006, being 48 hours prior to the time appointed for the holding of the annual general meeting.

By order of the Board



G F Lea

Company Secretary

Cape Town
8 May 2006

Form of Proxy

For use at the annual general meeting of the Company to be held at the new registered office of the Company, Pick 'n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town in the conference centre at 09h00 on Thursday, 15 June 2006 (the "annual general meeting").

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

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

Each shareholder entitled to attend and vote at the annual general meeting is entitled to appoint 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 representing a member that is not a corporation 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 Chairperson 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: Appointment of the auditors			
Ordinary resolution	no. 3.1: Election of Mr R D Ackerman as director			
Ordinary resolution	no. 3.2: Election of Mr D G Cope as director			
Ordinary resolution	no. 3.3: Election of Mr D Robins as director			
Ordinary resolution	no. 3.4: Election of Mr B J Van der Ross as director			
Ordinary resolution	no. 4: Approval of directors' fees and housing loans			
Special resolution	no. 1: General approval 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			
Special resolution	no. 2: Amendment to articles of association			
Ordinary resolution	no. 8: Directors' authority to implement Company resolutions			

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

Signed at _____ on _____ 2006

Signature _____

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

Assisted by me (where applicable – see note 6) _____ 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 which 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 form will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable 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 the new registered office of the Company, Pick 'n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708 or posted to the Company Secretary at PO Box 23087, Claremont 7735, or lodged with or posted to the transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107, South Africa).
- Forms of proxy must be received or lodged by no later than 09h00 on Wednesday, 14 June 2006, being 24 hours before the annual general meeting to be held at 09h00 on Thursday, 15 June 2006.
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 Secretary or waived by the Chairperson 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 Secretary or to the transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107, South Africa), 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 Company Secretary.

Form of Proxy

For use at the annual general meeting of the Company to be held at the new registered office of the Company, Pick 'n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town in the conference centre at 09h30 or as soon as the annual general meeting for Pick 'n Pay Stores Limited is completed, on Thursday, 15 June 2006 (the "annual general meeting").

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

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

Each shareholder entitled to attend and vote at the annual general meeting is entitled to appoint 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:	Appointment of the auditors			
Ordinary resolution	no. 3.1:	Election of Mr G M Ackerman as director			
Ordinary resolution	no. 3.2:	Election of Mr C Hultzer 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			
Special resolution	no. 2:	Approval of amendment to articles of association			
Ordinary resolution	no. 7:	Directors' authority to implement Company resolutions			

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

Signed at _____ on _____ 2006

Signature _____

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

Assisted by me (where applicable – see note 6) _____ Telephone number _____

Please read the notes overleaf.

Pick 'n Pay Holdings Limited

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 form will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable 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. A proxy shall be entitled to demand that voting take place on a poll.
 3. Proxy forms must be lodged at the new registered office of the Company, Pick 'n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708 or posted to the Company Secretary at PO Box 23087, Claremont 7735, or lodged with or posted to the transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107, South Africa).
- Forms of proxy must be received or lodged by no later than 09h30 on Tuesday, 13 June 2006, being no later than 48 hours before the annual general meeting to be held at 09h30 on Thursday, 15 June 2006.
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 Secretary or waived by the Chairperson 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 Secretary or to the transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107, South Africa), 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 Company Secretary.